



Overview & Scrutiny Committee

Date	4 September 2023
Report title	Affordable Housing Pilot
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Previous reports	2 March 2022: Affordable Housing Delivery with Housing Associations: Progress update <i>(Housing & Land Delivery Board and subsequent Overview & Scrutiny report)</i>

Recommendation(s) for decision:

The Overview & Scrutiny Committee is recommended to:

- (1) Note the continuing progress of collaboration between WMCA and registered providers (RPs) of affordable housing, including the ongoing work to establish a Pilot project, between the West Midlands Combined Authority (WMCA) and a consortium of West Midlands housing associations as part of testing the strategic intent of a joint approach to deliver additional affordable housing.
- (2) Note this work in the context of the emerging “Affordable Homes Supply Strategy” and the Deeper Devolution Deal implications for the Affordable Housing Programme (AHP) with Homes England to improve the collaboration and co-investment in the region and to enable more social and affordable housing delivery to meet local needs.

1.0 Purpose

- 1.1 The purpose of this report is to provide the Overview & Scrutiny Committee with a progress update on the ongoing work of WMCA and housing association partners to establish a more comprehensive collective approach to the delivery of additional affordable housing across the region.
- 1.2 Joint approaches and pilot initiatives contribute directly to WMCA 2023/24 Corporate Aim 3.3 to *invest in and support housing and regeneration schemes, working closely with the private sector and local authorities to unlock and accelerate sustainable delivery* by:
- Establishing new and strengthen existing partnerships, ventures and joint approaches with public and private sector partners across the whole of the region to deliver local priorities
 - Supporting and enabling Affordable Housing Delivery across the West Midlands including new partnerships and pilot approaches
- 1.3 Subsequent to the Deeper Devolution Deal commitment towards the full devolution of Affordable Housing Programme (AHP) funding, now also in the context of:
- Enable effective delivery of the trailblazer approach to the Affordable Homes Programme in the West Midlands through collaborative working with Homes England, HMG, Local Authorities and other partners.
- 1.4 The report specifically references the work underway to develop a collaborative partner approach, tested through a pilot initiative via land disposal, with a small group of regionally based housing associations.

2.0 Context

- 2.1 The piloting of innovative new approaches to housing, land and regeneration matters in the region by WMCA is a key role of the Housing & Land Delivery Board.
- 2.2 In 2021, the Housing & Land Delivery Board approved the strategic context and rationale for developing a new joint affordable housing proposal between WMCA and a small group of housing associations. The Board was clear that the focus was to be on a proposition that could demonstrably help address regional need, support brownfield regeneration and provide true additionality.
- 2.3 Any pilot that might come forward (following robust appraisal and due diligence) would follow on and build from the Help to Own affordable housing pilot which was successfully delivered in 2021 and supported by the Housing & Land Delivery Board.
- 2.4 To deliver the significant additional affordable homes required in the region, the WMCA, under the governance of the Housing and Land Board, has focussed on providing added value to affordable housing supply in the following key areas:
- Working with Registered Providers to maximise investment into affordable homes in the West Midlands
 - Securing more private sector investment into affordable homes in the region
 - Leveraging WMCA's brownfield funds to maximise increased delivery of affordable housing, supply of new products and wider benefits to the region

- Working with Homes England to align funding programmes and systems for delivery of affordable housing, particularly in the updated context of the work underway towards the full devolution of the AHP
- Maximising the impact of public sector land disposals to address housing needs and deliver the homes local areas need

3.0 Background

- 3.1 In 2019, housing association partners (registered social housing providers, or “RPs”) from the West Midlands Housing Association Partnership (WMHAP) approached WMCA with various proposals for a joint approach to affordable housing delivery in the region on brownfield sites.
- 3.2 The aim of engagement with RPs throughout this period has been to find collaborative methods for WMCA to realise the vision for the region. A joint approach has the potential to deliver multiple benefits to the West Midlands, for example:
- It can help to influence the quality, delivery and community benefits of new development;
 - It can secure further investment into affordable housing in the region and deliver genuine additionality above the existing delivery plans of providers; and
 - It can implement policy objectives centred on additional affordable housing, design, construction, brownfield development and promoting inclusive growth.
- 3.3 The proposed approach is now based on a collaborative partnership approach with a subset of five housing associations from the WMHAP collective. These 5 RPs intend to establish a partnership (Homes for the West Midlands LLP). The RPs are supported by the wider WMHAP group, and all WMHAP partners have been included in the ongoing developments on the pilot approach and had the opportunity to take part.
- 3.4 Recognising the need to test the approach, a pilot project has been developed to test proof of concept and strategic intent.
- 3.5 **What is the pilot?**
- 3.6 The implementation of a pilot, will enable the testing of key assumptions behind the collaborative partnership approach, including partnership working, and provides a basis to test joint working relationships to deliver the key policy priorities outlined, in addition to catalytic regeneration and public transport accessibility.
- 3.7 The pilot is the result of WMCA identifying suitable surplus land, in this case the disposal of two WMCA owned sites to the LLP. The land identified used brownfield grant funds to unlock brownfield land and housing delivery. The criteria used to identify sites were; they were owned by WMCA, and no additional funding was required over that already agreed by Investment Board to deliver WMCA objectives.
- 3.8 For the avoidance of doubt, following the pilot, the land brought forward into the collaborative partnership approach would include, but not be limited to, WMCA-owned land identified as surplus. By partnering with WMCA in this way, the LLP could have the opportunity to support a pipeline of sites which can be used to optimise affordable housing, either through rent or low-cost home ownership, whilst meeting a number of wider policy objectives of WMCA including:

- Key worker housing
- Advanced Methods of Construction (AMC)
- Zero Carbon Homes initiatives
- High design standards and placemaking,
- Public sector land release (where appropriate)
- Economic recovery through investment in regenerating brownfield sites and areas, leveraging further investment, developing local skills and supply chains.

3.9 The purpose of the wider collaborative approach is to levy the combined expertise, resources and capacity of Midlands based housing associations to deliver affordable housing together with WMCA expertise, and assets to more quickly bring forward land for development; development which would support an increase in high quality placemaking affordable housing than would be delivered by the market.

3.10 Undertaking an evaluation of the performance of the pilot against a clear set of success criteria will enable us to review all aspects of the delivery model and consider if and how WMCA moves forward with the LLP to further develop the collaborative partnership approach.

4.0 Deeper Devolution Deal

4.1 The wider context of the Deeper Devolution Deal commitments to affordable housing demonstrate the scale of delivery required in the region. With full devolution of the Affordable Homes Programme expected from 2026, it is important to consider the development of initiatives in this context.

4.2 It should be noted that RPs involved in Homes for the West Midlands LLP also have strategic partnerships with Homes England as part of the Affordable Housing Programme, with four of the five housing associations in the LLP included in the latest wave of strategic partner announcements and the fifth housing association included in the January 2019 wave.

5.0 Progress to date and next steps

5.1 Progress has been made in recent months regarding the innovative joint pilot approach and its potential to deliver additional affordable homes beyond those already being delivered in the region and in a way that is complementary to local authorities and Homes England.

5.2 There has been some delay to the programme as a result of enhanced governance and legal considerations in the context of the disposal authority of the two WMCA owned sites within the pilot proposal.

5.3 The disposal of the sites is also being aligned with Single Assurance Framework (SAF) assurance for all WMCA investments.

5.4 WMCA have also undertaken due diligence work to identify the red book valuation for the site(s) value in 2023. This work has also been followed up with further valuation work around market led scheme opportunities. WMCA due diligence is ongoing and will continue throughout pilot approach stages.

5.5 Work is continuing towards an investment case to be received by Investment Board, subject to all due diligence being undertaken satisfactorily.

6.0 Key considerations

- 6.1 There is no commitment to dispose of the sites to the LLP and any decision to do so will be subject to robust appraisal and relevant WMCA approval processes and governance.
- 6.2 The proposed Pilot does NOT involve the WMCA in a formal delivery vehicle or joint venture with housing associations – the Pilot would only involve the disposal of WMCA land and the price at which this is agreed will be subject to all necessary valuation, due diligence, WMCA governance and SAF processes.
- 6.3 The sale of any land to the RP will be subject to certain protections that will influence the future use of the land for affordable housing. However, WMCA will not be a "developer" nor have direct design, development, or construction controls.
- 6.4 WMCA would assume no risk for development, the LLP will be responsible for all pre-works in order to address site viability, secure planning and select a preferred contractor and RP to undertake the works. Other housing associations not within the LLP can 'offtake' during the approved agreement (subject to the necessary agreements).

7.0 Financial Implications

- 7.1 The purpose of this report is to provide an update on the progress of the collaboration between WMCA and RPs, with a collaborative partnership approach as the preferred mechanism for doing so; and on the work to establish a pilot project to test the strategic intent of a joint approach to deliver additional affordable housing. The work on developing the pilot sits alongside the Affordable Housing Supply Strategy and the Affordable Homes Programme, both of which are the subjects of separate papers.
- 7.2 As part of this pilot WMCA are considering the disposal of two WMCA-owned sites to the RPs. As noted in the report, these sites were purchased with grant funding and their disposal is subject to separate approval. Therefore, this report is not seeking the approval of the disposal of any WMCA land. The report is, also, not seeking the approval of any investment into a partnership of any kind.
- 7.3 The work to be undertaken on the pilot activity will be undertaken from within the existing resources. There may be, in future, financial implications arising from disposing of Land and investment in into a partnership, both of which will require separate approval at Investment Board, and will be governed and administered through WMCA's Single Assurance Framework and appropriate governance processes.

8.0 Legal Implications

- 8.1 Under section 113A of the Local Democracy, Economic Development and Construction Act 2009 WMCA has the power to do anything which it considers appropriate for the carrying out of its functions and anything it considers to be appropriate for purposes incidental to its functions.
- 8.2 Article 10 of the West Midlands Combined Authority Order 2016 confers the functions of the constituent councils set out in Schedule 3 on the WMCA in relation to its area and these include the functions of the constituent councils under section 1 of the Localism Act 2011 to the extent that those functions are exercisable for the purpose of economic development and regeneration. This means that WMCA may do anything which it

considers appropriate for the purposes of economic development or regeneration of the combined authority area.

8.3 Article 10 of the West Midlands Combined Authority (Functions and Amendment) Order 2017 WMCA confers Homes England's land and infrastructure function upon WMCA in relation to WMCA's area. WMCA can exercise these functions for the purposes of or incidental to the following objects:

10 (1) (a) to improve the supply and quality of housing in the combined area

10 (1) (b) to secure the regeneration or development of land or infrastructure in the combined area

10(1) (c) to support in other ways the creation, regeneration or development of communities in the combined area or their continued well-being and

10(1) (d) to contribute to the achievement of sustainable development and good design in the combined area

Legal advice to be sought as and when required in the development of the pilot project.

9.0 Equalities Implications

9.1 A full Equalities Impact Assessment will be completed in parallel with the development of an investment case for the pilot project. This will assess the potential impacts of the proposed pilot and any mitigations required.

10.0 Inclusive Growth Implications

10.1 The proposed pilot project would operate via the WMCA's Single Commissioning Framework which includes Inclusive Growth outcomes including affordable housing, use of local labour and suppliers, and quality of design and placemaking as part of the key criteria for investment by the WMCA.

11.0 Geographical Area of Report's Implications

11.1 The pilot proposal covers the whole geography of the WMCA region.

12.0 Other implications

12.1 None.

13.0. Schedule of Background Papers

13.1 None.