

## Housing & Land Delivery Board

<b>Date</b>	7 July 2021
<b>Report title</b>	Affordable Homes Programme Update
<b>Portfolio Lead</b>	Housing & Land - Councillor Mike Bird
<b>Accountable Chief Executive</b>	Laura Shoaf, West Midlands Combined Authority
<b>Accountable Employee</b>	Gareth Bradford, Director of Housing & Regeneration  Rob Lamond, Strategic Planning Manager
<b>Report has been considered by</b>	Regular updates have been provided in 2019, 2020 and 2021 to Housing & Land Delivery Board on progress of the Affordable Homes Work Programme. The work has been actively designed and co-developed with officers on the Delivery Steering Group. <b>This specific report was considered and endorsed at the Delivery Steering Group on 16 June 2021</b>

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

The Housing & Land Delivery Board is asked to:

- (1) **Note and discuss** the progress and next steps for the WMCA's Affordable Housing [Delivery] Programme as set out in the Housing & Land Portfolio's annual deliverables for 2021/22 and its approved Covid19 Recovery Plan.
- (2) **Note** progress in the development of a funding proposal to HM Government that was a key ask in the Recharge for the West Midlands document, seeking additional investment to the West Midlands specifically focused on accelerating and increasing the supply of affordable homes in the region.

- (3) **Note** the formation of a small Task and Finish Group to:
- (i) co-develop the proposals to HM Government for Affordable Housing.
  - (ii) review progress of the regional affordable housing definition.
  - (iii) review the requirements of affordable housing provision under the Single Commissioning Framework.

## 1.0 Purpose

The purpose of this paper is to regularly update the Housing & Land Delivery Board on the progress of the approved **Affordable Housing work programme and the associated activities**. The papers also seeks the Board's views on the latest emerging proposals and ideas for this critical regional work.

## 2.0 Background to the WMCA Affordable Homes Programme

2.1 As part of the formal process to determine the WMCA's budget, levy and precept levels for 2021/22, the **WMCA Board approves each portfolio's annual deliverables**. The Deliverables for the Housing and Land Portfolio were presented in draft at the WMCA Board of 15 January 2021 and agreed in final form by the WMCA Board on 12 February 2021.

2.2 An "Affordable Housing" deliverable was established in this process with the following associated activities:

- Establish a Collaborative Delivery Partnership with regional housing association partners by Q2 2021 to bring forward development on additional brownfield sites and secure more affordable homes in the region
- Review the operation of the regional affordable housing definition – Q2 2021
- Work closely with local authorities to develop a revised investment case to Central Government for funding to support affordable homes in the region – Q1 2021

2.3 This briefing note reports on those areas of work. Furthermore, this suite of activities is aligned with and continues the direction of travel set out in the Housing and Land Recovery Strategy (agreed in September 2020) and the regional "Recharge" document from Summer 2020, both of which included proposals and a rationale for substantial regional funds to drive affordable housing delivery.

## 3.0 Workstream 1: Collaborative Delivery Partnership

3.1 The proposal to establish a **joint delivery partnership** with several of the major housing associations has been in development since 2019 and the subject of several reports, discussion, approvals and updates to Delivery Steering Group and Housing & Land Delivery Board in 2020 and 2021.

- 3.2 In January 2021, the Housing & Land Delivery Board endorsed the background, strategic context and rationale for developing a delivery partnership proposal between WMCA and a group of housing associations. Specifically, it endorsed the need for this proposal to bring forward sites that otherwise would not come forward through a single provider working on their own, and that the proposal would secure a significant uplift of affordable homes on sites the vehicle brings forward. **Through these key tests the proposal would provide significant additionality to the existing work of housing associations, local councils and developers in the region.** The Housing & Land Delivery Board agreed to develop a full Business Case on these terms for approval by Investment Board and the WMCA Board.
- 3.3 Since January 2021, work has been positively progressing to develop Heads of Terms, the Business Case, the business model for the proposed partnership and the governance processes for any subsequent approved investment. An internal working group of WMCA officers, including representatives from Finance, Legal, Investment and Assets teams meets on a weekly basis to maintain momentum, in recognition of the good practice and lessons learned from The Marches/Help To Own proposal development. In addition, there is ongoing engagement with Homes England to ensure that the proposed venture can access the relevant funding programmes and address joint priorities and once again can show true additionality. The vehicle will be open to investment from other investors, especially long-term institutional investors and Homes England.
- 3.4 The housing association partners are working with WMCA to jointly co-develop the business case, with the **intention that the proposed venture could demonstrate and operationally exemplify the collaborative approach central to the regional affordable housing programme (see Section 6) from autumn 2021 onwards.** As agreed by the Housing and Land Board a working group of officers of the Delivery Steering Group has been established to support the co-development of the business case.
- 4.0 Workstream 2: Supporting Affordable Provision and New Affordable Housing Products**
- 4.1 Since its inception the Single Commissioning Framework (SCF) for WMCA's Devolved Housing & Land funds has included a **key criterion for all schemes supported by the WMCA to seek to achieve policy compliance with local planning authority requirements for affordable housing** as set out in local plans, and **to secure on schemes the WMCA invests in an absolutely *minimum* of 20% affordable homes.** This was introduced at a time when the average across the region of affordable provision on development sites was around 12.5% and sometimes less than 10% due to viability issues – so 20% was a significant uplift in what was actually being secured on the ground. For the avoidance of doubt, the WMCA always seeks to ensure that the affordable housing type and number provided on any site is compliant with the local authority affordable housing policy and any scheme for SCF investment always secures the written support of the local planning authority.

- 4.2 Following the agreement of the regional affordable housing definition by the Housing and Land Board (see Section 5 below) this minimum target has been applied as a criterion on all SCF projects, driving the supply of new affordable homes and uplift on a significant number of new homes from what had been offered through the planning process. **The regional definition** included provision for specific cohorts, including key workers, and has **demonstrated the leverage of WMCA investments to add value and social benefit beyond the targets agreed with HM Government for devolved funds.**
- 4.3 As part of this approach the **WMCA is investing in pioneering approaches to affordability**, for example through our equity investment into the Help to Own scheme at The Marches in a joint venture with City of Wolverhampton Council. This pilot scheme offers a new type of affordable product to the region that, subject to evaluation, we will look to roll out across suitable schemes in the West Midlands in 2021/22.
- 5.0 Workstream 3: Review of the Regional Affordable Housing Definition and SCF Requirement**
- 5.1 At its meeting of January 2020, the Housing & Land Delivery Board agreed the establishment of a **regional affordable housing definition**, to be applied to all investments made by the WMCA via its Single Commissioning Framework. The WMCA definition aligns with the National Planning Policy Framework but also includes criteria for household income and specific products aimed at key workers and the knowledge economy, etc.
- 5.2 The **regional definition has now been active for over 12 months** and, as agreed at the time of its implementation, its impact is to be evaluated and assessed at appropriate intervals. This review work is scheduled to take place in the second quarter of 2021/22. Work is ongoing with a **review of “key worker” criteria** and the demand for these types of housing products following the impact of Covid-19 and public perceptions of essential workers. **The evaluation report will assess how the WMCA’s affordable definition is performing and complements the work of local planning authorities in securing more affordable homes.** The report will be provided to Housing & Land Delivery Board at the end of Quarter 2.
- 6.0 Workstream 4: Affordable Housing Investment Case to HM Government**
- 6.1 During the past 5 years, **the West Midlands has led the way in overall housing delivery**, with our annual net housing totals increasing from 11,288 in 2015 to 16,527 in 2020 – an increase of over 46 percent. Through our successful deployment of the £100m Land Fund agreed in the 2018 Housing Deal (which is exceeding its target to deliver 8,000 new homes), our programmes to accelerate Advanced Manufacturing in Construction (AMC) and our focus on brownfield developments, **the WMCA has a demonstrable track record of delivery and innovation.** However, despite this progress there remain issues of unaffordability and the housing market remains out of reach for many residents.
- 6.2 The **need to deliver more affordable housing in the West Midlands has been widely acknowledged by the Housing & Land Delivery Board**, and a proposal for a regional affordable housing fund formed a key element of the “Recharge the West Midlands” document submitted by the region to HM Government in Summer 2020.

- 6.3 Whilst the West Midlands has been successful in securing significant further investment for brownfield housing as a whole since the Land Fund award in 2018 (e.g. Brownfield Housing Fund & National Competitive Fund), **funding specifically focused on tackling affordability challenges directly has yet to be secured**. In line with the approved High Level Deliverables set out in the Housing and Land portfolio, the Housing & Regeneration team is **co-developing a business case to HM Government with local authorities and other partners** to address factors limiting delivery of this key priority. As with previous successful proposals to HM Government, this business case will include a clear delivery strategy and pipeline of indicative projects to support the funding proposal.
- 6.4 Dialogue and collaboration are ongoing with a wide range of partners, including local councils, Homes England, housing associations, private sector providers and institutional investors in order to assess the gaps and barriers affecting delivery, and how best to address these issues, for example through shared site pipelines and shared expertise. A key area the business case is considering is an expansion of Land Fund methodology focused on acquiring and investing in land and infrastructure for the explicit purpose of bringing forward affordable housing supply.
- 6.5 It is important to note that the approach is not solely to secure new funding, but also to augment existing brownfield regeneration programmes and maximise the opportunities currently within the system – for example, brokering relationships with Homes England to secure the greatest possible funding from the National Affordable Housing Programme into the region, and working with housing associations and private providers to secure more developments and investment.
- 6.6 Local authorities are a key player in the delivery of affordable homes, as are developers and housing associations. At its last meeting, the Housing & Land Delivery Steering Group recommended the establishment of a Task and Finish Group, as with other workstreams such as Town Centre and Commercial Land policy development, and other specific funding bids (e.g. Housing Infrastructure Fund (HIF) in 2018), to co-develop the business case to HM Government with the Housing & Regeneration team in WMCA. This will help to ensure the proposal is complementary to local councils' roles, reflective of partners' aspirations and their understanding of the opportunities and challenges in securing a step-change in affordable housing delivery.

## 7.0 Next steps

- 7.1 The **Affordable Housing Delivery Partnership** business case is in development and due to be received by Investment Board in September 2021.
- 7.2 The review of the **Regional Affordable Housing Definition and SCF requirements for affordable housing** is due to be completed in Quarter 2 of 2021/22.
- 7.3 The development of a business case for the **Affordable Housing Proposal** is ongoing and scheduled for submission to HM Government in July 2021.

## **8.0 Financial Implications**

- 8.1 There are no direct finance implications from this paper, however, there are financial implications to deliver the Affordable Housing and subsequent funding bids to HM Government. To ensure solid financial stewardship the team will endeavour to utilise internal resource first, only commissioning externally after all the internal options have been exhausted.
- 8.2 Any WMCA investment to deliver the Affordable Housing programme and subsequent funding bids to HM Government would be governed and administered through the WMCA Single Assurance Framework, Single Commissioning Framework, the Commissions Pathway and in line with the accounting and taxation policies of the WMCA and HMRC.

## **9.0 Legal Implications**

- 9.1 Section 113A(1)(a) of the Local Democracy, Economic Development and Construction Act 2009 gives WMCA 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 WMCA. 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.
- 9.2 It is noted that the purpose of this paper is to update the Housing & Land Delivery Board on the work of the WMCA on its approved Affordable Housing work programme and to seek views on the latest emerging proposals for this programme of work. The principles for the provision of Affordable Housing will be incorporated into the Single Commissioning Framework and reflected in the funding agreements on a case by case basis.

## **10.0 Equalities Implications**

- 10.1 The provision of affordable housing has considerable implications for Equalities and any delivery programme and/or Delivery Partnership would require a full Equalities Impact Assessment in due course.

## **11.0 Inclusive Growth Implications**

- 11.1 The provision of affordable housing has wide ranging implications for inclusive growth, community resilience and recovery. The proposals are being developed in collaboration with key stakeholders to ensure inclusivity is at the core of our approach.

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

- 12.1 The Affordable Housing Programme would inform WMCA's investment decisions across the whole geography of the WMCA area, including the 3 LEPs and non-constituent Member authorities.

### **13.0 Other Implications**

13.1 There are no other implications.

### **14.0 Schedule of Background Papers**

14.1 There are no background papers.

Included for information