

**Title:** Brownfield Housing Fund (BHF) – Horden Masterplan, Durham  
**Report of:** Andrew Nicholson - Project Manager (Housing and Land)  
**Portfolio:** Housing and Land

## Report Summary

The purpose of this report is to request the approval of the Horden Master Plan, Durham, delivered as part of the Brownfield Housing Fund for a total value of £4,500,000. This report provides an overview of the Horden Masterplan, Durham County Council proposal for the Brownfield Housing Fund and summarises the outcome of the appraisal undertaken on the project.

## 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 £4,500,000 from the BHF for The Horden Masterplan scheme 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

## A. Context

On 26th September 2023, NTCA Cabinet 'delegated responsibility to mobilise and take funding decisions, including the management of contractual and delivery risks, in relation to the North East CA's Devolved Brownfield Housing Funding to the Chief Executive in consultation with Investment Panel. And authorised the Monitoring Officer and Chief Finance Officer to take all steps necessary to progress these programmes to meet the funding timetables agreed with Government'. (Cabinet Meeting 26 September 2023, Minute no 6 Resolution 4). In May 2024, the North East CA Cabinet agreed that 'the formal decisions which the former North East Combined Authority and the former North of Tyne Combined Authority made be treated as decisions of the Authority.'(Cabinet meeting 7 May 2024, Minute no C6/5/24 (4)).

The North East CA compiled a pipeline of sites across the local authorities that have been invited to progress to full business case. These schemes are being progressed and £43,837,924 (Excluding this project) of the £49,240,221 BHF has been committed to date. Newbiggin Hall, Scotswood The Rise Phase 2, North Shields Masterplan Area, Commissioners Quay, Bellingham Mart, Scotswood The Rise Phases 3, 5 and 5A, Ellington Colliery Phases 3 & 4, The Esplanade, Lyndon Walk, Walker Riverside, Hadston Industrial Estate, Clasper Village, Kelly's Yard, Chandless, Social Housing Sites North Tyneside, Benwell Dene, Sheepfolds and Farringdon Row have been approved from the pipeline. Horden Masterplan is the next scheme to be brought forward from the North East CA BHF Pipeline.

The Horden Masterplan will deliver Phase 1a (Third Street) Phase 1b (land adjacent to Third Street) and Fifth Street (Phase 2) of the housing led Masterplan for Horden. Unlocking this 3.3ha brownfield site will tackle viability issues to bring forward a brownfield site in an area of high market failure by March 2026 to enable

the delivery of 105 new dwellings within this community including 66 affordable units. This funding will enable the council to utilise an additional £6.2m of council funding to bring forward Fifth Street and make a larger land assemblage of Third, Fourth and Fifth Streets. This will provide an opportunity to bring forward the first two phases of the Horden Masterplan for the benefit of the wider community of Horden.

Horden is a former mining village and following the closure of Horden Colliery in 1987, its population has fallen, and it now suffers from a range of socio-economic issues, including problems related to its poor housing stock. The issue of poor-quality housing and environment is particularly prevalent in an area known as 'The Numbered Streets' where this project is located. If successful, the funding will act as a catalyst for bringing forward the wider proposals including a further 132 new houses, 83 refurbished houses, a supported care/living facility, commercial units and improved walking and cycling routes. The Horden Masterplan is a major regeneration project for Durham County Council.

The Numbered Streets within Horden are specifically referenced as a priority for regeneration within the Council's Housing Strategy where empty low-quality homes are a particular issue. Council Tax data shows that circa 27% of the housing stock is currently vacant (recent assessment indicates 37% in some streets). The area's stock has significantly fewer semi-detached and detached properties than national comparators, along with lower levels of home ownership. Median house values are less than 50% of the County Durham median average, with some properties currently being marketed for between £5,000 and £20,000. The Horden masterplan aims to address the issue of long-term empty homes and deliver new, high-quality housing providing a range of housing types and tenures. The masterplan's delivery will make a significant contribution towards the physical and social regeneration of one of the most deprived areas in County Durham.

The new homes will offer a mix of affordable and market rate 2- and 3-bedroom high quality homes that will incorporate renewable energy and low carbon design features. The new properties are expected to reduce CO2 emissions from an average of 3.9te per unit to 1.5te per unit and a potential cost savings of £652 per unit per annum. The newly built properties will be compliant with the County Durham Plan (CDP), National Planning Policy Framework and Supplementary Planning Documents. CDP Policy 29 sets down a raft of sustainable design requirements, including that proposals should promote zero carbon emissions. CDP policies also require the new build properties will contribute positively to an area's character, identity, heritage significance, townscape and landscape features, helping to create and reinforce locally distinctive and sustainable communities.

The development appraisal demonstrates the scheme is unviable without intervention due to site constraints, significant abnormal development costs, and suppressed property and land values, resulting in an evidenced funding gap of £8,556,702. As such, an amount of £4,500,000 is requested from the Brownfield Housing Fund with the remaining gap funded by DCC to unlock 3.3ha of brownfield land and to support the first two phases of the Horden Masterplan which will see the development of 105 high quality homes within Horden. The funding will go towards land acquisition, demolition, site clearance and service diversion.

### **3.0 Project Outline**

#### **3.1 Key information**

<b>Proposal Name</b>	Horden Masterplan
<b>Lead Organisation</b>	Durham County Council
<b>Delivery Areas</b>	Housing and Land

<b>Timescales</b>	Site Assembly Start Date – 1 <sup>st</sup> June 2025 Commence Construction – 30 <sup>th</sup> June 2025 First Unit completed 31 <sup>st</sup> March 2026 Financial Completion 31 <sup>st</sup> March 2026
<b>Project Value</b>	£20,037,629
<b>Grant / Loan amount requested</b>	£4,500,000
<b>Budget Implications:</b>	£48,337,924 allocated (inc. Horden Master Plan) from £49,214,534 fund. Only £876,610 remaining after this project has been approved. However, further potential for underspend within the programme will be kept under review and any proposals to re-allocate underspend would be brought forward with support of relevant local authorities.

### 3.2 Funding Profile

<b>FUNDING</b>			
	<b>24/25</b>	<b>25/26</b>	<b>Total</b>
BHF		£4,500,000	£4,500,000
<b>Total</b>		£4,500,000	£4,500,000

### Cost Breakdown

The table below sets out the eligible costs associated with the proposals. These costs total £6,647,327, however, £4.5m is sought as part of this application with remaining eligible costs funded by DCC.

Land Acquisition	£4,070,054.00
Asbestos Removal	£105,000.00
Demolition	£429,545.00
Site Clearance	£1,145,455.00
Service Diversions	£477,273.00
Part L&F (ASHPs etc.)	£420,000.00
<b>Total</b>	<b>£6,647,327</b>

Full tendered costs will be supplied on procurement of developer.

### 3.3 Outputs/Outcomes

<b>Measure</b>	<b>Number</b>
Number of new homes brought forward	105
Area of site reclaimed, (re)developed or assembled (ha)	3.3 ha

*Other outputs/outcomes realised by the scheme:*

Measure	Number
Affordable Housing	66
Construction Jobs Supported	TBC
Apprenticeships Created	TBC
Total value of private sector funds leveraged through BHF investment.	£13.6m
BCR	1.6
CO2 Savings	252 tonnes of CO2 saved per annum through delivery of higher quality housing
Societal Energy Savings	£652 saved per home per annum through delivery of higher quality housing
Creation of Open Space	Create 0.47 hectares of new open space

### 3.4 Milestones

Headline milestones include:

Project milestone	Delivery date
Project Start Date	01/06/2025
Issue tender for delivery partner	30/09/2024
Select Delivery Partner	31/01/2025
Submit Hybrid Planning Application	31/01/2025
Site Assembly Date	01/06/2025
Commence Construction	30/06/2025
Council House Building Contract start on site	31/01/2026
Financial Completion Date	31/03/2026
Anticipated Project Completion Date (date by which all outputs/outcomes will have been achieved)	31/03/2026

## 4.0 Appraisal

### 4.1 Appraisal Summary

The North East CA commissioned Sanderson Weatherall to undertake an appraisal of the projects business case. The appraisal findings are set out here:

Overall the RAG rating for the project is green with a number of conditions included to mitigate the risks.

The strategic case is rated green, the business case shows a clear strategic rationale and fit with BHF Objectives, NECA Policies and Objective as well as the County Durham Housing Strategy specifically through addressing the problem of empty homes which is a particular issue for the sites identified in this project.

Project costs are currently only supplied at a high level and a full cost review on the abnormal costs has not been able to be completed as there is insufficient detail at this stage. For this reason, the financial case is an amber RAG rating, and this is only possible on the basis that special conditions are applied to the funding

agreement which requires close monitoring of the budget as the scheme develops. This risk will reduce as the project progresses.

The economic case has been rated green on the basis a brief option appraisal is completed prior to Finance and Investment Board. The project has a BCR of 1.51 which shows that the scheme can deliver an acceptable value for money.

The commercial case has been rated Green based on the additional demand and programme information provided by the applicant during the appraisal process. While it is hard to assess the market in Horden as there is no new build stock, a well evidence demand study for affordable housing has been provided. Additionally, the ethos of the scheme is to create a new market in this location and remove the stigma caused by years of decline.

The project is overseen by the Horden Board which is chaired by the council’s Corporate Director for Regeneration, Economy and Growth and supported by the council’s Head of Planning and Housing. Subject to the applicant refining the risk register and updating the milestones within the business case to reflect the updated programme the management case has been rated Green. Subsidy control advise is still to be provided through DWF.

The including economy case has been rated green with the appraiser stating there is no doubt this project has excellent Inclusive Economy credentials. The project has a strong holistic approach to regeneration at the heart of its delivery which targets the built environment with a host of supporting services.

#### 4.2 RAG Assessment

Overall RAG assessment		
Risk Rating	Strategic case	Green
	Commercial case	Green
	Economic case	Green
	Financial case	Amber
	Management case	Green
	<b>Overall rating</b>	<b>Green</b>

#### 4.3 Recommended Conditions of Funding

It is recommended the award of funding should be subject to the following proposed funding conditions:

No.	Condition
1	Maximum Grant of £4.5 million – any cost overruns to be the responsibility of the applicant.
2	Clawback - any upside/additional profit to be shared on the basis of each party’s respective investment into the abnormal costs of this project.
3	Subsidy Control position to be assessed by suitably qualified lawyer, once the applicants legal opinion has been provided..

4	Further options analysis for this specific phase of the scheme should be provided in Business Case
---	--

## **B. Impact on North East Combined Authority Objectives**

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 across the region.

## **C. Key risks**

The risks associated with this application have been mitigated through funding conditions. These includes continued monitoring of cost as the project develops and a clawback clause regarding excess profits.

## **D. Financial and other resources implications**

In line with our agreed claims process, grants will be paid at the agreed intervention rate quarterly in arrears and upon verification of costs.

The financial completion date for the project is March 2026.

## **E. Legal implications**

The comments of the Monitoring Officer have been included in this report.

## **F. Equalities implications**

North East CA is committed to driving equality and diversity. The measures contained within this paper will help meet duties under the Equality Act 2010, particularly around advancing equality of opportunity for those with protected characteristics, particularly with regard to socio-economic background. 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.

An Equalities Impact Assessment has been undertaken and the implications reviewed. 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.

## **G. Consultation and engagement**

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. The scheme was consulted externally as part of the planning application and approved, subject a S106 agreement. Consultation and engagement will have included statutory and non-statutory stakeholders and the public. Stakeholder and community engagement was also undertaken with statutory, non-statutory, community groups,

landowners, the local authority and parish councils as part of the Masterplan for the site, prior to the submission of the planning application.

**H. Appendices**

None

**I. Background papers**

NTCA Delegated Decision 8<sup>th</sup> September 2023, Brownfield Housing Fund Programme South of Tyne Pipeline <https://www.northoftyne-ca.gov.uk/wp-content/uploads/2023/09/DD-RECORD.pdf>

[Cabinet Decision Notice - 11 June 2024.pdf](#)

**J. Contact officers**

Andrew Nicholson  
Project Manager

[Andrew.Nicholson@northeast-ca.gov.uk](mailto:Andrew.Nicholson@northeast-ca.gov.uk)

**K. Glossary**

N/A

**L. Sign-off**

1) Cabinet Member: Yes	2) Director/Head of Service: Yes	3) Director of Finance and Investment: Yes	4) Monitoring Officer: Yes
---------------------------	-------------------------------------	---	----------------------------------