



Audit, Risk & Assurance Committee

Date	24 January 2023
Report title	Housing investigation – Action plan
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Report has been considered by	

Recommendation(s) for action or decision:

1. To agree the Action Plan in response to the recommendations of the independent investigation,
2. To agree that an update on progress in relation to the Action Plan be brought back to the Committee in September 2023.

1. Purpose

To consider and agree the Action Plan in response to the recommendations from the independent investigation carried out by CBRE.

2. Background

A complaint was received by the WMCA on 19 January 2022, and following consideration by the WMCA's complaints procedure an independent investigation was initiated and completed by CBRE.

The complaint raised two concerns;

- I. That the WMCA was distorting the real estate market by purchasing sites at higher values and was not taking into account affordable housing and reclamation requirements properly, thus increasing market prices,
- II. That the WMCA was funding private developers by providing grant funding to address reclamation costs and affordable housing requirements.

As part of the investigation CBRE considered the following areas in relation to a number of identified sites:

- Context – how the site was bought to the WMCA attention
- Determination to process to acquisition/grant
- Instruction to the valuer
- Review of the valuations
- Consideration of the Investment Panel/Committee report

CBRE also interviewed existing and former WMCA employees who had been involved in the identified projects, the interviews were carried out on a voluntary basis.

The Land and Housing activity carried out by the WMCA sits largely within the Single Commissioning Framework (SCF) for Housing. This framework focuses on loans and grants to support regeneration and housing but also acts as an overall guide to activity in this field.

The SCF was adopted in March 2019 and some of the projects identified pre dated this or were being developed as it was adopted.

The final report of the *WMCA Land and Housing Programme* was completed in September 2022 and considered by the Audit and Risk Assurance Committee at its meeting on 4 October 2022.

The recommendations contained in the report are:

- I. Acquisition valuations should more clearly reference assumption and these should be articulated in decision making reports.
- II. WMCA should re consider the practice which appears to be common place of instructing valuers to assume no S106/affordable housing provision. Valuers should seek to reach their own conclusions on these issues and allow for these items/planning risk as they fit. This should eliminate the potential for market distortion.
- III. Given WMCA's policy requirement to ensure 20% affordable housing on sites it supports and the potential confusion that this can cause CBRE would suggest that valuations should include a market valuation in line with recommendation 2 above, accompanied by a valuation which includes the assumption of 20% affordable housing. These should be references in reports to Investment Board etc.
- IV. There is need for WMCA to review its decision making process for all housing and regeneration investments including those to Investment Panel and Investment Board. This review should include the Directors of Housing, Finance and Governance.

- V. Where there are cases when elected members might choose to exceed red book valuations for sites such as the costs of a CPO, or strategic rationales to assemble wider sites, then these should be articulated and where possible quantified.
- VI. Where grants are being made to developers, reports should set out more clearly the rationale for acceptable market norms for profit margins where this is used as a justification for the amount of grant to be paid.

The above recommendations have been considered and agreed by the relevant officers.

An Action plan (attached at Appendix 1) has now been produced. The Action Plan seeks to address the concerns identified in the CBRE report, to mitigate against any future similar concerns being raised and to continually improve the service the WMCA is able to provide to its residents.

Delivery of the agreed actions will be monitored with a further report on progress and delivery to be provided to the September meeting of this committee.

3. Financial Implications

There are no direct financial implications arising from this report although it is likely that this matter will feature in the published commentary on the Authority's Value for Money arrangements which will form part of Grant Thornton's Auditor's Annual Report.

Failure to implement the planned actions as set out in the appendix could lead to continuing challenge from our external auditors around securing Value for Money and could potentially affect the Authority's audit opinion adversely.

4. Legal Implications

There are no direct legal implications in relation to this report. However a failure to implement the changes in process and procedure recommended within the action plan could lead to decisions being less robust, and potentially open to challenge.

5. Equalities Implications

Not applicable.

6. Inclusive Growth Implications

Not applicable.

7. Geographical Area of Report's Implications

Future investment in the Housing and Regeneration programme may consider investment and funding opportunities in all districts across all Constituent and Non-constituent areas.

8. Other Implications

Not applicable.

9. Schedule of Background Papers

Appendix 1 – Housing Action plan