

WMCA Board

Date	9 February 2023
Report title	Homes for the Future: Final Consideration
Portfolio Lead	Housing & Land - Councillor Ian Courts
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Report has been considered by	<ul style="list-style-type: none"> • March, September, November and December 2022; and May, June, September & December 2023 - Housing & Land Delivery Steering Group • April, October and November 2022; and January, June & October 2023; January 2024 - Housing & Land Delivery Board • Overview & Scrutiny Committee – January 2024

Recommendation(s) for action or decision:

The WMCA Board is asked to:

- (1) Note progress with the work to date to develop the Homes for the Future programme for the West Midlands, and wide-ranging input from the Future Homes Taskforce and local authority partners across the region, among other relevant stakeholders;

- (2) Discuss and comment on the final draft of the Homes for the Future strategy and technical standard (attached as Annexes 1 and 2);
- (3) Discuss the feedback provided from the Homes for the Future event and consultation responses.
- (4) Endorse the official release of WMCA's Homes for the Future proposals.
- (5) Recommends, in light of responses to WMCA's Homes for the Future consultation, introducing an option to vary the PMV requirement, allowing alternative build method statements to accompany bids for WMCA grant where the primary operational and up-front embodied carbon standards are being met.
- (6) Consider the release of HMG's Future Homes Standard consultation
- (7) Consider WMCA's response to HMG's 'The Future Homes and Buildings Standards: 2023 Consultation; Approved Document L - Conservation of fuel and power and minimisation of greenhouse gas emissions Volume 2: Buildings other than dwellings' which considers the standard in relation to non-domestic dwellings.
- (8) Consider the letter from the House of Lords Built Environment Committee that summarises findings from the HMG's MMC inquiry
- (9) Note the progress, discuss and comment on the work to date on the Homes for the Future Comms Strategy and Implementation Plan

1.0 Purpose

1.1 The purpose of this report is to:

- summarise the work that has been undertaken under the leadership of the Housing and Land Board on Homes for the Future;
- set out a wider range of references and estimate for cost impacts over different timeframes;
- invite any final comments on the content of the strategy document; and
- summarise the work to date on the Homes for the Future Implementation Plan and Comms Strategy, including the launch event.

2.0 Background

2.1 **In April 2022, the Housing & Land Delivery Board agreed a programme of work to develop a 'Homes for the Future Strategy' in 2022/23.** The scope being to produce a coherent strategy to accelerate the development of the Future Homes Cluster in the Plan for Growth, 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) set out in the Government's emerging Future Homes Standard; and consequential reduced occupier costs in the new homes.

2.2 **WMCA's Homes for the Future builds on the work already pioneered to date around AMC and ZCH** under the Housing & Land Delivery Board.

This new integrated strategy is a **cross-cutting document** that is directly linked to 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 & Land Portfolio agreed by WMCA Board in February 2023.

2.3 Housing & Land Delivery Board has previously been updated on the process to develop Homes for the Future including the appointment of Cast Consultancy; the establishment of a Future Homes Taskforce with membership drawn from across the construction and residential development industry; the launch of research projects to create an evidence base to underpin the new strategy; and the detail of a Technical Standard appropriate for the West Midlands.

2.4 **This work has been brought together in the form of a Homes for the Future strategy document – a final draft of which can be found under Appendix 1.** In addition, a report on the potential cost implication of complying with the standard can be found under Appendix 2 with the alterations requested previously by Delivering Steering Group.

2.5 Homes for the Future has been developed with the oversight of the Future Homes Taskforce. The Taskforce last met on 9th October 2023 where members expressed strong support for the programme of work and stressed the importance of showcasing industry support and early wins through landing a successful comms strategy and continuing work post-publication in the form of a wide-reaching Implementation Plan.

2.6 Homes for the Future will take steps to go further and faster than the national Future Homes Standard in order to prepare industry for the introduction of the national standard and anticipated future shifts within the construction industry, as well as supporting the WMCA's environmental commitments and addressing the climate crisis.

3.0 Cost implications

3.1 At the request of Delivery Steering Group and Housing & Land Delivery Board, Cast Consultancy were commissioned to research the potential cost implications of the proposed Technical Standard which is embedded in Homes for the Future. Their draft report is attached as Annex 2 for discussion and comment.

3.2 Cast has undertaken a review of the potential cost impact of the emerging Homes for the Future Technical Standard for mid-terrace and flat typologies. Their methodology includes a number of assumptions, many of which are susceptible to change over time, particularly as the industry adopts, and adapts to, new standards:

- Their baseline of each typology is based on a 'typical' approach. The modelling then considers the potential evolution of the construction costs based on proposed standards for 2023 (Statutory Plus), 2025 and 2030 including considering the likely methodology that would be adopted to meet the standard (based on current-day costs).
- They also consider the changes that would be required to achieve the forthcoming Future Homes Standard 2025, which central Government has recently consulted on. They have sought to distinguish between the costs that would be incurred in achieving the WMCA standard and those that developers will need to prepare for regardless of the WMCA strategy, specifically national government's Future Homes Standard 2025.
- The approach described in the technical report to meeting the WMCA standard is based on a hypothetical scenario in which industry and supply chains respond to new requirements with a potential model that follows a similar cost curve to other newly adopted building components. As such, it must be understood that industry will choose its own means of meeting the targets laid out in the WMCA Technical Standard. It includes assumptions around changing to a timber panelised approach for the mid terrace property, potential foundation savings for lighter structures, and an allowance for changes to mechanical, electrical and plumbing (MEP) solutions.
- A series of assumptions around the likely cost impact of the technical standards are considered. There are clearly a variety of different approaches that could be adopted; therefore, a cost range has been included to accommodate the variation between different schemes in terms of site, context, scale etc.
- The cost assessment is presented on a £/sq ft basis. For the flat typology this has been derived from taking a typical 8 storey flat block as a baseline to assist in establishing the impact on the % cost impact of the proposed standard.

3.3 The findings of the research are set out in the Cast consultancy technical standard cost appraisal report and may be summarised as:

- Construction labour shortfalls are very likely to increase the baseline cost of construction whereas the WMCA approach which incentivises a shift to different construction approaches, using MMC, a different workforce model and less site labour reliance 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 WMCA is taking now by introducing embodied carbon reduction targets
- WMCA would also signal change sooner to the supply chain, giving regional suppliers an early mover advantage in preparing for future national change.
- The collection of data around embodied carbon that is required under all levels of the standard will prove valuable additions to an emerging data set that will better enable WMCA to understand and evaluate future potential cost differentials, as well as additional environmental benefits.
- Under WMCA's 2023 (Statutory Plus) standard, an expected additional cost of between £2,000 per development for smaller schemes up to 30 units and as high as £10,000 per development for larger schemes for collecting Whole Life Carbon data . This standard will allow developers time to transition, as well as simultaneously improving and expanding the aforementioned data set in relation to embodied carbon.

- 3.4 Further recent sector-wide studies include the Ready for Zero Report by Arcadis for the Future Homes Hub, Ready for Zero Report, which details cost uplifts associated with building in line with increased standards. The introduction of HMG's Future Homes Standard (referred to Ref 2025) predicts a 5% cost increase in relation to current standards which include HMG's 2021 uplifts (referred to as Ref 2021). At this stage, an additional uplift to WMCA's Homes for the Future Standard 2025 level (referred to as CS3) would result in a 15% for cost uplift. Following the introduction of HMG's Future Homes Standard (Ref 2025), the expected increase to adhere to CS3 is a 9% increase. The relevant data in the report can be found on pages 32-34.
- 3.5 At the request of Delivery Steering Group, an additional section, exploring the cost to detached properties, has been added to the report. This builds upon the cost analysis of flats and terraced houses.
- 3.6 Additionally, various real-world examples can provide clarity around costs:
- i. A scheme being funded by WMCA in conjunction with a local contractor and housing association, indicated a 4.4% increase in real post-tender costs as of July 2023 for the MMC homes on the site in comparison with those that were built with traditional construction methods.
 - ii. A large build to rent development in the region has recently been procured and entered in contract. From the outset, design specifications for the scheme aligned to Cat 1 MMC and 70% PMV with WMCA-equivalent build methods. This design approach and competition among suppliers to develop the scheme resulted in it being procured at a cost that was lower than the traditional build estimate for the same scheme.
 - iii. Cast benchmarking for a development in Bristol, converting a low-rise housing masterplan to achieve a net zero goal which broadly aligns with WMCA's 2025 target, resulting in a 9% increase (for SIPs, 50% PMV) to a 15% increase (for volumetric modular, 70% PMV) compared to the baseline.
- 3.7 It is recommended for the WMCA Future Homes Standard to be introduced transitionally allowing time for supply chains to respond and any cost impacts minimised, albeit at shorter timeframes than the transition proposed for the national Future Homes Standard. This will mean that schemes being delivered through the existing pipeline and supported through funds that run to end of March 2025 will be subject to current statutory standards, with strong preference given for scheme proposals that meet most or all of the emerging WMCA standard.

Table 1: Transitioning towards the WMCA Future Homes Standard Stage of development

Stage of development	Pre-March 31st 2025	Post-March 31st 2025
On site	Current statutory standards apply	If planning permission secured before January 2024, 2023 (Statutory Plus) standards apply
Post-planning and procurement	Current statutory standards apply	Preference to meet most or all WMCA 2025 standards

Pre-application	Expectation to meet WMCA's 2023 (Statutory plus) standard, and most or all WMCA 2025 FH standards	Expectation to meet most or all WMCA standards
Expression of Interest stage	Expectation to meet most or all WMCA standards	Expectation to meet most or all WMCA FH standards

3.8 Furthermore, WMCA has considered the challenges presented by the market and from members of the group. As a result, the former 2023 standard has been amended to feature as the Statutory Plus standard instead. This will support developers with the transition and also accounts for the alterations made on a national level since the standard was first devised that would have rendered the former 2023 standard less impactful.

3.9 More broadly, further engagement with DLUHC and HMG will be required anyway to ensure intervention rates at future negotiation better reflect changing market conditions and local aspirations. This includes the national transitional period that has already commenced with the introduction of higher building regulations for operational emissions and space heating in the 2023 Building Regulations covering Parts L and F, raising decarbonisation and ventilation standards. For future embodied carbon targets, further work regionally and nationally will be needed to develop low embodied carbon material supply chains, as well as mechanisms for recycling of construction materials.

4.0 Homes for the Future Event

4.1 The Homes for the Future Event occurred on 8th December 2023 at the National Brownfield Institute in Wolverhampton and presented the Homes for the Future proposals to the world. Mayor Andy Street introduced Homes for the Future to the audience, speaking at the event, he said 'we must have a proper plan in place for future housebuilding in the region. That's what our Homes for the Future proposals do, and I'm delighted we've been able to launch it today.' Speeches were also delivered from Mark Farmer, Chair of the Future Homes Taskforce and CEO of CAST Consultancy, who stated that the proposals represented 'a true UK first, and the Pro Vice Chancellor of the National Brownfield Institute who noted key steps they were already taking to support modern building methods.

4.2 Attendees also had the opportunities to ask questions of our panel consisting of Mayor Andy Street; Mark Farmer Chair of the Future Homes Taskforce and CEO of CAST Consultancy; Mary Parsons, Regeneration & Partnerships Director, Lovell; and Councillor Ian Courts from Solihull Council. The event made use of the venue's state of the art 360° Igloo room to present a video that showcased WMCA's vision, culminating with the opportunity for networking amongst attendees.

4.3 The event has seen press coverage from the likes of the BBC, Express & Star, and the Birmingham Mail, among others. The proposals have also been shared on WMCA's social media channels with a long-term comms strategy being developed to continue momentum. WMCA has also secured interviews with residents living in energy efficient homes in Coventry which will feature in a future release.

4.4 A 6 week consultation period ran from the launch event to provide feedback on the proposals until 22nd January 2024.

5.0 WMCA Homes for the Future Engagement Feedback

5.1 At the Homes for the Future Event referenced above, WMCA put out a call for any final feedback on the Homes for the Future Strategy and Standard. The deadline for this feedback was 22nd January 2024.

5.2 Feedback was received from the following organisations:

- West Midlands Housing Association Partnership (WMHAP)
- Brick Development Association
- Building Alliance
- Jelson Limited
- Michelmersh

5.3 There was a general consensus that it is necessary to take steps towards zero-carbon housing. There were however concerns with the PMV target of the Homes for the Future Technical Standard. Those representatives who engaged from the brick sector expressed concerns that PMV would impact the traditional construction methods. WMHAP instead expressed their concerns with PMV lay with the ability to achieve other aspects of the standard with traditional build and that some SMEs may struggle to hit this target. A scheme (Project 80) was provided as an example of a traditional build scheme that meets HMG's Future Homes Standard.

5.4 Additionally, WMHAP has expressed concerns around:

- Unregulated energy use and how this can be measured
- The impact on shared ownership schemes
- Cost additionality
- Confusion around applying both HMG's Future Homes Standard and WMCA's Homes for the Future Standard

5.5 As such, WMHAP have proposed a more flexible approach be taken that does not apply the full standard.

5.6 As noted above, much positive feedback was received at the event itself and through informal means of communication.

5.7 Consideration is given for alternative routes to achieving the operational and embodied carbon standards where the PMV standard is not being met.

6.0 HMG's Future Homes Standard Consultation

6.1 On 13th December 2023, DLUHC released the 'Future Homes and Buildings Standards: 2023 Consultation'. The consultation runs until 11:59pm on 6th March 2024 and covers changes to Part 6, Part L, and Part F of the Building Regulations for dwellings and non-domestic buildings and seeking evidence for Part O. A small element of the consultation considers existing buildings. As with the WMCA standard, the objectives of the DLUHC policy are broadly aligned with those of WMCA, to deliver (i) significant carbon savings; (ii) homes which are high quality and affordable, protecting occupants from high bills; (iii) homes which are "zero-carbon ready" - In other words, because they use electric or other renewable energy sources, no work will be necessary to allow these buildings to

achieve zero carbon emissions when the electricity grid is fully decarbonised; (iv) homes which are cost-effective, affordable, practical and safe.

6.2 HMG has presented three options within the consultation.

Option 0 – take no action

Option 1 (preferred option) includes:

- A notional building with:
- a high-efficiency air-source heat pump
- solar PV (photovoltaic) panels
- a wastewater heat recovery system
- increased airtightness
- a decentralised mechanical ventilation (dMEV) system
- high fabric standards to minimise heat loss from windows, walls, floors and roofs (the same as the standards set in the 2021 uplift to Part L)
- a significant increase in performance standards for domestic hot water storage
- a separate notional building for new heat networks.

Option 2 mirrors Option 1, except it does not include the following features in the notional building:

- solar PV panels
- a wastewater heat recovery system
- increased airtightness
- a decentralised mechanical ventilation (dMEV) system

Option 1 prioritises energy costs over capital costs, while Option 2 does the reverse.

6.3 Comparative figures are difficult to obtain between the two standards as firstly, HMG presents multiple options for the Future Homes Standard, and secondly WMCA allows flexibility in how its standard is achieved, leaving individual methods up to the individual. As such, a comparison has been outlined below where it is assumed that an individual might use Passivhaus to achieve WMCA's Homes for the Future Standard. The current minimum standard, HMG's required Fabric Standards under both Option 1 and Option 2 are outlined below, and the proposed Fabric Standards that would be required to achieve WMCA's 2025 standard if a Passive Design model were used have been outlined below.

	Minimum Standard	Proposed Future Homes Standard – Option 1	Proposed Future Homes Standard – Option 2	WMCA Homes for the Future - 2025
External Wall	U= 0.26 W/m ² K	U= 0.18 W/m ² K	U= 0.18 W/m ² K	U= 0.15 W/m ² K
Floor	U = 0.18 W/m ² K	U= 0.13 W/m ² K	U= 0.13 W/m ² K	U= 0.11 W/m ² K
Roof	U= 0.16 W/m ² K	U= 0.11 W/m ² K	U= 0.11 W/m ² K	U= 0.11 W/m ² K
Windows	U= 1.6 W/m ² K	U= 1.2 W/m ² K	U= 1.2 W/m ² K	U= 0.8 W/m ² K
Airtightness	8.0	4.0	5.0	0.6

Proposed fabric specifications have not significantly changed since Part L 2021, however there are changes to air pressure specifications.

- 6.4 While embodied carbon is considered to be out of scope for this consultation, the government plans to consult on their approach to measuring and reducing embodied carbon in new buildings 'in due course'. The consultation does not outline specific proposals around PMV.
- 6.5 In light of considerations by HMG in relation to non-domestic buildings, we would ask the board to consider WMCA's position in relation to non-domestic buildings. Considerations around non-domestic buildings are out of scope for WMCA's Homes for the Future Programme.
- 6.6 WMCA will be preparing a response to HMG's consultation with support from the Future Homes Taskforce. Several industry bodies including UKGBC, The Institution of Structural Engineers, Institution of Structural Engineers, Institution of Civil Engineers (ICE), The Chartered Institute of Building (CIOB), Construction Industry Council (CIC), CIBSE, UK Architects Declare, RIBA, RICS, Part Z, and Association for Consultancy and Engineering (ACE) have already issued public responses to the consultation, calling for the Future Homes Standard to go further and specifically to regulate embodied carbon. This request is achieved under WMCA's Statutory Plus targets.

7.0 UK Parliament MMC Inquiry: Modern Methods of Construction – What's gone wrong?

- 7.1 The Built Environment Committee launched an inquiry into the future of modern methods of construction (MMC) on 24th October 2023, following the collapse and closure of several Category 1 MMC companies during 2022 and 2023.
- 7.2 The inquiry noted that HMG has stated the need for a diversified housing market which embraces innovation, including MMC technologies. Despite this, MMC manufacturers have faced significant challenges, including the many organisations stopping production or going into administration. The inquiry aims to understand barriers to increasing the delivery of MMC homes and how HMG's approach to MMC is addressing these barriers.
- 7.3 The committee's letter to HMG was published on 26th January 2024. The letter is titled 'MMC sector may continue to struggle without a fresh approach from the Government'. HMG's approach to MMC was described as 'in disarray'. They noted concern that millions of pounds of public money had been invested without 'a coherent strategy and set of measurable objectives'.
- 7.4 While it was noted that some category 1 modular MMC firms have financially failed, the Committee acknowledged that MMC could still 'play an important role in the building of much-needed housing' with the right approach.
- 7.5 The Committee noted evidence of 'some real barriers to MMC' such as insurance companies and warranty providers being risk averse, and insufficient clarity around building regulations. It suggests that HMG has not made sufficient effort in understanding and addressing these challenges. It is proposed that HMG takes a step back to gain a better understanding, establish achievable goals, and develop a coherent strategy.

7.6 Other findings and conclusions include:

- The committee heard contradictory evidence about whether MMC homes were more or less expensive to construct than traditionally built homes. Given the scale of public investment being made, the Government should ensure it is achieving value for money.
- The requirement to use MMC through the national Affordable Homes Programme (AHP) incentivised some housing associations to use MMC in their projects, but not enough to provide strong pipelines for Category 1 MMC businesses, given the high costs claimed for MMC.
- Measuring the Government's progress is difficult owing to a lack of data on MMC usage. The Government should publish data on the share of supported completions using MMC in the AHP as soon as possible.
- The Government's MMC Taskforce, which was allocated £10m and was expected to take forward work on data and standards, has never met. The Government should explain the justification for abandoning this approach and set out how the promised funding has been used or reallocated.
- Higher energy efficiency requirements could incentivise greater usage of MMC, particularly in Categories 1 and 2.
- The extensive time periods it can take to obtain warranties and the reticence of insurance providers to accept compliance with building regulations as sufficient has detrimental impact on the delivery of MMC homes. Warranty and insurance providers should themselves act to compile and share the data they need. The Government should set out this expectation clearly to the sector.
- The Government should take a greater interest in overseas examples of success with modular construction.

8.0 Implementation Plan

8.1 Through the Homes for the Future Implementation Plan, WMCA will ensure that the programme does not end with publication of the strategy. It is recognised that developers will need support with understanding the standard, sourcing the appropriate manufacturers, understanding how to apply for WMCA funding more widely, and accessing support from WMCA should they require it. This will be particularly important for SMEs and smaller developers.

8.2 Additionally, the expanding the skills base that can deliver Homes for the Future will be a key programme of work for WMCA. In order to enable the supply chain to develop, WMCA has the potential to offer support for skills development in relation to Homes for the Future. WMCA has discussed the potential of facilitating a forum upon which relevant WMCA colleagues could engage with key stakeholders to understand where support to develop skills in relation to Homes for the Future is needed, as well as bringing together relevant stakeholders to advance knowledge and research in this field, share best practice, and make meaningful connections with others in the field.

8.3 Through an evolution of the Future Homes Taskforce, three working groups are to be set up:

- Development & Delivery
- Employment & Skills
- Supply Chains & Manufacturing

These groups will support in implementing the Homes for the Future Standard, through providing support to developers in understanding and implementing the standard, developing the skills base alongside the standard as it develops, and supporting the development of the supply chain and increasing awareness of alternative methods of construction.

- 8.4 It is also noted that Mark Farmer, Chair of the Future Homes Taskforce will be stepping down from his position as Chair. He will remain with the taskforce while a new Chair is selected.

9.0 Next steps

- 9.1 Comments on the final strategy and costs report are invited at this meeting. **This will be the final opportunity** for members to comment on the content of the strategy document prior to its official publication. The proposal documents are now in a brochure format and available on WMCA's website.
- 9.2 An extensive engagement programme has taken place over the summer months to ensure co-development of the document and engagement in the process. Feedback on Homes for the Future proposals will be accepted until 22nd January 2024.
- 9.3 An extensive comms programme has been worked up with communications planned throughout the coming months. Initial proposals and content from the event have already been shared via WMCA's social media channels.
- 9.4 The Implementation Plan will be fleshed out to support delivery of Homes for the Future after publication of the strategy. This will be achieved through working with developers of all sizes to support their understanding and implementation of the strategy, and expanding the skills base that can deliver Homes for the Future.

10.0 Financial Implications

- 10.1 It is noted that the purpose of this report is to summarise the work that has been undertaken on Homes for the Future and to provide information on the wider range of references and estimates for the cost impacts of this strategy; and to invite final comments on the strategy document.
- 10.2 It is understood that the WMCA Homes for the Future Strategy aims to bring in standards proposed in the Government Future Homes Standard at an earlier stage in order to assist in the transition from the current building requirements to the Future Homes Standard 2025 position.
- 10.3 It is clear that there is not one agreed position on the likely cost impacts of undertaking the changes within the Future Homes Standard and the earlier implementation of the WMCA Homes for the Future Strategy; however, it is anticipated that there is likely to be an increase in costs for Developers in building new homes to the new standards, particularly in the short – medium term. Where there are cost increases resulting from the implementation of this standard, this is expected to adversely impact on the intervention rate for housing grants requested from WMCA due to increased viability gaps from building in these requirements. There is an expectation of approx. 5% - 15% uplift in costs for Developers in complying with the Future Homes Standard. In simple terms, assuming the construction cost of a small new home is £125,000 and it is part

already part funded via a grant. An increase in cost of 5% to 15% would increase the gap funding required and add a further grant requirement of £6,250 to £18,750 for each home to be developed.

- 10.4 Note, it is understood that the overall cost impact is dependent on how early in the design stage the WMCA Homes for The Future standard is factored in by a developer and that, generally, the cost increases should be tempered the earlier these requirements are included in the design. For example, “real world” tender costs show approx. 4.5% increase for a smaller terraced housing scheme (adapting ‘traditional design’ to MMC), or in the case of Smith Gardens a large build to rent scheme in Digbeth (the only advanced larger scheme typical of those coming through our pipeline comprised of apartment blocks and meeting the WMCA FH standard) a small cost saving compared to a traditional build estimate that the developer tendered for.
- 10.5 For the current Housing Funds, i.e., the Land Fund, Brownfield Housing Fund and National Competitive Fund the average intervention rate has been close to / above target without the requirement to meet Future Homes standards, due to the impact of factors such as inflation, etc.. There is, therefore, pressure on the intervention rates for the remaining funds available in order to ensure the average intervention rate for those funds is met. Based upon historic performance the existing funds will not be able to be deployed, where the intervention rates for future schemes exceed the average rate for the funds.
- 10.6 It may, also, be the case that WMCA may be unable to sell its landholdings for “the best consideration” because of the additional costs that a developer may incur in complying with the Future Homes Standard, before the legislation is in place. As a result, this may, also, impact on the intervention rate of any grant required by the developer and / or the price that WMCA can recover for its landholdings. Furthermore, if WMCA land is sold with conditions attached, i.e., requiring compliance with the Future Homes Standard before this is mandated by law, this would ordinarily bring all land disposals under the Procurement Contract Regulations. This would add time and complexity to any disposals which would require additional resource.
- 10.7 It is noted that there is to be a transition to the standard, as noted in Table 1, above, which would require schemes at an early stage in the process of requesting housing grants to comply with the Standard while those already on site or at post-planning / procurement stage to align with WMCA’s 2023 (Statutory Plus) standard (at a cost of average £3k – £10k per development, depending on the size of development, as advised by Cast Consulting, so not considered to be an onerous cost). This less onerous approach should result in a negligible impact on the viability gaps for those schemes already progressing through the grants process. It is, also, noted that those schemes aligning with the WMCA’s Statutory Plus standard will allow developers time to transition, as well as providing important data to assist in understanding the likely cost and other impacts of these changes, to inform the strategy implementation.
- 10.8 It is noted that the understanding of the findings of the Cast Report and Arcadis reports, on which the Financial Implications assessment has been based, as confirmed by HPR and as noted below.

Report	Findings	Approach	Comments
<p>Arcadis: ‘Ready for Zero’</p> <ul style="list-style-type: none"> Task Group Report - Evidence to inform the 2025 Future Homes Standard 28.02.2023 	<p>Build cost impact ranges from - £3k to + £17k per house based on achieving the Future Homes Standard 2025 requirements in 2022.</p>	<ul style="list-style-type: none"> Based on end of Terraced House; Based on 5 Contender Specifications to capture the range of approaches to zero carbon ready homes; 	<ul style="list-style-type: none"> Strong disagreement between Taskforce stakeholders on costs of delivering 5 Contender Specifications in new build homes in 2022; Report produced under Terms of Reference from DLUHC
<p>Cast Consultancy</p>		<ul style="list-style-type: none"> mid-terrace and flat typologies; detached dwellings 	<ul style="list-style-type: none"> methodology includes a number of assumptions, many of which are susceptible to change over time “
<p>Real world” examples:</p> <ul style="list-style-type: none"> A scheme being funded by WMCA in conjunction with a local contractor and housing association A large build to rent development in the region has recently been procured and entered in contract. Development in Bristol, converting a low-rise housing masterplan to 	<ul style="list-style-type: none"> 4.4% increase in real post-tender costs as of July 2023 This design approach and competition among suppliers to develop the scheme resulted in it being procured at a cost that was lower than the traditional build estimate for the same scheme 9% increase (for SIPs, 50% PMV) to a 15% increase (for volumetric modular, 70% 	<ul style="list-style-type: none"> Comparison of the MMC homes on the site with those that were built with traditional construction methods. From the outset, design specifications for the scheme aligned to Cat 1 MMC and 70% PMV with WMCA equivalent build methods. Based on Cast benchmarking 	<ul style="list-style-type: none"> “Real world” examples provided by HPR – per 3.6 in this report

achieve a net zero goal which broadly aligns with WMCA's 2025 target.	PMV) compared to the baseline		
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- 10.9 It is noted that, as per Section 6 of this report, on 13th December 2023, DLUHC released the 'Future Homes and Buildings Standards: 2023 Consultation', to consider changes to Building Regulations. It is not known what the impact of this will be for Developers, and any resulting grant request and associated intervention rate, and / or how this may impact on / differ from the proposed WMCA Future Homes Strategy. Given this, it will be important to ensure the outcomes of this DLUHC consultation are considered within the decision-making around the WMCA Homes for the Future Strategy, and any further cost implications that may arise, as a result, should be brought back to H&LDB for consideration.
- 10.10 It is noted that feedback has been received on the Homes for the Future consultation, including concerns with the PMV target, and this may result in changes to the approach taken by WMCA on Homes for the Future. It is noted that consideration is being given for alternative routes to achieving the operational and embodied carbon standards where the PMV standard is not being met. The cost implications of any such alternative routes, including on the Intervention Rate for any grants sought, are not known and should be considered further.

11.0 Legal Implications

- 11.1 WMCA has the power to impose a grant condition that requires compliance with the Future Homes Standard under Section 113(1)(a) of the Local Democracy, Economic Development and Construction Act 2009. This statute gives WMCA a power of competence appropriate for the purposes of carrying out any of its functions.
- 11.2 WMCA also has the power to impose a condition on WMCA land disposals which requires a developer to comply with the Future Homes Standard. However, it should be appreciated that to do so may mean that commercially WMCA is unable to sell its landholdings for "best consideration" because of the additional costs that a developer would incur in complying with the Future Homes Standard. Whilst WMCA has power to sell land under its economic development and regeneration function and its transportation function at less than best consideration it has no power on its own motion to do so to sell land held under its housing land and infrastructure function for less than best consideration"

12.0 Equalities Implications

- 12.1 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.

13.0 Inclusive Growth Implications

- 13.1 Homes for the Future 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.
- 13.2 Inclusive Growth benefits are expected to include supporting tackling fuel poverty, supporting the circular economy agenda, improving the climate resiliency of homes, supporting the goal of zero-waste construction, and health and well-being benefits.

14.0 Geographical Area of Report's Implications

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

15.0 Other implications

- 15.1 None

16.0. Schedule of Background Papers

- 16.1 Housing & Land Delivery Board January 2024: Homes for the Future
Overview & Scrutiny January 2024: Homes for the Future