



## Housing & Land Delivery Board

<b>Date</b>	5 October 2022
<b>Report title</b>	Future Homes Strategy Update: Themes and Structure
<b>Portfolio Lead</b>	Housing and Land: Councillor Mike Bird
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<b>Previous reports:</b>	<ul style="list-style-type: none"><li>• September 2022: Discussion at Housing &amp; Land Delivery Steering Group</li><li>• July 2022: Housing &amp; Land Delivery Board</li></ul>

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

The Housing & Land Delivery Board is recommended to:

- a) **Note** work undertaken to date to develop an integrated West Midlands Future Homes Strategy which will **establish the West Midlands as the centre of excellence for low carbon living and modular construction in the UK and demonstrate that we are going faster than national regulatory standards due to be introduced in 2025;**
- b) **Note** that the expert Future Homes Taskforce has now been established and is fully engaged in development of the strategy and its successful implementation;
- c) **Consider and endorse** the proposed key themes and points of difference of the West Midlands Future Homes Strategy; and
- d) **Consider and endorse** the proposed structure of the Future Homes Strategy.

### 1.0 Purpose

- 1.1 This report provides an update on the wide-ranging activity that has been undertaken since the last meeting to develop **a new Future Homes Delivery Strategy and programme of targeted action.** The Future Homes Taskforce has been established to support this work.

- 1.2 The Future Homes Strategy will integrate the objectives, opportunities and benefits of previously separate AMC/ZCH initiatives and establish the West Midlands as the **centre of excellence for low carbon living and modular construction** in the UK. This means that WMCA would be explicitly **ahead of national policy and regulatory roll out of, for example, the Government's Future Homes Standards**.

## 2.0 Background

- 2.1 In April 2022, HLDB agreed a programme of work to develop a '*Future Homes Strategy*' - a coherent strategy to accelerate delivery and investment in Advanced Manufacturing in Construction (AMC), zero carbon homes (ZCH) and the accelerated roll-out (ahead of national regulation) of the Future Homes Standard across the region. Cast Consultancy was commissioned to support WMCA in the development of the strategy and its supporting evidence base.
- 2.2 The proposed Future Homes Strategy is intended to build on the work to date around AMC and ZCH under the leadership of the Housing & Land Delivery Board. To address the immediacy of the cost of living and energy crises, as well as the opportunities emerging through sectoral change, the strategy will focus on near term actions where WMCA and its partners' powers, leadership and influence will be most impactful.
- 2.3 This new integrated strategy is directly linked to unlocking the potential of the Future Homes economic cluster in the West Midlands Plan for Growth (launched July 2022), and the investment opportunity into future homes set out in the West Midlands Investment Prospectus (launched March 2022) alongside delivering the key components of the Housing & Land Delivery Board's Business Plan and 2018 Housing Deal.
- 2.4 A Future Homes Taskforce has been convened, chaired by Mark Farmer, CEO of Cast Consultancy and the UK Government's MMC Champion. The group contains membership from West Midlands local government, housing associations, developers, AMC manufacturers and industry experts (see Appendix 1 for full membership list). Members are engaging regularly through both the taskforce and expertise-specific bi-laterals to shape the strategy development programme and identify opportunities for industry-driven leadership on Future Homes in the West Midlands.

## 3.0 Context for the Future Homes Strategy

- 3.1 The climate emergency and current energy crisis demonstrate the imperative to deliver future-proofed energy efficient, low carbon homes which are affordable to run and comfortable to occupy. Past work on both the AMC and ZCH routemaps has clearly demonstrated that the West Midlands is well-placed to respond to these challenges and has the potential to become a **national exemplar** in the manufacture and construction of advanced, energy efficient, low carbon homes.
- 3.2 Whilst the regional context for these agendas remains broadly the same, there have been fundamental shifts in the sector and in HM Government policy since both routemaps were published.
- 3.3 In terms of AMC, there have been a number of high profile announcements in the sector in the past year including companies with significant reputations and funding ceasing their production (e.g. Countryside). These are signs of the wider sector maturing: in

most cases, these companies have been rapidly acquired and trading has continued, typically through large and well-funded/financed contractors or developers looking to expand their core, traditional construction model to include AMC/MMC capability.

- 3.4 This is a move away from the new entrant/SME model of AMC that has been predominant in the sector over the past few years. The shift is now towards experienced and trusted traditional construction/development companies - with a clear knowledge of their markets and processes - enabling incremental change through a more diverse range of AMC/MMC solutions and projects.
- 3.5 In terms of Zero Carbon, the complexity and quality of new developments is increasing as a result of regulation change and a focus from investors and developers on the Environmental, Social and Governance (ESG) credentials of the buildings they are creating. In turn, this is driving reductions in embodied carbon and better operational energy performance with more urgency than before. In practice, it will mean new technologies and processes across the whole construction supply chain, and these increasingly being seen as an opportunity rather than just a risk.

#### 4.0 Key Points of Difference: Putting the region in pole position

- 4.1 The significant opportunity for WMCA lies in its **strategic approach to aligning any enhanced AMC and Zero Carbon performance standards with a realistic assessment of the speed at which the sector matures.**
- 4.2 These West Midlands performance standards should reflect the extensive supply chain capability already identified in the region and respond to the opportunity for this supply chain by:
- tapping into the broader industry trend for incremental change led by leading large, “traditional” construction companies; and
  - ensuring regional SMEs and new entrants have clear routes to access new opportunities delivered through the Future Homes Strategy.
- 4.3 With these considerations in mind, four **key points of difference** which frame the Future Homes Strategy and demonstrate the change in the scale of ambition from WMCA’s previous work in this space and the West Midlands regional comparative advantage, have been identified:
- 1) No other region has made the **explicit connection between AMC and decarbonisation.** By aligning modern technical solutions to an enhanced sustainability standard, West Midlands will be alone in driving the “how” as well as the “what” of future homes delivery.
  - 2) It is **creating, not picking, winners** – by moving away from prescribed AMC solutions to performance-driven outcomes, the strategy can support **more inclusive and diverse supply chain growth.** The opportunities it creates will be open to any supplier or innovator who can robustly achieve the technical standard, from major businesses to start ups and SMEs.
  - 3) It is **driven by delivery** and is not just a strategy – the focus, even now, is on **interventions that WMCA/partners can make** to secure short-medium term delivery and build momentum.
  - 4) This momentum is underpinned by **proactive industry leadership** through the Future Homes Taskforce - beyond providing technical expertise and market insight, the taskforce is identifying **practical opportunities** to influence the market,

accelerate delivery and leverage better outcomes through their national networks and regional activities.

4.4 **These points of difference will establish the West Midlands' leadership position as first-mover in this space.** It is proposed that these form the basis of the strategy's vision and mission.

## 5.0 Key Themes and Structure of the Future Homes Strategy

5.1 As a starting point for developing the structure and contents of the emerging strategy, the actions identified in both the AMC and ZCH routemaps were reviewed in the context of WMCA's amplified ambition and changes to the sector. These actions were then prioritised to ensure the strategy's focus is on:

- the activities that will have the **greatest impact** – those where the impact of change can be scaled up through collaboration and aggregation e.g. by sharing risk, pooling funding, driving national change through leadership with other CAs, etc.; and
- the activities where WMCA has enough **direct control** using the tools and mechanisms at its disposal, such as land and funding, to deliver the outcome.

5.2 These activities were considered by the Future Homes Taskforce to determine whether the prioritisations were correct and their actions fully addressed the opportunities and challenges. Following this, the **individual activities were grouped within key themes** as follows:

- New Future Homes performance requirements
- Maximising Future Homes delivery on public land/with public money
- Enabling implementation of enhanced regulatory/planning requirements
- Maximising partnership-led Future Homes delivery
- Brokering and enabling Future Homes supply chain growth.

5.3 It is proposed that **these themes form the basis of a delivery-focused Action Plan** for the strategy. Whilst the reference to the previous routemaps is clear in this approach, this plan will provide a **condensed and refined** set of actions which could be fully progressed by WMCA in the current political and economic context and where realising success is not dependent on external factors or partners.

5.4 A **programme of complementary activity and early interventions has been established** to simultaneously inform and support the strategy and delivery plan development while also building delivery momentum through early wins. These are focused on creating a robust and technically credible case for change through research, developing and testing new West Midlands Future Homes standards on current SCF projects, alongside industry engagement through Strategic Partnerships and the Taskforce. Appendix 2 provides more detail on the specific components.

5.5 The precise details of the strategy's contents will emerge as this programme progresses, though work undertaken to date with the Taskforce, Local Authority partners and WMCA officers have identified, which key points to address and myths to bust to ensure the strategy and its action plan are grounded in its present and future context. An outline strategy structure has been formed based on these areas and the activities described above and has been included in Appendix 3 to provide the Housing & Land Delivery Board with further insight into the proposed direction of travel and '*feel*' of the final document.

## 6.0 Next Steps

- 6.1 Following feedback from this Housing & Land Delivery Board on the objectives, themes and structure of the Future Homes Strategy, a first draft of the Future Homes Strategy will be developed, incorporating results from research activity and any early wins identified up to that point. This version of the document, and the route to finalising any areas for development, will be brought to Housing & Land Delivery Board's meeting in November 2022 for endorsement.
- 6.2 The intention is to then bring a final version, including the proposed Future Homes standards for SCF investments, to the January 2023 meeting of Housing & Land Delivery Board. Subject to the Board's approval of this final draft, and inclusion of any further comments, the **strategy could then be published in early 2023**.
- 6.3 Both the Taskforce and Delivery Steering Group will be fully engaged between meetings on the contents of the strategy, the local and regional opportunities which may emerge from it and the approach to building momentum now and post-publication.

## 5.0 Financial Implications

- 5.1 There are no direct financial implications arising from the Future Homes Strategy paper. There may be, in future, financial implications arising from decisions to progress projects in delivering a regional increase in homes built to higher standards using new technology but any such decisions would be subject to WMCA's approved governance and assurance processes.
- 5.2 At present there is no dedicated funding for the higher standards implied by the use of new technology and application of higher standards, any investment in these matters through WMCA will come through the existing devolved funding. An investment case for an AMC Acceleration Fund was previously submitted by WMCA but, to date, this additional funding has yet to be secured.
- 5.3 Any WMCA investment into future homes delivery would be governed and administered through the WMCA Single Assurance Framework 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 highlight the decision by the Housing & Land Delivery Board to commission a Future Homes Strategy to drive the take up of

AMC in the region, to encourage zero carbon homes and to accelerate the roll out of the Future Homes Standard as well as to provide a scope of work for discussion. It follows the work on AMC and zero carbon homes including the development of charters and routemaps and recognises the importance of the sustainable construction practices, in particular the need for modular homes and zero carbon homes to be the focal point in meeting the West Midlands targets for new homes, the aim being to attract more suppliers to the region and enhance and create opportunities for manufacturers and suppliers and constructions companies delivering new homes and to promote the growth of the supply chain.

- 6.3 Legal advice should be sought at appropriate stages in the development and implementation of the AMC and Future Homes Strategy to ensure compliance with governance and legal requirements and the Single Commissioning Framework should be strengthened to ensure consistency of implementation of AMC requirements into the funding agreements on a case by case basis.

## **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 charter 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.

## **8.0 Inclusive Growth Implications**

- 8.1 The proposed future homes strategy will be used to inform WMCA's approach to growing the AMC sector, zero carbon homes and new energy standards in an equitable way, maximising economic benefits, housing quality and job/skills opportunities across the region's communities. Promotion of zero carbon homes and advanced manufacturing in construction have the potential to reduce household energy bills, which should have a positive impact on occupier costs.
- 8.2 The proposed strategy and technical standard has the potential to support growth across numerous elements of local construction and manufacturing supply chains and with it, new skills and employment opportunities for West Midlands residents.

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

- 9.1 The recommendations of this report apply to the whole of WMCA's geographical area.

## **10.0 Other implications**

- 10.1 None.

## **11.0. Schedule of Background Papers**

- 11.1 None.

## APPENDIX 1: Future Homes Taskforce Membership

Member	Organisation and Role
Mark Farmer, Chair	CEO & Founding Director, Cast Consultancy
Megan Adlen	Group Sustainability Director, Travis Perkins
John Alker	Head of Sustainability, Legal and General
Peter Blunt	Managing Director, Innovare
Paul Griffiths	Head of Housing Assets & Development, Dudley MBC
Paul King	Managing Director Sustainability & Social Impact, Lendlease
Richard Lawrence	Director of Regeneration, Wolverhampton Council
Simon McWhirter	Director of Communications, People and Places, UKGBC
Sadie Morgan	Board Member, Homes England
Joe Reeves	Executive Director of Finance & Growth, Midland Heart
Simon Underwood	CEO, Elements Europe
Kate Warburton	External Affairs Manager, National Housing Federation
TBC	University of Wolverhampton

**APPENDIX 2 – Activities to support the development and implementation of the Future Homes Strategy**

Activity & Objectives	Components
<p><b>RESEARCH</b> To create a robust, evidence-based and technically credible basis for a WM Future Homes Strategy and standard</p>	<p><b>The WM-based supply chain in AMC and NZC delivery.</b> Initially developed in preparing the AMC Routemap and now to be expanded to include WM suppliers of broader forms of manufacture and decarbonisation solutions.</p>
	<p><b>The real cost and practical delivery implications of the FH thresholds for decarbonisation.</b> This will include an assessment of how AMC might support and de-risk the achievement of enhanced carbon performance, and potentially reduce any premium otherwise associated with a Future Homes standard.</p>
	<p><b>The development-level cost and viability implications of achieving the Future Homes thresholds</b> to identify the potential impact on project viability and funding requirements and enable a review of the opportunities to address viability pressures.</p>
<p><b>WMCA FUTURE HOMES STANDARDS</b> Aligning the SCF with vision and objectives set out in the emerging Future Homes Strategy</p>	<p><b>Identification of blockers and friction in the SCF process</b> that can be addressed as part of the Future Homes Strategy action plan</p>
	<p><b>Drafting a WMCA standard aligned to the FH strategy</b>, which can be applied to Single Commissioning Framework investments. To include a programme of training and lessons learned reviews to drive improved Future Homes performance through SCF investment.</p>
	<p><b>Live-testing</b> on suitable projects moving through the SCF - to test deliverability, identify challenges and secure early wins</p>
<p><b>TARGETED INVESTOR/DEVELOPER PARTNERSHIPS</b> Working with key stakeholders and sector leaders to identify opportunities for industry-driven projects and initiatives in the region which could form the basis of a centre of excellence and demonstrate Future Homes leadership on the ground</p>	<p><b>Reviewing strategic partnership/site pipeline opportunities</b> to deploy the emerging enhanced Future Homes standard on development sites to enable rapid delivery</p>
	<p><b>Identification of priority opportunities</b> that can be delivered as part of Taskforce agenda/wider FHS programme</p>



## **APPENDIX 3 – Proposed Strategy Structure**

### 1) Executive summary

- Context
- What will WMCA and partners do and why
- To include case studies and progress to date

### (2) Building Future Homes: The Opportunity and the Challenge

- Climate context
- Construction context
- WM in context compared to other regions and comparative advantages
- What might national and international leadership look like?

### (3) Setting a Baseline

- Defining an integrated technical performance standard for AMC/ZCH
- What is the current performance baseline against these metrics? What are the impacts and problems caused by this level of delivery? (e.g. is small scale, pocket development making Future Homes cost-prohibitive or limiting supply chain growth?)
- What is needed to address these problems?

### (4) Technologies, Solutions & The WM Supply Chain

- How can AMC technology support enhanced performance today
- What other technologies and solutions are relevant – and what could be relevant in the future.
- What does the WM supply chain look like and what opportunities for scaling up are there?

### (5) The Future Homes Standard & Future Trajectory

- Based on the previous analysis, what should the Future Homes technical standard be?
- How does this align to other industry benchmarks?
- What might the future evolution of the technical standard look like – level and type of uplift and at what time? How do we bring partners with us?

### (6) Delivering Future Homes

- Who will do what to deliver future homes and what do they need to do so?
  - Developers
  - Housing associations
  - WMCA and stakeholders

### (7) Enabling Factors

- What is required to enable funding (with a focus on areas where WMCA has the greatest control)
  - Land
  - Funding
  - Regulation
  - Asks of Government

### (8) Delivery Plan

- Append action plan (focusing on actions which will be the most impactful)