

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date:</b>	26 January 2016
<b>Title:</b>	Capital programme for 2016/17 to 2018/19
<b>Reference:</b>	7103
<b>Report From:</b>	Chief Executive, Director of Culture, Communities and Business Services and Director of Corporate Resources – Corporate Services

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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 Policy and Resources for 2016/17 to 2018/19.
- 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 5 February 2016 to make final recommendations to County Council on 18 February 2016.
- 1.3. The report considers the schemes which it is proposed to include in the capital programmes for 2016/17, 2017/18 and 2018/19 and also presents the revised programme for 2015/16.
- 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 2016/17 to 2018/19 within the guidelines used for the current capital programme including the third year, 2018/19, at a similar level to 2017/18
  - a programme of capital schemes in 2016/17 to 2018/19 supported by Government grants as announced by the Government.

- 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:

	<b>£'000</b>
2016/17	8,053
2017/18	5,053
2018/19	5,053

- 3.2. The cash limit guideline for 2016/17 includes the final £3 million allocation for Investing in Hampshire.
- 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. 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. Schemes funded by prudential borrowing in this report include the purchase of vehicles by HTM.
- 3.5. Further details of the 2016/17 capital programme are provided in section 4.

### 4. Proposed capital programme 2016/17 to 2018/19 – locally resourced schemes

- 4.1. The programme proposed for 2016/17 to 2018/19 is largely based upon the allocation of resources between priorities in the current 2015/16 to 2017/18 capital programme. There has been an amalgamation of smaller budgets to create a provision for minor works. The programme is detailed in Appendix 1.
- 4.2. As agreed by Cabinet in December 2015 when setting the cash limit guideline, a number of the maintenance programmes in Policy and Resources capital have been moved to revenue. This is following a review of the capital programme in the light of tighter definitions of what constitutes capital expenditure. The original funding for these schemes was revenue and so they can be realigned with the revenue repairs and maintenance budgets. Similarly, it is proposed to move the feasibility budget to revenue since these costs rarely meet the accounting definition of capital.
- 4.3. 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.

- 4.4. The workstyle programme is continuing to enable flexible smarter working across the County Council. The planned scheme for Elizabeth II Court South, Winchester £950k is now included and can be met from the total workstyle cash envelope.
- 4.5. The 2016/17 capital programme includes a provision of £771k to progress major improvements and upgrades in IT infrastructure and equipment. This is being funded by transfers from earmarked IT reserves, which have been built up for this purpose.
- 4.6. The Policy and Resources capital budget has previously contained an allocation for Coastal Conservation to address issues and solutions for the adaptation of coastal sites to future sea level rise, increased flooding and erosion. It is recommended that responsibility for this budget is transferred to the Executive Member for Economy, Transport and Environment so that the work can be linked in to similar schemes in that area.
- 4.7. These movements are summarised in the table below:

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Guideline set by Cabinet	8,053	5,053	5,053
Net movement from Capital review	(358)	-	-
Net Technical adjustment – transfer to revenue :	(885)	(885)	(885)
Revenue contributions to capital – IT Services	771	-	-
Coastal Conservation transfer to ETE	(106)	(106)	(106)
Workstyle Programme	950	-	-
<b>Proposed locally resources programme</b>	<b>8,425</b>	<b>4,062</b>	<b>4,062</b>

## 5. Revised 2015/16 capital programme

- 5.1. The revised 2015/16 capital programme for Policy and Resources is shown in Appendix 2 and totals £62.724 million. The changes since the capital programme was approved in February 2015 are summarised below:

	<b>2015/16</b>
	<b>£'000</b>
Approved Programme	38,304
Under spends and schemes carried forward from previous years	23,695
Share of capital receipts	909
Additions to support the energy strategy	2,000
Reduction in School Condition grant	-358
Additional Grant Funding for Tile Barn Outdoor Centre	50
Changes to workstyle named schemes	80
Reduction in unallocated	-80
Net transfers to/from other departments	-844
Revenue contributions to capital	553
Technical adjustments - transfer to revenue	
Movement to revenue (para 5.3)	-16,585
Purchase of Investment – Pooled Property Fund	15,000
<b>Revised capital programme total</b>	<b>62,724</b>

- 5.2. The schemes carried forward from previous years totalling £23.7m were agreed by Cabinet on 22 June 2015.
- 5.3. As outlined in section 4, following a technical review of the capital programme, £16.6m of maintenance schemes have been moved to revenue including carry forward of previous year.
- 5.4. In April 2015, the Executive Member for Policy and Resources approved the addition of two schemes as part of the County Council's Energy Strategy.

Following the successful pilot, a further £1m has been approved to continue investment in solar photovoltaic arrays on corporate buildings. The second phase of the Energy Performance Programme was also approved, totalling £1m across a number of sites.

- 5.5. The Treasury Management Strategy 2015/16 – 2017/18 mentions the purchase of an investment in the form of a Pooled Property Fund. This investment is regarded as capital expenditure, in contrast to other investments which are not capital expenditure under the Capital Finance Regulations (SI 2010 No 454). When the asset is sold it will generate a capital receipt which will result in a capital gain or loss at the time of the sale. Any changes in value prior to sale would not impact on the revenue account but impact on capital resources.

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

- 6.1. The 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 2016/17, 2017/18 and 2018/19. For planning purposes 2015/16 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 2015/16 allocation by reducing the number of hypothecated grants, thus allowing local authorities to determine their own local priorities.
- 6.4. In 2015/16, the Government announced a Schools Condition Assessment grant of £18,473,308 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. The reduction from 2015/16 was £664,349 giving an estimated grant from 2016/17 onwards of £17.8m.
- 6.5. In previous years, this grant has been split between the Children's Services and Policy and Resources cash limits to reflect a split between suitability and condition work. It is proposed that the full grant is added to the Policy and Resources cash limit to allow the funding to be managed flexibly between condition and suitability works. Priorities will continue to be jointly agreed with Children's services.

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

<b>Capital grant</b>	
<b>£'000</b>	
2016/17	17,809
(Assumed)	
2017/18	17,809
(Assumed)	
2018/19	17,809
(Assumed)	

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

## **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 2017/18 are:

	<b>Schemes within locally resourced guidelines</b>	<b>Schemes supported by Government allocations</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2016/17	8,425	17,809	26,234
2017/18	4,062	17,809	21,871
2018/19	4,062	17,809	21,871

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:

	<b>Full Year Cost</b>	
	<b>Current Expenditure</b>	<b>Capital Charges</b>
	<b>£'000</b>	<b>£'000</b>
2016/17	-	828
2017/18	-	650
2018/19		650
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<b>Total</b>	<b>-</b>	<b>2,128</b>

8.2. The total revenue implications for the three years of the starts programme, including capital charges, represent a real term increase of 2.0% over the 2015/16 original budget of Policy and Resources, but these do not impact directly on cash limits.

## 9. Conclusions

9.1. The proposed capital programme for Policy and Resources as summarised in section 7 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, 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.

## 10. Recommendations

- 10.1. That the Coastal Conservation capital budget, including balances brought forward from previous years be transferred on a permanent basis to the Executive Member for Economy, Transport and Environment, in order to better align with the activities incorporated within the Executive Functions of that portfolio.
- 10.2. To approve submission to the Leader and Cabinet the capital programme for 2016/17 to 2018/19 as set out in Appendix 1 and the revised capital programme for 2015/16 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		
<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>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.)</p>		
<u>Document</u>	<u>Location</u>	
None		

## **IMPACT ASSESSMENTS:**

### **1. Equality Duty**

- 1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
  - Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
  - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

#### **Due regard in this context involves having due regard in particular to:**

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **1.2. Equalities Impact Assessment:**

- a) Equalities impact assessments will be considered when individual project 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:**

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

All relevant developments within the capital programme are subject to specific, detailed assessments. Energy conservation, and where applicable enhancing biodiversity, are priorities for all major building schemes. Specific schemes to reduce our energy usage and install Solar PV Cells are included in the 2015/16 programme.

- e) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Where appropriate capital schemes are planned with adaptation to climate change in mind, such as the inclusion of passive cooling, solar shading, sustainable urban drainage and rainwater harvesting systems in building projects where technically feasible and deliverable within budget constraints.

**Policy and Resources**

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
<b>2016/17 Schemes</b>							
<b>Schemes Supported from Local Resources</b>							
<b>Culture, Communities and Business Services</b>							
1	Office Accommodation Schemes	350	58	-	408	-	8
2	Facilities Management Schemes	137	23	-	160	-	3
3	Disposal of Sites Fees	-	379	-	379	-	76
4	Vehicles for Hampshire Transport Management #	-	-	2,000	2,000	-	200
5	Investment in Hampshire	-	-	3,000	3,000	-	-
6	Elizabeth II Court, Winchester	815	135	-	950	-	19
7	Community Buildings and Village Halls	-	-	125	125	-	-
8	Countryside Storm Damage	215	35	-	250	-	5
9	CCBS Minor Works	328	-	-	328	-	7
<b>Corporate Services</b>							
10	IT - major replacement projects	-	-	382	382	-	76
11	IT - replacement of equipment	-	-	389	389	-	78
12	Contingency	16	-	-	16	-	-
<b>Total Programme Supported by Local Resources</b>		1,861	630	5,896	8,387	-	472

36

**Capital Programme - 2016/17**

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
N/A	-	-	Various schemes throughout the County, linking to the Corporate Priority of maximising wellbeing.	1
N/A	-	-	Various schemes throughout the County.	2
N/A	-	-	Fees to prepare transportation and environmental assessments and other advanced feasibility, design and analysis work to secure outline planning approvals to market sites.	3
N/A	-	-	Continuing programme of replacing vehicles linking to the Corporate Priority of making Hampshire safer and more secure for all.	4
N/A	-	-	Capital grants to support organisations and facilities that are unique to the County and give capacity to support the wider economic and cultural benefits that visitors and tourism play in the local economy.	5
Owned	1	12	Continuation of the Workstyle programme in Winchester to enable flexible smarter working and reduce revenue costs.	6
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	7
Owned	1	12	Provision for works following storm damage to Countryside land and buildings	8
N/A	1	12	Provision of minor works across the department including Library and Countryside services	9
N/A	-	-	Major improvements in IT infrastructure and equipment.	10
N/A	-	-	Programme of replacing IT equipment.	11
N/A	-	-		
# controlled on an accrued expenditure basis				

37

**Policy and Resources**

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	<b>2016/17 Schemes (continued)</b>						
	<b>Schemes Supported by the Government</b>						
13	Schools Condition Funding #	15,287	2,522	-	17,809	-	356
	<b>Total Schemes Supported by the Government</b>	15,287	2,522	-	17,809	-	356
	<b>Total Excluding Land</b>				26,196	-	828
	Advance and Advantageous Land Purchases				38	-	-
	<b>Total Programme</b>				26,234	-	828

**Capital Programme - 2016/17**

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
Owned	-	-	Major repairs and improvements, linking to the Corporate Priority of making Hampshire safer and more secure for all.	13
			# controlled on an accrued expenditure basis	

**Policy and Resources**

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
<b>2017/18 Schemes</b>							
<b>Schemes Supported from Local Resources</b>							
<b>Culture, Communities and Business Services</b>							
14	Office Accommodation Schemes	350	58	-	408	-	8
15	Facilities Management Schemes	137	23	-	160	-	3
16	Disposal of Sites Fees	-	379	-	379	-	76
17	Vehicles for Hampshire Transport Management #	-	-	2,000	2,000	-	200
18	Community Buildings and Village Halls	-	-	125	125	-	-
19	CCBS Minor Works	328	-	-	328	-	7
20	Contingency	16	-	-	16	-	-
<b>Total Programme Supported by Local Resources</b>		831	460	2,125	3,416	-	294
<b>Schemes Supported by the Government</b>							
21	Schools Condition Funding #	15,287	2,522	-	17,809	-	356
<b>Total Schemes Supported by the Government</b>		15,287	2,522	-	17,809	-	356
<b>Total Excluding Land</b>					21,225		650
Advance and Advantageous Land Purchases					646		
<b>Total Programme</b>					21,871		650

**Capital Programme - 2017/18**

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
N/A	-	-	Various schemes throughout the County, linking to the Corporate Priority of maximising wellbeing.	14
N/A	-	-	Various schemes throughout the County.	15
N/A	-	-	Fees to prepare transportation and environmental assessments and other advanced feasibility, design and analysis work to secure outline planning approvals to market sites.	16
N/A	-	-	Continuing programme of replacing vehicles linking to the Corporate Priority of making Hampshire safer and more secure for all.	17
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	18
N/A	1	12	Provision of minor works across the department including Library and Countryside services	19
N/A	-	-		20
Owned	-	-	Major repairs and improvements, linking to the Corporate Priority of making Hampshire safer and more secure for all.	21
# controlled on an accrued expenditure basis				

**Policy and Resources**

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
<b>2018/19 Schemes</b>							
<b>Schemes Supported from Local Resources</b>							
<b>Culture, Communities and Business Services</b>							
22	Office Accommodation Schemes	350	58	-	408	-	8
23	Facilities Management Schemes	137	23	-	160	-	3
24	Disposal of Sites Fees	-	379	-	379	-	76
25	Vehicles for Hampshire Transport Management #	-	-	2,000	2,000	-	200
26	Community Buildings and Village Halls	-	-	125	125	-	-
27	CCBS Minor Works	328	-	-	328	-	7
28	Contingency	16	-	-	16	-	-
<b>Total Programme Supported by Local Resources</b>		831	460	2,125	3,416	-	294
<b>Schemes Supported by the Government</b>							
29	Schools Condition Funding #	15,287	2,522	-	17,809	-	356
<b>Total Schemes Supported by the Government</b>		15,287	2,522	-	17,809	-	356
<b>Total Excluding Land</b>					21,225		650
Advance and Advantageous Land Purchases					646		
<b>Total Programme</b>					21,871		650

**Capital Programme - 2018/19**

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
N/A	-	-	Various schemes throughout the County, linking to the Corporate Priority of maximising wellbeing.	22
N/A	-	-	Various schemes throughout the County.	23
N/A	-	-	Fees to prepare transportation and environmental assessments and other advanced feasibility, design and analysis work to secure outline planning approvals to market sites.	24
N/A	-	-	Continuing programme of replacing vehicles linking to the Corporate Priority of making Hampshire safer and more secure for all.	25
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	26
N/A	1	12	Provision of minor works across the department including Library and Countryside services	27
N/A	-	-		28
Owned	-	-	Major repairs and improvements, linking to the Corporate Priority of making Hampshire safer and more secure for all.	29

# controlled on an accrued expenditure basis

## Policy and Resources 2015/16 capital programme

1. Latest programme limit:	£'000
Total programme as per budget book	38,304
Carry forward schemes from 2014/15	23,695
Share of capital receipts agreed by Cabinet 22/06/15	252
Share of capital receipts previously agreed by Cabinet	657
Adjustment to funding (Schools)	
- School condition funding	(358)
Additions approved EMPR April 15	
- Solar Photovoltaic Cells	1,000
- Energy Performance Programme Phase II	1,000
Additional Grant Funding for Tile Barn Outdoor Centre	50
Changes to workstyle programme	
- Variation to Park House Office Project	80
Transfer of coastal conservation budget to ETE	(844)
Revenue contributions to capital	
- Runways End Staff Accommodation	100
- SAP HANA	422
- Picture Room works	20
- Tile Barn	11
Use of unallocated	-80
Technical adjustment – Pooled Property Fund	15,000
Technical movements to revenue:	
Flood works	-100
Capital repairs	-5,591
Capital Repairs (schools funded)	-10,894
	<b>62,724</b>

**2. Analysis of 2015/16 programme including carry forwards from 2014/15:**

	<b>£'000</b>
Capital repairs - Schools condition funding (including £12m carry forward from 2014/15)	22,034
Vehicles for Hampshire Transport Management (HTM)	2,000
Havant Day Services access road – carried forward from 2011/12	55
<b>Schemes controlled on an expenditure basis:</b>	<b>24,089</b>
Office accommodation	428
Facilities Management	160
Southern Area Office Hub	340
Lymington Office Hub	160
Old Town Hall, Aldershot	800
Park House, Alton	480
Scientific Services	105
Advance fees	860
Disposal of site fees	379
Feasibility budget	430
Non-Schools Estate Planned Repairs and Maintenance	2,500
Investment in Hampshire	3,000
Strategic Land Promotion, Development and Disposal	3,000
Energy Performance Programme Phase II	1,000
Solar Photovoltaic Installations	1,000
IT Services: Major replacement projects	323
IT Services: Business as usual replacement	1,517
IT Services: SAP HANA	422

Countryside and Rights of Way Improvements (2013/14 & 2014/15 allocations)	90
Countryside Storm Damage Funding	150
Community Buildings and Village Halls	1,125
Tile Barn Outdoor Centre	361
ICT Developments	120
Customer access improvements and Health and Safety Schemes	160
Libraries and Minor Works	83
Arts Centres – Minor Works Programme	30
Basingstoke Canal	800
Rights of way/Byways	600
Footway Improvements	15
Runways End Staff Accommodation	100
Investment - Pooled Property Fund	15,000
Unallocated 25% of Capital receipts	2,446
<b>Schemes controlled on a starts basis:</b>	<b>37,984</b>
Unallocated	651
<b>Policy and Resources Capital Programme 2015/16</b>	<b>62,724</b>