

Subject: NTCA Brownfield Housing Fund Programme – Bellingham Mart**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. 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 April 2021. Schemes which pass the initial gateway process have been added to the pipeline and invited to prepare a full business case. Bellingham Mart 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 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 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 Bellingham Mart project delivered as part of the Brownfield Housing Fund for a total value of £1,369,543.

Recommendations

The Managing Director (Head of Paid Service) is recommended to

- i. approve £1,369,543 for Bellingham Mart, subject to the funding conditions set out in paragraph 1.6

1. Background Information, Proposals and Timetable for Implementation

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| Proposal Name | Bellingham Mart |
| Lead Organisation | Karbon Homes |
| Delivery Areas | Bellingham, Northumberland |
| Timescales | January 2022 to March 2025 |
| Project Value | £9.58 million |
| Grant / Loan amount requested | £1,369,543 |
| NTCA Budget Implications: | This forms part of the £24m 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. 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 April 2021. 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 The site is the former Bellingham Auction Mart in Bellingham, Northumberland. It has been overgrown scrub land for many years and is located to the rear of Bellingham's high street. The proposal is for 60 residential units, which would be a mix of 1, 2 and 3 bedroomed flats, houses and bungalows in a mix of tenures including rent to buy, shared ownership, supported housing / care ready and affordable rent. Without BHF funding, the scheme is commercially unviable and would not be delivered.
- 1.4 BHF funding is required to address cost / value gap as set out in the schemes submitted development appraisal. BHF funding will be used to pay for eligible works comprising of: land acquisition, off site Section 278 works, site clearance, off-site water/electric, service diversion, attenuation tank and an off-site sewer agreement.
- 1.5 A full external green book appraisal has been undertaken which found that the scheme has a clear strategic rationale and aligns with the strategic ambitions of the North of Tyne Combined Authority and reflects the Brownfield Housing Fund criteria set out by DLUHC. The scheme meets the minimum Benefit Cost Ratio of 1 and the full business case and appraisal confirms that the investment of £1,369,543 will unlock the development of 60 homes. The grant recipient, Karbon Homes, have a strong track record of development within the region. They are supported by the developer, Maple Oak Living.
- 1.6 NTCA Investment Panel considered the proposal by written procedure in January 2022 and recommended to the Managing Director (Head of Paid Service) that funding of £1,369,543 is agreed subject to the following conditions:
- Prior to payment of any claim by NTCA, the applicant must provide evidence planning permission for the site has been secured
 - The applicant to bear any cost over runs in relation to development costs.
 - Applicant to provide valuations prepared in accordance with the RICS Valuation - Global Standards (January 2020) as amended, published by the Royal Institution of Chartered Surveyors ("RICS") ("the Red Book") and the IVSC International Valuation Standards (IVS). If market value of the site 'as is', is lower than £760,000 then this will be netted off the grant by

a corresponding amount and if market value of the proposed scheme is greater than £5,510,360 this will be netted off the grant by a corresponding amount.

- The total development costs for the site as set out in the business case amount to £9,579,903. Development profit for the scheme will be capped at 9% of these costs up to £862,191. Any profit in excess of this will be clawed back.
- Compliance with the Subsidy Control requirements

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 receipt of a full, detailed cost plan and receipt of the Subsidy Control assessment associated with this development.

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 till 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.

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 socio-economic background.

7. Inclusive Economy Implications

7.1 The project sets out a range of interventions that will grow the economy of the North of Tyne in an inclusive manner providing opportunities for community growth as well as supporting the wider inclusive economy work of the combined authority by providing high quality affordable homes.

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 scheme was consulted on as part of the planning application 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 18th June 2021, Brownfield Housing Fund Programme Pipeline
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2021/06/REPORT-5.pdf>

12. Contact Officers

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11. Sign-off

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| 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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