

**Title:** Brownfield Housing Fund – Amberley and Harrogate Street  
**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 Amberley and Harrogate Street proposal to enable it to be recommended for approval in accordance with the Single Assurance Framework. This was endorsed by Finance and Investment Board on Tuesday 27 May. This proposal is to be delivered as part of the Brownfield Housing Fund (BHF) programme for a total value of £1,920,000.

## Recommendations

The Chief Executive is asked to:

- i. Note the contents of the report.
- ii. Approve the £1,920,000 of Brownfield Housing Fund to Thirteen Housing Group Ltd in respect of the Amberley and Harrogate Street scheme.

## A. Summary of Investment Proposal (Context)

### Key Project Information

Project Outline	
<b>Funding Source</b>	Brownfield Housing Fund
<b>Proposal Name</b>	Amberley and Harrogate Street
<b>Lead Organisation</b>	Thirteen Housing Group Ltd
<b>Delivery Areas</b>	Sunderland
<b>Start Date</b>	30 June 2025
<b>Financial End Date</b>	31 December 2025
<b>Practical completion date (date by which all outputs will be achieved)</b>	31 March 2028
<b>Total Project Value</b>	£22,990,154
<b>Grant Amount Requested</b>	£1,920,000
<b>Budget Implications</b>	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.

## 1. Background

- 1.1 On 26 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 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, Farrington Row and Horden Masterplan.
- 1.3 Due to unforeseen circumstances in early 2025, two schemes have since withdrawn 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, including Amberley & Harrogate Street (Hendon) (£1,920,000).
- 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. A link to 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 Amberley & Harrogate Street and summarises the outcome of the appraisal undertaken on the project.

## **2. The Investment Proposal**

- 2.1 Thirteen Housing Group Ltd are seeking to deliver 96 homes for affordable rent by March 2028, on a long-standing vacant brownfield site in Hendon, Sunderland. The scheme design allows a mix of bungalows and two and three storey homes. In particular, the development will deliver 21 two-bed bungalows, 41 two-bed houses, 28 three-bed houses and 6 four-bed houses.
- 2.2 The Hendon area is one of the most deprived communities in the North East where there are high levels of deprivation and child poverty. The journey to develop this site and achieve start on site has been challenging and securing additional public subsidy funding represents the last chance to deliver this site. Key stages of the scheme are now in place which will allow a start on-site in June 2025 with Brownfield Housing Funding being defrayed by December 2025.
- 2.3 All of the dwellings will be designed to give a high thermal performance and will feature a range of energy-saving measures. All properties will be built to EPC A rating and will benefit from photovoltaic panels, smart metres and electric car charging ports which will be fitted to all plots / allocated parking spaces. In addition, all properties will meet or exceed Nationally Described Space Standards.
- 2.4 £1.92m of Brownfield Housing Fund has been requested to deliver this scheme, for which Thirteen Group, as a strategic partner of Homes England, have already secured grant funding of £10.464m from the Affordable Homes Programme 21-26. The £1.92m BHF funding is being used to fund part of the abnormal costs of this site which amount to £2.43m in total. The below table outlines the eligible expenditure breakdown identified for Brownfield Housing Fund.

<b>Description</b>	<b>Abnormal Costs</b>
Disposal excavated spoil	£838,510
Breakout existing roads	£206,152
Service diversions	£63,913
Offsite drainage connections	£435,654
Deep culvert connection	£375,771
<b>Total</b>	<b>£1,920,000</b>

- 2.5 The scheme has been granted planning permission and Thirteen Group already own the site which previously had traditional terraced housing which, following large scale clearance, has been vacant for many years.
- 2.6. <sup>[OBJ]</sup>Esh Construction have now been appointed to deliver the works and are expected to sign the Build Contract by early June subject to bridging the current viability gap. Thirteen Group Limited engaged with ESH Group through a 'call off' from their procurement framework of contractors.
- 2.7 Thirteen Group have already incurred significant expenditure to date of around £900k for pre commencement design work and fees as well as procurement costs (not part of BHF costs). In addition, rents in this area have remained stagnant which has presented an additional challenge in making the site financially viable.
- 2.8 The scheme will contribute directly to the North East CA's strategic objective of creating "A North East we are proud to call home" by specifically delivering 'more good homes by reforming brownfield sites and building more affordable and social housing.' In particular, it will support the North East CA's ambitions for an inclusive economy, bringing together people and opportunities to create vibrant communities and a good quality of life. Specifically, it will provide opportunities for families to settle in the area, and address inequality and poverty – including child poverty – in one of the most deprived areas of the North East.

### 3. Outputs and Outcomes

Outputs	25/26	26/27	27/28	Total
Area of land remediated / redeveloped (ha)	3			3
Number of homes brought forward		37	59	96
Number of affordable homes brought forward		37	59	96
Direct jobs created	4			4
Indirect jobs created	6			6

### 4. Timetable for Implementation

Milestone	Forecast Date
Formally appoint contractor	31 May 2025
Start on site (BHF funded works)	30 June 2025
Completion of BHF spend	31 December 2025
First 6 homes built on site	30 June 2026
Anticipated proposal completion date (all outputs and outcomes achieved)	31 March 2028

### 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 Sanderson Weatherall, and the background to funding conditions proposed within the report are summarised below.
- 6.2 The business case shows a clear strategic rationale and fit with North East CA Mayoral manifesto and corporate plan 2024-2028 as well as Sub Regional and Local Plans including Sunderland's Core Strategy and Development Plans, City Plan, Strategic Housing Market Assessment, Strategic Housing Land Availability Assessment and Housing Strategy for Sunderland. The Scheme is also in line with National Housing Targets and National Planning Policy Framework objectives including, delivering a sufficient supply of homes, promoting healthy and safe communities, and making effective use of land.

- 6.3 A clear rationale for intervention is provided and the business case identifies a clear need for affordable housing stock into the area. BHF intervention is therefore based on the abnormal costs associated with site assembly, demolition and remediation, alongside the challenges of the cost/value viability gap, which creates a market failure.
- 6.4 The appraisal shows that if BHF funds £1.92 million of the abnormal costs, the scheme is viable on the basis that there is no land value attributed and a small developer's profit (2.96% of GDV) can be achieved. A private developer would normally require at least 10% of GDV as profit on a scheme of this nature so this is acceptable in the view of the appraisal team and, in reality, reflects Thirteen Group's priority to develop stock to hold long term.
- 6.5 Thirteen Group Limited is a strategic partner with Homes England and have secured £10.46m of match funding through the Affordable Homes Programme 2021-2026, allocated through the Strategic Partnership. The development appraisal shows that the scheme is viable and sustainable with all houses to be retained by Thirteen Group Ltd as part of their affordable housing stock. On this basis, once the gap funding of £1.92 million is factored in, the scheme is financially viable and sustainable in the view of the appraisal team.
- 6.6 Within the Economic Case, the Benefit Cost Ratio (BCR) illustrates that the total monetised benefits of the scheme are estimated to be £21.7m. This results in an adjusted BCR of 1.73, representing acceptable value for money and a positive return on public sector intervention.
- 6.7 The appraisal notes the professional team and the main contractor have been appointed in a manner which is compliant with Public Contract Regulations. It is demonstrated within the Business Case that the applicant has an established track record in delivering schemes of this nature. The scheme has detailed planning consent, albeit an amendment will be required to address the land which cannot be acquired from Deerness Centre. A main contractor is in place (subject to formal signing of contracts in May) and the scheme has been worked up with a detailed cost plan and Homes England Funding in place.
- 6.8 The appraisal report notes that the site is already in the ownership of Thirteen. Savills' valuation report advises that they reviewed the Land Registry which still shows that the sites ownership is fragmented. However, Savills understand that it is now wholly owned by Thirteen Group, details of which are not yet registered and available publicly online. As a condition of the Grant Funding Agreement, the report recommends that the applicant should produce evidence of good title to the land.
- 6.9 Thirteen Housing Group will lead the development with ESH Group, who will be contracted for construction. ESH will have all necessary subcontractors in place to deliver the site remediation works as well as roads and sewers and other associated works with the development.
- 6.10 The report notes that project milestones are well developed and supported by a detailed programme Gantt chart. A further recommended funding condition is for these milestones to be updated to include start on site, and first homes completed. This will be actioned prior to issue of any Grant Funding Agreement.
- Subsidy Control advice was provided by the applicant and this has been reviewed by the North East CA Legal Team who confirm they are satisfied with the advice..

## 7. RAG Assessment

The assessment follows the HM Treasury Five-Case Model.

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

	<b>Overall rating</b>	<b>Green</b>
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## 8. Recommended Conditions of Funding

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

<b>No.</b>	<b>Condition</b>
<b>1.</b>	The Recipient will be solely responsible for bearing any cost overruns in relation to development costs for the Project.
<b>2.</b>	The Recipient must provide evidence of good title to the land prior to payment of the initial claim.
<b>3.</b>	The Business Case to be amended (prior to entering into contract) to ensure: <ul style="list-style-type: none"> <li>a) Recipient's name is clearly and consistently defined using their legal identity - Thirteen Housing Group Limited.</li> <li>b) Key project milestones are updated to include start on site and first homes completed dates.</li> <li>c) Finalised version to be formally signed off.</li> </ul>

## 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 in one of the most deprived areas of the region, the Amberley and Harrogate Street scheme will directly support achievement of several commitments outlined within the Mayoral Manifesto, namely; to tackle child poverty, 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

A summary of key risks relating to the investment proposal is included below:

- Agreement of contract terms with ESH. Legal teams are currently reviewing contract terms, resolving any issues, and finalising terms for the contract - expected to be signed in early May.
- Building Regulations Approval. ESH is on track to get confirmation of building regulations approval and any applied conditions.
- Further Site Investigation works/surveys. There are some further site investigation works to take place Site Investigation commenced in March and will run through April and May 2025.
- Issue and Agreement of Contractor's proposals. This is expected to be agreed by May 2025.
- Potential diversion of Virgin Media and BT equipment. This could potentially delay works but it is expected that work would be able to continue, operating around live services.
- Culvert Licence Application. ESH will ensure they apply for the culvert licence in good time and liaise with the local authority to ensure works can effectively be carried out.
- Site Plan Amendment. A planning amendment for the site plan will be required. Esh have confirmed that this has no implications for the development and planned works.
- The programme requires a start on site on 2nd June 2025 to allow completion by 2028 and there are no allowances for delay.

From a Brownfield Housing Fund perspective all risks seem manageable and are suitably reflected in the risk register. The appraisal notes that a small delay to the programme timeline would not be critical to spend as the BHF is funding up front abnormal costs.

#### D. Financial and other resources implications

The financial profile for the project/programme is included below:

<b>Funding source</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Total</b>
<i>North East CA Brownfield Housing Fund (£)</i>	£1,920,000	£0	£0	£0	£1,920,000
<i>Private Sector Leverage (£)</i>	£1,341,691	£3,494,062	£5,561,145	£209,256	£10,606,154
<i>Other Capital Match – Homes England AHP (£)</i>	£1,989,190	£8,474,810	£0	£0	£10,464,000
<b>Total (£)</b>	<b>£5,250,881</b>	<b>£11,968,872</b>	<b>£5,561,145</b>	<b>£209,256</b>	<b>£22,990,154</b>

#### Status of match funding:

Thirteen Group Limited is a strategic partner with Homes England and have secured £10.46m of match funding through the Affordable Homes Programme 2021-2026, allocated through the strategic partnership.

Thirteen Group Limited will provide the additional funding to the proposal as part of its Development Programme, funded through its own means. At the end of February 2025, Thirteen Group had £206.4m of undrawn funds from their current loan facility arrangements.

#### E. Legal implications

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

#### F. Equalities implications

The North East CA complies with 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 on this proposed development has taken place over a number of years, with a public consultation conducted by Thirteen Group beginning in March 2022, outlining the scheme's proposal. Feedback received from local people and residents for the vision and plans for the site were in full support.

Feedback supported the need for affordable housing in the area but raised concerns surrounding the disturbance of vermin, which is already a wider issue in the area. Mitigations during construction will be implemented against this, as Thirteen will be removing abandoned sewers on the site, which is currently creating the habitat for the vermin.

There has also been extensive public sector engagement on Sunderland's wider Housing Strategy. Relevant key messages include:

- Strong feelings about not building on the Green Belt and regenerating brownfield sites instead.
- Housing growth should be near to or in the City Centre.
- There should be as emphasis on the quality of housing (including sustainable eco housing) and not just quantity.
- More modern methods of construction for building houses should be used.
- In neighbourhoods in decline there should be early intervention, demolition, enforcement.

Moving forwards, Thirteen Group Housing Limited and Esh Group will continue to work in the area to ensure local people and residents have a voice in the ongoing regeneration of the area. Activities will include a press-release prior to start-on-site, signage, and ongoing events linked to social value throughout the development.

**H. Appendices**

None.

**I. Background papers**

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

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**K. Consultees**

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