



## Housing & Land Delivery Board

<b>Date</b>	4 November 2019
<b>Report title</b>	Affordable Housing Delivery Vehicle Update
<b>Portfolio Lead</b>	Councillor Mike Bird, Leader, Walsall MBC
<b>Accountable Chief Executive</b>	Deborah Cadman, Chief Executive, WMCA
<b>Accountable Employees</b>	Gareth Bradford, Director of Housing & Regeneration Pat Willoughby, Head of Policy (Housing & Regeneration) Rob Lamond – Strategic Delivery Advisor (Report Author)
<b>Report has been considered by</b>	A summary report across the whole of the Affordable Housing Programme was agreed by Housing and Land Board on 21 February 2019

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

The Housing Land & Delivery Board is asked to note:

- Progress between WMCA and West Midlands Housing Association Partnership/National Housing Federation in developing the Heads of Terms and key criteria for a new regional affordable housing delivery vehicle focused on increasing the supply of new homes, particularly affordable housing, on some of the most challenging sites in the region
- The proposed Delivery Vehicle's fundamental principles of reduced risk; shared opportunity through combining investments and assets of partners; maximising the local knowledge and expertise of the vehicle's partners; and developing a range of sites including intervening in instances of market failure to develop brownfield sites in the region.

The Housing & Land Delivery Board is recommended to agree:

- The draft criteria/principles for the Delivery Vehicle from WMCA perspective as set out in Section 3.2 of this report
- Subject to agreeing the above criteria/principles, that the Housing and Regeneration Team works now with partners and a focused working group of experienced local council housing officers to bring forward a business case for a pilot phase of the Delivery Vehicle to a forthcoming Housing and Land Board and Investment Board. The aim is to submit the business case to December 2019's Investment Board if possible and appropriate.

## 1.0 Purpose

- 1.1 The purpose of this paper is to update Housing and Land Board on progress in the work the Board had agreed in February 2019 to work up in principle on developing an Affordable Housing Delivery Vehicle with WMHAP/NHF to unlock challenging brownfield opportunities in the region – providing added value to the work of the WMCA under the SCF. This paper then recommends agreement of the broad criteria for the vehicle to help guide the development of a detailed business case.

## 2.0 Background

- 2.1 In February 2019 the WMCA Housing & Land Delivery Board agreed the 2019/20 Housing and Regeneration Deliverables, including to “Secure bespoke new supply agreements with housing associations, large and small, existing and new to the region” and to “Increase the supply of affordable and social housing in the region, making clear progress towards the ambition of tripling the supply from 2,000 homes (2017) to 6,000 by 2026”. The subsequent WMCA Board in March 2019 agreed the 2019/20 deliverables for each Portfolio, including those above.
- 2.2 As part of the WMCA's affordable housing programme to achieve these targets, discussions have been ongoing with the West Midlands Housing Association Partnership (WMHAP) regarding proposals and ideas for a brand new single purpose affordable delivery vehicle to help secure affordable housing delivery above and beyond those of housing association committed and approved business plans.
- 2.3 The WMHAP consists of circa 30 housing associations that operate in the region, who own and manage a combined total of over 120,000 homes in the West Midlands. The partnership brings together these organisations to deliver quality homes, create jobs and growth, and support the wider inclusive growth agenda.

## 3.0 Affordable Housing Delivery Vehicle

- 3.1 The Affordable Housing Delivery Vehicle proposal has been firmed up in recent months with WMCA and the partnership obtaining legal advice to ensure it aligns with procurement and state aid rules. The concept proposed looks to bring together the combined expertise and resources of circa seven of the largest housing associations within the partnership to form a dedicated Limited Liability Partnership. Its purpose and intent being to specifically accelerate delivery of affordable homes on brownfield sites in partnership with the Combined Authority. A proposal similar to a delivery vehicle launched recently in Greater Manchester. In conjunction with the Combined Authority, the idea is that this proposed venture would seek to **combine** the assets, capital, expertise and networks of all the partners to the vehicle (as appropriate and necessary) and wider public sector to accelerate delivery and additionality, recycle investment to create long term

value and benefits, unlock stalled “difficult to deliver” sites, and unlock challenging brownfield sites land along key transport corridors.

3.2 To help unlock this additional housing, we recommend the Board agrees four underpinning criteria the Delivery Vehicle must meet to secure WMCA commitment:

1. To comply with the criteria and governance systems set out in the WMCA Single Commissioning Framework (SCF) and all related assurance processes
2. To explicitly deliver additional homes overall and especially affordable homes against the SCF affordable housing definition to meet local need on Brownfield land
3. To be clearly and demonstrably addressing market failure – i.e. delivering sites that evidently cannot be brought forward by the private sector, public bodies or individual housing associations, as part of a blended pipeline of sites
4. To provide an appropriate return on any WMCA investment.

3.3 A fundamental principle of the proposed Delivery Vehicle would be to reduce risk and share opportunity across the partners with the LLP and the Combined Authority pooling capital and assets to bring forward sites (as appropriate) that otherwise would not be forthcoming by the market or an individual developer, investor or RP. The LLP will combine funding and assets from the member associations to be co-invested alongside CA investment and assets via the Single Commissioning Framework. The returns on investment would be shared accordingly based on the level of commitment. This will be set out in more detail in the Heads of Terms agreement between the WMCA and LLP in due course.

3.4 In parallel with the WMCA approval process, the relevant housing associations are progressing through their respective governance to confirm commitment to and scope of investment in the proposed vehicle.

3.5 There is a significant amount of work to do over the next 8 weeks to finalise the Heads of Terms and business case. The partners consider the Delivery Vehicle has the potential to deliver a significant range of outcomes, including:

- Increasing the number of affordable homes built in the region
- Broadening the range, mix and supply of homes available to residents
- Addressing market failure to unblock dormant sites
- Maximising delivery on brownfield land across the region
- Trailblazing the implementation of the CA’s affordable housing and inclusive growth objectives, including outcomes for social value, economic growth, education and skills impact and sustainability.
- Leveraging investment across partners to maximise returns on funding and reinvesting proceeds into further stages of development
- An inclusive and collaborative regional approach - maximising local expertise, assets, networks and partnerships that demonstrates an innovative approach to collaboration with local anchor institutions
- Exemplifying the CA’s role as a change agent and placemaker for the region through working in partnership with established anchor institutions.

#### **4.0 Next steps**

4.1 A working group consisting of representatives from WMHAP, the National Housing Federation, Combined Authority and legal advisors has already been formed to develop

the proposal to this stage and will now meet regularly to develop a robust business case, governance scheme and delivery plan on the proposed affordable housing vehicle.

Key to the business case will be the economic modelling of sites from the regional site pipeline identified by the WMCA that meet the above criteria (subject to this Board's approval of Section 3.2), to ensure that the proposed approach can achieve the required returns and drive additionality of supply. This analysis will help to form the **proof of concept for the pilot phase of the project**, initially focused on a small number of sites, to establish the viability of the vehicle and test the concept. Subject to the success of this initial phase, there is potential for the Delivery Vehicle to attract further investment and land partners (for example through other funding partners and public sector bodies) to broaden the future development programme but that will be subject to further agreement by this Board and Investment Board.

- 4.2 In parallel with the development of the business case, work is ongoing to agree governance structures and legal agreements to establish the pilot phase. Subject to approval, the parties will agree a Heads of Terms agreement for a Commissioned Partnership agreement to set out the partners' collective commitments and ambitions for the vehicle.

**Timetable**

Heads of Terms Agreement	November 2019
Delivery Vehicle Business Case	WMCA Investment Advisory Group 02.12.19
	WMCA Investment Board 16.12.19
	WMHAP Board December TBC

**5.0 Conclusions**

- 5.1 The Affordable Housing Delivery Vehicle proposal presents an interesting opportunity for the Combined Authority to pilot an innovative partnership project with housing associations that demonstrates real additionality beyond what is already happening on brownfield regeneration and affordable housing delivery in the region. Through focusing on the criteria and principles set out in this report, the pilot phase is intended to demonstrate proof of concept for the vehicle and test the approach. Subject to business case approval and successful delivery of the pilot phase, the Delivery Vehicle has the potential to contribute significantly to the WMCA's ambitions for additional affordable housing.

**6.0 Financial Implications**

- 6.1 The Single Commissioning Framework provides a single set of criteria and governance systems that will be applied to all applications for available devolved WMCA Housing, Land and Property Development funds, together with a consistent process and timelines for decision.

WMCA investment in the proposed Delivery Vehicle would be governed and administered through the Single Commissioning Framework.

## **7.0 Legal Implications**

7.1 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 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.

The development of the business case, the establishment of the pilot phase and the formation of the delivery vehicle in the form of a Limited Liability Partnership will require legal input at the relevant stages involving putting in place appropriate governance structures and legal agreements. Any co-investments including grant and/or loan funding from WMCA will need to comply with the criteria and governance systems set out in the WMCA Single Commissioning Framework and will need to be considered on a case by case basis.

## **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 developed through the delivery vehicle 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.

## **9.0 Inclusive Growth Implications**

The proposed Delivery Vehicle 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 of Combined Authority funds.

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

10.1 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.