

REPORT TO: WECA COMMITTEE

DATE: 30 NOVEMBER 2018

**REPORT TITLE: INVESTMENT TO SUPPORT DELIVERY OF HOUSING
AND INFRASTRUCTURE**

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Purpose of Report

- 1 To seek approval for £50m funding from the Investment Fund to support a West of England programme for the delivery of housing and infrastructure through land and property acquisition.
- 2 This report sets out the rationale for the Fund, and how the timing is critical to establish governance and a framework for a potential interim housing package with Government. It is acknowledged that the Fund will form part of any future wider West of England Capital Investment Strategy.

Background

- 3 The West of England Devolution Deal secured £900m for the creation of an Investment Fund forming part of a wider investment programme for the region. Aligned to regional strategies, the objective for this investment programme is to boost and strengthen economic growth in the West of England Combined Authority area through delivering:
 - Effective, resilient infrastructure;
 - World class skills for employment; and
 - Businesses that succeed
- 4 Housing delivery will be a key part of effective and resilient, infrastructure needed to support sustainable economic growth.
- 5 The request for a £50m Land Acquisition Fund from the West of England Investment Fund will enable WECA and the constituent authorities to purchase sites directly, lead on masterplanning and to facilitate and in some instances control the delivery of infrastructure and housing. The principle of the fund is that it should recycle as a revolving acquisition fund and this should enable the authorities to benefit from land value uplift to reinvest in unlocking more land on priority sites, as well as increase and accelerate delivery.
- 6 The individual investments from the Land Acquisition Fund will follow the established funding process as set out in the Investment Fund Assurance Framework including approval through the WECA Committee. Given the commercially sensitive nature of these investments this process will need to balance transparency with the confidentiality of negotiations for land acquisition.

Relationship to the discussions on the Housing Deal with Government.

- 7 Discussions have been ongoing with Government to secure a Housing Deal between WECA and the four local authorities of the West of England. A significant deal will enable the authorities to continue working together to increase and accelerate housing delivery over the next 20 years and deliver the housing number in the adopted Joint Spatial Plan (JSP).

The 'ask' of Government made by the authorities in March 2018 was to support an interim housing package comprising of three strands:

- Land - £120M
- Infrastructure - £80M
- Affordable Housing - £50M

In March 2018 an interim Housing Package was announced with £1m revenue capacity funding for the West of England Combined Authority over a 3 three year period to 2020/21. No other funding was secured at that time, however, there was a commitment from Government to work with us to secure the necessary support and funding to deliver up to 7,500 homes per annum between 2018-2021 and with Homes England to secure funding for affordable homes. This dialogue is still ongoing and the Authorities are keen to progress a Land Acquisition Fund as a priority so that opportunities are not lost.

- 8 The establishment of a WECA Land Acquisition Fund would demonstrate to Government that the West of England have a robust governance and an investment framework in place into which their funding could be channelled as part of meeting the interim housing package commitments. WECA and the Authorities will continue to pursue these discussions with Government.
- 9 The criteria for investments are set out below. An indicative programme will be prepared focussing on the following:
- a. Evaluation processes will follow the Business Case requirements of the WECA Investment Fund and will be based on any interim deal secured with Government, which flows from WECA as the Accountable Body for the Funds to the constituent Authorities (promoters).
 - b. A recyclable model of investment.
 - c. A model of investment where the uplift of the land value or other returns are captured.
 - d. Schemes to be evaluated through the Investment Panel process against the following criteria which it is assumed will be fully developed as part of the wider Investment Strategy,
 - i. Fit with recyclable grant model
 - ii. Strategic fit with JSP objectives:
 1. Delivery of additional homes
 2. Focus on urban living/PDL
 3. Densification
 4. Quality
 - iii. VFM calc £ per home
 - iv. Timely delivery that achieves acceleration
 - v. Gross development value unlocked
 - vi. Consideration of lost opportunity costs if scheme is not undertaken
 - vii. Opportunities for adjacent or nearby land for structuring and adding value to existing sites.

Business Case Appraisal Process

Due to the commercially sensitive and competitive nature of land and property acquisition business cases presented to the WECA Committee will generally be anonymised and

evaluated against their quantitative business case criteria with a non-site specific qualitative narrative. Confidential due diligence requirements may be required to be presented by the promoting authority to the WECA Committee but the residual site risks associated with each business case will be a matter for promoting authorities to evaluate before submitting a Business Case and will remain with the promoting authority that acquires land and property with WECA funding.

Consultation:

- 10 Engagement has taken place with officers in the West of England Combined Authority Constituent Unitary Authorities.

Risk Management/Assessment:

- 11 Specific risk assessments will be carried out as part of any proposed investment projects in development. All projects underway will maintain a specific risk register as part of the project management and monitoring arrangements.

Public Sector Equality Duties:

- 12 For projects seeking funding through the Investment Fund scheme promoters are required to include as part of their Full Business Case, an equality and diversity assessment and plan.

Economic Impact Assessment:

- 13 No additional economic impacts arise from these proposals. The economic impacts of schemes within the programme will be developed as part of business case preparation as each proposal comes forward.

Finance Implications:

- 14 The Land Acquisition Fund can be accommodated within the available resources of the WECA Investment Fund. Officers will develop the detailed management, administration and accounting arrangements of for the Fund in consultation with officers in the Constituent Authorities. As individual Business Cases are brought forward, detailed appraisal of the proposals will be undertaken, including the phasing of drawdowns/repayments, potential loan arrangements, debt and equity structuring and land value capture and investment return strategies.

Legal Implications:

- 15 Criteria for accessing the fund need to be established so that projects can be appropriately prioritised.
(Shahzia Daya – Director of Legal)

Recommendations:

That the WECA Committee approves:

The request for a £50m Land Acquisition Fund from the WECA Investment Fund as set out at para 5.

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West of England Combined Authority Contact:

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