

Meeting:	BNG Board
Date:	Friday 21st November 2008
Contact:	Ian Mackintosh/Jonathan Dunk
Board Action:	For Information
Sensitivity:	Public

Subject: Item 10 - 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 spend and output targets for the year.

Executive Summary:

BNG has a target of £33.96m expenditure to achieve in 2008-09. To date projects totalling £35,950m have been approved for this financial year.

As at 31st October £10.552m has been claimed from CLG. This is around 30% below the cash flow forecast of £15.152m for this period. This does not raise immediate concerns as good progress is being maintained on the ground with regard to refurbishments and acquisitions. A full review of the cashflow forecast is currently being undertaken as significant changes have been made to the programme since the original projections were developed. The revised projections, including the impact on the following two years, will be reported to the next Project Appraisal Panel.

Output performance is summarised in the table below:

Output	CLG Target 2008-09	Total Forecast 2008-09	Complete at end of September 2008
New homes constructed/conversions	63	63	11
Refurbishments	900	999	451
Acquisitions	140	168	78
Demolitions	400	487	264
Land Acquired	0.49 ha	0.49 ha	0

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.

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Ian Mackintosh/ Jonathan Dunk

Date:
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BNG BOARD

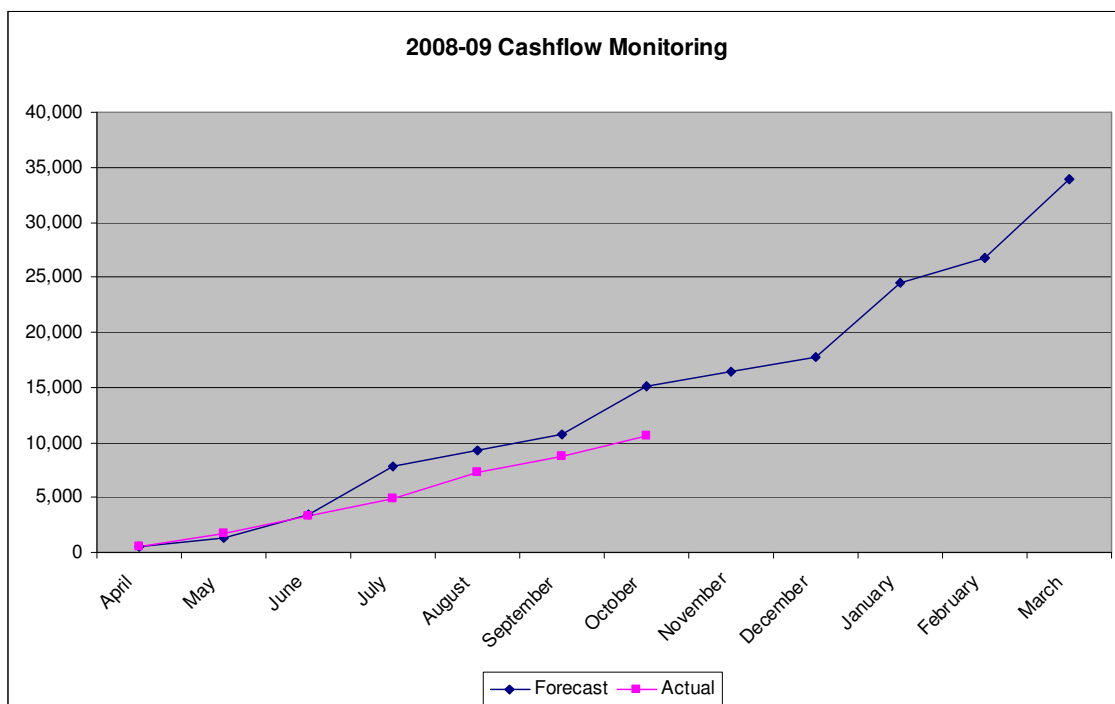
Agenda Item: 10

PROGRAMME AND FINANCIAL UPDATE

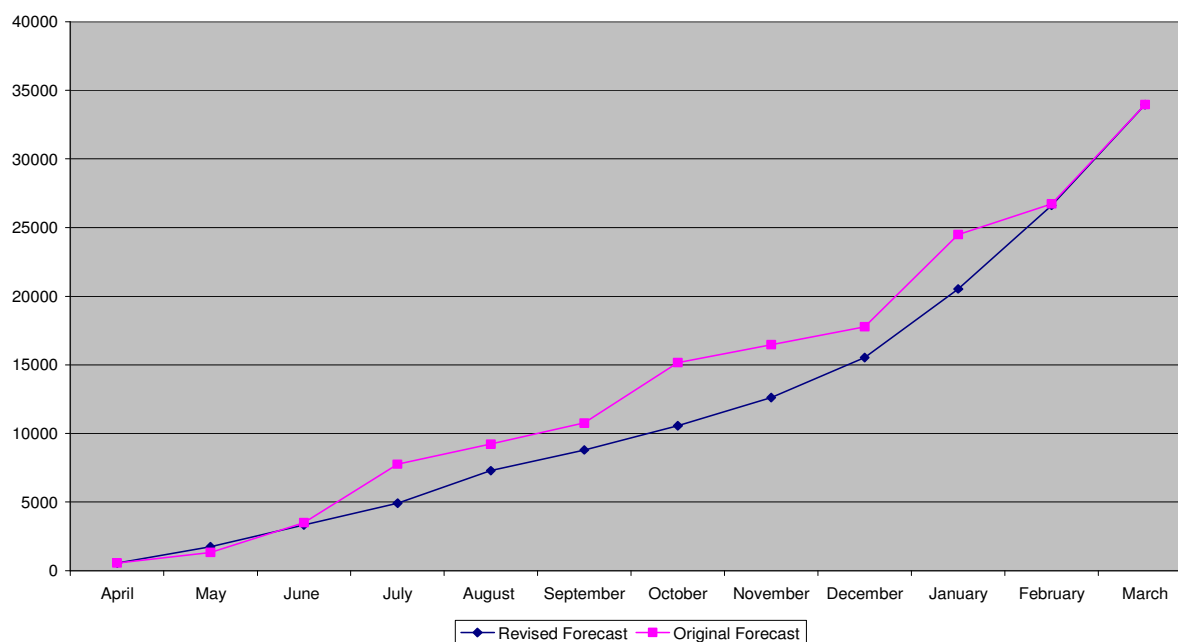
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Cashflow Forecast Comparisons 2008-09

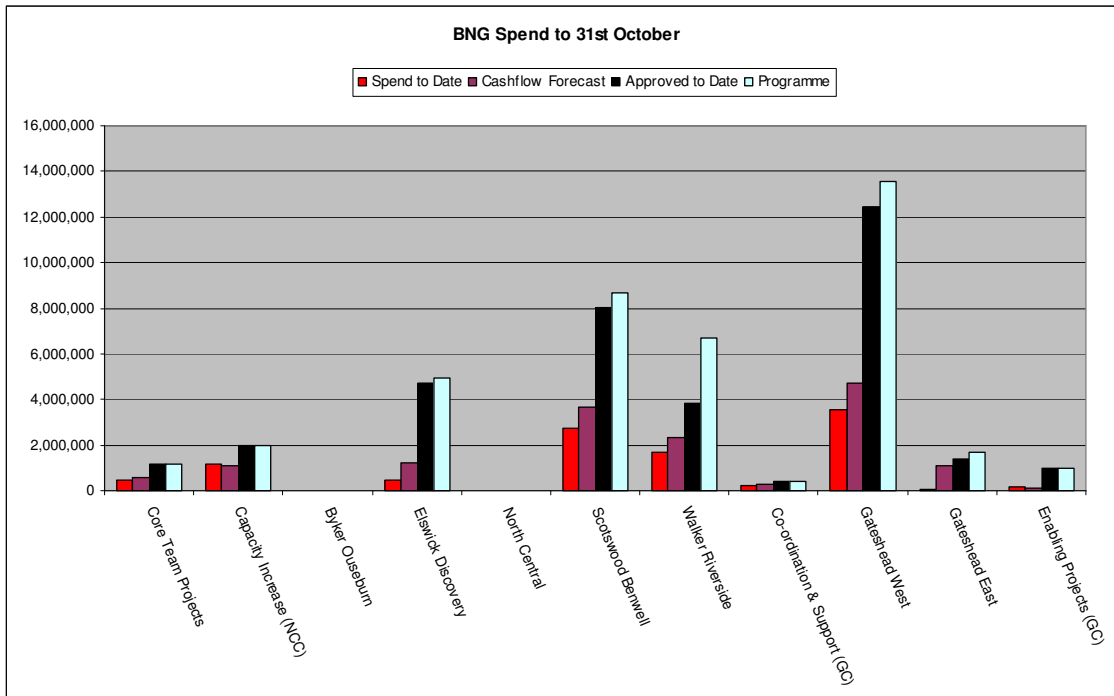


Future cash flow monitoring will be based on the revised programme as shown above.

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

Strategic Intervention Area	Spend to 31st October £000s	Estimated Cashflow Forecast to 31st October £000s	Approved to Date £000s	2008-09 Programme £000s
Core Team Projects	491,138	602,000	1,150,000	1,150,000
Capacity Increase (NCC)	1,166,667	1,112,500	2,000,000	2,000,000
Byker Ouseburn	17,952	14,000	18,000	18,000
Elswick Discovery	474,380	1,200,000	4,717,215	4,937,215
North Central	8,980	0	8,980	8,980
Scotswood Benwell	2,742,747	3,668,000	8,000,833	8,690,619
Walker Riverside	1,668,388	2,349,000	3,838,122	6,708,419
Co-ordination & Support (GC)	208,021	288,000	381,000	381,000
Gateshead West	3,550,493	4,692,000	12,434,418	13,567,540
Gateshead East	57,692	1,098,000	1,389,000	1,690,000
Enabling Projects (GC)	165,927	129,000	1,012,972	986,000
	10,552,385	15,152,500	34,950,540	40,137,773

This is represented graphically below.



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

As discussed at the Project Appraisal Panel in September 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.

At this stage the programme does not include the use of any capital receipts. As previously reported £665k was achieved in 2007-08. The forecast for receipts in 2008-09 is £1.813m made up as follows:

Sunderland Road	£1,578,000
Howard Street	£96,000
Bensham and Saltwell	£69,000
Improve for Sale BKW	£70,000

Major Projects:

A number of projects in the programme for this year still have substantial amounts to defray and they could give rise to concern with regard to their deliverability:

- Cruddas Park – the programme contains £2 m for this project and it was approved by the Board in July 2008. Start on site was planned for mid November but this has now slipped until 8th December. Some concerns, therefore, remain around the deliverability of all of the elements of the project in the current year. The situation is being closely monitored.

- Scotswood URV fees element – the competitive dialogue process is progressing well and is on target to complete negotiations by May 2009 with a formal partner selected by July. This scheme should meet expenditure targets.
- Inner West Renewal Area – this is a large scale refurbishment programme in Arthur’s Hill due to run over several years. Contractors are on site and performing well and no concerns have been raised at this stage concerning deliverability.
- Scotswood Benwell Land Assembly – this is a large scale acquisition and demolition programme. No concerns have been raised with regard to deliverability at this stage.
- Walker Riverside Land Assembly - this is a large scale acquisition and demolition programme. No concerns have been raised with regard to deliverability at this stage.
- 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 with Newcastle City Council and the developer partner and the possible changes this might require to the programme.
- Riversgate – The current phase of development is continuing on site. BNG funding for this phase still needs formal approval.
- North West Quarter Clearance – the size of this acquisition and demolition programme appears ambitious although as yet there are no concerns about deliverability. Progress remains good on acquisitions although due to a technical issue around demolitions the programme has slowed down. The situation is being closely monitored.
- Freight Depot – this relates to the acquisition of the ‘Network Rail’ element of the freight depot site. Terms have been agreed and the legal process is continuing. Completion is planned for March.
- Field Street – this is the balance of an acquisition and demolition programme continued from 2007-08. Terms have now been agreed with the major landlord in the area and progress is being made in relocating the tenants. This should complete this financial year.

The following schemes were approved by Project Appraisal Panel on 14th November and progress will be reported in the next Programme and Financial Update:

- | | |
|--|--------|
| • Gateshead Neighbourhood Improvements | £1.59m |
| • Loadman Street Site Development | £0.8m |
| • JV Procurement in Gateshead | £0.8m |

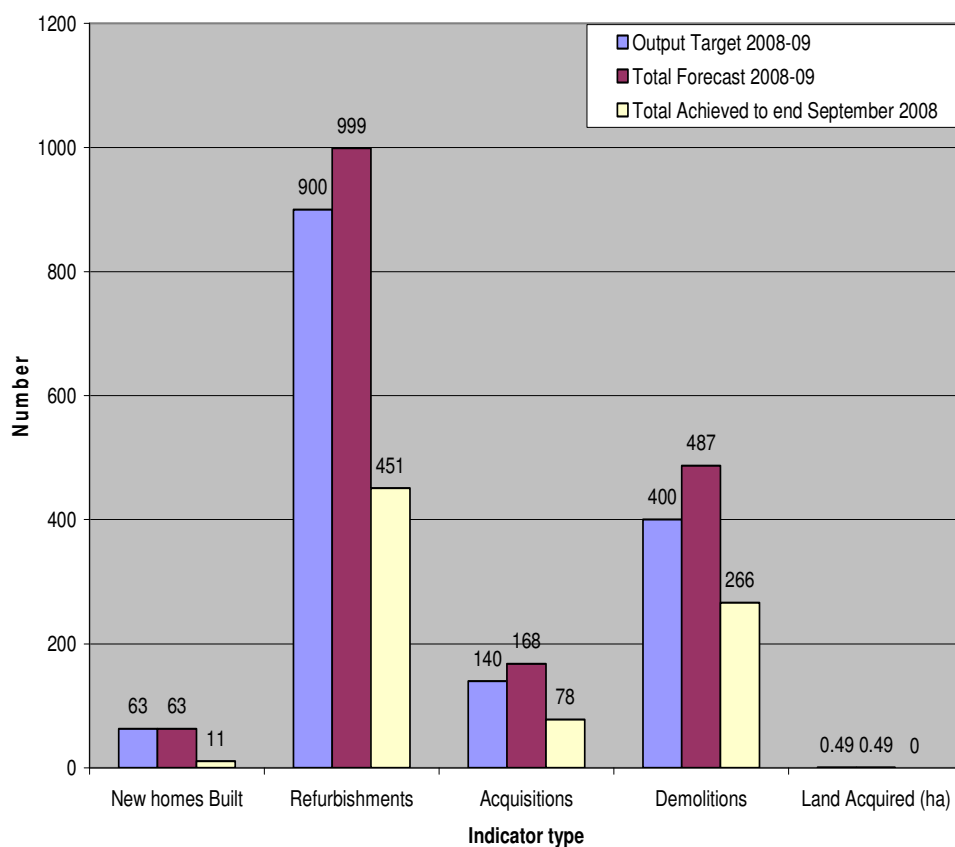
A full review of the 2008-09 programme is to be carried out by Programme Management Group on 20th November and any issues raised will be reported to the Board at the following meeting.

2. Output Performance

The table and graph below illustrates the progress being made in the delivery of core outputs to the end of September 2008.

Output	CLG Target 2008-09	Total Forecast 2008-09	Complete at end of September 2008
New homes constructed/conversions	63	63	11
Refurbishments	900	999	451
Acquisitions	140	168	78
Demolitions	400	487	264
Land Acquired	0.49 ha	0.49 ha	0

Key Outputs 2008-09



New Homes Built

11 homes have been built out of a target of 63 for the year. This leaves a balance of 52 homes, all of which are on site. The Riversgate site in Walker will deliver 28 units and is currently on site although BNG funding has not yet been approved in 2008-09.

Refurbishments

451 homes have been refurbished so far this year against a total annual target of 900. This leaves a balance of 449 to complete with 548 units currently on site.

Acquisitions

78 homes have been acquired to the end of September 2008 against a target of 140, leaving a balance of 62 to acquire. 55 properties are currently with legal for completion.

Demolitions

266 properties have been demolished to date against an annual target of 400. This leaves a balance of 134 to complete. All this work is delivered under a framework contract so properties are demolished on a rolling basis when 'blocks' become available.

Land Acquired

BNG has a target to acquire 0.49 ha of land this year, this target relates to the acquisition of part of the Freight Depot site owned by Network Rail.

3. Project Milestones

The spreadsheet at Appendix 3 shows the progress of approved key projects in meeting milestones. Projects highlighted green have met their recent milestone and are on track:

- Freight Depot
- Scotswood Land Assembly
- Walker Land Assembly
- EXPO Fees
- Inner West Renewal

Amber projects have missed a milestone by a small margin but still expect to deliver agreed annual targets:

- North West Quarter Clearance
- High Cross Renewal Phase 1
- Cruddas Park

Red projects have missed a milestone and will not achieve agreed annual targets.

4. 2009-11 Programme Planning

BNG developed an investment programme for 2008/11 of £105m split equally across the three years. In response to this an allocation of £95m was awarded.

Since the 2008-11 programme has moved from the planning to the delivery phase the profile has changed, resulting in the investment requirement being £12.9m in excess of the likely resources available. This is shown in the table below.

	2008/09	2009/10	2010/11	Total
Programme	£40m	£39m	£35m	£114m
Allocation	£34m	£35.2m (£32m)	£31.9m (£29m)	£101.1m
Balance	£ -6m	£ -3.8m	-£3.1m	-£12.9m

BNG is confident that the investment programme can be managed to respond to these parameters.

Key milestones over the coming months will give greater certainty to programme planning for 2009-11:

Action	Date
Review of Strategic Commissions	Start December 2008
Receive confirmation of funding for 2009/10	January 2009
Programme performance review	January 2009
Quantify any carry forward commitments	April 2009

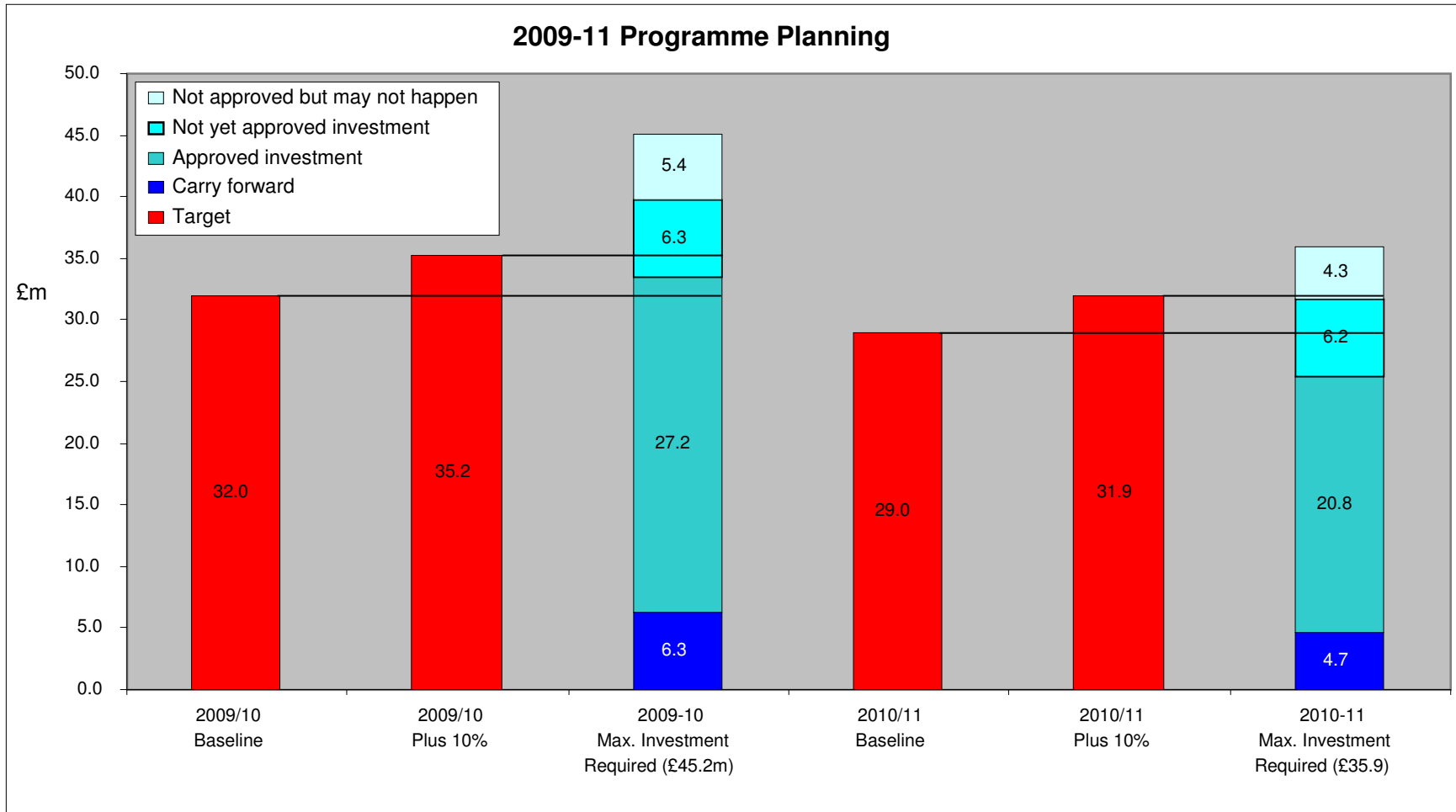
In addition to this, initial work suggests that BNG requires a further £120m of investment from 2011/12 to 2018 to complete the BNG programme of works.

The information illustrated in the chart at Appendix 2 indicates that the current challenge is to continue to make available HMR investment in 2009-11 to support existing strategic priorities. At this stage there is not an opportunity to bring in extra activity into the programme.

5. Recommendations

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

Appendix 2



Appendix 3 – Key Project Milestones

Key Project Milestones

Project	Milestone (date and task)	Achieved?	Narrative
Site Assembly			
North West Quarter Clearance	50% of acquisition target achieved by Sept 2008	No	41% Achieved
Freight Depot	Purchase agreed with Network Rail October 2008	Yes	Legal completion will be March 2009
Scotswood Land Assembly	25% of acquisition target achieved by Aug 2008	Yes	Met in August
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Site Development			
Scotswood Expo Fees	Issue invitation to tender for architectural competition by Sept 2008	Yes	Met 5 September 2008
Improvements to Houses			
Inner West Renewal Area 5, 6 and 7	Complete condition survey by September 2008	Yes	Met 5 September
High Cross Renewal Area Ph 1	Complete phase 1 by 1 August 2008	No	Forecast 5 December 2008
Cruddas Park	Start on site 12 September 2008	No	Forecast 10th November 2008

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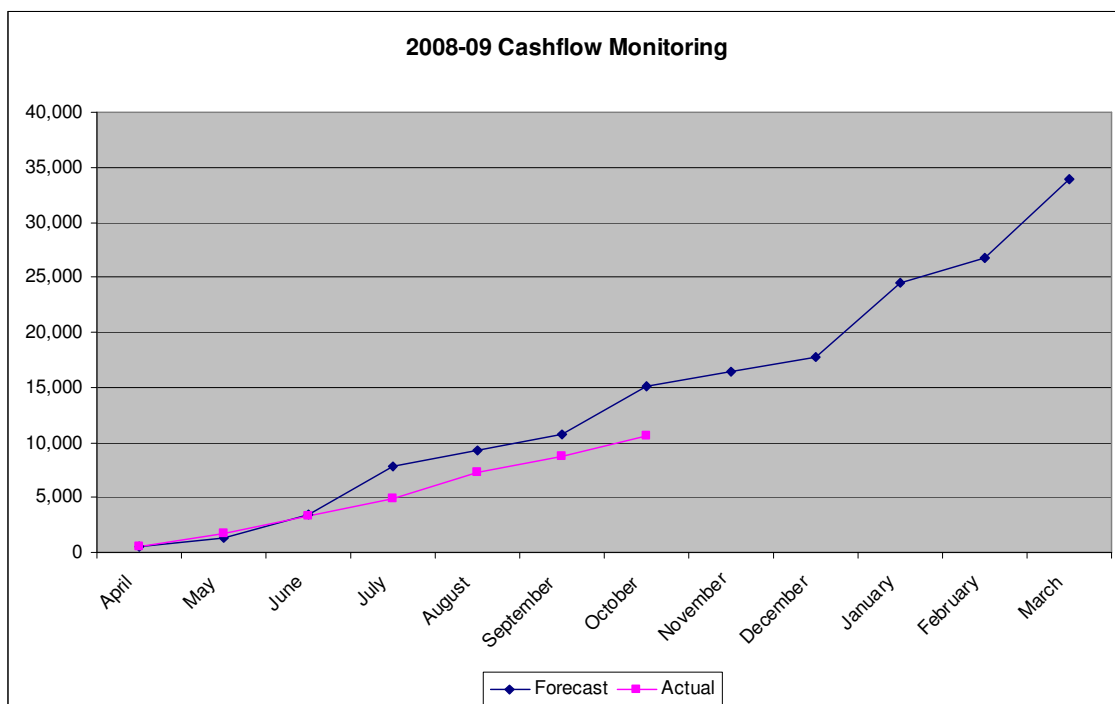
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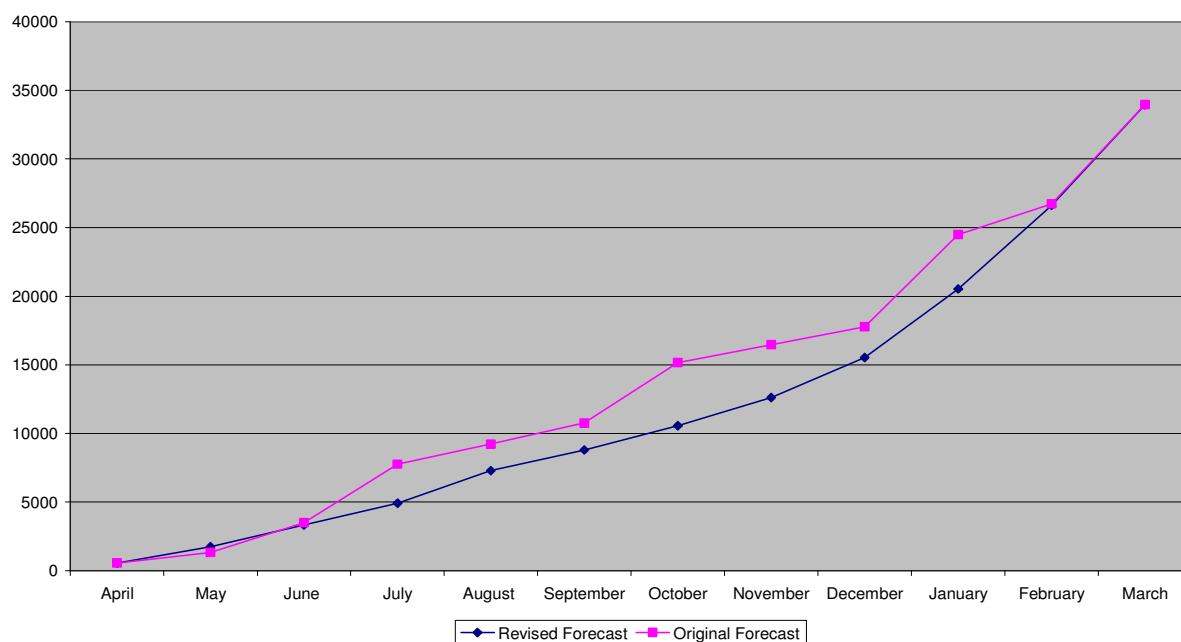
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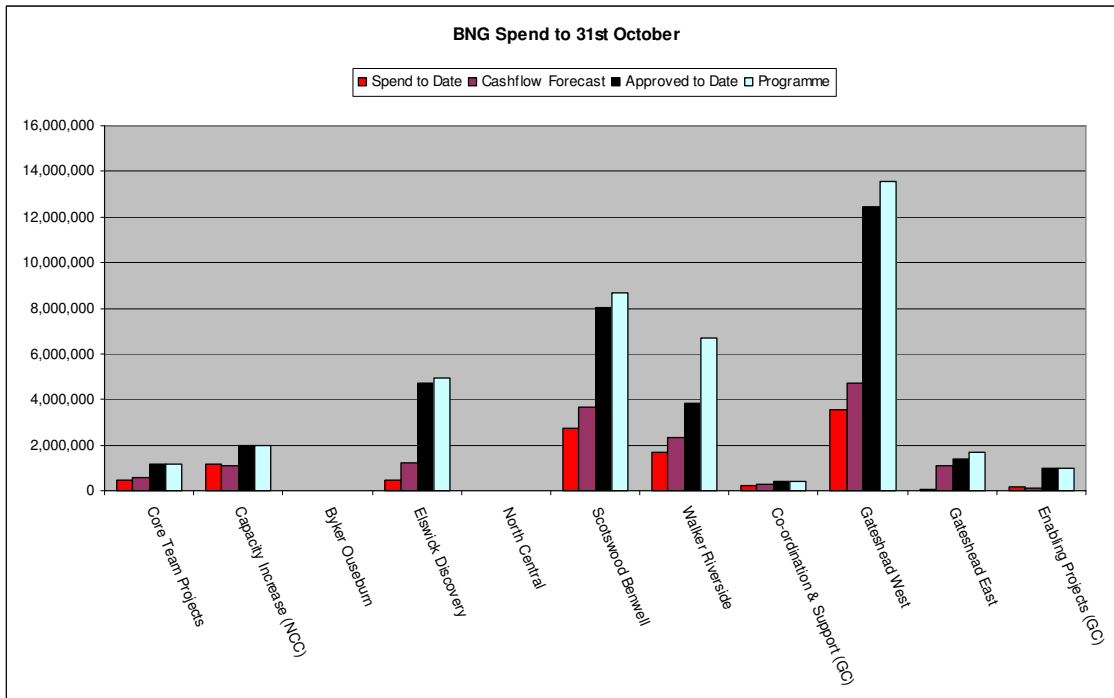


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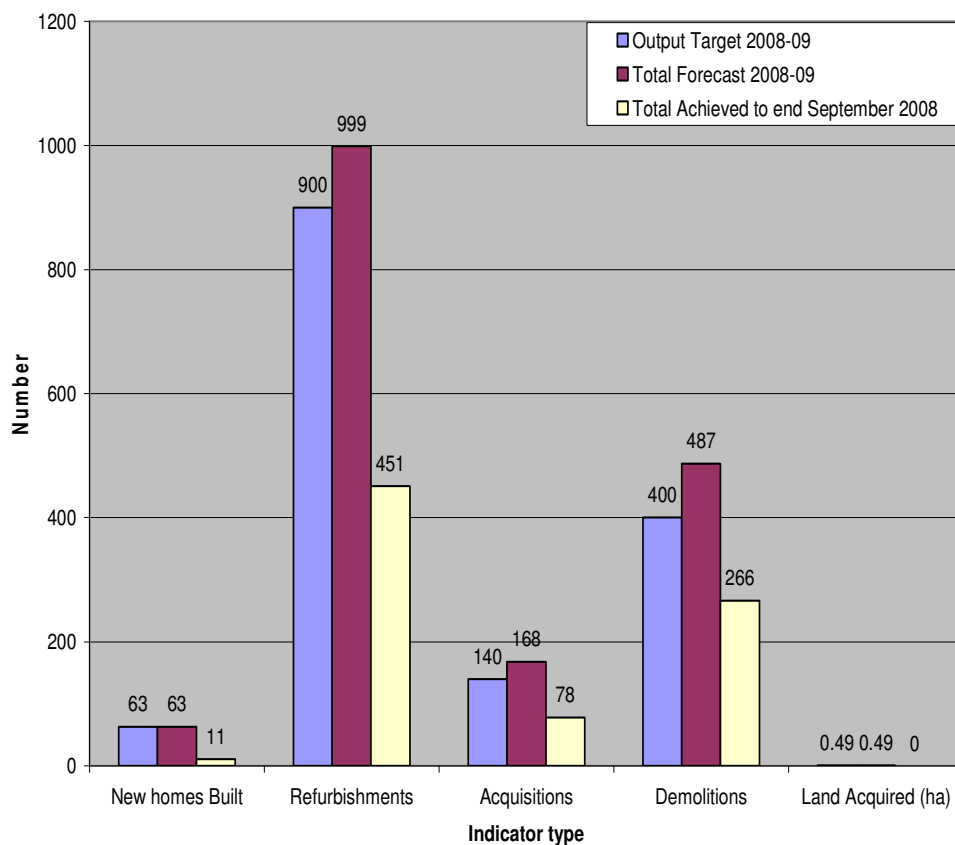
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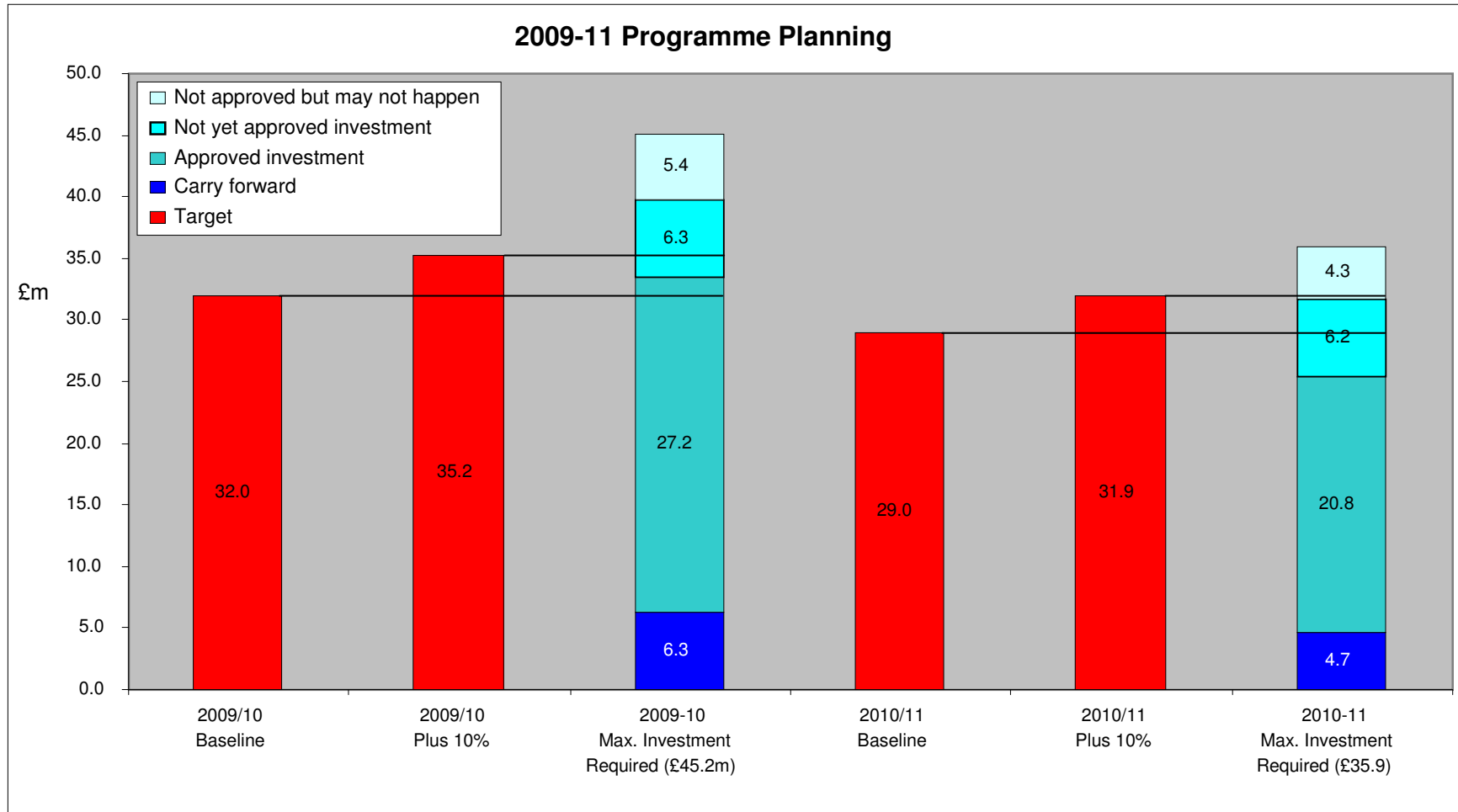
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