



Report to the Partnership for Urban South Hampshire Joint Committee

Date: **19 March 2009**

Report of: **Stuart Jarvis, Managing Director and
Jon Pittam, Treasurer**

Subject: **Revenue and Capital Budgets 2009/10 – 2010/11**

SUMMARY

The 2009/10 Budget report approved at the January meeting of the PUSH Joint Committee set out the revenue and capital funding available to PUSH for its 2009/10 and 2010/11 programmes, and set indicative budgets for the Delivery Panels. It also set out the process by which those budgets were to be assessed and appraised, so that the Joint Committee could confirm the budget allocations and the Capital Programme at this meeting. This report seeks the Joint Committees' confirmation of the Revenue Budget, including allocations to each Theme/Delivery Panel and recommends a Capital Programme for 2009/10 and 2010/11.

RECOMMENDATIONS

The Joint Committee is recommended to:

- a. NOTE the total anticipated funding available to PUSH in 2009/10 and 2010/11;
- b. APPROVE the Revenue budgets for 2009/10 and 2010/11, as set out in the Report at Table 2;
- c. APPROVE the proposed revenue grant for Transport for South Hampshire of £200,000 towards strategic access studies and development of the sub-regional evidence base, and a further £50,000 for initial feasibility work on strategic access and traffic impact from potential major development sites in Gosport;
- d. APPROVE the recommended PUSH Capital Programme for 2009/10 and 2010/11 as set in the report in Tables 4a – 4e, and summarised in Table 5 subject to the following projects where further approval is reserved:
 - i. Eastleigh River Side in respect of land to be acquired solely for access purposes prior to finalisation of the access proposals (£849,000);
 - ii. Spice Island allocation for 2010/11 (£1,000,000); and

With the provision of a single programme allocation for Eastleigh River Side, with guideline project sub-allocations, as detailed in paragraph 16.

- e. DELEGATES authority to the Managing Director, following consultation with the Treasurer, to approve the release of the £849,000 reserved element of the Eastleigh River Side Capital allocation, following a request from the Project Board, and for the purpose of facilitating access to the area, when access proposals have been finalised and agreed by the appropriate authorities
- f. NOTE the unallocated capital resources of £248,000 in 2009/10 and £2,956,000 in 2010/11 which are available for future allocation;
- g. DELEGATES authority to the Managing Director, following consultation with the Treasurer, to apply appropriate conditions on the Revenue and Capital grants to Transport for South Hampshire, based on the 2008/09 arrangements; and
- h. DELEGATES authority to the Managing Director, following consultation with the Treasurer, to approve variations between the Eastleigh River Side projects within the overall Programme Allocation, where the integrity of the original allocation is preserved.

INTRODUCTION

1. The purpose of this report is to seek final approval for the revenue budget, including the allocations to each Delivery Panel, and to seek approval of a Capital Programme for 2009/10 and 2010/11. These decisions follow on from the report in January at which time the Joint Committee set provisional revenue budget allocations, and indicative Capital Allocations for each Theme, and authorised the Capital Programme Board to review project bids and prepare a recommended capital Programme for consideration by the Joint Committee. There is a significant unallocated reserve proposed in the revenue budget, from which the Joint Committee can consider additional allocations, although the revenue funding received from the Government's Growth Fund reduces significantly in 2010/11, and the planned reserve fund is proposed as a means of reducing the impact of this reduction in 2010/11. The proposed Capital Programme also proposes a to maintain an unallocated reserve at the start of the year, to help provide a mechanism to manage potential cost overruns, reduced match funding, or the addition of small scale new projects in year.
2. The figures in the report do not assume receipt of any revenue or capital funding in 2009/10 which has not yet been announced (and therefore may increase the PUSH revenue budget in year). In 2008/9 PUSH received some £284,000 of revenue funding from such sources, and whilst we have now been advised of the outcome of some funding applications (which are reflected in the table below) there is still potential for further funding to be secured in year. This will be highlighted in the routine budget monitoring reports to this Committee throughout the year

RESOURCES

3. Table 1, below, shows the estimated PUSH resources for the financial years 2009/10 and 2010/11, compared to 2008/09:-

Table 1: Total resources secured	2008/09 Budget £000	2009/10 Budget £000	2010/11 Budget £000
Revenue funds			
Core funding (local authorities)	300	308	315
New Growth Point (revenue)	729	844	578
SEEDA core contribution	165	165	165
Interest on balances	100	50	50
Est. add. Interest 08/09	-	170	-
Other local authority funding	54	30	30
Emerging Themes (MAA)	151	-	-
SEEDA (Tipner regeneration)	15	-	-
CABE	11	-	-
Tourism South East	3	-	-
IESE Contribution	-	50	-
Cultural Coordinator Contributions	-	55	55
PUSH 07/08 Underspend	-	150	-
08/09 Underspend	-	548	-
Planned carry forward from 2009/10 to 2010/11	-	-466	466
	1,528	1,904	1,659
Capital funds			
New Growth Point (capital)	6,768	7,253	9,429
Additional Growth Point allocation	-	565	-
Planned underspend 08/09	-	784	-
Add. Carry forward from 08/09	-	509	-
	6,768	9,111	9,429
Total resources	8,296	11,015	11,088

4. As indicated in the January Budget Monitoring report, higher than anticipated interest earned on balances in the current year, together with the under spend on the 2007/08 PUSH programme are to be carried forward into 2009/10, and added to the expected significant under spend on the 2008/09 programme.
5. Because of the additional resources carried forward into 2009/10, as well as a significant decrease in Growth Point funding in 2010/11, it is recommended that a sum of £466,000 revenue funding be set aside in 2009/10 to be brought forward into 2010/11 to help equalise resources between the two financial years.

As well as the initial capital Growth Point money for 2009/10 shown in the table above, PUSH has been awarded a further £565,000 Growth Point capital funding for 2009/10, although for technical reasons this will be received by PUSH in the current financial year. Together with the planned reserve from 2008/09, and the additional under spend identified in the Budget Monitoring report, there is a total of £9,111,000 capital funding available for the 2009/10 Capital Programme.

REVENUE BUDGET

7. Table 2 below, shows the recommended revenue allocation to Delivery Panels, for 2009/10, compared with the 2008/09 budget and the 2009-11 indicative allocation approved by the Joint Committee on 12 June 2008.

Table 2: Revenue Allocation

Theme / Delivery Panel	2008/09 Budget £000	2009/10 Indicative Base Budget £000	C/fwd to 2009/10 £000	2009/10 Cash Limit £000	2010/11 Provisional Allocation £000
Economic Development	210	350	-	350	300
Sustainability & Community Infrastructure	148	60	60	120	100
Housing & Planning	181	184	116	300	300
Quality Places	60	136	47	183	170
Transport for South Hampshire	279	250	-	250	250
External Funding & Resources	-	-	50	50	-
Central Costs, and Operational Contingency	650	541	73	614	539
Balance	-	65	-28	37	-
Total resources	1,528	1,586	318	1,904	1,659

8. The Budget Monitoring report, recommended a carry forward from 2008/09 of £548,000. Of that amount, a total of £318,000 was reserved for specific projects delayed or deferred from the current programme – this is shown in the fourth column above. The remainder of the carry forward is to be used to fund the new year programmes.
9. The base budget for 2009/10, together with the carry forward from 2008/09, provides a cash limit for 2009/10 for each Delivery Panel. Each Theme Lead has been consulted on the indicative allocations from January, and whilst a number commented on the potential to achieve more with higher levels of resourcing, the indicative allocations were accepted in the context of the overall funding available to PUSH. Therefore the figures proposed for confirmation by this Committee broadly match the provisional budget allocations from January. Each Panel will now determine its detailed revenue funded programme within the available resources, and prepare an Action Plan, as set out in the report on the Business Plan considered separately on this agenda.
10. Transport issues are near the top of most priority lists in South Hampshire as well as elsewhere in the region. Transport for South Hampshire leads on these matters in the sub-region, working in partnership with PUSH, and it is proposed again for 2009/10 and 2010/11 to provide both Capital and Revenue grant funding for TfSH to this end. In revenue terms it is proposed to allocate £200,000 to support TfSH work on strategic

access studies, feasibility testing and development of a sub-regional evidence base, building on work in 2008/9. It has also become apparent that some work is urgently needed to take a strategic look at access issues in relation to the Gosport Peninsula, as a number of major development sites/proposals are coming forward. It makes sense for this work to draw upon, and to feed into the sub-regional evidence base and access studies already underway through TfSH, and therefore it is proposed to ask TfSH to commission and manage the transport aspects of this work, and to add £50,000 to the TfSH revenue grant from PUSH specifically for this purpose. It is also proposed to fund some master-planning work through the capital programme, as set out below.

11. The proposed budget makes full use of existing resources to reduce pressure on the local authorities and other funding partners contributions, whilst maintaining an effective programme and preparing the ground for PUSH to fully engage with the review of the South East Plan and the Regional Economic Strategy. It is therefore considered that the Revenue Budgets for 2009/10 and 2010/11 as set out in the table above, should be now be confirmed.

CAPITAL PROGRAMME

12. Table 3, below, shows the initial, indicative, capital allocation to each Delivery Panels as reported in January. This indicative allocation was based on the Programme of Development (POD) preferred programme (which is the mechanism for bidding for Growth Point Funding, the main source of PUSH's resources) submitted by PUSH to the Department of Communities and Local Government (DCLG) in October 2008.
13. The initial allocation to delivery panels together with the £609,000 reserve allocation formed the starting point for the work of the PUSH Capital Programme Board ("star chamber") and the framework for the recommended programme, following detailed assessment of submitted project appraisals. The Board was also required to recommend an affordable Programme over both years (the Provisional Programme allocations were beyond the total Capital resources available for 2010/11). When the Joint Committee approved the 2008/9 Capital Programme, it was agreed that allocations were for 2008/09 only and that no funding was guaranteed for projects beyond this year. Therefore The Capital Programme Board reviewed all projects, including those commenced in the current year, in preparing the recommended Capital Programme set out below.
14. A significant number of bids, totalling well in excess of the resources available (see Table 3 below) were received and assessed by the Panel. A brief assessment for each theme followed by the recommended Programme is set in the remainder of this section of the report.

Table 3: Bids & Resources

Theme/Delivery Panel	Provisional Allocation (January 2009) (£000s)		2009/10 (£000s)		2010/11 (£000s)	
	2009/10	2010/11	No. of Bids	Total Value	No. of Bids	Total Value
Economic Development	1,556	90	7	2,380	3	8,590
Sustainability & Community Infrastructure	910	1,600	6	915	2	2,350
Housing & Planning	3,785	7,020	10	6,116	9	6,665
Quality Places	-	-	1	800	1	2,200
Transport for South Hampshire	1,914	1,915	3	3,414	4	9,165
Balance	609	(1,196)				
Totals	8,774	9,429		13,625		28,970

Economic Development Projects

15. The main sub regional economic development focus for capital works continues to be the proposed regeneration and redevelopment of Eastleigh River Side. The main thrust of the capital spend here is to support land assembly and site preparation, which mirrors the approach with the major housing regeneration projects, and is felt to be a good use of the limited PUSH capital funding available to “pump-prime” strategic projects through “enabling” investment (e.g. land assembly, infrastructure provision or feasibility/advance design). At this stage of the project a strategic land assembly programme, and advanced works aimed at environmental improvement and mitigation for future development is regarded as a prudent enabling investment. It is however noted that the detailed access arrangements, including the alignment of the proposed new link road have yet to be finalised.

16. Recognising the importance of flexibility and agility in a complex regeneration project like Eastleigh River Side, and the fact that a Project Board has also now been in place for some time overseeing this multi-agency project, it is proposed to roll-up the various individual project proposals into a Land Assembly and Site Preparation Programme, to be administered by the Project Board. Whilst it is intended that flexibility will be provided to the Project Board through this arrangement, it is suggested that PUSH approval should be required for variations between projects, in order to protect the integrity of the allocation. With a very limited allocation for 2010/11, it would not be appropriate for the 2009/10 allocation to be fully utilised on River Side projects, but without securing the key land holdings for which the allocation was made, and without which, future access arrangements could not be delivered. It is not envisaged that PUSH would be expected to make additional allocations in the future to replace

funding redirected away from the acquisition programme in the current year. Therefore, in a similar way to the grant to Transport for South Hampshire, it is suggested that PUSH should indicate its expectation of how the funding will be used, and reserve its right to approve variations, through delegated authority to the Managing Director, who also sits on the Project Board. It is further proposed to reserve approval for any land purchase solely for the purpose of facilitating access to the area, until access proposals have been finalised and agreed by the appropriate authorities. In this context a sum of £849,000 is reserved, and will only be released at the request of the Project Board, and with the agreement of the Treasurer and the PUSH Managing Director.

17. Table 4a: Recommended Economic Development Theme Capital Allocations

Project	Other Secured Funding (£000s)	Proposed Programme (£000s)	
		2009/10	2010/11
Eastleigh River Side Environmental/Technical Studies	incl 62 c/f from 2008/9	92	-
Eastleigh River Side Env Imp - Ashtrim	35 (Env Agency)	40	15
Eastleigh River Side Land Assembly (2 land Parcels)*	incl 88 c/f from 2008/9	1,349	-
Eastleigh River Side Programme. Director	-	75	75
TOTAL (Proposed as a single Programme Allocation with guideline project allocations)		1,556	90

*Note: £.849,000 approval is reserved pending further approval (see paragraph 16 above).

Sustainability & Community Infrastructure Projects

18. The main strands of the proposed capital work for this area continue to be drainage and energy projects. The main thrust of the drainage capital works is on technical feasibility and advanced design studies to support preparation of project proposals and funding bids to Southern Water and help support the investment the case with Offwat and the Environment Agency. The Spice Island and the Portsmouth Surface Water Separation proposals are strategic in helping to demonstrate an innovative approach to overcoming drainage capacity constraints through investment in separate storm water drainage to release the potential for urban capacity development. This is again felt to be a good use of PUSH capital funding through “enabling” investment. A contribution for works at Spice Island is proposed for 2010/11, but it is further recommended that approval for committing this funding should be reserved at this stage, pending a review of the project to be triggered when discussions with Southern Water about funding are further advanced. The project is unlikely to proceed until it is accepted into the Southern Water Capital Programme.

19. In respect of the Southampton Energy project, this is considered to be an exemplar project that meets many of the PUSH environmental and sustainability objectives, and builds on the feasibility work begun in the current year. The final recommended

projects are a small scale trial/demonstration project on sustainable energy, to be determined by the Delivery Panel in the context of the emerging energy strategy work; and support for initial feasibility work on a strategic green infrastructure project, which is currently identified in the emerging Test Valley LDF, and which would be of sub-regional significance in managing and mitigating the impact of planned development in the South Western part of the sub-region, if not across the area as a whole.

20. The overall recommended allocation for this theme is significantly less than originally envisaged, largely due to delays in expected projects coming forward, in part as a result of the downturn in the economy. This has however had the beneficial effect of enabling more projects in other theme areas to be funded, and on this basis it is recommended to make a reduced allocation for this theme.

21. Table 4b: Recommended Sustainability & Community Infrastructure Capital Allocations

Project	Other Secured Funding (£000s)	Proposed Programme (£000s)	
		2009/10	2010/11
Portsmouth Surface Water Separation	-	120	
Portsmouth E/W Sewer			
Forest Park for Southern Test Valley	-	-	50
Renewable Energy Evaluation Pilot	-	20	-
Southampton Local Energy Network	incl c/fwd from 2008/9	240	200
Spice Island Drainage*	-	100	1,000
TOTAL		480	1,250

* Note: £1m is reserved in 2010/11 pending further Joint Committee approval.

Housing and Planning Projects

22. The main focus of this Theme's projects is "enabling" investment on the three big estate renewal and regeneration projects at Rowner, Somerstown in Portsmouth and Hinkler Parade in Southampton, all of which have started in the current year. These are strategic and ambitious schemes targeting deprived areas and communities facing significant problems that go well beyond the physical condition of the dwelling stock and the general environment. They are all major schemes requiring massive capital investments to deliver them in full, which is well beyond the ability of PUSH to support, but the early injection of capital for pump-priming and helping to bridge funding gaps in these early years of the projects makes a significant contribution and helps to secure other funding sources for the projects.

24. In addition two feasibility studies are also recommended for support from this Programme. The Driver's Wharf site in Southampton is a strategic waterfront, brownfield regeneration site potentially capable of accommodating significant mixed-use redevelopment, but which requires new access arrangements to realise its full potential. It is proposed to support an initial access feasibility study in 2009/10. Gosport Waterfront is similar, a major potential redevelopment site, but here the

potentially constraining issue is advancing the master-planning work to allow this to feed into traffic and access studies which are proposed for Gosport in 2009/10 (proposed to be funded by PUSH through an earmarked part of the revenue grant to Transport for South Hampshire see paragraph 10 above). The timing of the studies is seen as critical because of the emergence of a number of significant redevelopment projects in Gosport which need to be reviewed “in combination” in access and traffic terms.

25. Table 4c: Recommended Housing and Planning Capital Allocations

Project	Other Secured Funding (£000s)	Proposed Programme (£000s)	
		2009/10	2010/11
Drivers Wharf Phase 1 (Access Study)	-	70	-
Gosport Waterfront and Town Centre Master-planning	Developer funding also agreed in principle.	38	37
Rowner Renewal, Gosport	£28.5m of other funding committed over the period 2008/9 and 2009/10)	975	-
Somerstown Portsmouth	Includes forecast £400k underspend c/fwd from 2008/09	1,740	1,280
Southampton Estate Regeneration	-	790	1,900
TOTAL		3,613	3,217

Quality Places Projects

26. The only submission in this area concerned a project at the Theatre Royal in Portsmouth, to provide a new “Performing Arts” facility which is complementary to a major investment in creative industries by Portsmouth University in a second facility being developed to support design and visual arts. As an important contribution to the creative industries sector, the Economic Development Theme lead also supports the project. PUSH “pump-priming” investment will help to secure the potentially significant external funding available to this project. Whilst there was no provisional allocation made for this theme in January, it was agreed that bids could be considered against the unallocated reserve. It is felt that this project is worth supporting as a sub-regional investment primarily because of its economic significance.

Table 4d: Recommended Quality Places Capital Allocation

Project	Other Secured Funding (£000s)	Proposed Programme (£000s)	
		2009/10	2010/11
Portsmouth Creative Industries	£17.8m University of Portsmouth; £0.7m New Theatre Royal.	700	-
TOTAL		700	-

Transport For South Hampshire Capital Grant

28. It has been recognised for some time, by both PUSH and TfSH, that Growth Point Funding is not available at the scale needed to deliver the major transport schemes that are needed to support further development and growth in South Hampshire, and indeed to deal with the infrastructure backlog from previous growth. Therefore the TfSH bids to the PUSH capital programme are based on the same approach as other themes within PUSH, seeking to secure capital investment for enabling purposes, gap funding and smaller scale, but strategically important projects.
29. TfSH has advised that its main priorities for capital works over the next two years are the implementation of a phased junction improvement scheme at Junction 5 of the M27 (Eastleigh/Southampton /Airport). This scheme will benefit traffic flows and capacity at an important junction, which would also assist with future planned access to the Eastleigh River Side site. The project has been designed and costed, and also approved by the Highways Agency, and is now ready to proceed. Phases 1 and 2 are proposed for delivery over the next two years, and would benefit from a single contract and delivery of both phases together. There is however a funding gap of nearly £1m, which is currently the subject of a bid to the Regional Transport Board. It is recommended that PUSH should express its support for this bid to enable Phase 1 & 2 of the project to proceed. Phase 3 of the project is not funded at this juncture. The Junction 5 project is also seen as the top reserve scheme should further funding become available in 2009/10, as it will be able to absorb additional investment easily, provided sufficient notice is provided.
30. The other recommended project is Tipner, a mixed use regeneration and redevelopment scheme, which also proposes a park and ride facility to serve central Portsmouth. As with Eastleigh River Side and Drivers Wharf in Southampton, the proposed redevelopment is contingent on new access arrangements, in this case a proposed new motorway junction on the M275. The Tipner scheme has secured in principle agreement to bring forward funding reserved for an “access to Portsmouth package” in the regional transport Board programme, but considerable work is needed to develop a major scheme business case, which must be approved to secure the funding. This project proposal is very similar to the CIF bid for the Bus Rapid Transit scheme that was supported by PUSH in the current year. This project came under the Housing and Planning theme in the Programme of Development Document, but it is suggested that it should be overseen by TfSH, as it involves significant traffic data collection and analysis, which should fit into the sub-regional traffic evidence base being developed by TfSH, and because of the wider transport impact that the development could have beyond the city boundary. Therefore the indicative capital

allocations have been adjusted to reflect this project being moved to Transport for South Hampshire. At this stage no capital allocation is recommended for the implementation phase, but it is recommended that this be considered when the 2010/11 Programme is reviewed, and there is greater clarity and certainty over the costs, funding and works programme for the scheme.

31. It is proposed that similar conditions be applied to the TfSH grant as in 2008/9.

32. Table 4e: Recommended Transport for South Hampshire Capital Grant

Project	Other Secured Funding (£000s)	Proposed Programme (£000s)	
		2009/10	2010/11
Tipner – New Motorway Junction	£1.2m from PCC.	600	-
M27 Junction 5 Phase 1	£736k from HCC.	1,914	-
M27 Junction 5 Phase 2	£358k from HCC. <i>Bid to Regional Transport Board for £977k not currently funded)</i>	-	1915
TOTAL		2,514	1,915

33. The recommended capital programme detailed above would therefore produce the following Capital Allocations for the Various themes, including the TfSH capital grant.

Table 5: Recommended PUSH Capital Programme Allocations

<u>Theme / Delivery Panel</u>	Planned C/fwd from 2008/09 £000	Base Budget Allocation 2009/10 £000	2009/10 Proposed Total Allocation £000	2010/11 Initial Allocation £000
Economic Development	169	1,387	1,556	90
Sustainability & Community Infrastructure	40	440	480	1,250
Housing & Planning	300	3,313	3,613	3,217
Quality Places	-	700	700	-
Transport for South Hampshire	-	2,514	2,514	1,915
Balance	784	-536	248	2,957
Total resources	1,293	7,818	9,111	9,429

CONCLUSION

34. The revenue budget and capital allocations are considered to represent a prudent, balanced and effective programme to support delivery of the PUSH core objectives, within the framework this limited resource stream. Proposals are based on the submitted Growth Point Programme and the indicative budgets approved in June 2008, but with some proposed changes, such as an increased revenue budget for economic development, to reflect the economic situation and to reinforce the core mission of PUSH. PUSH remains concerned to secure adequate capital investment in infrastructure to support future growth, and has recognised the importance of this area by the creation of the external funding and resources panel to advance work in the coming year.
35. The Committee is therefore recommended to:-
- a. NOTE the total anticipated funding available to PUSH in 2009/10 and 2010/11;
 - b. APPROVE the Revenue budgets for 2009/10 and 2010/11, as set out in the Report at Table 2;
 - c. APPROVE the proposed revenue grant for Transport for South Hampshire of £200,000 towards strategic access studies and development of the sub-regional evidence base, and a further £50,000 for initial feasibility work on strategic access and traffic impact from potential major development sites in Gosport;
 - d. APPROVE the recommended PUSH Capital Programme for 2009/10 and 2010/11 as set in the report in Tables 4a – 4e, and summarised in Table 5 subject to the following projects where further approval is reserved:
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 - ii. Spice Island allocation for 2010/11 (£1,000,000)With the provision of a single programme allocation for Eastleigh River Side, with guideline project sub-allocations, as detailed in paragraph 16.
 - e. NOTE the unallocated capital resources of £248,000 in 2009/10 and £2,956,000 in 2010/11 which are available for future allocation;
 - f. DELEGATES authority to the Managing Director, to apply appropriate conditions on the Revenue and Capital grants to Transport for South Hampshire, in consultation with the Treasurer, and based on the 2008/09 arrangements;
 - g. DELEGATES authority to the Managing Director, following consultation with the Treasurer, to apply appropriate conditions on the Revenue and Capital grants to Transport for South Hampshire, based on the 2008/09 arrangements; and
 - h. DELEGATES authority to the Managing Director, following consultation with the Treasurer, to approve variations between the Eastleigh River Side projects within the overall Programme Allocation, where the integrity of the original allocation is preserved.

Background Papers: - PUSH Capital Projects 2009 Summary Report
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