



Delegated Decision Report

08 August 2023

**Subject: NTCA Brownfield Housing Fund Programme – Walker
Riverside, 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. Schemes which pass the initial gateway process have been added to the pipeline and invited to prepare a full business case. Walker Riverside is one of those schemes.

On the 29th 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 Walker Riverside project delivered as part of the Brownfield Housing Fund for a total value of £4,871,192.

Recommendations

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

- i. approve £4,871,192 for Walker Riverside, Newcastle subject to the funding conditions set out in paragraph 1.6

1. Background Information, Proposals and Timetable for Implementation

Proposal Name	Walker Riverside, Newcastle																																						
Lead Organisation	Newcastle City Council																																						
Delivery Areas	Newcastle																																						
Timescales	<table border="1"> <thead> <tr> <th colspan="2">Project Plan Delivery Milestone</th> </tr> <tr> <th>Milestone</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Phase 1A NCC appoint development partner</td> <td>Dec 2023</td> </tr> <tr> <td>Phase 1A Planning</td> <td>Spring 2024</td> </tr> <tr> <td>Phase 1A Start on Site</td> <td>Autumn 2024</td> </tr> <tr> <td>Phase 1A Complete</td> <td>Autumn 2026</td> </tr> <tr> <td>Phase 1B PfP planning</td> <td>Winter 2023</td> </tr> <tr> <td>Phase 1B Site Remediation</td> <td>Summer 2024</td> </tr> <tr> <td>Phase 1B Start on Site</td> <td>Autumn 2024</td> </tr> <tr> <td>Phase 1B Complete</td> <td>Autumn 2026</td> </tr> <tr> <td>Phase 2 Existing Property Decant</td> <td>January – December 2024</td> </tr> <tr> <td>Phase 2 Demolition</td> <td>June 2024 – March 2025</td> </tr> <tr> <td>Phase 2 Planning Process</td> <td>Summer 2025</td> </tr> <tr> <td>Phase 2 Start on Site</td> <td>Autumn 2025</td> </tr> <tr> <td>Phase 2 Complete</td> <td>Autumn 2027</td> </tr> <tr> <td>Phase 3 Site Purchase</td> <td>Spring 2024</td> </tr> <tr> <td>Phase 3 Planning Process</td> <td>Summer 2025</td> </tr> <tr> <td>Phase 3 Start on Site</td> <td>Autumn 2027</td> </tr> <tr> <td>Phase 3 Complete</td> <td>Autumn 2029</td> </tr> </tbody> </table>	Project Plan Delivery Milestone		Milestone	Date	Phase 1A NCC appoint development partner	Dec 2023	Phase 1A Planning	Spring 2024	Phase 1A Start on Site	Autumn 2024	Phase 1A Complete	Autumn 2026	Phase 1B PfP planning	Winter 2023	Phase 1B Site Remediation	Summer 2024	Phase 1B Start on Site	Autumn 2024	Phase 1B Complete	Autumn 2026	Phase 2 Existing Property Decant	January – December 2024	Phase 2 Demolition	June 2024 – March 2025	Phase 2 Planning Process	Summer 2025	Phase 2 Start on Site	Autumn 2025	Phase 2 Complete	Autumn 2027	Phase 3 Site Purchase	Spring 2024	Phase 3 Planning Process	Summer 2025	Phase 3 Start on Site	Autumn 2027	Phase 3 Complete	Autumn 2029
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Project Value	£48,710,638																																						
Grant / Loan amount requested	£4,871,192																																						
NTCA Budget Implications:	This forms part of the £31.8m NTCA Brownfield Housing Fund																																						

- 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. 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 This scheme relates to the Walker Riverside site in the East End of Newcastle (approximately 3 miles east of Newcastle City Centre). Walker has been a strategic regeneration priority for the Council since the early 2000s, having experienced a population loss of 40% between 1971 and 2001. The applicant is Newcastle City Council who aim to create a new neighbourhood of approximately 277 high quality, mixed size and tenure homes on brownfield sites within a green and natural setting, that will generate a regeneration uplift to the wider area.
- 1.4 BHF funding is required to address cost / value gap due to high demolition costs and abnormal construction costs. BHF funding will be used to pay for eligible works comprising of:
- Phase 2 – acquisition costs - £300,000
 - Phase 2 – demolition costs - £695,000
 - Phase 3 - remediation costs - £2,176,275
 - Phase 5 – purchase of former gas holder site - £300,000
 - Strategic SuDS network - £1,250,000
 - Oncosts - £149,917
- 1.5 A full external green book appraisal has been undertaken which rated the project overall as Green. The appraiser noted the scheme aligns with NTCA strategic objectives of providing new homes on brownfield land of mixed tenures and also serves the Levelling Up agenda of investing in one of the 10 most deprived LSOAs in the North East. The appraiser noted that there were clear management and decision arrangements in place, with a programme for delivery, a delivery strategy and clear procurement and development agreement approaches. The scheme overall has a BCR of 1.5 which indicates good value for money for the BHF programme and meets the minimum Benefit Cost Ratio of 1.

The financial case is currently rated as Amber, the appraiser has stated that this is due to an uncertainty around costs although the costs provided do align with BCIS benchmarking.

The appraiser has flagged that the costs included are not based on agreed tender prices and/or agreed exact design and tenure mix. As such they are potentially subject to change. However, the appraiser's assessment against Building Cost Information Service benchmarks suggests that they seem a reasonable estimate.

The grant funding almost exactly equates to the abnormal costs on the appraisal, therefore it is suggested that a clawback clause is included in the grant agreement, if in delivery of the works there is a cost saving up to 100% of the total grant funding.

Having reviewed the other assumptions within the development appraisal including value assumptions the appraiser has confirmed their view that the assumptions are justified and in line with market norms, except the developers profit which is set at nil and is seen as a way for the Council to help contribute to the viability of the project.

All other cases are rated as Green.

- 1.6 The Walker Riverside scheme was approved for Brownfield Housing Funding of up to £4,871,192 by Investment Panel by Written Procedure in August 2023 subject to the following conditions:
1. SMART objectives and KPIs agreed as
 - a. bring forward 10.7-hectare site gross (7.7 Net Developable) of brownfield land for development by September 2024
 - b. deliver first 45 residential units by March 2026

- c. deliver all 277 residential units by September 2029.
- 2. Provide more detailed milestones in line with detailed programme provided and agree these with NTCA. Milestones to include planning application submission dates, planning approval dates and key procurement dates for contractors.
- 3. Further details on monitoring and in particular phases delivered by PfP to be provided and agreed.
- 4. Details and timing of project evaluation to be agreed with NTCA.
- 5. Costs – Grant based on abnormal costs which are to set as a maximum sum and subject to 100% clawback of any cost savings.
- 6. Clawback – as agreed with the applicant a full open book clawback assessment to be carried out on completion of all phases to reflect actual tenure mix delivered, actual scheme costs and values.
- 7. Subsidy Control position to be assessed by suitably qualified lawyer and GFA to include any conditions deemed appropriate.
- 8. Business Case to be amended to reflect changes under appraisal and in particular to amalgamate revised economic case provided by Savills with main draft of the business case which must then be signed off and issued as a final version. Economic Case to also be amended to include an explanation/justification for why the wider LVU is applicable.

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 29th 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 7th July 2022, Brownfield Housing Fund Programme Pipeline
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2022/07/REPORT.pdf>

12. Contact Officers

Cheryl Askill, Project Manager (Housing & Infrastructure), Cheryl.Askill@northoftyne-ca.gov.uk
 Andrew Nicholson, Project Manager (Housing and Infrastructure), Andrew.Nicholson@northoftyne-ca.gov.uk

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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