



West Midlands
Combined Authority

WMCA Housing and Land Board

Date	25 October 2018
Report title	Affordable and Social Housing Supply Proposition
Portfolio Lead	Councillor Mike Bird
Accountable Chief Executive	Deborah Cadman
Accountable Employee	Gareth Bradford Director of Housing and Regeneration Gareth.bradford@wmca.org.uk
Report has been considered by	

Recommendation(s) for action or decision:

The WMCA Housing and Land Board is recommended to:

- Note the emerging draft supply proposition, and
- Agree the approach as detailed in the report and Annex.

1. Purpose

- 1.1 The purpose of this report is to update the Board on the development of an Affordable and Social Housing Supply Proposition which will address the growing challenge of housing affordability in the region. A considerable increase in the supply and delivery of affordable homes, in terms of absolute numbers and as a proportion of overall supply, is needed to support the region's ambitions for economic and inclusive growth.

2. Background

- 2.1 Recent months have seen several significant national policy announcements in relation to housing. The Social Housing Green Paper "A new deal for social housing", published in August 2018, set out the Government's ambitions to transform safety, perceptions and

delivery of social housing. Subsequent announcements from the Prime Minister setting out a £2bn social housing fund available from 2022, and the lifting of the Housing Revenue Account cap for local authorities announced at the Conservative Party Conference, indicate a dynamic housing policy environment.

2.2 The Housing Deal, agreed by the West Midlands Combined Authority (WMCA) and Government in March 2018, set out a range of measures to support the delivery of new homes. It included ambitious targets to deliver 215,000 new homes by 2031, increasing the annual rate from 10,000 to 16,500. In return, Government agreed to “*work with Housing Associations on new ways to finance and build affordable housing to rent or buy in the West Midlands*”. Increasing the supply of affordable and social housing is critical to delivering these overall targets. Whilst specific commitments to affordable housing policy and investment were not detailed in the deal, WMCA made it clear, during negotiations, that this would be a matter to which the Authority would return in due course.



Figure 1: Housing completions trend against plan targets and population growth. Data from ONS and MHCLG

2.3 Figure 1 above illustrates that annual housing completions are improving, and this is on course to continue. However, the volume of housing delivered by housing associations and local authorities (as shown in the table below), whilst showing a small year on year increase, remains relatively low as a proportion of the overall supply.

		Private Enterprise	Housing Associations	Local Authorities	All	% affordable
WM LEPs 2016/17	3	7810	1700	100	9630	18.7%
WM LEPs 2017/18	3	7620	1870	170	9680	21.1%

Table 1: Housebuilding: permanent dwellings by tenure and LEP, source MHCLG.

2.4 The challenge of affordability remains, therefore, and is particularly intense in the West Midlands where rapid growth in employment, large scale investment and the inherent

attractiveness of the region are fueling market pressures. While the number of overall new homes being delivered is growing year on year, demand continues to outstrip current supply and prices continue to rise.

2.5 With house price growth outpacing the rest of the country, analysis indicates that based on current trends that the WMCA's affordability ratio is on course to exceed the national average by 2020. By 2030 all groups, other than the very highest earners, could be struggling to meet the average house price to earnings ratio. The private rented sector is also seeing significant price increases above the national average. The West Midlands is now one of only three regions where average private rented costs are higher than average mortgage repayments and therefore officially unaffordable in the Government's eyes. This has implications for the region's economic growth (labour market, productivity, competitiveness, 'key workers') and has wider consequences for social mobility, health and wellbeing, homelessness, community cohesion and attractiveness. The situation is likely to be exacerbated by demand arising from HS2, the Commonwealth Games 2022 and Coventry City of Culture 2021.

2.6 Work to date

On September 6th 2018 the Housing and Land Board were briefed on:

- the current levels of affordable provision in the region (currently under 20% of overall supply)
- worsening affordability
- the need for the region to be more successful in accessing national affordable housing funds and
- the potential to encourage national scale providers to deliver a large proportion of their housing in the region.

2.7 As a result, the Board requested that the WMCA Housing and Regeneration Team develop:

- a clear delivery plan for increasing affordable and social housing and attracting new providers
- a strong evidence base linked to the Industrial Strategy and Strategic Economic Plan, and
- a robust proposal to government to deliver significant new supply and quality in return for new investment.

The focus for the programme would be on accelerated delivery rather than policy changes.

2.8 Progress is already being made: there was a detailed conversation at the Delivery Steering Group on 25th September; officers have formed a sub group to drive the work and positive conversations have taken place with major new providers. Importantly, these actions support our collective work on site preparation and funding, help to accelerate the delivery of allocated sites local plans and form a key component of the emerging Spatial Investment and Delivery Plan. Part of the investment being sought from Government will include resourcing expert affordable housing capacity in the region to complement existing council and WMCA teams in order to specifically support delivery of the affordable housing delivery plan.

2.9 An emerging deal/proposition: Key elements

The key elements of the emerging deal/proposition are included in the box below.

Key elements of the emerging deal/proposition

Our Goal: A new housing offer that enables people to come to the West Midlands, live in a decent home, grow up here, thrive and make their mark in an environment that gives people what they need.

The proposed approach is based on principles of quantum, pace and quality, to deliver the Nation's most ambitious social housing delivery plan and to radically improve:

- Supply
- Choice
- Mix (including new products)
- Build Out
- Scale
- Quality
- Brownfield focus

The key to success is to use new monies to increase affordable offer on sites which are currently stalled due to viability problems.

Proposed elements of the package include:

- Securing a devolved Affordable Housing Accelerator Investment Pot for the region
- Trebling supply of affordable and social housing in the region (2,000 in 2016) to 6,000+ per annum by 2026
- Delivering an additional 1500 new homes every year from 'new providers'
- Delivering an additional 1500 new homes every year from 'existing providers', agreed through the WM Housing Association Partnership
- Creating and unlocking a pipeline of site opportunities across a range of sites, packaged into portfolios, creating certainty for providers across many years
- Creating expert capacity deployed into the region to support delivery, resourced by WMCA, local authority officers and secondments from Registered Providers, and financed from the allocation secured
- Across the region, a majority of all new affordable and social housing to be delivered on brownfield land, an ambition to be set in the new regional Spatial Investment and Delivery Plan
- A new affordable housing delivery approach from WMCA and registered providers to bring forward sites identified in the pipeline, at pace, using new expertise in WMCA, funding, land assembly, CPO, infrastructure development.
- An extensive and tailored programme to support local councils, where requested, to increase the delivery of council housing by exploring flexibility on borrowing, recycling of right to buy receipts and creation of new local housing companies.
- A new refurbishment programme to enhance existing social housing stock to improve standards and increase density of development.
- All new housing under this plan to meet the highest standards of design and, wherever appropriate, to be built using advanced methods of construction.

A summary of the emerging delivery plan is included as Annex 1 to this report.

The proposal was also included in the WMCA's budget submission to the Chancellor of the Exchequer to demonstrate the region's commitment to deliver on housing, and identifying an investment proposition from the National Affordable Homes Programme¹.

2.10 Next steps

- Confirming representation on the Working Group from those authorities with significant experience in delivering affordable and social housing
- The senior officer group to meet or convene fortnightly, to maintain pace on the work
- Active engagement with Whitehall officials to assess approaches and test thinking
- Continuing development of the evidence base with councils, employers and LEPs
- Reporting emerging deal/proposition to future meetings of the Housing and Land Board.

3. Financial Implications

- 3.1 There are no financial implications identified as a result of this report. However, the proposals set out in this report may have financial implications in the future which will be considered at the appropriate time through future reports as necessary

4. Legal Implications

- 4.1 Section 113A(1)(a) of the Local Democracy, Economic Development and Construction Act 2009 gives the CA 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 the CA. Part 3 of The West Midlands Combined Authority (Functions and Amendment) Order 2017 confers the functions corresponding to the functions of the Housing Community Agency has in relation to the combined area.

Part 7 of the Mayoral of The West Midlands Combined Authority (Functions and Amendment) Order 2017 confers the power to pay Grant (pursuant to s31 of the Local Government Act 2003) to the Mayor with assistance of members and officers of the Combined Authority.

- 4.2 There are no direct legal implications identified as a result of this report. However, the proposals set out in this report may have legal implications in the future which will be considered at the appropriate time through future reports as necessary.

5. Equalities Implications

- 5.1 The proposals within the report are likely to have a positive impact on equalities. An equality impact assessment will be conducted to ensure that key equality principles and considerations are incorporated within any affordably housing strategy to help address inequalities and promote inclusion and equality for a wide range of groups.

¹ NB It is important to note that this is not a bid to a competitive fund such as HIF, or a fund controlled by HM Treasury. The National Affordable Homes Programme is a MHCLG fund administered by Homes England.

6. Inclusive Growth Implications

- 6.1 The proposals for an Affordable and Social Housing Agreement are focused on improving accessibility to and affordability of housing, factors which have considerable bearing on inclusivity. Failure to ensure that prosperity benefits communities across the region will contribute to the challenges continuing in the future.

7. Geographical Area of Report's Implications

- 7.1 The proposed Affordable and Social Housing supply agreement is intended to encompass the whole geography of the WMCA area, including the 3 LEPs and non-constituent Member authorities.

8. Other Implications

9. Schedule of Background Papers