

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date of Decision:</b>	4 February 2010
<b>Decision Title:</b>	Policy and Resources Capital programme for 2010/11 to 2012/13
<b>Decision Reference:</b>	1308
<b>Report From:</b>	County Treasurer and Chief Officers

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### 1. Executive Summary

- 1.1. This report seeks approval for submission to the Leader and Cabinet of the proposed capital programme for 2010/11 to 2012/13.
- 1.2. The report has been prepared in consultation with the Executive Member and will be reviewed by the Policy and Resources Select Committee. It will be reported to the Leader and Cabinet on 4 February 2010 to make final recommendations to County Council on 18 February 2010.
- 1.3. The report considers the schemes which it is proposed to include in the capital programmes for 2010/11, 2011/12 and 2012/13.
- 1.4. The proposals contained in this report are derived from the departmental service plans which have been developed to support the priorities of the Corporate Strategy.

### 2. Background

- 2.1. In approving the medium term financial and efficiency strategy on 26 October 2009, the Cabinet agreed that the guidelines for the locally resourced capital programme for 2010/11 to 2012/13 should be set at the same level as the current capital programme for 2009/10 to 2011/12. This reflects the continued uncertainty about the level of capital receipts likely to be available to finance the locally resourced capital programme.
- 2.2. Executive Members can now prepare proposals for:
  - a locally-resourced capital programme for the three-year period from 2010/11 to 2012/13 within these guidelines

- a programme of capital schemes in 2010/11 supported by Government grants or supported borrowing already announced by the Government and those expected to be supported in 2011/12 and 2012/13, subject to limits restricting the take-up of Government supported borrowing approvals.

2.3. The medium term financial and efficiency strategy is closely linked to the Corporate Strategy and the Corporate Improvement Plan to ensure that priorities are affordable and provide value for money and that resources follow priorities.

### 3. Locally resourced capital programme

3.1. The cash limit guidelines for the locally resourced capital programme for Policy and Resources set by Cabinet are as follows.

	£000
2010/11	6,494
2011/12	6,509
2012/13	6,494

3.2. The guidelines include an addition of 2.25% for inflation, in line with the non-pay inflation assumption for the revenue budget.

3.3. Executive Members may vary the guidelines between years provided their total three-year guideline is not exceeded and bunching of payments in any one year or front-loading is avoided.

3.4. The 2010/11 programme for capital repairs includes £0.5 million transferred from 2009/10 as agreed by the Executive Member at his 19 October 2009 meeting. The capital repairs programme in 2010/11 has also been increased by £1.2 million. This reallocation of local resources is a consequence of reallocated government grant in 2009/10 and will allow additional capital repairs for schools.

3.5. Executive Members may propose supplementing their capital guidelines under the 'prudential framework' agreed by Cabinet at its meeting on 24 November 2003, as amended by Cabinet in February 2006, thereby integrating more closely decisions on revenue and capital spending in support of corporate priorities. The additions may include temporary unsupported borrowing, to provide bridging finance in advance of capital receipts or other contributions, with the cost of servicing the unsupported borrowing in the interim being met from the Executive Member's revenue budget or existing capital resources in the years in which cost is incurred.

3.6. As agreed by Cabinet on 21 December 2009, prudential borrowing of £2.5 million is planned to support the Havant Public Service Village project in 2010/11. The borrowing will be financed from capital receipts and revenue savings generated by the project. This project is also funded by Government grant and contributions from Havant Borough Council.

#### **4. Proposed capital programme 2010/11 to 2012/13 – locally resourced schemes**

- 4.1. The programme proposed for 2010/11 to 2012/13 is largely based upon the allocation of resources between priorities in the current 2009/10 to 2011/12 capital programme. The main corporate priority continues to be the maintenance of the core buildings in the County Council's built estate through the capital repairs programme, which supports the delivery of services countywide and specifically aims to address the priorities identified in the Corporate Risk Assessment. This ensures key structural, health and safety and sustainability issues are addressed.
- 4.2. The capital programme includes an annual provision for coastal conservation, for funding schemes that will inform and deliver innovative solutions to the challenges facing the County Council's coastal landholdings and will increase understanding of the coastal environment and the factors that affect it. The programme for 2010/11 summarised in Appendix 2 gives particular priority to the development of strategies related to the outcomes of the County Council's Climate Change Commission of Inquiry and in particular to the adaptation of the County Council's coastal sites to future sea level rise.

#### **5. Capital programme supported by Government allocations**

- 5.1. As the Government has previously announced details of its support for capital schemes in 2010/11, the cash limit guidelines for the programme supported by Government borrowing allocations for 2010/11 remain unchanged. They continue to allow for not taking up Government supported borrowing in full based on the existing policy of limiting the increase in the capital financing requirement to 2.5% per annum, subject to the specific decisions taken in 2008/09 to support additional borrowing.
- 5.2. Details of Government support for projects in 2011/12 and 2012/13 will not be known until after the Government's next Spending Review, but the programmes for these two years can be planned provisionally, where this is appropriate, on the basis of the best information available on potential future levels of support after taking account of the policy of limiting the increase in the capital financing requirement. Latest information from Treasury forecasts suggests there will be a reduction of 50% in capital funding. On this basis, the proposed programmes for 2011/12 and 2012/13 are based on an assumed 50% reduction from the 2010/11 cash limit for schemes supported by Government allocations.
- 5.3. The cash limit guidelines for the capital programme supported by Government borrowing allocations are shown below and relate to Policy and Resources' share of the New Deal for Schools (NDS) programme. As in previous years, the overall allocation of New Deal for Schools (NDS) funding is split between the suitability (improvement) work, which is managed by Children's Services and funding to address the backlog of building condition work, which is managed by Policy and Resources. A split of these resources in the ratio of 46% to suitability and 54% to

condition, was agreed by Executive Members in July 2003, and this split is reflected in the current year's programme. This funding is a combination of borrowing approvals and grant. The planned take up of borrowing approvals within Policy and Resources, including the assumed 50% reduction in 2011/12 and 2012/13 is shown below.

	£000
2010/11	499
2011/12	250
2012/13	250

5.4. These guidelines are supplemented by capital grants expected from the Government, as follows.

	NDS	DSG Capital repairs	Sure Start Capital grant	Co- Location Fund	Total Capital grants
	£000	£000	£000	£000	£000
2010/11	428	11,719	477	5,100	17,724
2011/12	2,956	11,719	0	0	14,675
2012/13	2,956	11,719	0	0	14,675

5.5. The NDS grant in 2010/11 is reduced following the advance of £5.3 million into 2009/10 in response to the Government's request to bring forward capital spending plans relating to schools as part of their strategy to counteract the impact of the recession on the construction industry. The NDS grant in 2011/12 and 2012/13 is estimated at 50% of the original 2010/11 level.

5.6. The element of Dedicated Schools Grant (DSG) allocated for structural capital repairs for schools is assumed to continue at current levels, although total DSG for 2011/12 and 2012/13 is not yet known.

5.7. The Sure Start grant was allocated by the Department for Children, Schools and Families (DCSF) on a one-off basis for the three financial years 2008/09-2010/11 and cannot be assumed to continue in 2011/12 and beyond. The grant for £0.5 million in 2010/11 is for structural capital repairs and improvements to the quality of accommodation in children's centres. If Government funding is not made available in future years, alternative funding will need to be identified to cover capital repairs relating to these centres.

5.8. The co-location fund, sponsored by the DCSF, has granted £5.1m towards the Havant Public Service Village project following a successful bid made jointly by the County Council and Havant Borough Council.

**6. Proposed capital programme 2010/11 to 2012/13 – schemes supported by Government allocations**

6.1. The programme proposed for 2010/11 to 2012/13 includes the Havant Public Service Village project starting in 2010/11. This project, managed jointly with Havant Borough Council, is considered to be a priority project for investment because it has the potential to deliver on the following objectives:

- Reducing inequalities and improving the outcomes for key groups in the community by improving access to services
- Better use of resources through the introduction of flexible working and the consideration of improved Facilities Management.
- Efficiency gains made through the release of capital and revenue from the disposal of unsuitable buildings.

6.2. The sources of funding for this project are shown below.

	£000
DCSF Co-location Fund	5,100
Havant Borough Council contribution	5,457
Hampshire County Council local resources	2,500
Total	13,057

6.3. The rest of the proposed programme, which is set out in detail in Appendix 1, aims to address the key priorities identified in the Corporate Risk Assessment. This includes major structural repairs to the fabric of school buildings including SCOLA recladding and re-roofing. The programme also includes improvement projects such as new science laboratories, temporary classroom replacements and new school halls.

## 7. Capital programme summary

7.1. On the basis of the position outlined above, the total value of the capital programmes submitted for consideration for the three years to 2012/13 are:

	Schemes within locally resourced guidelines £000	Additional schemes funded within the prudential framework £000	Schemes supported by Government allocations £000	Total £000
2010/11	8,194	7,987	18,223	34,404
2011/12	6,509	0	14,925	21,434
2012/13	6,494	0	14,925	21,419

Note: the above figures are net of developers' contributions and exclude the costs of land for programme schemes which are dealt with outside the guidelines.

## 8. Revenue implications

8.1. The revenue implications of the proposed capital programme are as follows:

	Full Year Cost	
	Current Expenditure £000	Capital Charges £000
Schemes within the guidelines		
2010/11	-	207
2011/12	-	178
2012/13	-	178
Additional schemes under prudential framework		
2010/11	-	3
2011/12	-	-
2012/13	-	-
Schemes supported by Government allocations		
2010/11	-	436
2011/12	-	248
2012/13	-	248
Total	-	1,498

- 8.2. The total revenue implications for the three years of the starts programme, including capital charges, represent a real term increase of 2.3% over the 2009/10 original budget of Policy and Resources.

## **9. Conclusions**

9.1. The proposed capital programme for Policy and Resources as summarised in paragraph 7 is in line with the guidelines set by Cabinet and supplemented in 2010/11 by transfers from 2009/10 and other services for capital repairs. In addition, it plans to use the allocated Government grants in full. The main priority of the programme continues to be structural maintenance and improvement of the County's built estate and that of Havant Borough Council as part of the joint Havant Public Service Village project. The programme supports the delivery of services countywide and contributes to the corporate aims:

- Hampshire safer and more secure for all
- Maximising wellbeing
- Enhancing our quality of place

## **10. Recommendations**

- 10.1. That the capital programme for 2010/11 to 2012/13 as set out in Appendix 1 be approved for submission to the Leader and Cabinet.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	yes
Corporate Business plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Business plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	yes
Corporate Business plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Cabinet	764	26 October 2009
Executive Member for Policy and Resources	877	19 October 2009
Cabinet	1085	21 December 2009
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. Equality objectives are not considered to be adversely affected by the proposals of this report.

### **2. Impact on Crime and Disorder:**

- 2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime. The proposals in this report have no adverse impact on the prevention of crime.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The programme for 2010/11 summarised in Appendix 2 gives particular priority to the development of strategies related to the outcomes of the County Council's Climate Change Commission of Inquiry and in particular to the adaptation of the County Council's coastal sites to future sea level rise.

## **Appendix 1**

### **Policy and Resources proposed capital programme 2010/11 – 2012/13**

Details follow overleaf.

## Appendix 2

### Policy and Resources detailed proposals for coastal work within the 2010/11 capital programme

	£'000
<b>Coastal Defence</b>	32
Capital works at priority sites arising from the coastal adaptation strategy and emergency works at other coastal sites.	
<b>Joint studies and projects</b>	57
Marine Spatial Planning, Solent European Marine Sites (SEMS), coastal biodiversity projects, community adaptation	
<b>Fees</b>	17
<b>Total</b>	<b>106</b>