

Meeting:	BNG Board
Date:	Friday 14th March 2008
Contact:	Ian Mackintosh/Jonathan Dunk
Board Action:	For Information
Sensitivity:	Public

**Subject: Item 5 - Programme and Financial Update 2007/08**

**Link to BNG Vision and Objectives:**

The programme delivers the BNG Vision and Objectives in 2007-08

**Recommendation:**

BNG Board notes the progress made in delivering the targeted spend and outputs for the year.

**Executive Summary:**

BNG has a target of £40.91m expenditure to achieve in 2007-08.

It is estimated that as at 29th February £27.418m will have been claimed from CLG. This is around 5.5% below the cashflow forecast of £29.023m for this period. This is largely due to delays in acquiring properties and although the situation is being closely monitored at this stage this is not a major cause of concern. It is however important to note that £13.492m still needs to be defrayed in the final months (33% of the programme).

Contingency plans are being considered by Programme Management Group to ensure the full spend is achieved should the need arise.

A very high degree of confidence in funding over the next three years will mean that BNG can develop a much more even cash flow over 2008-11. This will reduce the risk associated with claiming a very high proportion of funding in the last part of the financial year.

BNG is forecast to exceed all its CLG output targets except property acquisition for 2007-08, there is a possibility that this target may not be met. As a result of this BNG has added in further contingencies for the delivery of the CLG target for this indicator in 2008/09. BNG has already delivered the demolition target.

The progress on core outputs that BNG are contracted with CLG to deliver is as follows:

<b>Output</b>	<b>Actual 2006-07</b>	<b>Achieved to January 2008 (% of CLG target)</b>	<b>CLG Target 2007-08</b>	<b>Total forecast 2007-08 (% of CLG target)</b>
New homes constructed/conversions	44	11 (9%)	120	162 (135%)
Refurbishments	1692	976 (66%)	1482	2044 (138%)
Acquisitions	115	99 (62%)	160	160 (100%)
Demolitions	258	254 (118%)	216	591 (274%)
Land Acquired	1.69	3.80 (91%)	4.18	4.29 (102%)

<b>Implications</b>	
Financial:	BNG must deliver a programme with an expenditure target of £40.91m.
Equality:	All projects within the programme consider the impact on equalities during the appraisal process
Sustainability:	All projects within the programme consider the impact on sustainability during the appraisal process
Freedom of Information:	The report is a public document
Report Status:	Open

<b>Risk:</b>			
Risk Map Element	Brief description of any material risks, including of not proceeding.	Impact	Probability
Strategic:	The outcome of the programme may not have the desired effect on the strategic objectives	H	L
Financial:	Failure to achieve the spend target could result in loss of grant if underspent or needing to find alternative funding if overspent	H	M
Development:	Projects must be approved in sufficient time to allow development to take place in accordance with the programme	H	L
Operational:	Failure to achieve the contracted outputs could have an adverse effect on the programme in future years	H	M
Reputational:	Failure to deliver the programme spend and outputs would cause BNG to lose face with CLG and potentially residents and stakeholders	H	M

**Paper Type:**  
For Information.



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**Date:**  
14<sup>th</sup> March 2008

**BNG BOARD**

**Agenda Item: 5**

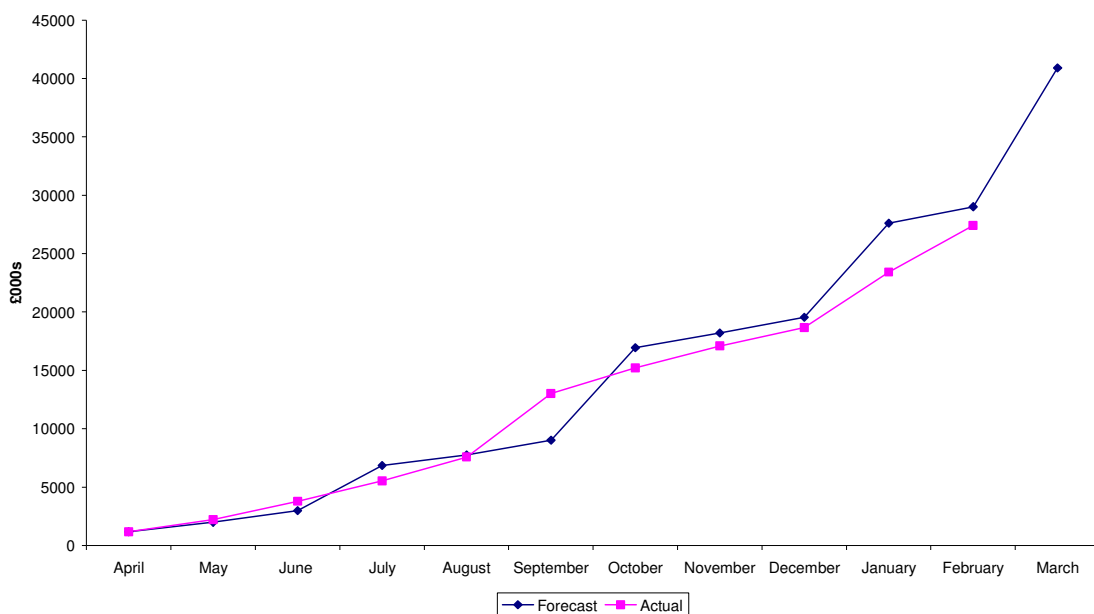
**PROGRAMME AND FINANCIAL UPDATE 2007/08**

**1. Summary**

BNG has a target of £40.91m expenditure to achieve in 2007-08.

As at 31<sup>st</sup> January £23.418m has been claimed from CLG. It is estimated that an additional £4m will be claimed in relation to expenditure defrayed in February giving a total of £27.4m. This is around 5.5% below the cashflow forecast of £29.023m for this period. This is largely due to delays in acquiring properties and although the situation is being closely monitored at this stage this is not a major cause of concern. It is however important to note that £13.492m still needs to be defrayed in the final month (33% of the programme).

Cumulative Cashflow 2007-08



The expenditure can be broken down into the following Strategic Intervention Areas:

Strategic Intervention Area	2007-08 Programme	Approved to Date	Spend as at 31/01/2008	Estimated Cashflow Forecast to 31/01/08	Forecast spend to Year End
	£000s	£000s	£000s	£000s	£000s
Core Team Projects	1,212	1,212	887	764	1,132
Capacity Increase (NCC)	1,196	1,196	1,335	876	1,196
Byker Ouseburn	2,077	1,677	564	1,140	887
Elswick Discovery	3,497	3,497	1,085	3,430	3,025
North Central	621	621	295	480	621
Scotswood Benwell	9,398	9,148	4,347	6,032	7,656
Walker Riverside	8,915	8,915	4,689	3,676	8,639
Co-ordination & Support (GC)	1,117	1,117	635	712	772
Bensham and Saltwell	7,887	7,887	2,478	4,217	7,486
Deckham	10	10	8	0	10
Dunston	60	60	0	78	60
Enabling Projects (GC)	540	540	164	102	540
Felling Bypass	8,606	8,430	5,759	4,798	7,924
Teams	1,921	1,921	1,172	1,311	1,921
	<b>47,057</b>	<b>46,231</b>	<b>23,418</b>	<b>27,616</b>	<b>41,869</b>

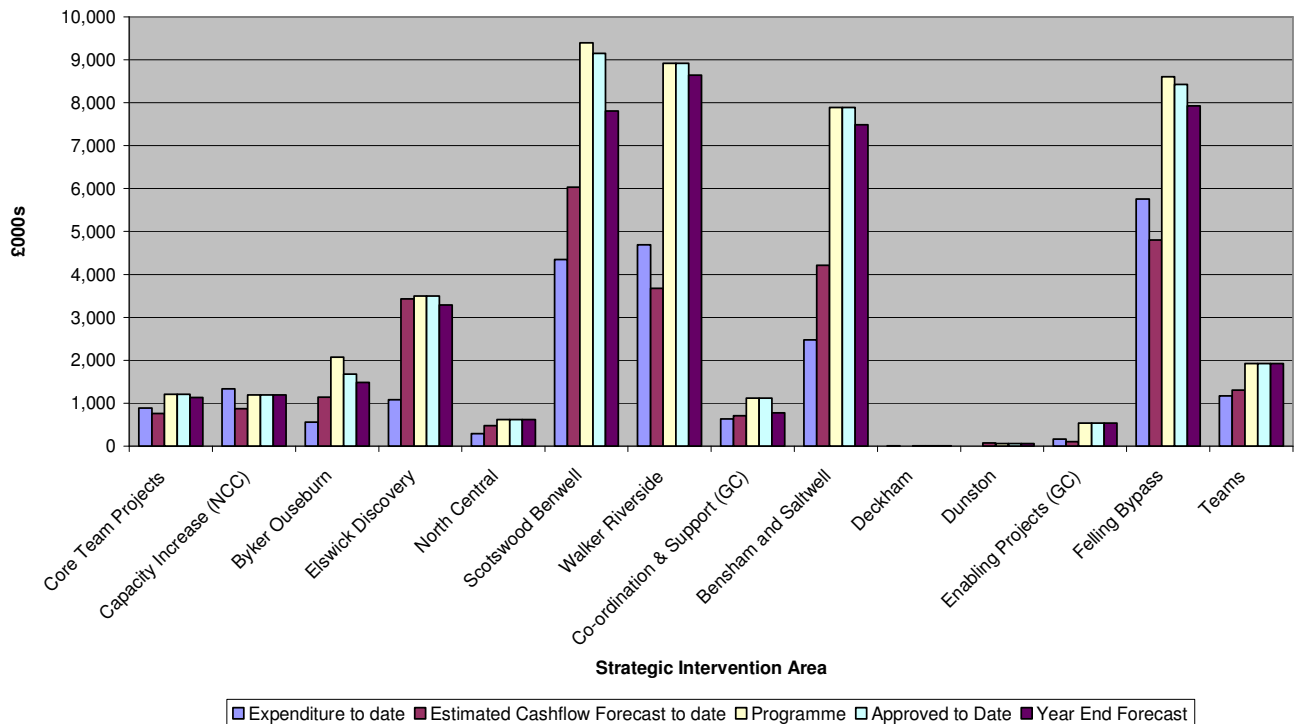
This is represented graphically below.

Details of individual projects to 31<sup>st</sup> January can be seen in the attached spreadsheet (Appendix 1).

To date projects totalling £46.231m have been approved and are in the process of being delivered. The most recent forecast of probable expenditure to the year end shows that £41.9 m may be defrayed by 31<sup>st</sup> March.

At this stage in the year the approved projects include a level of overprogramming (13%). This is considered to be acceptable as there are several potentially high risk schemes in the programme that may not fully deliver in terms of spend and outputs as highlighted in the latest projections of expenditure. In particular this relates to property acquisitions in Walker, Scotswood and Bensham and Saltwell/Teams. This situation is being closely monitored by Programme Management Group (PMG) to ensure that the programme will be delivered in accordance with the overall allocation of grant and output targets. Specific actions being considered to ensure programme targets are met include use of capital receipts (£600k is anticipated to be received this year), examination of the potential for funding swaps to either increase or decrease expenditure, and the possibility of slowing down specific projects. The PMG now meets weekly.

## BNG Spend as at 31st January 2008



### Major Projects:

There are several projects that still appear to require to spend in excess of £1m prior to 31st March as follows:

- Brewery site demolition – forecast expenditure £1,345,115. Contractors for the demolition are on site progressing well and are due to complete by 18<sup>th</sup> March.
- Scotswood and Benwell Neighbourhood Development – forecast expenditure £1,764,890. This relates to acquisitions and demolitions of which a number are in the pipeline. Forecast should be achieved.
- Housing Expo – forecast expenditure £1,896,030. This relates to consultancy fees for the development and procurement relating to the Expo. This will be achieved.
- Walker Riverside Site Assembly – forecast expenditure £3,032,000. This relates to acquisitions and demolitions of which a number are in the pipeline. Forecast should be achieved.
- McCutcheon Court Phase 1 – forecast expenditure £2,318,101. This relates to the gap funding of the Riversgate development. The new build scheme is progressing well and is on schedule. The final expenditure figure is likely to be reduced subject to the discussion re the gap funding and land value calculations.
- North West Quarter Clearance – forecast expenditure £5,547,000. This relates to acquisitions and demolitions of which a number are in the pipeline. Forecast should be achieved.
- The Avenues Housing Improvements – forecast expenditure £1,100,000. This is a private sector improvement scheme. The contract is on site and progressing well. It is anticipated that @£200k will slip to next year.
- Brandling – forecast expenditure £650,000. This is an acquisition and clearance scheme. One commercial relocation is causing delays therefore @£500k will slip to next year.

- Field Street – forecast expenditure £723,000. This is an acquisition and clearance scheme. Negotiations with one landlord are becoming protracted and causing delays therefore @460k will slip to next year.
- Dixon Street – forecast expenditure £1,882,320. This relates to acquisitions and demolitions of which a number are in the pipeline and are due to complete this month. Forecast should be achieved.

## 2. Output Performance

BNG is forecast to exceed all its CLG output targets except property acquisition for 2007-08. BNG has already delivered the demolition target.

Risks are still associated with the delivery of property acquisition and new build targets, these are described in more detail below.

<b>Output</b>	<b>Total outturn 2006-07</b>	<b>Achieved to end January 2008</b>	<b>CLG Target 2007-08</b>	<b>Total forecast 2007-08</b>	<b>Variance (forecast to target)</b>
<b>New homes constructed/conversions funded</b>	44	11	120	162	+42
<b>Refurbishments</b>	1692	976	1482	2044	+562
<b>Acquisitions</b>	115	99	160	160	0
<b>Demolitions</b>	258	254	216	591	+375
<b>Land Acquired (ha)</b>	1.69	3.8	4.18	4.29	+0.11

These figures are illustrated in the chart in Appendix 2. This also demonstrates that output performance is forecast to exceed that achieved in 2006-07 in all cases.

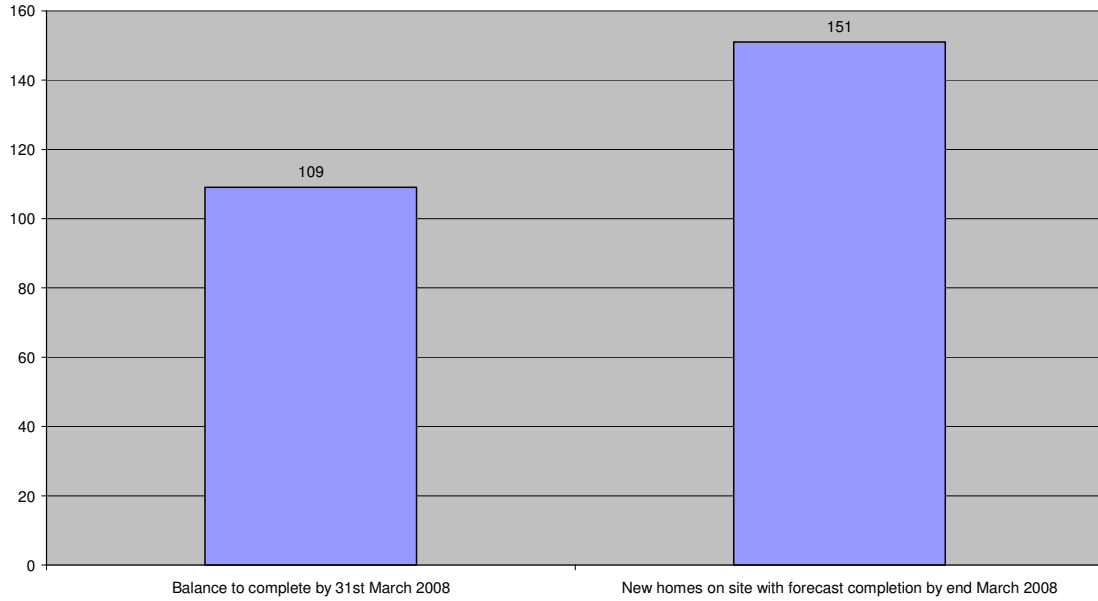
### Core Indicator Targets - Key Issues

#### Homes Constructed or converted using HMR

- The target for 2007-08 is 120. At the end of January 11 have been completed. This leaves a balance of 109 to achieve by the end of March 2008.
- There are currently 151 new homes on site and expected to be complete by year end, with an additional 6 properties not expected to finish.
- This is expected to result in a year end outturn of 162 units.
- Of the 151 new homes on site 49 will be delivered through the Boklok development in Gateshead. Following the completion of an independent investment appraisal and BNG project appraisal process this project has now been approved at a value of £ 127 909.

This is illustrated in the chart below.

### New Homes Constructed

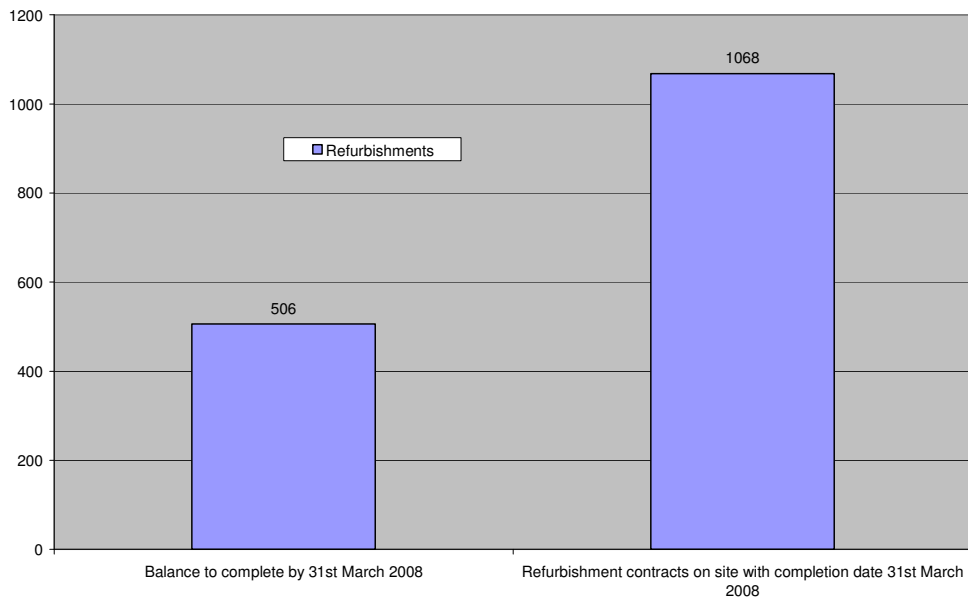


### Properties Refurbished

- The target for 2007-08 is 1482. At the end of January 976 have been completed. This leaves a balance of 506 to achieve by the end of March 2008.
- There are currently 1068 additional properties that are currently undergoing refurbishment giving a projected outturn of 2044. There are an additional 74 properties not expected to finish this year.

This is illustrated in the chart below.

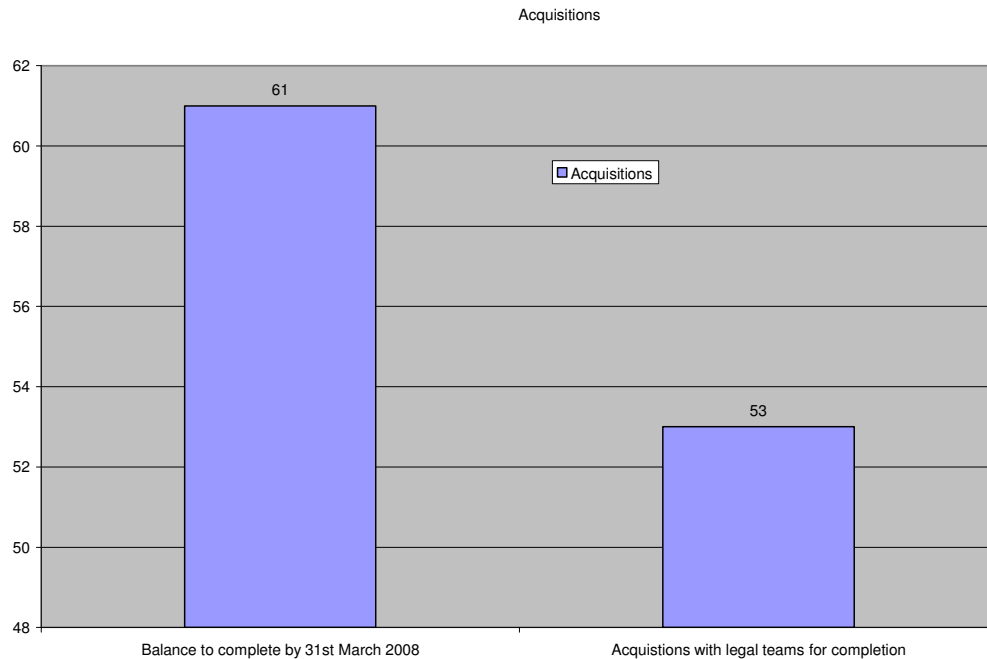
### Refurbishments



## Properties acquired for pathfinder purposes

- The target for 2007-08 is 160. At the end of January 99 have been acquired, including 4 commercial. This leaves a balance of 61 to achieve by the end of March 2008.
- There are currently 53 property acquisitions with legal teams for final completion, this still leaves a gap of 8 properties to acquire to meet the target agreed with CLG.
- There is therefore a possibility that this output target will not be met, however current market conditions are beginning to help with the delivery of this indicator.

This is illustrated in the chart below.

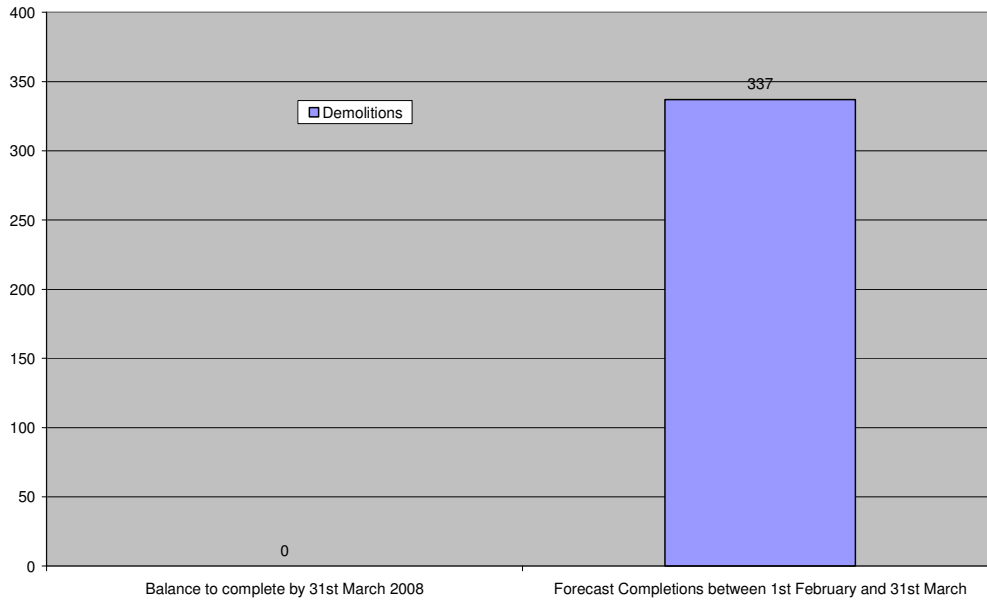


## Properties Demolished

- The target for 2007-08 is 216. At the end of January 254 have been completed. This leaves a balance of 0 to achieve by the end of March 2008.
- There are currently 337 homes forecast for demolition between January 1<sup>st</sup> and 31<sup>st</sup> March 2008 giving a projected outturn of 591.

This is illustrated in the chart below.

### Demolitions

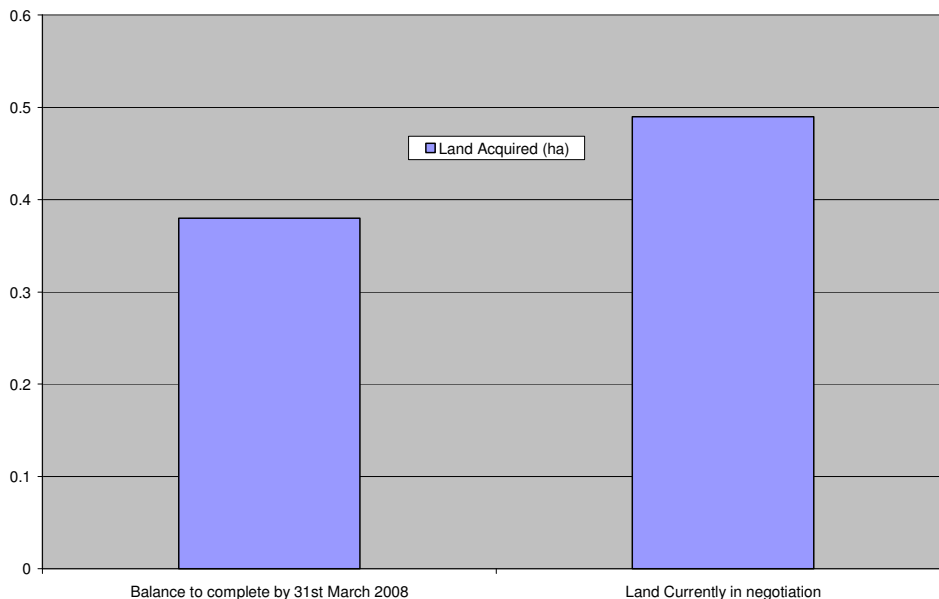


### Land Acquired

- The target for 2007-08 is 4.18 ha, at the end of January 3.8 ha has been acquired (DHL ownership of Freight Depot Site). This leaves a balance of 0.38 ha to achieve by the end of March 2008.
- Negotiations are underway with Network Rail to acquire a site measuring 0.49 ha, this would deliver an outturn of 4.28 ha.
- Should this negotiation be unsuccessful BNG can count the footprint of the 4 commercial properties acquired through BNG. It is anticipated that this will meet any shortfall.

This is illustrated in the chart below.

### Land Acquired (ha)



### **3. Recommendations**

That BNG Board notes the 2007-08 programme and financial position.

## Appendix 2 - Output Summary at end January 2008

