

WMCA Housing & Land Delivery Board

Date	2 nd March 2022
Report title	Affordable Housing Delivery with Housing Associations: Progress update
Portfolio Lead	Cllr Mike Bird, WMCA Portfolio Lead for Housing and Land
Accountable Employee	Gareth Bradford, Director of Housing and Regeneration Rob Lamond, Strategic Planning Manager
Previous reports:	<ul style="list-style-type: none"> February 2022: Delivery Steering Group

The WMCA Board is recommended to:

- a) **Welcome and endorse** the positive progress with the work taking place under the Housing and Land Board to improve the **collaboration and co-investment in the region between housing associations and WMCA** to secure more social and affordable housing to meet local needs
- b) **Note this collaboration is** part of broad package of affordable housing measures and initiatives being progressed under the Housing and Land Portfolio.
- c) **Welcome and note** the specific work taking place on a **new innovative joint approach with a group of housing associations in the region** to deliver additional affordable housing and wider socio-economic outcomes on WMCA land.

*Notes:

1. The Board is not being asked at this stage to approve a pilot scheme, just to note and endorse the work taking place and the positive direction of travel.
2. This endorsement is **not an investment or land disposal decision** and any future consents or approvals will be subject to the appropriate appraisal, business case and approval processes in accordance with WMCA governance.
3. A delivery vehicle or joint venture is not being proposed at this stage.
4. Further detailed reporting on the approach and any pilot initiative will be brought forward to the appropriate WMCA Board for the necessary approval.
5. The new innovative joint approach proposed here is just part of a broad package of initiatives, as set out in Section 2.3, being developed to deliver additional affordable housing across the region.

1.0 Purpose

- 1.1 The purpose of this report is to provide the Housing & Land Delivery Board with a progress update and clear direction of travel on the ongoing work of WMCA and housing association partners to establish a more comprehensive collective approach to the delivery of additional affordable housing across the region - a key deliverable for the Housing & Land Delivery Board in 2022/23.
- 1.2 The report also specifically seeks endorsement for the work underway to develop an **innovative pilot approach** with a small group of Housing Associations based on a packaged land disposal. Any new affordable housing pilot that might come forward (following robust appraisal and due diligence) would naturally follow on and build from the successful Help to Own affordable housing pilot which was successfully delivered last year and supported by the Housing & Land Delivery Board. The piloting of innovative new approaches to housing, land and regeneration matters in the region by WMCA is a key role of the Housing & Land Delivery Board.

2.0 Background

- 2.1 As part of the formal process to determine 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, with the development of proposals for additional delivery in the region forming a key part of this programme. The draft High Level Deliverables for 2022/23 (see separate report on agenda) also include the following items as part of delivering WMCA's Aims and Objectives:
- Establish a series of new partnerships, ventures and joint ventures with public and private sector partners
 - Support and enable Affordable Housing Delivery including new joint venture and Registered Provider / Homes England partnerships
- 2.3 In order to deliver the significant additional affordable homes required in the region, the WMCA, under the governance of the Housing and Land Board, is focusing on providing added value to affordable housing supply in the following key areas:
- Working with Registered Providers to maximise investment into affordable homes in the West Midlands
 - Securing more private sector investment into affordable homes in the region
 - Leveraging WMCA's brownfield funds to maximise increased delivery of affordable housing, supply of new products and wider benefits to the region
 - Working with Homes England to align funding programmes and systems for delivery of affordable housing
 - Maximising the impact of public sector land disposals to address housing needs and deliver the homes local areas need

- 2.4 These Aims, Objectives and High Level Deliverables form the basis on which WMCA has been working with partners to deliver additional affordable housing through various approaches/projects including those funded under the Single Commissioning Framework and exemplar pilots such as Help to Own.
- 2.5 Back in 2019, housing association partners from WMHAP first approached WMCA with proposals for an exciting joint approach to affordable housing delivery in the region on brownfield sites. From the wider WMHAP, a smaller group of housing associations decided to form a partnership to work directly with WMCA on a new joint initiative. The group of housing associations is a subset of the wider WMHAP and supported by the wider partnership, each association choosing individually whether or not they wished to be a part of the joint initiative. As a pilot, the proposal is similar to Help to Own which is a new affordable housing pilot at The Marches involving WV Living, Frontier Development Capital and the City of Wolverhampton Council.
- 2.6 The creation of a new innovative pilot approach between WMCA and housing association partners to deliver more affordable housing in the region has been the subject of detailed feasibility, assurance and due diligence work since 2019 and several reports and progress updates to Delivery Steering Group and Housing & Land Delivery Board in 2020 and 2021.
- 2.7 In January 2021, the Housing & Land Delivery Board approved the strategic context and rationale for developing a new joint affordable housing proposal between WMCA and a small group of housing associations. The Board was clear that the focus was to be on a proposition that could demonstrably help address regional need, support brownfield regeneration and provide true additionality.
- 2.8 As set out in previous reports, a joint approach has the potential to deliver multiple benefits to the West Midlands, for example:
- it can help to influence the quality, delivery and community benefits of new development;
 - it can secure further investment into affordable housing in the region and deliver genuine additionality above the existing delivery plans of providers; and
 - it can implement policy objectives centred on additional affordable housing, design, construction, brownfield development and promoting inclusive growth.
- 2.9 The pilot approach produced in this report brings together the combined expertise and resources of several of the largest housing associations within the region, who are themselves creating a dedicated Limited Liability Partnership known as the West Midlands Housing Association Partnership Investments (WMHAPI). **Other Housing Associations can join the group**, and the affordable homes developed by the partnership will be available for 'offtake' by any Registered Provider (subject to the necessary agreements).

- 2.10 The pilot approach will utilise the resources and expertise of WMCA and WMHAPI to directly deliver new affordable homes in the West Midlands. As set out in the report to the January 2022 meeting of the Housing & Land Delivery Board, WMCA is also expanding its work with all Registered Providers in the region in a range of ways to deliver more affordable homes to meet the needs of the region and local areas.
- 2.11 The wider context for affordable housing delivery also includes Homes England recently entering into 31 Strategic Partnerships with Registered Providers, committing almost £5.2bn in affordable housing grant over the next four years. Together, they will deliver nearly 90,000 grant-funded affordable homes that are much needed across the country. Included within the 2021 Strategic Partnership announcements is over £1bn in allocations for RPs active in the West Midlands (**NB: this does not mean all the funding will be deployed in the region, due to the geographic spread of RP business across regions**). It does indicate, however, that there are significant resources available amongst the partner housing associations (and others) to bring forward affordable housing.

3.0 Current position

- 3.1 Significant progress has been made in recent months regarding the innovative joint pilot approach and its potential to deliver additional affordable homes beyond those already being delivered in the region and in a way that is complimentary to local authorities and Homes England.
- 3.2 In line with the clear steers provided by the Housing & Land Delivery Board and WMCA's Overview & Scrutiny Committee, the proposed approach is focused on the key principle of maximising affordable housing delivery on all potential schemes, alongside commitments to low carbon, and wider inclusive growth requirements including social returns and benefits. The housing association partners are developing delivery proposals for example schemes and central to these proposals will be the potential to deliver significantly more affordable housing on WMCA sites than the conventional market would achieve.
- 3.3 The proposed pilot package would need to deliver:
- 100% affordable housing i.e. more than would be delivered by private developers
 - Other WMCA policy priorities, including:
 - provision of key worker housing adjacent to a new hospital
 - provision of new homes adjacent to a Metro station
 - progress towards Zero Carbon Homes
 - meeting high design standards and placemaking
- 3.4 Further detailed analysis of a potential pilot is ongoing and independent external advisors have been commissioned. Once this is complete any potential pilot project would be brought forward for approval to this Board and Investment Board, in a similar way to the Help to Own project. The pilot would then be evaluated and the lessons learned used to inform future investments.

4.0 Financial Implications

- 4.1 This purpose of this report is to endorse the new innovative pilot approach to dispose of a package of WMCA sites, delivering additional Affordable Housing through working with housing association partners. This is not the approval of the disposal of any WMCA land or any investment into a partnership of any kind.
- 4.2 As part of this pilot WMCA have commissioned independent external advisors to value the land, assess the costs and benefits and ensure risks and implications are fully understood before any decision can be made to progress.
- 4.3 There are no un-budgeted financial implications as a result of the recommendations within this report. There will be, in future, financial implications arising from disposing of Land and investment in into a partnership, both of which will require approval at Investment Board.
- 4.4 Any WMCA investment to deploy the funding or submit further business cases would be governed and administered through WMCA's Single Assurance Framework, Single Commissioning Framework, the Commissions Pathway and in line with the accounting and taxation policies of WMCA and HMRC.

5.0 Legal Implications

- 5.1 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.
- 5.2 It is noted that the purpose of this report is to: i) provide the Housing & Land Delivery Board with an update on the progress of the ongoing work of the WMCA and Housing Association partners to establish a more comprehensive joined up approach to the delivery of additional affordable housing across the region; and ii) to endorse the work being undertaken to develop an innovative pilot approach with a small group of Housing Associations based on a packaged land disposal.
- 5.3 Legal input should be sought as and when required and any co-investments including grant/and or loan funding from WMCA will be subject to necessary approvals and will need to comply with the criteria and governance systems set out in the WMCA Single Commissioning Framework. Each scheme will be considered on a case by case basis.

6.0 Equalities Implications

6.1 A full Equalities Impact Assessment will be completed in parallel with the development of an investment case for the pilot project. This will assess the potential impacts of the proposed pilot and any mitigations required.

7.0 Inclusive Growth Implications

7.1 The proposed pilot project 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 by the WMCA.

8.0 Geographical Area of Report's Implications

8.1 The pilot proposal covers the whole geography of the WMCA region.

9.0 Other Implications

9.1 None

10.0 Schedule of Background Papers

10.1 None.