North East Mayoral Strategic Authority

Delegated Decision Report

4 August 2026

Title: Brownfield Housing Fund – 25/26 Pipeline Investment Proposals
Report of: Michael Trotter – Project Manager (Housing & Regeneration)
Portfolio: A North East we are Proud to call Home

Report Summary

The purpose of this report is to provide details of three proposals to enable each to be recommended for approval in accordance with the Single Assurance Framework. These proposals were included as part of a pipeline endorsed by Finance & Investment Board in July 2025 and are to be delivered by the below organisations as part of the Brownfield Housing Fund (BHF) programme for the values as outlined below:

- Bernicia Group - Derwentwater Court, Gateshead (£170,000)
- The Council of the Borough of North Tyneside - Marden Residents Association, North Tyneside (£131,750)
- Bernicia Group - Netherton Lane, Northumberland (£265,000)
- Total Funding Ask: £566,750

Recommendations

The Chief Executive is asked to:

i. Note the contents of the report;
ii. Approve Brownfield Housing Fund for the amounts outlined to the schemes identified above; and
iii. Authorise entry into Grant Funding Agreements in relation to the schemes with the respective lead organisations for the values identified above.

A. Summary of Investment Proposal (Context)

1. Background

1.1 In May 2025, it was confirmed the North East MSA would receive £17,600,000 additional Brownfield Housing Fund from MHCLG for 2025/26. This funding is targeted to unlock 705 new homes on brownfield land across the region, with the target of schemes being in contract by the end of March 2026. The North East MSA has worked at pace with Local Authorities to identify potential schemes that are deliverable and align with local and regional housing priorities. Expressions of Interest were sought via Local Authorities who could also consider area-based options with Registered Housing Providers or the private sector. There was significant interest in the programme extension with 28 expressions of interest received, with a total funding ask of £76m to deliver a total of 2,748 units.

1.2 Following evaluation of submissions, 12 schemes were added to a proposed pipeline. This pipeline was endorsed by Finance & Investment Board on 7 July 2025, with the Delegated Decision Report provided in Section G. Collectively, the 12 projects commit to delivering 1,190 homes, including 443 affordable homes, against a total funding ask of £22,859,875. The agreed pipeline has an average intervention rate of £19.2k per unit, which is higher than the average £16.5k per unit intervention rate on the existing £49.2m Brownfield Housing Fund programme. However, MHCLG have made provision for cost increases within the latest funding allocation, with a target intervention rate of £25k per unit. Further context for the increased intervention rate is due to additional costs associated with unlocking a higher proportion of affordable homes - 37% of units on the proposed pipeline are affordable units compared to 22% of units on the existing programme.

1.3 Subject to approval of all 12 individual investment asks in accordance with the Single Assurance Framework, at programme level the BHF would be approximately £5.07 million overprogrammed (equating to 7.6% of the overall fund). This position was endorsed by Finance and Investment Board to mitigate against the possibility of schemes stalling or withdrawing at this early stage of the development process, managing the risk of underspend and funding being reclaimed by MHCLG. Furthermore, it was proposed that should all schemes added to the pipeline come forward for funding, an approach to manage commitments related to the 2025/26 BHF allocation will be taken. At the current time, it is envisaged that schemes with an expected start on site and subsequent need to draw down funding from 2027/28 onwards will utilise future devolved funding from the National Housing Delivery Fund. Management of the pipeline using the approach outlined enables Brownfield Housing Fund spend to be capped at £17.6m whilst maintaining full delivery of targeted outputs.

1.4 Details are provided below to outline the Investment Proposals in relation to three schemes from the pipeline. An additional nine schemes have already proceeded via a separate Delegated Decision in line with the delegation provided by the North East MSA Cabinet in June 2025. The Cabinet papers are provided for background reference in Section G of this report.

1.5 An overview of the three schemes is provided in the table below.

Scheme	Overall Project Value	BHF Value	Other Public Sector Match	Units Unlocked	Intervention Rate (£ per unit)
Derwentwater Court, Gateshead	£2,691,560	£170,000*	£920,000	10	£17,000
Marden Residents Association, North Tyneside	£3,223,042	£131,750*	£3,091,292	15	£8,783
Netherton Lane, Northumberland	£3,102,000	£265,000	£1,196,000	13	£20,385
Overall	**£9,016,602**	**£566,750**	**£5,207,292**	**38**	**£14,520**

*Additional £15,000 per scheme allocated to support business case development costs.

1.6 There is variance between the required intervention rate of schemes being brought forward for consideration. Multiple factors affect the required public sector funding to ensure viability at project level and these are picked up in the detailed sections covering each proposition. For example, intervention rates can be significantly higher where significant site remediation and/or demolition works are required.

2. The Investment Proposal (Derwentwater Court, Gateshead)

Project Outline	
Funding Source	Brownfield Housing Fund
Proposal Name	Derwentwater Court
Lead Organisation	Bernicia Group
Delivery Areas	Gateshead
Start Date	1 May 2026
Financial End Date	31 March 2027
Practical completion date (date by which all outputs will be achieved)	31 July 2027
Total Project Value	£2,691,560
Grant Amount Requested	£170,000 (additional £15,000 business case development)
Budget Implications	As detailed in 'Background' section (1.3)

2.1 Derwentwater Court is a brownfield site in Bensham, Gateshead, previously occupied by outdated bedsit accommodation that was demolished in 2023 due to low demand and high vacancy rates. The cleared site (0.2 ha) cannot be left undeveloped due to level changes and the need to maintain retaining structures, creating safety and visual issues for the surrounding residential area. The site lies in one of the top 10% most deprived Lower Layer Super Output Areas (LSOAs) nationally, creating a strong strategic need for regeneration and new affordable housing. The location benefits from good access to transport links including the A184, A1 and Gateshead town centre.

2.2 The proposal will deliver ten new social rented homes: four 3-bedroom townhouses and six 2-bedroom Tyneside flats. All units will be 100% affordable and targeted at addressing the significant demand for family housing in the area. The scheme is intended to remediate 0.2 ha of brownfield land and provide high-quality, modern homes that reduce overcrowding and fuel poverty.

2.3 The homes will be delivered using a “fabric-first” low-carbon approach, exceeding Building Regulations and aiming to align with the emerging Future Homes Standard. High-performance materials, efficient windows and doors, and low-impact products will be specified to minimise heat loss and reduce energy consumption. All units will include electric vehicle charging infrastructure and are expected to achieve EPC A ratings. These measures support the North East MSA’s “A Greener North East” vision and align with national and local policy commitments on carbon reduction.

2.4 The total scheme cost is £2,691,560. Brownfield Housing Fund support of £170,000 is required to close a viability gap exacerbated by low local values. Homes England is expected to contribute £920,000, with Bernicia Group providing £1.6m from internal resources or loan facilities. Without Brownfield Housing Fund intervention, the scheme would generate a substantial deficit, rendering it undeliverable. The inclusion of Brownfield Housing Fund reduces the deficit to a level Bernicia Group can subsidise internally (approx. £700,000). The economic appraisal calculates a BCR of 1.94, classified as medium value for money, and is driven by land value uplift, crime reduction, affordable housing benefits, improved amenity, and environmental gains.

2.5 Planning permission was granted in 2024, but the revised scheme requires a new application. As the principle of housing development is already established, planning risks are considered low. Construction is expected to begin in May 2026 and complete by July 2027.

2.6 Brownfield Housing Fund will be used to support eligible works which equate to £390,701 in total. A summary of eligible expenditure is provided within the table below:

Expenditure Item	Costs
Site clearance and excavation	£25,402
Disposal of excavated material off site, including WAC testing	£140,262
Break out relic (underground) structures	£4,230
Section 278 (Highways) works	£25,000
Retaining structures	£96,253
EV charging points	£14,554
Utilities, including diversion of existing services	£85,000
Total	**£390,701**

3. Outputs

Outputs	26/27	27/28	Total
Brownfield Land Remediated (hectares)	0.2		0.2
Social Rented Homes		10	10

4. Timetable for Implementation

Milestone	Forecast Date
Remediation Start on Site	May 2026
Completion of Remediation	March 2027
Completion of BHF Spend	March 2027

Completion of Housing Construction	July 2027

5. Appraisal

5.1 Key points from the appraisal report completed by Sanderson Weatherall are outlined below. This includes the background to the proposed funding conditions.

5.2 The Strategic Case is assessed as Green, reflecting a strong strategic rationale and clear alignment with North East MSA priorities. The proposal directly supports the Mayoral Manifesto, Corporate Plan 2024–2028, and the North East Local Growth Plan, in particular missions relating to green energy, opportunity, and housing delivery. It also aligns with local strategic frameworks including the Gateshead & Newcastle Core Strategy (2010–2030) and Gateshead's Housing Strategy 2019–2030.

5.3 The appraisal recognises a compelling need for intervention: the site is in a highly deprived LSOA, and Gateshead faces a chronic shortfall in affordable homes - requiring 3,277 new affordable units by 2030. The scheme supports wider policy objectives around retention of economically active residents, health improvements, and regeneration of blighted brownfield land. The need for Brownfield Housing Fund intervention is clearly demonstrated, with abnormal costs creating a viability gap and evidence of market failure.

5.4 The Financial Case is rated Amber, primarily due to high-level cost information and unconfirmed match funding. The cost plan is deemed reasonable at this stage but requires validation once detailed design and tendered costs are available. A condition is recommended requiring the applicant to submit tendered costs to ensure abnormal costs remain consistent.

5.5 Key viability figures show a significant deficit: even with BHF (£170,000) and anticipated Homes England funding (£920,000), the scheme generates a loss of around £700,000. Bernicia Group have confirmed their willingness to subsidise this from internal resources, justified by long-term social value return and alignment with their wider development programme. The appraisal accepts Bernicia Group's capacity to absorb this loss, supported by their stated cash reserves and loan facilities. Homes England funding is not yet secured (expected Spring 2026), requiring a pre-drawdown condition. Despite these uncertainties, the overall assessment concludes that the scheme is financially deliverable subject to conditions and the applicant's proven ability to commit internal funds.

5.6 The Economic Case is rated Green, with the scheme delivering medium value for money. Using NECA's BHF economic model, the scheme achieves an adjusted Benefit-Cost Ratio (BCR) of 1.94, indicating a positive net public value. Total monetised benefits are estimated at £2.4m, including land value uplift, health benefits, crime reduction, distributional impacts of affordable housing, and environmental amenity improvements. The appraisal confirms the options assessment as robust with the preferred option offering greatest strategic fit and deliverability. Assumptions regarding discounting, appraisal periods, and benefit values align with Green Book and MHCLG guidance.

5.7 The Commercial Case is assessed as Green, supported by strong market evidence and an appropriate procurement and delivery model. Market demand for affordable homes in Gateshead is well-documented, reinforced by SHMA findings and consistent failure to meet housing delivery tests. Bernicia Group has procured RE:GEN via the Prosper Framework on a cost-and-quality basis, and both organisations have a strong track record in similar schemes. The procurement process complies with North East MSA thresholds and UK procurement regulations. A JCT Design and Build contract is in place. The appraisal identifies two key commercial risks—planning approval and Homes England funding—but considers both manageable and mitigated. Bernicia Group's retention of the homes as social rented stock further reinforces long-term commercial sustainability.

5.8 The Management Case is rated Green, reflecting well-established governance arrangements. Bernicia Group will lead the project, with RE:GEN responsible for construction delivery. The Director of Development holds overall accountability, with on-site risk management led by RE:GEN's Operations Director. A detailed programme is in place, with appropriate milestones.

5.9 A full risk register has been prepared, covering planning, land acquisition, Homes England funding, contamination, and programme risk, all judged to be manageable with suitable mitigations. Monitoring systems for finance, outputs, and evaluation are considered robust, with commitment to post-completion review and support for North East CA's programme-level evaluation.

5.10 Overall, the Business Case is rated as Green, with funding conditions proposed as below.

6. RAG Assessment

6.1 The assessment follows the HM Treasury Five Case model.

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

7. Recommended Conditions of Funding

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

No.	Condition
1.	The Recipient will underwrite any capital cost escalation to allow the completion of the project should costs increase beyond budget.
2.	The Recipient shall submit detailed scheme design and tendered costs confirming that overall scheme costs remain unchanged and that BHF funded abnormal costs are not lower than those submitted in the Business Case prior to payment of the first claim.
3.	The Recipient shall provide confirmation of funding from Homes England prior to payment of the first claim.

8. Key Risks

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

8.2 Planning Permission: Planning consent for the redesigned scheme is required; delays could impact start-on-site and programme delivery. Bernicia Group will continue to liaise with Gateshead Council to maintain timeline confidence and ensure the principle of development (already approved previously) is upheld. Low risk overall due to previous permission and established access arrangements.

8.3 Cost Uncertainty: Construction and abnormal costs are currently based on early-stage estimates; risk of variance once tendered. Funding conditions will be included within the Grant Funding Agreement to require submission of detailed design and tendered costs prior to drawdown of Brownfield Housing Fund funding, and for Bernicia Group to underwrite any cost overruns beyond the grant award.

8.4 Homes England Grant: The additional funding from Homes England is required to ensure that the scheme can go ahead. Continuous engagement with Homes England is being undertaken to progress Bernicia Group as a strategic partner. Funding condition to be included in Grant Funding Agreement to ensure no Brownfield Housing Fund drawdown until Homes England funding is formally secured.

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

9. Financial and other resources implications

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

Funding source	2026/27	2027/28	Total
Brownfield Housing Fund (£)	£170,000	£0	£170,000
Homes England SAHP (£)	£920,000	£0	£920,000
Recipient's Funds Capital (£)	£1,192,777	£408,783	£1,601,560
Total (£)	£2,282,777	£408,783	£2,691,560

9.2 Status of match funding:

- Further to the match funding comments set out above, a funding application for Homes England SAHP will be made in early 2026, with a funding decision from Homes England expected in Summer 2026.

10. Consultation and engagement

10.1 Consultation and stakeholder engagement for the Derwentwater Court redevelopment has been designed to be proactive, transparent, and community-focused. Bernicia Group and RE:GEN plan to engage local residents, schools, and broader community groups from an early stage to ensure awareness, dialogue, and participation in the scheme's evolution. This includes structured opportunities for residents to provide feedback, be updated on progress, and understand how the development will impact the wider neighbourhood.

10.2 To maintain transparency and accountability, Bernicia Group and RE:GEN will provide regular updates through newsletters, social media, and local events, ensuring stakeholders remain informed of key milestones and changes. In addition, quarterly progress reports will be submitted to the North East MSA, covering activity updates, milestone progress, and any modifications to the delivery programme. This structured engagement framework supports an ongoing relationship with the community, helping to build trust and ensure the scheme proceeds in a socially responsible and inclusive manner.

11. The Investment Proposal (Marden Residents Association, North Tyneside)

Project Outline	
Funding Source	Brownfield Housing Fund
Proposal Name	Marden Residents Association
Lead Organisation	North Tyneside Council
Delivery Areas	Cullercoats
Start Date	1 July 2026
Financial End Date	31 December 2026
Practical completion date (date by which all outputs will be achieved)	1 August 2028
Total Project Value	£3,220,444
Grant Amount Requested	£131,750 (additional £15,000 business case development)
Budget Implications	As detailed in 'Background' section (1.3)

11.1 The Marden Residents Association proposal seeks to unlock a stalled brownfield site in North Tyneside through funding the required demolition of a redundant building and undertaking full remediation activities. In addition to delivering a housing mix designed to meet the needs of a diverse range of households, the wider community will benefit from the removal of a derelict site generating a visual improvement to the local streetscape and strengthening neighbourhood safety.

11.2 The proposal will deliver 15 new high quality affordable homes for social rent. Through a mix of one bed flats, small houses and bungalows the development broadens the range of homes available locally where the existing housing stock is heavily skewed towards larger family homes. The scheme is intended to remediate 0.344 hectares of brownfield land and provide high quality, affordable homes that will help to rebalance the local market.

11.3 The homes will be delivered using modern methods of construction, utilising low carbon heating solutions such as air source heat pumps. These measures support the North East MSA's "A Greener North East" vision and align with national and local policy commitments on carbon reduction.

11.4 The total scheme cost is £3,223,042. The high abnormal costs associated with the demolition of the former Marden Residents Association building create a significant viability gap that cannot be covered without investment of £131,750 from the Brownfield Housing Fund.

11.5 The progression of the scheme is dependent on the approval of planning permission. It has been indicated that the site is located within an established housing estate and the proposals would facilitate the removal of a redundant and dilapidated building. As the principle of housing development is already established, planning risks are considered low. Following initial demolition and remediation works, construction is expected to begin in January 2027 and complete in August 2028.

11.6 Brownfield Housing Fund will be used to support eligible works which equate to £131,750 in total.

Expenditure Item	**Costs**
Site preparation	£131,750
Total	**£131,750**

12. Outputs

Outputs	**26/27**	**27/28**	**Total**
Brownfield Land Remediated (hectares)	0.344		0.344
Social Rented Homes		15	15

13. Timetable for Implementation

Milestone	**Forecast Date**
Demolition and Remediation - BHF Spend Completion	October 2026
Housing Construction Start on Site	January 2027
Practical Completion of all 15 Homes	August 2028

14. Appraisal

14.1 Key points from the appraisal report completed by Lichfields are outlined below. This includes the background to the proposed funding conditions.

14.2 The Strategic Case is assessed as Green, reflecting a strong strategic rationale and clear alignment with North East MSA priorities. The proposal directly supports the Mayoral Manifesto, North East Strategic Place Partnership and the North East Local Growth Plan, in particular missions relating to green energy and housing delivery. It also aligns with national strategic objectives including Homes England's Strategic Plan.

14.3 The former Marden Residents Association site has stood vacant as a redundant and deteriorating building since April 2024, and the proposed scheme will bring the land back into productive use and help to support the wider housing need. The development introduces new housing in Cullercoats and will helping to address both general housing pressures and a significant shortfall in affordable homes in the area which is dominated by larger owner-occupied properties and where social housing makes up only 8.1% of households compared with the North Tyneside average of 19.8%.

14.4 The Financial Case is rated Amber reflecting the provisional cost information and reliance on match funding that is not yet fully confirmed. While the overall cost plan of £3,223,042 is considered reasonable for this point in the process and is supported by a development appraisal prepared using BCIS benchmarks. Several cost elements remain provisional and will require validation as the scheme progresses. With reference to the BHF grant of £131,750, it would be recommended that tendered costs are confirmed as a condition of the Grant Funding Agreement relating to demolition and any other eligible site remediation tasks.

14.5 The development appraisal demonstrates that the scheme is only just viable even with BHF support and highlights the importance of Homes England grant funding to unlock delivery of the scheme. A condition is recommended requiring an updated appraisal to include delivery options without BHF funding in order to confirm the true viability gap as this has not been provided.

14.6 The Economic Case is rated Green, reflecting the economic model which shows a BCR of 2.78. Economic benefits taken into account include direct land value uplift, wider area impact, affordable housing benefits and reduction in crime with the total monetised benefits of the scheme estimated to be £4.8m.

14.7 The Commercial Case has an Amber rating and this is largely driven by the lack of planning approval and an appointed contractor for the scheme. Commercial risks are mitigated through the use of a compliant NEPO procurement route with clear evaluation criteria and assessment items that align with North East MSA guidance. This is further strengthened by confirmation of the council's strong internal delivery capability. It is noted that once planning is secured and a contractor appointed, the Commercial Case could progress to a Green rating.

14.8 The Management Case receives a Green rating and there is confidence around the Council's established governance structures and experienced internal project delivery team with a proven track record of delivering similar schemes. The approach recognises key project dependencies including the need to secure planning permission and Homes England with relevant mitigation strategies outlined alongside management metrics.

15. RAG Assessment

15.1 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	**Amber**
	Management case	**Green**
	Overall rating	**Green**

16. Recommended Conditions of Funding

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

No.	Condition
1.	The Recipient will underwrite any capital cost escalation to allow the completion of the project should costs increase beyond budget.
2.	The Recipient shall submit detailed scheme design and tendered costs confirming that overall scheme costs remain unchanged and that BHF funded abnormal costs are not lower than those submitted in the Business Case prior to payment of the first claim.
3.	The Recipient shall confirm that planning permission has been granted prior to payment of the first claim.
4.	The Recipient shall confirm to the satisfaction of the North East MSA at their sole discretion that Homes England funding (or other such funding approved by the North East MSA) has been formally secured prior to payment of the first claim.

17.0 Key Risks

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

17.2 Planning Permission: At this stage the project does not have planning permission. However, it is noted that the land is located within an established residential area comprising similar property types. The proposal will also address a poorly maintained and redundant building, therefore, gaining planning consent is considered to be a low risk at this stage.

17.3 Cost Uncertainty: Construction and abnormal costs are currently based on early stage estimates and there is a risk of variance once tendered. Funding conditions will be included within the Grant Funding Agreement to require submission of detailed design and tendered costs prior to drawdown of Brownfield Housing Fund funding, and for the applicant to underwrite any cost overruns beyond the grant award.

17.4 Homes England Grant: Whilst funding from Homes England has been secured through an allocation from the 2021-2026 Affordable Homes Programme, agreement of the formal grant agreement remains outstanding and will be required to ensure the scheme can go ahead in accordance with the financial appraisal undertaken. Funding condition to be included in Grant Funding Agreement to ensure no Brownfield Housing Fund drawdown until Homes England funding is formally secured.

17.5 From a Brownfield Housing Fund perspective all risks seem manageable and are generally considered as part of the applicants' initial risk register.

18 Financial and other resources implications

18.1 The financial profile for the project/programme is included below. This is based on the drawdown forecast for Brownfield Housing Fund and Homes England SAHP as provided by the applicant. The funding profile relating to the recipient's own contribution is still to be fully detailed and is currently shown as a single consolidated figure.

Funding source	2026/27	2027/28	2028/29	Total
Brownfield Housing Fund (£)	£131,750	£0	£0	£131,750
Homes England SAHP (£)	£350,000	£750,000	£250,000	£1,350,000
Recipient's Funds Capital (£)	£434,772	£828,921	£477,599	£1,741,292
Total (£)	£916,522	£1,578,921	£727,599	£3,223,042

18.2 Status of match funding:

- Further to the Homes England Grant comments set out above, an allocation from the 2021-2026 Affordable Homes Programme has been secured and a formal agreement with Homes England to access the funding remains outstanding with a commitment from the applicant to execute this within timescales.

19 Consultation and engagement

19.1 A full stakeholder engagement plan will be implemented by the applicant. Information has been provided confirming that a full consultation with local residents and ward councillors will be undertaken as part of the planning process and regular newsletter updates will be issued to the immediate community area during the construction phase to minimise disruption and promote local communication and on-going engagement through the project.

19.2 The applicant acknowledges the contribution of the North East MSA and the Brownfield Housing Fund and notes that this will be actively and positively promoted as part of wider branding on site hoardings, inclusion in all press releases at key milestones from site commencement through project completion together with updates on the Council's website and social media channels. All communication and publicity material will be shared with the North East MSA.

20 The Investment Proposal (Netherton Lane, Northumberland)

Project Outline	
Funding Source	Brownfield Housing Fund
Proposal Name	Netherton Lane, Bedlington
Lead Organisation	Bernicia Group
Delivery Areas	Northumberland
Start Date	1 October 2026
Financial End Date	31 March 2027
Proposed Completion Date (date by which all outputs will be achieved)	31 December 2027
Total Project Value	£3,102,000
Grant Amount Requested	£265,000
Budget Implications	As detailed in 'Background' section (1.3)

20.1 The proposed redevelopment of the Netherton Lane site in Bedlington seeks to bring a long-standing vacant brownfield site back into use through the construction of 13 new affordable homes for social rent. The site lies within Northumberland County Council in an area of growing housing need and where the reopening of the Northumberland Line will strengthen local transport connectivity and support further sustainable development. In addition to delivering much needed homes, the scheme will remove a redundant parcel of land which has been vacant for around 15 years and therefore contributing to improvements to the local streetscape and safety of the surrounding neighbourhood.

20.2 The development benefits from recently granted planning permission and will provide a mix of two- and three-bedroom houses designed to meet local demand in terms of size and increase the supply of affordable housing in the area. Recent Bernicia Group developments within the area show strong demand for this type of housing with similar schemes having attracted 115 applications for a two-bedroom house and 105 applications for a three-bedroom house.

20.3 Homes will be delivered to modern energy efficient standards, aligning with regional and national policy commitments to reduce carbon emissions. All properties will be built to current building regulations, including heat pumps and enhanced thermal performance, to achieve a minimum EPC rating of B with an ambition to reach EPC A across the scheme. These measures contribute to the Net Zero 2050 agenda and support the region's wider partnerships in tackling the climate emergency. Modern methods of construction will be used where appropriate.

20.4 The total scheme cost is £3,102,000. Brownfield Housing Fund support of £250,000 plus £15,000 in business case development support in required to close a viability gap that could not otherwise be financed. The total direct investment from Bernicia Group is £1,641,000 and the applicant is seeking to secure £1,196,000 from Homes England AHP fund, subject to agreement of BHF funding.

20.5 Brownfield Housing Fund will be used to support eligible works which equate to £606,145 in total. This provides sufficient headroom above and beyond the Brownfield Housing Fund funding ask £265,000. The eligible project costs are identified below:

Expenditure Item	Costs
Site Clearance incl. Demolition	£18,500
Specialists Foundations	£448,628
Service and Service Connections	£131,517
Retaining Walls	£7,500
Total	**£606,145**

21 Outputs

Outputs	26/27	27/28	Total
Brownfield Land Remediated (hectares)	1.004		1.004
Social Rented Homes		13	13

22 Timetable for Implementation

Milestone	Forecast Date
SAHP – Homes England Strategic Partner Application Submitted	April 2026
SAHP – Strategic Partner - Contracts	September 2026
Unconditional Contract – Land and Build	September 2026
Completed on Land	September 2026
Start on Site	October 2026
Remediation/Demolition	October 2026
Housing Start	January 2027
Housing Completion	December 2027

23 Appraisal

23.1 Key points from the appraisal report completed by Lichfields are outlined below. In this instance, the applicant prepared a small-scale business case that combined some cases into the same report section. Whilst the small-scale proposal template condenses the full North East (MSA) guidance to reflect the lower-level funding ask, this assessment still reviews all five business case elements in accordance with HM Treasury standards.

23.2 The Strategic Case is rated Green, demonstrating strong alignment with North East (MSA) priorities, including Mayoral commitments to brownfield regeneration and affordable housing delivery. Evidence from the East Bedlington Housing Needs Survey and the applicants own assessment using HomeFinder data confirms significant local need, while abnormal brownfield costs and rising construction and finance pressures support the viability gap and need for additional funding.

23.3 The Financial Case is rated Amber, reflecting total project costs of £3,102,000 and the reliance on external match funding not yet secured. The cost plan is considered reasonable and supported by a development appraisal. There is some additional certainty in this case on the basis that the construction costs have been submitted by Tandem Construction, the applicant's construction partner. Whilst there are no comparative contractor costs to assess value the applicant has commissioned a Value for Money Report which concludes that the construction costs are acceptable.

23.4 Eligible costs of £606,145 provide sufficient headroom above the £265,000 Brownfield Housing Fund ask, though the scheme remains dependent on £1.196m of Homes England AHP funding currently progressing through their pipeline. It is recommended that BHF funding is capped at £265,000, with any increases to be met by Bernicia Group or other funding sources.

23.5 The Economic Case is rated Green, with the scheme delivering acceptable value for money. The adjusted BCR of 1.34 demonstrates a positive return on public investment. Total monetised benefits of £2.3m include land value uplift, affordable housing health benefits, brownfield amenity improvements and public realm and open space benefits. The appraisal applies a compliant approach consistent with the Green Book and MHCLG guidance.

23.6 The Commercial Case has a Green rating, reflecting the more advanced stage of the proposals and the lower level of commercial risk as assessed by Lichfields. Planning approval has been secured and a construction partner is in place as part of a land led partnership arrangement. The applicant has presented evidence of strong affordable housing need in Bedlington which is supported by local survey information and HomeFinder data. Whilst the procurement route has not followed a formal competitive process, the conditional land and build agreements between Tandem Construction and Bernicia Group in general terms offers a pathway to deliver the homes proposed. It is recommended that an updated construction programme with more detail and a milestone schedule linked to grant funding activity be provided.

23.7 The Management Case has a Green rating, supported by clear governance arrangements and an experienced delivery team with a strong track record. The structure led by Bernicia Group and Tandem Construction provides confidence in effective project oversight and key funding dependencies associated with Homes England AHP are acknowledged with mitigations.

24 RAG Assessment

24.1 The assessment follows the HM Treasury Five Case model.

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

25 Recommended Conditions of Funding

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

No.	Condition
1.	The Recipient will underwrite any capital cost escalation to allow the completion of the project should costs increase beyond budget.
2.	The Recipient shall provide confirmation of all match funding prior to payment of the first claim.

26 Key Risks

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

26.2 Cost uncertainty: Whilst costs have been supplied by the applicant's construction partner and subsequently reviewed independently by a third-party cost consultant, until the construction contract is formally agreed and executed, a level of cost risk remains due to normal market factors and supply chain conditions. To mitigate this, the Grant Funding Agreement will include a condition requiring the Recipient to underwrite any capital cost escalation should costs increase beyond current budget.

26.3 Homes England Grant: Whilst the proposed funding from Homes England AHP is confirmed to be on their pipeline and this has not yet been formally secured. Ongoing dialogue between the applicant and funding partners is progressing. A formal grant agreement remains outstanding and will be required to ensure the scheme can go ahead, otherwise Bernicia Group will need to revisit initial cost plans and consider whether the gap can be funded from their own reserves.

26.4 From a Brownfield Housing Fund perspective all risks seem manageable and are generally considered as part of the applicants' initial risk register.

27 Financial and other resources implications

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

Funding source	2025/26	2026/27	2027/28	Total
Brownfield Housing Fund (£)	£15,000	£250,000	£0	£265,000
Homes England SAHP (£)	£0	£897,000	£299,000	£1,196,000
Recipient's Funds Capital (£)	£570,057	£509,000	£561,943	£1,641,000
Total (£)	£585,057	£1,406,000	£860,943	£3,102,000

27.2 Status of match funding:

- With reference to the comments set out above, the funding ask from Homes England is not yet executed with a formal agreement, however, the scheme is currently on their pipeline and the applicant is leading ongoing discussions to secure this.

28 Consultation and engagement

28.1 A stakeholder engagement plan will be implemented by the applicant, led by Bernicia Group in partnership with Tandem Construction. Early engagement with local residents, ward councillors and nearby schools will form part of the approach and this will be supported by opportunities for feedback and regular communication. Updates will be provided throughout the development and construction phases via newsletters, social media, community events and engagement activities to maintain transparency, minimise disruption and promote ongoing involvement in the project.

28.2 A marketing and communications approach will be implemented to support the proposal with activity aligned to development milestones. A teaser campaign will be launched when work starts on site, followed by more marketing as homes are released. The applicant proposes to use a blend of digital and traditional methods including site signage, print advertising and attendance at local events. All materials will clearly reference and promote the support provided by the North East MSA. Once project timescales are confirmed and Homes England grant funding through SAHP 2026–36 is secured, a full communications plan will be issued. Current expectations indicate that the initial phase of communications will commence in Summer 2026.

B. Potential Impact on North East Mayoral Strategic Authority Objectives

The projects outlined in this paper have clear alignment with housing priorities within the North East MSA's 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 housing.

By delivering new affordable homes the schemes 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 schemes are 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. Evaluation

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

D. Legal Implications

The comments of the representative of the Monitoring Officer are included in this report.

E. Equalities implications

The North East MSA 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.

F. Appendices

None

G. Background Papers

July 2025 Delegated Decision Report Brownfield Housing Fund – Extension of Programme

June 2025 North East CA Cabinet Report

H. Contact officers

Name: Michael Trotter
Title: Project Manager – Housing & Regeneration
Email: michael.trotter@northeast-ca.gov.uk

Name: Heather Orton
Title: Head of Housing and Regeneration
Email: heather.orton@northeast-ca.gov.uk