



**Subject:** NTCA Brownfield Housing Fund Programme – Social Housing Schemes, North Tyneside

**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 (BHF). 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. Social Housing Schemes North Tyneside is one of those schemes.

On 29 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 £1,445,570.

## Recommendations

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

1. To approve £1,445,570 from the NTCA Brownfield Housing Fund for Social Housing Sites, North Tyneside, 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 of and sign off on final cost plans prior to funding being released.

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

<b>Proposal Name</b>	<b>North Tyneside Council Social Housing Sites</b>
<b>Lead Organisation</b>	North Tyneside Council
<b>Delivery Areas</b>	1. Rosehill Social Club, Angle Terrace, Wallsend, NE28 7BQ 2. Parkside House, Elton Street East, Wallsend. NE28 8QU 3. Benton Lane, Longbenton, Newcastle upon Tyne, Tyne & Wear, NE12 8PB
<b>Timescales</b>	All sites in ownership Jan 2024 Site investigations and mitigation strategy in place April 2024  Planning secured June 2024

	Funding completed to fit final cost plan June 2024 Council signs off to proceed July 2024 Procurement of contractor - ground works Oct 2024 Completion of BHF Spend Dec 2024 Start on site groundworks/ main contract Oct 2024/ Jan 2025 Practical completion (Rosehill/ Parkside) Dec 2025 Handover to client body - Director of Housing and Property Services Jan 2026 First lettings (Rosehill/ Parkside) Jan 2026 Practical Completion (Longbenton) March 2026 Handover to client body - Director of Housing and Property Services April 2026
<b>Project Value</b>	£11,045,470
<b>Grant amount requested</b>	£1,445,570
<b>NTCA Budget Implications:</b>	This forms part of the £49.2m Brownfield Housing Fund of which £35.421 has been recommended for approval.

- 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 up to March 2025, updating the delivery plan annually.
- 1.3 North Tyneside Council Social Housing Sites, North Tyneside is the next scheme to be brought forward and be considered in the North of Tyne pipeline. The project will bring forward a portfolio of three sites across North Tyneside that have remained empty for between 8-10 years and will deliver 67 affordable homes.
- 1.4 The scheme will support housing led regeneration across North Tyneside. Additionally, the project will contribute to the Council's adopted regeneration plans including to build 5,000 new affordable homes as adopted in Building a Better North Tyneside, the Housing Strategy 2023-8, and the Wallsend Master Plan. The schemes will tackle the impacts of dereliction, vacancy and problematic properties by bringing forwards affordable energy efficient modern housing.
- 1.5 The Council already owns 2 of the 3 sites (Parkside House and Rosehill Social Club) and is on the cusp of purchasing the third site (Church of St Peter and St Paul). The market has not come forward with a viable scheme on any of the 3 sites and the Council has intervened to prevent them falling into further dereliction and further blighting the deprived areas that they occupy. This scheme will deliver 67 units and all of them will be available for social rent as follows:
- 14 x one and two bed apartments.
  - 15 x two bed houses; and,
  - 38 x three bed houses.

1.6 The Council will procure a single contractor to complete the demolition, remediation and infrastructure work needed on each site. The Council will also procure a contractor and oversee the construction of the new homes, and then retain the properties which are to be let at social rents. These sites have a clear viability gap and BHF funding of £1,445,570 has been sought to unlock the development. Further details of each scheme are below:

### **1.7 Parkside house**

A former office (opposite the Forum Shopping Centre) that has been empty for eight years. The proposal is for 10 apartments for social rent. BHF funding will be used to demolish the existing structure, land remediation / site preparation. Failure to tackle the problem site will undermine the significant investments made / planned under the Wallsend Masterplan.

Parkside House has remained empty for 8 years. This vacant office property, located in central Wallsend is deteriorating in condition and affecting confidence in the town and its continued blight is of concern to local residents across the neighbourhood. The site was acquired in September 2023 by the council and consists of an office building and car park/lands that was previously used by the Royal National Institute of the Blind.

The office market is challenging in Wallsend with the subject site being marketed through a tender process and no office occupier coming forward. It seems therefore that there is no real prospect of an alternate commercial occupier wishing to make use of Parkside House and therefore residential development is more appropriate.

As is demonstrated by the valuations provided, regardless of a full open market value scheme coming forward the cost of either refurbishment or demolition the property values and GDV are so low that it will produce a negative land value. Therefore, no other options except for a public sector led solution for which a residential scheme such as that proposed is most appropriate. An existing residential planning permission has lapsed, and the Council intends to submit a revised planning application once funding is secured for the site.

### **1.8 Former Rosehill Social Club**

The former Rosehill Social Club has remained empty for 9 years and is in an area of high deprivation. It closed in 2014 and is now a target for vandalism and anti-social behaviour. It has been purchased by the Council to prevent further decline. BHF is to be used for demolition works and preparing the land for housing development. This derelict eyesore located at a prominent junction in the neighbourhood gives way for 9 units for social rent (a mix of 3 bed homes, 1 / 2 bed apartments).

There is no realistic chance of the private sector considering alternative uses given its poor location and its restricted access. The Social Club closed its doors in 2014 due to poor trading and has been vacant since. This suggests a lack of demand in the area for a renewed leisure offer on this site. Across the Wallsend area, there is limited demand for new office space with current facilities underoccupied. This site is situated in a primarily residential area, where the development of office or other commercial offerings would be out of place. There has been a lack of interest in the site for the development of retail space since it became vacant, and this is a reflection of the retail oversupply in Wallsend.

Therefore, residential appears to be the only option and the situation is similar, if not worse, than Parkside House in Wallsend. Property Values and GDV are a barrier to development. This is reflected in the site's previous planning permission for the construction of new homes which did not come to fruition. A public sector led development is thus the most appropriate course of action for utilising this vacant site. The principle of building 9 homes at this site has previously been secured through a planning permission. The Council intends to submit a revised planning application once funding is secured for the site.

## 1.9 The Church of St Peter and St Paul

St Peter & Paul's Church has remained empty for 10 years. The decommissioned church and adjoining presbytery of St Peter and Paul, lies derelict and is in the process of being acquired by the Council, in recognition of its locally strategic importance, which will unlock an inaccessible Council owned site.

A 1.5 ha site comprising 0.311 ha of brownfield land will be a catalyst for a wider housing development in the council's ownership which will be opened up by the proposed Brownfield works. BHF funding will be used for the acquisition of the site, demolition of the existing church, wider site clearance, land remediation and Infrastructure works. Approximately ten homes can be located on the remediated brownfield site; and overall, a total of 48 homes (2 bed and 3 bed homes), all for social rent will be unlocked. Purchase of the site by others would potentially delay and frustrated the Council from delivering housing on its existing land interests. The Council expects to purchase the site in early 2024 and submit a planning application by December 2024 at the latest.

In respect of alternative development on the site, the private sector would be unable to develop an open market value scheme. The viability valuations provided show that a full open market scheme with the acquisition of the land and buildings would make a 7% profit which is too low to be attractive to either national or local house builders due to the risk in increased costs and potentially falling residential values. Alternative commercial development would also be unlikely.

## 1.10 Outputs

Measure	Number
Number of new homes brought forward	67
Area of site reclaimed, (re)developed or assembled (ha)	0.66 ha

## 1.11 Costs

A summary of the proposed works and associated costs is set out below. Costs will be further refined through site investigations and the applicant will re-submit their appraisal figures to reflect the findings.

The funding will cover a range of costs, including:

Eligible Costs requested		Cost
1	SDLT	£22,200
2	Agent Acquisition Fees	£10,050
3	Legal Acquisition Fees	£8,100
4	Demolition	£520,000
5	Remediation	£300,000
6	S278 Highways	£120,000
7	Abnormal Foundations	£76,000
8	Utility Provision/Diversion	£60,000
9	Site Acquisition	£329,120
<b>Total</b>		<b>£1,445,470</b>

## 1.12 Appraisal

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

<b>Overall RAG assessment</b>	
<b>Strategic case</b> The appraiser considers the project aligns to various strategies of North Tyneside and the Northeast at national, local, and regional level. There is also clear alignment to the Combined Authority's Corporate Plan, objectives, and strategic aims.	<b>G</b>
<b>Economic case</b> The appraisal confirms that the scheme has a BCR rating of 4.6, indicating potential good value for money for the BHF programme. The BCR excludes construction costs, reflecting that funding is sought solely for remediation and preparation costs.	<b>G</b>
<b>Financial case</b> The appraiser has assessed the financial case as an amber RAG rating. This is due to site investigations not being able to be done until site clearances have been completed in Q4 2024. Conditions have been recommended to mitigate this rating.	<b>A</b>
<b>Commercial case</b> The appraiser considered the commercial case to be robust and evidenced.	<b>G</b>
<b>Management case</b> The management case is rated Green RAG rating. The governance structures are clear and appropriate, and North Tyneside Council has a considerable successful track record in delivering similar schemes.	<b>G</b>
<b>Overall rating</b> The appraisal is rated overall as Green by the appraiser.	<b>G</b>

## Overview

The scheme has been appraised by Thrive Economics who have assessed the strategic case as Green. They noted the development is closely aligned with the Combined Authority's and the Councils' strategic economic objectives. The Council has committed to including solar panels and air source heat pumps on all the properties. In this respect the three schemes will make a major contribution to the drive towards net zero, reflecting a key ambition of the Combined Authority.

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 appraiser has stated the project has a clear and appropriate commercial case and have marked this, Green. The procurement plan is clear – the Council will firstly procure a contractor to complete demolitions, remediation and preparatory works including infrastructure through the NEPO Framework. The Council will then use the same Framework to procure a contractor to construct the affordable housing units. The Council has considerable experience of designing and delivering compliant procurement exercises. In relation to asset ownership, the Council will retain ownership of the land and housing units which will be let as affordable rent units.

The Economic Case is also Green and the appraiser noted the gross and net outputs of the preferred option have been assessed appropriately with relevant assumptions, and allowance for optimism bias. The scheme achieves a Benefit Cost Ratio comfortably in excess of the minimum level of 1 and represent good value for money for the public purse. The Key Performance Indicators take the form of milestones and are clear, comprehensive, achievable, and consistent with the nature of the scheme.

The financial case has been marked as Amber due to site investigation work not being able to be completed until after site clearance. However, the appraisal team consider the assumptions applied in the Development Appraisal and Cashflow to be reasonable and in line with current market conditions. The Development Appraisal demonstrates that without the BHF approval the 3 schemes are not viable. The funds will allow the applicant to demonstrate a viable development and procure the demolition works required to enable the site investigations that will inform and de-risk the estimated costs.

It is recommended that the Combined Authority confirm their acceptance of these costs and request the applicant to update and re-submit their appraisal figures to reflect the findings of the site investigation reports once published and following the preparation of a cost plan by the appointed QS.

The management case has been noted as Green and the appraiser has stated that the governance structures are clear and appropriate, and North Tyneside Council has a considerable successful track record in delivering similar schemes. There is also a clear delivery plan, and the timescales appear achievable with sufficient time allowed for the tasks that need completing before site remediation and preparation can commence. The monitoring and evaluation framework is a little light, but the appraisal team offer a recommendation for the Combined Authority on how the evaluation approach could be enhanced. A subsidy control position has been provided which will be assessed by the NTCA's legal team.

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

1. **Condition 1:** Site investigation: It is recommended that site investigation work is completed on the two sites that are already in the Council's ownership. This information can be used to adjust the remediation budgets if needed. It is suggested that the Council completes site investigation work by Spring 2024 and informs the Combined Authority of any changes to the budget.
2. **Condition 2:** Any additional costs are covered by the applicant.
3. **Condition 3:** Delivery progress: It is recommended that the Council update the Combined Authority when the following milestones are achieved:
  - a. Purchase of Benton Lane site;
  - b. Planning permission secured for each of the 3 sites;
  - c. All site investigations completed; and,
  - d. Preferred contractor appointed and budget confirmed.
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 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 prevent further dereliction, address issues of anti-social behaviour and environmental damage across these brownfield sites and will provide 67 affordable housing units.

### **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. All homes on these sites will be built off gas using Air Source Heat Pumps and Solar PV.

### **9. Consultation and Engagement**

- 9.1 There has been extensive public consultation on the Wallsend Masterplan and with local residents around the Rosehill site due to the condition of the building and planned demolition. Further consultation will be undertaken as part of planning processes.

### **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**

Andrew Nicholson, Project Manager (Housing and Infrastructure), [Andrew.Nicholson@northoftyne-ca.gov.uk](mailto: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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