



## Housing & Land Delivery Board

<b>Date</b>	4 <sup>th</sup> November 2021
<b>Report title</b>	Affordable Housing Programme Update
<b>Portfolio Lead</b>	Councillor Mike Bird, Leader, Walsall MBC
<b>Accountable Chief Executive</b>	Laura Shoaf, Interim Chief Executive, WMCA
<b>Accountable Employees</b>	Gareth Bradford, Director of Housing & Regeneration Rob Lamond, Strategic Planning Manager
<b>Report has been considered by</b>	Reports on the Affordable Housing Programme have been presented to Housing and Land Board consistently since 2018. A presentation covering the items included within this report was received and supported by Delivery Steering Group in October 2021

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

The Housing & Land Delivery Board is recommended to:

- 1) **Note** the general progress in securing a minimum level of affordable housing through Devolved Housing and Land Funds under the WMCA's Single Commissioning Framework
- 2) **Note** specific progress in the development of a full business case for the Affordable Housing Delivery Vehicle/Joint Venture proposal with Housing Associations
- 3) **Note** the progress of the Help To Own scheme in Wolverhampton and the potential - subject to ongoing evaluation - for further Help to Own schemes across the region.

## 1.0 Purpose

1.1 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 in particular two new affordable housing options: the proposed Affordable Housing Delivery Vehicle with Housing Associations and the Help To Own model being piloted at the Marches in Wolverhampton.

## 2.0 Background

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 15th January 2021 and agreed by the WMCA Board on 12th February 2021.

2.2 An "Affordable Housing" deliverable was included as part of this process and was also identified as a critical deliverable in the Housing and Land Board's Covid19 Recovery Plan. This report provides an update on the latest progress with activities and key developments under the affordable housing work programme.

2.3 To date, the **Affordable Housing programme has demonstrably leveraged more affordable homes on the schemes in which WMCA invests**. The minimum affordable housing target in the Single Commissioning Framework has been successfully secured and a minimum 20% affordable housing commitment has been achieved in all housing-led schemes. The target 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, and so represents a significant uplift in affordable provision. The target is delivering genuinely additional affordable housing on the ground; **an overall average of 25% affordable homes provision has been achieved across the Single Commissioning Framework land funds**. Further detail is provided in the table below:

Fund	Total Units	Of which affordable	% affordable delivery
BHF Tranche 1	94	20	21
BLPDF - approved	692	168	27
CIF - committed	513	24	10
Land Fund - approved	5368	1197	31
NCF Tranche 1	350	70	20
RIF - committed	77	8	7
<b>Total</b>	<b>7094</b>	<b>1487</b>	<b>25</b>

2.4 Furthermore, in February 2020, the Housing and Land Delivery Board agreed a new localised definition of affordable housing, based on local residents spending no more than 35% of their gross household income on mortgages or rent to be applied through the Single Commissioning Framework. **This made WMCA the first region in the UK to introduce its own localised definition which links to real world incomes rather than to local house prices**. The definition is applied alongside a more flexible approach to the types of housing products classed as 'affordable' to ensure those groups currently

locked out of the housing market (e.g. key workers, young people, single income households) are able to access secure, long-term housing.

- 2.5 In line with our Covid19 Recovery Plan, WMCA is continuing to discuss with Government further devolved funding for affordable housing delivery.

### 3.0 Affordable Housing Delivery Vehicle

- 3.1 The proposal to establish a joint delivery vehicle with several of the major housing associations located in the West Midlands has been in development since 2019 and subject to several reports and updates to Delivery Steering Group and Housing and Land Delivery Board in 2020 and 2021.

- 3.2 In January 2021 the Housing and Land Delivery Board endorsed the background, strategic context and rationale for developing a proposal between WMCA and a selected group of housing associations (Accord, Bromford, Citizen, Midland Heart, WHG), and agreed the work to develop a Full Business Case to be prepared for approval by Investment Board and WMCA Board in due course. From the outset of these discussions, the focus was on a regional proposition to help address regional conditions and provide additionality.

- 3.3 Since January 2021 work has been ongoing to develop Heads of Terms, the full business case, the business model for the proposed vehicle and the governance processes for any subsequent approved investment into the venture. 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. An officer working group from Delivery Steering Group members is being formed. In addition, there is ongoing engagement with Homes England to ensure that the proposed vehicle can access the relevant funding programmes and address joint priorities. We are working closely with Overview and Scrutiny Committee Members to ensure we address their concerns and incorporate their views and feedback.

- 3.4 **Significant progress has been made in recent months regarding the proposed vehicle and its potential to deliver additional affordable homes beyond those already being delivered in the region.** The proposal has progressed through active response to engagement and feedback. Accordingly, in line with the **clear steers provided by Housing & Land Delivery Board, Overview & Scrutiny Committee and expert sounding boards**, the business case for the proposed vehicle is to be **focused on the key principle of maximising affordable housing delivery on all potential schemes, with the first phase of this work intended to be 100% affordable housing**, alongside bold commitments to low carbon, Advanced Manufacture in Construction, and wider inclusive growth requirements, social returns and benefits. The housing association partners are developing delivery proposals for example schemes and a Programme Board of officers has been convened to manage the progress of the full business case to Investment Board. As with Help To Own, the concept will be driven by one or two demonstrator sites. **Central to these proposals will be the vehicle's potential to**

**deliver significantly more affordable housing on sites than other development models.**

3.5 Workstreams have been established for collaborative working with the housing association partners to jointly co-develop the business case, with the intention that the proposed vehicle could demonstrate and operationally exemplify the collaborative approach central to the regional affordable housing programme from 2022 onwards. **The proposed vehicle will not be a new governance vehicle at the outset but rather a committed joint venture between the consortium of housing association partners and WMCA.**

3.6 As set out in the January 2021 report, the delivery vehicle proposal has the potential to deliver multiple benefits to WMCA and the region, for example:

- It maintains influence over the **quality, delivery and community benefits** of developments through this vehicle
- It secures further investment into affordable housing in the region, and delivers **genuine additionality** above the existing delivery plans of providers
- It attracts and recycles investment into further schemes, and
- It implements policy objectives **centred on additional affordable housing**, design, construction, brownfield development, and promoting inclusive growth.

3.8 The next steps and proposed timeline for development of the business case are included below:

- **Early November 2021:** Partnership workshop and Programme Board
- **November/December 2021:** Draft Business Case Completion: Working groups (legal, finance, property etc) feeding in to the Programme Board Update to the Overview & Scrutiny Housing Group on Business Case Progress
- **10<sup>th</sup> January 2022:** Draft Business case to Overview & Scrutiny Committee
- **19<sup>th</sup> January 2022:** Business case to Housing & Land Delivery Board
- **14<sup>th</sup> February 2022:** Business case to Investment Board

#### **4.0 Help To Own**

4.1 The Help to Own Scheme is a collaboration between WMCA, City of Wolverhampton Council and Frontier Development Capital, established in April 2021 to purchase 100 units at The Marches development in Wolverhampton. The houses, consisting of two, three and four-bedroom properties at a site close to Wolverhampton's New Cross Hospital, are being developed by WV Living, a housing development company wholly owned by City of Wolverhampton Council.

4.2 The Marches Help To Own development is currently in the first phase of occupation, with 32 homes being occupied in October 2021 and more successful applicants due to move in in due course following high demand from potential tenants. The scheme provides long-term rent security for tenants and enables them to build up a Loyalty Premium as they make their monthly payments. This can then be released as cash if they leave the scheme

within 20 years or the tenants can buy the home for £1 on their 25th anniversary. **With no deposit necessary, the scheme offers a unique route to homeownership and is a demonstration of the wider remit of the WMCA's Regional Affordable Definition – including over 40% of successful applicants thus far being classed as key workers.**

- 4.3 The WMCA's financial involvement in the Help To Own scheme consists of equity investment, with £4.7m of Land Fund investment to secure the 100 homes. This is the first such equity investment made by devolved WMCA Housing and Land funds. As agreed by WMCA Investment Board this "proof of concept" pilot project will be subject to ongoing evaluation to assess its impact and potential for further roll out across the region. The results of this evaluation will be reported to this Board in due course.

## **5.0 Financial Implications**

- 5.1 This paper is to provide an update on the Affordable Housing Vehicle, specifically on the progress of the Business Case and Help To Own scheme in Wolverhampton.
- 5.2 Although this paper is not directly seeking funding, there are financial implications from the Affordable Housing Collaborative Delivery vehicle. Firstly, to bring forward the Business Case will require use of already available grant funding, through external commissions and office time. Secondly, the creation of the delivery vehicle itself will require a detailed financial appraisal to fully understand all financial and tax implications to the WMCA. This appraisal will be completed in due course as part of the Business Case and any subsequent Investment Board process.

WMCA investment in any proposed Affordable Housing Collaborative Delivery Vehicle and subsequent projects, due diligence, feasibility or studies would be governed and administered through the Single Commissioning Framework, WMCA Single Assurance Framework, Commission Pathway and in line with the accounting and taxation policies of the WMCA and HMRC.

## **6.0 Legal Implications**

- 6.1 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.

6.2 It is noted that the purpose of this paper is to provide an update on WMCA's approved Affordable Housing Work Programme particularly the proposed Affordable Housing Delivery Vehicle and the Help to own model being piloted at the Marches in Wolverhampton. WMCA have been supported by external legal advisors in developing these options and further legal input will be sought as and when required.

## **7.0 Equalities Implications**

7.1 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 commercial land development fund benefit local residents, including harder to reach groups.

## **8.0 Inclusive Growth Implications**

8.1 The proposed new funds will enable investment in sites encouraging housing, business growth and new jobs in local areas. The physical fabric of local environments will see significant improvement where once blighted brownfield sites are transformed into areas of thriving activity. This in turn will lead a better quality of life for existing residents

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

9.1 The implications of this report cover the whole WMCA geography.

## **10 Other implications**

N/A

## **11 Schedule of Background Papers**

N/A