

**HAMPSHIRE COUNTY COUNCIL****Decision Report**

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date:</b>	24 January 2014
<b>Title:</b>	Capital programme for 2014/15 to 2016/17
<b>Reference:</b>	5492
<b>Report From:</b>	Director of Corporate Resources – Corporate Services 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 2014/15 to 2016/17.
- 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 7 February 2014 to make final recommendations to County Council on 20 February 2014.
- 1.3. The report considers the schemes which it is proposed to include in the capital programmes for 2014/15, 2015/16 and 2016/17 and also presents the revised programme for 2013/14.
- 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. Executive Members have been asked to prepare proposals for:
  - a locally-resourced capital programme for the three-year period from 2014/15 to 2016/17 within the guidelines used for the current capital programme including the third year, 2016/17, at a similar level to 2015/16
  - a programme of capital schemes in 2014/15 to 2016/17 supported by Government grants as announced by the Government, subject to limits restricting the take-up of Government supported borrowing approvals.

- 2.2. The medium term financial and efficiency strategy is closely linked to the Corporate Strategy and the Corporate Business 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 the Policy and Resources portfolio service set by Cabinet are as follows:

	£000
2014/15	18,316
2015/16	9,666
2016/17	8,566

- 3.2. 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.
- 3.3. 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. Proposals included in this report, relating to the purchase of vehicles, by HTM, payment for the Hampshire Rural broadband Programme currently forecast for 2015/16 with further detail provided in paragraphs 4.4 and 4.8 and an upgrade to the Hampshire Public Services Network (HPSN2).
- 3.4. Other key proposals, also included in this report, relate to improvements to rights of way and byways, Basingstoke Canal and IT infrastructure. Further details are provided in section 4.

**4. Proposed capital programme 2014/15 to 2016/17 – locally resourced schemes**

- 4.1. The programme proposed for 2014/15 to 2016/17 is largely based upon the allocation of resources between priorities in the current 2013/14 to 2015/16 capital programme. The programme is detailed in Appendix 1.
- 4.2. 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 in the Corporate Risk Assessment.

Investment to maintain the building stock continues into 2014/15, which aims to improve the balance between planned and reactive maintenance across the non-schools estate, thereby reducing reactive maintenance in the future.

- 4.3. The Capital Repairs budget for Schools has been previously fully funded by the Dedicated Schools Grant (DSG). The School's Funding reform now restricts a centralised approach. Service level agreements totalling £4.304m have been agreed with those Schools who have opted to buy back in. Further details about government grants are set out in para 6.
- 4.4. Capital investment by business units is also included in the capital programme. Hampshire Transport Management (HTM) started purchasing new vehicles in 2009/10 instead of leasing them generating a saving of around 4% annually. This approach benefits customers through reduced hire charges. An annual allocation of £2 million has been incorporated into the capital programme for these vehicle purchases, to be funded by business unit charges to customers.
- 4.5. On the 25 July 2013, the Executive Member for Policy and Resources approved the addition of schemes to be added to the capital programme. This included a provision of £600k to improve rights of way and byways. Improvements to the Basingstoke Canal are also required and £1.8m has been set aside to bring the infrastructure up to an acceptable level to reduce risks.
- 4.6. On the 17 December 2013 the Buildings, Land and Procurement Panel considered the Risk Management Strategy for the Built Estate. It was noted that £300k was required for the remedial works programme for the management of Legionella. This is now added to the 2014/15 programme and will be funded by general reserves.
- 4.7. The 2014/15 capital programme includes a provision of £2.972m to progress major improvements and upgrades in IT infrastructure and equipment. This is being funded by a £2m transfer from the revenue budget and a one-off transfer of £972k from IT reserves.
- 4.8. The allocation for the development of Rural Broadband continues into 2014/15 to bring faster broadband to areas of the county that will not be upgraded by the commercial market.
- 4.9. The 2014/15 Libraries and minor works provision is the same as during 2013/14 when it was increased following the end of the requirement for the separate Art in Place allocation.
- 4.10. The 2014/15, allocation for Coastal Conservation will address issues and solutions for the adaptation of coastal sites to future sea level rise, increased flooding and erosion.

## **5. Revised 2013/14 capital programme**

- 5.1. The revised 2013/14 capital programme for Policy and Resources is shown in Appendix 2 and totals £90.384 million. The changes since the capital programme was approved in February 2013 are summarised below:

	2013/14
	£000
Approved Programme	56,936
Under spends and schemes carried forward from previous years	26,474
Share of capital receipts	398
Adjustments to funding (Schools)	
- Condition grant announcement 1/3/13	-593
- Dedicated Schools Grant (DSG)	-5,035
Service Level agreement with Schools	4,304
Additional allocation agreed by EMPR 25/7/13	1,400
Invest to save – additional capital allocations	
- Energy Performance	1,420
- HPSN2	1,032
Revenue contributions to capital	1,908
Capital payments reserve	1,994
Returned to the schools forum	-25
Technical adjustments - transfer to revenue	-108
Transfer from Corporate Efficiency Reserve	354
Removal from capital programme	-75
Revised capital programme total	<u>90,384</u>

- 5.2. The schemes carried forward from previous years totalling £26.474m was agreed by Cabinet on 24 June 2013.
- 5.3. An additional £1.4m was approved by the Executive Member for Policy and Resources on 25 July 2013 for the Basingstoke Canal, rights of way/byways and the Community Building Fund. The addition to the programme is used to providing funding to maintain and improve our countryside and heritage assets and improve community centres across the County.
- 5.4. The County Council at its meeting on 21 February 2013 approved the addition of up to £26.5m of expenditure to the capital programme to fund a range of initiatives. No specific scheme details were provided at this point and schemes would be added once they were further developed. A separate

report on the Energy Performance Project Phase 1 is brought to this meeting with the recommendation that £1.42m is now added to the 2013/14 capital programme to progress the design and construction work of the project. Savings in the order of £5m over the lifetime of the measures (25 years) are anticipated and initial calculations have indicated a potential return on investment of around 15%.

- 5.5. The 2013/14 revised capital programme includes £1.7m for IT Services which is funded by a transfer from the revenue budget. The detailed IT schemes are set out in Appendix 2 and include major replacement projects and business as usual replacements of IT equipment.
- 5.6. The revised 2013/14 programme now includes an 'invest to save' scheme for the upgrade of the Hampshire Public Services Network (HPSN2) at a cost of £1.032m. The upgrade will provide the next generation web access services. This will be funded from prudential borrowing and repaid by savings over five years.
- 5.7. A provision of £1.994m has been included in the 2013/14 programme towards the acquisition of a strategic land purchase with further capital investment to bring the asset up to modern standards. This is being funded by the capital payments reserve.
- 5.8. A provision has been added to refurbish the shower facilities at Calshot Activity Centre. The centre requires new and updated facilities in order to support the existing activities and to respond to increasing customer expectations. This is being funded mainly from income generated by the centre.

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

- 6.1. The Coalition Government has allocated all of its support for the capital programme in the form of capital grants, and not as borrowing allocations.
- 6.2. The Secretary of State has not yet announced details of individual local authority capital allocations for 2014/15, 2015/16 and 2016/17. For planning purposes 2013/14 allocations are being assumed.
- 6.3. At this time it is expected that the focus of the current spending round will continue along the lines of the 2013/14 allocation by reducing the number of hypothecated grants, thus allowing local authorities to determine their own local priorities.
- 6.4. For Policy and Resources, the relevant grants are elements of education grants relating to the capital repair and maintenance of buildings. Part of the Dedicated Schools Grant (DSG) is used for the capital repair of buildings that is managed by Policy and Resources.
- 6.5. The School Funding reform has changed the way the delegation of Capital expenditure from revenue can be funded by the Dedicated Schools Grant. During 2013/14 a contractually committed DSG amount was agreed with the Department for Education of £6.9m. For 2014/15 £6.6m is being recommended to Schools Forum to agree at their meeting of 21 January 2014.

6.6. In 2013/14, the Government announced a capital maintenance grant of £18,662,890 for local authority schools and Sure Start early years centres. Year on year there has been a reduction of this grant which partly reflects the conversion of some schools to Academy status. It is proposed to continue the previous approach used for the New Deal for Schools programme and split this sum between 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, previously agreed by the Executive Member, and this split is reflected in the proposed programme for 2014/15 – 2016/17.

6.7. The cash limit guidelines for this part of the capital programme are as follows.

	Capital grant	DSG	Total
	£000	£000	£000
2014/15 (Assumed)	10,078	6,684	16,762
2015/16 (Assumed)	10,078	6,684	16,762
2016/17 (Assumed)	10,078	6,684	16,762

**7. Proposed capital programme 2014/15 to 2016/17 – schemes supported by Government allocations**

7.1. Close working between Property Services and Children’s Services staff ensures maximum impact is achieved from the capital maintenance funding. Details of individual projects within the capital repairs allocation will continue be reported to the Buildings, Land and Procurement Panel.

**8. Capital programme summary**

8.1. On the basis of the position outlined above, the total value of the capital programmes submitted for consideration for the three years to 2016/17 are:

	Schemes within locally resourced guidelines	Additional schemes funded within the prudential framework	Additional schemes funded by other resources and adjustments	Schemes supported by Government allocations	Total
	£000	£000	£000	£000	£000
2014/15	18,316	2,000	6,346	16,762	43,424
2015/16	9,666	2,000	2,274	16,762	30,702
2016/17	8,566	2,000	2,274	16,762	29,602

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.

**9. Revenue implications**

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

	Full Year Cost	
	Current Expenditure	Capital Charges
	£000	£000
2014/15	-	2,599
2015/16	-	843
2016/17	-	821
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Total	-	4,263
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- 9.2. The total revenue implications for the three years of the starts programme, including capital charges, represent a real term increase of 4.4% over the 2013/14 original budget of Policy and Resources.

## **10. Conclusions**

10.1. The proposed capital programme for Policy and Resources as summarised in section 8 is in line with the guidelines set by Cabinet. 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 and rural estate, coastal areas and cultural facilities together with planned investment in IT infrastructure. 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

## **11. Recommendations**

11.1. To approve submission to the Leader and Cabinet the capital programme for 2014/15 to 2016/17 as set out in Appendix 1 and the revised capital programme for 2013/14 as set out in Appendix 2.

**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>
County Council	4591	21 February 2013
Cabinet	4953	24 June 2013
Executive Member for Policy and Resources	4990	25 July 2013
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	
<b>Section 100 D - Local Government Act 1972 - background documents</b>		
<p><b>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.)</b></p>		
<u>Document</u>	<u>Location</u>	
None		

## **IMPACT ASSESSMENTS:**

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

- 1.1. Race and equality impact assessments will be considered when individual projects appraisals are developed.

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

- 2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1988 to consider the impact of all decisions it makes on the prevention of crime. Crime prevention issues will be considered when individual project appraisals are developed.

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

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

The County Council has, as part of its Energy Strategy, an on-going programme of projects which will reduce energy costs and thereby our carbon footprint. Progress is on track towards the overall target of a 20% reduction from 2010 levels by 2015. The Energy Performance Programme proposed in this report will contribute positively towards this and over 800 tonnes of carbon will be saved together with energy savings in the order of £5m over the lifetime of the measures (25 years). This is also a sound financial investment as the potential rate of return is anticipated to be around 15% on the capital.

- 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 2014/15, summarised in Appendix 1, gives particular priority to the adaptation of the County Council's coastal sites to future sea level rise.

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## Appendix 2

### Policy and Resources 2013/14 capital programme

1. Latest programme limit:	£000
Total programme as per budget book	56,936
Carry forward schemes from 2012/13	26,474
Share of capital receipts agreed by Cabinet 24/06/13	398
Adjustment to funding (Schools)	
- School condition funding (Government grant change 1/3/2013)	-593
- Dedicated Schools Grant (DSG)	-5,035
- Smart Meters – saving to Schools forum	-25
- Service level agreement with Schools	4,304
Additional allocation agreed by EMPR 25/7/2013	1,400
Invest to save – additional capital allocations	
- Energy performance	1,420
- HPSN 2	1,032
Revenue contributions to capital	
- IT Services	1,700
- Outdoor Centres	208
Capital payments reserve	1,994
Technical movements to revenue	
- Countryside & Rights of Way Improvements	-32
- Community Buildings & Village Halls (Wessex Dance Academy)	-76
Removal from the Capital Programme	
- HTM Diagnostics	-25
- HC3S	-50
Transfer from Corporate Efficiency Reserve for refurbishment of Vertex	354
	<b>90,384</b>
2. Analysis of 2013/14 programme including carry forwards from 2012/13:	
Capital repairs – Non Schools	8,605

	£000
Capital repairs - Schools condition funding (including £10,756 carry forward from 2012/13)	20,834
Capital repairs schools funded (DSG & SLA with Schools)	10,988
Vehicles for Hampshire Transport Management (HTM)	2,000
Havant Day Services access road – carried forward from 2011/12	55
Coastal Conservation (including £546 carried forward from 2012/13)	652
<b>Schemes controlled on an expenditure basis:</b>	<b>43,134</b>
Office accommodation	583
Scientific Services	35
Regulatory Services (11/12 & 12/13 allocations)	69
Advanced Boiler Controls	2,487
Advance fees	860
Disposal of site fees (11/12, 12/13 & 13/14 allocations)	1,194
Non-Schools Estate Planned Repairs and Maintenance	2,500
Strategic Land Promotion, Development and Disposal	3,000
Land at Manydown, Basingstoke	4,500
Monitor M33 Warship	250
Feasibility Budget	430
Advance and Advantageous Land purchases	1,612
Strategic land purchase and improvement of the asset	1,994
Children's Services Social Care System	100
Facilities Management	197
IT Modernisation / Efficiency (12/13 & 13/14 allocations)	2,000
Schools Managed IT Service	6,000
HPSN 2 Upgrade	1,032
HPSN Growth (12/13 & 13/14 allocations)	100
IT Services: Major replacement projects	774
IT Services: Business as usual replacement	926
Rural Broadband (12/13 & 13/14 allocations)	10,750
Countryside and Rights of Way Improvements (12/13 & 13/14 allocations)	208
Community Buildings and Village Halls (12/13 & 13/14 allocations)	1,174
ICT Developments (11/12, 12/13 & 13/14 allocations)	115

	£000
Customer access improvements and Health and Safety Schemes	120
Libraries and Minor Works	83
Art in Place	30
Basingstoke Canal	200
Outdoor Centres	208
Rights of way/Byways	200
Footway Improvements	15
Energy Performance Programme (EPP)	1,420
Unallocated 25% of Capital receipts from 2012/13	349
Capital receipts 11/12 Services shares	634
Unallocated Capital receipts from 2013/14	398
<b>Schemes controlled on a starts basis:</b>	<b>46,547</b>
Unallocated	703
<b>Policy and Resources Capital Programme 2013/14</b>	<b>90,384</b>