

## Overview & Scrutiny Committee

<b>Date</b>	12 January 2023
<b>Report title</b>	Affordable Housing Delivery Pilot
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<b>Previous reports:</b>	Affordable Housing Delivery with Housing Associations: Progress update to Overview & Scrutiny Committee 07.03.22

### The Overview & Scrutiny Committee is recommended to:

- a) **Welcome and endorse** the progress with the work taking place under the Housing & Land Delivery Board to improve the **collaboration and co-investment in the region between housing associations, public sector bodies, and WMCA** to secure more social and affordable housing – a key recommendation of the O&S Scrutiny Review and a key deliverable for the Housing and Land Board
- b) **Welcome and note** the progress of work on a pilot (the second affordable housing pilot – the first being Help to Own) which is an **innovative joint approach with a group of housing associations in the region** to deliver additional affordable housing and wider socio-economic outcomes on specific WMCA owned sites.

## 1.0 Purpose

- 1.1 The purpose of this report is to provide the Overview & Scrutiny Committee with a progress update and clear direction of travel on the ongoing work of WMCA and housing association partners to establish a more comprehensive joined up and collective approach to the delivery of additional affordable housing across the region - a key deliverable for the Housing & Land Delivery Board.
- 1.2 The report also provides an update on the approach previously endorsed by Overview & Scrutiny Committee in its 2021/22 “Affordable and Social Housing Scrutiny Review” regarding the work underway to develop an **innovative pilot** with a group of Housing Associations – building on the success of the first affordable housing pilot under the Housing and Land Board in Wolverhampton (Help to Own).
- 1.3 To note, any new affordable housing pilot to come forward (following robust appraisal and due diligence) would follow on and build from the successful Help to Own affordable housing pilot which was successfully delivered 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, the WMCA Board approves each portfolio’s annual deliverables. The Deliverables for the Housing and Land Portfolio for the financial year 2022/2023 were agreed by WMCA Board on 11th February 2022.
- 2.2 The annual deliverables of all portfolios directly contribute to the WMCA Aims & Objectives (the Corporate Strategy). The Housing and Land Portfolio deliverables work to achieve the following Aims of the Corporate Strategy:
  - **Aim 3:** To connect our communities by delivering transport, and unlocking housing and regeneration
  - **Aim 4:** To reduce carbon emissions to net zero, enhance the environment and boost climate resilience.
- 2.2 The High Level Deliverables for 2022/23 include the following items as part of the Housing & Land portfolio’s contribution to 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 (RP) / Homes England partnerships

2.3 In order to deliver the significant additional affordable homes required in the region, WMCA, under the governance of the Housing & Land Delivery 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 develop an "Affordable Housing Strategy" as outlined in a separate agenda item for this meeting.

2.5 As part of this approach, the WMCA has been engaging with Housing Associations, with a view to finding collaborative methods that can support the provision of additional social housing in the region. The "Affordable Housing Pilot" proposes a **collaborative partnership** with a Limited Liability Partnership (LLP), involving five regional RPs:

- Bromford
- Citizen
- Green Square Accord
- Midland Heart
- WHG

2.6 All 5 RPs are West Midlands Housing Association Partnership (WMHAP) members and have strategic partnerships with Homes England. The collaborative partnership proposes a Pilot approach to potentially dispose of WMCA-owned sites through a land disposal agreement. The Housing & Land Delivery Board has welcomed and endorsed the progress towards the delivery of additional affordable housing working with Housing Association partners as part of a broader package of measures and as a **potential second affordable homes pilot** (following Help to Own).

- 2.6 The creation of a new innovative pilot between WMCA and housing association partners to deliver more affordable housing in the region has been, and will continue to be, the subject of detailed feasibility, assurance and due diligence work. Several reports and progress updates have already been shared with Housing & Land Delivery Board and Overview & Scrutiny Committee during 2021 and 2022.
- 2.7 In 2021, the Housing & Land Delivery Board approved the strategic context and rationale for developing a new joint affordable housing scheme between WMCA and a small group of housing associations as the next pilot project. 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 and Future Homes, design, construction, brownfield development and promoting inclusive growth.
  - Leveraging land for the development of affordable housing provision
- 2.9 The pilot approach being explored 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 for this purpose. **Other Housing Associations can join the group**, and the affordable homes developed by the partnership will be available for 'offtake' by other RPs (subject to the necessary agreements).
- 2.10 The pilot approach will utilise the resources and expertise of WMCA and the Housing Associations to directly deliver new, **additional** 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.

### 3.0 Current position

3.1 Significant progress has been made in recent months regarding the joint approach and its potential to deliver additional affordable homes beyond those already being delivered in the region and in a way that is complementary 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 pilot 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 would:

- Deliver 100% affordable housing i.e. more than would be delivered by private developers
- Deliver and demonstrate ALL of the WMCA's aims and objectives being delivered on the ground
- Support new delivery models that maximise investment in the region
- Enable additional affordable housing and key worker homes
- Drive wider benefits and corporate objectives – including Future Homes, AMC, Housing Affordability

3.4 Further detailed analysis of schemes for the potential pilot is ongoing. Once this is complete any potential pilot project will be brought forward for approval to Housing & Land Delivery 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 schemes.

**3.5 It is important to note that** that there is no commitment or decision to dispose of sites to the Registered Providers at this initial stage, with any decision to do so subject to robust appraisal and relevant **WMCA approval processes and governance.**

### 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 Overview & Scrutiny Committee 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.