

Delegated Decision Report

Subject: NTCA Brownfield Housing Fund Programme – Hadston Industrial Estate, Hadston, East Chevington

Report of: Principal Housing and Infrastructure Manager

Portfolio: Housing, Land and Development

Report Summary

In July 2020, the North of Tyne Combined Authority (NTCA) was awarded a £23,853,618 share of the £400m Brownfield Housing Fund. A further extension to the Brownfield Housing Fund was announced in the Levelling Up White Paper in February 2022. NTCA was awarded an additional £7,976,893 share, bringing the total amount of Brownfield Housing Funding awarded to £31,830,511. NTCA and Local Authorities have worked closely to develop the pipeline of proposals for the Brownfield Housing Fund which was endorsed by the Housing & Land Board and Investment Panel in Autumn 2020 and an updated pipeline was endorsed as part of the Brownfield Housing Fund Delivery plan in July 2022. Schemes which pass the initial gateway process have been added to the pipeline and invited to prepare a full business case. Hadston Industrial Estate, Hadston, East Chevington is one of those schemes.

On 29th September 2020, NTCA Cabinet considered a report on the North of Tyne Brownfield Housing Fund Programme and authorised the Chief Executive (Head of Paid Service) - in consultation with the Investment Panel, the Mayor and the Portfolio Holder to consider and approve relevant business case applications for the North of Tyne Brownfield Housing Programme. Cabinet also authorised the Chief Executive (Head of Paid Service) to finalise the conditions for funding awards and authorise the Interim Monitoring Officer to complete the necessary documentation relating to the awards.

The purpose of this report is to request the approval of the Hadston Industrial Estate project delivered as part of the Brownfield Housing Fund for a total value of £1,186,144.

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. NTCA Brownfield Housing Fund funding of the amount of £1,186,144 to be awarded to Ascent Homes for the delivery of the Hadston Industrial Estate, East Chevington project set out at paragraph 1.2 and subject to the conditions set out in this 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.

1. Background Information, Proposals and Timetable for Implementation

1.1 Background Information

- 1.2 In July 2020, the NTCA was awarded a £23,853,618 share of the £400m Brownfield Housing Fund. The funding is intended to support the development of at least 1,500 new homes on brownfield sites across the North of Tyne area. A further extension to the Brownfield Housing Fund was announced in the Levelling Up White Paper in February 2022. NTCA was awarded an additional £7,976,893 share, bringing the total amount of Brownfield Housing Funding awarded to £31,830,511. The aim of the fund is to remediate and revitalise brownfield sites across the area for the provision of new homes. The fund can be used on sites with demonstrable market failure, with a benefit cost ratio floor of 1.
- 1.3 NTCA and Local Authorities have worked closely to develop the pipeline of proposals for the Brownfield Housing Fund which was endorsed by the Housing & Land Board and Investment Panel in Autumn 2020 and an updated pipeline was endorsed as part of the Brownfield Housing Fund Delivery plan in July 2022. Schemes which pass the initial gateway process have been added to the pipeline and invited to prepare a full business case. NTCA in collaboration with the Local Authorities will manage the Brownfield Housing Fund programme till 2025, updating the delivery plan annually.
- 1.4 The site is Hadston Industrial Estate, Hadston East Chevington, Northumberland. This site was formerly in use for both commercial and industrial uses, but it has since been vacant for over 10 years, supporting no activities. The applicant is Ascent Homes, who are the house-building arm of Advance Northumberland. The scheme proposed will develop a 2.15-hectare site and will provide 67 private market sale homes (2 & 3 bed properties) and 8 affordable homes (2 bed properties) and will bring back into use a site that has sat vacant for a significant period of time. Every house on the scheme will adopt low carbon technologies in the form of Air Source Heat Pumps (ASHPs) and Solar Photovoltaics (PV) which will contribute as a renewable energy heat and energy sources, thereby reducing carbon emissions. Without BHF funding, the scheme is commercially unviable and would not be delivered.
- 1.5 BHF funding is required to address cost / value gap as set out in the schemes submitted development appraisal. BHF funding will be used to pay for eligible works comprising of: site acquisition costs, break out works, works to existing footpaths and roads, resurfacing, drainage diversions, contamination remediation, drainage preparations, enabling works and installation of low carbon infrastructures.
- 1.6 A full external green book appraisal has been undertaken which found that the scheme has a clear alignment with the strategic objectives of the North of Tyne Combined Authority and reflects the Brownfield Housing Fund criteria set out by DLUHC. The scheme meets the minimum Benefit Cost Ratio of 1 and the full business case and appraisal confirms that the investment of £1,186,144 will unlock the development of 67 private market sale homes and 8 affordable homes. The grant recipient, Ascent Homes, who are the house-building arm of Advance Northumberland, have a strong track record of development within Northumberland.
- 1.7 NTCA Investment Panel considered the proposal on 8 December 2023 and recommended to the Chief Executive (Head of Paid Service) that funding of £1,186,144 is agreed subject to the following conditions:

Condition 1: Subsidy Control

The Combined Authority has not had sight of Subsidy Control advice from DWF and suggest that this is obtained and submitted as part of the contracting process.

Condition 2: Red Book valuation

The Combined Authority requests information from the applicant to support the land value. This should be in the form of a Red Book valuation, which would also inform the security which can be taken on the site.

Condition 3: Detailed programme plan

The Combined Authority requires a more detailed plan in the Funding Agreement to monitor Ascent Homes’ progress up to the start of construction. Key milestones including site purchase (completion), planning, procurement and start on site milestones must be mapped.

Condition 4: Detailed procurement plan

The Combined Authority requests more detail on the current status of procurement activities (completed or underway) and a more detailed plan for procurement activities going forward. The forward plan should include an understanding of how Value for Money will be achieved in the approach to tendering (i.e. will work packages be tendered to a minimum of 3 parties). A summary report should also be provided to the Combined Authority prior to start on site that details the tendered costs, before drawdown – such that the level of funding drawn down reflects the tendered rates.

Condition 5: Clawback condition

Given that the majority of costs are based on estimates, and there is uncertainty whether the allowance for inflation is sufficient, it is recommended that a clawback clause is added to the Funding Agreement whereby should costs be lower and values higher than the Combined Authority will receive recompense.

Condition 6: Completion of key milestones

Report on the achievement of key milestones including securing planning permission, obtaining the site from Homes England and the sale of the 8 affordable units to a Registered Provider.

Project Outline	
Applicant	Ascent Homes
Project location	Hadston Industrial Estate, Hadston, East Chevington
Start Date	April 2024
Financial End Date	2025/2026
Practical completion date (date by which all outputs will be achieved)	January 2027
Total Project Value	£12,981,144
NTCA Grant Requested	£1,186,144
Financial Implications	This forms part of the £31.8m NTCA Brownfield Housing Fund. £24,008,239 has previously been approved.

1.8 NTCA Outputs and Outcomes

The following outputs and outcomes will be achieved:

Outputs and Outcomes	
Outputs	Total
2.15 ha of net brownfield land redeveloped	2.15 ha
75 new homes constructed, including 8 affordable units	75 homes with contribution to Local Plan targets and local economic growth.
43 gross FTE jobs years supported directly on site	43 FTEs direct
54 gross FTE jobs supported within the supply chain	54 FTEs indirect
New PV and ASHP energy efficiency measures deployed	£0.59m of net energy benefits from ASHPs
Outcomes	Total
Land Value Uplift of almost £1.5 million (not accounting for additionality), with the existing brownfield land value estimated at c.£166,000 and the residential land value estimated at almost £1.6 million	£1.5million

Milestones

Project milestone	Delivery date
Start on site	April 2024
First foundations	June 2024
First completion	January 2025
Site completed	January 2027

1.9 Appraisal

Thrive consultants received and assessed a full business case for the Hadston scheme. They rated the project overall as Amber/Green. The scheme is strong project with clear alignment to NTCAs strategic priorities, BHF eligibility criteria and can make a useful contribution to the North of Tyne economy. It is also expected that the scheme will continue to deliver wider health benefit outcomes associated with the delivery 8 affordable homes, amenity benefits associated with the new open space and negated carbon usage associated with installation of PV and ASHP technologies. The scheme overall has a BCR of 1.8 which indicates potential for good value for money for the BHF programme.

The Commercial case was identified to lack detail in some areas, but the appraiser concluded that Ascent has established procurement processes and a track record of delivering schemes of similar scale and nature, which should assist them in delivering this scheme. A detailed procurement plan has been suggested as a potential condition, to provide clarity around Ascent's procurement operations regarding the scheme.

The Financial case was considered to be reasonable, with clear demonstration that that without funding the scheme was unviable. The appraiser did highlight that costs were based on estimates and had the potential to rise, causing risk to the delivery of the project. However, the appraiser was assured that the grant request will remain at £1.186m and the applicant would seek additional alternative funding sources if required. It was therefore expected to cause no impact to the delivery of the scheme.

The Management Case remained amber/green. The appraiser recommended that further detail on management and governance arrangements and a clearer delivery plan would have resulted in a

green rating. However, the appraisal team has confidence that due to the scale and simplicity of the scheme, it will be delivered effectively by Ascent Homes.

To mitigate the RAG assessment, the appraiser has recommended the following conditions:

Condition 1: Subsidy Control

Subsidy Control advice to be obtained and submitted to the Combined Authority.

Condition 2: Red Book valuation

The Combined Authority request information from the applicant to support their land value. This should be in the form of a Red Book valuation which would also inform the security which can be taken on the site.

Condition 3: Detailed programme plan

The milestone table and programme plan provided in the business case were high-level . The Combined Authority request a more detailed plan in the Funding Agreement to monitor Ascent Homes’ progress up to the start of construction. Key milestones including site purchase (completion), planning, procurement and start on site milestones are required to be mapped.

Condition 4: Detailed procurement plan

The business case lacked detail in relation to what contracts have already been procured and how this has been achieved. The Combined Authority request more detail on the current status of procurement activities (completed or underway) and a more detailed plan for procurement activities going forward. The forward plan should include an understanding of how Value for Money will be achieved in the approach to tendering (i.e. will work packages be tendered to a minimum of 3 parties). A summary report should also be provided to the Combined Authority prior to start on site that details the tendered costs, before drawdown – such that the level of funding drawn down reflects the tendered rates.

Condition 5: Clawback condition

Given that the majority of costs are based on estimates, and it is uncertain whether the allowance for inflation is sufficient, it is recommended that a clawback clause is added to the Funding Agreement whereby should costs be lower and values higher then the Combined Authority will receive recompense.

Condition 6: Completion of key milestones

Ascent Homes to report on the achievement of key milestones including securing planning permission, obtaining the site from Homes England and the sale of the 8 affordable units to a Registered Provider.

Overall RAG assessment	
The Economic Case	Green
The Strategic Case	Green
The Commercial Case	Amber
The Financial Case	Amber
The Management Case	Amber/Green
Overall Rating	Amber/Green

1.10 **Proposed Funding Conditions**

No.	Condition
1.	Subsidy Control be obtained as part of the contracting process.
2.	Submit Red Book valuation to support land value and security which can be taken on site.
3.	Submit a more detailed milestone table and programme plan to monitor progress up to completion. Key milestones including site purchase (completion), planning, procurement and start on site milestones need to be mapped.
4.	Submit a more detailed Procurement Plan detailing the current status of procurement activities (completed or underway) and a more detailed plan for procurement activities going forward. The forward plan should include an understanding of how Value for Money will be achieved in the approach to tendering. A summary report should also be provided to the Combined Authority prior to start on site that details the tendered costs, before drawdown – such that the level of funding drawn down reflects the tendered rates.
5.	Clawback clause - should costs be lower and values higher, then the Combined Authority will receive recompense.
6.	Every house on the scheme will adopt low carbon technologies in the form of Air Source Heat Pumps (ASHPs) and Solar Photovoltaics (PV) which will contribute as a renewable energy heat and energy sources, thereby reducing carbon emissions.

1.11 Next Steps

Funding agreements will be put in place and the project will commence delivery.

2. Potential Impact on Objectives

2.1 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 in the North of Tyne.

3. Key Risks

3.1 The risks associated with this application have been mitigated through funding conditions. These include receipt of a detailed procurement and programme plan with key milestones, the submission of a Red Book Valuation to demonstrate land value, implementation of a clawback clause to mitigate the risk of lower cost values, and the receipt of a Subsidy Control assessment associated with this development.

4. Financial and Other Resources Implications

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

4.2 The financial completion date for the project is 2025/2026.

4.3 Below is an approximate forecast projected spend profile:

Funding Profile				
	2023/24	2024/25	2025/26	TOTAL

NTCA (100%)	BHF		£1,186,144		£1,186,144
Match (0%)					
Total			£1,186,144		£1,186,144

To date, 12 applications with a combined value of £24,008,239 have been approved and legally committed from the NTCA BHF Programme. Should this application be approved, a balance of £6.6m of the programme will remain.

5. Legal Implications

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

6. Equalities Implications

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.

6.2 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.

7. Inclusive Economy Implications

7.1 The project contributes to the delivery of the inclusive economy objectives of the NTCA. The project sets out a range of interventions that will grow the economy of the North of Tyne in an inclusive manner providing opportunities to access models of housing that provide affordable and private market sale opportunities, with low carbon technologies to provide heat and energy sources that might otherwise be inaccessible in the open market for residents. The project assists community growth as well as supporting the wider inclusive economy work of the combined authority by providing high quality homes.

8. Climate Change Implications

8.1 Overall, the project contributes to the delivery of the climate change objectives of the NTCA. Projects have submitted information within their proposals and have been appraised. The Combined Authority is committed to exploring a range of methods – from modern methods of construction and use of low carbon technologies through to greater use of local suppliers – to reduce the carbon impact of new housing. This project will deliver ASHP and PV panels as part of the development, which will be funded by the BHF grant. This will benefit residents directly and provide heat and energy sources for residents and reduce carbon emissions generated by each household.

9. Consultation and Engagement

9.1 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.

10. Appendices

10.1 None.

11. Background Papers

11.1 NTCA Cabinet Paper 29th September 2020, Brownfield Housing Fund
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2020/09/20200929-Cabinet-Agenda-Pack.pdf>

11.2 NTCA Delegated Decision 7th July 2022, Brownfield Housing Fund Programme Pipeline
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2022/07/REPORT.pdf>

12. Contact Officers

12.1 Heather Orton, Principal Housing and Infrastructure Manager, Heather.Orton@northoftyne-ca.gov.uk
Cheryl Askeff, Project Manager (Housing & Infrastructure), Cheryl.Askeff@northoftyne-ca.gov.uk

13. Glossary

13.1 ASHP – Air Source Heat Pumps
PV – Solar Photovoltaic Panels
NTCA – North of Tyne Combined Authority

14. Sign-off

1) Portfolio holder: Yes	2) Director of P&P/Head of Service: Yes	3) Director of Finance: Yes	4) Monitoring Officer: Yes
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