



Subject: NTCA Brownfield Housing Fund Programme – Chandless 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 Chandless Scheme, Gateshead, delivered as part of the Brownfield Housing Fund for a total value of £2,160,000.

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 £2,160,000 from the BHF for Chandless, 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

Proposal Name	Chandless, Gateshead
Lead Organisation	Gateshead Council
Delivery Areas	Exemplar Neighbourhood, Gateshead
Timescales	Developer procurement – May 2024 Planning application submission – November 2024 Planning approval – May 2025 Commencement of BHF funded works – August 2025 Completion of BHF Spend – December 2025 First unit started – January 2026 Completion of all units – December 2029
Project Value	£24,341,000
Grant / Loan amount requested	£2,160,000
NTCA Budget Implications:	This forms part of the £49.2m NTCA Brownfield Housing Fund of which £33.261 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 Chandless is a 4.15 hectares brownfield site allocated for development under the Gateshead CSUCP. The site is in a sustainable location close to Gateshead Metropolitan Centre, between Sunderland Road and the Highway. The estate was formerly comprised of 1960s social housing consisting of a mixture of high-rise blocks and maisonettes, and a primary school. The estate suffered with low demand due to the quality of the properties and reputational issues and was subsequently demolished. The site has been cleared since 2015 and given its previous use, it has failed to come forward for redevelopment due to high abnormal costs resulting in an unviable scheme.
- 1.3 The site is within the Exemplar Neighbourhood (ExNe) which is a collection of 6 sub areas and sites on the edge of the Gateshead Urban Core that seeks to create a sustainable and distinctive residential neighbourhood that accommodates intergenerational housing. A Masterplan and SPD was adopted in 2023 that will inform development of all the sites within ExNe. Due to its location at the centre of ExNe, Chandless is an important site to the delivery of the wider ExNe by ensuring that all sites are connected.
- 1.4 The marketing of Chandless as a site within the Exemplar Neighbourhood (ExNe) will require the developer to be in compliance to the councils existing planning policies identified within the Core Strategy and Urban Core Plan, Making Spaces for Growing Places and the Exemplar Neighbourhood SPD and Masterplan. The ExNe requires sustainability and low carbon commitments over and above the borough wide planning policy requirements. This includes all properties that have parking spaces being required to have EV charging points and cycle parking and storage to be provided beyond the standards of the MSGP throughout the neighbourhood to encourage active travel. The project will deliver high quality energy efficient homes to a minimum EPC rating B that will be compliant to the new Standard Assessment Procedure (SAP 10) which

requires homes to produce 30% less carbon dioxide emissions than current standards as part of the new Building Regulations and the 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.

- 1.5 The Gateshead District energy scheme currently provides zero carbon heat via the UK’s largest minewater heat pump and low carbon electricity is provided from a 3.5MW solar park located to the North of Chandless. The aim is that the district energy scheme will be zero carbon by 2030 through further incorporation of zero carbon energy generation methods. There is strong policy backing within planning policy to promote the use of the District Energy scheme within the Exemplar Neighbourhood. Under Core Strategy policy CS16 a developer of Chandless will be ‘expected’ to link into the award-winning Gateshead District Energy Scheme where viable.
- 1.6 As a cleared site, with road infrastructure still in situ, the Council has identified an opportunity via the Brownfield Housing Fund to deliver the site at pace. The Council is seeking to dispose of the site to a developer who will remediate the land and deliver 120 predominantly family homes on the site, in line with the policies within the CSUCP, Exemplar Neighbourhood Masterplan and SPD. In line with planning policy it would include 18 affordable homes.
- 1.7 This site has a viability gap due to abnormal costs and is seeking £2,160,000 from the BHF to make the scheme viable.

1.6 Outputs – Chandless, Gateshead

Measure	Number
Number of new homes brought forward	120
Area of site reclaimed, (re)developed or assembled (ha)	4.15 ha

Other outputs realised by the scheme:

Measure	Number
Number of affordable homes	18 (15%)
Total value of private sector funds leveraged through BHF investment.	£22,181,000
Number of persons employed by the development	310
Number of roles suitable for apprenticeships, graduates or trainees	3
Increased open space, community support and leisure spending	£80,620
Increased education spending	£80,620
Tax revenue generated	£1,205,300
Council tax revenue per annum (included in above figure)	£112,946
Biodiversity Net Gain	10%

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:

- Access and Movement £111,750
- Hardstanding removal & red. Services £1,332,000
- Ground Remediation £224,870
- Gas Protection Measures £211,250

- Piled Foundations £380,000
- Pressure Grouting £500,000
- Services Diversion £197,037
- Substation £200,000
- Attenuation Basin £730,000
- Ecological Mitigation £156,190
- Protected Species Licencing £10,000
- Invasive Species Removal £3,720
- Air Quality & Noise Mitigation £672,000
- BNG Costs £375,000

The total costs for these works is **£5,103,817**.

The BHF will cover the above costs up to the funding ask of **£2,160,000**. Any additional eligible abnormal costs beyond the BHF ask will be covered by the selected developer. However, the BHF will cover in priority the removal of hardstanding, utility diversions and grouting.

1.8 Appraisal

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

Overall RAG assessment	
<p>Strategic case</p> <p>The appraiser considers that the application demonstrates a clear strategic rationale for this type of brownfield project in the Gateshead area and the Case for Change is well evidenced.</p> <p>The Strategic Case also sets out a number of key risks and deliverable and measurable outcomes of the project.</p>	G
<p>Economic case</p> <p>The appraisal confirms that the scheme has a BCR rating of 7.41, indicating potentially very good value for money for the BHF programme.</p>	G
<p>Financial case</p> <p>The Financial Cases provides a breakdown of abnormal brownfield remediation costs totalling £5.1 million. The Council seeks £2.16 million for specific purposes, including hardstanding removal, service redirection, ground remediation, and substation. The appraiser has confirmed that the allocated items are eligible under BHF. While final costs are not yet confirmed the appraiser is satisfied estimates have been developed appropriately and conditions to be included to mitigate risk.</p>	G
<p>Commercial case</p> <p>The commercial case has been assessed to be robust underpinned by strong market evidence produced by specialist property consultant's research.</p> <p>The proposed delivery route is to sell the site to a developer, who has the appropriate funds and ability to deliver the project. The Council will include a buy back clause within the sale on the basis of planning permission being obtained and start on site within 12 months of completion of the sale.</p>	G
<p>Management case</p> <p>Governance structures are set out through an organogram. However, the section of the organogram related to Housing Growth and Delivery lacks specific names assigned to the roles. This is likely due to not having a developer appointed.</p> <p>The management case sets out that the project has appropriate levels of risk and provides relevant mitigations.</p>	A

A monitoring and evaluation plan to deliver and monitor KPIs and project success has not been provided. As such the management case is scored amber until this can be provided.	
Overall rating The appraisal is rated overall as Green by the appraiser.	G

Overview

The scheme has been appraised by Turner & Townsend and presents a strong strategic case that is closely aligned with the Council and Combined Authority's strategic objectives. The project makes a considerable contribution to the local economy and regional and national economic priorities. SMART objectives have been set out and are adjudged to be sound and linked to the BHF objectives. The development is strongly aligned to the Combined Authority's net zero priorities.

The scheme is fully compliant with BHF eligibility criteria. The BHF funding will unlock development on a brownfield site and has indicated a clear market failure given the high amount of abnormal costs leading to viability challenges. It will deliver 120 homes of which 18 will be classed as affordable housing, a policy compliant 15% of all homes delivered.

The grant ask is for £2,160,000 all allocated against eligible items, against a total abnormal cost budget of c. £5 million.

The scheme represents strong value for money with a BCR of 7.41. The scheme also sets out a number of non-monetised benefits which show further benefits including in relation to employment and biodiversity net gain.

The Commercial Case was assessed to be clear and appropriate, with strong market evidence underpinned by research by property consultants. The proposed delivery of the scheme is to sell the site to a developer partner, with the Council putting protection in place through a buy back clause in the event of non-delivery.

The Management Case is considered an amber RAG rating. An organogram sets out the proposed team structures. However, the section of the organogram related to Housing Growth and Delivery lacks specific names assigned to the roles. This is likely due to not having a developer appointed. Alongside this a Monitoring and Evaluation Plan for the benefits has not been provided.

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

1. **Condition 1:** Combined Authority requires Gateshead Council to submit a revised cost plan and include line by line breakdown of abnormal costs to support request for £2.16m once costs finalised.
2. **Condition 2:** Confirmation of appointment of a Developer partner with the funds and ability to deliver the scheme upon completion of the procurement process.
3. **Condition 3:** Any additional costs are covered by the applicant
4. **Condition 4:** 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 will be undertaken and the implications reviewed as part of grant approval. 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 of the North of Tyne in an inclusive manner providing opportunities to access models of housing that provide affordable and private market sale opportunities. The project assists community growth as part of the Exemplar Neighbourhood, as well as supporting the wider inclusive economy work of the combined authority by providing employment opportunities and energy efficient and accessible homes. The project will bring the site back into active use, address environmental image and antisocial problems facing the area.

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. This project will provide energy efficient homes delivered to a modern standard. The developer who purchases will be expected to link into the Gateshead District Energy Network where viable. The network provides low cost and low carbon energy.

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. As part of the Exemplar Neighbourhood, the scheme has been through extensive consultation with stakeholders and the general public. Masterplan and SPD consultation was undertaken in 2021 and 2022 and as part of future planning in 2024 further statutory and non-statutory stakeholders and public engagement will be undertaken.

10. Appendices

10.1 None.

11. Background Papers

11.1 NTCA Delegated Decision 8th 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

BHF – Brownfield Housing Fund
NEMCA – North East Mayoral Combined Authority
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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