

Title: Brownfield Housing Fund – New Hartley
Report of: Phil Graham – Project Manager (Housing & Infrastructure)
Portfolio: A North East we are Proud to Call Home

Report Summary

The purpose of this report is to provide details of the New Hartley proposal to enable it to be recommended for approval in accordance with the Single Assurance Framework. This proposal is to be delivered as part of the Brownfield Housing Fund (BHF) programme for a total value of £302,000.

Recommendations

The Chief Executive is asked to:

- i. Approve £302,000 of Brownfield Housing Fund and enter into a Grant Funding Agreement with Advance Northumberland for the scheme at New Hartley in accordance with the July 2024 North East CA Cabinet Delegation and the Single Assurance Framework.

A. Summary of Investment Proposal (Context)

Key Project Information

Project Outline	
Funding Source	Brownfield Housing Fund
Proposal Name	New Hartley
Lead Organisation	Advance Northumberland Ltd
Delivery Areas	Northumberland
Start Date	16 June 2025
Financial End Date	31 March 2026
Practical completion date (date by which all outputs will be achieved)	31 March 2026
Total Project Value	£2,309,701
Grant Amount Requested	£302,000
Budget Implications	<p>Due to the Brownfield Housing Fund being under programmed as outlined in the Background section of this report, this is one of three schemes being brought forward for consideration.</p> <p>Approval of the three schemes to the pipeline (including this project) would achieve a position of the being overprogrammed by £302,193 (0.61%) against the original (£49.2m) programme total value.</p> <p>This position will be managed through utilisation of the expected additional BHF allocation for 2025/26 announced by Government.</p>

1. Background

- 1.1 On 26 September 2023, the former North of Tyne Combined Authority (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 Combined Authority (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)).
- 1.2 The North East CA compiled a pipeline of potential brown field housing sites across the region in consultation with the local authorities. The relevant local authorities were then invited to progress selected sites to full business case and through the approvals process. To date 19 schemes have been approved from the pipeline, including: 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, Farringdon Row and Horden Masterplan.
- 1.3 Due to unforeseen circumstances in early 2025, two schemes (Chandless in Gateshead and North Blunts in Durham) withdrew from the BHF pipeline. As a result of the withdrawal of these schemes, the current programme position is that £47,152,414 of the £49,240,221 Brownfield Housing Fund has been committed to unlock 2,974 homes (with £2,087,807 unallocated and a 180 homes shortfall against the total MHCLG programme target).
- 1.4 Subsequently, the North East CA has undertaken an Expression of Interest (EOI) process with Local Authority partners seeking 'shovel ready' schemes with a view to ensuring the Brownfield Housing Fund (BHF) programme is fully committed, and the CA is well positioned to meet agreed spend and housing unit targets within the lifespan of the programme (by March 2026). Following review, three schemes were subsequently invited to submit Full Business Cases to detail funding asks and outputs, with summary details provided below.
- Amberley & Harrogate Street (Hendon) – BHF funding ask of £1,920,000
 - New Hartley – BHF funding ask of £302,000
 - Ebenezer Chapel (Prudhoe) – BHF funding ask of £168,000
- 1.5 Investment decisions will be taken in line with the Single Assurance Framework thresholds as agreed by the North East CA Cabinet in July 2024 which agreed Portfolio Plans and associated delegations. The Cabinet paper is provided for background reference in Section I of this report.
- 1.6 The below report provides an overview of the scheme at New Hartley and summarises the outcome of the appraisal undertaken on the project.

2. The Investment Proposal

- 2.1 Advance Northumberland are seeking to deliver 9 two-bedroom bungalows on previously developed land, currently occupied by disused garages on Mountford Road, New Hartley. Upon completion of the scheme ownership will be transferred to Northumberland County Council, to operate as age-appropriate homes for social rent.
- 2.2 The bungalows are specially designed to enable residents suffering from dementia to remain in their homes without the need to leave for alternative accommodation. This addresses an identified need across Northumberland for the provision of suitable housing for an ageing population as identified in the Local Plan evidence base.
- 2.3 All of the dwellings will be designed to include low carbon technology as part of the specification. This will ensure that the development exceeds energy efficiency standards set nationally, such as

enhanced thermal efficiencies) and will include Air Source Heat Pumps and Photovoltaics. In addition, all properties will be constructed using Modern Methods of Construction (MMC) via Insulated Concrete Formwork. This will help to minimise the emissions generated by the scheme during construction and occupation, thereby supporting the North East CA's vision for a 'Greener North East'.

- 2.4 The scheme carries the burden of large-fixed costs relative to the scale of the development being proposed. This is in part due to the high development costs associated with the delivery of bespoke residential units tailored to elderly residents, in addition to site preparation works. The higher costs make the project unviable without gap funding support as evidenced in the scheme's development appraisal with a summary of eligible expenditure identified in the table below.

Expenditure Item	Costs
Demolition	£26,100
Contamination	£52,790
Remediation and Import	£49,500
Extra Depth Foundations	£30,000
Abnormal Foundations	£25,500
Service Diversion	£99,000
Site Clearance	£19,110
Total	£302,000

- 2.5 Additional eligible costs identified but not included in the grant funding request include low carbon technologies (Air Source Heat Pumps and Photovoltaics) totalling £89,280, and land acquisition costs of £90,000.
- 2.6 [OBJ] Advance Northumberland are in full ownership of the site, with full planning permission already granted. Advance Northumberland are the applicant and organisation in receipt of the BHF grant and will also manage the full build as Contractor and Developer. An existing Development Agreement is in place with Northumberland County Council for the sale of the finished residential dwellings.
- 2.7 The scheme will contribute directly to the North East CA's Local Growth Plan (Interim) key missions, in particular the objective of creating "A North East we are proud to call home' through delivery of more affordable and social homes. Furthermore, the scheme supports the Mayoral Manifesto priority for delivering 'Good quality, green homes' through repurposing a 0.32-hectare brownfield site for development which might not otherwise come forward due to viability constraints. This will deliver much needed social housing, directly addressing an identified local need whilst utilising low carbon technology and Modern Methods of Construction.

3. Outputs and Outcomes

Outputs	25/26	Total
Area of land remediated / redeveloped (ha)	0.32	0.32
Number of homes brought forward	9	9
Number of affordable homes brought forward	9	9

4. Timetable for Implementation

Milestone	Forecast Date
Start on site – enabling works (BHF spend)	16.06.2025
Completion of enabling works (BHF spend)	18.07.2025
Start on site – construction works (first unit)	21.07.2025
Completion of construction works (achievement of all outputs)	06.03.2025

5. Evaluation

- 5.1 The Brownfield Housing Fund evaluation is completed at programme level on an annual basis.

6. Appraisal

- 6.1 Key points from the appraisal report completed by Savills, and the background to funding conditions proposed within the report are summarised below.
- 6.2 The business case provides a comprehensive explanation of the proposal's alignment with national, regional and local housing priorities, particularly the provision of a range of affordable housing on brownfield land. Furthermore, within the Strategic Case compelling data is presented on the current and future balance of supply and demand for the proposed housing for older residents, evidencing a clear need for investment.
- 6.3 Within the Economic Case a detailed assessment for the value for money position of the proposed investment is provided, following MHCLG and Green Book Guidance. Key monetised benefits of the scheme include health benefits to residents, direct land value uplift, CO2 savings and additional benefits of open space. The largest expected benefit is due to providing suitable homes for residents with additional health needs. Ensuring these homes are occupied by those most in need of this type of specialist accommodation will support the realisation of these expected benefits.
- 6.4 The approach to the calculation of the Benefits Costs Ratio (BCR) is sound in the view of the appraisal team, however it is likely to overestimate the value for money position of the project as optimism bias is not included and the additionality of open space benefits is debatable. The evidence provided for monetised benefits provides confidence that the project will represent at least 'high' value for money (BCR of 3.79) rather than 'very high' (BCR of 5.79) even if open space benefits are removed from the calculation and a 13% Optimism Bias is applied to costs.
- 6.5 The Commercial Case provides a comprehensive justification of market demand supported by policy documents including Northumberland County Council's Local Plan and Strategic Housing Market Assessment (SHMA). The appraisal team reviewed all documents provided and are satisfied that Northumberland has a strategic demand for accommodation which supports people with high care needs, in particular those living with Dementia. Furthermore, an email confirmation was provided from Northumberland County Council confirming that the proposed housing mix is agreed.
- 6.6 It is noted that Advance Northumberland are the developer of the scheme with Northumberland County Council purchasing the completed units. Governance arrangements are well established to oversee the project, which includes a Procurement Policy which was reviewed by the appraisal team. The appraisal notes that this is a little light in detail on the procurement processes and recommends that a pre-contracting condition be included that the applicant updates the project's Business Case with details of their procurement approach, including details such as estimated value of work packages and the list of suppliers invited to tender for each.
- 6.7 In the view of the appraisal team, the Financial Case presents a robust assessment of viability and clearly demonstrates that without BHF intervention the development will not be able to proceed. The key metric used by Savills to assess viability is profit on Gross Development Value (GDV). Utilising £302,000 of BHF the developer can achieve a profit of 8.4% which is considered a fair reflection of market risk for a 100% affordable housing scheme.
- 6.8 The appraisal report notes that the Management Case provides details of the proposed governance, delivery approach and project team. In addition, the case explains the community and stakeholder engagement and sets out appropriate monitoring and communications proposals.
- 6.9 Outlined within the Management Case is a risk to delivery of the scheme associated with the impact of a delayed start on site. The delivery programme previously submitted assumes a start on site in April 2025 with construction unable to commence without approval of BHF. It was recommended that the North East CA request an updated programme before contracting the scheme to provide confidence that the proposed output delivery is achieved within the required timeframes. This has been actioned, the business case updated and revised milestones included within this report.

- 6.10 The report further notes that Advance Northumberland instructed DWF to prepare Subsidy Control advice and it was recommended that this be shared with North East CA. This has now been actioned, and the advice shared which outlines a compliant route to providing the subsidy through an exception justification using the Subsidy Control Principles. Subsequently, the advice provided by DWF has been reviewed and accepted by the legal team from North East CA on the basis that this will be an allowable subsidy provided this is demonstrated against the principles and the usual transparency requirements are met.

7. RAG Assessment

The assessment follows the HM Treasury Five-Case Model.

Overall RAG assessment		
Risk Rating	Strategic case	Green
	Commercial case	Amber
	Economic case	Green
	Financial case	Green
	Management case	Amber

8. Recommended Conditions of Funding

The award of funding would be subject to the following proposed funding conditions.

No.	Condition
1.	The Recipient will be solely responsible for bearing any cost overruns in relation to development costs for the Project.
2.	The Business Case to be updated to provide additional details around the Recipient's approach to procurement, ensuring this is aligned to the North East CA's guidelines prior to entering into contract.
3.	The Recipient will sell completed units to Northumberland County Council for an open-market value price.

B. Potential Impact on North East Combined Authority Objectives

This project has clear alignment with housing priorities within the North East CA's Interim Local Growth Plan. This includes the aspiration to build more homes to meet our housing delivery targets; to support regeneration, brownfield land remediation, and to deliver more affordable and social housing.

By delivering new affordable homes the New Hartley scheme will directly support achievement of several commitments outlined within the Mayoral Manifesto, namely; to deliver thousands of houses on brownfield land by the end of the Mayor's first term, and to address the 40,000 people on the waiting list for a home in the region.

Furthermore, the scheme is in line with the objectives of the Brownfield Housing Fund and will contribute to its overall target of delivering additional homes in the North East region on brownfield land by 2028.

C. Key risks

The project is in an advanced stage of development and is planned for delivery within a reasonably short timescale. As such, the delivery risks are anticipated to be minimal. Where potential risks have been identified in the Risk Register, a mitigation strategy is also provided and summarised below:

- Build Cost Inflation – Early contractor engagement with robust designs to mitigate any future variations. Subcontract and material tenders to be fixed for the duration of the works.
- Delivery Programme – Regular project meetings to monitor and manage the programme to deal with any solutions early.
- Subcontractor Availability – Early engagement with subcontractors to ensure availability of labour and materials in line with the forecasted build programme.
- Unknown Contamination – Continual monitoring during site works. Additional targeted testing carried out to quantify so far as reasonably possible (SFARP).

From a Brownfield Housing Fund perspective all risks seem manageable and are suitably reflected in the risk register.

D. Financial and other resources implications

The financial profile for the project is included below:

Funding source	2025/26	Total
<i>North East CA Brownfield Housing Fund (£)</i>	£302,000	£302,000
<i>Private Sector Leverage (£)</i>	£2,007,711	£2,007,711
Total (£)	£2,309,711	£2,309,711

Approval of this project has the below impact on the overall position of the Brownfield Housing Fund programme:

BHF overall programme fund	£49,240,221
BHF current commitment	£47,152,414
BHF current position	£2,087,807 (underspend)

Following an EOI process and subsequent evaluation, 3 schemes were subsequently added to the BHF pipeline and invited to submit Full Business Cases detailing funding asks and outputs. The below details the updated overall programme position subject to approvals.

BHF current position	£2,087,807 (underspend)
Amberley & Harrogate Street	£1,920,000 (funding ask)
New Hartley	£302,000 (funding ask)
Ebenezer Chapel	£168,000 (funding ask)
BHF updated position	£302,193 (overspend)

It is proposed that the overspend position associated with the current programme is covered by the expected additional allocation (£17.6m) of Brownfield Housing Fund for 2025/26.

E. Legal implications

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

F. Equalities implications

The North East CA follows the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010.

G. Consultation and engagement

Stakeholder engagement and consultation on this proposed development has taken place over several years and has been extensive as part of navigating the planning process. An initial public consultation event was held on 25th January 2021 (online due to Covid-19 restrictions) to ensure the development of the site considered local opinions. In addition to the community consultation exercise, throughout the planning process engagement with key statutory consultee groups was undertaken. No objections were raised as part of this process from any consultee groups.

H. Appendices

None.

I. Background papers

[July 2024 North East CA Cabinet Report](#)

J. Contact officers

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K. Consultees

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes