



**Subject:** NTCA Brownfield Housing Fund Programme – Clasper Village, Gateshead  
**Report of:** Principal Housing and Infrastructure Manager  
**Portfolio:** Housing, Land and Development

## Report Summary

On 8 September 2023, it was agreed that North of Tyne Combined Authority would act as accountable body for a programme of additional Brownfield Housing Funding secured through devolution negotiations. As part of the £17,409,710 Brownfield Housing Fund secured through the Devolution Deal, the combined authority expanded the existing pipeline of sites in Northumberland, Newcastle and North Tyneside to include sites across all constituent authorities of the NEMCA. These schemes are being progressed alongside the £31,830,511 North of Tyne Brownfield Housing Fund and its pipeline of sites. Overall, the Brownfield Housing Fund totals £49,240,221.

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 July 2023, respectively. The south of Tyne pipeline was published and endorsed in September 2023. Schemes which pass the initial gateway process have been added to the pipeline and invited to prepare a full business case. Clasper Village, Gateshead is one of those schemes and the first scheme south of Tyne to come forward.

On 8 September 2023, NTCA published a Delegated Decision a report on the NE MCA 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 NE MCA Brownfield Housing Programme.

The purpose of this report is to approve request the approval of the Clasper Village Scheme, Gateshead, delivered as part of the Brownfield Housing Fund for a total value of £3,122,037.

## Recommendations

The Chief Executive, in consultation with the Director of Finance, the Mayor and relevant Cabinet Member and in accordance with the scheme of delegation, is recommended to approve the following funding award, and authorise entry into required agreements to facilitate approvals, as set out in this report:

1. To approve £3,122,037 from the BHF for Clasper Village, Gateshead 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.
  - b. Have sight and sign off on final cost plans prior to funding being released

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

<b>Proposal Name</b>	Clasper Village
<b>Lead Organisation</b>	Gateshead Council
<b>Delivery Areas</b>	Gateshead
<b>Timescales</b>	ITT Tender Released – January 24 Tender Assessment – April 24 Cabinet Decision & Appointment – June 24 Planning Application Submission – November 24 Planning Committee Approval – April 2025 Start on Site – June 2025 Completion of BHF Spend: September 2025 First Unit Started: November 2025
<b>Project Value</b>	£45,300,000
<b>Grant / Loan amount requested</b>	£3,122,037
<b>NTCA Budget Implications:</b>	This forms part of the £49.2m Brownfield Housing Fund of which £30.139 has been recommended for approval.

- 1.1 On 8 September 2023, it was agreed that North of Tyne Combined Authority would act as accountable body for a programme of Brownfield Housing Fund projects secured as part of devolution negotiations. As part of the £17,409,710 Brownfield Housing Fund secured through the Devolution Deal, the combined authority compiled a pipeline of sites south of Tyne, that have been invited to progress to full business case. These schemes are being progressed alongside the £31,830,511 North of Tyne Brownfield Housing Fund and its pipeline of sites. Combined, the north and south of Tyne Brownfield Housing Fund totals £49,240,221. Newbiggin Hall, Scotswood The Rise Phase 2, North Shields Masterplan Area, Ouseburn Mouth, Commissioners Quay, Bellingham Mart, Scotswood The Rise Phases 3, 5 and 5A, Moorside, Ellington Colliery Phases 3 & 4, The Esplanade, Lyndon Walk, Walker Riverside and Hadston Industrial Estate have been considered by Investment Panel to date. Clasper Village is the next scheme to be brought forward from the South of Tyne pipeline.
- 1.2 Clasper Village is an 8ha brownfield allocated housing site located in a prominent position on the banks of the River Tyne. The site benefits from excellent transport links with the adjacent Redheugh Bridge presenting one of the main links between Gateshead and Newcastle City Centre. The entrance to the historic Riverside Park extends into the site linking East to Dunston Staiths and also provides a gateway from Clasper Village to the Quayside through the historic Pipewellgate passing. Previously the site was a 1970s social housing scheme made up of low level flat roofed blocks each comprising of flats and maisonettes. In 2011 the Council agreed to decommission the estate due to its poor reputation, associated anti-social behaviour problems, and deterioration of the homes. The Council used compulsory purchase powers to regain ownership of any units held privately and completed a demolition programme in 2018 leaving a cleared site.
- 1.3 In 2019, a Council-led application to deliver 191 new homes comprising of a mix of houses and apartments was approved by the Planning Authority. Due to the viability gap the Council was unable to progress the proposed scheme and therefore postponed the development to consider the options to bring the site forwards. The Council remained committed to bringing Clasper Village forward for new housing and has since extended the original red line boundary which has increased the site area from 6.2 to 8.09 hectares and therefore increased the capacity of the site up to 250 units. With a BHF grant of £3,122,037, the scheme becomes financially viable and yields a Net Present Social Value Benefits of £15,576,381, resulting in good Value for Money. The council own the land and had planning granted for 191 dwellings, the updated planning application is under review prior to being submitted once a developer is in place.

- 1.4 Gateshead Council propose to develop the site and provide 250 new dwellings (12 x 2-bed terraces, 37 x 2-bed semi-detached, 75 x 3-bed semi-detached, 63 x 3-bed detached, 63 x 4-bed detached) with 38 of them being affordable. As well as the additional homes the scheme will create open green space, generate £200,000 towards education spending and provide 95 classroom spaces, support 775 construction jobs, provide 8 apprenticeships and transfer of 50% of the former 'Clasper Towers site' to the adjacent Eslington Primary School which is deficient in open space and deals with vulnerable children.
- 1.5 The project will deliver high quality energy efficient homes to a minimum EPC rating of B that will be compliant to the new Standard Assessment Procedure (SAP 10) and will comply with the council's climate commitments to ensure the market delivers high performance, energy efficient homes, directly contributing to the Council's Climate Strategy 2022. All properties are being fitted with electric charging points. As part of the procurement the Council will retain the affordable housing delivered on site (15%) and therefore will release an employer's requirements document which the appointed developer must satisfy. The Employers requirements specifically prescribes a requirement for the affordable housing to be fitted with air source heat pumps (ASHP) consistent with the Future Homes Standard's (2025) and the Council's own net zero ambitions. All properties developed on site will be required to produce 30% less carbon dioxide emissions than current standards as part of the new Building Regulations and developer will need to set out how they will achieve this through the procurement process. Furthermore, In response to the issues with mould and damp the ventilation requirements all homes will be fitted with trickle vents and air bricks to ensure ventilation standard are met and also to protect the home from overheating.
- 1.6 This intervention at Clasper Village is needed to deliver good quality housing in the Teams area of Gateshead on a cleared brownfield site. The redevelopment of the project site has been a priority for Gateshead Council since the decision was taken in 2011 to demolish the then existing housing estate. Currently the clearance of the site has not been sufficient to unlock its redevelopment. This is due to high abnormal costs linked to significant contamination, buried services and relic foundations. Significant grouting and retaining structures are also required to make the site deliverable. The market would not progress without public intervention due to a significant viability gap. Brownfield Housing Fund will address existing market failure, by funding the remediation of the site, removing barriers to development, and bringing forward high-quality family housing stock without the need for further public financial support.

## 1.6 Outputs

Measure	Number
Number of new homes brought forward (Phase 1 only)	250
Area of site reclaimed, (re)developed or assembled (ha)	8.09 ha

*Other outputs realised by the scheme:*

Measure	Number
Construction Jobs Supported	775
Apprenticeships Created	8
Total value of private sector funds leveraged through BHF investment.	£42,177,963
Affordable Houses Developed	38

## 1.7 Costs

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

The funding will cover a range of costs, including:

<b>Eligible Costs requested</b>		<b>Cost</b>
1	Redundant Heating Mains	£199,690
2	Relic Foundations	£228,946
4	Contamination and Cap	£858,947
5	Predrilling and Piling	£671,806
6	Grouting	£423,343
7	Retaining Structure	£643,657
8	Fees	£95,648
<b>Total</b>		<b>£3,122,037</b>

The funded eligible works equates to the total grant ask of £3,122,037 which is sought. The Due Diligence review confirms that the costs put forward are within the range of cost estimates that would be expected for a brownfield site of this nature.

## 1.8 Appraisal

NTCA commissioned Thrive Economics to undertake an appraisal of the scheme's business case which was submitted by Gateshead Council

<b>Overall RAG assessment</b>	
<p><b>Strategic case</b> The appraiser notes the proposed development has a clear strategic rationale. The scheme is closely aligned to the Combined Authority's strategic economic objectives and will make a considerable contribution to the local economy and priorities held at both regional and national levels.</p>	<b>G</b>
<p><b>Economic case</b> The appraisal confirms that the scheme has a BCR rating of 4.89, indicating potentially very good value for money for the BHF programme.</p>	<b>G</b>
<p><b>Financial case</b> The appraisal team consider the Financial Case to be inconclusive based upon the information provided within the Business Case. Site investigation work is ongoing, and the cost estimates provided do not appear to account for inflation cost increases to the mid-point of construction and it is unclear how the values for the abnormal works have been arrived at, other than being the viability gap amount calculated by Savills. It is recommended that conditions be included to mitigate this rating outlined below.</p>	<b>A</b>
<p><b>Commercial case</b> The project has a clear and appropriate commercial case. The scheme benefits from a clear procurement plan, and Gateshead Council have already undertaken initial engagement with 9 interested developers. The procurement regulations have been followed to date and the Council has begun the process of formally procuring a developer.</p>	<b>G</b>
<p><b>Management case</b> The governance structures are clear and appropriate, and the scheme has an achievable delivery plan. The procurement process is underway and Site Investigation reports will be shared with interested parties to inform tender returns. The levels of scheme risk are acceptable and can be managed.</p>	<b>G</b>
<p><b>Overall rating</b> The appraisal is rated overall as Green by the appraiser. However, conditions have been recommended to mitigate the Financial Case RAG rating.</p>	<b>G</b>

## Overview

The scheme has been appraised by Thrive Economics and presents a strong strategic case that is closely aligned with the Combined Authority's strategic economic objectives. The project makes a considerable contribution to the local economy and regional and national economic priorities. The scheme also addresses the requirements articulated in The Core Strategy and Urban Core Plan (CSUCP) which identifies that 11,000 homes are required to be built in Gateshead by 2030. The SMART objectives are comprehensive, achievable and consistent with the nature of the scheme and there is a strong justification for public sector support. The scheme is fully compliant with BHF eligibility criteria. The development will take place on a large and vacant derelict site in a prominent location; the scheme has an evidenced market failure, and the construction of new homes will commence before 31st March 2026. The scheme will contribute to the NTCA's Net Zero ambitions through providing modern energy-efficient homes within walking distance of both central Gateshead, Newcastle and public transport links. The scheme represents strong value for money with a BCR of 4.89.

The financial case has been appraised as Amber due to uncertainties on final costs once site investigations have been completed. The cost estimates provided, based upon figures prepared previously by others, do not appear to account for inflation cost increases to the mid-point of construction and it is unclear how the values for the abnormal works have been arrived at. The build costs appear low, and this is echoed in Savill's Due Diligence Review. The risk to the financial stability of the scheme is two-fold:

1. Tender price inflation from now until contract award could further increase the Viability Gap
2. The findings of the site surveys and investigations currently being updated to inform the Developer tender process result in an increase in the abnormal costs, increasing the viability gap. A combination of both these scenarios is also a possibility.

Due to the above risks, it is recommended the applicant resubmit their financial viability once the site investigations are complete and the appointed QS prepares and issues a review and comprehensive update of the scheme based upon the designed proposals for 250 dwellings due to be submitted for Town Planning approval in November 2024.

The Commercial Case was assessed to be clear and appropriate. The procurement regulations have been followed to date and the Council has started the process of formally procuring a developer. The majority of the Clasper Village site will be transferred to the procured developer though the Council will retain ownership of the affordable properties, and 0.25 hectare will be transferred to the Eslington Primary School to enhance the open space that pupils can access. The Management Case is considered good with a green RAG rating with governance structures being clear and appropriate. The developer has demonstrated a good understanding of the risks involved in delivering the scheme and the Council has sound processes in place to monitor the scheme's progress and report on progress on the contractual outputs to the Combined Authority. The appraiser has recommended that the applicant enhances their evaluation approach which will be recommended.

### **Proposed Funding Conditions**

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

1. **Condition 1:** It is recommended that the Combined Authority requires Gateshead Council to submit a revised cost plan and development appraisal once tender returns are submitted.
2. **Condition 2:** Any additional costs are covered by the applicant
3. **Condition 3:** 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 All activity outlined in the report will contribute 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 South of Tyne.

## **3. Key Risks**

- 3.1 The risks associated with this application have been mitigated through funding conditions. These include receipt of a detailed procurement and programme plan with key milestones, the submission of a Red Book Valuation to demonstrate land value, implementation of a clawback clause to mitigate the risk of lower cost values, and the receipt of a Subsidy Control assessment associated with this development.

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

- 4.1 In line with our agreed claims process, grants will be paid at the agreed intervention rate quarterly in arrears and upon verification of costs.
- 4.2 The financial completion date for the project is March 2026.

## **5. Legal Implications**

- 5.1 The comments of the Monitoring Officer have been included in this report.

## **6. Equalities Implications**

- 6.1 As required by Section 149 of the Equality Act 2010, the Combined Authority has considered its obligations regarding the Public Sector Equality Duty and there will be no anticipated negative impact on groups with protected characteristics from this proposal.
- 6.2 An Equalities Impact Assessment has been undertaken and the implications reviewed. The Combined Authority is committed to driving equality and diversity in housing. The measures contained within this paper will assist the Combined Authority to meet its duties under the Equality Act 2010, particularly around advancing equality of opportunity for those with protected characteristics, particularly with regard to socio-economic background.

## **7. Inclusive Economy Implications**

- 7.1 The project contributes to the delivery of the inclusive economy objectives of the NTCA. The project sets out a range of interventions that will grow the economy in an inclusive manner providing opportunities to access models of housing that provide affordable and private market sale opportunities, with low carbon technologies to provide heat and energy sources that might otherwise be inaccessible in the open market for residents. The project assists community growth as well as supporting the wider inclusive economy work of the combined authority by providing high quality, energy efficient and accessible homes.

## **8. Climate Change Implications**

- 8.1 Overall, the project contributes to the delivery of the climate change objectives of the NTCA. Projects have submitted information within their proposals and have been appraised. The Combined Authority is committed to exploring a range of methods – from modern methods of construction and use of low carbon technologies through to greater use of local suppliers – to reduce the carbon impact of new housing. Clasper Village will provide modern energy efficient

homes within walking distance of both central Gateshead and Newcastle and public transport links. Air Source heat pumps will be provided on the affordable units and EV charging will be enabled throughout the development.

## 9. Consultation and Engagement

9.1 Throughout the process, both internal and external consultation has taken place; this has included discussion at Technical Officers Group meeting and Investment Panel. Briefings have been provided in the context of the BHF pipeline of schemes to the elected Mayor and Portfolio lead for Housing Land and Development; both are supportive of the investment. The scheme was consulted externally as part of the planning application and approved, subject a S106 agreement. Consultation and engagement will have included statutory and non-statutory stakeholders and the public. Stakeholder and community engagement was also undertaken with statutory, non-statutory, community groups, landowners, the local authority and parish councils as part of the Masterplan for the site, prior to the submission of the planning application.

## 10. Appendices

10.1 None.

## 11. Background Papers

11.1 NTCA Delegated Decision 8<sup>th</sup> September 2023, Brownfield Housing Fund Programme South of Tyne Pipeline <https://www.northoftyne-ca.gov.uk/wp-content/uploads/2023/09/DD-RECORD.pdf>

## 12. Contact Officers

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## 13. Glossary

13.1 ASHP – Air Source Heat Pumps  
PV – Solar Photovoltaic Panels  
EV – Electric Vehicle Charging  
NTCA – North of Tyne Combined Authority

## 14. Sign-off

1) Portfolio holder: Yes	2) Director of P&P/Head of Service: Yes	3) Director of Finance: Yes	4) Monitoring Officer: Yes
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