



**Subject:** NTCA Brownfield Housing Fund Programme – Benwell Dene, Newcastle

**Report of:** Principal Housing and Infrastructure Manager

**Portfolio:** Housing, Land and Development

## Report Summary

In July 2020, the North of Tyne Combined Authority (NTCA) was awarded a £23,853,618 share of the £400m Brownfield Housing Fund. A further extension to the Brownfield Housing Fund was announced in the Levelling Up White Paper in February 2022. NTCA was awarded an additional £7,976,893 share, bringing the total amount of Brownfield Housing Funding awarded to £31,830,511. NTCA and Local Authorities have worked closely to develop the pipeline of proposals for the Brownfield Housing Fund which was endorsed by the Housing & Land Board and Investment Panel in Autumn 2020 and an updated pipeline was endorsed as part of the Brownfield Housing Fund Delivery plan in July 2022 and August 2023. Schemes which pass the initial gateway process have been added to the pipeline and invited to prepare a full business case. Benwell Dene is one of those schemes.

On 29<sup>th</sup> September 2020, NTCA Cabinet considered a report on the North of Tyne Brownfield Housing Fund Programme and authorised the Chief Executive (Head of Paid Service) - in consultation with the Investment Panel, the Mayor and the Portfolio Holder to consider and approve relevant business case applications for the North of Tyne Brownfield Housing Programme. Cabinet also authorised the Chief Executive (Head of Paid Service) to finalise the conditions for funding awards and authorise the Interim Monitoring Officer to complete the necessary documentation relating to the awards.

The purpose of this report is to request the approval of the Benwell Dene project delivered as part of the Brownfield Housing Fund for a total value of £3,000,000.

## Recommendations

The Chief Executive (Head of Paid Service) is recommended to:

1. To approve £3,000,000 from the BHF for Benwell Dene, Newcastle subject to the funding conditions set out in the report
2. To authorise the Chief Finance Officer and Monitoring Officer to:
  - a. prepare the necessary documentation and to enter into grant agreements or contracts with the lead applicant.

### 1. Background Information, Proposals and Timetable for Implementation

<b>Proposal Name</b>	Benwell Dene, Newcastle
<b>Lead Organisation</b>	Placefirst
<b>Delivery Areas</b>	Benwell Dene, Newcastle
<b>Timescales</b>	Start on site / remediation: April 2024 Construction starts: May 2024 Completion: December 2026 Completion of BHF spend: March 2025 BHF outputs achieved by December 2026
<b>Project Value</b>	£28,858,921
<b>Grant / Loan amount requested</b>	£3,000,000

<b>NTCA Budget Implications:</b>	This forms part of the £49.2m NTCA Brownfield Housing Fund of which £27.139 has been recommended for approval.
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- 1.1 In July 2020, the NTCA was awarded a £23,853,618 share of the £400m Brownfield Housing Fund. The funding is intended to support the development of at least 1,500 new homes on brownfield sites across the North of Tyne area. A further extension to the Brownfield Housing Fund was announced in the Levelling Up White Paper in February 2022. NTCA was awarded an additional £7,976,893 share, bringing the total amount of Brownfield Housing Funding awarded to £31,830,511. The aim of the fund is to remediate and revitalise brownfield sites across the area for the provision of new homes. The fund can be used on sites with demonstrable market failure, with a benefit cost ratio floor of 1.
- 1.2 NTCA and Local Authorities have worked closely to develop the pipeline of proposals for the Brownfield Housing Fund which was endorsed by the Housing & Land Board and Investment Panel in Autumn 2020 and an updated pipeline was endorsed as part of the Brownfield Housing Fund Delivery plan in July 2022 and August 2023. Schemes which pass the initial gateway process have been added to the pipeline and invited to prepare a full business case. NTCA in collaboration with the Local Authorities will manage the Brownfield Housing Fund programme till 2025, updating the delivery plan annually.
- 1.3 Benwell Dene, Newcastle is the next scheme to be brought forward and be considered in the North of Tyne pipeline. Place First are the applicant who are Newcastle Council's preferred developer. This site has long been a prominent regeneration priority within Benwell. Initially earmarked for renewal through the Going for Growth programme, it was subsequently promoted under the government's Housing Market Renewal Initiative. However, a range of physical and market factors have acted as a barrier to delivery. The scheme was granted planning in July 2023 and is subject to the signing of a S106 agreement.
- 1.4 Placefirst propose to deliver a scheme comprising of 146 Build-to-Rent (BTR) homes, including 119 two-to-four bed family homes and 27 apartments, on a 2.74ha brownfield site. The primary aim of the development is to deliver a high-quality residential offer within this area of Newcastle, that meets housing need and supports a programme of wider regeneration and place-making ambitions in Benwell and Scotswood. The Benwell Dene neighbourhood will be maintained and managed in perpetuity by Placefirst and complement the emerging sales market established at The Rise by the New Tyne West Development Company (a previously funded BHF scheme).
- 1.5 The Scheme will deliver high quality energy efficient homes which contribute towards the NTCA's Net Zero. All properties on the development will include ASHP hot water cylinders and PV Solar Panels, with all homes ensuring an energy efficiency rating of at least EPC B. TACE the project's M&E consultant have advised that Placefirst's energy standards (EPC A and B dwellings) far exceed the energy standards within the average PRS home across the UK. Placefirst's ongoing management of the properties will involve a social value calendar managed by the resident services manager and the promotion of energy efficiency and sustainability through an active Travel Plan.
- 1.5 This site has a viability gap due to abnormal costs which include foundation treatments, sustainability enhancements, inflation and risk and BHF funding of £3,000,000 has been applied for to unlock the development and will be used with a secured Brownfield Land Release Fund (BLRF2) grant of £1.819m to fund the schemes viability gap.

1.6 **Outputs- Benwell Dene, Newcastle**

<b>Measure</b>	<b>Number</b>
Number of new homes brought forward	146
Area of site reclaimed, (re)developed or assembled (ha)	2.74 ha

*Other outputs realised by the scheme:*

<b>Measure</b>	<b>Number</b>
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Total number of FTE construction jobs supported by the scheme	57
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## 1.7 Costs

A summary of the proposed works and associated costs is set out below:

The funding will cover eligible costs up to a total of £3,000,000. Eligible costs of £5,899,055 have been identified. Additional costs will be covered by the developer and Brownfield Land Release Funding.

Eligible Costs requested		Cost
1	Substructure	£1,393,730
2	ASHP and PV Panels	£1,065,886
3	Road and Sewers	£143,949
4	Services and Utilities	£389,314
5	Retaining Walls	£808,992
6	External Works	£1,816,280
7	Inflation/Risk	£280,904
<b>Total</b>		<b>£5,899,055</b>

## 1.8 Appraisal

NTCA commissioned Turner & Townsend Ltd to undertake an appraisal of the scheme's business case which was submitted by Placefirst.

Overall RAG assessment	
<p><b>Strategic case</b> The appraiser considers the project aligns to various strategies within Newcastle and the North East at national, local, and regional level. There is also clear alignment to the Combined Authority's Corporate Plan, objectives, and strategic aims.</p>	<b>G</b>
<p><b>Economic case</b> The appraisal confirms that the scheme has a BCR rating of 1.4, indicating potential good value for money for the BHF programme.</p>	<b>G</b>
<p><b>Financial case</b> The appraiser has reduced the financial case from Amber to Green  Costings are at an advanced stage and the funding approach has been deemed reasonable by the appraiser and it should be noted the project has been successful in a bid for £1.819m from BLRF2 which is due to be signed shortly.  The case has been noted Green based on the mitigation condition of receipt of signed audited accounts for Placefirst Group for the year ended 31 December 2023.</p>	<b>G</b>
<p><b>Commercial case</b> The appraiser considered the commercial case to be robust and evidenced.</p>	<b>G</b>
<p><b>Management case</b></p>	<b>G</b>

<p>The management case has been reduced to green from amber based on additional information provided.</p> <p>The comprehensive project execution plan, provided to support the Management Case, serves as an appropriate framework for monitoring and evaluation of project objectives. Relevant KPIs have been included in the plan. The Business Case demonstrates that the project has appropriate levels of risk and provides relevant mitigations.</p>	
<p><b>Overall rating</b> The appraisal is rated overall as amber by the appraiser.</p>	<b>G</b>

## Overview

The scheme has been appraised by Turner & Townsend Ltd, which presents a strong strategic rationale that is well evidenced and is aligned to various strategies within Newcastle and the North East, at national, local and regional level. The scheme is also closely aligned with the Combined Authority's Corporate Plan, objectives and strategic aims.

The scheme is fully compliant with BHF eligibility criteria. The development will take place on a brownfield site; the scheme has an evidenced market failure given the significant site constraints and inflationary pressures, as well as low values arising from longstanding socio-economic market challenges within the locality; the scheme has a Benefit Cost Ratio above 1; and the construction of new homes will commence before 31st March 2025.

The financial case has been reduced to green based on the applicant providing additional information and mitigation conditions. Costs are well advanced to RIBA stage 3 and based on comprehensive plans. Benwell Dene will be funded through a combination of equity capital and development finance. The appraiser noted the balance sheet position (net asset) of the Placefirst group was shrinking. Due to this Placefirst provided an Accession letter from PF Finco Sarl, which provided proof of support from the parent company, and satisfied the appraiser, that Placefirst Ltd and its subsidiary undertakings, in this case Benwell Lane Newcastle SPV Limited, have access to PF Finco Sarl group financing. This approach is reasonable for the development nature of this project. Subsequently, the appraiser has recommended Placefirst provided audited accounts for the year end 31 December 2023 prior to the confirmation or release of BHF grant for the project and confirmed that external loan covenants continue to be met.

Turner & Townsend assessed the Management Case and recommended a clear project plan be submitted to the Combined Authority to assist to monitor project success against key activities and milestones across the duration of the project. An amber RAG outcome was assessed, with a condition that Places first submit a Project Execution Plan to the Combined Authority, detailing the schemes key activities, milestones and KPIs on confirmation of funding.

To mitigate the RAG assessment, the appraiser has recommended the following conditions:

1. **Condition 1:** NTCA should obtain signed audited accounts for Placefirst Group for year ended 31 December 2023 prior to first drawdown of the BHF grant as a condition of grant funding agreement.
2. **Condition 2:** Applicant to provide the NTCA confirmation of Brownfield Land Release Funding
3. **Condition 3:** Applicant to provide breakdown of which eligible costs are being paid for via the BHF and which are through Brownfield Land Release Fund
4. **Condition 4:** Any additional costs are covered by the applicant
5. **Condition 5:** Clawback Clause
  - a. Grant based on abnormal costs which are set to a maximum sum and subject to 100% clawback of any cost savings.

- b. A full open book assessment completed on scheme once all phases are completed to reflect actual tenure mix, actual scheme cost and value, and units delivered subject to 100% clawback.

## **2. Potential Impact on Objectives**

- 2.1 This project relates to supporting economic activities which are highlighted in the Devolution Deal, the Economic Vision and in support of the six design principles for housing agreed by Cabinet in the Delegated Decision report of April 2020. The award of this funding helps us to meet our stated ambitions to increase the supply of new homes in the North of Tyne.

## **3. Key Risks**

- 3.1 The risks associated with this application have been mitigated through funding conditions. These include, provide more detailed milestones and programme, further details on monitoring, clawback assessment on completion, subsidy control position to be assessed and amalgamate the full economic case.

## **4. Financial and Other Resources Implications**

- 4.1 The Brownfield Housing Funding allocation for the NTCA is capital funding and is allocated over five years until the 31 March 2025, at which point all of the funding must be defrayed. Resources are available to cover the proposed expenditure.

## **5. Legal Implications**

- 5.1 The comments of the Interim Monitoring Officer are included in the report.
- 5.2 Subsidy Control advice to be sought and the award is subject to compliance with the requirements of subsidy control advice received. The GFA shall include any conditions deemed appropriate in this respect.

## **6. Equalities Implications**

- 6.1 NTCA is committed to driving equality and diversity in housing. The measures contained within this paper will help the NTCA meet its duties under the Equality Act 2010, particularly around advancing equality of opportunity for those with protected characteristics, particularly with regard to age, disability and socio-economic background.

## **7. Inclusive Economy Implications**

- 7.1 The project will improve housing choice for local residents allowing people to stay close to family and community networks. The development will address issues of anti-social behaviour and environmental damage on this vacant brownfield site and will also seek to generate positive outcomes for the adjacent social housing stock on Pottery Bank Estate. The project will deliver 267 Affordable units out of 277 units delivered and will look to sustain local services, businesses, and community facilities.

## **8. Climate Change Implications**

- 8.1 The combined authority is committed to exploring a range of methods –from modern methods of construction through to greater use of local suppliers – to reduce the carbon impact of new housing.

## **9. Consultation and Engagement**

- 9.1 The principle of a housing scheme in this location has been consulted on as part of the planning process. Residents whose properties will be affected will be engaged with through the established relocation process. Wider residents will be engaged through consultation events as proposals are developed. Local community organisations – the Programme Lead has a proactive relationship with

Pottery Bank Community Centre, Building Futures East and other community organisations in the area, who will be consulted with as the proposals develop. NTCA officers and the Local Authorities have been consulted as part of the approval process.

## 10. Appendices

10.1 None

## 11. Background Papers

11.1 NTCA Cabinet Paper 29<sup>th</sup> September 2020, Brownfield Housing Fund  
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2020/09/20200929-Cabinet-Agenda-Pack.pdf>

11.2 NTCA Delegated Decision 7<sup>th</sup> July 2022, Brownfield Housing Fund Programme Pipeline  
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2022/07/REPORT.pdf>

## 12. Contact Officers

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## 13. Sign-off

1) Mayor and Portfolio holder Yes	2) Director/SMT Yes	3) Chief Finance Officer: Yes	4) Monitoring Officer: Yes	5) Head of Paid Service: Yes
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