

## Housing & Land Delivery Board

<b>Date</b>	10 July 2023
<b>Report title</b>	Future Housebuilding Strategy: Summary paper for discussion and comment
<b>Portfolio Lead</b>	Housing and Land: Councillor Ian Courts
<b>Accountable Employees</b>	Gareth Bradford - Executive Director of Housing, Property & Regeneration (Accountable Director) Patricia Willoughby - Head of Policy & Planning, Housing Property & Regeneration (Senior Reporting Officer) Mia Higgins - Programme Support Officer, Housing, Property & Regeneration (Report Author)
<b>Report has been considered by</b>	Various meetings of the Housing & Land Delivery Steering Group and Housing & Land Delivery Board in 2022-3

### Recommendation(s) for action or decision:

The Housing & Land Delivery Board is recommended to:

- a) **Note progress** on the work to date to develop a **Future Housebuilding Strategy for the West Midlands (a Housing and Land Portfolio Deliverable)**;
- b) **Note the** wide-ranging input from the Future Homes Taskforce, Commercial Property Taskforce, local authority partners and other stakeholders across the region to the development of the strategy;
- c) **Discuss and comment** on the key messages and direction of travel set out in the summary document (Annex 1) to inform the development of the full strategy over Summer/Autumn 2023; and
- d) **Endorse the formation of a task and finish working group** to develop and refine the future housebuilding strategy document in line with the summary document.

### 1.0 Purpose

1.1 The purpose of this report is to:

- summarise the work that has been undertaken to date on the Future Housebuilding Strategy;

- invite comments on the summary document attached as Annex 1 and, in particular, the key messages and direction of travel; and
- endorse the formation of a task and finish working group to allow WMCA with the local authorities and the Future Homes Taskforce to develop the full strategy in line with the key messages and direction of travel coming to the Board today.

## 2.0 Background

- 2.1 **In 2022, the Housing & Land Delivery Board agreed a programme of work to develop a ‘Future Housebuilding Strategy’**, the scope being to produce a coherent strategy to accelerate the development and delivery of new homes in the region which are designed and built to *higher* construction standards, using modern construction techniques. The strategy will help to secure delivery and investment in Advanced Manufacturing in Construction (AMC); zero carbon homes (ZCH); get the region ready for the roll-out of changes to Building Regulations (Part L); and deliver consequential reduced occupier costs in the new homes.
- 2.2 **WMCA’s proposed Future Housebuilding Strategy builds on the work already pioneered to date around AMC and ZCH** under the Housing & Land Delivery Board. This new integrated strategy is directly linked to and supports implementation of a range of regional policies and programmes:
- unlocking the potential of the ‘*Manufacture of Future Housing*’ economic cluster in the West Midlands Plan for Growth (launched July 2022);
  - the West Midlands brownfield housing and regeneration programme (launched in the 2018 Housing Deal);
  - #WM2041;
  - Investment and Levelling Up Zones (March 2023 Devolution Deal);
  - The Affordable Housing Programme (March 2023 Devolution Deal);
  - The Public Land Programme (March 2023 Devolution Deal);
  - the investment opportunity in future homes set out in the West Midlands Investment Prospectus (launched May 2023); and
  - the high-level deliverables of the Housing and Land Portfolio agreed by the WMCA Board in February 2023.
- 2.3 The Housing & Land Delivery Board has been regularly updated on the process to develop the Future Housebuilding Strategy including the appointment of Cast Consultancy; the establishment of a Future Homes Taskforce; research and evidence to underpin the new strategy; and the detail of a supporting Technical Standard. We welcome the very high level of interest, views and engagement by all stakeholders on the development of this strategy. **An initial working draft has been discussed and reviewed with the local authority officers on our Delivery Steering Group which has informed the summary document today.**

## 3.0 The underlying imperative and rationale

### ***Planned regulatory changes***

- 3.1 At a national level, the Government has set out a clear plan for challenging the construction industry to embrace the building of energy efficient zero carbon homes through planned changes to Building Regulations in 2025 and has supported the momentum to new modular building techniques through explicit requirements on major funding programmes like the Affordable Housing Programme.

- 3.2 Many of the largest housebuilders and investors in UK construction are publicly reporting progress on change to their models of building to address the climate emergency and ensure they are prepared to implement legal changes coming in 2025. Many schemes gaining planning permission in 2023 will not realistically be built until 2025 when the new national standards will apply.
- 3.3 In the West Midlands, there is a strong collective ambition to see if we can get ahead of the curve on the change that is happening across the UK: this is already reflected in the West Midlands Investment Prospectus and in the strategic partnerships we sign with developers and investors. The West Midlands Devolution Deal, the 2018 Housing Deal, the new West Midlands Affordable Homes Programme, the £20bn Investment Prospectus, the West Midlands £1bn Brownfield Regeneration Programme, Public Land Charter, Skills Plan, Plan for Growth and the 2041 regional Net Zero target all point to highly ambitious goals for our region around this agenda.
- 3.4 Implicit in these ambitions is the region driving economic growth and wider environmental and social outcomes through innovation in the construction industry and, in particular, housebuilding. The only way that these bold outcomes can be achieved is by setting an ambitious future house building strategy and ensuring the region uses all the tools now at its disposal.

### ***The need for strong leadership***

- 3.5 **The UK's construction industry faces unprecedented challenges and it is clear that this accordingly needs strong regional and local leadership** to support the industry (which is traditionally cost conscious and near term in its thinking) through these challenges.
- 3.6 In the last 12-18 months we have seen a growing realisation among industry players of the workforce situation and likely implications of scalable delivery of the Future Homes Standard when it becomes mandatory in 2023. The context and drivers for change include an ageing workforce, shortages in labour supply, low productivity, cost inflation and regulatory change.
- 3.7 A West Midlands regional agenda which formally links advanced manufacturing in construction and decarbonisation of housebuilding should thus be seen in the context of mainstream acceptance by industry that things are changing and everyone needs to get prepared beyond smaller scale pilot or R&D projects.
- 3.9 The Future Homes Taskforce and advice from Cast Consultancy to us is clear – the West Midlands cannot stand still on this agenda. London is already setting carbon standards ahead of national standards, including embodied carbon requirements, as are the administrations of Scotland and Wales.
- 3.10 The West Midlands already has a national leadership position in brownfield remediation and regeneration through its National Brownfield Institute, multi-million pound brownfield regeneration programme and numerous schemes which have been unlocked and accelerated. It has the ability now to augment this position in the areas of advanced manufacturing in construction and net zero housebuilding. This can only be achieved if we use all the tools and powers secured by the region through its devolution and funding deals with HM Government.

## **4.0 The initial draft strategy**

### ***Overarching approach***

- 4.1 The Future Housebuilding Strategy is our opportunity to mark ourselves out in this area, to create a distinct economic advantage and be prepared for the changes coming

nationally in 2025 in any case. The strategy seeks to establish a **‘first mover’ advantage** and go slightly ahead of national building regulatory changes as an economic, social and environmental imperative for the West Midlands. **It sets out a phased approach to ensure the region does not encounter any negative impact on viability or deliverability of schemes in its pipeline** and moving through the planning and delivery system. We recognise the need to avoid unintended consequences and will look to flex the strategy to suit the different challenges and opportunities of both large delivery partners and SMEs.

- 4.2 As set out by Cast Consultancy, and in response to direct feedback by the Taskforce, the strategy also proposes a **performance-based approach**, not a prescriptive approach which requires specific methods or material to be used – this approach will ensure that we establish a position which is as inclusive as possible to all supply chains. A phased incremental approach is at the heart of the strategy and is advocated to provide certainty and clarity to industry partners on the end point whilst allowing a planned transition over time.

### ***The fundamentals of the strategy***

- 4.3 The emerging document will be an overarching public document similar to the West Midlands Investment Prospectus in style and form, and which articulates the vision of the West Midlands Future Housebuilding Strategy. The seven key principles of the Strategy are:

1. Aligning to emerging industry standards
2. Signalling a long-term ambition
3. Moving further and faster
4. Enabling realistic, flexible implementation
5. Suggesting practical solutions, not just requiring outcome measures
6. Identifying clear evidence of successful delivery

- 4.4 **The strategy can demonstrate how schemes, already approved or in the system, have resulted in reduced carbon emissions, reduced energy bills and improved indoor air quality.** The document highlights the wider benefits of implementing the strategy, including potential health and well-being benefits, reduced construction waste and a reduction in new homes requiring retrofit at some time the future. It acknowledges the current state of the market and articulates how the proposed new approach will position schemes in our region ahead of the curve on forthcoming inevitable changes and market alterations.

### ***Potential cost implications***

- 4.5 Recognising the need to avoid unintended consequences, Cast Consultancy has been commissioned to advise on the potential cost implications of implementing the strategy. This work is in progress but initial findings indicate that:
- Construction labour shortages are very likely to increase the baseline cost of traditional construction methods whereas the WMCA approach which incentivises a shift to different construction approaches, using new construction techniques, a different workforce model and less reliance on on-site labour, will be less affected by this trend.
  - It is highly likely that the supply chain will adjust and become more efficient. By moving ahead of regulation, WMCA will stimulate the market to evolve sooner.
  - It is highly likely that regulation will continue to get stronger and will mirror the approach that WMCA is taking now.

- WMCA would signal change sooner to the supply chain, giving regional suppliers an early mover advantage in preparing for future national change.

### ***Establishing a ‘task and finish’ working group***

- 4.6 The current version of the Future Housebuilding Strategy is an initial working draft produced by Cast Consultancy in collaboration with WMCA, local authorities and Taskforce members – with a summary provided to the Board today. Discussion and comments from the Housing & Land Delivery Board are invited at the meeting. To ensure that further iterations and the final version are co-developed, the Delivery Steering Group of WMCA and local authority officers agreed that a dedicated ‘task and finish’ working group should be set up to manage the process.
- 4.7 A wide-ranging engagement programme will ensure extensive collaboration takes place over the next months to include industry experts, local authorities, developers, housing associations, WMCA’s strategic partners, academic institutions and others. There was also a very clear steer from the Future Homes Taskforce that the engagement process should include suppliers.

## **5.0 Next steps**

- 5.2 An extensive engagement programme will take place over the summer months to ensure co-development of the document and engagement in the process. There will also be further input from the Future Homes Taskforce and industry representatives and alignment with activities related to WMCA’s Plan for Growth, Deeper Devolution Deal outcomes and funding streams.
- 5.3 The current intention is to take a revised version of the full strategy, one which has secured full support through the engagement process, to a further meeting of the Delivery Steering Group for discussion in September 2023 and to the Housing & Land Delivery Board for final endorsement in October 2023. Consideration is currently being given to a formal launch before the end of the year.

## **6.0 Financial Implications**

- 6.1 It is noted that the purpose of this report is to:
- summarise the work that has been undertaken to date on the Future Housebuilding Strategy;
  - invite comments on the summary document provided; and
  - endorse the use of a collaborative process to develop the full Strategy.
- 6.2 Work continues in developing the Strategy and this activity will be undertaken from within the existing resources. Further details on the progress of the Strategy, including emerging financial implications, will be reported to future meetings of the Housing & Land Delivery Steering Group and Housing & Land Delivery Board before onwards approval by any other relevant Board.

## **7.0 Legal Implications**

- 7.1 Section 113A(1)(a) of the Local Democracy, Economic Development and Construction Act 2009 gives WMCA a power of competence appropriate for the purposes of carrying-out any of its functions. Part 4 of The West Midlands Combined Authority Order 2016 (2016 No 653) confers that the functions relating to any economic development and regeneration in the constituent councils are exercisable by WMCA. Part 3 of The West Midlands Combined Authority (Functions and Amendment) Order 2017 confers

functions corresponding to the functions of the Homes and Communities Agency has in relation to the combined area. Paragraph 10 (2) (a) of the 2017 Order confers the function of improving the supply and quality of housing to the Combined Authority, 10 (2) (b) to secure the regeneration or development of land or infrastructure in the combined area, 10 (2)(c) to support in other ways the creation, regeneration or development of communities in the combined area or their continued well-being and 10 (2)(d) confers the function of contributing to the achievement of sustainable development and good design.

7.2 It is noted that the purpose of this report is to summarise the work to date on the Future Housebuilding Strategy and to invite comments on the summary document attached to the report, in particular, the key messages and direction of travel. Also to endorse the use of a collaborative process to allow WMCA, with local authorities and the Future Homes Taskforce, to develop the full strategy in line with the key messages and direction of travel.

7.3 Although this paper does not create any direct legal implications, the implementation of the strategy will have wide legal implications. Consequently, the relevant internal assurance frameworks will need to be strengthened to incorporate any related changes and to ensure consistency of implementation of the strategy in the delivery of schemes. Legal advice to be sought as and when required.

## **8.0 Equalities Implications**

8.1 There are no immediate equalities implications in relation to this report. However, individual strategies and delivery schemes will need to take into account local area needs and local stakeholder needs to ensure the schemes benefit local residents, including harder to reach groups. To that effect, equality impact assessments will need to be conducted to understand demographics, key inequality issues and how investment can help address key inequality gaps. Engagement and consultation with key equality stakeholders is also crucial. Long-term equalities benefits are likely to include warmer homes for residents, lower energy bills, and healthier properties.

## **9.0 Inclusive Growth Implications**

9.1 The proposed Future Housebuilding Strategy will be used to inform WMCA's approach to growing the AMC sector, zero carbon homes and new energy standards in an equitable way, maximising economic benefits, housing quality and job/skills opportunities across the region's communities.

## **10.0 Geographical Area of Report's Implications**

The recommendations of this report apply to the whole of the WMCA area.

## **11.0 Other implications**

11.1 None

## **12.0. Schedule of Background Papers**

12.1 None