



West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date	4 October 2023
Report title	Housing Investigation – Action Plan Update
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Report has been considered by	

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

1. To note progress on the action plan precentas and ageerd at ARAC in January 2023.
2. Recognise th need to embed policies as part fo the Actun Plan for the Single Property & Estates Strategy to be approved later this year.

1. Purpose

To provide an update on the Action Plan agreed at ARAC in January 2023 in response to the recommendations from the independent investigation carried out by CBRE.

2. Background

Following a complaint received by the WMCA on 19 January 2022, and following consideration by the WMCA's complaints procedure an independent investigation was initiated and completed by CBRE.

The complaint raised two concerns;

- I. That the WMCA was distorting the real estate market by purchasing sites at higher values and was not taking into account affordable housing and reclamation requirements properly, thus increasing market prices,
- II. That the WMCA was funding private developers by providing grant funding to address reclamation costs and affordable housing requirements.

As part of the investigation CBRE considered the following areas in relation to a number of identified sites:

- Context – how the site was bought to the WMCA attention
- Determination to process to acquisition/grant
- Instruction to the valuer
- Review of the valuations
- Consideration of the Investment Panel/Committee report

The recommendations contained in the report were:

- I. Acquisition valuations should more clearly reference assumption and these should be articulated in decision making reports.
- II. WMCA should re consider the practice which appears to be common place of instructing valuers to assume no S106/affordable housing provision. Valuers should seek to reach their own conclusions on these issues and allow for these items/planning risk as they fit. This should eliminate the potential for market distortion.
- III. Given WMCA's policy requirement to ensure 20% affordable housing on sites it supports and the potential confusion that this can cause CBRE would suggest that valuations should include a market valuation in line with recommendation 2 above, accompanied by a valuation which includes the assumption of 20% affordable housing. These should be references in reports to Investment Board etc.

- IV. There is need for WMCA to review its decision making process for all housing and regeneration investments including those to Investment Panel and Investment Board. This review should include the Directors of Housing, Finance and Governance.
- V. Where there are cases when elected members might choose to exceed red book valuations for sites such as the costs of a CPO, or strategic rationales to assemble wider sites, then these should be articulated and where possible quantified.
- VI. Where grants are being made to developers, reports should set out more clearly the rationale for acceptable market norms for profit margins where this is used as a justification for the amount of grant to be paid.

An Action plan was presented and agreed at ARAC in January 2023 (attached at Appendix 1). The Action Plan addresses the concerns identified in the CBRE report, to mitigate against any future similar concerns being raised and to continually improve the service the WMCA is able to provide to its residents.

This further report shows progress and delivery in the attached appendix.

Whilst no further acquisitions for onward disposal or disposals have yet been completed or brought for Board approval, potential forthcoming acquisitions or disposals are being valued on the basis of both open market and scheme valuations for comparison, so that when approvals are sought there is an explicit decision made on these and any differential.

Upon the approval of a draft Single Property & Estates Strategy due later in 2023, an Acquisition Strategy will be created in support of the high level principles which will formalise and embed the actions approved.

3. Financial Implications

Failure to implement the planned actions as set out in the appendix could lead to continuing challenge from our external auditors around securing Value for Money and could potentially affect the Authority's audit opinion adversely.

4. Legal Implications

There are no direct legal implications in relation to this report. However a failure to implement the changes in process and procedure recommended within the action plan could lead to decisions being less robust, and potentially open to challenge.

5. Equalities Implications

Not applicable.

6. Inclusive Growth Implications

Not applicable.

- 7. Geographical Area of Report's Implications**
Future investment in the Housing and Regeneration programme may consider investment and funding opportunities in all districts across all Constituent and Non-constituent areas.
- 8. Other Implications**
Not applicable.
- 9. Schedule of Background Papers**
Appendix 1 – Housing Action plan