

Housing & Land Delivery Board

Date	16 th November 2022
Report title	Housing & Land Portfolio Funds: Update
Portfolio Lead	Housing & Land – Councillor Mike Bird
Accountable Employees	Gareth Bradford, Executive Director of Housing, Property & Regeneration (Accountable Director) Rob Lamond, Head of Strategy & Analysis (Report Author)
Previous reports	Report received by Housing & Land Delivery Steering Group on 02.11.2022

Recommendation(s) for action or decision:

Housing & Land Delivery Board is recommended to:

- a) **Note** the update on devolved Housing & Land funds secured by WMCA since 2018;
- b) **Note** the conditions set by HM Government relating to regional deployment of these funds; and
- c) **Note** the performance reporting mechanisms in place for WMCA Boards and HM Government audiences.

1.0 Purpose

- 1.1 Since 2018, West Midlands Combined Authority (WMCA) has secured a series of bespoke ring-fenced funds from HM Government that are available for investment in Housing & Land projects across the whole region. These funds have been provided to the West Midlands to increase the supply of readily developable land to deliver high quality development schemes with new homes, commercial, retail and other employment space that would not otherwise come forward without public sector intervention. These funds come with specific requirements from HM Government and criteria which must be met on every project – there is no flexibility for WMCA to depart from these requirements and criteria. It is worth noting from the outset that the HM Government performance criteria are weighted to these funds securing “*new housing outputs*”.

- 1.2 The purpose of this paper is to provide the Housing & Land Delivery Board with an update on devolved Housing & Land funds in the region and to provide a reminder of the purpose and requirements of these funds devolved to the region and the restrictions which come with them.

2.0 Background

- 2.1 In 2018, WMCA secured a **landmark Housing Deal** with Government which established a regional housing target of 215,000 homes by 2031 and included a £100m Land Fund to bring forward difficult to deliver, constrained sites and create 8,000 new homes alongside securing wider outputs and timely progress on local plans. The Land Fund would be paid in tranches dependent on adequate performance, delivery on site and evidence of robust assurance and due diligence in place in assessing applications for funding. WMCA was made responsible for reporting monthly to Government on the performance of the fund, compliance with the fund conditions and how the fund was being deployed for maximum additionality. There is an escalation route to senior levels of Government if there is any departure from the requirements laid down and milestones to be achieved.
- 2.2 Since 2018, and as a result of a successful delivery record against the Housing Deal requirements, both on sites and local plans together with compliance with the prescribed fund requirements, **WMCA has been awarded further funding to unlock brownfield sites** and bring forward more homes, alongside securing wider benefits which support regional economic recovery and growth. These funding programmes, secured in tranches based on delivery targets being met, are set out in Table 1 below.

Table 1: Housing & Land Funds

FUND	AMOUNT SECURED BY WMCA*	DATE
Housing Deal Land Fund	£100 million	2018
Brownfield Housing Fund (1)	£84 million	2020
National Competitive Fund	£24 million	2020
Brownfield Housing Fund Extension (awarded as part of Levelling Up announcements)	£28 million	2022
Brownfield Housing Fund (further allocation)	£17.5 million	2022

- 2.3 Grant funding via these funds is available to tackle site remediation challenges, infrastructure deficits, repurposing of derelict/underutilised properties, WMCA land acquisitions and other enabling requirements, and is designed to address genuine and proven scheme viability issues where WMCA is ***the funder of last resort***.
- 2.4 **Each of the funds has prescribed terms set by HM Government that provide the conditions by which WMCA, working with our local authority partners, can deploy the funds.** It is crucial to note that **funds are paid in tranches**. It is also important to note the project by project assessment process (e.g. on issues like BCR for example) and that these funds remain tied to local plan performance as well as site delivery. The specific conditions are set out in Table 2 below.

Table 2: Housing & Land Funds – Conditions applied by HM Government

Fund	HM Government Conditions
Brownfield Housing Fund/National Competitive Fund	<ul style="list-style-type: none"> • Projects are Green Book compliant with a BCR floor of 1:1 • WMCA should seek the best possible Value for Money opportunities • Projects must have an evidenced market failure with WMCA being the funder of last resort • Funding is available to the whole WMCA area (constituent and non-constituent) • Projects must demonstrate they could not happen without the financial support of the funding, seeking to prioritise projects with the highest additionality • Homes brought forward will start on site before 31 March 2025 • Councils must either have an up to date Local Plan in place, or an agreed plan with HM Government for getting a Local Plan in place • Adequate progress demonstrated against local plan milestones • Adequate progress demonstrated against the spend profile and key delivery milestones • Projects are assessed through the WMCA Single Commissioning Framework (a requirement of the first £100m Land Fund) and Single Assurance Framework (part of the required assurance of WMCA to HM Government) • Funding is paid in tranches against acceptable performance <p>Additionally, WMCA is asked by HM Government to:</p> <ul style="list-style-type: none"> • Consider projects that have an accelerated spending profile and apply this as a key criterion in decisions • Utilise this funding to support regional economic recovery/growth, for example, using local small and medium sized enterprises or local supply chains where practicable • Support provision of affordable housing, modular construction and zero carbon standards • 10,742 new homes to be delivered creating an average intervention rate of £14,279 per home
Housing Deal Land Fund	<ul style="list-style-type: none"> • 8,016 new homes to be delivered from the Land Fund creating an average intervention rate of £12,475 per home • Funding not to be used for other forms of floorspace unless incidental to a residential scheme • Adequate progress against key local plan milestones • Adequate progress against the spend profile and key delivery milestones

	<ul style="list-style-type: none"> • Funding is available to the whole WMCA area (constituent and non-constituent) • Funding is paid in tranches against acceptable performance • Projects are Green Book compliant with a BCR floor of 1:1.5 per project • WMCA should seek the best possible Value for Money opportunities • Projects must have an evidenced market failure with WMCA being the funder of last resort • Projects must demonstrate they could not happen without the financial support of the Land Fund • Funding should be deployed via a new bespoke Single Commissioning Framework which WMCA will produce and will be agreed with HM Government <u>before any funding is deployed</u> (part of the required assurance to HM Government) • To be used for Brownfield Land and/or vacant buildings with change of use to residential only (must be net new homes) <p>Additionally, conditions in the Housing Deal include delivery via the SCF to include:</p> <ul style="list-style-type: none"> • increasing delivery of affordable housing across a range of tenures • enhancing connectivity, by increasing housing supply along public transport corridors and where employment is concentrated • supporting modern methods of construction, housing innovation and enhanced quality standards <p>To note: BCR is assessed at project level i.e. every project in the programme must meet this requirement.</p>
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2.5 In addition to the conditions set by HM Government, WMCA working with local authorities has established a number of wider objectives and goals including a number of *essential and desirable* requirements for any schemes supported by these funds, with direct and explicit links to key strategies and policies approved by the WMCA Board. These include, but are not limited to, the Regional Design Charter; the Advanced Manufacturing in Construction Routemap; the Zero Carbon Homes Charter and Routemap; the Public Land Charter; the Plan for Growth; the Inclusive Growth Framework; WM2041; and the Local Transport Plan. As a minimum, **projects must demonstrate delivery against the following essential and desirable criteria:**

- Schemes must deliver one or more of the following outputs:
 - i. Brownfield land remediated
 - ii. New homes delivered, or
 - iii. New commercial, retail or employment space delivered.

- Investment will be made in schemes that can clearly demonstrate all of the following:
 - i. A commitment to enhanced standards of design and quality as a contribution to wider placemaking
 - ii. A commitment to the use of local labour and local suppliers
 - iii. A minimum of 20% affordable homes must be delivered as an integral part of the scheme, and
 - iv. At public transport nodes, along public transport corridors and in town and city centres.

2.6 During the application process for Housing & Land funds, *frequent reasons for schemes not passing through the end to end approvals process* are:

- Not being able to prove market failure
- Not being able to prove funder of last resort
- Compliance with BCR/VFM conditions
- Passing KYC checks
- Compliance with start on site date
- Planning certainty
- Schemes coming forward that do not meet prescribed fund output requirements (commercial schemes, especially, given that funds are predominantly housing-focused).

2.7 WMCA is continuing to advocate further funding flexibilities, as part of the Trailblazer Devolution Deal process, which include the proposals to HM Government for a “*Single Regeneration Fund*” to deliver more placemaking, homes, mixed-use and commercial schemes in the region and allow for much more flexibility on intervention rates as an example in point.

3.0 Applications for funding

3.1 New applications for Housing & Land funding are progressed through a staged assurance and decision-making process agreed with Government and the WMCA Board. WMCA invests its devolved Housing & Land funds into housing and regeneration projects through an end to end process in compliance with the wider WMCA Single Assurance Framework, agreed with Government and by the WMCA Board. Robust assurance, appraisal and due diligence sits at the heart of this approach. The process and the funding requirements (set out above) are summarised in a bespoke Commissioning Framework for the devolved Housing and Land Funds known as the Single Commissioning Framework. The development of the bespoke Single Commissioning Framework for these Housing & Land funds was a condition set by HM Government in the 2018 Housing Deal, and the targets assigned by HM Government are central to the funding conditions for the programme.

3.2 Applications for Housing & Land investment are generated through a process of **Continuous Engagement** with applicants wishing to develop schemes within the WMCA area which meet the criteria set out above, with WMCA receiving and considering applications as and when these are submitted.

3.3 Applications are invited from all public and private sector organisations, third sector groups and charitable organisations as well as individuals.

3.4 A regional pipeline of projects is identified on an ongoing basis, through engagement with industry and local authorities, such as the monthly meetings held with constituent

and non-constituent Local Authority teams on project pipelines and local priorities for each local area.

- 3.5 This engagement provides a **steady stream of future projects** for the pipeline and the West Midlands Investment Prospectus which reflect the priorities of local authorities; alignment with wider WMCA Aims and Objectives; and provide sufficient contingency across our funding programmes to ensure that the programme for each fund operates in accordance with the conditions prescribed by HM Government. This pipeline has been critical to giving HM Government assurance that WMCA could deploy further funding if awarded and has been important in early Trailblazer Devolution Deal negotiations regarding the future flexibility of funding programmes.

4.0 Performance Updates

HMG Reporting

- 4.1 WMCA provides a formal quarterly report to the Department for Levelling Up, Housing & Communities (DLUHC) alongside monthly performance meetings to demonstrate progress against key milestones and adherence to fund principles, and a comprehensive annual statement.

WMCA Reporting

- 4.2 Funding dashboards and performance updates are included on the agenda for all Housing & Land officer groups, Housing & Land Delivery Board and Investment Board meetings. These reports set out the progress of committed and completed schemes, alongside pipeline data for each of the funds deployed by the Housing, Property & Regeneration team, and key measures of WMCA-set targets including percentage of affordable homes.

5.0 Next Steps

- 5.1 WMCA's Housing, Property and Regeneration Team and partners will continue to provide regular reports to the Housing & Land Delivery Board and Investment Board on these funds and their deployment.
- 5.2 The proposals for more flexible funding will continue to form a central part of WMCA's Trailblazer Devolution Deal negotiations with HM Government.

6.0 Financial Implications

- 6.1 The purpose of this paper is to provide the Housing & Land Delivery Board with an update on the delivery of schemes, delivered using devolved Housing & Land funds in the region and to provide a reminder of the purpose and requirements of these funds devolved to the region and the restrictions which come with them. There are no financial implications as a result of the points noted within this report, as the reporting is undertaken from within existing resources. Any potential/emerging financial implications will be presented to the Housing & Land Delivery Board at a future date.

7.0 Legal Implications

- 7.1 It is noted that the purpose of this paper is to update the Housing & Land Delivery Board on devolved Housing & Land funds and conditions prescribed by HM

Government relating to the regional deployment of those funds and performance reporting. WMCA ensures compliance with the requirements of HM Government and the conditions attached to the various funds through an established and staged decision-making process and the application of robust assurance processes set out in WMCA's Single Commissioning Framework and the wider Single Assurance Framework which are reviewed from time to time.

8.0 Equalities Implications

- 8.1 There are no immediate equalities implications in relation to this report. However, individual projects will need to take into account local area needs and local stakeholder needs to ensure the schemes 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

- 9.1 There are no immediate inclusive growth implications in relation to this report. Individual projects, however, will need to take into account local area needs and local stakeholder needs to ensure that they benefit local communities.

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.