

Meeting:	BNG Board
Date:	29th January 2010
Contact:	Ian Mackintosh
Board Action:	For Information
Sensitivity/FOI:	Public

Item 6 – 2009-10 Programme and Financial Update

Summary Report:

BNG was initially allocated £30.7m for 2009-10. This was made up of £28.75m for renewal and £1.97m for growth. In July BNG was successful in gaining an additional 10% (£3.2m) to add to the renewal programme due to positive performance in the first quarter of 2009-10. The total allocation for the year is now £33.923m.

The draft programme for the year has now been revised to total £37.9m. This includes a level of overprogramming that to date was considered to be acceptable due to the potential risks to delivery inherent in the programme. Projects totalling £36.06m have been approved to date.

Latest forecasts of expenditure suggest a possible year end spend figure of £35.08m. However, there are still a number of risks included in the forecasts totalling £1.8m in the renewal programme and £300k in the growth programme.

The programme is currently being closely managed to ensure that expenditure targets will not be exceeded.

As at 31st December BNG has claimed £23,224,256 from the Homes and Communities Agency for renewal activities. This is 3.5% ahead of the estimated cash flow forecast to the end of December. An additional £354,891 has been defrayed through the growth programme. This makes a total spend of £23,579,147 to date.

All core outputs are on track to achieve their annual targets and delivery to the end of November is as follows:

Output	Annual Target	Achieved to 31 st December 2009	Forecast Outturn
New Build/Conversions	24	17	25
Demolitions	210	102	247*
Acquisitions	130	115	143
Refurbishments	925	434	955
Land Acquired	0.85ha	0.85ha	0.85ha

*47 at risk

Recommendations:

BNG Project Appraisal Panel is recommended to note the programme and financial position

Implications:

Financial: The combined Growth and Renewal Programme amounts to £33.9m in 2009-10.
Equality: Equality issues are considered under the project appraisal process.
Sustainability: Sustainability issues are considered under the project appraisal process

Advisory Group / Appraisal Panel / Residents' Panel: Appraisal Panel Meetings

Risk:

Strategic: Failure to deliver the programme as outlined.
Financial: Potential loss of grant if programme is not delivered.
Development: Failure to bring forward developments included in programme.
Operational: All projects may not be deliverable as outlined in programme.
Reputational: Failure to deliver programme would have an adverse effect on the reputation of BNG and associated partner organisations.

Report to: BNG Board 29th January 2010

Subject: Programme and Financial Update 2009-10

Agenda Item: 6

1. **INTRODUCTION**

BNG was initially allocated £30.7m for 2009-10. This is made up of £28.75m for renewal and £1.97m for growth. In July BNG was successful in gaining an additional 10% (£3.2m) to add to the renewal programme due to positive performance in the first quarter of 2009-10. The total allocation for the year is now £33.923m.

BNG has revised core output targets for the year as follows:

- 24 New build/Conversions;
- 210 Demolitions;
- 130 Acquisitions;
- 925 Refurbishments;
- 0.85ha Land Acquired.

This report provides an update on the programme and financial progress achieved to 31st December.

2. **2009-10 FINANCIAL POSITION**

BNG was initially allocated £30.7m for 2009-10. This was made up of £28.75m for renewal and £1.97m for growth. In July BNG was successful in gaining an additional 10% (£3.2m) to add to the renewal programme due to positive performance in the first quarter of 2009-10. The total allocation for the year is now £33.923m.

The draft programme for the year has now been revised to total £37.9m. This includes a level of overprogramming that to date has been considered acceptable due to the potential risks to delivery inherent in the programme. Projects totalling £36.04m have been approved to date. Latest forecasts of expenditure suggest a possible year end spend figure of £35.08m.

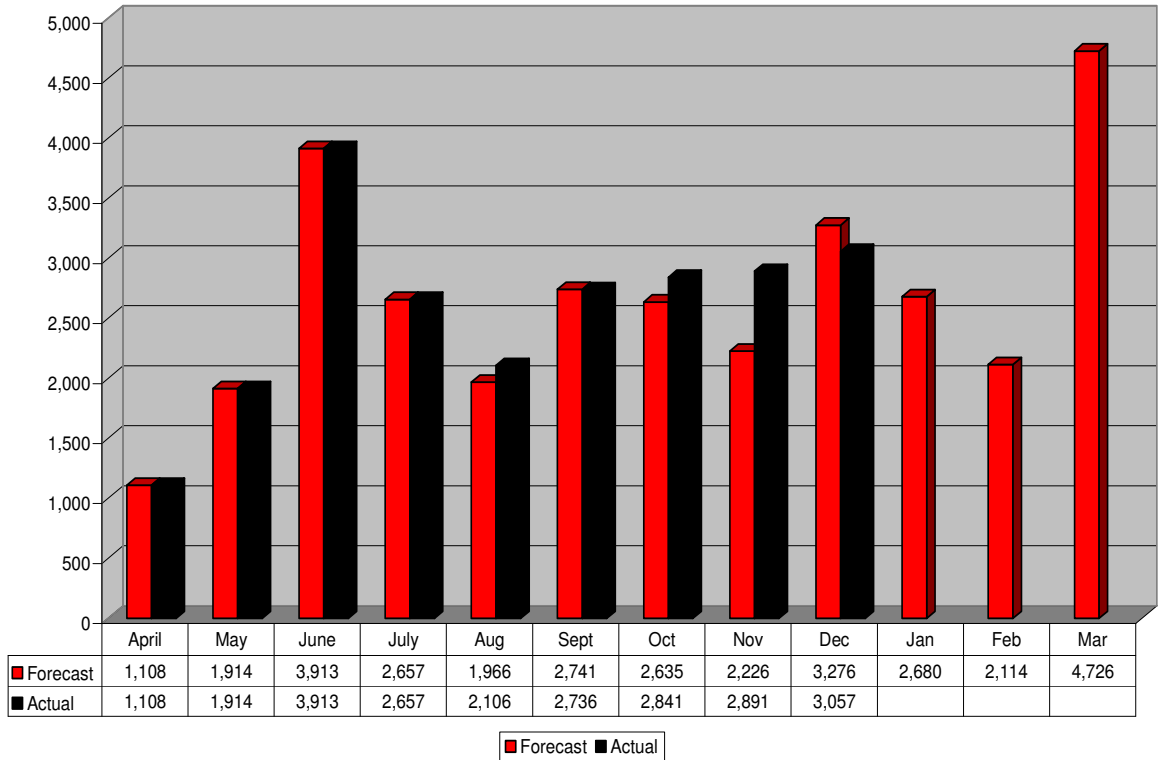
Although the forecast year end spend of £35.08m is greater than the combined renewal and growth allocation of £33.923m there still some significant risks in terms of expenditure included. This is due principally to the uncertainty around the timing of some key acquisitions. The potential value of these risks is £1.8m for Renewal and £300k for Growth.

The programme is being closely managed to ensure that expenditure targets will be met.

As at 31st December BNG has claimed £23,224,256 from the Homes and Communities Agency for renewal activities. This is 3.5% ahead of the estimated cash flow forecast to the end of December – see below. An additional £354,891 has been defrayed through the growth programme. This makes a total spend of £23,579,147 to date.

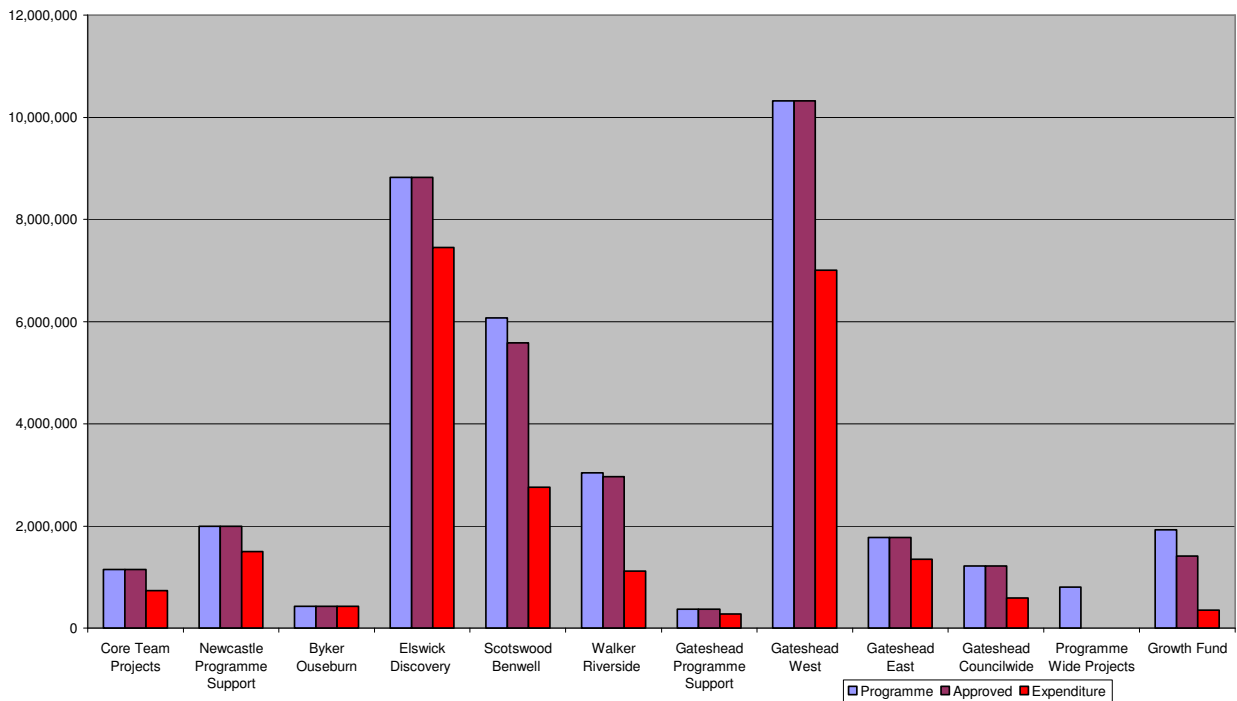
The detailed programme and spend to 31st December is shown as **Appendix 1**.

BNG Revised Cashflow Profile (post 10%)



The programme is summarised graphically below:

BNG Financial Position as at 31st December 2009



The programme is strategically aligned to maximise the benefit of other funding programmes. This is particularly relevant to SHIP funding at Riverside Dene where to date £1.5m has been claimed.

3. OUTPUT PERFORMANCE

All core outputs are forecast to achieve their year end targets and are making good progress as shown below:

Output	Annual Target	Achieved to 31st December 2009	Forecast Outturn
New Build/Conversions	24	17	25
Demolitions	210	102	247*
Acquisitions	130	115	143
Refurbishments	925	434	955
Land Acquired	0.85ha	0.85ha	0.85ha

*47 at risk.

4. PROJECT VARIANCES

Appendix 1 details how individual projects are performing against their projected cashflow profiles (Cols F&G).

Although the overall programme is slightly ahead of the cashflow projection there are a number of projects with variations of +/- £100k which warrant explanation as follows:

Project	Cashflow Variance to 31st December	Explanation
Inner West Renewal Area	-£288,494	Progress on site good. Contract price less than anticipated
Riverside Dene	£1,604,186	Good progress on site. HMR and SHIP drawn down to minimise financing costs
Scotswood Benwell Land Assembly	-£678,945	Expenditure profiles are difficult to forecast as the bulk of the expenditure relates to acquisitions of dwellings. Good progress is being made.
Greater High Cross Renewal Area	-£119,746	Progress on site good. Contract price less than anticipated
Walker Riverside Site Assembly	£290,615	As Scotswood Benwell Land Assembly
North West Quarter Clearance	£260,800	As Scotswood Benwell Land Assembly
Gateshead West Housing Improvements	£243,591	Good progress on site
JV Partner Procurement	-£225,390	Close management of consultants will lead to savings on the cost of the project.
Sunderland Road North Compensation	-£139,587	Outstanding CPO Compensation. Currently in tribunal process therefore difficult to predict when expenditure will be required.
Freightliner Acquisition	£123,692	Completed sooner than anticipated

4. RECOMMENDATIONS

BNG Board is recommended to note the programme and financial position as at 31st December 2009.