

Meeting:	BNG Board
Date:	13 March 2009
Contact:	Anne Mulroy
Board Action:	For Discussion
Sensitivity/FOI:	Public / Appendix 2 Exempt

Item 4 – Director’s Report

Summary Report:

Items covered in this report are:-

- Funding Allocation 2009/10
- BNG – Resources Review
- Audit Commission Action Plan Update
- Gateshead Joint Venture
- Freight Depot Site – Gateshead
- Housing Options Research
- Residents’ Panel
- Chair and Board Member Review Meetings 2009
- **Confidential item:** Scotswood Housing Expo (will be tabled at meeting)

Recommendations:

The Board are asked to note this report.

Implications:

Financial:

Equality:

Sustainability:

Consultation:

Risk:

Strategic:

Financial:

Development:

Operational:

Reputational:

Report to: BNG Board – 13 March 2009

Subject: Director's Report

Agenda Item: 4

1. **FUNDING ALLOCATION 2009/10**

An announcement on funding for 2009/10 will be made by HCA on Tuesday 10 March. Details will be available for discussion at the meeting.

2. **BNG – RESOURCES REVIEW**

A draft brief for this Review is currently being considered. The Review will look at the themes of work (both Renewal and Growth) to be delivered by the Partnership and also if our current resources are being deployed in the most effective manner.

3. **AUDIT COMMISSION ACTION PLAN UPDATE**

The Audit Commission has been engaged to act as a critical friend to the Partnership on implementing the recommendations of the Performance Review. Progress to date:-

- The Brief for the Evaluation of HMR activity was presented at a meeting of the Advisory Group on the 27th of February. We are still anticipating completing the work by the start of November 2009. A cross-partnership steering group has been established to oversee this piece of work. This research will also respond to the Audit-commission recommendation to review the impact of grant funded private sector refurbishment activity.
- BNG has started work with the Audit-commission in its role as critical friend to review our approach to efficiency. The advice offered by the Audit Commission will make reference as to how other pathfinders are developing this theme.
- BNG has written a draft Home Movers survey that will be used to collect information on residents moving into property's developed in partnership with BNG. This draft will be agreed at a meeting on the 7th of April.

4. **GATESHEAD JOINT VENTURE**

The Board will recall that Gateshead Council and its public sector partners are seeking to establish a new Joint Venture Vehicle (JVV) with private sector partners who will share in the ambition and commitment to deliver successful and sustainable housing-led regeneration with a focus on urban areas. The vision is to set a new benchmark in terms of neighbourhood planning, housing design and build performance.

The Council commenced the OJEU Procurement Process in November 2008 and of the 19 parties who registered interest at the Pre-Qualification Questionnaire Stage, a long list of 9 have been invited to participate in competitive dialogue where detailed solutions will be explored. The invitations to participate in dialogue were sent out on

16th February 2009. Initial dialogue meetings are scheduled over March with a deadline for responses identified at the end of April. Further evaluation will then be carried out to identify a short list of companies to be invited to continue in the competitive dialogue process which will conclude by December 2009. Further evaluation and dialogue is scheduled for the first half of 2010 with the selection of a preferred bidder by July 2010. Following this, the final approvals and the establishment of the Joint Venture is scheduled for completion by October 2010.

For reference, the JVV includes 19 sites (majority in Council ownership) which cover approximately 70 hectares. They range in size from 0.3ha – 12 ha and represent a wide range of development opportunities. It is envisaged that the JVV will operate over a 15-20 year period commencing in 2011 and is one of the largest regeneration opportunities in the country. The remit of the JVV will be flexible and wide ranging, focussing primarily on master planning, community engagement, housing development and improvement but may extend to commercial development, neighbourhood/public realm improvements and community schemes.

Central to the JVV is a commitment to a high quality of design and innovation to ensure that the new development provides places where people want to live and work. The Council and the successful PSP are each envisaged to hold a 50% interest in the JVV. Further details will be provided to the Board and subsidiary panels as the competitive dialogue progresses.

5. FREIGHT DEPOT SITE – GATESHEAD

The Board were advised in January 2009 that an event in December 08 at the Baltic Arts Centre was held by the Council and its appointed consultants (Bio-Regional and Ian Darby partners) to capture the collective aspiration for the Freight Depot site which is based on the ten 'One Planet Living' principles. This 'Visioning' document is currently being finalised and will be completed for the end of March.

In terms of ongoing site acquisition, two further elements of the site (Network Rail and Rolls Royce) are nearing completion and will be acquired within the next month using BNG funding. The HCA are also nearing completion on the purchase of the British Rail Residuary Body land. Collectively, these acquisitions will complete over 90% of the land assembly for the site. Future funding allocations for 2009/10 include £20K Renewal and £125K Growth funding.

6. HOUSING OPTIONS RESEARCH

This research is progressing into its later stages having already identified the scope and scale of particular housing market segments eg. private renters, emerging households, and their potential to find intermediate options useful in their housing careers, and discussions with developers on their views of the housing market, different intermediate products and willingness to progress key BNG sites.

We are currently modelling the options that could be used on specific sites in the area to improve housing choice and affordability. One site has been modelled to date and this has established that there would be no requirement for BNG gap funding to encourage movement from a 'Rent to Buy' product to the purchase of the same home/or a share in it. Data is currently being sought for other sites. The first set of

modelling will include Sunderland Road, BoKlok, Staiths, River's Gate and Cambrian. A second stage will include Cruddas Park, Scotswood, Bensham, former Freight Depot site and James Street (the latter as an example of how we can improve our decisions on gap funding of major refurbishment/tenure change projects). It is anticipated that there will be differing requirements for each site depending on costs, tenure mix, target markets etc.

A meeting has also been set up to update the local authority Treasurers on the work, to gain their views on what the Councils may be willing to support and to inform discussions to take place with lenders. The meetings with lenders will take place once a number of schemes have been modelled and we have some real examples of the kinds of products we may want them to support and their likely response to potential support from BNG for deposit saving plans/matched deposits.

A special meeting of the Advisory Group will consider the detail of the findings and recommendations in late April.

7. **HOUSING MARKET UPDATE**

The last meeting of the Board considered a detailed analysis of our progress towards meeting our targets for housing market change; an end of year report will also be presented in May.

The most recent housing market data available confirms that:

- North East average house price £113,962 in January 2009 (12.7% down on a year earlier and 0.7% over the month). This compares to -15.1% and -0.8% respectively for England as a whole (Land Registry, January national average £156,753).
- Savills suggest that North East average prices will return to 2007 levels in about 2014 with London, the South East and Scotland recovering first (courtesy: The Times, 27/02/09).
- The scale of falls in prices and transactions varies in Gateshead and Newcastle:
 - Gateshead average prices have reduced from £121,286 to £103,958 (-14.3% between January 2008 and 2009) and by -2.5% between December 2008 and January 2009.
 - Newcastle average prices in January 2009 were £126,108 compared to £145,096 a year earlier. This is a £19,000 (-13.1%) drop. Monthly change was -0.5%.
 - In November 2008, just over 100 sales transactions took place compared to 400 a year earlier; in Newcastle, 153 homes were sold compared to just under 400 in November 2007.
- In terms of First-Time Buyers
 - The Council of Mortgage Lenders' (CML) confirm that first-time buyers typically had a deposit of 22% in December, the highest proportion in 34 years of available data. The average first-time buyer borrowed 3.1 times their income.
 - 74% of first-time buyers did not pay stamp duty in December. Without the temporary increase of the nil-rate threshold last August, only 40% of first-time buyers would have been exempt.
- Buy to Let
 - According to the CML, new lending for buy-to-let continued to decline in

the fourth quarter of 2008, 12% down on the third quarter, and 56% down compared with the fourth quarter of 2007. This is the lowest quarterly lending figure since 2003.

- In contrast, the English House Condition Survey estimates that nationally, about 40% of the latest transactions are to cash buyers as older, better off households prefer property investment to low paying deposit accounts.
- The repossession rate is broadly in line with the wider market. In most cases, the tenants of buy-to-let landlords who fall into arrears are able to continue to live in the property with sufficient notice to find alternative accommodation even if a lender does decide to sell. From 6 April all tenants will receive increased notice of any court hearing for mortgage possession (around 5-7 weeks). This means even tenants whose landlords have failed to inform their lender that they are renting out their property receive notice of any court action.
- Housing Quality Network has reported that the market downturn has resulted in fewer empty properties being brought back into use and delays in renovation.
- Locally, Private Rented Sector teams advise that:
 - There has been an increase in people looking to rent privately over the last six months
 - A drop in rent levels has been experienced
 - An increasing proportion of people found accommodation are homeless
 - Systems are in place in both local authorities to identify and tackle long term empty homes although to date, this is not considered to be an issue.
 - Licensing is having a positive impact in Sunderland Road in terms of management and neighbourhood pride; two non-complying landlords have now been fined.

8. **RESIDENTS' PANEL**

The first members of BNG's Residents' Panel have now been recruited and the first meeting of the Panel will take place on 23 March 2009, looking at the Terms of Reference and agreeing a number of initial themes to discuss eg, the housing options and value in design research.

The panel includes people of different gender, age, physical ability and ethnicity although further members are needed to ensure better geographical coverage.

Members are very keen to take up the opportunity to study for a Community Development qualification supported by BNG, which they will do alongside partnership officers carrying out relevant roles.

Board reports now include a section to enable officers to feed in the views of the Residents' Panel when they have been consulted on items being discussed, and/or when future consultation is planned.

9. **CHAIR AND BOARD MEMBER REVIEW MEETINGS 2009**

See Appendix 1.

10. **CONFIDENTIAL ITEM: SCOTSWOOD HOUSING EXPO**

See Appendix 2 – to be tabled at meeting.

Chair and Board Member Review Meetings 2009

Introduction

This note summarises the issues discussed in this year's 1:1 meetings between the Chair and Members of the Board. The meetings took place between 20 and 27 February. The questions reviewed were:

- Do Board Agendas tackle the right issues and give us a balance between strategy, policy, performance monitoring and routine business?
- Are the papers and reports (including presentations) for the Board sufficiently well written and informative to give us material on which to base decisions or advice to officers?
- Is the length and number of Board meetings about right and would you like to repeat last year's Awayday?
- Is there a good atmosphere at Board meetings and are debates, discussions and decisions effective in guiding the organisation?
- Are there issues about your own role on the Board you want to review?
- What is your overall assessment of BNG's performance and contribution and what opportunities and risks should we be thinking through for the next two years or so?

General Observations

There is a generally high level of satisfaction with Board processes, conduct, relationships and effectiveness, and a high appreciation of BNG's role, including its stimulus and challenge to improvement in strategy and operational performance both directly and among delivery partners. Some questions were raised about how we sustain an in-depth understanding throughout all (staff and Member) levels of the Partnership between overall strategy, and its integration with other regeneration activities, operational work and specific programme actions.

BNG is 'performing strongly' for the second successive year according to the Audit Commission's most recent scrutiny report. The formal evaluation of efficiency and effectiveness and use of resources scores the organisation as 'performing well' (see attached HCA summary chart).

Two key areas for further detailed work have been identified:

- Performance management and value for money;
- The changing operating environment and its impact.

Performance Management

There are three separate elements to consider. Board Member feedback reinforces the need to strive for continuous improvement. At a relatively minor level, the need to sharpen up report writing has been identified, returning to the '4 page' focus of report writing so that key issues are analysed succinctly, recommendations are clear and impact is maximised.

More significant, there is an urgent need to improve the quality of financial information, advice and the related analysis (not simply description) of risk. This issue has been discussed a number of times in the Board in particular in relation to cash flow monitoring and programme adjustment. This is emphatically more urgent at a time of great uncertainty when appraisal of financial impact, risk and deliverability are of even greater importance than usual. Discussion of this can be taken forward through the resources review which the Partnership Executive Team (Anne Mulroy, Sheila Johnston and David Slater) has in hand.

Second, there is a need to question whether appraisal processes are sufficiently challenging to continue to secure value for money at a time of significant change. The Appraisal Panel was reconstituted in 2006 to be independent of delivery partners to eliminate the risk of conflict of interest. However, perhaps as a result, the (joint officer) Programme Management Group refines options to such a degree that the Panel has insufficient information thoroughly to test options, challenge suggested solutions and be satisfied that best use is being made of BNG's and other resources.

Linked to that, some questions were raised about ensuring that the Board takes stock of VFM delivery more frequently in the light of our changing circumstances. In the recent past this has been done through 'gateway' reviews for significant projects within the Strategic Commission areas or scrutiny visits followed by Board discussion. Perhaps a revised process can be instituted when the current round of Strategic Commission reviews is reported back to the Board, and, in addition, more time could be allowed on the agenda to review the work of the Advisory Group and the Appraisal Panel.

We might make some short term changes to address this concern but perhaps we also need to consider in more depth how our evolving governance structure can address this more comprehensively.

Third, making the 'efficiency and effectiveness' programme real, ie demonstrating a detailed plan for delivering efficiencies in procurement and other costs, was identified in the scrutiny report and the Board needs assurance and evidence that this is being implemented. There was an initial discussion of this efficiency plan at the last Board meeting and it will be the subject of regular Board scrutiny.

The Operating Environment

A range of issues was raised by Board Members about our current and prospective operating environment which is increasingly challenging. Given the issues the country faces, many of the matters raised are not within BNG's 'gift' let alone the Gateshead and Newcastle Partnership, so we will need to discuss influencing and lobbying strategies as well as our direct role in relation to the following areas:

- The impact of the evolving role of BNG (renewal and growth) on governance structures and Board experience, staff expertise and levels and general performance management;

- The developing relationships between the Gateshead and Newcastle Partnership and the three 'sister' organisations (BNC, CDC, NGI) and the synergies between them, in particular as the economic masterplan develops;
- The challenge of the public expenditure environment beyond the 2008-2011 period when resource levels will be under severe pressure;
- Managing the current downturn while sustaining our agreed long term objectives, and looking at strategies for a development model to 'replace' the current delivery framework;
- Engaging with the evolving national and (sub) regional framework, in particular the HCA, ONE, the Local Authority Leaders' Board and City Region to ensure that the sub-regional investment priorities for renewal and growth in the NewcastleGateshead area are sustained and a fair resource base is allocated.

Next Steps

The Board is invited to review this summary of the 1:1 discussions and highlight the areas of greatest corporate significance. This will assist the Chair's more detailed review with the Director of how performance improvement can be sustained. The discussions will also cover the need to reflect issues identified in our operating environment in the 2009-2010 Operational Plan. A number of actions are in hand such as the resources review. Others are under consideration, for example the impact of governance changes as our mandate develops. There is also a desire among Board Members to use an Awayday to examine the impact of these issues and the operational environment on how we organise and resource BNG in the medium and longer term.

Jim Coulter
3 March 2009

	Overall Performance Assessment	Strategic and operational alignment	Efficiency and effectiveness	Use of Resources	Need for Investment
Bridging Newcastle Gateshead	Performing Strongly	Performing Strongly	Performing Well	Performing Well	Significant
Elevate East Lancashire	Performing Well	Performing Strongly	Performing Well	Performing Well	Strong
Gateway Hull and East Riding	Performing Well	Performing Strongly	Performing Well	Performing Well	Strong
Manchester Salford	Performing Strongly	Performing Strongly	Performing Strongly	Performing Strongly	Significant
NewHeartlands	Performing Well	Performing Well	Performing Well	Performing Well	Strong
Partners in Action	Performing Strongly	Performing Strongly	Performing Well	Performing Strongly	Significant
Renew North Staffordshire	Performing Strongly	Performing Strongly	Performing Strongly	Performing Strongly	Strong
Tees Valley Living	Performing Well	Performing Strongly	Performing Adequately	Performing Adequately	
Transform South Yorkshire	Performing Well	Performing Strongly	Performing Adequately	Performing Adequately	Moderate
Urban Living	Performing Well	Performing Well	Performing Adequately	Performing Adequately	Moderate