



# **Report to the Partnership for Urban South Hampshire Joint Committee**

Date: **23 June 2010**

Report of: **Sarah Pook, Treasurer and Anne-Marie Mountifield, Executive Director**

Subject: **Revised Capital and Revenue Budgets 2010/11**

## **SUMMARY**

In January 2010, the Joint Committee approved capital and revenue budgets for PUSH to deliver the programme for 2010/11. Following the formal approval of the Statement of Accounts 2009/10 earlier in this meeting, it is necessary to adjust the budgets to take account of the final outturn for 2009/10, and the consequent amendments to the under spend to be carried forward into the current year.

In addition, there is currently a degree of uncertainty surrounding some of the funding expected to be available to PUSH, and, until these are confirmed, PUSH cannot commit to funding any programme dependent on that funding. Therefore this Committee is requested to only approve spending where funding is regarded as committed, until the position is further clarified.

## **RECOMMENDATION**

This Committee is recommended to:

1. APPROVE the revised capital and revenue budgets for 2010/11 as set out in the report, pending further clarification on the level of resources available to PUSH in 2010/11
2. APPROVE that under spends in the 2009/10 capital programme are carried forward to be spent on the following projects:
  - Portsmouth Creative Industries - £232,000;
  - Portsmouth Surface Water Separation/East West Sewer - £29,000;
  - Renewable Energy Evaluation Pilot - £10,000 (in addition to £10,000 previously approved); and
  - M27, Junction 5 Phase 1 - £167,000.
3. APPROVE the revised capital programme of carry forward activity only, at this stage, as set out in the report, funded from the under spend brought forward from 2009/10;

4. APPROVE that under spends in the 2009/10 revenue programme are carried forward to be spent by the following Delivery Panels:-
  - Sustainability and Community Infrastructure - £30,000;
  - Housing and Planning - £49,000;
  - Quality Places - £11,000; and
  - Central Costs - £22,000.
5. APPROVE the revenue programme as set in the report, which excludes any funding regarded as being at risk; and
6. NOTE that a further update on the budget will be prepared for the Joint Committee meeting on 7 July 2010, and will include a recommended approach to the allocation of the remaining funds from the capital programme.

## **INTRODUCTION**

1. This report revises the capital and revenue budgets that were approved by the Joint Committee in January 2010.
2. Following the formal approval of the Statement of Accounts 2009/10, it is now appropriate to revise the budgets, which were approved on the basis of estimated outturn and consequent carry forward to the new year, and subject to the final outturn figures for 2009/10 requiring adjustment to the amounts to be carried forward into 2010/11.
3. Following the election of a new government in May, and the consequent review of all central funding commitments, PUSH has re-assessed the budgets approved by the Joint Committee in January 2010 to ensure that the programme is only funded by resources not considered to be at risk. It is hoped that the Budget, due to be presented on June 22 2010 will clarify the position on those resources not yet confirmed.

## **RESOURCES**

4. Table 1, below, shows the estimated PUSH resources available for 2010/11 and 2011/12. This is as presented to the Joint Committee in January 2010, updated for the revised carry forward from 2009/10 and the final figure for interest earned on balances. The column headed 'Committed' Budget excludes any anticipated resources that are still subject to confirmation and are regarded as being at risk.
5. The revenue funding considered to be at risk is the annual contribution to PUSH from SEEDA. Appendix A is a letter received from SEEDA Chief Executive setting out their current funding position, and the cuts that SEEDA will be required to make. In view of that letter, the Joint Committee is requested to agree a revenue budget that excludes the SEEDA funding until the position becomes clear.
6. Appendix B is a letter received from the Chief Executive of the Housing and Communities Agency, advising that Capital Fund allocations cannot be confirmed until after the Budget on June 22, and that any commitments entered into before confirmation will be at local authorities own risk. The Joint Committee is therefore recommended to only approve the funding of schemes out of the under spend brought forward from 2009/10 until the position is clarified.
7. The totals for capital and revenue resources are the control totals for the revised budgets detailed below.

| <b>Table 1: Total resources available</b>        | 2010/11<br>Anticipated<br>Budget | 2010/11<br>Committed<br>Budget for<br>2010/11 (less<br>'at risk'<br>resources) | 2011/12<br>Indicative<br>Budget |
|--|----------------------------------|--|---------------------------------|
|  | £000                             | £000   | £000                            |
| <b>Revenue funds</b>                             |                                  |  |                                 |
| Core funding (local authorities)                 | 315                              | 315  | 315                             |
| New Growth Point (revenue)                       | 578                              | 578  | 0                               |
| SEEDA core contribution                          | 165                              | 0  | 0                               |
| Interest on balances                             | 20                               | 20   | 5                               |
| Other local authority funding                    | 15                               | 15   | 0                               |
| Cultural Coordinator Contributions               | 55                               | 55   | 0                               |
| SEEDA Contribution to Quality Places<br>Launch   | 5                                | 5  | 0                               |
| Underspend from previous year                    | 636                              | 636  | 335                             |
| Planned carry forward from 2009/10 to<br>2010/11 | 466                              | 466  | 0                               |
|  | <b>2,255</b>                     | <b>2,090</b>   | <b>655</b>                      |
| <b>Capital funds</b>                             |                                  |  |                                 |
| New Growth Point (capital)                       | 5,336                            | 0  | 0                               |
| Planned underspend from previous year            | 370                              | 370  | 0                               |
| Add. Carry forward from 09/10                    | 1,964                            | 1,964  | 0                               |
|  | <b>7,670</b>                     | <b>2,334</b>   | <b>0</b>                        |
|  |                                  |  |                                 |
| <b>Total resources</b>                           | <b>9,925</b>                     | <b>4,424</b>   | <b>655</b>                      |

#### REVENUE BUDGET

8. Table 2, below, sets out the revenue budget for 2010/11 as approved by the Joint Committee in January 2010, together with the additional under spend carried forward from 2009/10. The table also sets out a proposed budget, excluding resources regarded as being at risk. The Joint Committee is asked to approve this budget until those resources are confirmed.

| <b>Table 2: Revenue Allocations</b>         | 2010/11 Cash Limit approved at January JC | Carry Forward of 2009/10 Under spend | Committed Budget for 2010/11 (less 'at risk' resources) | 2011/12 Indicative Allocation |
|---|---|--------------------------------------|---|-------------------------------|
|   | £000                                      | £000                                 | £000  | £000                          |
| Economic Development                        | 475                                       | 0                                    | 360   | 200                           |
| Sustainability and Community Infrastructure | 100                                       | 30                                   | 130   | 0                             |
| Housing and Planning                        | 240                                       | 49                                   | 289   | 0                             |
| Quality Places                              | 185                                       | 11                                   | 196   | 15                            |
| Transport for South Hampshire               | 250                                       | 0                                    | 250   | 0                             |
| External Funding and Resources              | 65  | 10                                   | 75  | 40                            |
| Central Costs and Operational Contingency   | 433                                       | 22                                   | 455   | 400                           |
| Balance                                     | 358                                       | 139                                  | 335   | 0                             |
| <b>Total</b>                                | <b>2,106</b>                              | <b>261</b>                           | <b>2,090</b>  | <b>655</b>                    |

9. As explained above, it is considered that £165,000 funding from SEEDA is currently at risk, so the shaded column sets out the recommended delivery panel allocations without that funding. The main impact has been on the Economic Development Panel budget, whilst the uncommitted balance has also been reduced. If the SEEDA funding is subsequently confirmed, those budgets can be reassessed.
10. In relation to the 2011/12 indicative budget the only resources we have assumed that 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. 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.

## **CAPITAL BUDGET**

11. Table 3, below, sets out the capital budget for 2010/11 as approved by the Joint Committee in March 2010, together with the additional under spend carried forward from 2009/10. The table also sets out a proposed budget, excluding resources regarded as being at risk. The Joint Committee is asked to approve this budget until those resources are confirmed.
12. As set out above, and in Appendix B, all of the capital growth point funding for 2010/11 has yet to be confirmed, and it is not considered prudent to incur spending commitments against those funds at this stage. The only funding confirmed at this stage is the under spend brought forward from 2009/10. After allowing for the committed carry forward, there is a total of £1,886,000 that the

Joint Committee can allocate to schemes, and the tables below set out the committed carry forward only. It should be noted that some of the projects approved by Joint Committee in January 2010, have other funding dependencies and work is underway to establish the wider impact of the public expenditure review on such schemes. Therefore a recommended approach to the allocation of the remaining balance of £1,886,000 will be brought to Joint Committee in July.

| <b>Table 3: Capital Allocations</b>         | 2010/11 Cash Limit approved at January JC | Carry Forward of 2009/10 Under spend | Committed Budget for 2010/11 (less 'at risk' resources) |
|---|---|--------------------------------------|---|
|   | £000                                      | £000                                 | £000  |
| Economic Development                        | 600                                       | 0                                    |   |
| Sustainability and Community Infrastructure | 60  | 49                                   | 49  |
| Housing and Planning                        | 3,116                                     | 0                                    | 0   |
| Quality Places                              | 0   | 232                                  | 232   |
| Transport for South Hampshire               | 3,307                                     | 167                                  | 167   |
| Balance                                     | 0   | 139                                  | 1,886   |
| <b>Total</b>                                | <b>7,083</b>                              | <b>587</b>                           | <b>2,334</b>  |

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

| Project                                 | JC Approved Allocation (£000s) | Committed Budget for 2010/11 (less 'at risk' resources) (£000s) |
|---|--------------------------------|---|
| Renewable Energy Evaluation Pilot       | 10                             | 20  |
| Portsmouth E/W Sewers/ Water Separation | 0                              | 29  |
| <b>TOTAL</b>                            | <b>10</b>                      | <b>49</b>   |

- At this stage the Committee is recommended to approve the carry forward of the committed sums for the Renewable Energy Evaluation Pilot and for the Portsmouth East/West sewers/Water Separation project. £10,000 of the £20,000 carry forward for the Energy Pilot was approved by the Joint Committee in January 2010.

**Table 4b: Quality Places Capital Allocations 2010/11**

| Project                        | JC Approved Allocation (£000s) | Committed Budget for 2010/11 (less 'at risk' resources) (£000s) |
|--------------------------------|--------------------------------|---|
| Portsmouth Creative Industries | 0                              | 232   |
| <b>TOTAL</b>                   | <b>0</b>                       | <b>232</b>  |

14. There are no new Quality Places capital projects recommended for funding in 2010-11. There is a carry forward from 2009/10 into the new year in respect of Portsmouth Creative Industries. Therefore the Committee is recommended to approve the carry forward of the committed sum for the Portsmouth Creative Industries

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

| Project                | JC Approved Allocation (£000s) | Committed Budget for 2010/11 (less 'at risk' resources) (£000s) |
|------------------------|--------------------------------|---|
| M27 Junction 5 Phase 1 | 0                              | 167   |
| <b>TOTAL</b>           | <b>3,307</b>                   | <b>167</b>  |

15. There is a carry forward of £167,000 in respect of M27 Junction 5 Phase 1. Therefore the Committee is recommended to approve the carry forward of the committed sum for the M27 Junction 5 , phase 1. It is recommended that the funding of £3,307m previously agreed for further phases of the Junction, and also for Tipner are considered further at the Joint Committee meeting in July.

## **CONCLUSION**

16. This Committee is recommended to:
1. APPROVE the revised capital and revenue budgets for 2010/11 as set out in the report, pending further clarification on the level of resources available to PUSH in 2010/11
  2. APPROVE that under spends in the 2009/10 capital programme are carried forward to be spent on the following projects:
    - Portsmouth Creative Industries - £232,000;
    - Portsmouth Surface Water Separation/East West Sewer - £29,000;
    - Renewable Energy Evaluation Pilot - £10,000 (in addition to £10,000 previously approved); and
    - M27, Junction 5 Phase 1 - £167,000.

3. APPROVE the revised capital programme of carry forward activity only at this stage, as set out in the report, funded from the under spending brought forward from 2009/10.
4. APPROVE that under spends in the 2009/10 revenue programme are carried forward to be spent by the following Delivery Panels:
  - Sustainability and Community Infrastructure - £30,000;
  - Housing and Planning - £49,000;
  - Quality Places - £11,000; and
  - Central Costs - £22,000.
5. APPROVE the revenue programme as set in the report, which excludes any funding regarded as being at risk; and
6. NOTE that a further update on the budget will be prepared for the Joint Committee meeting on 7 July 2010, and will include a recommended approach to the allocation of the remaining funds from the capital programme.

**Background Papers:**

Joint Committee 26 January 2010 - Item 13 Revenue and Capital Forward Budgets 2010/11 and 2011/12.

Joint Committee 23 March 2010 - Item 13 Revenue and Capital Budget Monitoring 2009/10

**Enquiries:**

For further information on this report please contact:

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Ms Pam Alexander *Chief Executive*

25 May 2010

Dear Colleague

**Budget Cutbacks 2010/11**

The Chancellor yesterday announced reductions across the public sector from 2010/11 budgets, including £270 million programme spend from the 8 RDAs outside London.

The coming months will be a time of considerable change for all of us. SEEDA is ready to help make change happen. As a business-led organisation, we are only too aware of the financial pressures faced by the country. We will work with local authorities and businesses to deliver the budget reductions and help to deliver wider change, including the creation of Local Enterprise Partnerships where these are sought.

The reduction across RDAs is over 20%. Whilst the allocation of these cuts has yet to be finally determined, on the basis of previous allocations our share would be about £24m (22%) out of our £107m programme budget for 2010/11. We will also have to make administration savings of at least 10% this year.

Given the scale of the savings sought, we cannot rule out, at this stage, looking to renegotiate, delay or scale back on some projects to which we are already committed. We will consult relevant partners on how we manage these reductions to minimise the damage to programmes and projects. Your Area Director or relevant contract director will contact you once we have a firm picture of our budget and the options for its reduction.

In meantime, we will continue to provide grants, loans and advice to hard-pressed businesses and support the high growth companies that will drive the recovery of the South East economy, only one of three regions that are net contributors to The Exchequer. Our aim is to support the growth that will result in further increased revenue generation and contribute strongly to deficit reduction, the highest priorities for the UK economy.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Pam Alexander'.



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**Letter from Homes and Communities Agency**

25 May 2010

Dear Chief Executive,

**Growth Fund**

Today the Chancellor of the Exchequer George Osborne and Chief Secretary to the Treasury, David Laws announced the details of £6.2bn of savings from Government spending in 2010-11 to tackle the unprecedented deficit.

The Growth Fund was not included in the savings announced today. However the budget review process has still to be concluded and as a result ministers are unable to confirm 2010-11 capital funding allocations at this stage and will not be able to do so until after the Budget on 22 June. Any spend or commitments in anticipation of previously announced funding allocations is at local authorities' own risk until grant determinations are issued.

Revenue determinations made prior to 6 April are unaffected.

Julie Bishop or Timothy Coburn will be in touch with you during the next week to discuss. In the meantime, if you have any queries please contact your Regional Office.

Yours sincerely

Sir Bob Kerslake  
Chief Executive