



Report to the Partnership for Urban South Hampshire Joint Committee

Date: **24 November 2009**

Report of: **Jon Pittam, Treasurer and Julian Lomas, PUSH Interim
Managing Director**

Subject: **Revenue and Capital Budget Monitoring 2009/10**

SUMMARY

This report summarises progress against the revenue and capital budgets as set by the Joint Committee at the meeting in March 2009, and amended in July 2009. It highlights any areas of concern and indicates any actions proposed to ensure that is adhered to, and PUSH objectives achieved. The report also sets out the proposed approach to setting the budget and programme for 2010/11.

RECOMMENDATIONS

The Joint Committee is recommended to:-

- a. NOTE the current 2009/10 revenue and capital budget position, together with the anticipated outturn for the year.
- b. AGREE that delivery panels should adopt a cautious approach to use of currently unallocated revenue funding and that underspends against the 2009/10 revenue programme will not be carried over to 2010/11 without explicit Joint Committee Approval following presentation of a strong case for any proposed carry over.
- c. AGREE that underspends against the 2009/10 programme should not be carried over to 2010/11 without explicit Joint Committee Approval following presentation of a strong case for any proposed carry over.
- d. AGREE that the 2009/10 allocations of £849,000 and £200,000 for the Eastleigh Riverside and Southampton Local Energy Network projects respectively, that are no longer needed, be added to the uncommitted capital balance to reduce the deficit, or for reallocation, in 2010/11
- e. APPROVE in principle an additional allocation in 2009/10 of £660,000 to the Southampton Estate Regeneration project, to be funded from under spending on other projects, and AUTHORISE the PUSH Managing Director to release funds on receipt of a satisfactory project appraisal
- f. APPROVE the process for setting the budget and capital programme for 2010/11 set out at paragraphs 29 and 30.

INTRODUCTION

1. The purpose of this report is to inform the Joint Committee of progress against the approved revenue and capital programmes for 2009/10, as agreed by the Joint Committee in July 2009, together with the anticipated outcome for the whole of the financial year, and to ask the Joint Committee to approve any actions that are considered necessary to achieve that outcome.
2. The report also outlines the proposed approach to setting the PUSH cash limits and programme for 2010/11, which the Joint Committee will be asked to approve in January 2010. The Committee will recall that the Government has proposed a reduction of £4.1m in the PUSH Growth Fund capital allocation for 2010/11. As has been noted elsewhere on this agenda, PUSH has made the strongest possible representations against this proposed cut. Should the Government nevertheless, implement its proposals as planned, then PUSH will be facing a deficit of over £1.1m against its provisional capital allocations for 2010/11.

RESOURCES

- 3 Table 1, below, shows the estimated PUSH resources for the current financial year 2009/10 as well as the provisional position for 2010/11.

| Table 1: Total resources secured 2009/10 | Budget (£000) | Received to date (£000) | Forecast for year (£000) |
|---|------------------|-------------------------------|--------------------------------|
| Revenue funds | | | |
| Core funding (local authorities) | 308 | 308 | 308 |
| New Growth Point (revenue) | 844 | 844 | 844 |
| SEEDA core contribution | 165 | 83 | 165 |
| Interest on balances | 50 | 13 | 20 |
| Est. add. Interest 08/09 | 150 | 150 | 150 |
| Other local authority funding | 30 | 0 | 30 |
| CABE | 11 | 11 | 11 |
| Tourism SE | 3 | 3 | 3 |
| IESE Contribution | 50 | 0 | 50 |
| Cultural Coordinator Contributions | 55 | 44 | 55 |
| PUSH 07/08 Underspend | 158 | 158 | 158 |
| 08/09 Underspend | 732 | 732 | 732 |
| Planned carry forward from 2009/10 to 2010/11 | -466 | -466 | -466 |
| | 2,090 | 1,880 | 2,060 |
| Capital funds | | | |
| New Growth Point (capital) | 7,253 | 7,253 | 7,253 |
| Additional Growth Point allocation | 565 | 565 | 565 |
| Planned underspend 08/09 | 784 | 784 | 784 |
| Add. Carry forward from 08/09 | 977 | 977 | 977 |
| | 9,579 | 9,579 | 9,579 |
| Total resources | 11,669 | 11,459 | 11,639 |

4. Due to interest rates currently being lower than was anticipated when the budget

was set, the estimated amount of interest to be paid on the account balance has been revised down from £50,000 to £20,000.

5. Discussions are continuing on whether the budget of £30,000 from other local authority funding will be required, and the outcome will be reflected in the next monitoring report.

REVENUE BUDGET

6. Table 2 below, shows the revenue allocations to Delivery Panels for 2009/10, as approved by the Joint Committee, together with expenditure to date, the programme of spend as developed by Delivery Panels for the current financial year, and the currently unallocated funds, for which no detailed programme has yet been received.

Table 2: Revenue Allocations 2009/10

| Theme / Delivery Panel | 2009/10 Cash Limit (£000) | Spend to date (£000) | Allocated Programme (£000) | Unallocated (£000) |
|--|---------------------------|----------------------|----------------------------|--------------------|
| Economic Development | 376 | 161 | 301 | 75 |
| Sustainability & Community Infrastructure | 160 | 15 | 70 | 90 |
| Housing & Planning | 405 | 43 | 159 | 246 |
| Quality Places | 196 | 80 | 165 | 31 |
| Transport for South Hampshire | 250 | 0 | 250 | 0 |
| External Funding & Resources | 50 | 0 | 50 | 0 |
| Central Costs, and Operational Contingency | 614 | 158 | 484 | 130 |
| Balance | 9 | 0 | 0 | 9 |
| Total resources | 2,060 | 457 | 1,479 | 581 |

7. Due to the reduction in the income expected to be received from interest on balances, referred to above, the total revenue resources for 2009/10 have reduced by £30,000 compared to the programme approved by the Joint Committee in July 2009. This has reduced the uncommitted balance from £39,000 to £9,000.
8. The programme for Economic Development includes the cost of the PUSH Economic Development Director, as well as a number of studies and economic development projects. There remain some small projects in the pipeline which will reduce the amount currently shown as unallocated, although it remains likely there will be a significant underspend.
9. The programme for Sustainability and Community Infrastructure includes £40,000 carried forward from 2008/09 to be spent on Renewable Energy, as approved by

the Joint Committee in January 2009. The programme for Sustainability and Community Infrastructure includes the costs of a number of studies, development of strategies and implementation plans. There are some projects in the pipeline (including implementation of the Integrated Water Management Strategy and Green Infrastructure Strategy) which will reduce the amount currently shown as unallocated, although it remains likely there will be a significant underspend

10. The current programme for the Housing and Local Planning Delivery Panel includes work on the Habitats Regulation Assessments, studies on Open Storage and Housing Market, and also the costs of the two posts working on Hedge End and Fareham SDAs. There are some projects in the pipeline (including costs associated with progressing the HCA Single Conversation) which will reduce the amount currently shown as unallocated, although it remains likely there will be a substantial underspend.
11. The programme for Quality Places covers the cost of the Cultural Coordinator post, for which funding has been received from a number of external organisations, as well as a 2 year project with CIBAS supporting creative industries.
12. PUSH agreed to support TfSH with funding for a number of feasibility and access studies. It is expected that these will all be spent in the current year.
13. The External Funding & Resources Panel has been involved in reviewing potential alternative funding mechanisms to support the PUSH economic development agenda in particular. These fall around two broad models, the first being Asset Backed Special Purpose Vehicles and the second around Accelerated Development Zones / Tax Incremental Financing, which will form the basis of the Member Workshop being held on 18 January 2010. Whilst costs have not yet fallen on PUSH, as SEEDA picked up the cost of the first commission, it is anticipated that further consultancy fees will be required to be funded from this Panel's budget in late 2009/10 or early 2010/11.
14. There is currently an anticipated underspend on the costs of the PUSH Core Team, principally because a number of posts within the approved establishment have only been filled part way through the financial year. In addition there has been uncertainty over the costs of accommodation for the PUSH team.
15. Overall, therefore, it is clear there will be a significant underspend against the 2009/10 revenue allocations. Given the uncertainty over PUSH funding beyond March 2011, to enable PUSH to build up a modest reserve of revenue funds with which to maintain capacity into 2011/12, it is recommended that:
 - a. delivery panels should adopt a cautious approach to allocating currently unallocated revenue funding; and
 - b. underspends at the end of 2009/10 will not be carried over to 2010/11 without explicit Joint Committee Approval following presentation of a strong case for any proposed carry over (e.g. where a contractual commitment to complete a particular project exists).

CAPITAL PROGRAMME

16. Table 3, below, shows a summary of the capital allocations to each Delivery Panel as approved by the Joint Committee in July 2009, together with the expenditure to

date and the estimated forecast outturn for the year. This is followed by a more detailed discussion of each project within their respective Delivery Panels.

17. Overall it is clear that there will be some underspends against the 2009/10 capital allocations. Given the Government's proposed reduction in the PUSH Growth Fund capital allocation for 2010/11, it is recommended that underspends against the 2009/10 programme should not be carried over to 2010/11 without explicit Joint Committee Approval following presentation of a strong case for any proposed carry over (e.g. where a contractual commitment to complete a particular project exists).

Table 3: Capital Allocations

| | Revised Cash Limit for 2009/10 (£000) | Spend to date (£000) | Forecast Outturn (£000) | Under Spend (£000) |
|---|--|----------------------------|-------------------------------|--------------------------|
| Economic Development | 1,758 | 33 | 684 | 1,074 |
| Sustainability and Community Infrastructure | 480 | 24 | 280 | 200 |
| Housing and Planning | 3,757 | 1,741 | 3,757 | 0 |
| Quality Places | 700 | 0 | 700 | 0 |
| Transport for South Hampshire | 2,514 | 600 | 2,514 | 0 |
| Balance | 370 | 0 | 0 | 370 |
| Total | 9,579 | 2,398 | 7,935 | 1,644 |

Economic Development Projects

Table 4a: Economic Development Theme Capital Allocations 2009/10

| Project | Other Secured Funding (£000s) | Approved Budget (£000s) | Spend to date (£000) | Forecast Outturn (£000) | Under Spend (£000) |
|--|-------------------------------|-------------------------|----------------------|-------------------------|--------------------|
| Eastleigh River Side Environmental/Technical Studies | incl 62 c/f from 2008/9 | 92 | 1 | 38 | 54 |
| Eastleigh River Side Env Imp - Ashtrim | 35 (Env Agency) | 40 | 0 | 103 | -63 |
| Eastleigh River Side Land Assembly (2 land Parcels)* | incl 88 c/f from 2008/9 | 1,337 | 0 | 488 | 849 |
| Eastleigh River Side Programme. Director | 0 | 75 | 32 | 55 | 20 |
| Unallocated carry forward | | 214 | 0 | 0 | 214 |
| TOTAL | | 1,758 | 33 | 684 | 1,074 |

18. The Joint Committee agreed, in March 2009, that the Eastleigh Riverside projects could be treated as a single allocation, and that virement between the individual projects could take place with the approval of the PUSH Managing Director. The table above shows the initial allocation to projects, and the PUSH Managing Director has approved a virement from the Environment Studies project to cover additional expenditure on the Ashtrim environmental improvements work.
19. The Joint Committee approval for Eastleigh Riverside Land Assembly included a sum of £849,000 reserved and requiring further Joint Committee approval for the funds to be released. This was because that allocation was for the purchase of lands that may be required for the construction of the link road to access the Riverside site and the Joint Committee wished to retain the flexibility to use this funding for other projects should that land not be required. The current design for the link road has been costed at a level which is unaffordable and consequently, the project director has informed us that there is no intention to purchase the land in question prior to March 2011 and therefore this £849,000 allocation is no longer required. Given the proposed Government funding cut, we recommend that this allocation be added to the uncommitted capital balance to reduce the deficit, or for reallocation, in 2010/11.

Sustainability & Community Infrastructure Projects

Table 4b: Recommended Sustainability & Community Infrastructure Capital Allocations 2009/10

| Project | Other Secured Funding (£000s) | Approved Budget (£000s) | Spend to date (£000) | Forecast Outturn (£000) | Under Spend (£000) |
|---|-------------------------------|-------------------------|----------------------|-------------------------|--------------------|
| Portsmouth Surface Water Separation/ Portsmouth E/W Sewer | 0 | 120 | 0 | 120 | 0 |
| Renewable Energy Evaluation Pilot | 0 | 20 | 0 | 20 | 0 |
| Southampton Local Energy Network | incl c/fwd from 2008/9 | 240 | 20 | 40 | 200 |
| Spice Island Drainage* | 0 | 100 | 4 | 100 | 0 |
| TOTAL | | 480 | 24 | 280 | 200 |

20. £40,000 was carried forward from 2008/09 to be spent in the current year on feasibility work for the Southampton Local Energy Network. As a result of further delays in progressing this project, we are informed that, the further sum of £200,000 approved in 2009/10 is not now required we recommend that this allocation be added to the uncommitted capital balance to reduce the deficit, or for reallocation, in 2010/11.

Housing and Planning Projects

Table 4c: Housing and Planning Capital Allocations 2009/10

| Project | Other Secured Funding (£000s) | Approved Budget (£000s) | Spend to date (£000) | Forecast Outturn (£000) | Under Spend (£000) |
|--|---|-------------------------|----------------------|-------------------------|--------------------|
| Drivers Wharf Phase 1 (Access Study) | 0 | 70 | 0 | 70 | 0 |
| Gosport Waterfront and Town Centre Master-planning | Developer funding also agreed in principle. | 38 | 0 | 38 | 0 |
| Rowner Renewal, Gosport | £28.5m of other funding committed over the period 2008/9 and 2009/10) | 1,119 | 1,046 | 1,119 | 0 |
| Somerstown Portsmouth | Includes forecast £400k underspend c/fwd from 2008/09 | 1,740 | 164 | 1,740 | 0 |
| Southampton Estate Regeneration | 0 | 790 | 531 | 790 | 0 |
| TOTAL | | 3,757 | 1,741 | 3,757 | 0 |

21. It is anticipated that the full allocations for Drivers Wharf and Gosport Waterfront and Town Centre, will be spent in 2009/10.

22. The Rowner Renewal project has submitted one claim in the current year and a final claim for the remaining funding will be made to complete the call on PUSH funding.

23. There is some doubt as to whether the full 2009/10 allocation for the Somerstown project will be claimed, but at this stage of the year, it is prudent to assume that the project will spend up to the allocation.

24. The project manager for Southampton Estate Regeneration has indicated that the full allocation for the current year will be spent. It is also reported that the project is in a position to bring forward expenditure of £660,000 originally planned as part of the provisional allocation for 2010/11 into the current year. This can be funded in the current year from underspends reported on other projects, and would be deducted from any allocation that may be made to the project in 2010/11 (the previously approved provisional allocation for 2010/11 for this project is £1.9m). This bring forward of funding would not in any way affect the provisional deficit for 2010/11. The committee is therefore recommended to approve in principle the additional allocation to the project in the current year, and authorise the PUSH Managing Director to release the funding subject to receiving a satisfactory project appraisal.

Quality Places Projects

Table 4d: Quality Places Capital Allocation 2009/10

| Project | Other Secured Funding (£000s) | Approved Budget (£000s) | Spend to date (£000) | Forecast Outturn (£000) | Under Spend (£000) |
|--------------------------------|---|-------------------------|----------------------|-------------------------|--------------------|
| Portsmouth Creative Industries | £17.8m University of Portsmouth; £0.7m New Theatre Royal. | 700 | 0 | 700 | 0 |
| TOTAL | | 700 | 0 | 700 | 0 |

25. A first claim for this project is expected shortly and it is anticipated that the full allocation will be spent in the current year.

Transport For South Hampshire Capital Grant

Table 4e: Transport for South Hampshire Capital Grant 2009/10

| Project | Other Secured Funding (£000s) | Approved Budget (£000s) | Spend to date (£000) | Forecast Outturn (£000) | Under Spend (£000) |
|--------------------------------|-------------------------------|-------------------------|----------------------|-------------------------|--------------------|
| Tipner – New Motorway Junction | £1.2m from PCC. | 600 | 600 | 600 | 0 |
| M27 Junction 5 Phase 1 | £736k from HCC. | 1,914 | 0 | 1,914 | 0 |
| TOTAL | | 2,514 | 600 | 2,514 | 0 |

26. The funding approved for the Tipner project included work on transport assessment and associated surveys, modelling and studies and is reported as having been spent. TfSH has now submitted a claim to PUSH for the full amount of the allocation.

27. Work has commenced on Phase 1 of the M27 Junction 5 project and is expected to be completed by March 2010.

28. The 2008/09 capital allocation to TfSH of £1,700,000 was transferred in full in the last financial year. TfSH reported, in the Statement of Accounts 2008/09, an underspend of £700,000 against that allocation, to be spent on a number of transport studies and surveys. The progress report indicates that this will be fully spent by the end of the financial year.

SETTING 2010/11 BUDGET

29. Given the likely lack of funds to allocate to new projects in 2010/11, and the Joint Committee's previous decision that the Tipner and M27 J5 projects should be the

priority for use of any funding available in 2010/11, it is not proposed this year to undertake a large scale exercise to trawl for new “bids”. Instead, the Interim Managing Director has asked the Chief Executive lead for each delivery panel to check whether there are any new projects in development which would present a strong case to be categorised as urgent and a high priority for funding in 2010/11.

30. It is proposed that a meeting of those Chief Executives should consider any such “bids” together with a review of the state of readiness of projects awarded provisional allocations for 2010/11 and the likely outturn for 2009/10; with a view to making recommendations on the 2010/11 capital allocations to the first Joint Committee meeting after the Government confirms the funding available for 2010/11 (currently planned to be your January meeting). In reaching those recommendations particular regard will be had to:

- (a) The Joint Committee’s previous decision on priorities for the 2010/11 (in both the provisional allocations and the priority for Tipner and M27 J5 previously agreed).
- (b) The progress made by, and risk profile for, projects allocated funding in both 2009/10 and provisionally allocated funding in 2010/11.
- (c) The state of readiness and risk profile for new projects provisionally allocated, or bidding for, funding in 2010/11.
- (d) A value for money assessment of each proposed project in respect of delivery against PUSH Business Plan objectives (based on submission of revised project appraisals).

CONCLUSION

31. The Joint Committee is recommended to:-

- (a) NOTE the current 2009/10 revenue and capital budget position, together with the anticipated outturn for the year
- (b) AGREE that delivery panels should adopt a cautious approach to use of currently unallocated revenue funding and that underspends against the 2009/10 revenue programme will not be carried over to 2010/11 without explicit Joint Committee Approval following presentation of a strong case for any proposed carry over.
- (c) AGREE that underspends against the 2009/10 programme should not be carried over to 2010/11 without explicit Joint Committee Approval following presentation of a strong case for any proposed carry over.
- (d) AGREE that the 2009/10 £849,000 and £200,000 allocations for the Eastleigh Riverside and Southampton Local Energy Network projects that are no longer required be added to the uncommitted capital balance to reduce the deficit, or for reallocation, in 2010/11
- (e) APPROVE in principle an additional allocation in 2009/10 of £660,000 to the Southampton Estate Regeneration project, to be funded from under spending on other projects, and AUTHORISE the PUSH Managing Director to release funds on receipt of a satisfactory project

appraisal

- (f) APPROVE the process for setting the budget and capital programme for 2010/11 set out at paragraphs 29 and 30.

Background Papers: -

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