



# **Report to the Partnership for Urban South Hampshire Overview and Scrutiny Committee**

Date: 15 September 2015

Report of: **Andrew Lowe, Chief Financial Officer and Gloria Ighodaro, PUSH Executive Director**

Subject: **Capital and Revenue Budget Monitoring 2014/15 and Capital and Revenue Budgets 2015/16**

## **SUMMARY**

This report summarises the outturn against the budget for the financial year 2014/15. This report also updates the proposed capital and revenue budgets for 2015/16, on the basis of the anticipated level of resources available and the priorities for PUSH.

## **RECOMMENDATIONS**

The Overview and Scrutiny Committee is recommended to:-

1. NOTE the outturn for the financial year 2014/15;
2. NOTE the approval of the Statement of Accounts for the 2014/15 financial year and the Annual Governance Statement (Appendix 1);
3. NOTE Section 1 (Summary Accounting Statements) and Section 2 (Summary Annual Governance Statement) of the Annual Return to the Audit Commission (Appendix 2);
4. NOTE that Section 3 of the Annual Return will be completed by the external auditor no later than 30 September 2015;
5. NOTE that Section 4 of the Annual Return has been completed and matters raised actioned appropriately, and that the Annual Return was reviewed again by the internal auditor.;
6. NOTE that, with effect from 2015/16, joint committees will no longer have a statutory obligation to prepare accounts audited by a firm appointed by the Audit Commission. Any expenditure overseen by joint committees will only be subject to statutory audit as part of the main accounts of their constituent bodies;

7. NOTE the revised capital and revenue budgets for 2015/16 as set out in the report, including the proposed level of contributions from partner authorities; and
8. NOTE the award of £590,000 in 2015/16 from the Solent LEP Local Growth Fund to support two Solent Recreation Mitigation Projects (SRMP) and to NOTE Southampton City Council (SCC) as the Accountable Body for managing these funds, on behalf of PUSH, at a cost of £4,000 to be met from the 2015/16 PUSH revenue budget.

## INTRODUCTION

1. This report sets out the final outturn expenditure position against the capital and revenue budgets for 2014/15, and the proposed revenue budgets and capital allocations for the financial year 2015/16.

## RESOURCES

2. Table 1 below shows the estimated PUSH resources available for 2014/15, the actual income received in 2014/15 and the expected resources available for 2015/16.
3. The expected resources for the financial year 2015/16 are the expected partner contributions, the revenue and capital under spends carried forward from 2014/15, and the expected interest on balances held by SCC on behalf of PUSH.
4. The totals for capital and revenue resources are the control totals for the budgets detailed below.

<b>Table 1: Total Resources Available</b>	<b>2014/15 Budget Approved Sept 14 £000s</b>	<b>2014/15 Actual received to end Mar 15 £000s</b>	<b>2015/16 Proposed Budget Jun 15 £000s</b>
<u>Revenue Funds</u>			
Core funding (local authorities)	196	196	196
Interest on balances	5	6	5
Income from LEP for PUSH Programme Support	29	41	40
Underspend c/f from previous year	711	711	556
Additional resources c/f from previous year	10	10	13
<b>Sub-Total</b>	<b>951</b>	<b>964</b>	<b>810</b>
<u>Capital Funds</u>			
Underspend c/f from previous year	546	546	214
Local Growth Fund to support SRM Projects (x2)	0	0	590
<b>Sub-Total</b>	<b>546</b>	<b>546</b>	<b>804</b>
<b>Total Resources</b>	<b>1,497</b>	<b>1,510</b>	<b>1,614</b>

5. The actual interest on balances was higher than budgeted in 2014/15 because balances have been higher during the year as a consequence of capital spend through the year being less than expected. Income from the Solent LEP for PUSH Programme Support was also higher than anticipated, due to the inclusion of an overhead allocation in the actual charges.
6. It is proposed that Partner Contributions for 2015/16 remain the same as 2014/15 resulting in a total contribution of £196,000. Additional capital funding has been secured through the Solent LEP Local Growth Fund to support two Solent Recreation Mitigation projects.

## FINAL OUTTURN 2014/15 - REVENUE

7. Table 2 below sets out the revenue budget for 2014/15 as approved by the Joint Committee in September 2014 and the actual outturn.

<b>Table 2 Revenue Allocations</b>	<b>2014/15 Budget Approved Sept 14</b>	<b>2014/15 Spend to end Mar 15</b>	<b>2013/14 Under/ (Over) Spend</b>
	£000s	£000s	£000s
Planning & Infrastructure	240	130	110
Energy & Green Economy	68	16	52
Culture, Creative Industries and the Built Environment	33	10	23
European Collaboration Group	7	7	0
Core Projects & Central Costs	395	232	163
Contingency Reserve	50	0	50
Unallocated Balances	158	0	158
<b>Total</b>	<b>951</b>	<b>395</b>	<b>556</b>

8. The **Planning & Infrastructure Delivery Panel** remains on track with much of its planned activities including the Spatial Strategy Review, the Solent Recreation Mitigation Project (SRMP) and the Strategic Flood Risk Assessment (SFRA). Work on the SFRA has now concluded and will be used as a key evidence base to inform the spatial strategy review. The SFRA work takes a strategic approach to flood risk mapping, identifying hot spots across South Hampshire and the Isle of Wight. The current SFRA website acts as both a reference and sign posting platform for local authorities, Environment Agency and other key partners. The website will be updated with new flood risk mapping and climate change information as well as outlining other examples of best practice, recent studies and strategies on flood risk and recent flood defence improvements. A link will be created from the PUSH Website to the SFRA website.
9. The Joint Committee considered and approved the Solent Energy Strategy produced by the **Energy and the Green Economy Delivery Panel**. The Panel is currently working with key partners to explore how the ambitions set out in the Strategy will be taken forward. The next stage is to develop an Implementation Plan that will set out the key delivery activities, the necessary governance arrangements and potential funding opportunities.
10. The **Culture, Creative Industries and the Built Environment Delivery Panel** continue to progress its business priorities. Creative Network South (CNS) is working to develop the creative economy in the Solent area. Key projects include the establishment of a Digital Network, Studio Provider Network and Apprenticeship and Internship Programme. A recent event ran by CNS revealed that 30% of all businesses seeking advice via the Solent Growth Hub are creative. CNS is currently in discussion with Hampshire Chamber of Commerce, who is likely to host the network in the future. The network will however continue to report to PUSH through the culture creative industries and built environment theme panel. PUSH creative apprenticeship scheme run by Artsworld is now training its third cohort and recruitment is taking place for a fourth cohort, which will start in September. The Portsmouth Harbour Heritage Led Regeneration project aims to bring at risk heritage assets into sustainable

use in ways that support economic growth and regeneration. The scheme is entering the second of its third year during which year one focussed on identifying schemes to deliver. Assets under consideration include the Diving Museum, The Submarine Escape Tower, Haslar Gunboat Yard, The Beneficial School, The Block Mills and Dry Docks, and Treadgolds. A key priority in year two will be securing funding from National Lottery and other sources to ensure the scheme enters into implementation phase by year three.

11. The **Solent EU Collaboration Group** delivery panel continues to facilitate and work jointly on activities pertaining to securing European funding opportunities on a Solent wide basis. At its last meeting, the Joint Committee agreed to fund a further year of PUSH'S level 3 SELP membership which will enable the Solent EU Collaboration Group to continue working collaboratively in bidding for EU funding.
12. The **Core projects & Central Costs** budget reflects commitments relating to staffing costs and other ongoing revenue activities led by the PUSH central team which include activities being delivered in partnership with the Solent LEP related to Employment and Skills and inward Investment. At its meeting in June 2011, PUSH endorsed a Solent LEP Contribution of £125,000, split into two payments; £75,000 in 2013/14 & £50,000 in 2014/15. A further payment to the Solent LEP of £25,000 was considered in the PUSH Executive Director's report to the last meeting and has been included in the budget for 2015/16.
13. A much reduced **Contingency Reserve** of £50,000 for 2014/15 was set primarily to fund potential termination costs should such circumstances arise.
14. There were **Unallocated Balances** of £158,000. As PUSH funding in future years will be much more limited than in the past, it was proposed that the Unallocated Balances be used to support activities in 2015/16.

#### FINAL OUTTURN 2014/15 - CAPITAL

15. Table 3 below sets out the capital budget for 2014/15 as approved by the Joint Committee in September 2014 and the actual outturn.

<b>Table 3 Capital Allocations</b>	<b>2014/15 Budget Approved Sep 14</b>	<b>2014/15 Spend to end Mar 15</b>	<b>2014/15 Under/ (Over) Spend</b>
	£000s	£000s	£000s
Alver Valley Project	50	0	50
Hayling Island Access Trails	28	28	0
Portsmouth Creative Industries	250	175	75
Portsmouth ARTches	40	0	40
Cell Block Enterprise	49	0	49
Gosport Town Centre	15	15	0
Southampton Station Quarter	86	86	0
Eastleigh Creative Hub	28	28	0
<b>Total</b>	<b>546</b>	<b>332</b>	<b>214</b>

16. The detailed allocations to projects within each Delivery Panel are set out in the tables below:

## PLANNING & INFRASTRUCTURE

<b>Table 3a Capital Allocations: Planning &amp; Infrastructure</b>	<b>2014/15 Budget Approved Sep 14</b>	<b>2014/15 Spend to end Mar 15</b>	<b>2014/15 Under/ (Over) Spend</b>
	£000s	£000s	£000s
Alver Valley Project	50	0	50
<b>Total</b>	<b>50</b>	<b>0</b>	<b>50</b>

17. **The Alver Valley Country Park Scheme** was endorsed by the PUSH Joint Committee in September 2014 to receive a PUSH allocation of £50,000 to deliver the scheme. The scheme is well underway and is expected to conclude by June 2015.

## ENERGY & GREEN ECONOMY

<b>Table 3b Capital Allocations: Energy &amp; Green Economy</b>	<b>2014/15 Budget Approved Sep 14</b>	<b>2014/15 Spend to end Mar 15</b>	<b>2014/15 Under/ (Over) Spend</b>
	£000s	£000s	£000s
Hayling Island Access Trails	28	28	0
<b>Total</b>	<b>28</b>	<b>28</b>	<b>0</b>

18. **The Hayling Island Access Trail** completed in September 2014. Outputs delivered include improved access to green infrastructure cycle trail and public access from Alice Holt Forest to Portsmouth Dockyard. One Job was created in the local area for three months during the construction phase.

## CULTURE, CREATIVE INDUSTRIES & THE BUILT ENVIRONMENT

<b>Table 3c Capital Allocations:  Culture, Creative Industries &amp; the Built Environment</b>	<b>2014/15 Budget Approved Sep 14</b>	<b>2014/15 Spend to end Mar 15</b>	<b>2014/15 Under/ (Over) Spend</b>
	£000s	£000s	£000s
Portsmouth Creative Industries	250	175	75
Portsmouth ARTches	40	0	40
Cell Block Enterprise	49	0	49
Gosport Town Centre	15	15	0
Southampton Station Quarter	86	86	0
<b>Total</b>	<b>440</b>	<b>276</b>	<b>164</b>

19. The **Portsmouth Creative Industries Scheme**, led by the University of Portsmouth and New Theatre Royal, has experienced further construction delays resulting in the contractor's revised programme reporting a completion date of February 2015. The University's senior management is in direct communication with the contractor's directors, to gain assurances that sufficient management and resource will be made available to meet its commitment.
20. The **Portsmouth ARTches Project** is underway and expected to complete by end June 2015 after which the total PUSH allocation of £40,000 will be claimed. PUSH funding will be used to fund the design and development of the facility. The vision for the ARTches is the creation of thirteen working studios to support new and emerging local businesses and create apprenticeship opportunities. The scheme, once completed will also establish a key city attraction in Old Portsmouth.
21. The **Cell Block Enterprise Scheme** commenced on 4 August 2014 and is progressing as planned. The first tenant is due to move into the Cell Block Studios during August / September 2015. The scheme is jointly funded by PUSH and the Regional Growth Fund, Round 2, and is being delivered by the University of Portsmouth.
22. The **Gosport Town Centre Public Realm Improvement Scheme** completed in September 2014. Outputs delivered include new streetscape and street furnishings. Outcomes achieved include work experience placements for one undergraduate and two post graduates, all contracts were placed with local firms (Gosport and Fareham based) creating and safeguarding employment opportunities for local people over the duration of the project. A total of 12 full time construction related jobs were created ranging from bricklayers, labourer and site supervisors to Contract Manager, Project Manager and health and safety Adviser.
23. **Southampton Station Quarter - Public Realm Scheme** completed in December 2014. The PUSH funding of £86,000 has helped to fund phase 1 out of the 5 that Southampton have planned; and has resulted in improved public realm around Southampton Station. This includes widened footways and high quality surface treatments, enhancements to highway boundary as well as entry improvements, improved lighting to support the high quality public realm and improved signage. PUSH's funding has helped to deliver outcomes that will increase opportunities for retail floor space growth, increase opportunities in the Station Quarter, improve pedestrian footways from the east to the city centre and provides overall arrival experience to Southampton.

## PUSH CORE ACTIVITIES

Table 3d Capital Allocations: PUSH Core Activities	2014/15 Budget Approved Sep 14	2014/15 Spend to end Mar 15	2014/15 Under/ (Over) Spend
	£000s	£000s	£000s
Eastleigh Creative Hub	28	28	0
<b>Total</b>	<b>28</b>	<b>28</b>	<b>0</b>

24. The **Eastleigh Creative Hub** completed and formally launched on 14 October 2014. The Chairman of PUSH was invited as Keynote Speaker at the event.

## **2014/15 STATEMENT OF ACCOUNTS**

25. The Statement of Accounts for the 2014/15 financial year and the Annual Governance Statement are presented for approval in Appendix 1. In addition to this, Section 1 (Summary Accounting Statements) and Section 2 (Summary Annual Governance Statement) of the Annual Return to the Audit Commission are presented for approval in Appendix 2. It is noted that Section 3 of the Annual Return will be completed by the external auditor no later than 30 September 2015 and that Section 4 has been completed and matters raised actioned appropriately, and will be reviewed again by the internal auditor no later than 30 June 2015.
26. With effect from 2015/16, following the repeal of the Audit Commission Act 1998, joint committees will no longer have a statutory obligation to prepare accounts audited by a firm appointed by the Audit Commission. The Local Audit and Accountability Act 2014, introducing new local public audit arrangements, does not apply to joint committees. Therefore, any expenditure overseen by joint committees will subsequently only be subject to statutory audit as part of the main accounts of their constituent bodies.
27. Constituent authorities will need to consider the effect of this change and ensure that an effective financial and governance framework is maintained for the joint committees and the funds that they control. For example, joint committees may continue to arrange for the audit of their accounts outside the provisions of the 2014 Act. The Department for Communities and Local Government (DCLG) are considering what guidance might be provided to authorities on the audit of joint committees. It is proposed that the arrangements for the audit of the 2015/16 PUSH accounts are reviewed following the issue of the DCLG guidance and a recommendation is brought back as part of a future budget monitoring report.

## **PROPOSED BUDGET 2015/16 – REVENUE**

28. The following revenue allocations are proposed for 2015/16. The allocations for the three delivery panels reflect the final outturn position and include amendments to the provisional carry forward requests agreed in the March 2015 budget monitoring report. A revised allocation has also been made for Core Projects and Central Costs. For further details of each of these activities, please refer to the Business Plan. As PUSH funding will continue to be more limited than in the past, it is proposed that the Unallocated Balances will be used to support activities in 2016/17 unless projects come forward during 2015/16 with a compelling business case. The Contingency Reserve has been set aside primarily to fund termination costs should PUSH be discontinued.

<b>Revenue Allocations</b>	<b>£000s</b>
Planning & Infrastructure	110
Energy & Green Economy	41
Culture, Creative Industries and the Built Environment	23
European Collaboration Group	7
Core Projects & Central Costs	275
Contingency Reserve	50
Unallocated Balances	304
<b>Total</b>	<b>810</b>

## PROPOSED BUDGET 2015/16 - CAPITAL

29. The following capital allocations are proposed for 2015/16. These allocations represent the under spends in 2014/15, which were provisionally agreed as carry forward requests in the March 2015 budget monitoring report. For further details of these projects, please refer to the Business Plan. It is expected that all of these projects will be delivered in 2015/16.

<b>Capital allocations</b>	<b>£000s</b>
Alver Valley Project	50
Portsmouth Creative Industries	75
Portsmouth ARTches	40
Cell Block Enterprise	49
<b>Total</b>	<b>214</b>

30. In addition to the projects with funding carried forward from 2014/15, PUSH has secured funding of £590,000 in 2015/16, as part of the Solent LEP Local Growth Deal, for two projects to create and enhance publically accessible greenspaces, as shown in the following table. It is proposed that Southampton City Council act as Accountable Body for managing these funds, on behalf of PUSH, at a cost of £4,000 to be met from the 2015/16 revenue budget.

<b>Local Growth Deal - Capital allocations</b>	<b>£000s</b>
Alver Valley Country Park	205
Manor Farm Country Park	385
<b>Total</b>	<b>590</b>

## CONCLUSION

This Committee is recommended to:-

31. NOTE the outturn for the financial year 2014/15;
32. NOTE the approval of the Statement of Accounts for the 2014/15 financial year and the Annual Governance Statement (Appendix 1);
33. NOTE Section 1 (Summary Accounting Statements) and Section 2 (Summary Annual Governance Statement) of the Annual Return to the Audit Commission (Appendix 2);
34. NOTE that Section 3 of the Annual Return was completed by the external auditor;
35. NOTE that Section 4 of the Annual Return has been completed and matters raised actioned appropriately, and that the Annual Return was reviewed again by the internal auditor;
36. NOTE that, with effect from 2015/16, joint committees will no longer have a statutory obligation to prepare accounts audited by a firm appointed by the Audit Commission. Any expenditure overseen by joint committees will only be subject to statutory audit as part of the main accounts of their constituent bodies;
37. NOTE the approval of the revised capital and revenue budgets for 2015/16,

as set out in the report, including the proposed level of contributions from partner authorities; and

38. NOTE the award of £590,000 in 2015/16 from the Solent LEP Local Growth Fund to support two Solent Recreation Mitigation Projects (SRMP) and to NOTE Southampton City Council (SCC) as the Accountable Body for managing these funds, on behalf of PUSH, at a cost of £4,000 to be met from the 2015/16 PUSH revenue budget.

### **Background Papers:**

**Appendix 1** - Statement of Accounts for the 2014/15 financial year and the Annual Governance Statement

**Appendix 2** - Annual Return to the Audit Commission

### **Enquiries:**

For further information on this report please contact:

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