

Meeting:	BNG Board
Date:	Friday 25th January 2008
Contact:	Ian Mackintosh/Jonathan Dunk
Board Action:	For Information
Sensitivity:	Public

Subject: Item 6 - Programme and Financial Update

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.

As at 31st December £18.671m has been claimed from CLG. This is around 5% below the cashflow forecast of £19.564m for this period. Although this is broadly on target it should be noted that £22.239 m still needs to be defrayed in the final three months (54% of the programme).

BNG is forecast to exceed all its CLG output targets for 2007-08, having already delivered the demolition target.

Risks are still associated with the delivery of property acquisition and new build targets.

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

Output	Actual 2006-07	Achieved to December 2007 (% of CLG target)	CLG Target 2007-08	Total forecast 2007-08 (% of CLG target)
New homes constructed/conversions	44	11 (9%)	120	162 (135%)
Refurbishments	1692	897 (60%)	1482	2044 (138%)
Acquisitions	115	87 (54%)	160	173 (108%)
Demolitions	258	238 (110%)	216	591 (274%)
Land Acquired	1.69	3.80 (91%)	4.18	4.29 (102%)

Implications	
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

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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BNG BOARD

Agenda Item: 6

PROGRAMME AND FINANCIAL UPDATE

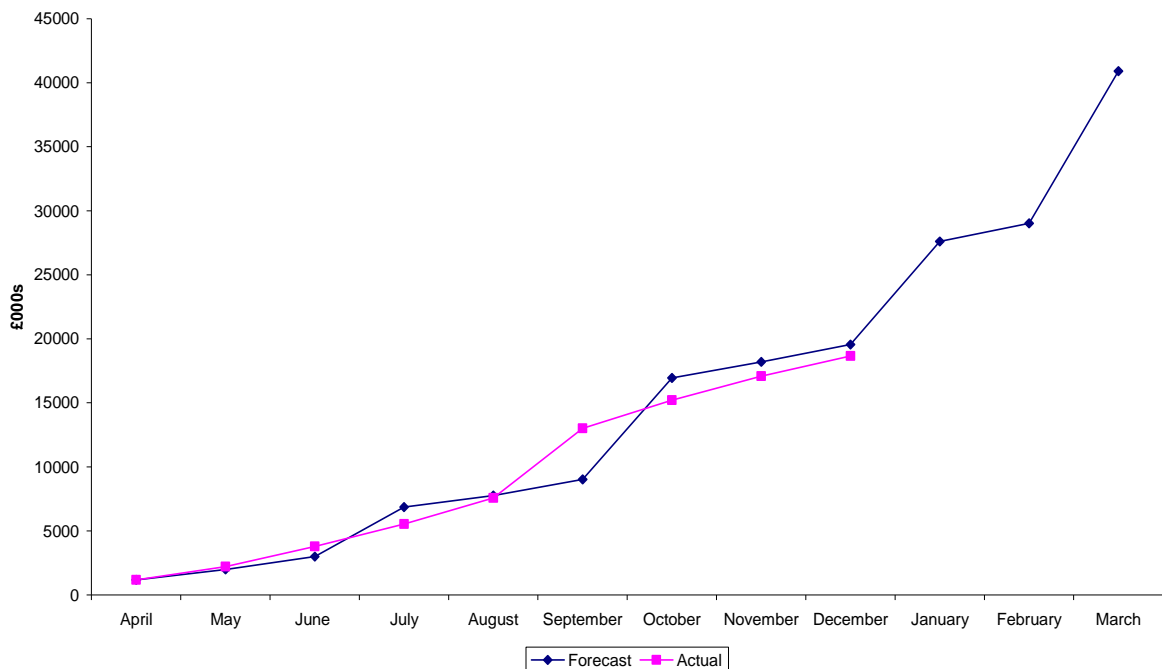
1. Summary

This report updates the BNG Board with the Pathfinder programme and financial position.

The allocation of Housing Market Renewal Fund to Bridging NewcastleGateshead in 2007-8 is £40.91m.

At the end of December BNG have claimed £18.671m from CLG. As highlighted in the following chart this is approximately 95% of the estimated cashflow forecast for the period. It should be noted that although this is broadly on target there is still a requirement to defray £22.239 m in the final three months of the year. This equates to 54% 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 31/12/2007	Estimated Cashflow Forecast to 31/12/07	Forecast spend to Year End
	£000s	£000s	£000s	£000s	£000s
Core Team Projects	1,212	1,212	760	687	1,132
Capacity Increase (NCC)	1,196	1,196	1,063	789	1,196
Byker Ouseburn	2,077	1,677	538	605	1,427
Elswick Discovery	3,497	3,497	890	1,972	3,287
North Central	621	621	238	308	621
Scotswood Benwell	9,398	9,148	3,553	4,305	8,214
Walker Riverside	8,915	8,915	2,962	2,195	8,760
Co-ordination & Support (GC)	1,117	1,117	564	639	772
Bensham and Saltwell	7,887	7,887	1,866	3,094	7,486
Deckham	10	10	8	0	10
Dunston	60	60	0	39	60
Enabling Projects (GC)	540	540	144	69	540
Felling Bypass	9,024	8,592	5,672	3,728	7,546
Teams	1,921	1,921	412	1,116	1,921
	47,475	46,393	18,670	19,546	42,972

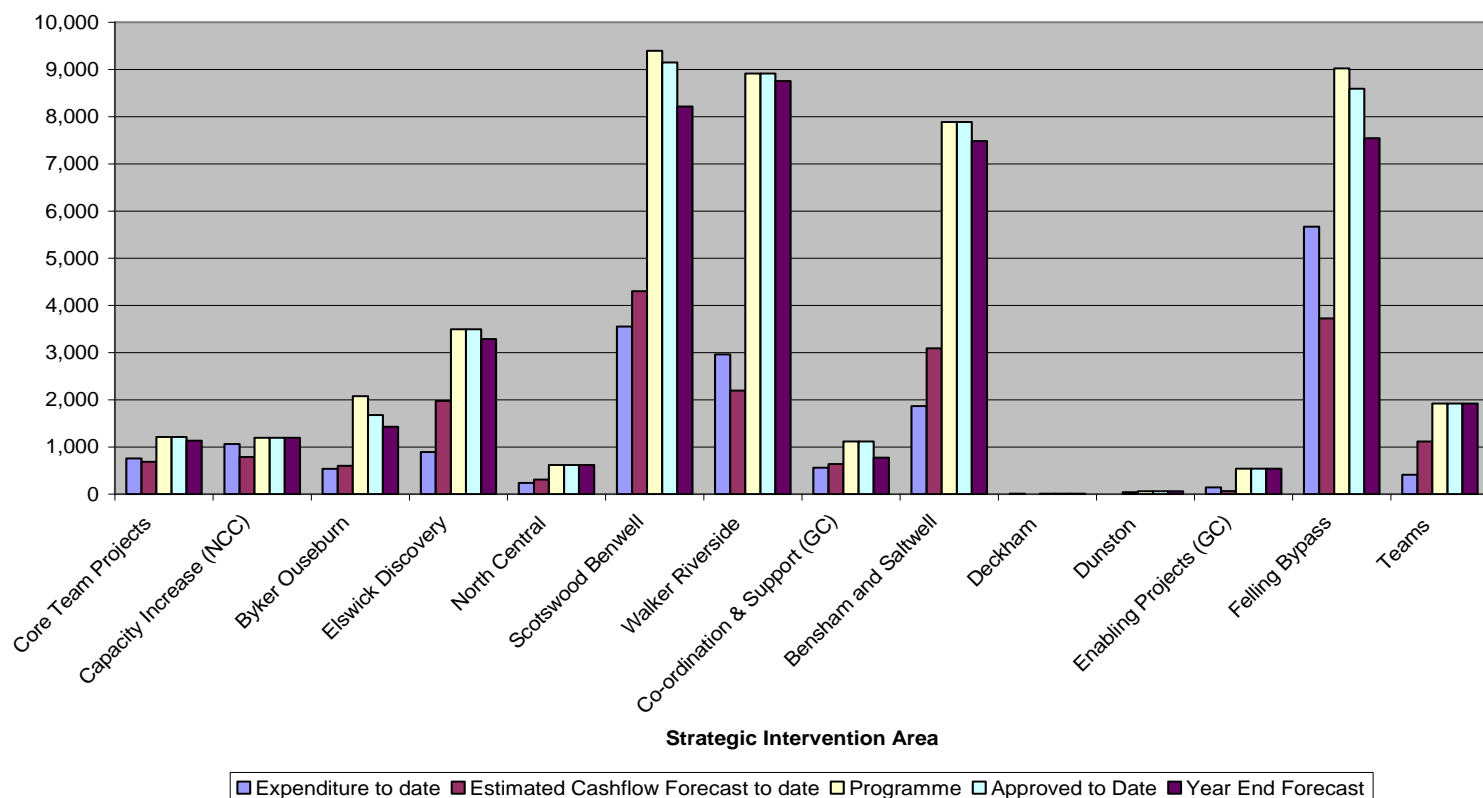
This is represented graphically below.

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

To date projects totalling £46.393m have been approved and are in the process of being delivered. The most recent forecast of probable expenditure to the year end shows that £42.9 m may be defrayed by 31st 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 and the possibility of slowing down specific projects. The PMG will meet fortnightly from January, increasing to weekly towards the financial year end.

BNG Spend as at 31st December 2007



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 18th March.
- Scotswood and Benwell Neighbourhood Development – forecast expenditure £2,144,890. 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 £3,077,000. 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 for 2007-08, having 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.

Output	Total outturn 2006-07	Achieved to end December 2007	CLG Target 2007-08	Total forecast 2007-08	Variance (forecast to target)
New homes constructed/conversions funded	44	11	120	162	+42
Refurbishments	1692	897	1482	2044	+562
Acquisitions	115	87	160	173	+13
Demolitions	258	238	216	591	+375
Land Acquired (ha)	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.

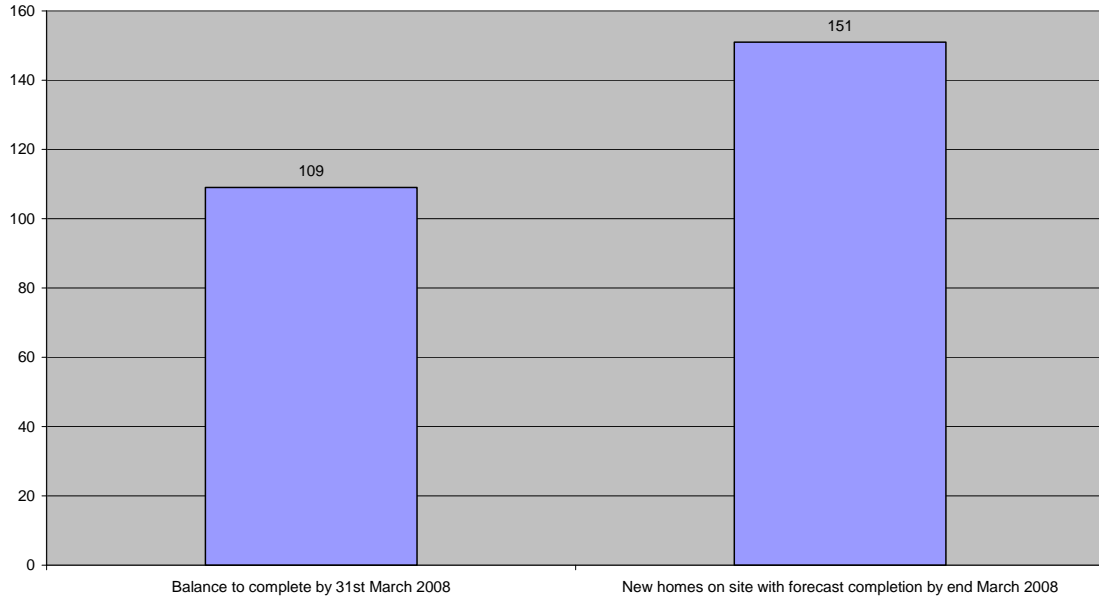
Core Indicator Targets - Key Issues

Homes Constructed or converted using HMR

- The target for 2007-08 is 120. At the end of December 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. An independent investment appraisal has been completed but the project is now in the BNG project appraisal process and has not yet been approved.

This is illustrated in the chart below.

New Homes Constructed

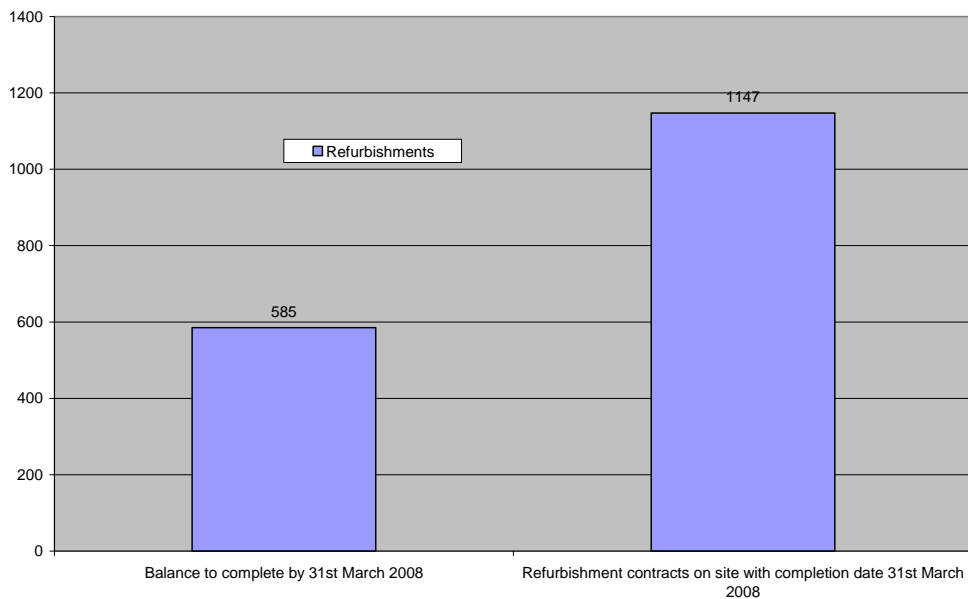


Properties Refurbished

- The target for 2007-08 is 1482. At the end of December 897 have been completed. This leaves a balance of 585 to achieve by the end of March 2008.
- There are currently 1147 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.

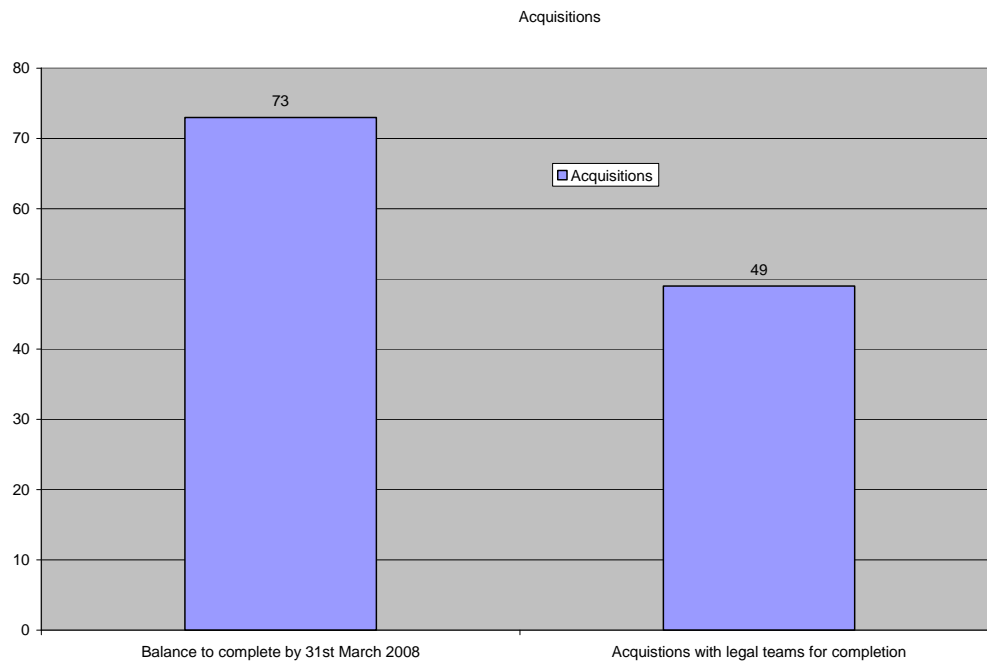
Refurbishments



Properties acquired for pathfinder purposes

- The target for 2007-08 is 160. At the end of December 87 have been acquired. This leaves a balance of 73 to achieve by the end of March 2008.
- There are currently 49 property acquisitions with legal teams for final completion, this still leaves a gap of 24 properties to acquire to meet the target agreed with CLG.
- A further 23 offer letters have been issued in addition to those already in legal.
- Current monitoring is still forecasting a final outturn of 173.

This is illustrated in the chart below.

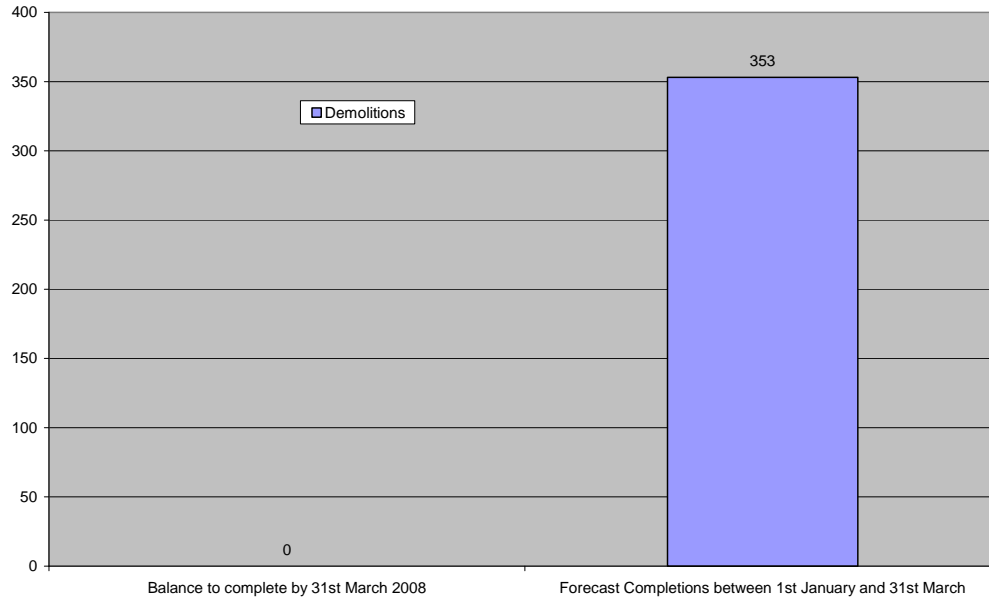


Properties Demolished

- The target for 2007-08 is 216. At the end of December 238 have been completed. This leaves a balance of 0 to achieve by the end of March 2008.
- There are currently 353 homes forecast for demolition between January 1st and 31st March 2008 giving a projected outturn of 591.

This is illustrated in the chart below.

Demolitions

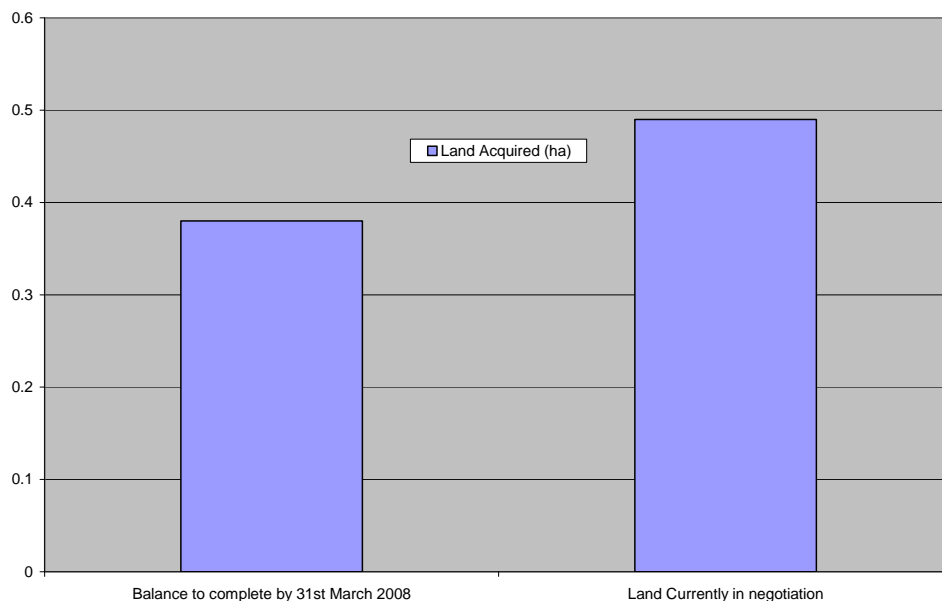


Land Acquired

- The target for 2007-08 is 4.18 ha, at the end of December 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 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 December 2007

