

Meeting:	BNG Board
Date:	Thursday 18th September 2008
Contact:	Ian Mackintosh/Jonathan Dunk
Board Action:	For Information
Sensitivity:	Public

Subject: Item 13 - Programme and Financial Update

Link to BNG Vision and Objectives:

The programme delivers the BNG Vision and Objectives in 2008-09

Recommendation:

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

Executive Summary:

BNG has a target of £33.96m expenditure to achieve in 2008-09. To date projects totalling £29.315m have been approved for this financial year.

As at 31st August £7.27m has been claimed from CLG. This is around 21% below the cash flow forecast of £9.21m for this period. This does not raise immediate concerns as good progress is being maintained on the ground with regard to refurbishments and acquisitions. There is, however, an issue around receipt and payment of invoices that has been raised at Programme Management Group and is being followed up with both local authorities.

A draft three year programme and cash flow forecast is discussed covering the period 2008 to 2011 with suggestions as to how it will be managed to smooth out the flow of expenditure.

Revised output targets previously reported to the Project Appraisal Panel in June, have now been agreed by CLG, these reflect the impact of changes to the housing market.

Output	CLG Target 2008-09	Total Forecast 2008-09	Complete at end August 2008
New homes constructed/conversions	63	63	10 (16%)
Refurbishments	900	947	277 (31%)
Acquisitions	140	168	52 (37%)
Demolitions	400	487	114 (29%)
Land Acquired	0.49 ha	0.49 ha	0 (0%)

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Implications	
Financial:	BNG must deliver a programme with an expenditure target of £33.96m.
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

Risk:			
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	M
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	L

Paper Type:
For Information.

Author:
Ian Mackintosh/ Jonathan Dunk

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BNG BOARD

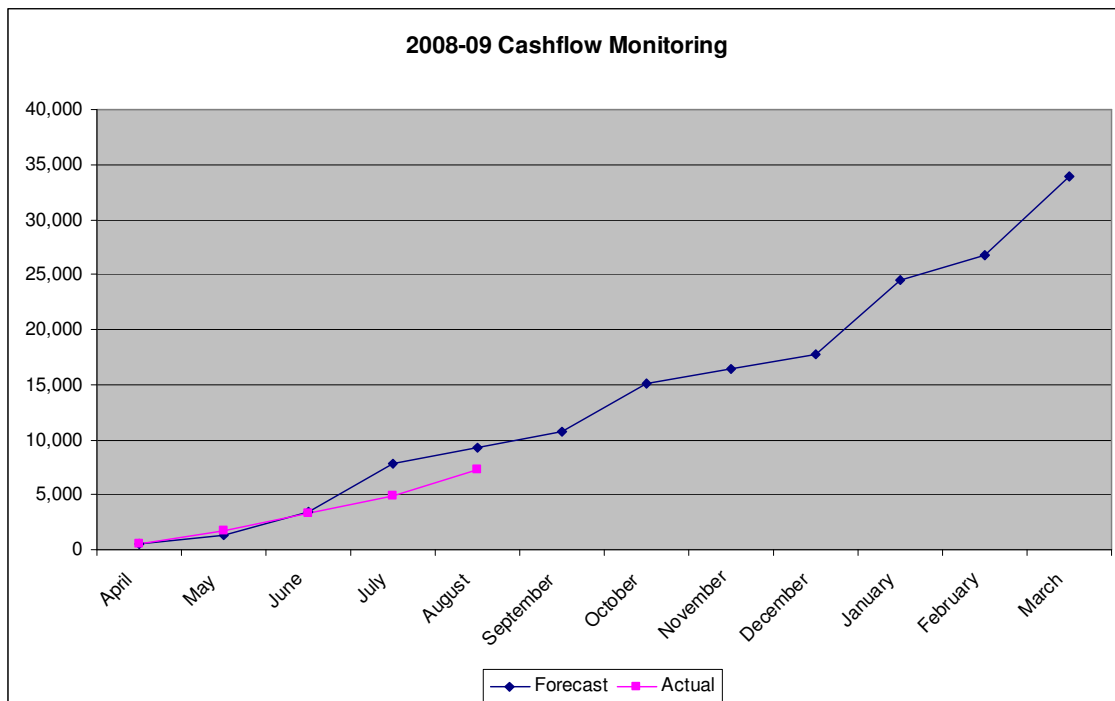
Agenda Item: 13

PROGRAMME AND FINANCIAL UPDATE

1. Summary

BNG has a target of £33.96m expenditure to achieve in 2008-09. To date projects totalling £29.315m have been approved for this financial year.

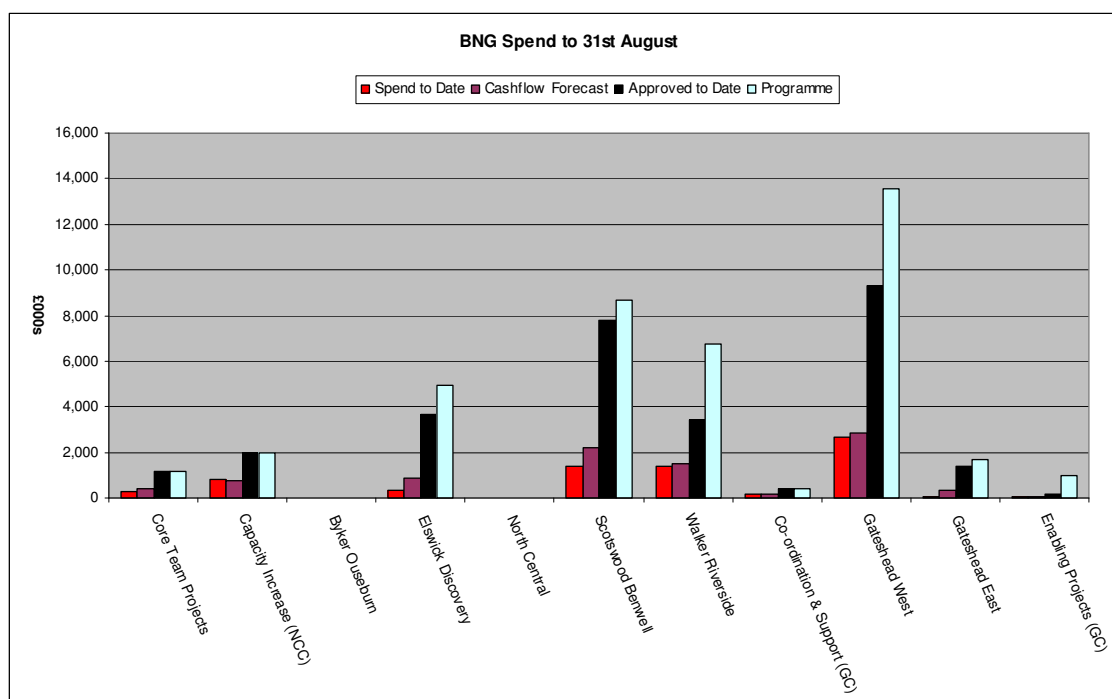
As at 31st August £7.27m has been claimed from CLG. This is around 21% below the cash flow forecast of £9.21m for this period. This does not raise immediate concerns as good progress is being maintained on the ground with regard to refurbishments and acquisitions. There is, however, an issue around receipt and payment of invoices that has been raised at Programme Management Group and is being followed up with both local authorities.



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

Strategic Intervention Area	Spend to 31st August	Estimated Cashflow Forecast to 31st August	Approved to Date	2008-09 Programme
	£000s	£000s	£000s	£000s
Core Team Projects	320	418	1,150	1,150
Capacity Increase (NCC)	833	762	2,000	2,000
Byker Ouseburn	14	14	18	18
Elswick Discovery	321	855	3,667	4,937
North Central	0	0	0	0
Scotswood Benwell	1,425	2,211	7,792	8,691
Walker Riverside	1,378	1,489	3,411	6,778
Co-ordination & Support (GC)	149	201	381	381
Gateshead West	2,703	2,871	9,308	13,568
Gateshead East	54	332	1,389	1,690
Enabling Projects (GC)	80	65	200	986
	7,277	9,218	29,316	40,199

This is represented graphically below.



Details of individual projects can be seen in the attached spreadsheet (Appendix 1).

At this stage in the year the approved programme includes a level of overprogramming (18 %). 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.

Major Projects:

There are several major projects in the programme for this year that could give rise to concern with regard to their deliverability as follows:

- Housing Expo – this project has two elements. The first £2m relates to work required to set up the Urban Regeneration Vehicle. The second phase relates to the required investment in the URV and this is subject to the negotiations currently taking place through the competitive dialogue procedure to appoint a private sector partner. The £2m in the programme currently is now unlikely to be required this financial year therefore it has been removed from the programme.
- Cruddas Park – the programme contains £2m for this project and it was approved by the Board in July. However some concerns remain around the deliverability of all of the elements of the project in the current year. The situation is being closely monitored.
- Cambrian Phase 2 – the impact of the 'credit crunch' appears to be having an effect on the new build programme. BNG is currently assessing the situation and the possible changes this might require to the programme.
- Riversgate – as Cambrian Phase 2.
- North West Quarter Clearance – the size of this acquisition and demolition programme appears ambitious although as yet there are no concerns about deliverability. The situation is being closely monitored.

2. 2008-2011 Programme

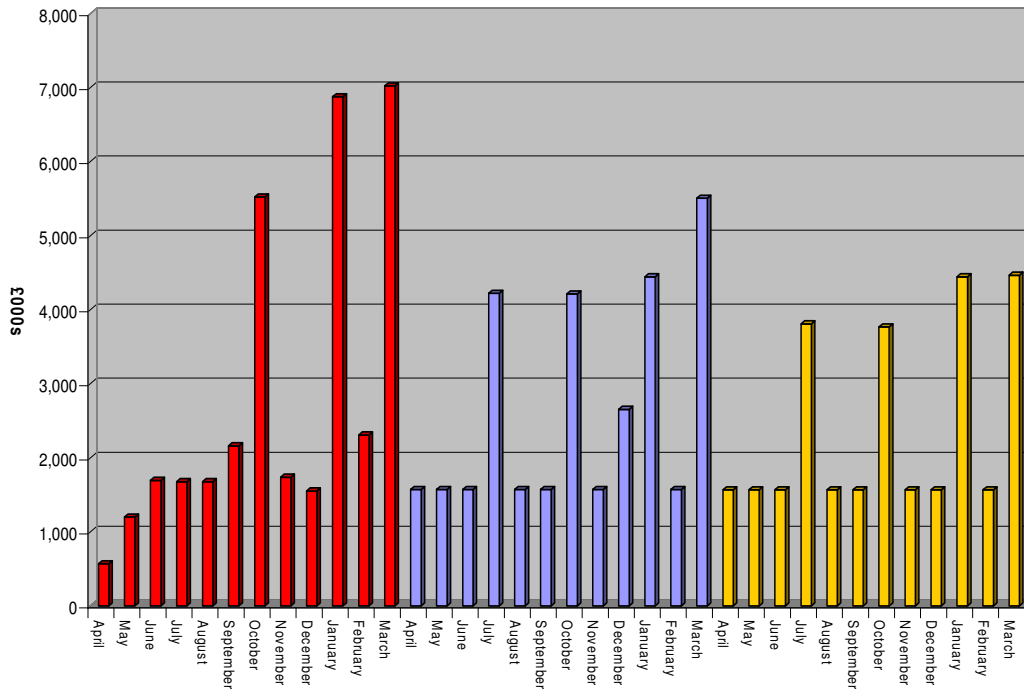
A programme for the three years 2008 to 2011 has been prepared reflecting the £95m allocation from CLG to BNG as follows:

- 2008 - 09 £33.96m
- 2009 - 10 £32m
- 2010 – 11 £29m

There is the potential for this allocation to be changed by +/- 10%. Programme Management Group is meeting on 16th October to review the three year programme on the assumption that plus 10% will be achieved.

To assist in the overall management of the programme a cash flow model has been prepared to illustrate the likely outflow of cash as the programme currently stands as follows:

Monthly Expenditure Profiles 2008-2011



Measures are being undertaken in an attempt to smooth out the flow of expenditure to reduce the 'spikes' that traditionally materialise at the end of each quarter and more particularly at the year end.

These include:

- Approving projects for up to three years to avoid the annual stop and restart cycle that inevitably slows down programme delivery;
- Programme Management Group proactively monitoring cash flow and ensuring that invoices are chased up and paid promptly;
- Milestone monitoring in accordance with the performance management framework to better ensure programme delivery, and
- Gateway reviews at the end of each year to ensure that adequate performance is being made on projects before they are rolled forward across financial years.

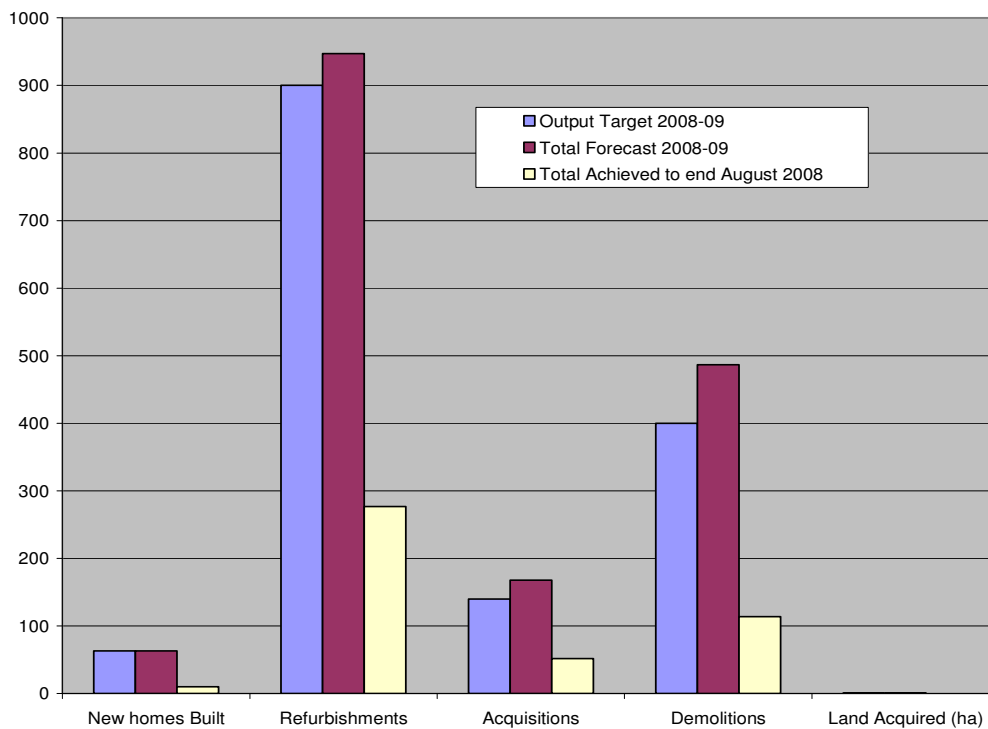
3. Output Performance

The table and subsequent graph below describes the delivery of core outputs to the end of August 2008. The revised targets have now been approved by CLG. The more detailed qualitative monitoring against key milestones that inform forecasting will start now that projects have been approved.

Output	CLG Target 2008-09	Total Forecast 2008-09	Complete at end August 2008
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All new build activity is current on site with 35 out of the 63 units completely or almost finished.

The negotiation for the acquisition of land is at an advanced stage.



4. Recommendations

That BNG Board notes the 2008-09 financial and output position.