

Bridging Newcastle Gateshead activity

ITEM 6 - APPEND 1

- 1 We have assessed the pathfinder as performing well as regards value for money. We found BNG to be performing well because it has a range of strengths including:
 - An evidenced based approach to targeting of HMR resources on spatial and thematic priorities, and appropriate challenge at appraisal panel and board level.
 - Some good achievements in respect of cost savings.
 - A continuing commitment to achieving overall programme aims and objectives, with additional mechanisms put in place to review delivery of high risk projects and a proactive approach to consideration of new products and solutions to assist with continuing delivery.
 - Appropriate input to decision making at a strategic and project level by key partners and agencies, including English Partnerships (EP) and the Housing Corporation.
 - Reasonable achievements in respect of levered investment including a private sector leverage of 0.31, which is about average in comparison with the other pathfinders.
 - Initial phases of the new growth point programme, which BNG is leading, will focus primarily on supporting delivery of HMR schemes.
- 2 However there are some areas which require improvement. These include:
 - Further development of the efficiency model to include time bound measurable targets for improving efficiency, including targets for cash savings.
 - Enhancing the approach to scoring options for project appraisals such that the justification for selection of preferred options is clearer.
 - Continuing to pursue opportunities for improving efficiency through joint procurement and partnering approaches.
- 3 **As part of the value for money review, we chose the Scotswood Benwell land assembly project from three examples submitted by the pathfinder to provide a detailed case study to support our analysis.**
- 4 The Scotswood and Benwell clearance project originates from 1990s interventions including city challenge and single regeneration budget projects. By 2002 large areas of council stock had been cleared but areas of unsustainable private stock remained. The HMR funded clearance project has focussed on clearance of unsustainable privately owned and private rented housing in the area. A preferred option, published in 2007, proposed modest growth and repopulation through development of around 2,200 new homes across the wider plan area.

Managing Finances

- 5 This section considers how effectively the pathfinder manages its finances and maximises input from others to deliver value for money.
- 6 BNGs review of strategic commissions, neighbourhood planning and area action planning processes provide confidence that finances are targeted at delivery of strategic priorities. It is clear that initial new build schemes have been aimed at BNGs identified target markets. Ongoing review of thematic areas helps to ensure that HMR investment is used efficiently and effectively.
- 7 BNGs uses options appraisal proportionately, and at various levels, depending on project cost and level of risk. The pathfinder and its partners undertake options appraisals at a variety of levels. Strategically important high profile projects, and those with significant identified risks, have been subject to detailed independent options and development appraisals helping to provide confidence that projects will contribute towards achievement of BNGs strategic aims and objectives. The use of independent consultants to appraise gap funding requirements on new build schemes resulted in reduced gap funding on specific schemes, as well as a reduction in assumed levels of gap funding for future years.
- 8 The pathfinder has developed robust financial and performance monitoring systems, helping to ensure effective delivery. In addition, the recent introduction of gateway reviews for projects towards the end of each year, and periodically for schemes with identified delivery risks, should ensure progress in the context of difficult market circumstances. In the past concerns have been raised about the possibility of substitution, but new systems have been introduced to guard against this risk.
- 9 Achievements in respect of levered private sector funding are reasonable compared to the other pathfinders: During 2007/08 every £1.00 of HMR investment attracted an additional £0.31 of levered private sector investment, representing a marginal increase on the equivalent ratio for 2006/07. Nevertheless, there appear to be good prospects for this improving through new delivery approaches, notwithstanding uncertainty around funding assumptions due to the housing market slow down. Every £1.00 of HMR investment in 2007/08 attracted an additional £0.51 of levered other public sector investment, around the pathfinder average.
- 10 To date BNG has not pursued the option of appointing preferred development partners. However, the pathfinder and its partners are now entering into long-term partnerships with private sector developers through the formation of a pilot local housing company (LHC) for Scotswood and a joint venture partnership (JVP) for sites across Gateshead. Newcastle City Council is well advanced in the procurement of an urban regeneration vehicle for Scotswood which, it is proposed, will in turn become the LHC. It is anticipated that the JVP for Gateshead will be established by 2010. These new approaches will see BNG become an investor, with the potential for greater long-term influence and a reduction in levels of public investment in the long-term.

- 11 BNG has a reasonable understanding of unit costs gained from local and cross-pathfinder benchmarking. Costs are reviewed through the project appraisal processes ensuring that they represent reasonable value for money.
- 12 The pathfinder does not have an efficiency plan with targets for savings in place. A holistic efficiency and effectiveness model which seeks to embed consideration of value for money throughout business planning and management is in place. This should provide a sound basis on which to develop an efficiency plan, which sits within or alongside the model, with targets for cash savings. In practice a significant number of savings have been achieved, although it is not clear that BNG is playing as central a role as it might.
- 13 The use of grants for relocations has been phased out in Gateshead and BNG has informally agreed with Newcastle City Council (NCC) to fund a maximum of 16 further relocation grants during 2008/11 in cases where there are existing commitments to residents. BNG will need to gain formal agreement to the transition from grants to loans for relocations with NCC. The pathfinder has resolved to continue grant funding private sector renewal works. This is an area that would benefit from evaluation to better demonstrate how the approach represents efficient use of resources.
- 14 The programme is well aligned with complementary programmes and initiatives which present good opportunities for achieving holistic regeneration. Initial phases of the new growth point programme, which BNG is leading, will focus primarily on supporting delivery of HMR schemes. Funding available through the new growth point community infrastructure fund (CIF) should enable infrastructure improvements complementary to BNG schemes to be brought forward at a faster pace.

Governing the Business

- 15 This section considers how well the pathfinder governs, manages the programme and commissions to deliver value for money and agreed outcomes for local people.
- 16 A procurement policy has been approved by the BNG Board based on the two local authorities' procurement policies. Improvements have been made to the way demolitions contractors are procured through the introduction of framework agreements. This has resulted in time and cost savings and high levels of recycling of materials. However, there is scope for BNG to play a more proactive role in encouraging efficiencies through joint procurement and partnering approaches.
- 17 Enhancements have recently been introduced to BNGs project appraisal processes. Project submission forms require project applicants to provide evidence that a range of options have been considered, and to score options for contributions towards achieving strategic objectives; project objectives; community support; deliverability; and value for money.

- 18 However, in some cases the reasoning behind the scoring leading to selection of preferred option could be clearer. For example, a number of options for progressing land assembly are scored within the project submission form for Scotswood and Benwell. The selected option is a continuation of a local authority managed process with demolition works contracted to a private company. While the selected option may be the best approach, the scoring process could be more transparent.
- 19 The pathfinder has developed a robust approach to risk management at a project, programme and strategic level. In addition, the use of gateway reviews for high risk projects will help to ensure ongoing effective delivery.
- 20 Key partners and agencies, including EP and the Housing Corporation, have appropriate input to decision making at a strategic and project level through involvement on the board, appraisal panel and project advisory group. EP is also involved at a project level in a number of areas, including ongoing development of proposals for the Scotswood housing expo in Newcastle and the freight depot site in Gateshead.
- 21 The pathfinder has introduced a number of improvements in respect of its approach to governance. The accountability of the Board has been enhanced through introduction of improved protocols and a refresh of its independent membership. Improvements are also being introduced in respect of resident involvement at a strategic level through the establishment of a resident's panel. Governance and accountability at a project level is also good. For example, decision making structures for Scotswood Benwell involve appropriate key agencies and community representatives. A project board with members including NCC, BNG and EP exists to manage the process of setting up the delivery vehicle. There is also a Benwell Scotswood steering group for the wider area which is chaired by the relevant portfolio holder from the local authority and includes representation from BNG, EP, the regional development agency and community representatives.
- 22 The housing market slowdown has impacted significantly on deliverability of BNGs programme, especially new build schemes. BNG has been particularly proactive in understanding and reacting to changing market conditions, although firm policy responses are still at an early stage of development. Specific options being considered include accelerated site assembly; increased refurbishment activity and diversification of existing social stock through conversion. The pathfinder is also considering the possibility of undertaking environmental improvements to cleared sites where redevelopment has stalled.
- 23 Proposals for Scotswood housing exposition are now at an advanced stage, with the council engaged in a competitive dialogue process with three short listed developers. However, it is currently unclear what the impact of the housing market slow down will be on timing and delivery of the housing expo and wider proposals.

Managing resources

- 24 This section considers how well the pathfinder manages its resources and assets, and influences others, to meet current and future needs and deliver overall strategy and programme objectives.
- 25 The pathfinder has recently produced a draft sustainability strategy. BNG encourages sustainability in the management and delivery of the programme and achievements in respect of sustainability levels on new build developments have been good.
- 26 BNG is improving its understanding of how costs relate to design quality and sustainability through work to consider the value of good design. In the context of challenging market conditions, this understanding will help BNG to prioritise design and sustainability features which represent the best value for money for all stakeholders. In the future all schemes will be subject to scoring against a range of design and sustainability criteria through BNGs design reviews as part of project appraisal processes, although further work is required to determine the criteria to be used.
- 27 The pathfinder has developed a strategic approach to management of assets. A capital receipts policy is now in place, resulting in a small value of receipts in 2007/08. Plans to move to a JVP model across Gateshead and LHC model in Scotswood will see assets held by the new delivery vehicles, allowing cross subsidy of sites, rather than being recycled for direct use by the pathfinder. Further work is required to fully establish how the pathfinder's land assets will be taken account of in the new delivery vehicles.
- 28 Within the BNG core team regular performance and development meetings are held between staff and line managers. A dedicated training budget has been introduced for the pathfinder core team which should aid continuing skills development. Work is also ongoing to identify operational linkages with the City Development Company and Newcastle Gateshead Initiative. This presents good prospects for sharing of skills across a broad range of activity.
- 29 A partnership agreement has recently been produced and agreed which sets out the respective roles and responsibilities of the pathfinder core team and local authority teams. Overall, there is a good degree of cooperation between the two constituent local authorities and BNG. In the past, this culture of cooperation has extended to virement of funds between the authorities to achieve programme spend. There are also numerous examples of knowledge sharing and joint working across local authority boundaries. For example, an officer from Gateshead is currently seconded to BNG for two days a week to work on the new growth point bid.
- 30 A Partnership Improvement Team has been established to encourage cross boundary working. This is helping to ensure greater coordination and utilisation of skills across the partnership. BNG no longer uses consultancy input for general advice, demonstrating that it has the right mix of in-house skills to develop and manage the HMR programme.