



## Overview & Scrutiny Committee

<b>Date</b>	12 January 2023
<b>Report title</b>	Future Homes Strategy
<b>Portfolio Lead</b>	Cllr Mike Bird, WMCA Portfolio Lead for Housing and Land
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### Recommendation(s) for decision:

### Overview & Scrutiny Committee is recommended to:

- a) **Note** the work to date to develop a Future Homes Strategy, as commissioned by the Housing & Land Delivery Board, including specialist support and input from the Future Homes Taskforce and local authority partners across the region.
- b) **Note** the next steps and basis for future performance measurement set out under section 6 of the report.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Overview & Scrutiny Committee on progress in developing a Future Homes Strategy and an aligned technical standard.
- 1.2 It is proposed that, when approved, the technical standard is embedded as an investment criterion for the WMCA's devolved Housing & Land funds which will enable implementation of the Future Homes Strategy through WMCA's investment decisions, site acquisitions, disposals and strategic partnerships.

## **2.0 Background**

- 2.1 There is wide ranging acknowledgement that the use of new technology and applying higher standards of design and energy efficiency impact not only on suppliers and housebuilders but also on occupiers who stand to benefit from better quality homes, reduced energy costs and improved health and wellbeing.
- 2.2 Prior to 2022/23, these matters have been taken forward as separate workstreams and initiatives. A 'Future Homes Strategy' was thus commissioned by the Housing & Land Delivery Board to bring together different initiatives in a coherent strategy that drives the delivery of, and investment in, Advanced Manufacturing in Construction, zero carbon homes and the accelerated roll-out of the Future Homes Standard across the region drive forward these areas of work as an integrated and holistic strategy which captures, comprehensively, the social, economic and environmental benefits.
- 2.3 In April 2022, the Housing & Land Delivery Board 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); the accelerated roll-out across the region of changes to Building Regulations (Part L) set out in the Government's Future Homes Standard; and consequential reduced occupier costs in the new homes.
- 2.4 WMCA's proposed Future Homes Strategy is builds on the work to date around AMC and ZCH under the leadership of the Housing & Land Delivery Board. This new integrated strategy is directly linked to:
  - unlocking the potential of the '*Manufacture of Future Housing*' economic cluster in the West Midlands Plan for Growth (launched July 2022)
  - the investment opportunity into future homes set out in the West Midlands Investment Prospectus (launched March 2022), and
  - the high level deliverables of the Housing & Land Portfolio agreed by WMCA Board in February 2022.
- 2.5 The Housing & Land Delivery Board has received regular updates on the process to develop the Future Homes Strategy including the appointment of expert support the development of the strategy; the establishment of a Future Homes Taskforce with membership drawn from across the construction and residential development industry; and the launch of a series of research projects to create an evidence base to underpin the new strategy.

2.6 The Future Homes Taskforce met three times in 2022 (July, October, December) to review the evidence collected to date and provide critical steer on the emerging technical standard, contributing insights from the industry leadership groups which taskforce members attend, including those on the general direction of future national policy.

### 3.0 Sectoral Context

3.1 Two key research pieces have been undertaken to understand the regional and national sectoral context in relation to Future Homes as well as the technical capability and capacity of the region's supply chain of advanced construction solutions and enhanced performance.

3.2 The first of these focused on mapping the region's AMC/MMC supply chain capability and aligning this with the aspirations of the Future Homes Strategy. Appendix 1 (attached) sets out the accepted definitions of the seven categories of MMC and the impact that each has in increasing the pre-manufactured value of a new house. Suppliers have been described and categorised in line with the relevant categories of Modern Methods of Construction (MMC) set out in the Government's MMC Definition Framework. This shows a **significant capability** already operating in the region, across five of the seven MMC categories.

3.3 The second focused on mapping the emerging carbon and sustainability standards applied across the construction industry, considering both regulatory requirements and influential regional or industry initiatives in terms of:

- national legislation (with a specific focus on HM Government's on-going consultation on the Future Homes Standard to be applied from 2025 onwards)
- enhanced standards that are being advocated by industry leadership groups such as the Royal Institute of British Architects (RIBA) and the Low Energy Transformation Initiative (LETI) but are not yet required by legislation
- policy positions being developed by other combined or devolved authorities, especially Greater Manchester Combined Authority (GMCA) and the Greater London Authority (GLA).

3.4 The results of this research are being used to inform the approach taken in the Future Homes Strategy and its accompanying technical standard to deliver '*further and faster*' on 'future homes' in a way that is deliverable and viable for developers e.g. by identifying quick wins currently missing in national legislation.

### 4.0 The Scope of the Future Homes Strategy

4.1 There is consensus that delivering homes for the twenty-first century will require public sector support and a clear vision, objectives and principles to establish the route to success and how to respond to the opportunities presented. Our ambition is to establish the West Midlands as the centre of excellence for low carbon living and modular construction in the UK.

- 4.2 The proposed strategy is delivery-focused, identifying near term actions where WMCA and its partners' powers, leadership and influence will be most impactful. The aim will be continuing to encourage the growth of modern construction including skills, training and local supply chain growth. The work will take a pragmatic approach, building on what has been done before and securing clear change through incremental growth but ultimately achieving the end goals.
- 4.3 The Future Homes Strategy will establish the vision, objectives, principles and response through three constituent elements:
- A **strategic document** which will signal WMCA's intent and expectation and help to drive the development market and supply chain to be able to respond to those expectations.
  - A **technical standard document** which will translate the strategic objectives into real measurable standards that will apply to new schemes seeking funding through the SCF process and support easier assessment of performance in terms of MMC/Zero Carbon delivery by enabling 'yes/no' responses.
  - **Context and guidance information** that will explain the technical standard and place it into context for a developer and construction sector which we know, at present, is at an early stage of understanding and maturity in responding to the climate challenge.
- 4.4 The strategy document will be prepared in early 2023, following on from the technical standard document which is the key enabling content and current focus of this programme.

## 5.0 Future Homes Technical Standard

- 5.1 Both the AMC and Zero Carbon Homes Routemaps (which were agreed by Housing & Land Delivery Board in November 2020 and January 2021) set out performance targets for new residential developments seeking WMCA Housing and Land funding. The proposed Future Homes Technical Standard is intended to build on and operationalise these targets rather than creating a new strategic approach; by expanding the breadth of their application and moving away from prescribed solutions to performance-driven outcomes.<sup>1</sup> This approach will support more inclusive and diverse supply chain growth.
- 5.2 The key concepts driving the technical standard are:
- It should align to, and build on, emerging national standards and metrics of construction and sustainability performance, rather than creating new measures or areas of focus.
  - It should create a minimum expectation for developers in the West Midlands that is ahead of regulatory minimum performance and which signals a long-term direction towards exemplar performance, yet is also achievable.

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<sup>1</sup> e.g. WMCA's existing AMC requirement applies only to sites over 200 units and prescribes specific MMC solutions.

- It should be based on clear definitions of required performance and, alongside setting expectations, should also explain the steps that developers can take to achieve the required standard and the evidence that would be available to test if that this is the case.
- Phased implementation will be important and it should test how implementation is happening before launching at scale.
- Performance measurement and monitoring against the standard is based on **quantitative criteria**, providing clarity for applicants on WMCA's funding requirements and enabling comprehensive and consistent reporting of WMCA's performance against the objectives set out in the strategy.

5.3 The details of the technical standards and supporting guidance documentation are currently being developed in consultation with the Future Homes Taskforce and Local Authorities

## 6.0 Next Steps

6.1 Drafts of both the standard and strategy documents are in the final stages of development and will be considered by Housing & Land Delivery Board in early 2023. Subject to approval, the Strategy and related criteria will provide the essential basis for performance measurement and reporting to the Board and Overview & Scrutiny Committee in future.

## 7.0 Financial Implications

7.1 At this stage, the direct financial implications of the work for the Future Homes Strategy, as noted in this progress report, relate to the costs of external advice to support the development of the strategy, the costs of research activity and other costs associated with commissioning activity to support the research and other planned activity noted within this report.

7.2 There may be, in future, other 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.

7.3 Note that, 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 to HM Government by WMCA but, to date, this additional funding has yet to be secured.

7.4 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.

## **8.0 Legal Implications**

- 8.1 It is noted that the purpose of this report is to update the Overview & Scrutiny Committee on progress in developing a Future Homes Strategy and an aligned technical standard. It is proposed that the technical standard is embedded in WMCA's Single Commissioning Framework as an investment criterion which will enable implementation of the Future Homes Strategy through WMCA's investment decisions, site acquisitions, disposals and strategic partnerships.
- 8.2 Legal advice should be sought at appropriate stages in the development and implementation of the Future Homes Strategy to ensure compliance with governance and legal requirements. Once established the requirements will need to be embedded into end to end processes and into the criteria for Housing & Land funds to ensure consistency of implementation throughout the various interventions.

## **9.0 Equalities Implications**

- 9.1 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 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.

## **10.0 Inclusive Growth Implications**

- 10.1 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.

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

- 11.1 The recommendations of this report apply to the whole of the WMCA area.

## **12.0 Other implications**

- 12.1 None.

## **13.0. Schedule of Background Papers**

- 13.1 Appendix 1: MMC Definitions & Supply Chain