

Meeting:	BNG Board
Date:	15 May 2009
Contact:	Jonathan Dunk
Board Action:	Information
Sensitivity/FOI:	Public

Item 9 – Programme Update 2009-11

Summary Report:

The investment programme has been refined to respond to current economic conditions. Work is underway to ensure that we properly reflect the impact of growth fund investment on releasing housing sites and accelerating housing development. The potential level of over programming across the combined programme in 2009-11 is high although measures are in place to manage this.

Recommendations:

1. Board note the potential level of over programming in 2009-11;
2. Board note that we are developing a programme based on a 100% allocation, although this has not yet been confirmed;
3. Board note the proposed changes to the collection of output indicators to reflect growth and renewal investment; and
4. Board note that project specific performance management information will be included in future reports. This will be on a by exception basis.

Implications:

Financial:	The combined programme needs to be delivered within the funding framework. This paper outlines measures to manage the risk of under and overspend.
Equality:	Investment will ensure equality of access to good quality housing.
Sustainability:	Investment will deliver sustainable places and homes.

Residents' Panel:	It would be useful to present this information to the Residents Panel.
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Risk:	
Strategic:	If the programmes do not reflect strategic direction then BNG's objectives will not be met.
Financial:	The impact of not delivering to budget would be high but measures (outlined in this report) are in place to ensure this risk is low.
Development:	Development risks are considered at a project level.
Operational:	The programme is being managed within the existing governance structure and scheme of delegation.
Reputational:	Failure to deliver the programme would damage the reputation of BNG.

Report to: BNG Board - 15 May 2009

Subject: Programme Update 2009-11

Agenda Item: 9

1. STRATEGIC DIRECTION

The spatial focus for investment during 2009-11 remains largely the same as in 2008-09, this is under review by the Advisory Group.

New build activity in 2009-10 will be substantially less than forecast in the 2008-11 Business Plan. The slowdown in housing development means that BNG's objective of tenure diversification by new build is difficult to achieve. Building on successful schemes such as New Mills in Newcastle, we will instead seek to achieve tenure diversification by the conversion of social rented properties into homes for sale on a more strategic basis.

Problems of liquidity in the money market mean that we have identified the need to support home ownership through investment in Practical Affordable Housing Solutions. We will change the output indicators we report against to include Households supported into home ownership.

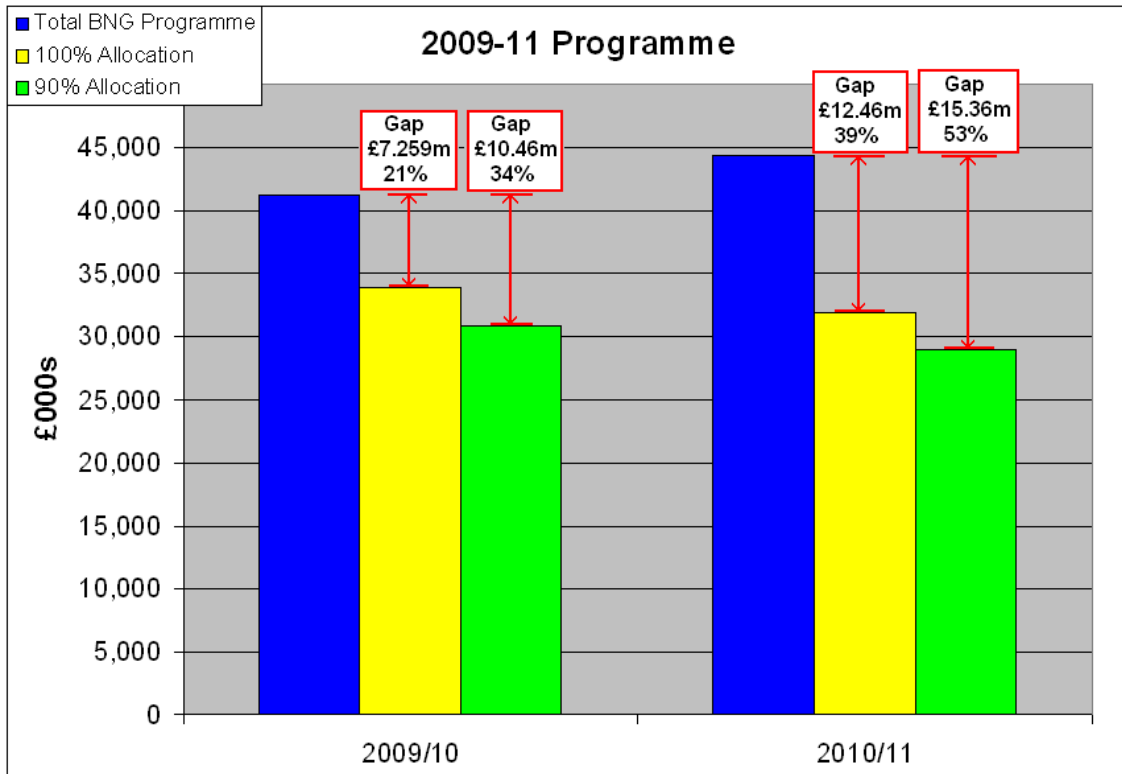
2. GROWTH POINT PERFORMANCE MANAGEMENT

Growth Point projects are now being approved under the existing Scheme of Delegation and Governance structure. We will be adding to the output indicators that we collect to accurately reflect the impact of this investment. These indicators have been informally discussed with delivery partners and are likely to be;

- Area of land made ready for development – this will reflect site investigation and land remediation work;
- Number of homes benefiting from environmental improvements – this will reflect investment in green infrastructure; and
- Investment leading to homes being built – this will reflect investment in infrastructure unlocking housing development sites.

3. 2009 – 11 INVESTMENT FRAMEWORK

The table below illustrates investment renewal and growth investment framework for 2009-11. At this stage we are developing a combined programme based on a 100% allocation in 2009-10 of £ 33.967 m.



4. THE GATEWAY REVIEW PROCESS

On the 8th of April the Project Appraisal Panel approved investment against low risk, continuation activity - £ 25.736 m in 2009-10 and £ 24.786 m in 2010-11. Investment in 2010-11 was approved subject to a performance review in January 2010. See Appendix One for detail.

5. DEALING WITH RISK

We have identified the need to improve our monitoring of projects that are not yet approved but are included within the 2009-11 investment programme. This is being achieved through;

- Preparation of project development plans for projects with a higher than normal degree of risk attached to their delivery in 2009-11; and
- Developing, monitoring and reporting against a project appraisal timetable for all other unapproved projects.

There is a significant degree of risk attached to the requirement for investment for six key projects listed below;

Project	Funding Required in 2009-11
EXPO	£ 9,000,000
Cambrian	£ 600,000
Riversgate	tbc
Riverside Dene (private block)	tbc
St Lawrence Square	£ 750,000
Pottery Bank	£ 3,000,000
Total	£ 13,350,000

The financial risk of these projects to the programme in 2009-11 is being managed by the monitoring and reporting of project development plans on a monthly basis.

We are continuing to monitor and report the progress of all other unapproved activity through the Project Appraisal Timetable. Both these elements are being reported to the Project Appraisal Panel.

6. GOVERNANCE

Membership of the Project Appraisal Panel has been revised to include:

- Homes and Communities Representative;
- Independent Member – Gill Robson;
- Newcastle City Council representative; and
- Gateshead Council Representative.

A letter from HCA setting out a number of key performance management issues was received by BNG on 9th of April. We are responding to issues raised in this letter by:

- We have written to HCA and requested that “Land made available for development” is used as a core indicator in 2009-10;
- We are working with partners to flatten our financial profile and plan spend over two years; and
- We met with Rob Hack from the Audit Commission on the 6th of May to discuss our Innovation and Market Response.

7. OPTIONS APPRAISAL

We are developing our approach to options appraisal to ensure an earlier and more strategic input from the Project Appraisal Panel. The meeting of the Panel on July 3rd will receive a report that considers options concerning investment in;

- Strategic Property Conversions;
- Pottery Bank; and
- St Lawrence Square.

8. RECOMMENDATIONS

1. Board note the potential level of over programming in 2009-11;
2. Board note that we are developing a programme based on a 100% allocation, although this has not yet been confirmed;
3. Board note the proposed changes to the collection of output indicators to reflect growth and renewal investment; and
4. Board note that project specific performance management information will be included in future reports. This will be on a by exception basis.

Appendix One - Approved Investment at Appraisal Panel May 8 2009

Intervention	2009-10	2010-11	Total
	£000s	£000s	£000s
Newcastle			
Inner West Renewal	2,415	1,412	3,827
Loadman Street	806	50	856
James Street	80	0	80
Riverside Dene*	6,036	1700	7,736
Land Assembly	2,880	2,559	5,439
Housing Expo	650	70	720
Greater High Cross Renewal Area	1,615	2,339	3,954
Groundworks	0	0	0
Managing Neighbourhoods in Transition	187	97	284
North Benwell Neighbourhood Management	200	100	300
Private Rented Project	300	300	600
Land Assembly	1,398	2,335	3,733
Marketing and Promotion	120	90	210
Neighbourhood Mgt	120	90	210
Gateshead			
Land Assembly	7,740	8,275	16,015
Housing Improvements	2,329	2,799	5,128
Partner Procurement	1,005	525	1,530
Private Landlords	216	225	441
Brandling Clearance	120	0	120
Field Street	35	0	35
Core Team etc.	1,150	1,150	2,300
Capacity Increase Newcastle	2,000	2,000	4,000
Project Coordination & Support Gateshead	370	370	740

*The gap funding to the private block in this phase will need a separate appraisal.