



Delegated Decision Report

2nd March 2021

Subject: NTCA Brownfield Housing Fund Programme – North Shields Masterplan Area

Report of: Director of Economic Growth

Portfolio: Housing and Land

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. The draft pipeline was considered by the Housing & Land Board and Investment Panel with a recommendation that the schemes that pass the initial gateway assessment are accepted onto the programme. Quick win projects that have made it past the gateway process and can spend in year 1 have been invited to prepare a full business case, North Shields Masterplan Area is one of those schemes.

The purpose of this report is to request the approval of the North Shields Masterplan Area project delivered as part of the Brownfield Housing Fund for a total value of £6.385 million.

On the 29th September 2020 NTCA Cabinet considered a report on the North of Tyne Brownfield Housing Fund Programme and authorised the Interim 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 Interim 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.

Recommendations

The Interim Head of Paid Service is recommended to

- i. approve £6.385 million for North Shields Masterplan Area, subject to the funding conditions set out in paragraph 1.7

1. Background Information, Proposals and Timetable for Implementation

Proposal Name	North Shields Masterplan Area
Lead Organisation	North Tyneside Council
Delivery Areas	North Shields
Timescales	March 2021 to March 2025
Project Value	£71.6m
Grant / Loan amount requested	£6.385 million
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 as part of a compressed process to develop and agree a programme by March 2021. The initial pipeline made up of projects totalling £21.5 million was considered by the Housing & Land Board and Investment Panel in November 2020. Quick wins projects that have made it past an initial gateway process and can spend in year 1 have been invited to prepare a full business case. The eligible start date for expenditure is 1st December 2020 when the project was accepted onto the programme, full business cases coming forward for consideration after this date are able to claim money retrospectively to this date.
- 1.3 North Shields Masterplan Area comprises the redevelopment of three sites:
- Unicorn House, Smith's Dock and Tyne Brand. Unicorn House comprises the former Unicorn House office block and surrounding area, this has been vacant for several years. Funding is required for demolition, land remediation infrastructure, access roads to sub-station, and communal garden areas to be developed. BHF will allow 28 new homes to be built on the site.
 - Smith's Dock is an ongoing development that has two completed phases. Works have stalled due to the discovery of a worked underground coal seam and significant further works are necessary to the sites "dock promenade" and retaining wall to unlock further development parcels. These present a challenge for project viability and will block future phases of development including the provision of up to a further 660 homes.
 - The former Tyne Brand factory is part of a complex development site in multiple ownership and requires land assembly, demolition, removal of asbestos, and land remediation prior to development commencing. The cost of these works has prevented development on a potentially attractive location close to the revitalised Fish Quay. The commissioning of professional surveys, land acquisition and remediation of the land using BHF will facilitate the construction of at least 114 new homes.
- 1.4 In total, this investment will lead to the redevelopment of 12.6ha of brownfield land and support the delivery of 802 net new additional homes. It is anticipated the development of these key sites will stimulate private sector investment and confidence in the area. It will bring forward housing developments that have stalled, which will make a significant contribution to the regeneration of North Shields and the ongoing renaissance of the Fish Quay. It is estimated that the developments will support over 500 construction on-site jobs, will support the viability of local shops and services, and make significant tax and infrastructure contributions.
- 1.5 BHF is essential in ensuring the proposed activity happens, without it the high upfront costs to prepare these sites for development would continue to have a negative impact on development viability and

regeneration activity will continue to stall. This would have a detrimental impact on the potential delivery of regeneration activity across the wider area and result in the areas continued decline and negative social and economic outcomes for the community.

1.6 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 MHCLG. The scheme meets the minimum Benefit Cost Ratio of 1 and the full business case and appraisal confirms that the investment of £6.385 million will unlock the development of 802 homes. When considering the contribution from BHF, this results in a ratio of £36 of private sector match for every £1 of public sector investment, which is exceptional value. The appraisal also notes that due to the sites being at varying stages of development, less information has been provided for Unicorn House and Tyne Brand and conditions are recommended to ensure that sufficient information is provided when it is available. It is also recommended that a break clause attached to a number of milestones is used for the Tyne Brand scheme. This will lower the risk to NTCA and allow the development to proceed.

1.7 NTCA Investment Panel considered the proposal on the 16th February and recommended to the Interim Head of Paid Service that funding of £6.385 million is agreed subject to the following conditions:

- Subsidy Regime –North Tyneside Council should provide independent written legal advice setting out how the three individual projects within the North Shields Master Plan scheme are compliant with the UK’s new Subsidy Regime
- The Combined Authority to include in the Grant Funding Agreement a break clause attached to a number of milestones to be agreed with North Tyneside Council, in respect of the Tyne Brand element of the proposal
- Priced risk registers – a priced risk register is requested for Unicorn House and Tyne Brand
- Development appraisal review – an updated Development Appraisal is required from North Tyneside Council once the costs and values are more firmly established for Tyne Brand. The viability gap will be reviewed and confirmed prior to the approval of any final funding tranches.

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 State Aid adjudication 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. All funding associated with this scheme is expected to be claimed by 31 March 2021. Resources are available in the NTCA budget to cover the proposed expenditure.

5. Legal Implications

5.1 The comments of the Interim Monitoring Officer are included in the report. NTCA will continue to work with legal colleagues to agree the recommended break clauses for inclusion in the grant funding agreement.

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 homes in a range of type and tenure.

8. Climate Change Implications

8.1 NTCA 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 three sites form part of the North Shields Town Centre and Fish Quay Masterplan. A draft masterplan was consulted on Summer and Autumn 2020, ahead of it approved by North Tyneside Council’s Cabinet in January 2021.

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>

NTCA Delegated Decision Report 1st December 2020, Brownfield Housing Fund Programme Pipeline
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2020/12/REPORT.pdf>

12. Contact Officers

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11. 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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