



Report to the Partnership for Urban South Hampshire Joint Committee

Date: **26 January 2010**

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

Subject: **Revenue and Capital Forward Budgets 2010/11 and 2011/12**

SUMMARY

This report sets out the proposed PUSH revenue and capital budgets for 2010/11 and proposed provisional revenue budgets for 2011/12, on the basis of the anticipated resources available to PUSH, and having regard to the priorities for the delivery of the PUSH Business Plan. The resources available include the projected under spends on the 2009/10 revenue and capital budget

RECOMMENDATIONS

The Joint Committee is recommended to:

- a. APPROVE the proposed revenue budget allocations for 2010/11, as set out in this report.
- b. APPROVE the provisional revenue budget allocations for 2011/12, as set out in this report.
- c. APPROVE the proposed capital programme for 2010/11, as set out in this report including the conditions proposed in respect of the Somerstown, M27 J5 and Tipner projects.
- d. APPROVE that release of funding for all capital projects over £100,000 in value be conditional on achievement of key project milestones.
- e. APPROVE that the priorities for any funding to be (re-)allocated during 2010/11 are M27 J5, Tipner and employment sites identified as a high priority for PUSH support following the review of employment sites currently underway as part of the refresh of the Economic Development Strategy.
- f. NOTE that the forecast under spends to be carried forward from the 2009/10 budgets into the funding available for 2010/11 are provisional, and may be subject to further change.

INTRODUCTION

1. The purpose of this report is to set out the proposed revenue budget and capital allocations for 2010-11 financial year, for the Joint Committee to approve.
2. The report also recommends provisional revenue budget allocations for 2011/12.

RESOURCES

- 3 Table 1, below, shows the estimated PUSH resources for 2010/11, together with the indicative position for 2011/12, based in part on the proposed programmes for 2010/11 and the consequent under spend to be carried forward.

Table 1: Total resources 2010-11	Budget 2010-11 (£000)	Indicative Budget 2011-12 (£000)
Revenue funds		
Core funding (local authorities)	315	315
New Growth Point (revenue)	578	0
SEEDA core contribution	165	0
Interest on balances	20	5
Other local authority funding	15	0
Cultural Coordinator Contributions	55	0
SEEDA Contribution to Quality Places Launch	5	0
Underspend from previous year	487	358
Planned carry forward from 2009/10 to 2010/11	466	0
	2,106	678
Capital funds		
New Growth Point (capital)	5,336	0
Planned underspend from previous year	370	0
Add. Carry forward from previous year	1,377	0
	7,083	0
Total resources	9,189	678

4. There is no Growth Point funding beyond 2010/11 and at this stage PUSH cannot rely on other partner contributions because commitments to date are (and can only be) for the current 2008/11 Government spending period, therefore those partners will not know their financial position beyond March 2011. At this stage, therefore, the only resources we have assumed will be available to PUSH in 2011-12 will be local authority core contributions (held at 2010/11 levels) and a revenue contingency reserve brought forward from 2010/11.
5. Given the expected substantial reduction in resources available, it is prudent (particularly given PUSH's existing liabilities in 2011/12) to plan a budget for the next 2 years including developing a revenue contingency reserve in 2010/11 to fund ongoing activity in 2011/12.

REVENUE BUDGET

6. In light of resources available and the programmes put forward by the Delivery Panels, table 2 below, shows the provisional revenue allocations to Delivery Panels for 2010/11, as approved by the Joint Committee in March 2009, together with the allocations now being proposed for 2010/11 and proposed provisional allocations for 2011/12. Recognising the constraints on both PUSH and local authority resources, these proposals are based on substantially reduced core costs and, in 2011/12, a significant reduction in the PUSH core team establishment.

Table 2: Revenue Allocations 2010-11

Theme / Delivery Panel	2009-10 Budget (£000)	2010-11 Indicative Base Budget (£000)	2010-11 Proposed Cash limit (£000)	2011-12 Provisional Allocation (£000)
Economic Development	376	300	475	250
Sustainability & Community Infrastructure	160	100	100	0
Housing & Planning	390	300	240	0
Quality Places	196	170	185	15
Transport for South Hampshire	250	250	250	0
External Funding & Resources	50	0	65	0
Central Costs	614	539	433	434
Contingency Reserve	9	0	358	-21
Total resources	2,045	1,659	2,106	678

7. The **Economic Development Delivery Panel** has proposed a detailed programme for spending its £300,000 provisional allocation for 2010/11, which includes the funding for the Economic Development Director post. The proposed £175,000 increase in the allocation to this panel for the reflects two proposed additional projects as follows:
- a. A contribution of £100,000 by PUSH to match ca £260k in funding from The tow cities and the Housing Challenge Fund for the Family Intervention Programme and the Family Intervention Programme Plus (FIP+) project that is proposed in the MAA refresh document. The project aims to support families with multiple needs to gain sustainable employment. Should this project not proceed the panel propose to invest this funding in alternative employment programmes, reflecting the acute need to support employment initiatives at this point in the economic cycle.
 - b. Funding in 2010/11 for a proposed new post of Employment and Skills Project Manager, to be recruited on a two year contract. This new post was proposed by the PUSH Programme Board at its last meeting, reflecting the need identified by the Programme Board for PUSH to have more capacity in the vital area of Employment and Skills and to give credibility to PUSH's asks

of Government in the MAA refresh. This is, in particular, to support the newly established Employment and Skills Board to lever in increased funding and devolved powers and to ensure better coordination of PUSH's increasingly diverse and growing involvement in employment and skills projects. Again this allocation reflects PUSH's commitment to invest employment and skills at this important time in the economic cycle. It should be noted that this proposal is made in the context of substantially reduced overall core costs and a significant reduction in the PUSH core team establishment in 2011-12.

8. It is not proposed that the allocation for the **Sustainability and Community Infrastructure Delivery Panel** should change. The £100,000 allocation is broadly in line with the forecast outturn for this panel in 2009-10.
9. The proposed £60,000 reduction in allocation for the **Housing and Planning Delivery Panel** reflects a shift in emphasis for PUSH as the South Hampshire economy emerges from recession to focus on employment and skills projects (outlined above). In effect this would be a transfer of £75,000 from Housing and Planning to Economic Development to fund the proposed Employment and Skills Project Manager offset by anticipated income of £15,000 from local planning authorities to fund further habitats regulations assessment work. The proposed allocation is broadly in line with the forecast outturn for this panel in 2009-10 and includes funding for the two SDA project/feasibility manager posts.
10. The slight increase in proposed allocation for the **Quality Places Delivery Panel** reflects the higher level of partner contributions to the work of this panel including to meet the costs of the Quality Places Delivery Manager which are included in this allocation.
11. No change is proposed to the allocation to **Transport for South Hampshire** which is also the same as the allocation provided in 2009/10.
12. The allocation proposed for **the External Funding and Resources Panel** in effect makes up a combined allocation for 2009-11 of £75,000: a £25,000 increase on the previous allocation which reflects the increased importance of the work of this panel given uncertainties on funding beyond March 2011.
13. Finally, the proposed **provisional allocations for 2011-12** (to be funded from local authority core contributions and carry forward of a contingency reserve in 2010-11) reflect the required level of funding for a reduced PUSH team, which focuses PUSH's efforts on economic development, employment and skills and strategic planning. In the absence of any other sources of funding the proposed provisional allocations will only likely staff and central costs (some staff already have employment contracts that extend into 2011-12 and therefore must be funded). Notwithstanding the slight funding shortfall (£21,000) currently projected, the Joint Committee is asked at this stage to approve these provisional allocations as a working assumption to assist planning for the future. More detailed proposals, which fit within projected funding availability, will be brought to the Joint Committee for approval in June with the final out-turn report for 2009/10, and will include proposals for extending certain employment contracts to the end of March 2011.

CAPITAL PROGRAMME

14. Table 3, below, shows the current **capital allocations to each Delivery Panel** in the current financial year, together with the provisional allocation for 2010-11 as

approved by the Joint Committee in March 2009 and the allocation now being proposed. The detailed breakdown of the projects for each panel is shown below and a brief description and assessment of all the projects that requested funding in 2010/11 (whether or not funding is recommended in this report) is provided at [Appendix 1](#).

Table 3: Capital Allocations 2010-11

	2009-10 Revised Allocation (£000)	2010-11 Provisional Allocation (£000)	2010-11 Base Budget Allocation (£000)
Economic Development	873	90	600
Sustainability and Community Infrastructure	280	1,250	60
Housing and Planning	4,417	3,217	3,116
Quality Places	700	0	0
Transport for South Hampshire	2,514	1,915	3,307
Balance	795	2,957	0
Total	9,579	9,429	7,083

Economic Development Projects

Table 4a: Economic Development Theme Capital Allocations 2010-11

Project	Provisional Allocation (£000s)	Proposed Allocation (£000s)
Eastleigh River Side	90	600
TOTAL	90	600

15. The provisional allocation for Eastleigh River Side was solely to fund the Project Director post. Since this allocation was made there has been a significant shift in strategy for the development of the River Side site which has resulted in substantial underspends in 2009/10. The proposed overall allocation of £600,000 therefore reflects this change of strategy, the continued high priority attached to this site and, in effect, carries forward some of the unspent funding from 2009/10.

Sustainability & Community Infrastructure Projects

Table 4b: Recommended Sustainability & Community Infrastructure Capital Allocations 2010-11

Project	Provisional Allocation (£000s)	Proposed Allocation (£000s)
Forest Park Test Valley	50	50
Renewable Energy Evaluation Pilot	0	10
Southampton Local Energy Network	200	0
Spice Island Drainage	1,000	0
TOTAL	1,250	60

16. The £50,000 proposed allocation to the Forest Park Test Valley project is for a new project previously approved by the Joint Committee. In the light of the Green Infrastructure strategy considered by the Joint Committee at its meeting in November 2009, this project is, if anything, now a higher priority than when the original allocation was made.
17. As noted in the separate report in budget monitoring the £10,000 allocation to the Renewable Energy Evaluation Pilot project is a carry forward from 2009/10 to meet a contractual commitment for this 12 month pilot project.
18. £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 and we recommend that this allocation be removed from the programme.
19. With the substantial cut in Growth Fund capital funding for 2010/11, some difficult decisions have had to be made and, for the reasons set out in Appendix 1, we do not now recommend funding for implementation of the Spice Island project at this stage.

Housing and Planning Projects

Table 4c: Housing and Planning Capital Allocations 2010/11

Project	Provisional Allocation (£000s)	Proposed Allocation (£000s)
Gosport Waterfront and Town Centre Master-planning	37	37
Somerstown Portsmouth	1,280	1,839
Southampton Estate Regeneration	1,900	1,240
TOTAL	3,217	3,116

20. The £37,000 allocation to the Gosport Waterfront and Town Centre Master-planning project is the second half of the funding for this project which started in 2009-10. The project is on track and this allocation is required to meet the contractual commitment entered into by Gosport Borough Council for delivery of this project.
21. The increased provisional allocation for the Somerstown project reflects the re-profiling of spend on this project (in effect delaying funding from 2009/10 to 2010/11). As set out in the separate budget monitoring report on this agenda, this is in part due to slippage and in part due to a “swap” with another funding source which must be spent by March 2010. As also set out in that report, we have some concerns about the slippage in this project and therefore have we recommend that should the key milestone of purchase of the Wellington Street car park not be achieved by March 2010 then the 2010/11 allocation proposed for this project should be reviewed.
22. The reduced allocation for the Southampton Estate Renewal project reflects the acceleration of funding for this project agreed by the Joint Committee at its November meeting when an additional £660k of funding was approved in 2009/10 with a corresponding reduction of funding for 2010/11.

Quality Places Projects

23. There are no Quality Places capital projects recommended for funding in 2010/11.

Transport For South Hampshire Capital Grant

Table 4d: Transport for South Hampshire Capital Grant 2010/11

Project	Provisional Allocation (£000s)	Proposed Allocation (£000s)
M27 Junction 5 Phase 2	1,915	1,915
M27 Junction 5 Phase 3		400
Tipner – New Motorway Junction	0	992 (i.e. the balance of available funding available after all the other recommended allocations)
TOTAL	2,514	3,307

24. The M27 J5 project is proceeding to plan and phase 1 (funded in large part by PUSH funding in 2009-10) is expected to be complete in the next few months. The funding for phase 2 is made up of developer contributions, the PUSH provisional allocation of £1,915m and £1m funding from the Regional Transport Board (RTB). It is recommended that the £1,915m allocation for phase 2 be approved conditional on confirmation of the £1m RTB funding.

25. Phase 3 of this project will cost £2.9m. £2.5m has been requested from the RTB and the remaining £400,000 is requested from PUSH. This project, together with the Tipner project, has previously been identified by the Joint Committee as a high priority for PUSH funding. It is therefore recommended that an allocation of £400,000 be approved conditional on confirmation of the £2.5m RTB funding.

26. As noted above, the Tipner project has previously been identified by the Joint Committee as a high priority for PUSH funding. A request for a further £3.9m of PUSH funding has been received which, with the cut in Government funding, is not affordable without significantly unbalancing the overall 2010/11 PUSH capital programme. A separate report on this agenda has already recommended an increase of £500,000 in the allocation to this project in 2009/10 and it is recommended that the remaining funding projected to be available in 2010/11 (£983,000) be allocated to this project conditional on confirmation by Portsmouth City Council (the project sponsor) that it expects to be able to meet the funding shortfall from other sources of funding. This allocation should be revisited and a final allocation confirmed in June when the final outturn for the 2009/10 is known.

Grant conditions

27. A number of the projects recommended for funding above are substantial projects which, inevitably, carry with them significant risks. It is therefore recommended, to ensure PUSH funding remains allocated to high priority, deliverable projects, that, in addition to the conditions already recommended above for Somerstown, M27 J5 and Tipner that release of funding for all capital projects over £100,000 in value should be conditional on achievement of key project milestones and that the funding and milestones profile/timetable attached to such conditions should be set out in the project grant award letters.

Projects not recommended for funding at this stage

28. As noted above, appendix 1 provides a brief description and assessment of all the projects that requested funding in 2010/11 (whether or not funding is recommended in this report). Clearly with the £4.1m cut in Government capital funding to PUSH in 2010/11 some difficult decisions have been necessary in reaching these recommendations. Equally there are some uncertainties at this stage in the 2010/11 programme recommended above, in particular:

- a. The final out-turn for 2009-10 remains a forecast at this stage.
- b. The recommended 2009-10 and 2010-11 funding for the Somerstown project are recommended to be conditional on achievement of a key milestone in 2009-10.
- c. The recommended allocations for phases 2 and 3 of the M27 J5 project are recommended to be conditional on confirmation of RTB funding.
- d. The recommended allocation to Tipner is recommended to be conditional on confirmation from Portsmouth City Council that it expects to be able to meet the shortfall in funding from other sources.
- e. Release of funding for all projects above £100,000 in value is recommended to be conditional on achievement of key milestones, to be set out in grant award letters.

29. Clearly each of these could lead some funding becoming available for reallocation to other projects and, it is possible that additional capital funding may be secured. It is therefore recommended that, in addition to the previously identified priorities of M27 J5 and Tipner, the Joint Committee agrees that a high priority for any funding to be (re-)allocated will be to support the development of high priority employment sites to be identified through the employment sites review work currently being undertaken as part of the refresh of the Economic Development Strategy (this may include projects not currently recommended for funding such as Dunsbury Hill Farm, Daedalus or Broadmarsh).

CONCLUSION

31. The Joint Committee is recommended to:

- a. APPROVE the proposed revenue budget allocations for 2010/11, as set out in this report.
- b. APPROVE the provisional revenue budget allocations for 2011/12, as set out in this report.
- c. APPROVE the proposed capital programme for 2010/11, as set out in this report including the conditions proposed in respect of the Somerstown, M27 J5 and Tipner projects.
- d. APPROVE that release of funding for all capital projects over £100,000 in value will be conditional on achievement of key project milestones.
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for PUSH support following the review of employment sites currently underway as part of the refresh of the Economic Development Strategy.

- f. NOTE that the forecast under spends to be carried forward from the 2009/10 budgets into the funding available for 2010/11 are provisional, and may be subject to further change.

Background Papers: -

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