

SWT Scrutiny Committee

Monday, 20th January, 2020,
6.15 pm

The logo for Somerset West and Taunton, featuring the text "Somerset West and Taunton" in white on a teal background with a white swoosh at the bottom right.

The John Meikle Room - The Deane
House

Members: Gwil Wren (Chair), Libby Lisgo (Vice-Chair), Ian Aldridge, Sue Buller, Norman Cavill, Dixie Darch, John Hassall, John Hunt, Sue Lees, Dave Mansell, Hazel Prior-Sankey, Phil Stone, Nick Thwaites, Danny Wedderkopp and Keith Wheatley

Agenda

1. Apologies

To receive any apologies for absence.

2. Minutes of the previous meeting of the Scrutiny Committee held on 8 January (attached)

To approve the minutes of the previous meeting of the Committee.

3. Declarations of Interest

To receive and note any declarations of disclosable pecuniary or prejudicial or personal interests in respect of any matters included on the agenda for consideration at this meeting.

(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes.)

4. Public Participation

The Chair to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak

(Pages 5 - 14)

before Councillors debate the issue.

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| 5. Housing Revenue Account (HRA) - Business Plan Review. Report of The Director of Housing (attached). | (Pages 15 - 64) |
| 6. East Quay Wall, Watchet - Maintenance Report. Report of The Localities Manager (attached). | (Pages 65 - 94) |
| 7. Corporate Performance Report. Report of the Business Intelligence and Performance Manager (For Information) (attached). | (Pages 95 - 100) |
| 8. Scrutiny Committee Forward Plan
To receive items and review the Forward Plan. | (Pages 101 - 102) |



JAMES HASSETT
CHIEF EXECUTIVE

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If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group. These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room. Full Council, Executive, and Committee agendas, reports and minutes are available on our website: www.somersetwestandtaunton.gov.uk

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SWT Scrutiny Committee - 8 January 2020

Present: Councillor Gwil Wren (Chair)

Councillors Libby Lisgo, Ian Aldridge, Sue Buller, John Hassall, John Hunt, Sue Lees, Dave Mansell, Phil Stone, Nick Thwaites, Simon Coles, Mark Lithgow and Alan Wedderkopp

Officers:

Also Present: Councillors Chris Booth, Dave Durdan, Marcus Kravis, Richard Lees, Janet Lloyd, Peter Pilkington, Federica Smith-Roberts, Ray Tully and Loretta Whetlor

(The meeting commenced at Time Not Specified)

45. Apologies

Apologies were received from Councillors Cavill, Darch, Milne, Prior-Sankey, D Wedderkopp and Wheatley.

Councillor Coles substituted for Prior-Sankey
 Councillor Lithgow substituted for Councillor Darch
 Councillor A Wedderkopp substituted for Councillor Wheatley.

46. Minutes of the previous meeting of the Scrutiny Committee

(Minutes of the meeting of the Scrutiny Committee held on 6 November 2019 circulated with the agenda)

Resolved that the minutes of the Scrutiny Committee held on 6 November 2019 be confirmed as a correct record.

47. Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of Interest	Reason	Action Taken
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr J Hunt	All Items	SCC	Personal	Spoke and Voted
Cllr S Lees	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr L Lisgo	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr M Lithgow	All Items	Wellington	Personal	Spoke and Voted

Cllr D Mansell	All Items	Wiveliscombe	Personal	Spoke and Voted
Cllr A Wedderkopp	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr G Wren	All Items	Clerk to Milverton PC	Personal	Spoke and Voted

48. **Public Participation**

No members of the public had requested to speak on any item on the agenda.

49. **Scrutiny Committee Action Plan**

(There were no outstanding Scrutiny Committee Actions from previous meetings).

Resolved that the Scrutiny Committee Action Plan be noted.

50. **Homelessness and Rough Sleeper Strategy. Report of the Strategy Specialist and Customer Specialist – Housing Options (Item deferred to February)**

The item of the Homelessness and Rough Sleeper Strategy had been deferred until the meeting scheduled on 5 February 2020.

51. **Voluntary and Community Sector Grants Annual Review 2019/20. Report of the Localities Manager (attached)**

Somerset West and Taunton Council (SWT) provides financial support to a wide range of Voluntary and Community Sector (VCS) organisations that help deliver corporate priorities consistent to community needs. VCS grants were awarded by the Council via the Economic Development Function, Housing Function, Tenants Forum, Localities Function, Charter Trustees (Unparished Area) and through Section 106 planning gain.

All grantees entered into a funding agreement with the Council and grants were monitored to ensure that conditions were adhered to and that the grant funding maximised to benefit communities across the district.

Historically the Council carried out an annual review of the grants provided through the Somerset West and Taunton (SWT) Small Grants Fund, SWT Partnership Fund and presents the findings to Members. This year the review had been extended to grants provided by the Housing Function and services commissioned to the Voluntary and Community Sector.

The following Grant Funds were included in this review:

- SWT VCS Partnership Fund
- SWT Small grants
- SWT administration fees
- Somerset West Lottery Community Fund
- Housing Grants awarded from the Housing Revenue

The following grant funds were not in the scope of the review:

- Tenants Forum
- Housing/Homeless reduction grants
- Charter Trustees Unparished Fund
- Planning Obligations (Section 106) funds
- Economic Development and Arts Grants
- Other services commissioned to the Voluntary Sector.

The review took into account the amount of funding provided, the service/s provided, performance against the grant proposal and recommendations made by Somerset Community Foundation.

The review looked forward to 2020/21 and considered applications for funding and the allocation of available budgets.

The review took a close look at Citizen Advice Taunton and West Somerset Advice. Last year Somerset County Council made a decision to cut a significant element of core grant funding to all CA services across the county. CA services provided councils with valuable assistance in relation to providing customers with housing, debt and benefits advice. SWT provided a 'one –off' additional payment of £45k to help stabilise CA services. The review took a close look at how this money was invested, and considered the need for additional support.

In July 2016 TDBC and SWT entered into an agreement with Somerset Community Foundation (SCF) to provide a professional grant management service enabling the VCS Small Grants Fund. The agreement included the administration of the fund, due diligence checks, making recommendations for grant awards to the Council and monitoring of grants.

As of April 2017 SCF received £20,000 per year for the VCS Small Grants Fund. The agreement stated that SCF may use no more than 10% of the Small Grants Fund for the purpose of managing the fund. In 2017 a decision was made to utilise underspent funds to increase the award to £22,000 allowing SCF to take up to 10% administration fee and award £20,000

In December 2018 the Council varied the agreement with Somerset Community Foundation, to include in addition to the Small Grants Fund the administration of the Somerset West Lottery Local Community Fund and VCS Partnership Fund.

SCF pledged to provide a minimum of 10% match funding. In some individual grants the match fund contribution exceeded the SWTC grant. The match fund total administration costs to the Council 2019/20 was set out in Appendix A:

CAs across the county were operating in a very challenging environment, both financially and with regard to systems that were placing ever-increasing demands on its services.

CAs (CAT, WSA and others across the county) had made good progress with pursuing a number of initiatives that would lead to integrated working and efficiencies. It was acknowledged that this was difficult given that CAs continued to operate on very tight logistical and financial margins

District councils understood the importance of CA services – CAs supported customers with advice relating to housing, benefits, debt, employment and other matters. However, it was also acknowledged that district councils, including SWT, were operating themselves within an extremely challenging financial environment.

Strategically, as part of considering a way forward, it was acknowledged that whilst the District Councils had already stepped in with additional one-off funding, it could not be expected that they would continue to pick up the costs / impacts of the SCC cut (which across the county, amounted to £419,286 including LAS)

Options that could be considered, whether individually or in combination, but which were not an exhaustive list, included:-

- a) That the District Councils consider, on an individual basis, increased core funding arrangements with their respective CA, commencing 2020/21, and that this is considered within individual MTFPs
- b) That the council's jointly consider commissioning a single CA service
- c) That SWT considers commissioning a single CA service for the SWT area
- d) That the District Councils match the County's management contribution for the LAS element - £6,480 per CA - for 2020/21 (subject to a satisfactory number of LAS grants having come into the Districts)
- e) That the councils jointly commission some support for the CAs to explore different ways of delivering the service outcomes, including looking at transformation, technology and interventions to reduce demand/deal earlier with some of the issues that are creating demand.

Of the options given above, the preference was for option e), this was a consistent view across Somerset – i.e. all districts and also involving the County Council). Option e) would bring in independent expertise to work with all CAs (and funding partners) with a view to informing a way forward. This included debate and consideration of options a) to d). It was anticipated that each partner would need to contribute between £5k and £8k to commission a consultant. This work would commence in early 2020 and completed by July 2020, to inform the Medium Term Financial Plan (MTFP) and a review of core grant funding for CA services. The brief for this work would be developed in Jan 2020, to be co-designed with CA services

However, in order to support this, the following would be required:

- Option d) i.e. continued match funding (with SCC) of the administrative support to the LAS. The cost of this is £6.5k (approx.) x 2 i.e. £13k
- A sum of money to provide capacity for CA managers to engage with the work of the consultant (option e). It is recommended that a sum of £6k x 2 (£12k) be released to facilitate this additional capacity.

In summary and in total, it was proposed that an additional £33k be provided to support CAT and WSA during 2020/21. This money would be released within a Letter of Agreement between SWT and CAT/WSA.

In addition, SWT could add value by assisting both CAT and WSA with conversations relating to their accommodation requirements. It had been mentioned that WSA were looking to move to Alcombe (Minehead), subject to resolving issues around fire risk and remedial works to the building. Alcombe is within SWT ownership. CAT were currently based at offices on Hammet Street.

The possibility of the public sector assisting CAT with accommodation options was being considered should they wish to move in the future.

Debate

- There was no prospect of Somerset County Council coming back with additional funding.
- All councils were considering supporting the consultant in this work.
- Concerns were expressed over the consultancy costs that each council would be contributing to.
- Members were reassured that this was no more than £5,000 contribution per council and would bring in expertise and new ideas in exploring savings and efficiencies. Exploring additional funding that was not out of the core grant was an important part of this.
- Officers were asked to consider any free support and commercial expertise to help the voluntary sector.
- There would be a full review of voluntary grants next June/July with tough questions needing to be addressed over the next few months.
- Due to the amount of funding it was considered important to recruit the right consultant with the relevant experience.
- Underfunding of the CAB was considered a long term issue which needed to be resolved. Members of the committee wished for Somerset County Council funding with CAB be reconsidered now a balanced budget had been achieved.
- Further concerns were expressed over the underfunding of the CAB and the perception of changes imposed to an independent body following the work proposed by the consultant.
- Clarification was requested over which voluntary sector organisations received match funding.

The Scrutiny Committee Recommended:-

1) To continue funding at current levels for 2020/21 while the key points raised during the review detailed in this paper are addressed.

2) During 20/21 carry out a review of current areas of funding and set new funding objectives in line with the Councils corporate objectives and current needs within the community.

3) During 20/21 officers should work closely with all grant recipients to ensure targets are met and grants are offering value for money.

4) The Scrutiny Committee are supportive of the approach proposed by Districts and County Council's with the Citizen's Advice Bureau engaging a consultant with emphasis that the brief given to the consultant would align with the outcomes requested, in collaboration with CAB officers.

5) The word "minimum" to be removed from recommendation B in Appendix B.

52. **Financial Monitoring - 2019/20 as at 30 November 2019. Report of the Finance Business Partner and Deputy S151 Officer (attached).**

The report provided an update on the projected outturn financial position of the

Council for the financial year 2019/20 (as at 30 November 2019).

The current revenue forecast outturn for the financial year 2019/20 was set out. These were the best estimates at month 8 of the financial year based on information currently available:

- a) General Fund (GF) Revenue Budget reported a forecast net overspend of £36k.
- b) Housing Revenue Account (HRA) Revenue Budget forecasted a net underspend of £378k.

The current Capital Programme forecast position for 2019/20 was as followed:

- (a) The General Fund Capital Programme budget was £56.734m. No significant variations to budget were currently reported.
- (b) The HRA Capital Programme budget for 2019/20 was £23.093m. As previously reported, it was expected costs would be phased over more than one year so a proportion of the budget would be carried forward at the end of the financial year.

The HRA Capital Programme was provided in detail in Appendix A and The General Fund Capital Programme detailed in Appendix B.

The General Fund general reserves balance as at 31 March 2020 was projected to be £2.756m (subject to risks identified). The opening balance had been adjusted due to an accounting error correction in last year's accounts, The balance was below the operational target of £3m, but above the financial resilience target of £2.4m as approved in the Council's Financial Strategy in September 2019.

The General Fund earmarked reserves balance at the beginning of the year was £18.242m. The net movement in year was reported at an increase of £3,954m, mainly contributions to the New Homes Bonus (less the agreed contribution of £747k to fund staff costs) and Business Rates Smoothing earmarked reserves. A number of allocations from reserves were applied at the end of the financial year and would be included in the Outturn report at that stage.

The Housing Revenue Account (HRA) general reserve balance as at 31 March 2020 was projected to be £3.07m (subject to risks identified). This was above both the current recommended operational target level (£2.4m) and financial resilience target level (£1.8m) set within the Council's Finance Strategy and HRA Business Plan.

The HRA earmarked reserves balance at the beginning of the year was £2.719m, with £1.369m committed to be spent within the next three years and the remaining £1.340m for the Social Housing Development Fund to be used as required to fund social housing development.

Debate

- Additional and temporary staffing costs were considered. There had been constant variance to this budget throughout the year.
- Final costs would be provided for the repair of the Watchet Harbour Wall.
- Further details were requested for the variances detailed in the financial monitoring report. Amongst these were parking income projections and increased costs of the service, and the Housing Partnership overspend.

- Greater clarification was requested on the £20k GDPR spend.
- Further details were requested on the processes of welfare funerals and costs of provision.

The Scrutiny Committee Recommended that:-

The Committee support the report subject to the receipt of responses circulated to all Councillors before the Executive committee on 28th January.

53. **Draft 2020/21 Budget Progress and Initial Budget Options. Report of the Finance Business Partner and Deputy S151 Officer (attached).**

The purpose of the report was to provide Members with an update on progress with regard to Budget Setting for 2020/21, the latest Medium Term Financial Plan (MTFP) forecasts and the areas to be finalised.

The Council's current MTFP projects a budget gap for 2020/21 of £686k. Following the proposed MTFP bids and savings identified the Budget Gap is a surplus of £39k for 2020/21, but rises to £1.514m by 2024/25.

There remain a number of areas where budget forecasts are to be finalised therefore there is potential for the estimated Gap to change, and this will be reported to Members as the budget process progresses. The Executive is due to recommend its final budget proposals to Full Council in February 2020.

The Financial Strategy for Somerset West and Taunton Council (SWT) was approved by the Executive on 18 September 2019. This report also provided Members with an update on the Medium Term Financial Position (MTFP).

A further update on any significant changes to the MTFP was provided to the Scrutiny Committee on 6 November 2019. This was showing a budget gap in 2020/21 of £358k rising to £2.699m by 2024/25.

There are still some items which are unknown at this stage of the budget process. These are covered in section 10.

There have been some changes to the budget gap to incorporate known unavoidable pressures and some savings identified. The table set out:-

	£k	£k
2020/21 Budget Gap as reported to Scrutiny 6 November 2019		358
Service Cost Pressures:		
Additional B&B Homelessness Costs	82	
Additional Telephony Operating Costs	108	
Review of Base Budgets	280	
Subtotal – Service Cost Pressures		470
Service Cost Savings:		
Reduction in Revenue contribution to Capital	-96	
IEG4 Revs and Bens Licence no longer required	-34	
Increase in Treasury Investment Income	-200	
Review of Fees and Charges	??	
Subtotal – Service Cost Savings		-330

	£k	£k
Collection Fund deficit revised estimate		14
Lower Council Tax Base (estimate of Band D Equivalent)		174
2020/21 Latest Budget Gap Estimate December 2019		686

The table set out a summary of the Medium Term Financial Plan for Somerset West and Taunton. This is based on the current estimate of costs and predicted funding before MTFP bids and savings proposals below

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Services Costs	14,752,279	14,752,279	16,130,146	16,910,436	17,500,866	18,192,659
Net Financing Costs	356,540	389,900	464,260	627,370	410,480	403,590
SRA Contribution	99,090	98,693	100,272	101,876	103,506	105,162
Special Expenses	46,399	0	0	0	0	0
Earmarked Reserves- Growth	3,089,150	2,814,760	-200,000	0	0	0
Earmarked Reserves- Other	2,834,631	-17,806	0	0	0	0
Economic Growth and Prosperity Fund	1,200,000	0	0	0	0	0
General Reserves	0	0	0	0	0	0
Net Expenditure	22,378,089	18,178,375	16,494,678	17,639,682	18,014,852	18,701,411
Retained Business Rates	-7,787,783	-4,910,158	-3,989,206	-4,067,579	-4,145,952	-4,224,325
Business Rates prior year deficit	-1,331,905	0	0	0	0	0
Revenue Support Grant	-6,340	0	0	0	0	0
Rural Services Delivery Grant	-241,506	-241,506	-241,506	-241,506	-241,506	-241,506
New Homes Bonus	-3,809,150	-3,214,760	0	0	0	0
Council Tax	-8,939,605	-9,091,252	-9,366,321	-9,650,005	9,941,917	10,242,820
Council Tax–SRA	-99,090	-98,693	-100,272	-101,876	-103,506	-105,162
Council Tax–Special Expenses	-46,399	0	0	0	0	0
Council Tax prior year surplus	-116,311	63,877	0	0	0	0
Net Funding	22,378,089	17,492,586	13,696,808	14,059,863	14,431,155	14,811,449
Budget Gap	0	685,883	2,797,373	3,578,716	3,581,971	3,887,598
Gap – Change on Previous Year	0	685,883	2,111,490	781,343	3,255	305,627

General Reserves were currently estimated to be at £2.756m at 31st March 2020, which was below the minimum operational target set out within the financial strategy of £3m.

It was recommended that £300k is transferred from the NHB reserves to General reserves to bring these back up above the minimum level. The s151 Officer would review the minimum reserve requirement in February 2020 as part of the final budget recommendations.

If all of bids and savings proposed were agreed the Draft Budget Gap has an estimated surplus of £39k for 2020/21, but rises to £1.514m by 2024/25.

The assumptions used in the previous report have not changed for Council Tax Charge increases. For financial planning purposes it was assumed Council Tax Charges will increase by 1.99% each year from 2020/21. This is subject to consideration by the Executive through the budget process, which will formally recommend its Council Tax proposals to Council each February as part of the Budget report. It is not known at this stage whether the Secretary of State will continue the option for the 'threshold for excessive council tax increases' for shire districts to increase tax by up to £5 (on a Band D charge). This is subject to confirmation annually through the Finance Settlement.

The Council Tax Base has been approved by the s151 officer on 13th December 2019, which has resulted in reduction in the assumptions included in the last update to Scrutiny on 6th November. Therefore this reduction has increased the Budget Gap for 2020/21 by £174k (shown in Table 2 above). The reduction in the base is mainly due to slower housing growth and increased Council Tax Support Scheme costs.

The 75% business rates pooling pilot scheme was for one year only in 2019/20. The Somerset Business Rates Pool continues under the 50% retention scheme in 2020/21. Indicative estimates at this stage show a potential gain of between £1m and £1.4m. The budget proposal above prudently includes £1m towards funding services in 2020/21. There is an element of risk as the actual income will not be confirmed until the end of 2020/21. This will be monitored through the budget monitoring process and if the £1m is exceeded options for allocating additional funds can be considered at that time.

New Homes Bonus was a non-ring-fenced grant designed to incentivise housing growth. A contribution of £2.75m from NHB across 2020/21 and 2021/22 is recommended towards balancing the budget in order for the proposed spending plans to be affordable. Officers are currently reviewing commitments against the capital programme for which NHB funding was previously assumed. Therefore if these costs are still to be incurred the Council might need to borrow, which will have an impact on future revenue costs.

Debate

- Further details were requested in relation to DLO vehicles and the potential for these to be electric vehicles.
- Members requested that the climate change budget be explored at the Climate Change working Group with consideration for it to increase from

£75k to £150k if the need for this could be evidenced through Climate Change Projects.

- Ongoing IT project costs would be provided to members when available later this week.
- The funding earmarked for the East Quay wall was welcomed.
- Members were reminded that budget options aligned the funding available to the priorities of the Council.
- Costs of the final fix to the East Quay Wall be reported to members.

The Scrutiny Committee recommended:-

- 1) To note the latest Medium Term Financial Plan forecasts and the areas to be finalised.
- 2) Requested The Executive consider increasing the climate change budget from £75,000 to £150,000 and consult with the Climate Change working Group on what projects could be explored.

54. **Scrutiny Committee Forward Plan**

(Copy of the Scrutiny Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

Resolved that the Scrutiny Committee Forward Plan be noted.

(The Meeting ended at Time Not Specified)

Somerset West and Taunton Council

Scrutiny Committee

20th January

Housing Revenue Account (HRA) - Business Plan Review

This matter is the responsibility of Executive Councillor Member Francesca Smith

Report Authors: James Barrah –Director of Housing
Kerry Prisco – Finance Specialist
Paul Fitzgerald – Strategic Finance Advisor and Section 151 Officer
Stephen Boland – Housing Specialist

1 Executive Summary / Purpose of the Report

- 1.1 The Housing Revenue Account (HRA) Business Plan contains the financial model of the service for the next 30 years. A number of largely external changes has meant that a full refresh of the Business Plan is necessary. This report identifies the changes and the impact of these. The report also sets out a new vision for the Housing Service and plans for growth in the number of new homes we plan to build. Lastly the report also proposes a new rent policy following the end of a period of four years of imposed rent reduction, this will provide a refreshed income position on which to build future plans set out in this report.
- 1.2 Officers have worked with external housing and business planning advisers Savills to create a new structure and approach to modelling future financial planning. The proposed Business Plan represents the current established position, it also incorporates assumptions concerning future projected substantial growth and gearing primarily to invest in new homes, that have been accommodated within the plan. This substantially increased level of investment is possible due to the imposed debt cap on the business having been removed, and so represents higher levels of investment and borrowing than the service has previously undertaken. This creates substantial opportunity to do more, but also will increase risk, factors which will need to be balanced carefully by the Council in the coming years.
- 1.3 In summary, the assumptions made within the business plan are prudent without being excessively restrictive; they provide for inflation on income and costs at prevailing rates which are aligned, allow a considerable investment in existing stock, a substantial investment in new homes leading to a net increase in properties, whilst debt forecast at elevated levels to today at the end of 30 years. The peak debt of the plan is £164.4 million in year 11, which would not have been possible under the previous HRA regime with a debt cap of £115.8million.

2 Recommendations

For the Tenants Strategic Board and Scrutiny Committee to comment on the report. (It is envisaged that the recommendation for the Executive will be:)

Executive recommends to Council to:

- 2.1** Approve the revised 30 year Housing Revenue Account (HRA) Business Plan as set out in this report.
- 2.2** Approve the proposed vision for the Housing service along with three new service Objectives.
- 2.3** Approve the proposed Housing Revenue Account Rent Setting policy 2020.

3 Risk Assessment

- 3.1** A review of key sensitivities and stress testing of the proposed plan is contained in section 16 of this report.

4 Background and Full details of the Report

- 4.1** Somerset West and Taunton Council owns and manages affordable housing of over 5700 homes mostly at social rent levels. This “business” within the Council has a turnover of £26M. Income is derived mostly from rents from our tenants but also from service charges and other fees. Expenditure is made up of Council staff delivering services to tenants along with repairs and maintenance and other improvements to existing homes and investment in new much needed homes, and the repayment of borrowing.
- 4.2** The finances of our Housing Service is held within a ringfenced account called the Housing Revenue Account (HRA) which is separate from all other Council finances in that the money is only to be used for providing services to tenants.
- 4.3** In 2012 the Council moved away from a national subsidy system, which meant an annual payment from the HRA to central government, to be ‘self-financing’. As part of the self-financing agreement, a mandatory one-off payment of £85.12m was made to government, in return for being able to retain all income locally to manage and maintain the housing stock. The total debt in the HRA at the start of self-financing was £99.7m. Financially this was a positive step for the Council and it released more resources to be invested locally on additional services and new homes.
- 4.4** In order to manage the freedoms gained by the HRA through self-financing, a new 30 year Business Plan (2012-2042) was introduced. This set out the Council’s overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities. The HRA Business Plan has been reviewed and updated regularly since 2012, but recently there have been many changes in national policies and local aspiration that means a full update of the Business Plan is once again required.

5 Changes in our operating environment.

- 5.1 Debt Cap removal.** Since 2012 the HRA has been subject to an imposed notional debt cap, essentially setting a limit on the borrowing the service could undertake which provided a constraint on growth of the service in terms of investment in new homes. The HRA debt cap was £116M. Following many years of lobbying by the sector, the debt cap has now been removed, which heralds a new era of growth opportunity, as the business can afford to prudently borrow significantly more to allow more investment in existing and new homes.
- 5.2 Rent Reduction.** The Council along with all Registered Providers (RPs) of social housing was subject to a four year period of enforced rent reduction. This step imposed in 2016 essentially removed £185M from the 30 year business plan at this time. Measures were taken at this stage to reduce costs and manage this reduction in revenue whilst continuing to invest in our properties and in services for tenants. The period of rent reduction is now at an end and this gives the opportunity to once again apply appropriate and modest rent increases to ensure the business keeps track of increases in its operating costs. This issue is addressed in more detail later in the report.
- 5.3 Post Grenfell issues.** The Grenfell tragedy continues to rightly have a profound impact on the housing sector ensuring that improvements to how housing stock is maintained and managed are implemented. Key themes around investment in landlord compliance issues, scrutiny and regulation of social landlords and ensuring that resident's voices are heard and acted on are key drivers. These issues feature in the thinking behind some of the changes proposed in this report, particularly around roles and responsibilities in a new Housing Structure.
- 5.4 Climate Change and Fuel Poverty.** The Council has declared a climate emergency, we also know that many of our tenants struggle to be able to afford to heat their homes, particularly as many of our homes are hard to heat due to poor thermal performance. The ability of the HRA to invest in communities especially with regard to the built infrastructure creates an opportunity for funding to be targeted at these issues.

6 Housing Vision and Objectives

- 6.1** We have created a new vision statement for the housing service to amplify the ambition of the Councils new Corporate Plan, which gives Housing a greater corporate focus. We are also proposing new service objectives and supporting customer commitments to describe how we will deliver these priorities. This will be supported by a new Comprehensive Service Action Plan. A summary of the new vision and objectives is set out below, the full document is attached at Appendix 1.
- 6.2 SWT Housing – “Great Homes for Local Communities”**
- 6.3 Corporate Strategy:**
“A district that offers a choice of good quality homes for our residents whatever their age and income, in communities where support is available for those who need it.”
- 6.4 SWT Housing:**

“Our homes will be safe and secure and we will build many more in which our tenants will thrive. To do this we will develop a great team to provide excellent and modern services. We will compare ourselves with the best and match their performance, and seek to win awards to recognise our progress and give assurance we are doing a good job. We will work hard to deliver the following objectives.....”

6.5 SWT Housing - Our Objectives Our work and resources will be directed to help people to lead healthy and fulfilling lives and even more people to access better homes in Somerset West and Taunton by:

1. Delivering more new homes

Our purpose is to run a highly efficient business to enable us to build more new homes.

2. Providing great customer service

Our purpose is to ensure our customers consistently experience great service and community support.

3. Improving our existing homes and neighbourhoods

Our purpose is to invest in homes and the places where people want to live.

7 Rental Income

7.1 A new Somerset West and Taunton rent setting policy from April 2020.

In 2016 Government required councils to reduce rents by 1% against the 2015 levels annually for 4 years (part of the Welfare Reform and Work Act 2016). This, time limited, rent reduction meant significantly less money with which to manage and maintain properties and provide services to tenants. In the Summer Budget 2015 the Government’s Impact Assessment of this policy change estimated that by the end of the 4 year reduction period average rents will be 12% lower than they would have been had the existing rent formula of Consumer Price Index (CPI) plus 1% continued to apply throughout the period.

Table 1 below sets out the impact on our rental levels of the rent reduction period and a comparison with rents that are now proposes.

Table1

	Baseline	1% reduction each year for 4 years				CPI+1% for 5 years				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2020/22	2020/23	2020/24	2020/25
Actual / Proposed	84.15	83.32	82.50	81.68	80.87	83.05	85.30	87.60	89.96	92.39
If increased by 1%	84.15	85.00	85.85	86.70	87.57	88.45	89.33	90.22	91.13	92.04
If increased by CPI at 2%	84.15	85.84	87.55	89.30	91.09	92.91	94.77	96.67	98.60	100.57

From 2020 Government has restored the rent policy and regulatory arrangements that were in place before the 2016 rent reduction came into effect.

7.2 The Regulator of Social Housing’s new Rent Standard from April 2020 reverts back to the original social formula rate with increases not exceeding the limit CPI plus 1% for a period of 5 years. All affordable rate rents are to be reviewed annually with any

increases set so as not to exceed a limit of CPI plus 1%. The Rent Standard also includes the continued ability for landlords to apply rent flexibility, which as set out below the Council now intends to implement.

7.3 In addition to applying the above inflationary plus 1% increase the Council's own new rent setting policy is proposing to apply an upward tolerance (rent flexibility), on an individual basis, to new social formula rents (new tenants only) of 5% on general needs and 10% on sheltered/supported housing. In the past the Council has not applied such tolerances, however, the Council has an increasingly important role to play in housing and having the necessary rental income with which to maintain and manage existing homes, support the delivery of new homes and invest in a range of enabling activities will be a great benefit to the council, its tenants and local communities.

7.4 Note: 3265 (58%) of our tenants are in receipt of Housing Benefit and Universal Credit (where available) this will help mitigate the impact of rent increases on households. (For Sheltered Housing resident and Extra Care residents this percentage increases to 75% and 83% respectively).

7.5 The Council's use of rental income is subject to the Housing Revenue Account (HRA) ring fence which prevents council rents from subsidising council tax and the General Fund. The rental income generated through the Council's new rent setting policy is to be used to deliver its future plan:

7.6 Invest in building more desperately needed new homes:

- We will deliver over a 1000 new homes over the next 30 years, the life of the plan, through a range of housing options to support our vision.

Within the Somerset West and Taunton area 4,408 (at 07/11/19) households have applied and are waiting for housing on the council's register for accommodation (Homefinder Somerset). Between 1 January and 30 October 2019 a total of 119,112 bids for accommodation were placed by 7,801 households on homes across Somerset. For the Somerset West and Taunton area, of the 141 homes advertised during July to September 2019, the average number of bids received per property was 82. The highest number of bids received 296 was for a 1 bed bungalow in central Taunton.

7.7 Make significant investment into carrying out major repairs and improvements to existing homes:

- Recognising the importance of decent accessible homes for people with support needs we will enhance our current sheltered housing stock so that people living in their homes are safe and well. We will invest in disabled adaptations to support people to remain living in their home. Such works will aid the viability of our existing sheltered housing schemes.
- Help disabled customers with adaptations or to find a more suitable property.

7.8 Invest in activities that support tenants and communities:

- To help tenants sustain their tenancies we will continue to invest in improving access to debt and welfare benefit advice, skills development and training.
- We are committed to tackling anti-social behaviour in the neighbourhoods for which we are responsible and will make investment in services that will support our tenants and communities where these incidents occur.
- To prevent tenancy breakdown and promote independent living we will continue to invest in mental health and well-being support services.
- Where we have council housing we will invest in a range of local projects and groups that have a positive impact, enabling our tenants and communities to thrive.

The Council has the power and duty to set its own rent. Dwelling rents for more than 5,700 properties provide annual income of over £24m for the HRA .The tables below show the various rents for 2020/21 calculated from the formula. The tables also show the effect of the proposed increases.

Table 2: Social Rents - General Needs

Social Rents - General Needs								
	FY 2019/20	FY 2020/21						
Property Bedroom Size	Social Rent Rate (GN)	Social Rent Rate (GN)	Difference: Social rent 2019/20 (GN) verses Social rent 2020/21 (GN) - £'s	Social rent including flexibility level 2020/21 (GN) – relets only	Difference: Social rent 2020/21 (GN) verses Social rent 2020/21 including flexibility level (GN)		Rent Cap 2019/20	LHA Rate 2019/20
		Sept CPI+1%		General Needs (GN) @ 5%				
1 and bedsits	73.23	75.20	1.98	78.96	3.76		141.43	92.05
2	79.98	82.14	2.16	86.24	4.11		149.74	120.82
3	88.91	91.32	2.40	95.88	4.57		158.06	145.67
4	99.34	102.02	2.68	107.12	5.10		166.37	184.11
5	116.93	120.08	3.16	126.09	6.00		174.69	
6 or more	158.84	163.13	4.29	171.29	8.16		183.00	

Table 3: Social Rents - Sheltered Housing

Social Rents - Sheltered Housing (including Extra care)							
	FY 2019/20	FY 2020/21					
Property Bedroom Size	Social Rent Net Rate (GN)	Social Rent Net Rate (GN)	Difference: Social rent gross 2019/20 (GN) verses Social rent gross 2020/21 (GN) - £'s	Social rent gross including flexibility level 2020/21 (GN) – relets only	Difference: Social rent gross 2020/21 (GN) verses Social rent gross 2020/21 including flexibility level (GN)	Rent Cap 2019/20	LHA Rate 2019/20
		Sept CPI+1%		Sheltered Housing (SH) @ 10%			
1 and bedsits	73.23	75.20	1.98	82.72	7.52	141.43	92.05
2	79.98	82.14	2.16	90.35	8.21	149.74	120.82
3	88.91	91.32	2.40	100.45	9.13	158.06	145.67
4	99.34	102.02	2.68	112.22	10.20	166.37	184.11
5	116.93	120.08	3.16	132.09	12.01	174.69	
6 or more	158.84	163.13	4.29	179.44	16.31	183.00	

7.9 Even with the proposed rent increases the Council’s rents are among the lowest in the Taunton Deane area. For example the Council’s average rent was £80.87 in 2019/20 compared to an estimated rent of £94.19 in 2019/20 for Housing Associations based on 2017/18 data.

7.10 Appendix 2 of this report contains a proposed rent policy for 2020-2025. It describes in more detail the how Somerset West and Taunton Council is proposing to calculate and charge rent from April 2020 for its HRA owned properties.

8 Management Costs

8.1 Following the Council decision to establish a structure of four Directorates, a new Housing staff structure will be implemented. Whilst most roles will “lift and shift” from the current structure some vacancies will arise where we require a new focus to meet the housing business objectives. The new structure contains growth and new emphasis in relation to development and regeneration to meet our current and future aspirations in this regard, along with landlord safety and compliance, tenant engagement and customer experience, and performance and finance to oversee a more highly geared business.

8.2 The Housing Directorate staff structure will incorporate direct staff costs relating to both the HRA and the General Fund (GF), the latter in relation to the Homelessness function. The HRA will also receive the benefit of central support services delivered by staff in the GF, such as procurement, accounts payable, facilities management, HR/Payroll, etc. The HRA will fund a proportion of these costs for the central support services received.

8.3 As reported to Full Council on the 3rd December 2019, the Council’s leadership team identified ongoing financial pressures in order to protect service standards and maintain capacity whilst completing the safe delivery of expected service process efficiencies and greater customer access to self-service. The HRA will need to take on a share of these transition and service resilience cost pressures in year 1, but will see

a cost reduction going forwards as the Change Programme drives forward to deliver the service process efficiencies and demand management benefits anticipated.

- 8.4** We have also added an efficiency target of £150k as we aspire to driving improvements in the service to realise cash benefits. We have three Lean reviews underway in the “big three” processes of income management, voids and response repairs. With more reviews planned.

9 Stock Capital Investment.

- 9.1** As part of the business plan review we have undertaken a review of the current stock investment data. This results in a refresh of our 30 year capital investment requirements. Adjustments have been made for example for the stock that will be removed because of the North Taunton project. The stock investment of £159.1million, is an average £28,032 per property over 30 years, is in line with benchmarks for similar authorities. This data drives the planning for our Major Works capital programme.

10 Right to Buy (RTB) Receipts

- 10.1** The RTB scheme is a government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The scheme saw the maximum discount increase significantly in 2012 to up to £75,000 followed by a steady increase year on year to up to £82,800 in April 2019.
- 10.2** In 2012 Taunton Deane Borough Council signed up to a “1-4-1 Agreement” with the Treasury/MHCLG to retain a higher proportion of RTB the additional receipts on the proviso, and agreed that these receipts would be used to fund new social housing. This agreement continues now under SWT until such time as the Council decides to opt out. Only a small percentage of receipts from RTB sales are retained by the Council. These additional RTB receipts can only account for 30% of spend on new social housing costs, with the remaining 70% coming from other funds such as revenue funding or borrowing.
- 10.3** The RTB receipts cannot be used in the same scheme as other Government funding such as grants from Homes England. They must also be spent within three years of the capital receipt, or must be returned to Government with interest at 4% over base rate from the date of the original receipt. Receipts can be returned to Government in the quarter in which they are received with no interest payable.
- 10.4** Alternatively, the 30% RTB funding could be granted to and used by Housing Associations in the area, providing they meet the same match funding requirements. The new housing doesn't need to be provided by the Council.
- 10.5** To date, the Council has successfully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/MHCLG.
- a. **RTB Receipts Year to Date:** Table 4 below shows the number of RTB sales, the total (capital) receipts received under the new RTB discount scheme, the Council retained 1-4-1 receipts to be used for new social housing, and the total amount that would need to be spent by the Council in order to fully retain them.

Table 4: Right to Buy receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	Total 2017/18	Total 2018/19
Sales	37	47	35	38	44	53	34
Total Receipts (£k)	2,330	2,705	2,317	2,666	3,568	3,971	2,576
1-4-1 Receipts (£k)	1,234	1,230	1,005	1,193	1,864	2,069	1,149
1-4-1 Receipts Spend - Per Year (£k)				1,234	1,230	1,005	1,193
Match Funding Spend - Per Year (£k)				2,879	2,871	2,345	2,783
Total Spend Required - Per Year (£k)	-	-	-	4,112	4,102	3,350	3,976
Total Spend Required - Cumulative (£k)	-	-	-	4,112	8,214	11,563	15,539
Average number of units per year				25	25	20	24

	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23
Sales	35	32	32	32
Total Receipts (£k)	2,317	2,576	2,576	2,576
1-4-1 Receipts (£k)	1,005	1,149	1,149	1,149
1-4-1 Receipts Spend - Per Year (£k)	1,864	2,069	1,149	1,005
Match Funding Spend - Per Year (£k)	4,349	4,829	2,681	2,345
Total Spend Required - Per Year (£k)	6,213	6,898	3,830	3,350
Total Spend Required - Cumulative (£k)	21,752	28,650	32,480	35,829
Average number of units per year	38	42	23	20

[Note that the grey data is estimated.]

Forecast Spend of RTB Receipts: The estimated spend on approved schemes, such as Outer Circle and Laxton Road, together with additional open market buybacks, will be sufficient to meet the RTB match funding requirements to quarter 4 of 2019/20.

- b. Looking forwards over the next three years, there are a number of new build and off-the-shelf buybacks being investigated that, if approved by Full Council, together with a minimal amount of open market buybacks, will see our RTB match funding requirements achieved for the next three years.
- c. This will support the aspiration for an additional 1000 homes in the next 30 years, being able to achieve this with 30% match funding from RTB Receipts, whilst ensuring we do not have to return our RTB receipts (plus interest) back to the Government.
- d. However this will require significant borrowing, which is now possible since the removal of the debt cap, and will have to be managed carefully within the overall 2020 Business Plan to ensure that the revenue account can fund the interest payments and principal loan repayment.

11 Welfare Reform

- 11.1** The 2012 HRA Business Plan made a provision for Welfare Reform, as there was an expectation that the changes would lead to an increase in non-payment of rent and other charges. The Provision for Bad Debt was increased from 0.5% to 2% (c£500k) for three years.
- 11.2** The 2016 HRA Business Plan extended this provision to cover the delayed roll out of Universal Credit, again with the expectation that the changes would lead to an increase in non-payment of rent and other charges. The Provision for Bad Debt was maintained at 2% (c£500k) for a further three years.
- 11.3** Whilst new claimant's moved to the new Universal Credits scheme from 2016, the migration of existing claimants has experienced continued delays. It is also worth noting that the Universal Credit scheme pays claimants in arrears and not in advance, as we currently expect our rental payments to be made.
- 11.4** The 2020 Business Plan includes a new two year provision at 0.75% (£180k) of dwelling rental income, dropping to 0.5% thereafter, to mitigate the financial risk associated with a possible increase in unrecoverable rental income due to the forthcoming "managed migration" to the Universal Credit scheme that is indicated to be completed by March 2023.
- 11.5** Under the Council's wider Financial Strategy the Executive has agreed a new Operational Target of £2.4m for the minimum HRA general reserve balance. Remaining at or above this target provides added financial resilience to bad debt (and other) financial risk if needed.

12 Business Growth – Development of New Homes

- 12.1** The Business Plan has previously included significant annual contributions of £1m (from 2015/16) towards the development of housing schemes. In line with the introduction of a Development Strategy, the Business Plan in 2016 instead included an average annual addition of 15 dwellings, which would include a combination of new development, redevelopment and acquisitions. This level of investment was what was affordable at this time.
- 12.2** Since this time we have delivered 108 units via new build and over 50 acquisitions to date. This is an average of 20 units per year since self-financing in 2012.
- 12.3** However as described above the removal of the debt cap allows for more investment in housing growth, we aspire to do more, so are proposing a target of delivering 1000 new homes over the next 30 years, the life of this plan. In order to deliver this number of new homes (an increase of 140% of our current rate of development) will require us to diversify our new homes delivery approach, seek other forms of funding for example from Homes England and to cultivate an extensive new scheme pipeline.
- 12.4** This growth will require a significant increase in borrowing, which will place greater stress on the business, this is discussed in later sections of this report. The need for the business to drive efficiency, achieve consistent levels of strong performance across key processes and closely monitor new metrics will be vital to safely manage this

higher level of gearing.

- 12.5** With this increased provision, but due to losses through RTB and regeneration of defective stock, the total stock numbers are set out in the table below:-

Table 5: Forecast General Needs Stock Numbers

Financial Year	2020/21	2021/22	2022/23	2023/24	2024/25	2025-2050
Opening Stock	5,750	5,747	5,730	5,724	5,755	5,761
RTB Sales	-32	-28	-24	-20	-19	-364
Demolition	-13	-12	-22	-11	-25	-79
Development Gains	42	23	40	62	50	832
Closing Stock	5,747	5,730	5,724	5,755	5,761	6,150
Net Gain Over 30 Years						400
Total Development Gains Over 30 Years						1,049

13 Treasury Management and Repayment of Borrowing

- 13.1** The Business Plan incorporates significant capital expenditure which is to be funded from capital receipts, the Major Repairs Allowance (depreciation charges reinvested in assets), revenue contributions to capital, capital grants and borrowing.
- 13.2** The funding and cash flow implications will be managed in line with the Council's Capital, Investment and Treasury Strategies which is approved alongside the annual budget each year.
- 13.3** Although the Government abolished the HRA Debt Cap established in 2012 (£115m) it is proposed to set a prudent debt cap for the HRA.
- 13.4** In the first 5 years of the business plan the Provisional Debt Cap is at £135m in Year 1 rising to £148m by Year 5 of the Plan. Then rising further in future years to a peak of £266m in Year 30. The cap will need to be kept under review and be adjusted to reflect performance against plan. It is proposed to use the Debt Cap as the Operational Boundary for Debt within the Capital Strategy. Allowing for some temporary refinancing or financing in advance of need (where it is prudent to do so for treasury purposes), it is proposed to set the Authorised Limit based on the Debt Cap + £20m.

Table 6 –HRA Borrowing Limits

Borrowing Limits for the HRA	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
Debt Cap / Operational Boundary	135	135	135	139	148
Authorised Limit	155	155	155	159	168

- 13.5** The capital investment proposed within the plan forecasts a borrowing requirement rising year on year from £110m in 2020/21 (Yr1) to a peak of £164m in 2030/31 (Yr11), before reducing back to £129m by 2048/49 (Year 29). This forecast incorporates borrowing for projected capital investment spending and amounts set aside from revenue resources to repay debt based on affordable MRP costs, whilst maintaining reserves at the operational target.
- 13.6** Existing maturity loans undertaken in March 2012, as part of the transition to the HRA operating on a self-financing basis, are due to be redeemed each year between 2020 and 2030. In order to meet the capital financing requirement in the plan these loans will need to be refinanced. The business plan forecasts assume a degree of internal borrowing from HRA reserves and working capital cash balances. It will be necessary to utilise external borrowing facilities and the business plan is modelled on a basket of fixed term maturity loans only where needed to meet cash flow requirements, at an average interest rate of 3.5%. This is currently considered to be a prudent assumption for the business plan.
- 13.7** The Section 151 Officer will work with Arlingclose, the Council’s treasury advisor, to explore appropriate sources of finance which may include PWLB but other options such as banks and other capital markets will be explored to optimise debt costs and risk.

14 New Capacity Indicator

- 14.1** The proposition within this analysis is that, whilst there is theoretically now no limit to borrowing within the HRA, the existing asset and operating base generates a net income stream that does offer a logical limit on sustainable borrowing levels. In other words future operating surpluses created within the HRA can be used to fund the interest on additional borrowing.

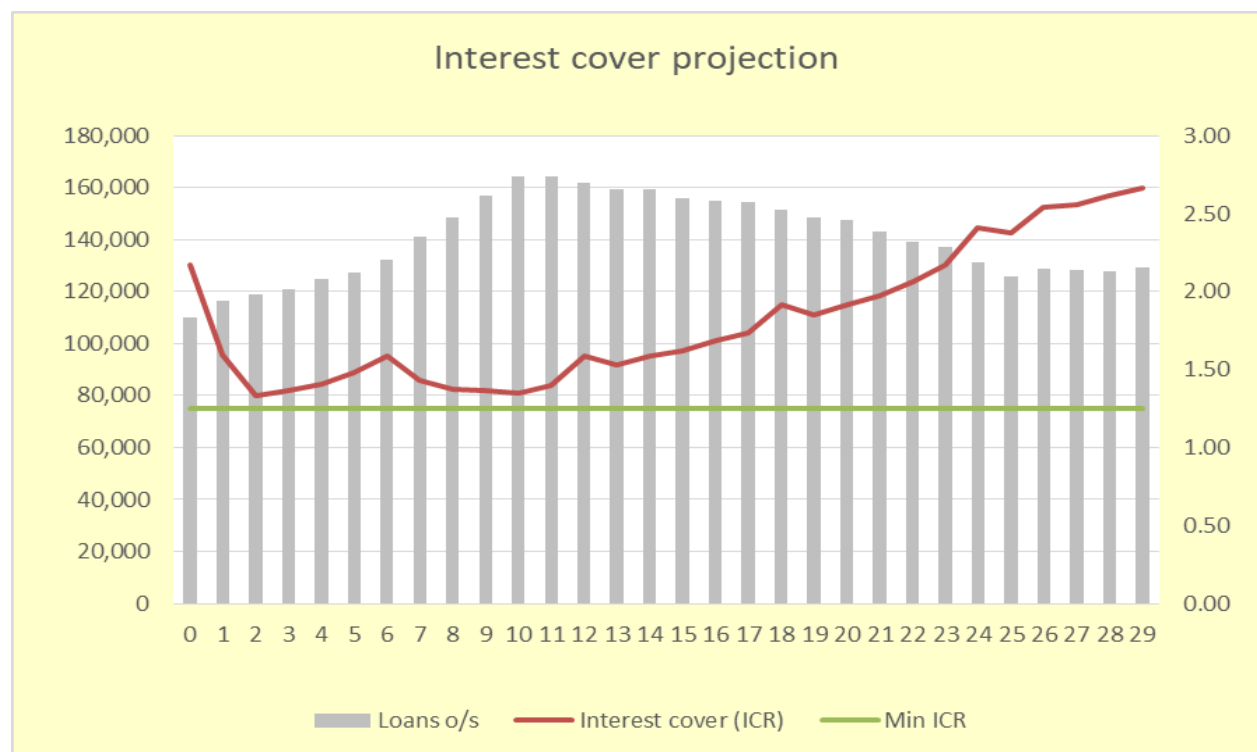
We have utilised the Interest Cover Ratio (ICR) as the main metric for assessing capacity and is used to derive the provisional debt cap figure 3 below.

- 14.2** This is the ratio of operating surplus divided by interest costs, and represents the cover that the HRA has against its interest cost liabilities in any year; the ICR is set to a minimum which provides comfort that if there were a sudden drop in income or increase in operating costs, there would be sufficient headroom to continue to cover debt interest. For housing associations (HA), the usual definition of operating surplus is EBITDA (Earnings before Interest, Tax, Depreciation and Appropriations). Typical

lending covenants vary between 1.10 and 1.50 depending on the size and nature of the HA, with 1.25 being a typical expectation.

- 14.3 Using the budgets for 2020.21 the ICR is forecast at 1.60 meaning that the HRA can cover the current interest charges with headroom for a further 60% of the value of interest charges (subject to other cost/income variances). By setting the minimum ICR at 1.25 the available headroom for additional interest is 28% of current interest charges or £0.762million. This translates to additional borrowing capacity of £32million.
- 14.4 As the plan does in fact increase the need to borrow in the short to medium term it utilises the borrowing capacity to the point where the ICR falls to 1.33 in 2021.22 but with the benefit of projected rent increases it rises to 1.37 and then gradually increases after year 10 to a ratio of 2.66 at the conclusion of the plan.
- 14.5 Therefore the borrowing projected in this plan is below the level of borrowing where the ICR is at the 1.25 minimum level set and is therefore forecast to remain within affordable limits. The chart below shows the annual ICR set against the minimum 1.25 and the actual borrowing forecast in the plan.

Figure 1: Interest Cover Projection

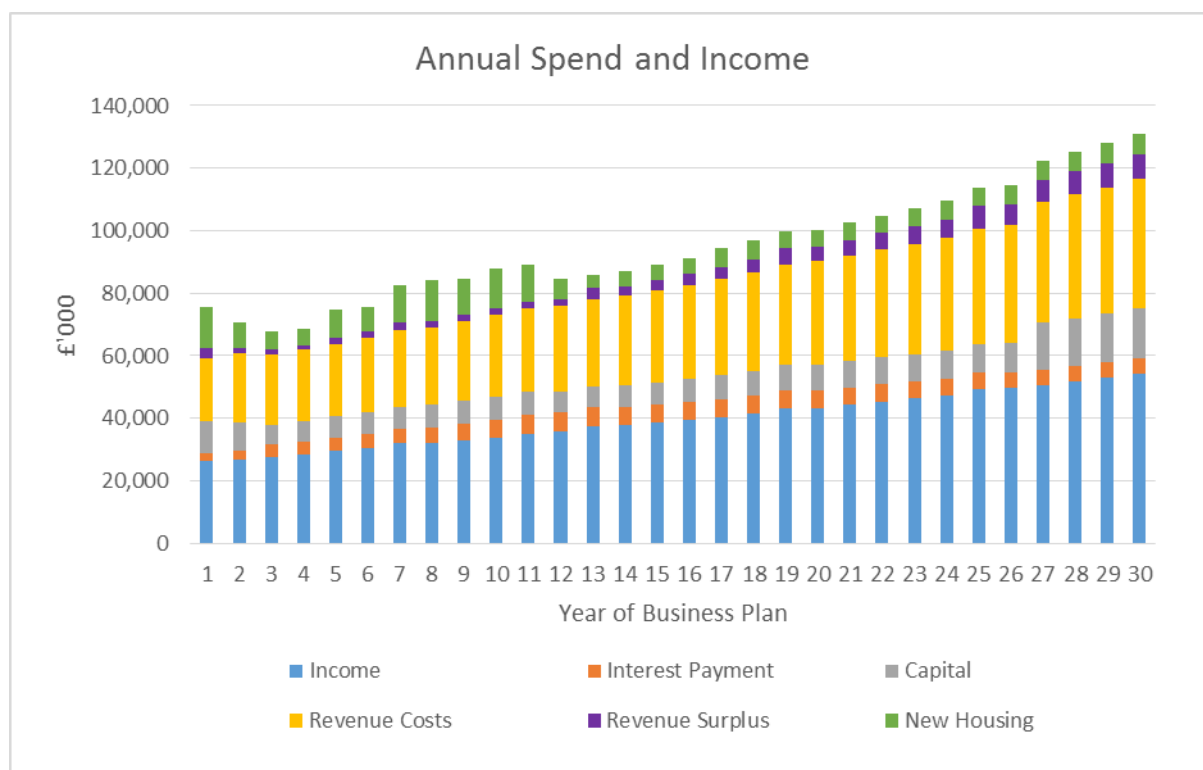


15 Financial Review and Appraisal

- 15.1 As described above there are a number of changes, driven by both internal and external factors, which have substantially impacted on the financial position of the Business Plan. Overall indications are that planned service and capital investment is affordable in the medium and long term providing actual performance remains similar to the assumptions made.

- 15.2 The increased ambitions for capital investment require a significant increase in borrowing over the next 10 years, taking advantage of the increased flexibility through the abolition of the debt cap. There is a clearly a related impact on overall debt costs which must be managed throughout the life of the business plan.
- 15.3 The strategy applied in the financial model is that HRA general balances will be maintained at the operation target level, with all available operating surpluses applied to meeting interest costs, protecting reserves balances, reducing capital financing requirements and debt repayment. This works on the principle that debt will be repaid at the earliest opportunity, which is a change to the current approach of a fixed annual debt repayment charge based on borrowing over 60 years. This approach should reduce total debt costs in the long run, benefiting the business plan.
- 15.3 The key underlying assumptions within the Business Plan are that rents and service charges will increase by CPI + 1% for the first five years (20/21 to 24/25) then reducing down to CPI (estimated at 2%) only thereafter, with expenditure inflating in line with government forecasts by 2% (management costs at 2.5%) and borrowing costs at 3.5%. These rates are only estimated and risk changing due to the global economic environment.
- 15.4 A summary of the projected annual expenditure and income is shown in graph below.

Figure 2 -Annual Expenditure and Income within the Business Plan



15.5 Income

The HRA is self-contained from the General Fund and fully funded in the main by rental and service charge income from tenants. Members need to consider the cumulative financial impact of their decisions surrounding the change in rental and service charge income year on year.

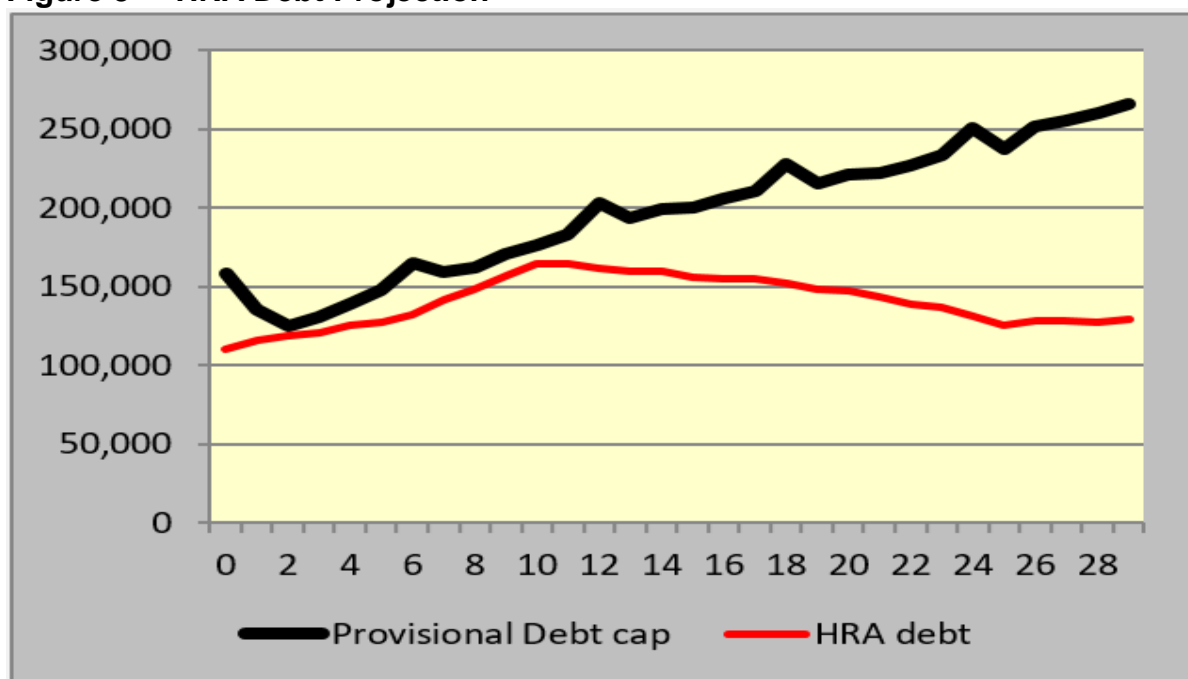
- 15.6 The new Rent Policy provides the option to make a one-off 5% or 10% increase in rents for new tenants which would provide an estimated additional income of £100k in year 1 assuming 450 new tenancies. Where options are presented to increase rents within the boundaries of national policies these should be considered in order to optimise income to meet the costs of operating the service and capital investment.
- 15.7 Rental income forecasts are based on prudent assumptions for rental growth and changes in housing stock both through RTB sales and additions through investment. There is not a direct like for like relationship between income and costs therefore material changes in income levels cannot necessarily be offset by managed changes in costs without affecting service standards.
- 15.8 Experience shows that housing income estimates can be susceptible to national policy changes, which can have a material impact on long term cash flows. The current business plan forecasts assume the current policy will be fully applied with rent increases returning to CPI only from April 2025.
- 15.9 Members are advised to carefully consider long term impact on the affordability of the business plan when making decisions regarding local rent policy and budgetary decisions, and also to note the inherent risk of interest rate volatility on income assumptions and related impact of affordability of planned spending and investment, and meeting debt repayment obligations.
- 15.10 It is good to see changes within the debt recovery team seeing immediate effects on recovering debts due from tenants thus reducing the financial risk and enabling a lower allowance for bad debt risk within income forecasts. This will clearly need to be carefully monitored to ensure prudent provisions are made each year.

15.11 Expenditure

- 15.12 The borrowing cap has been removed enabling the HRA to increase borrowing to fund the national and local ambitions to increase the provision of affordable homes. The overall 30-year Business Plan projects a total capital investment of c£159m on Major Works, £16m on exceptional and extensive works which primarily relate to asbestos removal and works to non-traditional properties, £9m on Disabled Adaptations, £6.5m on improvements and fire safety works, £3m on related assets and £3.6m on vehicles.
- 15.13 The Business Plan model suggests that this is viable and affordable, and that the HRA maintains a level of interest cover above 1.25% over the 30 years. To put this into context, the average interest cover for the Housing Association (HA) sector in 2018/19 typical lending covenants varying between 1.10 and 1.50 depending on the size and nature of the HA, with 1.25 being a typical expectation.

- 15.14 These ambitions will need to be managed closely to ensure that the interest cover is not breached and that the HRA revenue account can cope with the impact of financing debt, as current levels of surplus funds in earmarked reserves and general balances (minimum balances now at £2.4m to mitigate financial risk) are minimal.
- 15.15 The business plan assumes that there will be no net reduction in debt during the first 10 years (between 2020 and 2030) as capital investment grows and debt is increased, with the overall debt balance starting to reduce in 2030/31. However, revenue contributions to capital will still be made during the period reducing the requirement for additional borrowing.
- 15.16 Those loans maturing within the next 10 years total of £77.5m with an average interest rate of 2.49% (ranging from 0.92% to 3.21%). The current cost to finance these loans is approximately £2.122m, when refinanced at an assumed 3.5% this will create an additional cost pressure of c£589k. The Business Plan assumes that new borrowing will be at 3.5%, therefore for every £10m borrowed this creates an interest payable cost pressure of £350k. Options to reduce the capital financing costs / interest burden will be explored through the Council's treasury management arrangements.
- 15.17 After the peak in capital investment in 2029/30 (year 9), the Business Plan prioritises the repayment of debt at earliest opportunity, as seen by the reducing debt shown in graph below.

Figure 3 – HRA Debt Projection



- 15.18 The HRA is seeing increased demands from the increased costs of direct and shared support service staff, to fund a share of future corporate change programmes, increased interest costs and risk, and the increase in depreciation costs from the additional 1,000 homes over the next 30 years. The revenue account will need to realise cost efficiency savings (currently at £150k ongoing within the first 2 years) to redirect into other cost pressures. This ambition to find efficiency savings may have to

be increased where possible to provide further headroom in order to deliver future ambitions such as carbon retrofit.

15.19 Reserves

The HRA 2020 Business Plan has, under the Council's wider Financial Strategy, agreed a new Operational Target of £2.4m for the minimum HRA general reserve balance to mitigate financial risk are minimal. The current levels (19/20) of general balances are in excess of £2.4m, though surpluses above this are minimal.

15.20 Earmarked reserves surpluses are also minimal with 50% of the 19/20 opening balances committed to be spent by 2021/22 and the other 50% committed to social housing development feasibility studies as part of the aspiration to build new homes. Whereas previous business plans projected large increases in reserves in the long term, the increased capital investment and related borrowing, and the priority to repay debt at the earliest opportunity means that reserves are projected to remain 'only' at the operational target throughout the life of the Plan.

16 Key Sensitivities and Stress Testing

16.1 The baseline Business Plan has been subject to a standard range of stress testing to test the sensitivity of the outputs to changes in key assumptions. These are summarised in the table below. It is important to understand what external influences could have on the plan.

16.2 The table below shows the key assumptions within the business plan before sensitivities are applied:

Table 7

CPI (Base Inflation)	2 throughout from 2021.22
Rents Inflation	CPI +1% 4 years from 2021.22 then CPI only
Service Charge Income	CPI +0.5% throughout from 2021.22
Non-Dwelling Income	CPI -0.5% throughout from 2021.22
Other Income	CPI only
Management Costs	CPI+0.5% throughout from 2021.22
Repairs Inflation	CPI only
Improvements	CPI only
Interest Rate	3.5% on new borrowing
Right To Buys	33 reducing to 11 gradually over a 30-year period
Buy-Back Values	£165,000 per unit (30% of total notional programme)
New Developments	£145,000 per unit (70% of total notional programme)

The table below compares a range of scenarios against the impact and the consequent impact on our ICR level.

Table 8 Key Sensitivities

	30 yr Reserves		Closing Debt		Min/Max ICR	
Baseline plan	£4.3m		£129.1m		1.33 / 2.66	
1.Inflation CPI - 1% / 3%	£3.2m	£5.6m	£156.4m	£95.9m	1.22/2.17	1.36/4.46
2.Management Costs & Service Charges increase CPI+0.25% pa	£4.3m		£108.2m		1.34/3.42	
3.Management Costs & Service Charges increase CPI+0.75% pa	£4.3m		£151.1m		1.29/2.17	
4.Repairs & Investment increase CPI+1% pa	£4.3m		£220.2m		1.25/2.17	
5.Repairs & Investment increase CPI+1% and Management Costs & Service Charges at 0.75% pa	£4.3m		£242.4m		1.06/2.17	
6.Rents CPI+0.5% all years from 2024	£4.6m		£47.1m		1.33/8.6	
7.Right to Buys at 20 per Year throughout	£4.3m		£119.6m		1.33/2.72	
8.Interest Rate Increase 1%	£4.3m		£194.8m		1.02/2.17	
9.Bad Debt Provision 1% of rents	£4.3m		£137.4m		1.31/2.47	
10. Development & Buy Back Costs +10%	£4.3m		£153.0m		1.30/2.27	

16.3 The main headlines from the tables are:

- The plan is generally resilient to changes in its key inflationary and expenditure drivers.
- The plan does not rely upon the management of revenue expenditure in line with rent income.
- The plan relies upon the management of the capital programme within the inflationary drivers provided.
- If rent policy was to be extended to CPI+1% increases in **all** years from 2020, including from 2024, the outlook for the plan would be much improved.

16.4 In sensitivity 1 where inflation is greater than the 2% factored in presents a more viable plan where forecast debt could be reduced to 74% of the projected level. Whilst a

reduction in inflation has a negative impact to the plan where debt would increase by c21% and the ICR lowest point is 1.22, below the minimum 1.25. For business planning purposes it is considered appropriate at this stage to assume that long-term inflation will be in-line with Government estimates of 2%.

- 16.5** In sensitivities 2&3 the plan demonstrates how reactive it is to increases above CPI for management costs, which form a major part of the overall HRA expenditure. By reducing the management increases to 0.25%+CPI the plan improves with greater comfort with the ICR well above the minimum mark and will lower residual debt. Increases the costs to 0.75%+CPI puts pressure on the plan with a higher closer debt by c17% and the lowest ICR close to the 1.25 minimum.
- 16.6** An increase in repair and capital costs year on year would also impact on the plan significantly against the backdrop of CPI only rent increases in the longer-term as demonstrated in sensitivity 4. The Council would to review the delivery of the repairs service but also could reduce the level of its future development programme to compensate. It would be most likely that if such costs increase the impact would likely to be national rather than locally and therefore pressure from the housing sector would probably result in rent increases above CPI to compensate. This sensitivity does cause the lowest ICR to equal the minimum level of 1.25.
- 16.7** In sensitivity 5 we have demonstrated a worst case scenario of both management costs and repairs increasing as per sensitivities 3 & 4 combined, with the ICR lowest point well below the minimum ICR.
- 16.8** Obviously rent increases above will bring a huge benefit to the HRA which rather than using entirely for debt repayment could be used to facilitate further borrowing for additional house building and acquisition as demonstrated in sensitivity 6.
- 16.9** The increase of right to buys does impact upon the plan in that there is a loss of rental income as shown in sensitivity 7 but also increased sales provides for more right to buy receipts to be facilitate subsidising the development programme.
- 16.10** A key risk to the plan is the cost of borrowing as shown in sensitivity 8 where an increase of 1% causes the lowest ICR to go below the minimum level. It is likely that new borrowing will be at fixed rates determined at the point of drawdown to provide protection against future increases. The business plan will become an important tool in determining if the new build programme could be afforded in light of higher interest costs.
- 16.11** In sensitivity 9 an increase in the level of bad debts has a negative impact to the plan but does not impact upon the minimum ICR.
- 16.12** Sensitivity 10 shows that a 10% increase to the allowance for buy-backs and cost of new development will have an adverse impact on long-term borrowing.
- 16.13** With regards to the above sensitivities there are mitigating factors that the Council can apply, for example reducing the level of new builds and acquisitions, in the face of adverse impacts from scenarios identified above.

17 Achieving Affordable Warmth & Carbon Neutrality

- 17.1** The UK has committed to reduce greenhouse gas emissions and have set legally binding targets to achieve net zero emissions by 2050. Somerset West & Taunton Council (SWT) have published their draft framework “SWT Carbon Neutrality and Climate Resilience Plan”. The Housing service has drafted a strategy which sets the ambition and initial focus for the Housing service and would be intended to support the corporate framework with a strategic approach for achieving these objectives within the managed housing portfolio of SWT. In summary we would seek to provide low carbon, energy efficient housing for our tenants, that are both affordable and warm to live in and in doing so we will aim to achieve net zero emissions in our housing stock by 2050. This will also provide the platform required to eradicate fuel poverty. We would do this by delivering a package of affordable warmth retrofit works to our properties.
- 17.2** However in order to achieve this alongside our ongoing Decent Homes capital programme a further investment commitment is required, to date it has not been possible to safely develop this capacity in the business plan. However officers will continue to work on this issue and investigate how we might fund such works and report back to members in due course and as a priority.

18 Links to Corporate Strategy

- a. The Housing Revenue Account compliments the Council’s Corporate Strategy 2020 - 2024 - Homes and Communities – to offer a choice of good quality homes for our residents, whatever their age and income, in communities where support is available for those in need.
- b. As set out above the service will significantly increase the number of affordable homes in the District, alongside substantial investment in existing homes and providing essential support to our residents many of whom experience significant hardship.

19 Legal Implications

No direct implications arising from this report.

20 Safeguarding and/or Community Safety Implications

None directly relating to this report.

21 Equality and Diversity Implications

An Equality Impact Assessment (EIA) and some associated actions has been included at Appendix 3.

22 Social Value Implications

Social Value forms an important part of the selection criteria for the procurement of works in particular, the Housing Service will continue to seek ways in which its investment can have the widest possible reach.

23 Partnership Implications

The Housing service will continue to work with key partners to deliver its objectives and benefit our communities.

24 Health and Wellbeing Implications

The Housing service makes a substantial contribution to improving community health and wellbeing.

25 Asset Management Implications

A review of Asset data has been included in the main body of this report for the purposes of future investment planning. The Housing (HRA) Asset Management Strategy 2016 reflects the challenges the Council faces and improving its focus on value for money for the Council and for our residents:

- **To promote sustainable local communities** through coordinated capital investment and housing management.
- **To work closely with residents** to ensure that their homes meet their needs and aspirations.
- **To invest in stock**, to achieve good quality and environmental standards and to ensure that all statutory obligations are met.
- **To ensure that stock secures and strengthens the financial viability** of the business plan and safeguards its long term future and the income stream it generates.
- **Deliver Value for Money** through targeting investment where it will have the best financial and social return.
- **To carry out options appraisals** on stock that does not meet the above criteria, exploring the widest range of alternative options to improve outcomes for residents and for our business plan.
- **To deliver investment programmes in an effective way**, achieving agreed quality and value for money.

26 Data Protection Implications

None directly from this report.

27 Consultation Implications

No external consultation implications.

28 Scrutiny Comments / Recommendation(s)

Democratic Path

- **Tenants Strategic Board – 15 January 2020**

- Scrutiny Committee – 20 January 2020
- Executive – 22 January 2020
- Full Council – 19 February 2020

Reporting Frequency: Once only Ad-hoc Quarterly
 Twice-yearly Annually

List of Appendices (delete if not applicable)

Appendix 1	Housing Vision Statement - PPT
Appendix 2	SWT Proposed Rent Policy
Appendix 3	Equalities Impact Assessment

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SWT Housing – Great Homes for Local Communities

Somerset West and Taunton
Housing Revenue Account Business Plan
2020 - 2050

SWT Housing – “Great Homes for Local Communities”

Corporate Strategy:

A district that offers a choice of good quality homes for our residents whatever their age and income, in communities where support is available for those who need it.

SWT Housing:

Our homes will be safe and secure and we will build many more in which our tenants will thrive. To do this we will develop a great team to provide excellent and modern services. We will compare ourselves with the best and match their performance, and seek to win awards to recognise our progress and give assurance we are doing a good job. We will work hard to deliver the following priorities.....

SWT Housing - Our Priorities

Our work and resources will be directed to help people to lead healthy and fulfilling lives and even more people to access better homes in Somerset West and Taunton by:

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→ Delivering more new homes

→ Providing great customer service

→ Improving our existing homes and neighbourhoods

Delivering more new homes

Our purpose is to run a highly efficient business to enable us to build more new homes

We will:

- **Deliver 1000 new homes over the next 30 years**
- **Build new homes that will help to combat climate change through their fabric and design.**
- **Implement exemplar regeneration in North Taunton.**
- **Incorporate further regeneration into our new build programme targeting the worst performing stock.**
- **Support the development of new homes in our rural communities.**

Our customers will:

- Have greater choice and access to new social and affordable housing in the Council's area.
- When having their community regenerated have opportunities to relocate or move back into new homes which will be more comfortable and cheaper to run.

Providing great customer service

Our purpose is to ensure our customers consistently experience great service and community support

We will:

- **Improve customer satisfaction through stronger processes and clear responsibility and ownership.**
- **Make it easier for our customers to engage with us and access the information they need, through introducing and promoting new technology and offering a wide choice of access options**
- **Ensure the voices of our customers are heard and influence the service we offer, by improving how tenants and leaseholders are engaged and represented**
- **Improve how we keep our customers updated on what is happening and how we are performing and ensure there are effective routes for customers to contact us and know their view will be taken into account.**
- **Provide enhanced support for families and communities experiencing hardship**

Our customers:

- Can expect their needs to be resolved quickly, efficiently and with care and be able to self serve for an increasing range of services.
- Will receive prompt acknowledgement and action if things do not go to plan.
- Will be supported to manage their tenancy.
- Feel well informed about what is going on and know where to go to have their say and confidence this will be heard.
- Will need to play their part by looking after their home, paying their rent and helping us to build strong neighbourhoods.

**Somerset West
and Taunton**

Improving our existing homes and neighbourhoods.

Our purpose is to invest in homes and the places where people want to live

We will:

- Continue to invest in the safety of our homes
- Investigate ways to increase our investment in the energy efficiency of existing stock.
- Look after our estates and ensure the service charge is spent wisely, we will investigate ways to better manage our open spaces to reduce our carbon footprint and support nature.

Our customers can expect:

- To live in good quality homes where they feel safe, warm and secure and where they can thrive.
- Their communities to be attractive places where they choose to live, work and stay.
- To live in homes that are cheaper to run and that reduces our impact on the environment.

Somerset West and Taunton Council

Housing Revenue Account Rent Setting Policy from April 2020

Policy number	1.0
Title	Housing Revenue Account Rent Setting Policy from April 2020
Author	Stephen Boland
Responsible Officer	Stephen Boland
Equality Impact Assessment	7 th January 2020
Date agreed by Tenant Services Management Board	15 th January 2020
Date agreed by Housing Portfolio Holder	
Council approval date	
Next review date	Nov 2025
Version	1.0

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 - 3.1 The new Rent Standard - 2020 Limit**
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 - 3.3 Affordable rent**
 - 4.0 Garages**
 - 5.0 Pay to stay**
 - 6.0 Notification to tenants**
 - 7.0 Notification to the Regulator of Social Housing**
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Glossary of terms
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1.0 Introduction

This policy sets out how Somerset West and Taunton (the Council) will calculate and charge rent from April 2020 for its Housing Revenue Account (HRA) owned properties and also complies with the Rent Standard April 2020 (part of the regulatory framework for social housing in England).

The purpose of this rent setting policy is to:

- Ensure that the setting and management of rents is clear and easy to understand;
- Ensure that the Council adheres to legislation and regulations when setting rents for HRA properties;
- Help the Council to plan for future investment in services, existing housing stock and new build properties;
- Establish how rents are varied annually; and
- Ensure that all tenants are made aware of the weekly rent payment due to the Council in respect of their property both at the beginning of their tenancy and when it is reviewed in April every year.

The Council strives to ensure that its rents are affordable to tenants, while raising sufficient funds to manage and maintain its properties to a high standard, build new properties, deliver relevant services, and meet the commitments of the HRA Business Plan, within constraints of government policy.

It is the responsibility of the Council to review and adjust HRA rents on an annual basis and this forms part of the Council's budget and policy framework.

The Director of Housing has responsibility for ensuring that all associated processes are followed, including compliance with legislation and directions from Government on the setting of rents. This responsibility is delegated to appropriate officers in the housing service.

This policy does not apply to service charges that contribute to the overall charge for a property. These service charges are calculated separately.

This policy does not apply to certain categories of property in the Council's HRA. These exempt categories of property are:

- Temporary social housing; and
- Shared ownership housing.

Note: The Council part owns a small number of shared ownership properties. Rents on these properties are, and will continue to be governed by rental agreements with tenants, specific to their properties.

2.0 Background information

In 2016 Government required councils to reduce rents by 1% against the 2015 levels for 4 years (part of the Welfare Reform and Work Act 2016). For the council, this step essentially removed £185M from its 30 year business plan.

From 2020 Government has restored the rent policy and regulatory arrangements that were in place before the 2016 rent reduction came into effect.

The Regulator of Social Housing's new Rent Standard from April 2020 reverts back to the original social formula rate for a period of 5 years. All affordable rate rents are to be reviewed annually with any increases set so as not to exceed a limit of Consumer Price Index (CPI) plus 1%.

3.0 Types of rent

The Council operates two rent types for its social accommodation under this policy:

- Social rent is set with reference to the social formula rate; and
- Affordable rent is set at a proportion of the market rate.

3.1 The new Rent Standard - 2020 limit

In the year following the end of the social rent reduction period i.e. 2020/21 the maximum weekly rent for an existing tenant is the 2020 limit. In the 4 years that follow i.e. years 2 – 5 formula rates will be applied. The formula for calculating the 2020 limit applies to both social rent and affordable rent housing.

The “2020 limit” means the amount that is found by:

- a. Determining the average weekly rent for the tenant's accommodation in the fourth relevant year specified in section 23(6) of the Welfare Reform and Work Act 2016, and
- b. Increasing that amount by CPI + 1%
- c. In the above paragraph an “average weekly rent” means:
 - i. In a case where the weekly rent changes because the accommodation is re-let after the start of the fourth year, the weekly rent payable by that tenant for that accommodation in respect of the most recent period for which rent was payable at that changed rate provided that that change complies with the requirements of the of

- the social housing provisions of the Welfare Reform and Work Act 2016 and any Regulations made under those provisions; or
- ii. In any other case, the average weekly rent payable by the tenant of that accommodation in respect of the fourth year.

3.2 Social rent

- Existing tenant or existing tenant – new tenancy agreement

In accordance with the measures set out in the Government's Direction on the Rent Standard (Feb 2019), the Government's policy statement on rents for social housing (Feb 2019) and the Regulator of Social Housing's Rent Standard 2020, social rents for existing tenancies will be reviewed annually. Any increases will not exceed the limit of Consumer Price Index (CPI) plus 1% from April 2020 up to the year 2025. The social rent will be subject to a rent cap.

- New tenant

When a social rent property is let to a new tenant, the rent will be set at the social rent formula rate level, exclusive of any service charges and will include an upward tolerance i.e. rent flexibility, subject to a rent cap (see below).

- Rent flexibility level

The Rent Standard April 2020 allows an upward tolerance on individual social formula rate rents of 5% on general needs and 10% on sheltered and supported housing. This is the limit of the rent flexibility level.

We will apply this flexibility in full and our social formula rate rents will be 5% higher for general needs and 10% higher for sheltered and supported housing than the level established under the prescribed calculation.

We have consulted with our tenants' strategic board and ensured there is a clear rationale for doing so which takes into account local circumstances and affordability.

A copy of the record of the consultation can be found in Appendix 1.

If the rent for a property of an existing tenant exceeds the rent flexibility level, the existing tenant's rent will be governed by an increase of not more than CPI in any year. Where such a property comes up for re-let, the new rent will not exceed social formula rate (plus the rent flexibility level – if applied).

- Annual rent review

Social rents will be reviewed and adjusted annually during the course of a tenancy and will be in line with Government policy on rents for social housing.

3.3 Affordable rent

- Existing tenant or existing tenant – new tenancy agreement

In accordance with the measures set out in the Government's Direction on the Rent Standard (Feb 2019), the Government's policy statement on rents for social housing (Feb 2019) and the Regulator of Social Housing's Rent Standard 2020, affordable rents for existing tenancies will be reviewed annually and any increases will not exceed the limit of CPI +1% from April 2020 up to the year 2025.

Note: 'Existing tenant' in this context means an existing tenant of the specific property concerned.

- New property

The Council wishes to retain flexibility over setting affordable or social rents to ensure homes are truly affordable to those in housing need whilst ensuring new housing schemes are financially viable.

The Council has the option to charge an affordable rent for all new build properties. Affordable rents are set at up to 80% of the market rate inclusive of service charges. Affordable rents need to be periodically rebased to ensure they continue to reflect the market rent.

The market rate will vary from property to property, but cannot exceed 80% of the equivalent market rent for the property. In determining the market rate, we will consider affordability in the local area and viability of any new build housing schemes. The market rate will typically range between 60% and 80%.

We will not set an affordable rent at a level lower than the equivalent social rent, exclusive of service charges, for the property. If the social formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the tenant's accommodation, the maximum weekly rent is social formula rent, and would be exclusive of service charges.

Any decision to apply an affordable rent at less than 80% of market rate will be made after completion of an affordability and viability review and will be subject to approval by the Director of Housing.

We will not set the combined rent and eligible service charge for an affordable rent at a level higher than the relevant local housing allowance for the property.

- New tenant

The Council will rebase the affordable rent, using a new market valuation, when letting a property to a new tenant. Thus ensuring that the property continues to reflect the market rent.

The Council may change the market rate percentage. This requirement, which overrides the annual rent increase limit, is designed to ensure that the rent set at the beginning of each new tenancy is no higher than 80% of the market rent.

We will not set an affordable rent for a new tenant at a level lower than the equivalent social rent, exclusive of service charges, for the property. If the social formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the new tenant's accommodation, the maximum weekly rent is social formula rent, and would be exclusive of service charges.

Any decision to apply an affordable rent at less than 80% of market rate will be made after completion of an affordability and viability review and will be subject to approval by the Director of Housing.

We will not set the combined rent and eligible service charge for an affordable rent at a level higher than the relevant Local Housing Allowance rates for the property.

- Annual rent review

Affordable rents will change in the course of the tenancy in line with the annual rent charge determined by Government. Rents will not be rebased or refactored during the tenancy term.

4.0 Garages

Garage rents are not subject to central government directives. The Council will set the rental charge of garages annually; this will be approved at Full Council under a separate reporting cycle.

5.0 Pay to stay

The Council has the discretion to charge higher income social tenants a rent equivalent to full market rent; this model is known as Pay-to-Stay. The Council does not currently operate nor wish to implement the model.

6.0 Notification to tenants

The Council will set rents annually by giving tenants at least 28 calendar days notification of a variation to their rent charge. This is in accordance with the terms of their tenancy agreement and legislation.

The Council will record rent data on its housing management system. All of the Council's key performance indicators related to rent will be closely monitored and reported against routinely through the Council's performance management framework.

7.0 Notification to the Regulator of Social Housing

The Council will communicate with the Regulator in an accurate and timely manner providing all data and information required in respect of compliance with the Rent Standard 2020.

8.0 Review of this policy

This policy will be reviewed in five years, unless legislative or regulatory changes require an earlier review. It is envisaged that the next review will be carried out for the 2024/25 rent year.

Glossary of terms

Affordable rent

A tenure introduced by the Government to charge rents up to 80% of market rates, inclusive of service charges.

Consumer price index

A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

Housing Revenue Account

A ring fenced account held by local authorities funded by rents to provide landlord services.

Market rent

The amount of rent that can be expected for the use of a property, in comparison with similar properties in the same area, calculated using the Royal Institution of Chartered Surveyors approved valuation methods.

Shared ownership

Part rent/ part buy housing schemes.

Social formula rate

A formula to enable social landlords to set rents at a level that allows them to meet their obligations to their tenants, maintain their stock and continue to function as financially viable organisation. The formula-based approach is to ensure that similar rents are paid for similar social rent properties. The basis for the calculation of a social formula rate rent is:

- 30% of a property's rent is based on relative property values;
- 70% of a property's rent is based on relative local earnings; and
- A bedroom factor is applied so that, other things being equal, smaller properties have lower rents.

Rent caps

A maximum ceiling on the social formula rate rent set by Government.

Rent caps apply as a maximum ceiling on the social formula rate rent, and depend on the size of the property. Where the formula rate rent would be higher than the rent cap, the rent cap will be used instead.

The formula rate rent caps for 2019/20 have been set by Government and will increase by CPI (at September of the previous year) plus 1.5% each year.

In the case of an existing tenant whose social formula rate rent is above the rent cap the property will continue to be governed by the CPI plus 1% annual rent change. However, where such a property comes up for re-let, the new rent will be set at up to the rent cap level.

Rent flexibility level

Flexibility to set rents at up to 5% above social formula rate rent on general needs housing and up to 10% for sheltered and supported housing. In applying the flexibility a housing provider should ensure there is a clear rationale for doing so which takes into account local circumstances and affordability.

References

Legislation and Guidance:

- Secretary of State for Housing, Communities and Local Government – The Direction on the Rent Standard. Feb 2019 (final form).
- Ministry of Housing Communities and Local Government: Policy statement on rents for social housing. Feb 2019 (final form).
- Regulator of Social Housing Rent Standard. April 2020 (Decision statement).

APPENDIX 1

Record of the consultation with our tenants on the new rent setting policy

The government's policy statement on rents for social housing recognises that registered housing providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants. As a result, the policy statement contains flexibility for registered housing providers to set rents at up to 5% above formula rent for general needs housing (10% for sheltered/supported housing). If applying this flexibility, registered housing providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.

Somerset West and Taunton's new rent setting policy states that it will apply this flexibility in full and our social formula rate rents will be 5% higher for general needs and 10% higher for sheltered and supported housing than the level established under the prescribed calculation.

The council has an increasingly important role to play in housing and having the necessary rental income with which to maintain and manage existing homes, support the delivery of new homes and invest in a range of enabling activities will be a great benefit to the council, its tenants and local communities.

The council's use of rental income is subject to the Housing Revenue Account (HRA) ring fence which prevents council rents from subsidising council tax and the council's General Fund. The rental income generated through the council's new rent setting policy is to be used to deliver its future plan:

- Invest in building more desperately needed new homes:

We will deliver over 1000 new homes over the next 30 years through a range of housing options to support our vision.

Within the Somerset West and Taunton area 4,408 (at 07/11/19) households have applied and are waiting for housing on the council's register for accommodation (Homefinder Somerset), representing 40% of total applicants registered. Between 1 January and 30 October 2019 a total of 119,112 bids for accommodation were placed by 7,801 households on homes across Somerset. For the Somerset West and Taunton area, of the 141 homes advertised during July to September 2019, the average number of bids received per property was 82. The highest number of bids received 296 was for a 1 bed bungalow in the centre of Taunton.

- Make significant investment into carrying out major repairs and improvements to existing homes:

We will be making significant investments to provide energy efficient housing for our tenants that are both affordable and warm to live in.

Recognising the importance of decent accessible homes for people with support needs we will enhance our current sheltered housing stock so that people living in their homes are safe and well. We will invest in disabled adaptations to support people to remain living in their home. Such works will aid the viability of our existing sheltered housing schemes.

- Invest in activities that support tenants and communities:

To help tenants sustain their tenancies we will continue to invest in improving access to debt and welfare benefit advice, employment and training.

To prevent tenancy breakdown and promote independent living we will continue to invest in mental health and well-being support services.

Where we have council housing we will invest in a range of local projects and groups that have a positive impact, enabling our tenants and communities to thrive.

Somerset West and Taunton Council's Tenants' Strategic Board at their meeting on the 15th January 2020 were consulted on applying rent flexibility to individual social formula rents (on the re-letting of a property to a new tenant). The Board were provided with a table of information on the amounts of increases, with comparisons being made with other rents available in the local area. Information on the Local Housing Allowance rates was also provided.

At their meeting on the 15th January 2020 the Tenants' Strategic Board approved/did not approve the applying of rent flexibility levels to social formula rate rents.

Somerset Equality Impact Assessment

Organisation prepared for	Somerset West and Taunton Council		
Version	1	Date Completed	January 2020

Description of what is being impact assessed

Somerset West and Taunton Council (SWT) Housing Revenue Account (HRA) Business Plan 2020 – 2050

The strategic objectives of the business plan are to: Deliver more new homes; Provide great customer service; and Improve existing homes and neighbourhood.

HRA budget setting 2020/21

The HRA budget setting report enables the council to set a balanced budget for 2020/21 that reflects SWT’s HRA business plan and takes into account councillor’s priorities. The report provides an overview of the finances for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two.

Council housing rent setting policy from April 2020 for a period of up to 5 years

To ensure continued investment in the management, maintenance and development of council housing stock to ensure the needs of existing and potential tenants are met, and to provide enhanced support for families and communities experiencing hardship.

HRA fees and charges for 2020/2021

To increase the fees and charges from April 2020 for the HRA to ensure sufficient financial resources are in place to deliver the services.

Evidence

What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the [Office of National Statistics](#), [Somerset Intelligence Partnership](#), [Somerset's Joint Strategic Needs Analysis \(JSNA\)](#), Staff and/ or [area profiles](#), should be detailed here

Data:

Major changes in national housing finance and housing policy – 2019/20

Somerset West and Taunton's Corporate Strategy 2020 – 2024

The most current available data on our tenants and our housing stock.

(Note: Further work will continue in this area as tenant engagement resources are increased)

Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?

Engagement:

Consultation and regular meetings with the SWT Tenants Strategic Board during 2019/20

Wider engagement with councillors in the development of the HRA Business Plan 2020–2050 throughout 2019/20

Analysis of impact on protected groups

The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.

Protected group	Summary of impact	Negative outcome	Neutral outcome	Positive outcome
Age	<p>People will benefit from the overall investment in council housing.</p> <p>The increased choice of affordable housing type, size and tenure provides housing options for all age groups.</p> <p>Improvements in energy efficiency will help to protect tenants, whatever their age or the hardships they experience, from fuel poverty.</p> <p>The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services.</p> <p>Note: A total of 3,265 (58%) of our existing tenants are in receipt of help with housing costs i.e. Housing Benefit or Universal Credit.</p> <p>The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.</p>	□	⊗	⊗

	Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing.			
Disability	<p>People will benefit from the overall investment in council housing.</p> <p>Specific provision for a range of new adapted properties will be made to provide a housing choice for those with a disability.</p> <p>Eligible tenants will particularly benefit from the provision of disabled adaptations (major and minor) to existing council housing.</p>	□	□	☒
Gender reassignment	<p>People will benefit from the overall investment in council housing.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>	□	□	☒
Marriage and civil partnership	<p>People will benefit from the overall investment in council housing.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>	□	□	☒
Pregnancy and maternity	<p>People will benefit from the overall investment in council housing.</p> <p>Within the business plan there is potential for investment in better quality and additional family housing.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>	□	□	☒

<p>Race and ethnicity</p>	<p>People will benefit from the overall investment in council housing.</p> <p>Wider tenant participation and engagement will increase the proportion of tenants providing feedback to inform service improvements.</p> <p>Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location.</p> <p>Communication about the business plan may not fully reach those for whom English is not their first language.</p>	☒	☒	☒
<p>Religion or belief</p>	<p>People will benefit from the overall investment in council housing.</p> <p>Developing and supporting staff to provide great customer service will ensure appropriate and sensitive services are delivered to the religious or belief requirements of tenants.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>	☐	☐	☒
<p>Sex</p>	<p>People will benefit from the overall investment in council housing.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>	☐	☐	☒
<p>Sexual orientation</p>	<p>People will benefit from the overall investment in council housing.</p> <p>Investment in our communities will ensure information about our services is accessible so that people can benefit from all our activities. People experiencing alarm, distress and harassment will benefit from</p>	☐	☐	☒

	<p>investment being made into providing great customer services which will be community inclusive.</p> <p>There is not expected to be any particular negative impact on this specific group.</p>			
<p>Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.</p>	<p>Property lettings will be allocated via the choice based lettings system - Homefinder Somerset, which has equality and diversity policies in place to ensure protected groups are not disadvantaged.</p> <p>The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services.</p> <p>The application of rent tolerances for certain individual properties will take account of local factors and concerns, in consultation with tenants.</p> <p>To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:</p> <ul style="list-style-type: none"> • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and 	<p>□</p>	<p>⊗</p>	<p>⊗</p>

	<ul style="list-style-type: none"> • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim. <p>The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.</p>			
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Negative outcomes action plan

Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing. We will communicate with all tenants to explain any significant changes affecting them and what we are investing in.	2020 - ongoing	Case Management Leads	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>
There is potential to alienate specific ethnic groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of ethnic groups as part of any future regeneration/redevelopment.	2020 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>
Those for whom English is not their first language are not made fully aware of changes. We will offer translation of communication into alternative languages. We will engage	2020 - ongoing	Case Management Leads	Regular meetings and wider	<input type="checkbox"/>

with minority groups using existing tenant involvement channels.			engagement with stakeholders.	
There is potential to alienate religious or belief groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of any religious or belief groups as part of any future regeneration/redevelopment scheme.	2020 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>
<p>The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into in our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services.</p> <p>To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:</p> <ul style="list-style-type: none"> • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim. 	2020 – ongoing	Case Management Leads	Regular meetings and wider engagement with stakeholders.	<input type="checkbox"/>

<p>As the report states, it is acknowledged that there may be an increase in the level of rent arrears. The proposed budgets for rental income in 2020/21 make a provision for an increase in arrears/bad debt.</p>	2020/21	Case Management Lead – Finance	Regular meetings. Annual review of the HRA financial model.	
<p>The impact of both investment prioritisation and improvements to service delivery will be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan.</p>	2021 – ongoing	Director of Housing	Annual review of the HRA business plan.	
<p>If negative impacts remain, please provide an explanation below.</p>				
Completed by:	Stephen Boland			
Date	7 th January 2020			
Signed off by:				
Date	January 2020			
Equality Lead/Manager sign off date:				
To be reviewed by: (officer name)	Stephen Boland			
Review date:	31 st March 2021			

Somerset West and Taunton Council Scrutiny Committee – 20th January 2020

East Quay Wall, Watchet - Maintenance

Report of Localities Manager – Chris Hall

(This matter is the responsibility of Executive Councillor Marcus Kravis)

1. Executive Summary

This report sets out the current situation with the East Quay wall, Watchet and the options that the Council have to maintain this asset into the future. It does not seek approval of a permanent solution for the repair at Splash Point, this will be dealt with separately once possible design options have been established, but does request financial approval of the design work for this permanent repair.

For the East Quay wall survey works have identified that the wall is not at imminent risk of failure but would benefit from maintenance with some reinforcing in the central and northern sections to ensure that operations can continue here into the future, and that a programme of monitoring be put in place for the entire length of the wall. The report challenges the economic advantage of undertaking the reinforcing work to the northern section and proposes alternative options.

The East Quay wall serves as part of the structure to create the marina, protects Watchet as a sea defence, and stabilises the East Quay itself. This area is used for boat storage, as a lifting facility for the marina, and a tourism offering.

The timing of this report is unrelated to the granting of the lease to the Onion Collective as the report identifies that this development has a negligible impact on the wall structure and no works to the wall are required to enable the development.

The report identifies a budget need for design work and a maintenance solution, therefore a budget request is made for £740k to design a permanent solution to the Splash Point failure and reinforce the central section of the East Quay wall with the associated professional costs.

2. Recommendations

2.1 It is recommended that the Executive request Full Council approve the following additions to the Capital Programme, which will be funded through borrowing:

- i) Add the following to the Capital Programme for 2019/20
 - a. The sum of £100k be allocated to the wall design works at Splash Point and
 - b. The sum of £100k be allocated to the wall design works at East Quay

- ii) Add the following to the Capital Programme for 2020/21
 - a. The sum of £500k be allocated to reinforce the East Quay wall in the central section and
 - b. The sum of £40k for project management resource to deliver this project to its conclusion.

3. Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Risk: Failing to maintain the East Quay in a timely fashion could result in deterioration with greater costs at a later date	Possible (3)	Moderate (3)	Medium (9)
<i>Mitigation: Investigations and proposals presented in this report seek approval to undertake improvement works in the central section with limited restrictions to operations in the northern section.</i>	Unlikely (2)	Moderate (3)	Low (6)
Risk: The wall fails unexpectedly resulting in a risk to public and greater costs in reacting to this as an emergency.	Possible (3)	Moderate (3)	Medium (9)
<i>Mitigation: Survey and modelling identify a theoretical risk area in the central section, the construction type here would likely lead to a bend in the structure rather than a collapse. Recommendation is to reinforce this section.</i>	Unlikely (2)	Moderate (3)	Low (6)
Risk: Failing to maintain the asset to meet the terms of the lease to the Marina Operator. Breach of these terms could place the council at risk of challenge, or at least place further strain on the relationship	Possible (3)	Moderate (3)	Medium (9)
<i>Mitigation: The Marina operator has been provided with report on condition and offered a meeting to discuss its content. We do not consider any of the restriction options to have a negative impact on their operation.</i>	Unlikely (2)	Moderate (3)	Medium (6)
Risk: Reinforcing the wall will remove a small amount of space from the Marina and increase, by that same amount the side of the East Quay, this additional land will increase the cost of the roadway surfacing which is a responsibility of the OC development. If there is an identifiable increase in cost we would anticipate the OC seeking a contribution from the council for this.	Possible (3)	Minor (2)	Low (6)

<i>Mitigation: Whilst there may be an increased area for surfacing there may be less sub base construction works needed in creating the roadway reducing the costs. Council officers will negotiate the cost changes and seek to offset OC savings on the roadway against any increased cost for surfacing.</i>	Unlikely (2)	Minor (2)	Low (4)
Risk: In order to expedite delivery of the works Members are being asked to approve a project based on estimates of costs, there is a risk that these could be incorrect once put to market	Moderate (3)	Possible (3)	Medium (9)
Mitigation: Member approval would allow the project team to undertake the design works and go to market with a tender, this will only then be converted into a contract where the overall costs of the project fall within the estimates. Should they not then a revised report will be provided for Members to reconsider.	Moderate (3)	Possible (3)	Medium (9)

4. Project Governance

- 4.1 The Project was initially being managed under the Commercial Investment functional area but with such close links to Localities, the operations of the Marina, and the Onion Collective, the Localities Manager is now overseeing this with initial project management support being provided through Localities.
- 4.2 The Project Team is made up of internal and external contributors. The internal Project Manager is Steve Hughes, with a range of others providing their technical support as required. Pick Everard and Crouch Waterfall have been providing specialist survey works and modelling.
- 4.3 The likely scale of spend and complexity of the works means that we will continue to need engineering expertise to design and potentially support the procurement process.

5. Background

- 5.1 This report does not attempt to resolve the issues that have recently been encountered with the wall at Splash Point, there are a range of options at that location that require further consideration before a design can be put to market. Therefore a budget is requested to undertake the design works at Splash Point. The design options for East Quay are less variable with the likely solution being a sheet piled front to reinforce the existing wall. However to meet our obligations under the Construction Design and Management Regulations 2015 a principle

designer still needs to be appointed and a solution drawn up by competent engineers.

- 5.2 The Authority has responsibility for the East Quay wall which has been repaired in different places at a different times over its life. There have been concerns raised about the structural integrity and the lifecycle for maintenance. In response the council commissioned a range of surveys from specialists in the industry.
- 5.3 The survey response from Pick Everard was presented to the Asset Management Group of West Somerset Council back in 2018. It was clear at this point that whilst there was no immediate risk to the public from the wall its maintenance needs to be planned for and its current condition better understood.
- 5.4 The council had previously undertaken a procurement activity to seek a contractor to deliver a maintenance scheme in advance of the OC development. The rationale for this was to complete any work necessary and be off site prior to the OC work starting, it was felt that this would minimise complexity. In reality contractors considered that this posed increased challenges in the timeframe available. It was also apparent that contractors needed additional information on the wall construction which was not available at that time.
- 5.5 Officers commissioned surveys to establish the condition of the wall ties and finite material analysis. Both of these would support the design of the maintenance scheme required as well as provide a greater understanding of the current factor of safety. These surveys were undertaken and the outcomes of these provide the most up to date information available, further reducing concerns over the East Quay wall structure.
- 5.6 The British Standard minimum factor of safety is 1.25. This means meeting the basic requirements for the wall for pedestrians, vehicles movements, and crane operations with a safety factor of 0.25 or 25%. Therefore any score below 1.25 is a fail.
- 5.7 A quay wall would normally be built to take activities with a loading of 10 kilopascals (kpa), kilopascals being a common measure of pressure. Due to the lease with the marina operator and their known use of the crane this has been increased to 20 kpa to ensure that our factor of safety relates to the known activities on site.
- 5.8 The Onion Collective's project does not include maintenance of the wall but it is clear that we will need to work with the OC and Watchet Harbour Marina Ltd to ensure that each parties operational needs are met when works are underway. Undertaking the work after the development may result in damaging the new surfaces put down by them, this could invalidate any warranties that they have for the buildings. This could also impact on warranties for the provision of the roadway which is being provided at OC's cost but will remain an asset of the council, their warranty for this is therefore to the benefit of SWaT. Reputational damage could also occur for the council where newly laid surfaces need to be lifted (or are damaged) for the wall maintenance.

- 5.9 Information that is pertinent to the OC's development has been shared with their engineers, to help inform their design and working practices. Their contractors are required to consider this information and undertake their own assessment to inform their design. The assessment of the OC engineers have been provided to the council.
- 5.10 As a point of clarity the council are not undertaking these repairs to enable the Onion Collectives development, the wall is the responsibility of the council and it serves as a structure that not only creates the East Quay, which is also part leased by the Marina Operator, but is also a sea defence for Watchet.
- 5.11 There has been no historical programme of monitoring or maintenance in place and only reactive works have been undertaken. Regardless of any recommendations to make repairs or reinforce sections a monitoring and maintenance programme must be put in place.

6. Survey works

- 6.1 A range of surveys have been undertaken over a period of time, these include but are not limited to core hole sampling, wall tie condition, location of dead man's anchors, and finite materials analysis. The Surveyors have also looked at wall construction and repairs, and life expectancy of the materials. These have all provided information for the modelling assessments.
- 6.2 The modelling has considered the likely means of failure of the wall and provided a factor of safety (fos) on each of these. These include bend moments, wall slip from the toe and overturning of the head. All results in table 1 are represented as the lowest factors of safety from any of this analysis, i.e. worst case scenarios.
- 6.3 The surveys undertook a range of modelling based on a sectional analysis of the wall. These sections were derived by the construction type and therefore the loadings required to achieve failure. This is then converted into a factor of safety with fos of 1.25 being the minimum needed for the activities and loading that are undertaken. Crane operations have the greatest weight impact on the wall exerting 20 kpa in close proximity to the wall. All outcomes assume the greatest weight loading unless stated otherwise.
- 6.4 A key message from the survey works, and one of the reasons the council were comfortable in signing off the lease to the Onion Collective, is that the surveys identify a negligible impact of the development on the wall. Therefore development, or no development, the factor of safety for the wall is unaffected. This is due to the distance of the development from the wall edge.
- 6.5 The wall for the purposes of the report is considered in the three sections. The southernmost section which adjoins The Esplanade, the central section which is the steel piled area, and the northernmost section beyond the steel piles but before the pier. These can be seen in appendix A, a diagram of the East Quay
- 6.6 In all scenarios modelled by the consultants the **southernmost** section **exceeds** the minimum factor of safety of 1.25. This may come as a surprise as visually it

looks to be in the worst condition, however due to its lower height, and a number of other factors, the wall here is stable and has the highest factor of safety rating of the three sections.

- 6.7 At high tide the **central** section of the wall **exceeds** the minimum factor of safety of 1.25. However at low tide the wall **fails** to meet the minimum requirements, this means that in theory the wall should fail but in practice it has shown no signs of doing so. Due to the construction of this section failure would most likely be seen by a bending of the sheet piles rather than a collapse. The modelling gave a range of factors of safety based on assumptions about the sheet pile types and their embedment into the bedrock. The table below takes the worst case scenario and it is therefore possible that the assumptions are predicting a situation that is worse than reality. It is nevertheless recommended to Members that this section is reinforced.
- 6.8 It is clear from the site investigation works that the central part of the structure is nearing the end of its life and were there to be no maintenance then it will inevitably fail at some point in the future.
- 6.9 With the current mud and silt level the **northern** section of the wall **exceeds** the minimum factor of safety of 1.25 at high and low tide for pedestrian and vehicle traffic, but **fails** for crane operations at **low tide only**. Officers will be advising the marina operator of this however in practice with the current marina mud levels crane operations would not occur at low tide anyway.
- 6.10 The council have a choice to reinforce this section of wall, or place a restriction on crane operations at low tide, or restrict any future dredging operation within this immediate area. The cost of including the northernmost section in the procurement is estimated to be in excess of £400k it is therefore economical to look at alternatives. It is recommended that this is excluded from the reinforcing programme and officers are instructed to work with the marina operator to limit the impact of this decision.
- 6.11 Results of the modelling shown in Table 1 below differ between low and high tide. This is caused by the volume of water at high tide placing a positive pressure on the wall front and increasing the factor of safety.

Table 1: Factor of Safety Outcomes.

No	Surcharge	kpa loading	Northern section		Central section		Southern section	
			Low Tide	High Tide	Low Tide	High Tide	Low Tide	High Tide
1	Current	10 kpa	1.3 (1.1 with silt removed)	4.0	0.7	2.7	1.8	10+
2	Current inc. crane	20 kpa	1.06	2.5	0.7	2.7	1.4	4.0
3	Current + OC	60 kpa	Outside of OC development area		Negligible effect of OC development so not modelled		1.8	10+
4	Crane + OC	70 kpa					1.4	4.0

- 6.12 As part of the analysis we sought to understand if water that entered into the structure of the East Quay at high tide washed out material as the tide fell. This finite element modelling identified no loss of fine material being washed out from the rear of the wall. In terms of the wall integrity this is a good result as it reduces the opportunity for voids to be created behind the wall.

7. The Maintenance options

- 7.1 From the survey information provided it is clear that the southern section requires no substantial maintenance works, however a plan for monitoring is required.
- 7.2 It is recommended that the central section is reinforced to allow for vehicle movements into the boat storage area and crane operations which are a condition of the lease to the marina operator. These can continue at high tide but advice will be provided to the marina operator and Onion Collective concerning low tide. Undertaking this work will also provide for longer term stability for the operation of the marina.
- 7.3 It is recommended that the northern section is excluded from the reinforcing programme and officers are instructed to work with the marina operator to limit the impact of this decision.

8. Procurement process

- 8.1 The Authority will undertake a robust procurement activity to ensure that the best options and value are established. We recommend to Members that we further instruct specialists to create the necessary engineering designs for both Splash Point and the central section of East Quay.
- 8.2 We then recommend that the design is put to market with a minimum lifespan requirement. With this quality aspect already set we can then run a procurement activity weighted in favour of price.
- 8.3 Upon approval of the recommendations the design and procurement will begin, with works being undertaken on site in 2020 / 21, and completed to a timeline that avoids further disruption on site following the conclusion of the OC development.

9. Financial resource implications

- 9.1 The financial requests of this report are currently based on estimates and cannot therefore be considered as fixed, this creates a risk in terms of the known costs, however the councils responsibility for delivery are unchanged by the costs of the project. Any further changes to the costs will be reported through the budget monitoring process.
- 9.2 The total cost requested to be added to the Capital Programme is £740k, which will

be funded from borrowing, with a revenue cost of £44k per annum to be included in the budget from 2021/22 onwards.

10. Legal Implications

- 10.1 The council have a responsibility to maintain the assets at Splash Point and East Quay, any failure of the asset caused by the council's negligence would likely expose the council to challenge and financial risk.
- 10.2 Any failure of the asset caused by the negligence of others would expose that party to challenge and financial risk and the Council would take action against them to recover all associated costs.
- 10.3 Any restrictions imposed for the northern section of the wall are not considered to be unreasonable given the known operating restrictions caused by the marina's mud.

12. Environmental Impact

- 12.1 There are no detrimental implications associated with supporting the recommendations of this report. Environmental implications could exist where Members are unable to support the necessary maintenance of this asset. With no maintenance the asset could fail in time creating pollution within the Harbour.
- 12.2 It is anticipated that an Environmental Impact Assessment will be required making reference to the reinforcing solutions proposed by contractors.

13. Safeguarding and/or Community Safety Implications

- 13.1 There are no implications resulting from the recommendations of this report being approved.

14. Asset Management Implications

- 14.1 The Asset Management Team have been involved throughout the process and support the recommendations of this report. A programme of monitoring would fall to this team to manage.

15. Data Protection Implications

- 15.1 There are no identified implications of this report on data protection.

16. Consultation Implications

- 16.1 There has been and will continued to be a need for close working with the Onion

Collective and Watchet Harbour Marina Ltd, although there is no formal consultation process.

17. Equalities Impact

17.1 There are no detrimental impacts on any of the protected groups as a result of this report and its recommendations.

18. Partnership Implications

18.1 There are no formal partnerships impacted by the content of this report.

19. Climate Change implications

19.1 Climate change will impact on the sea levels in the coming years. This report does not evaluate the effects of rising sea levels but does seek to secure funding to maintain the integrity of the sea wall for the foreseeable future.

Democratic Path:

- **Executive – 22nd January 2020**
- **Full Council – 27th January Date 2020**

Reporting Frequency: One off

Appendices:

- A) Plan of the East Quay, Watchet**
- B) Site investigations report**

Contact Officer

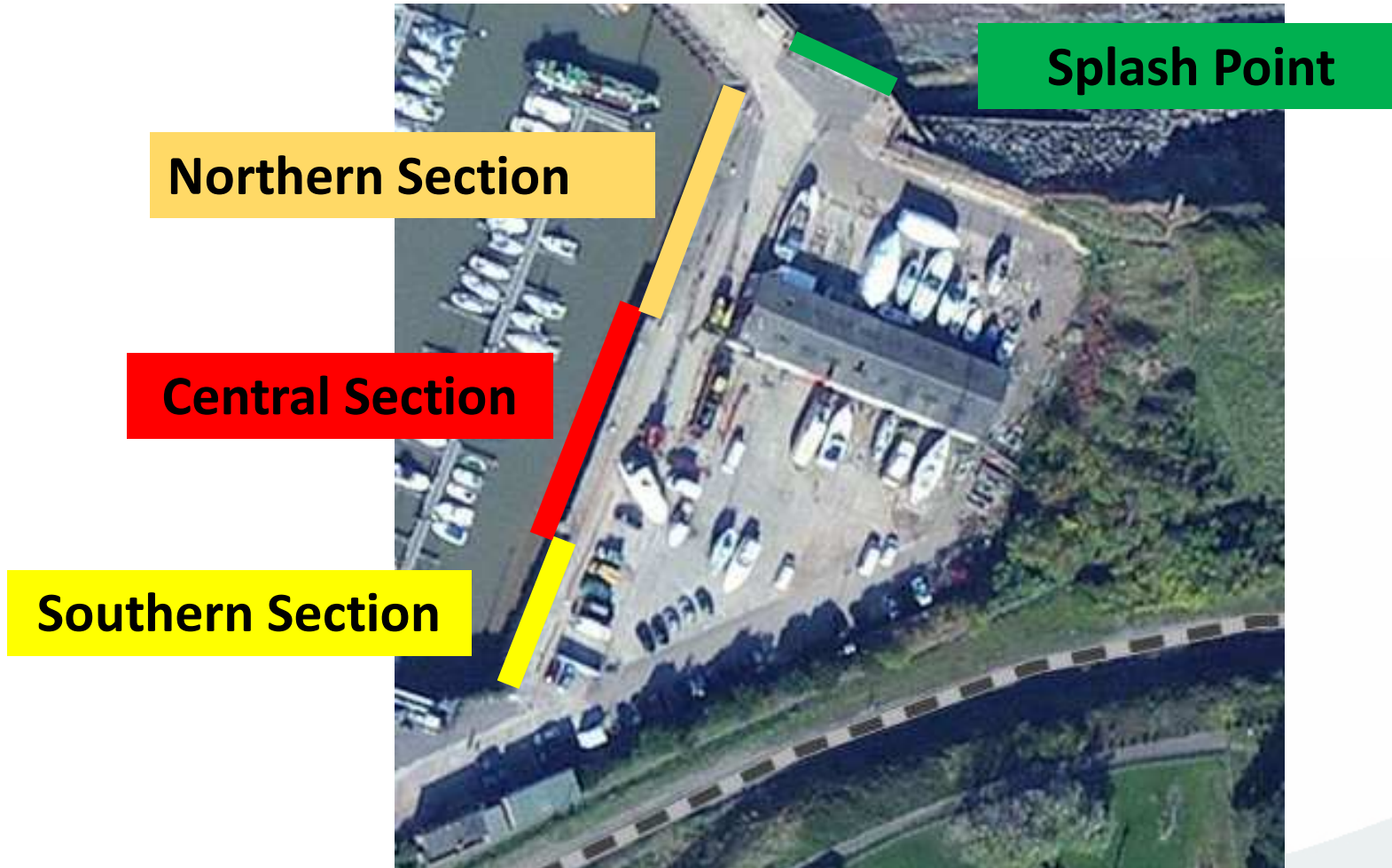
Name	Chris Hall
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Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

East Quay Watchet



WATCHET HARBOUR

GEOTECHNICAL ANALYSIS REPORT

CLIENT: PICK EVERARD

DOCUMENT REFERENCE: 19-272B-REP-001 – WATCHET HARBOUR – GEOTECHNICAL ANALYSIS REPORT

REVISION: ISSUE 06

ISSUE DATE: DECEMBER 2019

PROJECT TITLE: WATCHET HARBOUR

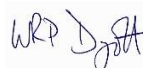


DOCUMENT TITLE: GEOTECHNICAL DESIGN REPORT

06 DECEMBER 2019

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Executive Summary

The report summarises a modelling exercise carried out on the existing harbour wall at Watchet Harbour; this exercise has been undertaken to gain an understanding of the effect of loading on the existing structure as a result of various scenarios.

The east quay harbour wall at Watchet, West Somerset comprises three distinct sections of wall:

- Northern section – masonry/concrete wall;
- Central section – sheet pile wall supported by deadman anchors;
- Southern section – masonry/concrete wall;

Each section of the harbour wall has been modelled using various tidal loading scenarios, detailed below:

- High tide with harbour silt;
- Low tide with harbour silt;
- Low tide with harbour silt removed (dredged);

Due to the proximity of Hinkley Point (located 14km to the east) to the site, the tide levels for Hinkley have been adopted for Watchet Harbour (from the UK National Tidal & Sea Level Facility).

Surcharge loading scenarios have been detailed by the Client, as per the following:

- A **10kPa** load is placed over a 10-wide strip immediately behind the wall. This simulates a generic load for day-to-day use of the quay/harbour wall – it represents the ‘current’ situation;
- A **20kPa** load replaces the 10kPa load mentioned above. This 20kPa load is applied over a 10m-wide strip immediately behind the wall and simulates the operation of a mobile crane used to lift boats in to/out of the marina;
- Static (dead) load of **50kPa** imposed by the proposed new development, located 14.5m (minimum) away from the harbour wall;

Load combinations have been analysed for all three sections of the wall and all tidal situations as follows:

Load Scenario 1: 10kPa loading – ‘current’ situation;

Load Scenario 2: 20kPa loading – potential crane loading;

Load Scenario 3: 10kPa + 50kPa loading – ‘current’ load + development load;

Load Scenario 4: 20kPa + 50kPa loading – crane load + development load

Northern Section – Masonry Wall

Analysis of the northern section of wall has concluded that, under ‘current’ marina conditions (ie: silt present), using Load Scenarios 1 and 2, the wall has a minimum Factor of Safety of 1.06. This figure, albeit greater than 1.0, already represents a reduced Factor of Safety, as the minimum acceptable FoS was set at 1.25. Analysis was carried out to SLS conditions of the Eurocode for gauging of the current condition of the wall. This being said, should the silt be dredged from the base of the marina then the Factor of Safety drops below 1.0.

Central Section – Sheet Piled Wall

Detailed sensitivity analysis has been completed on Larssen 22 and Larssen 25 sheets with varying thicknesses (as requested by the Client) and steel grades. This has given some insight into how much degradation/loss of section is required, at differing steel grades, before the Factor of Safety falls below 1.25. Determination of the steel grade (through chemical testing) would give valuable insight into predicting the performance of the sheet piles.

Load Scenarios 1 and 2 have been determined as having significant impacts on the harbour wall, enough to reduce the FoS to <1.0. Based on the Limit Stage analysis, the addition of the development surcharge (Load Scenarios 3 & 4) is not deemed significant enough to affect the harbour wall.

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The fact that the model predicts failure but the wall remains standing is believed to be (partly) due to the cyclical nature of the tides and the limited length of time that the wall is left exposed to excessive bending moments. Once the tide starts rising again, so returns the stabilising force of the high tide, and thus the Factor of Safety rises in turn.

Southern Section – Masonry Wall

Analysis of the southern section of wall has concluded that, under ‘current’ marina conditions (ie: silt present), using Load Scenarios 1 and 2, the wall has a minimum Factor of Safety of 1.4. This Factor of Safety remains unchanged should the silt be dredged from the marina.

When the development load is applied to the wall, the Factor of Safety does not change, suggesting that the development has little to no effect on this section of the harbour wall.

Summary of East Quay Harbour Wall Scenarios, Watchet Harbour

Load Scenario	Surcharge	Loading (kPa)	North Section		Central Section				South Section	
			Low Tide + Silt	High Tide + Silt	Low Tide + Silt		High Tide		Low Tide + Silt	High Tide + Silt
					Larssen Sheet Pile* Equivalent – Bending Moment FOS - in mms					
					22mm	25mm	22mm	25mm		
1	Current Loading	10kPa	1.3 - 7	4 - 10+	0.7	1.1	2.7	4.1	1.8 - 10+	10+
2	Crane Loading	20kPa	1.06 - 1.3	2.5 - 10+	0.7	1.1	2.7	4.1	1.4 - 6	4 - 10+
3	Current + OC Building	10kPa + 50kPa	No impact on Northern wall from development.		As there were no changes from Load Scenario 1 to Load Scenario 2 it is concluded that there will be no further changes as a result of Load Scenarios 3 and 4.				1.8 - 10+	10+
4	Crane + OC Building	20kPa + 50kPa							1.4 - 6	4 - 10+

Assumed Onion Collective development to generate 50kPa sited 14.5m+ from the edge of the Central and Southern Harbour Walls. No impact on Northern wall section hence discounted from calculations.

All numbers are Factor of Safety (FoS) numbers. FoS = 1.25 is the minimum required by British Standards. As this is an existing structure it has not been analysed against Eurocode 7 partial factors.

Central Section assumed 240 MPa Yield Strength Steel – weakest

Megapascal (MPa) is the mega-unit used to measure the intensity of pressure. MPa in these works can be summarised as the capacity of a material, such as a structure or ground, to ‘resist pressure’ – the higher the number, the more resistance.

The overall Factor of Safety for each scenario should be taken as the lowest figure for the pile and tidal situation. Numbers in red fail the Factor of Safety assessment or fall outside the margin of safety required.

**Larssen 22/25 are the types of sheet piles at Watchet Harbour – modelling has been done on equivalent sheets to estimate likely current performance depending on the grade of steel (this is unknown at this stage).*

1. Introduction

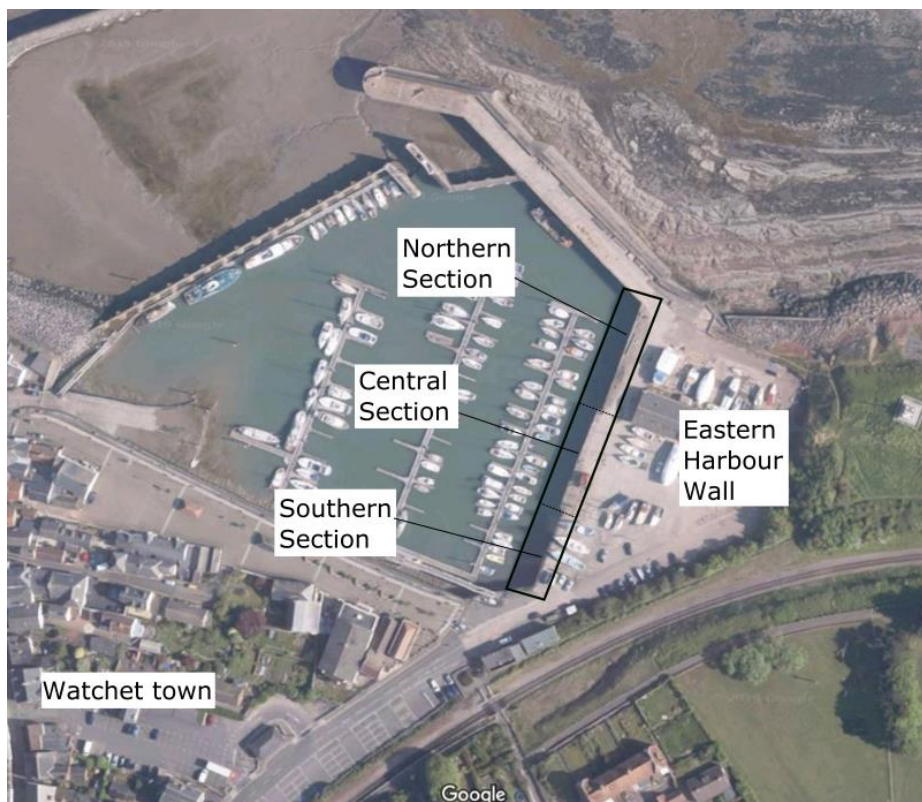
Crouch Waterfall have been commissioned by Pick Everard ('the Client') to undertake detailed geotechnical analysis of the existing east quay wall ('the asset') at Watchet Harbour, West Somerset, TA23 0AQ. The ultimate client and owner of the harbour and quay is Somerset West & Taunton Council.

The town of Watchet is located in south-west England, on the northern Somerset coast, 15 miles to the west of Bridgwater. The town is home to a marina which is contained by a combination of concrete/masonry and sheet piled harbour walls to the north and east, with the town of Watchet lying to the south (see Figure 1 of Watchet Harbour, below).

The eastern harbour wall backs onto the east quay which is currently used as a boat park and storage area. The east quay fulfils a number of functions including flood defence for the town and a working quay for the marina (including boat parking and storage area). It is proposed to redevelop this area with a community arts centre that will lie 14.5m from the harbour wall at its closest point. The proposed redevelopment will be serviced by an access road from the Esplanade, that runs immediately behind the edge of the harbour wall. The proposed development is to be designed and constructed by others.

The focus of this report is to look in detail at the make-up of the eastern harbour wall along its length and attempt to determine the state of this asset and how it might react to proposed future loading scenarios.

Figure 1: Overview of Eastern Harbour Wall, Watchet



2. Existing Information

2.1. Report References

The following reports were supplied by the Client and used during the analysis:

- Scope Document, issued by Pick Everard, June 2019, JRBB/MGA/190315/17-3/R102 Issue 1;
- Assessment of Potential Lateral Loads on the Quay Wall due to Raft Loads, issued by Red Rock Geo, June 2019, RP7090/C001;
- Watchet Harbour – Sea Wall Investigation, issued by Henderson Thomas Associates, December 2018, L/1748/18/WDT Rev 2;
- Quay Wall Survey – Watchet Marina, issued by Marine & Civil Solutions, November 2018;
- Geotechnical and Geoenvironmental Assessment of Watchet Harbour, issued by South West Geotechnical, January 2019, Ref 10501 Issue 2;

2.2. Eastern Harbour Wall

The eastern harbour wall comprises two distinct forms of construction, as per Figures 2-4, and summarised in Table 1 (levels/thicknesses taken from dive survey report provided by the Client) below:

- Stone masonry / in-situ concrete (believed to be unreinforced);
- Sheet piles supported by deadman anchors;

The stone masonry / in-situ concrete make up the northern and southern sections of the harbour wall, with the sheet piles located in the central section.

A thickness of soft silt has built up over the base of the marina. The thickness of this silt was found to fluctuate along the line of the harbour wall, varying from 1.55m to 3.35m at the time of the survey. The variation in thickness of silt deposits within the marina is predominantly believed to come from the proximity to the marina entrance: i.e.: thickest in the north which is closest to the marina entrance. Other factors might include tidal scour from an outgoing tide. In addition to these, Watchet Harbour Marina have proposed dredging the silt from the marina, in order to increase the draft under boats that use the marina.

TABLE 1: EASTERN HARBOUR WALL DETAILS

Section ID & Make-up	Full wall height (excl. embedment)	Thickness of silt
Northern – masonry/concrete	10.05m	3.35m
Central - sheet pile circa 1970's High level ties/northern half	9.70m	3.1m
Central - sheet pile circa 1950's Low level ties/southern half	9.70m	3.1m
Southern – masonry/concrete	8.45m	1.55m

Figure 2: Indicative Cross-Section through Northern Section of Harbour Wall

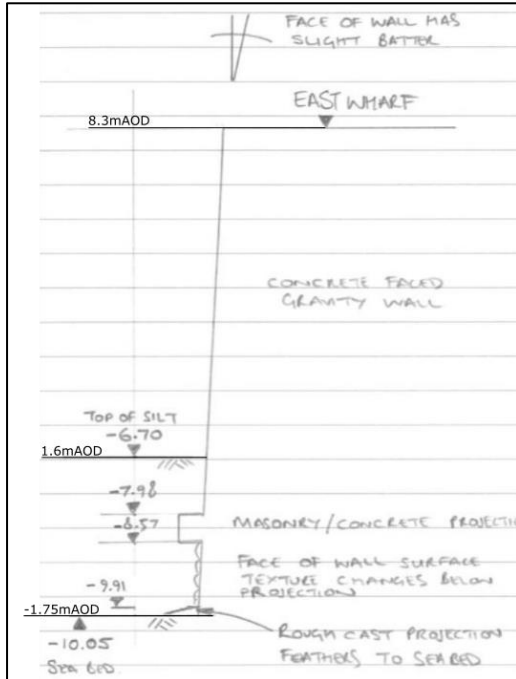


Figure 3: Indicative Cross-Section through Central Section of Harbour Wall

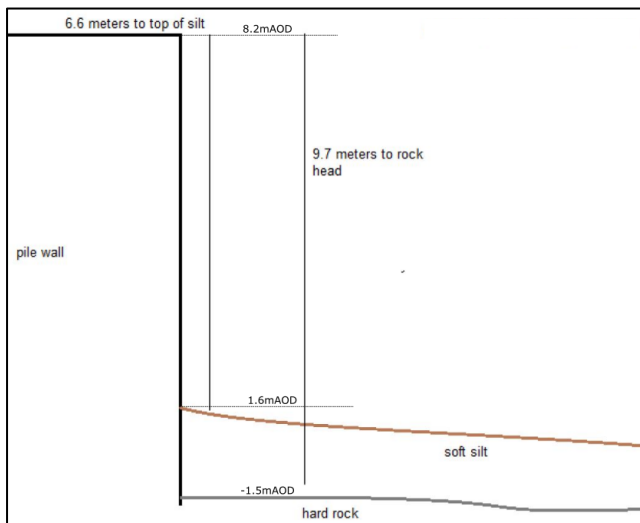
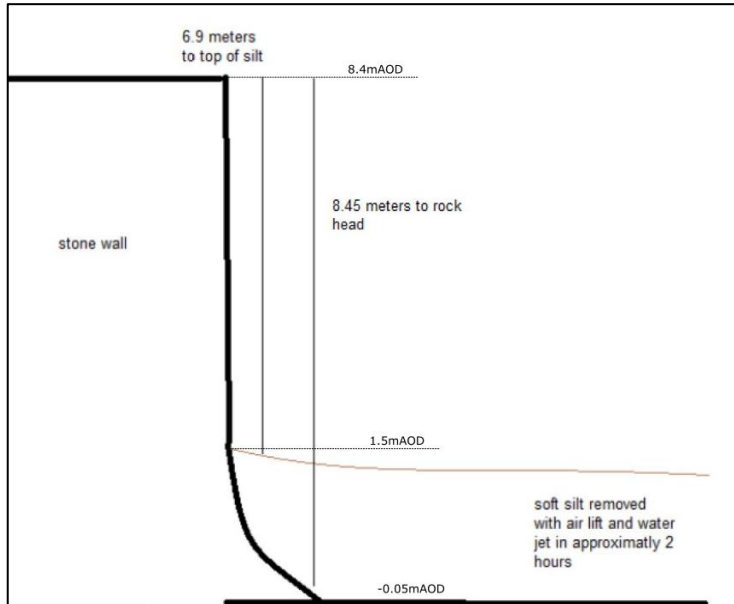


Figure 4: Indicative Cross-Section through the Southern Section of Harbour Wall



2.2.1. Central Section – Sheet Piled Wall

It is understood that the sheet piles were installed on two separate occasions: the first in the 1950s and the second in the 1970s. Installation of sheet piles on both occasions is believed to have been as a result of collapse or failure of the masonry wall, but no as-built information or details of the construction methodology has been made available. These two separate installations can be identified by the anchor heads located at two distinct levels: the 1970s installation having high-level anchors (located in the northern half of the central section), and the 1950s installation using low-level anchors (located in the southern half of the central section).

The selection of the sheet-pile sections is based on measured/estimated dimensions. Larssen 22 sheets have been identified in the northern half of the Central Section (installed in 1970s), utilising high level anchor ties. Larssen 25 sheets are believed to be present in the southern half of the Central Section (installed in 1950s), utilising low level anchor ties.

Based on dive survey findings, a 3.1m-thick layer of silt was encountered in front of the sheet pile wall. The diver was not able to tell how far the piles penetrated into the underlying bedrock. The length of the sheet piles, to the point where they enter the bedrock, have been measured at 9.7m.

The thickness of the existing sheet piles has been estimated based on the published parameters of the Larssen 22/Larssen 25 sheets. However, from dive surveys commissioned by the Client, it is understood that the sheets have developed large areas of rust, and therefore the loss of thickness due to corrosion is uncertain and could be significant.

Following a ground investigation, the two different sets of anchors were discovered lying at 2.0m/6.2m AOD (northern half, installed in 1970s) and 3.5m/4.7m AOD (southern half, installed in 1950s) below the top of the sheet pile wall. The horizontal spacing of the anchors has been estimated at 0.77m-1.0m based on photographs provided by the Client. The anchor bars have been measured at 14.3m to 14.4m long and 63.5mm diameter. The anchor ends are set into concrete blocks of varying sizes.

2.2.2. Northern & Southern Sections – Concrete/Masonry Wall

The masonry/concrete sections of the harbour wall were surveyed using ground penetrating radar (GPR) as well as cored sections taken from multiple points on the face of the walls. Based on the GPR results the wall thicknesses have been estimated at 1.0m to 1.3m for both sections. However, the cored sections for each of the

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walls give varying thicknesses of intact concrete, ranging from 170mm to 1260mm. For the purposes of simplicity in the modelling exercise, the masonry walls have been modelled as 1.0m thick, as per the GPR survey.

The full wall height in the northern section has been measured as 10.05m, with 3.35m of silt at its base. The full wall height in the southern section has been measured at 8.45m, with 1.55m of silt at its base. The foundations for each of the masonry wall sections are unknown. The dive survey did not find any evidence of a shear key binding the wall to the underlying bedrock.

2.3. Ground Model

A ground model has been produced based on the information within the Geotechnical Investigation Report (GIR) produced by South West Geotechnical (Ref. 10501). This investigation comprised 5 No. boreholes, 2 No. plate load tests and assorted lab testing. Individual ground profiles were produced for each of the Northern, Central and Southern sections of the harbour wall, based on the closest boreholes. These are summarised in the tables below.

TABLE 2: NORTHERN SECTION

Level top (mAOD)	Level base (mAOD)	Soil Description	Comments
8.3	2.3	MADE GROUND: clayey GRAVEL	Based on BH101
2.3	1.3	Clayey GRAVEL	
1.3	-4.2	Weak-medium strong Mercia MUDSTONE	

TABLE 3: CENTRAL SECTION

Level top (mAOD)	Level base (mAOD)	Soil Description	Comments
8.2	1	MADE GROUND: clayey GRAVEL	Based on BH103
1	-4.3	Extremely weak Mercia MUDSTONE	

TABLE 4: SOUTHERN SECTION

Level top (mAOD)	Level base (mAOD)	Soil Description	Comments
8.4	3.3	MADE GROUND: clayey GRAVEL	Based on BH105. Limestone bands encountered in BH105 have been ignored in the design
3.3	-2	Very weak Blue Lias MUDSTONE	

In the above tables, the Blue Lias Mudstone and Mercia Mudstone will be treated as one and the same.

A table summarising the ground parameters assigned to these soil types is presented below.

TABLE 5: SOIL PARAMETERS

Soil Type	Unit Weight γ (kN/m ³)	Young's Modulus E (MPa)	Poisson's Ratio ν	Angle of Shearing Resistance ϕ (° deg)	Cohesion c' (kPa)
MADE GROUND: clayey GRAVEL	18	16 *	0.4	34 [^]	16 [^]
Clayey GRAVEL	19	16	0.35	33 [^]	1
MUDSTONE	22	30	0.45	0	400 ⁺
Harbour SILT	18	5	0.3	20	1
Masonry wall FILL	22	100	0.1	-	-

Notes:

* This figure is based upon the results from the 2 No. plate load tests completed on site. Two stiffness values were calculated for the Made Ground material, and the more conservative value has been used in this analysis.

[^] This figure is based on shear-box testing results (Taken from South West Geotechnical GIR, Ref 10501)

⁺ This value is based upon in-situ SPT testing.

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* This value is based upon the unconfined compressive strength (UCS) laboratory testing. The most conservative test result produced a UCS of 0.8MPa ($UCS/2 \approx c'$).

Based on the borehole information and particle size laboratory testing, Crouch Waterfall have concluded that the risk of the soils/foundations degrading due to freeze/thaw action is negligible.

2.4. Tide Levels

Historic tide level data was not available for the site at the time of writing; however, long term monitoring has been taking place at Hinkley Point since 1990. Due to the proximity of Hinkley Point (located 14km to the east) to the site, the tide levels for Hinkley have been adopted for Watchet Harbour. The highest and lowest tide levels for the period 2008 – 2026 are listed in the table below (taken from the UK National Tidal & Sea Level Facility <https://www.ntsfl.org>).

It is understood that the marina is partially impounded and therefore never completely empties at low tide (thus ensuring that the boats always remain afloat). This impounded level has been estimated at +1.5mAOD. For the purposes of this modelling exercise, the impounded level (+1.5mAOD) has been used instead of the *actual* low tide level (-6.09mAOD).

TABLE 6: TIDE LEVELS

Scenario	Level (Tidal Datum)	Level (Ordnance Datum mAOD)
High Tide	13.02m	+7.12mAOD
Low Tide	-0.19m	-6.09mAOD
Low Tide - Impounded Level	-	+1.5mAOD

2.5 Assumptions, Exclusions and Caveats

Modelling has been undertaken with due regard to the available information. However, there are significant areas in which information is not available and has had to be assumed for the purposes of modelling, and are as follows:

- Sheet-pile embedment is assumed to be 0.5m;
- Based on investigative surveys completed by the Client, the deadman anchors, supporting the sheet pile wall, are determined to be free from corrosion and are not detrimentally affecting the structural integrity of the harbour wall;
- The presence of a shear key has been discounted;
- The thickness of the masonry wall has been assumed as being 1.0m;
- The masonry and concrete wall is assumed to be unreinforced;
- The steel grade (yield strength) of the sheet pile wall has been assumed as 240MPa;
- Ground strength information is based on available information and published data;
- Accurate limits for the high tide and low tide levels were not available for Watchet Harbour, and so the tide levels have been taken from the nearby tidal measuring station at Hinkley Point power station;

3. Modelling Results and Interpretation

3.1 Introduction

Both finite element modelling (FEM) and limit-state modelling has been carried out on all three structural sections. Initially, FEM modelling has been carried out to gain an understanding of the forces acting on the existing structures. These forces have then been incorporated into limit-state models in order to provide Factor of Safety (FoS) values for the structures.

3.2. Finite Element Modelling

Finite element models for the northern, central and southern sections were produced using the profiles and parameters mentioned above. In addition, three tidal situations were chosen by the Client, namely:

- High Tide with harbour silt present in front of the existing structures;
- Low Tide (impounded) with harbour silt present in front of the existing structures;
- Low Tide (impounded) with the harbour silt dredged/removed to harbour floor level;

Various surcharges to accurately model the possible future development of the quay were chosen by the Client, namely:

- A **10kPa** load is placed over a 10m-wide strip immediately behind the wall. This simulates a generic load for day-to-day use of the quay/harbour wall – it represents the ‘current’ situation;
- A **20kPa** load replaces the 10kPa load mentioned above. This 20kPa load is applied over a 10m-wide strip immediately behind the wall and simulates the operation of a mobile crane used to lift boats in to/out of the marina.
- Static (dead) load of **50kPa** imposed by the development, located 14.5m (minimum) away from the harbour wall;

Load combinations (as specified by the Client) have been analysed for all three sections of the wall and all tidal situations as follows:

Load Scenario 1: 10kPa loading – ‘current’ situation;

Load Scenario 2: 20kPa loading – proposed crane loading;

Load Scenario 3: 10kPa + 50kPa loading – ‘current’ load + proposed development load;

Load Scenario 4: 20kPa + 50kPa loading – crane load + proposed development load

GEO5 Finite Element Modelling (FEM) software was used to perform the analysis for all three sections of the harbour wall.

A detailed drawing showing the layout of the harbour and locations of the crane operating area and proposed development is appended to this report.

3.2.1. Central Section – Reduced Thickness Sheet Pile Wall

Crouch Waterfall were advised by the Client on the types of sheet piles used in the Central section of the wall. However, following the findings of the dive survey, it was necessary to take into account corrosion and subsequent loss of section of the sheet piles. This was completed by following guidance in BS EN 1993-5:2007 Eurocode 3 – Design of Steel Structures – Piling. The following values have been generated following a reduction in the sheet-pile section based on this guidance:

TABLE 7: SHEET PILE - REDUCED THICKNESSES

Sheet Pile ID	Original thickness (mm)	Loss of thickness on Soil Side (mm)		Loss of thickness on Seawater Side (mm)		Reduced Sheet Pile Thickness (mm)	
		After 45yrs	After 65yrs	After 45yrs	After 65yrs	After 45yrs	After 65yrs
Larssen 22	10	0.55	0.75	3.5	5.0	5.95	4.25
Larssen 25	25					20.95	19.25

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Following the guidance in BS 1993-5, the corrosion values for the Low Water/Splash Zone have been used as these are most onerous case. It should be noted that if it is assumed that Larssen 22 sheets were installed in the 1970s, then these sheets will be approaching the end of their design life, with potentially only ~6mm of thickness remaining in the most corroded parts of the piles.

In order to model the performance of a 45yr/65yr old Larssen 22 or 25 sheet pile, a sheet pile with the appropriate thickness must be modelled in its place (i.e.: 5.95mm or 4.25mm for a Larssen 22 and 20.95mm or 19.25mm for a Larssen 25). Larssen 25 sheets were replaced with Larssen 605 sheets, with a thickness of 12.5mm. However, a comparable sheet for the Larssen 22 could not be found; therefore, a GU6N pile was used in its place.

Following the application of reduced section values, modelling was undertaken to evaluate the performance of the harbour wall after 45yrs/65yrs of corrosion has reduced the thickness of the piles. In the following sections, only the reduced thickness sheet piles will be analysed (GU6N and Larssen 605) and the original, full thickness sheets (Larssen 22 and 25) have been ignored in the analysis.

3.2.2. Central Section – Sheet Pile Wall

Computations covering the various tidal scenarios and surcharges (Loading Scenarios 1-4) were completed for the central section of the harbour wall. A pile embedment depth of 0.5m into the underlying bedrock was assumed. This figure was chosen following analysis into the minimum embedment depth required to ensure stability of the wall, under the low tide without silt condition. This resulted in a total length of sheet pile of 10.2m. Given the nature of the underlying Mercia/Blue Lias mudstone a maximum embedment value is expected to be in the order of 2.0m. This depth is based on engineering judgement and working knowledge of the Mercia/Blue Lias mudstone.

The following results were achieved:

TABLE 8: SHEET PILED WALL (10.2M LONG SHEETS) – HORIZONTAL DISPLACEMENTS & BENDING MOMENTS

Model	Sheet Pile ID & Section	Max Bending Moment (Capacity) of Sheet (kNm)	Load Scenario 1		Load Scenario 2		Load Scenario 3		Load Scenario 4	
			Disp (mm)	Bending Moment (kNm)	Disp (mm)	Bending Moment (kNm)	Disp (mm)	Bending Moment (kNm)	Disp (mm)	Bending Moment (kNm)
High Tide + Silt	GU6N (6mm)	150	39	87	41	89	51	88	53	90
Low Tide + Silt			42	45	44	47	55	47	56	49
High Tide + Silt	Larssen 605 (12.5mm)	484	31	172	33	178	43	178	45	183
Low Tide + Silt			40	136	41	142	52	142	53	148

Load Scenario 1: This gives some indication as to how the wall is reacting to the ‘current’ applied load.

Load Scenario 2: With the addition of the crane load, the sheet pile wall is noted to displace an extra 1-2mm, with minor increases in bending moment.

Load Scenario 3 & 4: Once the development load is added to the ‘current’ situation, the displacements were noted to increase by ~12mm. The same can be said when the development load is applied in addition to the crane loading.

The significant increase in bending moment for the High Tide with Silt scenario is believed to be due to the increased water pressure acting on the back of the sheet pile wall.

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In general terms, Table 8 shows that the sheet piles do not exceed their bending moment capacity in any of the Load Scenarios, despite experiencing some significant horizontal displacements.

3.2.3. Northern & Southern Sections – Masonry/Concrete Wall

Computations covering the various tidal scenarios and surcharges were completed for the northern and southern sections of the harbour wall. Due to the difficulties in accurately modelling a masonry wall in finite element software, only the horizontal displacements have been computed.

The results of the analysis are tabulated below.

TABLE 9: NORTHERN MASONRY WALL - HORIZONTAL DISPLACEMENTS

Scenario	Load Scenario 1	Load Scenario 2
	Horizontal Displacement (mm)	
Low Tide + Silt	41	43
High Tide + Silt	62	66

For the Northern masonry wall analysis, Load Scenarios 3 & 4 were ignored under direction from the Client. The northern masonry wall is located far enough from the proposed development for it to lie outside the zone of influence.

A small increase of 2-4mm is noted in the transition from the 'current' situation (Load Scenario 1) to the addition of the crane load (Load Scenario 2).

As with the Central section, the increased displacements during the High Tide with Silt scenario are believed to be caused by the increased water pressure acting on the back of the masonry wall. It is not clear why this is only evident in the analysis of the Northern section.

TABLE 10: SOUTHERN MASONRY WALL - HORIZONTAL DISPLACEMENTS

Scenario	Load Scenario 1	Load Scenario 2	Load Scenario 3	Load Scenario 4
	Horizontal Displacement (mm)			
Low Tide + Silt	38	39	50	51
High Tide + Silt	32	36	43	47

As with the central sheet pile section above, only minor increases in displacements are noted when moving from Load Scenario 1 to 2. More substantial displacements are noted when the development load is included in Scenarios 3 and 4.

3.3. Limit State Modelling

Limit State models were employed in an to attempt to assess the predicted performance of the harbour wall in terms of a Factor of Safety (FoS) value.

In the following analyses, Eurocode 7 partial factors were ignored, in order to have greater parity with the original British Standard design methods that would have been used at the time.

3.3.1. Central Section – Sheet Pile Wall

The Central section of the harbour wall was modelled using Larssen 22 and Larssen 25 sheet piles with progressively reduced thicknesses (a product of corrosion). In addition to this, a sensitivity analysis was carried out on the effect of steel grade on the performance of the sheet piles. The piles were assigned an embedment depth of 0.5m (total pile length of 10.2m)

In order to complete this analysis, typical sections of Larssen 22 and Larssen 25 sheets were modified to reduce the thickness of the sheet (as though being corroded), and in doing so compute the reduced structural parameters that would accompany the loss of section. A steel grade of 240MPa was chosen for the yield

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strength. It should be noted that changing the thickness and grade of steel only affects the Factor of Safety on the bending moment of the sheet piles. The following tabulated results were calculated for Load Scenario 1 (10kPa surcharge behind the wall). The addition of the development load (Load Scenarios 3 & 4) has been determined to have no effect on the Central Section of the harbour wall, due to the location of the development.

The same analysis was completed for Load Scenario 2 (20kPa crane load), and separately, for the Low Tide with silt dredged scenario, but neither of these resulted in a significant change in the bending moment factors of safety shown below, and therefore the results have not been replicated here.

TABLE 11: LIMIT STATE ANALYSIS - 240MPA YIELD STRENGTH STEEL – LOAD SCENARIO 1

Scenario	Sheet Pile ID & Thickness (mm)	Bending Moment FoS	Scenario	Sheet Pile ID & Thickness (mm)	Bending Moment FoS
Low Tide + Silt	Larssen 22 – 6mm	0.7	High Tide + Silt	Larssen 22 – 6mm	2.7
	Larssen 25 – 15mm	1.1		Larssen 25 – 15mm	4.1

In Table 11 above, the bending moment factors of safety have been calculated for both Larssen 22 and Larssen 25 sheet piles, with varying levels of reduced thickness. The calculated factors of safety which fall below 1.25 have been highlighted in red. For the basis of this investigation, a Factor of Safety greater than 1.25 is deemed ‘acceptable’ (the minimum Factor of Safety required by British Standards is 1.25). The stated thicknesses (6mm for Larssen 22 and 15mm for Larssen 25) were advised by the Client.

3.3.2. Northern & Southern Sections – Masonry/Concrete Wall

The same Limit State analysis was performed for the northern and southern sections of masonry wall. During the analysis, there was a degree of uncertainty around the dimensions of the foundations for the walls, as well as the presence of any kind of shear key. To maintain simplicity of analysis, the foundation dimensions (on the seawater side) that were recorded during the dive survey have been mirrored on the soil side of the wall.

The following Overturning (OVT) and Sliding (SLI) Factor of Safety values were recorded:

TABLE 12: NORTHERN SECTION - LIMIT STATE ANALYSIS – FACTOR OF SAFETY

Scenario	Load Scenario 1		Load Scenario 2	
	SLI	OVT	SLI	OVT
Low Tide + Silt	7	1.3	1.3	1.06
High Tide + Silt	10+	4	10+	2.5

For the Northern masonry wall analysis, Load Scenarios 3 & 4 were ignored under direction from the Client. The northern masonry wall is located far enough from the proposed development for the increased loading to be insignificant.

From the table above it is apparent that under ‘current’ conditions (Load Scenario 1) the lowest FoS the northern masonry wall might experience is FoS=1.3. Should Somerset West & Taunton council decide to dredge the silt from the marina then this would drop to FoS=1.1. Factors of Safety that are <1.25 have been highlighted in red.

Should the proposed crane be used within the 10m-wide strip immediately behind the northern harbour wall, the FoS drops to FoS=1.06 (under current marina conditions). Again, should Somerset West & Taunton council decide to dredge the marina silt, the FoS drops to less than unity (FoS=<1).

TABLE 13: SOUTHERN SECTION - LIMIT STATE ANALYSIS – FACTOR OF SAFETY

Scenario	Load Scenario 1		Load Scenario 2		Load Scenario 3		Load Scenario 4	
	SLI	OVT	SLI	OVT	SLI	OVT	SLI	OVT
Low Tide + Silt	10+	1.8	6	1.4	10+	1.8	6	1.4
High Tide + Silt	10+	10+	10+	4	10+	10+	10+	4

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The southern section of masonry wall is not as tall as the northern section, and this is reflected in the higher Factors of Safety.

Load Scenario 1: The lowest safety factor values produced by the analysis occurred during the low tide scenario (FoS=1.8).

Load Scenario 2: When the crane load was applied to the model, the FoS dropped to FoS=1.4, for the low tide scenario.

Load Scenario 3 & 4: When the development load was applied in Load Scenarios 3 & 4, the FoS did not change, suggesting that the construction of the development will not have an effect on the southern section of masonry wall.

4. Conclusions & Recommendations for Additional Works

4.1. Conclusions

Following detailed geotechnical analysis into the different sections of the harbour wall, and the various loading scenarios / tidal scenarios that are being applied to the wall, it is possible to comment on the 'robustness' of the harbour wall.

Northern (Masonry) Section

Only a minimal increase (1-2mm) in horizontal displacement was recorded during FEM analysis when moving from the current situation (Load Scenario 1) to operating with the crane immediately behind the wall (Load Scenario 2). However, when this analysis was conducted using Limit State methods, this transition from Scenario 1 to 2 resulted in the Factor of Safety falling to FoS=1.06.

Central (Sheet Pile) Section

As with the northern section, only small increases in horizontal displacement were recorded during FEM analysis when moving from Scenario 1 to 2. Larger increases of 10-13mm were recorded when the development load was applied to the model.

In terms of Limit State analysis: calculations were completed on varying thicknesses of both Larssen 22 and 25 sheet piles, for both the high tide- and low tide- with silt scenarios. The factor of safety remained >1.25 for all of the high tide with silt scenarios (ie: both Larssen 22 and 25 sheets). The low tide with silt scenario produced some factors of safety <1.25 for Larssen 22 and 25 sheets, as shown in Table 11. Determining the steel grade and sheet pile thickness would give considerable confidence towards predicting the sheet pile capacity.

It is often difficult to reconcile hypothetical results from analysis of an existing situation, where the analysis predicts failure (FoS<1.0), and yet the structure remains standing. The reasoning behind this is believed to be (partly) due to the continuous, cyclical action of the tides. It is likely that the unstable low tide condition does not last long enough to bring about failure of the sheet piles, before the tide, and the Factor of Safety, start rising again. The excessive bending, and ultimate failure, of the sheet piles, would be a progressive process rather than a singular catastrophic event. It is believed that if the harbour were left dry for any significant period of time then there is a distinct possibility of bending failure of the wall.

Southern Section

Limit State modelling of the southern section did not produce any situations where the Factor of Safety dropped below 1.0. This is believed to be partly due to the fact that the southern wall has the smallest retained height, and therefore the lateral forces are less.

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4.2. Recommendations for Additional Works

Whilst every attempt has been made to use realistic assumptions and not impose undue conservatism into the models, there are still some key areas of uncertainty.

4.2.1. Sheet Pile Walls

Several significant uncertainties still surround the central sheet piled section of the harbour wall. These include:

- The sheet piles were modelled as either Larssen 22 or 25 sheets, with reduced (assumed) thicknesses/strength parameters as appropriate due to corrosion.
- Detailed sensitivity analysis has been completed on the effect of reducing the thickness of the sheet and also reducing the grade of steel. If either/both of these parameters could be established, then it would give greater confidence in predicting the behaviour of the sheet pile wall. Determination of steel grade is possible through chemical testing of samples of the steel.
- Depth of embedment into bedrock: this could potentially be achieved through the use of geophysical surveys;

4.2.2. Masonry Walls

- Significant uncertainties surround the base of walls and their foundations: are the foundations embedded to any extent? The thickness/dimensions of the walls is also key to ensuring the existing situation is modelled accurately;
- Based on the investigations completed to date there appears to be some variation over the thickness of the masonry/concrete;

However, notwithstanding the above recommendations there is a strong possibility that further investigation work would **not** necessarily result in significantly better/improved model outputs that reduce the perceived risk to the harbour walls. Therefore, it may be prudent to consider other options that could reduce the impact on the harbour walls, such as: limiting the extent of the crane operating area, effecting repairs, or strengthening the harbour wall.

Consideration must also be given to the fact that theoretical reduction of section as a result of corrosion, coupled with the results of the dive survey, suggests that the sheet-piled section of the development is nearing the end of its working life. While improvements such as propping could be considered to increase the capacity of these structures, this is not seen as a workable solution in the medium – long term.

Drawings

Somerset West and Taunton

Scrutiny Committee – 20th January 2020 (for information)

Corporate Performance Report

This matter is the responsibility of Cllr Ross Henley.

Report Author: Christine Fraser, Head of Performance and Governance.

1 Executive Summary / Purpose of the Report

- 1.1 This paper is for information and provides a brief summary of current performance on a selection of key indicators.

2 Recommendations

- 2.1 Councillors are asked to consider the attached performance report.

3 Risk Assessment

- 3.1 Failure to regularly monitor performance could lead to the council not delivering on some of its corporate priorities.

4 Background and Full details of the Report

- 4.1 As part of the Councils commitment to transparency and accountability this report provides an update on a range of performance indicators. The format of this report will be developed further from the start of the 2020/21 financial year in order to monitor progress of the Councils Corporate Strategy and to reflect the new Directorates.
- 4.2 The table in Appendix 1 includes a number of the councils Key Performance Indicators and shows how the council has performed for the first 8 months of 2019/20. Some of the targets are still being finalised to take account of performance across the new council.

5 Links to Corporate Strategy

- 5.1 This performance report and future development of it will be a key tool for helping to monitor progress with the implementation of the Corporate Strategy.

6 Finance / Resource Implications

- 6.1 Headline financial indicators will be included in future reports alongside performance. The detailed budget position is contained within the separate budget monitoring paper available here (p49 onwards):
<https://democracy.somersetwestandtaunton.gov.uk/documents/g2305/Public%20reports%20pack%2008th-Jan-2020%2018.30%20SWT%20Scrutiny%20Committee.pdf?T=10>

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – Yes**
- **Cabinet/Executive – Yes**
- **Full Council – No**

Reporting Frequency: Once only Ad-hoc Quarterly
 Twice-yearly Annually

List of Appendices (delete if not applicable)

Appendix A	Performance Report (April to November 2019)
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Contact Officers

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Appendix 1 Performance Report as at 30 November 2019

	Service Area & Corp Strategy Theme	Indicator	Target	As at 30 Nov	RAG	Comments
1	Transparent and customer focused Council (Planning)	% of major planning applications determined within 13 weeks (or within agreed extension of time)	75%	87.5%	Green	
2		% of minor planning applications determined within 8 weeks or agreed extension of time	65%	78.1%	Green	
3		% of other planning applications determined within 8 weeks or an agreed extension of time.	80%	80%	Green	
4		Number of planning appeals overturned	14	10 (total)	Amber	The target value is the number of appeals overturned in 2018/19.
5	Transparent and customer focused Council (Revenues and Benefits)	Council Tax Collection. % collected by 31st March	97%	79.9%	Green	Although the current figures appear below target, these are cumulative totals, and projections show that the target will be met for the year end.
6		Business Rate Collection. % collected by 31st March	97.5%	74.2%	Green	
7		Average processing times of new Housing Benefit claims only	25 days	22.5 days	Green	
8		Average processing times for changes in circumstances for Housing Benefit claims only	10 days	8.3 days	Green	
9	Homes and	Completion of Urgent housing	99%	99%	Green	

	Communities	repairs within 24 hours (priority one)				
10	(Housing)	Completion of a housing repair within the timescale agreed with the tenant.	90%	88.65%	Amber	
11	Transparent and customer focused Council (Environmental Health & Licensing)	% of reported fly tipping incidents responded to within 5 working days	80%	89.05%	Green	This indicator currently only measures fly tipping incidents cleared by idverde. In the Taunton area, some fly tipping (in parks and open spaces) is cleared by the Localities team. A single performance report is being developed to report on all fly tipping.
12		% of service requests for street cleansing actioned within 5 working days	85%	92.9%	Green	
13		Licensing applications processed within timescales	95%	95.7%	Green	
14	Transparent and Customer Focused Council	% of General calls answered within 60 seconds (in the last month)	80%	79%	Green	General – 10,187 calls handled, average speed to answer for last month was 46 seconds with an abandonment rate of 4%
		% of Deane Helpline calls answered within 60 seconds (in the last month)	90%	92%		Deane Helpline – 29,674 calls handled with an abandonment rate of 1%
15		% of complaints responded to in 20 days	90%	46.5%	Red	This is a priority issue to be improved. Staff training is being

						developed and People Managers will support and monitor.
16		% of Freedom of Information Requests responded to in 20 days	75%	52.6%	Red	Poor performance at the start of the year is being addressed with dedicated resource and improved processes. During Oct 80% were on time and in Nov, 61%.

Scrutiny Committee – Work Programme 2019/20

20 th January (DH)	5 th February (DH)	4 th March (WSH)	8 th April (DH)	13 th May (WSH)	TBC
HRA Revenue Account Business Plan – James Barrah	HRA Budget 2020/21 – P Fitz/E Collacott	Empty Homes Update Report – S Perry	Travellers Policy Update – Ann Rhodes		Leisure Operator Performance Update
Watchet Harbour Repair update (C Hall)	General Fund Revenue Budget and Capital Estimates 2020/21 – P Fitz/E Collacott	Infrastructure planning, Governance arrangements and CIL Funding Update – N Bryant	Performance Update – M Riches (For Information Report)		Housing Strategy Action Plan for SWT – M Leeman
Performance Update – M Riches (For Information Report)	Treasury Management Strategy Statement 2020/21 P Fitz/E Collacott	Hinkley Phase 3 Housing Funding Strategy – M Leeman	Firepool next steps Report – J Wharton		
	Investment Strategy 2020/21 P Fitz/E Collacott	Social Value – P.Harding/M. Leeman.			
	Capital Strategy 2020/21 - P Fitz/E Collacott				

	Homelessness and Rough Sleeper Strategy – H Bryant/ M Leeman				
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