

REPORT OF THE  
**Cabinet**  
PART I

**103. CAPITAL PROGRAMME REVIEW**

1. At a meeting on 21 July 2014, Cabinet received a report of the Chief Executive and the Director of Corporate Resources providing a review of the Capital Programme 2014-2017.

2. The review of the Capital Programme was conducted to consider options related to: the accelerated implementation of projects, the addition of projects, the delivery mechanisms and timescales of the programme, new pressures and key considerations, and potential opportunities for joint funding and to maximise the benefits of capital expenditure by Government and other agencies within the County.

3. Cabinet agreed to:

- i. Note the significant contribution that a capital programme in excess of £0.75 billion makes to the overall infrastructure, facilities and economic prosperity of the County.
- ii. Note the challenges outlined in this report in respect of the future provision and funding of school places.
- iii. Approve the extension of the Extra-Care programme for older people to 700 units at an estimated cost of £26m (from the existing capital programme allocation) in order to secure the accelerated delivery of 500 units by 2017.
- iv. Recommend to County Council the addition of £6m to the capital programme for an Extra-Care programme for young adults.
- v. Recommend to County Council to approve the other new capital schemes and their sources of funding as set out in Appendices 1 and 2 of the Cabinet report
- vi. Approve an allocation of up to £100,000 to progress training accommodation for skills for young people, subject to approval of final business cases and the balance of funding being made available by the LEPs and other partners.
- vii. Commit to a formal policy position that the County Council will act as a key enabler, where possible, in taking forward flood mitigation measures with partner Councils and other agencies.
- viii. Give future consideration to a contribution of up to £10 million to a new secondary school at Whitehill and Bordon.
- ix. Retain the balance of funding in the Extra-Care programme of £10m pending the review of the Transformation to 2015 Programme in October.

- x. Approve the retention of the remaining funding in the programme pending the outcome of further feasibility work due to take place this year.
- xi. Delegate authority to the Director of Economy, Transport and Environment to submit transport or other infrastructure bids that require new County Council matched funding up to a maximum of £4m per bid in consultation with the Leader, relevant Executive Member, Chief Executive and Director of Corporate Resources.
- xii. Accept the offer from the Department for Culture Media and Sport of a further £9.2m of grant towards the Hampshire Broadband Programme
- xiii. Recommend to County Council (subject to the agreement of recommendation 12) the addition of £12.040m to the Policy and Resources capital programme (£10.240m from extra grant and an assumed £1.8m of external contributions).
- xiv. Approve, subject to County Council approval of recommendation 13, additional spending of £11.8m to extend the availability of superfast broadband services across the County through the Hampshire Broadband Programme.
- xv. Approve a contracting programme with a total value of up to £21m for the next phase of superfast broadband roll out subject to attracting £1.8m of external funding to support the programme.

4. The full Cabinet report of 21 July 2014 can be found at [www.hants.gov.uk/councilmeetings.htm](http://www.hants.gov.uk/councilmeetings.htm) by typing in the relevant reference number. It is also annexed to this report for reference.

- Capital Programme Review (search item reference 5893)

## **RECOMMENDATIONS**

That the County Council:

- (a) Approve the addition of £6m to the capital programme for an Extra-Care programme for young adults.
- (b) Approve the other new capital schemes and their sources of funding as set out in Appendices 1 and 2 of the Cabinet report.
- (c) Approve the addition of £12.040m to the Policy and Resources capital programme for the Hampshire Broadband Programme (£10.240m from extra grant and an assumed £1.8m of external contributions).

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

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	21 July 2014
<b>Title:</b>	Capital Programme Review
<b>Reference:</b>	5893
<b>Report From:</b>	Chief Executive and Director of Corporate Resources

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## 1. Executive Summary

1.1 A review of the Capital Programme 2014-2017 has been conducted to consider what options exist to:

- Accelerate implementation of projects and programmes;
- Evaluate what options there might be for adding projects to the programme;
- Review the delivery mechanisms and timescales for the programme between now and 2017;
- Identify any new pressures or key considerations for the programme; and
- Where relevant and appropriate, identify opportunities to consider joint funding and other opportunities to maximise the benefits of capital expenditure by Government and other agencies within the County.

1.2 Many Capital Projects are subject to planning terms and conditions, site acquisition strategies and relatively long lead in times for design, development, procurement and implementation. Increasingly, joint funding of projects across the public sector by different agencies and Councils becomes a significant part of future capital investment flows. Identifying the relevant timing and opportunities for such projects, particularly in relation to LEP related expenditure, creates further uncertainty but offer unexpected opportunities.

1.3 The time before the General Election and perhaps just after is also an occasion when Government's look to fund major projects. In such cases it is often been to the County Council's benefit to have schemes relatively well advanced and capable of implementation at relatively short timescales. Funding preparatory work for these schemes and other major developments is also a key consideration for this review of the programme.

- 1.4 In addition, the opportunity is taken in this report to review the major issues around developing and delivering additional secondary school places. Following on to a large extent from the recently approved funding for primary places. This issue cannot be progressed without further feasibility and development work which is recommended. It also raises important policy, financial and viability issues around future developments.

## 2. Scope of the Work

- 2.1 The County Council agreed as part of the budget setting process for 2014/15 to undertake a review of the capital programme and other associated issues. The review was considered across seven inter-related themes:
- Review current and future levels of capital receipts;
  - Feasibility work to fund and support major developments in Hampshire;
  - Review of the Extra-Care programme;
  - Review capital programme spend and financing 2014 – 2017;
  - Identification of new, short term capital investment priorities across the County Council;
  - Potential opportunities for further collaboration with other organisations; and
  - Evaluate risks and benefits of borrowing on behalf of or investing in other organisations.

## 3. Strategic Benefits of Capital Expenditure

### 3.1 Economic Impact

The projects involved in this review come to £765m over a three year period. This will constitute the largest injection of public sector capital within the County over the same time period. The bulk of the programme ends up in the construction sector: creating jobs, demands for materials, improved infrastructure and improvements to the public realm: schools, roads, countryside etc.

### 3.2 Asset Management – Economic Benefits

The Councils long tradition of effective asset management demonstrates how much economic benefit and improvement comes from recycling assets, and in particular releasing the relevant land to the market at the right time, both to enhance the return to the Council tax payer (expected capital receipts from the last release of strategic land are anticipated to generate up to £170m) but also to facilitate local planning authorities to make sense of housing growth using County Council land. The additional investment in superfast broadband will allow up to another 45,000 premises to enjoy the benefits of home working, learning and business development that comes from this unprecedented expenditure in our community.

### 3.3 Capital Investment in Hampshire

The revenue financial position is rehearsed elsewhere on the agenda. Without doubt our revenue expenditure is significantly constrained – but still some £1.9 billion (gross) a year. Our capital expenditure is not constrained in the same way and is now the most flexible element of our spending, allowing the County Council to phase developments over time, complement expenditure of other organisations and focus across services and geography where the greatest return economically, financially and socially is obtained. The vast majority of this capital expenditure will find its way into services and assets where the benefits will be consumed for many years to come. No better example than the unprecedented building programme of school places – plans for which are approved in this review and forecast for the years beyond 2017.

## 4. Hampshire Superfast Broadband Programme

- 4.1 Hampshire already collaborates with a range of partners in delivering the Hampshire Broadband Programme and recent announcements around additional funding make it timely to consider the next phases of the programme.
- 4.2 The original programme for Broadband within Hampshire committed a total of £10m (of which £3.75m was funded by Hampshire County Council) in order to meet the original target of increasing the commercial availability of superfast broadband to 90% of premises in the County. This funding has been supplemented by a further £1.040m grant from Government (formerly the Rural Community Broadband Fund) that will extend superfast coverage to around a further 3,700 premises under the initial contract arrangements. Furthermore, it has also recently been announced that £1.2m has been awarded to a company called 'Call Flow' to explore, within Hampshire, alternative innovative ways of delivering super fast broadband in difficult to reach areas.
- 4.3 The 2012/13 budget setting process approved a further allocation of £10m for the Hampshire Broadband Programme (HBP) and in December 2013 the Executive Member for Policy and Resources approved up to £9.2m of this funding to extend the coverage to 95% of premises, leaving £800,000 of the additional allocation uncommitted.
- 4.4 This extended programme has been recognised by the Government as being ambitious and progressive and as a result, they have provided additional matched grants to £9.2m to further extend coverage across the County.
- 4.5 Since the second phase of procurement has not yet started, this provides an ideal opportunity to maximise the use of the total additional funding. It is anticipated that the total resources of £18.4m may achieve coverage between 97% and 98% across the County and this report seeks approval to proceed on that basis. The Leader and the Chief Executive had previously agreed to proceed on the basis of accepting the funding to maximise the contribution to Hampshire.
- 4.6 In addition, it is also recommended that some flexibility be built in to the tender process that will help extend coverage in other harder to reach areas that may also be supported by contributions from our partners, local communities or the private sector. It is therefore proposed that the balance of funding of £800,000

as mentioned in paragraph 4.3 be used as leverage funding to attract up to a further £1.8m external funding which would take the total contracted value to a potential value of £21m. This would represent a total investment in Broadband of public funding of £32.040m made up as follows :

	£'000
Hampshire County Council	13,750
Government Grant	15,240
District Contributions	1,250
Assumed additional contributions	1,800

- 4.7 This will mean that coverage across the County could be extended further with no additional financial commitment from the County Council and will put Hampshire at the forefront of delivery of super fast broadband. Another good example of using Council funds to leverage into Hampshire, central Government funding.

## **5. Review of future levels of capital receipts**

- 5.1 The short / medium term forecast profile of capital receipts for reinvestment is £16m - £21m up to March 2017. The medium / long range forecast of the Strategic Land Programme is £90m - £120m by 2029/30 and approximately £40m - £50m beyond 2029/30. This represents significant income for the future.
- 5.2 The majority of the short/medium term forecast receipts are allocated to existing capital schemes and transformation programmes, with the exception of £0.3m in 2014/15 and £2.0m in 2015/16. None of the medium to long or long range forecasts are currently allocated against the programme. It is recommended that this review should consolidate this position.
- 5.3 The short term receipts are included as potential resources available for short term reinvestment discussed in this report, however, there is also the potential for the County council to decide to 'mortgage' future receipts by undertaking prudential borrowing now to support current priority schemes that would be paid off by the eventual receipts once received. This is not recommended until further work has been done on future liabilities and opportunities.
- 5.4 Whilst this gives the County Council the opportunity to address major capital investment priorities in the short term, it does limit the longer term ability to continually add to the capital programme as new requirements arise. It is therefore proposed that anticipated future receipts beyond 2017 will not be earmarked or deployed against future projects until further preparatory work has been completed (e.g. in relation to Secondary Schools).

## **6. Feasibility to fund and support major developments in Hampshire**

- 6.1 The County Council performs many differing roles in respect of major investment and development across the County. These include statutory roles to deliver transport and education infrastructure, planning roles, land ownership, strategic and economic development and working with a range of partners across all of these areas.
- 6.2 Whilst these are separate roles often with different objectives, there is the opportunity for the County Council to work in a more effective way to both progress statutory and strategic objectives at the same time as maximising resources for its own capital investment priorities.
- 6.3 Initial work as part of this capital review involved several Departments which considered how they might work better to progress potential major new developments to deliver both strategic objectives and potential returns. These include potentially inter related work streams for :
- Commercial development to realise long term revenue streams and stimulate economic prosperity;
  - Advance infrastructure funding at strategic development sites;
  - Land acquisition to facilitate major developments including the exploration of opportunities at Welborne and Bordon Whitehill;
  - Land acquisition in areas of potential growth.
  - Working with partners to fund and deliver major schemes that are consistent with the County's wider objectives but also give the opportunity to share in future development gains.
- 6.4 There are many potential opportunities already identified that the County Council could look at in the short to medium term and each of these is unique in terms of the mix of issues being considered. However, what is clear is that the provision of school places is a significant factor for the County Council's longer term planning in respect of the issues highlighted above. For the first time in recent years there is now a prospective issue about significant demand for additional secondary school places including whole new secondary schools.
- 6.5 Significant funding has already been provided in recent years to meet growing demand within the primary sector and inevitably this will feed into pressures for the secondary sector both as a result of demography and planned increases in housing development in particular but not solely within the 'M27 corridor'. There was a decline in numbers of secondary aged pupils over the last ten years that will bottom out in 2016 as the primary numbers and the impact of new housing starts to feed through. Current projections would suggest a shortfall of around 5,500 across the county, with inevitable local variations in pressure.
- 6.6 It has been some time since the County Council built a new secondary school and it is fair to say that the environment for school provision and governance has changed dramatically since that time and issues around funding will be a major consideration both from a planning and a political viewpoint. (The last Secondary School built by the County Council at Popley, Basingstoke was almost entirely funded by the County Council. That school is now a sponsored academy.)

- 6.7 Traditionally funding provided by central Government for new school places has never been sufficient to provide the full funding to build a school of the quality expected by the County Council and the residents of Hampshire. Government funding has been supplemented by contributions from developers through section 106 agreements, but these are less likely to be available at historic levels following the introduction of the Community Infrastructure Levy, which places restrictions on the future levels of major Section 106 contributions.
- 6.8 Even allowing for past levels of contributions, the County Council has still had to provide further gap funding to meet the full cost of new schemes. A further added complication to the position is the increase in the number of academies and the anomalies that exist in terms of funding and ownership of schools that transfer to academy status.
- 6.9 This changing landscape calls into question the County Council's ability to gap fund major secondary school provision in the future, given that one school could be as much as £35m including with land values based on current estimates of the nature and location of needed provision. It is therefore timely to review the future strategy for secondary school provision, which would involve discussions with the DfE and the Education Funding Agency to consider how to address the issues that are raised, recognising that this is a picture of demand being seen nationally, so the issues will be well understood in government but the competition for their resources will be severe.
- 6.10 This will require a full understanding of the needs, the costs, the funding and the timing, which can also dovetail with the wider piece of work outlined in the first part of this Section 4 in order to consider the wider opportunities that exist for major investment and development gains. Notwithstanding the issues of the changing landscape of models of school provision and governance, Hampshire County Council has repeatedly reaffirmed its commitment to its role as a local education authority, recognising the importance of this role to securing the best outcomes and prospects for the county's children, and also, in this context, recognising the importance of high quality and high performing school provision as core to any strong community.
- 6.11 It is therefore recommended that initial feasibility funding of up to £350,000 over the next two years is provided in order to enable officers to examine these opportunities and bring back specific options for further consideration in the context of the schools position above. The first phase of this work will take around 5 months to complete and information should be available for the start of the new calendar year.
- 6.12 A total sum of £7m has already been allocated within the capital programme to support Strategic Infrastructure Investment and this could be used as a source of funding to support the feasibility work and provide match funding if required to help progress specific major development sites. This funding is included in the table at paragraph 8.1.
- 6.13 Finally on the specific challenge of secondary school planning, while the authority is in good time to plan for these county-wide strategic developments, there is a more immediate issue to do with the need for improved secondary provision in Whitehill and Bordon. As that development progresses, the need for new secondary school provision as a critical catalyst to shape the new area has become increasingly clear.

6.14 The case for Basic Need in DfE terms (ie the sheer gap between demand and available spaces) is not as evident here. But it is abundantly clear that the existing secondary school will need to expand and be based on new premises to ensure it offers the best opportunity for this developing community. Officers and partners are satisfied that without appropriate investment in this re-provision the existing school will be condemned to continue to struggle in inadequate accommodation facing increasing competition from more distant schools for pupils. This will significantly impede the chances of prosperity for the whole community. It is therefore proposed that the County Council should consider, subject to the future shape and progress of the overall development, a separate investment of up to £10m for a new secondary school. This proposal would also be subject to a later review of the programme mentioned later in this report.

## **7. Review of the Extra-Care programme**

- 7.1 Extra-Care assisted living helps people who might otherwise have required residential care, to live in a home of their own and therefore reduces the demand and costs for residential care.
- 7.2 The original Extra-Care programme for older people assumed that 500 units would be delivered by 2019 at an estimated cost of £42m which was primarily to be used as gap funding based on the individual requirements of the sites and availability of funding from other agencies.
- 7.3 When the original business case was developed, it was anticipated that County Council funding would on average account for 50% of the cost of the planned schemes, around £84,000 per unit. However, delivery of the early schemes in the programme have seen leverage of significant external funding with the first two schemes alone only requiring £2m of County Council resources out of a total spend of £22m (9.1%) to secure 120 units, at a cost to the County Council of £16,667 per unit.
- 7.4 This funding profile, together with the fact that discussions on future sites and delivery are much more advanced with our partners means that it is now anticipated that the original target of delivering 500 Extra-Care apartments can be achieved at a cost to HCC of only £20m.
- 7.5 However, the pace of delivery is determined by many factors in particular the complexity of the land and planning elements of the scheme and the funding arrangements, which can often involve several different agencies as well as private developers. A review of the programme based on what has been delivered to date has therefore been undertaken and there is the option to accelerate the programme of delivery to try to achieve the 500 units by 2017.
- 7.6 This would involve targeting a programme of around 700 units (including the commitment to new dementia provision at Cranleigh Paddock) on the basis that some schemes will take longer than others to deliver due to planning and funding issues. However by taking this approach accelerated delivery for the 500 units by 2017 is more likely to be more successful and it is anticipated that this accelerated delivery together with the extra 200 homes could be delivered within a total resource envelope of £26m. The programme will be planned in such a way that use of the resources are flexible and that options exist to

progress or stop schemes depending on the viability of the overall programme or issues around funding.

- 7.7 This report therefore recommends that £26m be set aside to deliver up to 700 units that will secure accelerated delivery of the original 500 target by 2017. As with the existing programme, each scheme will still require approval by the Executive Member for Policy and Resources on a business case by business case basis.
- 7.8 The review of the Extra-Care programme has also highlighted a key issue in respect of the positioning of Extra-Care within the wider context of the current social care landscape. The benefits of Extra-Care are well proven in terms of providing suitable high quality accommodation for older people with varying levels of care needs, which help to keep people living independently without the need for more costly traditional care settings.
- 7.9 However, it is clear, even with an accelerated programme to deliver the original Extra-Care units that we cannot possibly keep pace with the scale of the increasing demography and complexity demands within the system, together with the impact of a National Health Service under severe pressure. A more fundamental and radical solution is required to address the pressures in the system which is reflected in some respects within the objectives of the Better Care Fund.
- 7.10 It is therefore considered appropriate at this point to commit in this report to delivering the original target of 500 units within an accelerated timeframe and to extend the programme to 700 units in order to achieve this. These will come forward on a scheme by scheme basis, but the best estimate of the cost at this stage is £26m. This sum would also provide some flexibility to ensure that the County Council is in a strong position to take advantage of and to progress other schemes of an opportunistic nature should they arise.
- 7.11 This would leave an unallocated balance of £16m within the capital programme which has been included in the resources set out in paragraph 8.1. The highest priority call against these resources is the plan to extend the Extra-Care programme to Young Adults in order to achieve savings of up to £1.2m which are included within Adult Services savings plans for 2015/16.
- 7.12 In a similar way to the older persons schemes, the actual cost of providing the required number of units will vary depending on the types of schemes (which by their nature are likely to be smaller in size) and the complexity of the land issues and availability of external funding.
- 7.13 Initial work would suggest that a provision of £6m would be required to provide sufficient units to make this saving and this report recommends that part of the £16m is used for that purpose.
- 7.14 This would leave a balance of £10m within the programme which is currently unallocated. Given the complex landscape that surrounds Adult Social Care and the interaction and integration with Health, it is considered prudent at this stage to leave this amount as unallocated in the programme in order to provide further time to take stock of various strands of work that will contribute to savings in 2015/16 and beyond and to consider wider options around working with the Health sector on community health provision.

- 7.15 The Medium Term Financial Strategy, presented elsewhere on this agenda, explains that a further review of the Transforming the Council to 2015 programme will take place in September with a further update to Cabinet in October and it would seem sensible to review this funding in light of the outcome of that review at that stage. This would provide an opportunity to assess the effectiveness of the savings exercise in Transformation to 2015 (next review in October) but leave the County Council in a strong position to make future decisions from a well informed position.

## 8. Review of Capital Programme spend and financing 2014 to 2017

- 8.1 The Capital Programme has been reviewed on a risk basis to identify opportunities to release existing capital funding to alternative targeted schemes.

Department	Item	Value £'000
Children's Services	Estimated surplus to 2016/17 in schools programme	19,200
Adult Services	Extra-Care	16,000
Policy and Resources	Country Parks (re-phasing)	3,700
	Land purchase budget	1,900
	Invest in Hampshire funding	9,000
	Strategic Infrastructure Investment	7,000
Economy, Transport and Environment	Havant footbridge	500
	HWRC uncommitted	1,600
	Public Realm improvements	500
District Energy Capital Provision	Balance of £7m agreed in Feb 2013	5,100
<b>Total</b>		<b>64,500</b>

- 8.2 The table includes sums that are currently uncommitted and those where existing funding is unlikely to be used until the latter end of the programme but will still be needed at some point. In particular the Children's Services surplus was being held within the programme in recognition of the substantial liabilities that will arise from the need from additional secondary school places and recent reviews have indicated further pressure in the primary school sector that may also come to bear at the latter end of the current capital programme time frame.

- 8.3 Careful consideration therefore needs to be given to the utilisation of this funding at this stage given the potential investment pressures this might create in future years, in particular in respect of school places provision discussed in section 6. The potential uses for this funding are explored further in this report.

#### *Investing in Hampshire*

- 8.4 Along with the Broadband provision this was the only significant addition to the Policy and Resources Programme at the last Capital Programme review. Over the years the County Council has made very significant contributions to joint funded infrastructure projects, major tourist and development opportunities, and significant civic projects. These relate to Winchester Cathedral, the Mary Rose museum development, the High Street in Winchester and other projects where the spending required does not fit in to the normal service programme or departmental budget and therefore has to come from Policy and Resources.
- 8.5 Contributions and support for these sorts of projects has to be done on a formal business planning basis. In the financial circumstances of the review it is proposed this sum be reduced to £7.5 million making a contribution to the overall programme review and potentially creating space later in the year for new projects and demands from other services. This has been reflected in the funding position shown later in the report.

#### *Section 106 Contributions*

- 8.6 Section 106 developer contributions have also been reviewed. Planned developer contribution expenditure 2014 to 2017 is £27m, and the overall balance is just under £45m. It is noted that spending these contributions is strictly controlled with the legal obligations set out in the specific agreement.
- 8.7 A review of unallocated transport contributions with an end date after 2019 suggests a £5m loan is possible, which could be used to support new priorities in the short to medium term. However, due to the complexities associated with Section 106 funding and the availability of other funding at this stage, it is not intended to take these contributions into account.

#### *Bellwin Claim*

- 8.8 Members will be aware that significant costs were incurred by the County Council as a result of the severe weather and flooding earlier this year. A large proportion of this was absorbed within existing budgets and the overspent element was met as part of the overall outturn reported to Cabinet in June.
- 8.9 A Bellwin claim has been submitted to the value of just over £5.0m representing the amount of money spent in excess of the County Council's threshold of £1.5m. Since the majority of the expenditure associated with the claim has already been met as part of the 2013/14 outturn, it is recommended that £4m of this sum is made available as part of this review to help fund the flood repair and mitigation measures identified in the next section, with the balance picking up residual elements of spend that have not been paid until the current financial year.

## **9. Identification of new and short term capital investment priorities**

- 9.1 Capital investment requirements are always significant within a County Council and it is important to get the balance right between funding new investment and delivering schemes that are already in the programme.
- 9.2 One of the objectives for the review of the capital programme was to ensure that resources are directed to the priority areas of need in the short term, possibly at the expense of longer term commitments which may have to be funded at a later date.
- 9.3 Officers have considered what investment needs there are in the short term and these are set out in detail in Appendix 1. The schemes fall in to a number of categories :-

### *Flood repair and mitigation*

- 9.4 A range of measures have been identified that will address damage resulting from the severe weather and flooding earlier this year. £638,000 is required to deal with works to schools within the County in order to undertake repairs to damaged properties and more importantly to implement flood mitigation measures within the most affected schools.
- 9.5 A sum of £250,000 per annum for the next three years is proposed to help deal on a longer term basis with the damage caused across land and assets within the Countryside service. This reflects the fact that the damage was widespread and the ability to tackle this through large programmes of work is therefore limited.
- 9.6 A total of £2.460m flood and sea defences is required as additional match funding (over and above sums that have been found from other sources) towards bids that have been made to the Environment Agency for Flood Defence Grant in Aid (FDGiA). This includes £1.0m as a contribution towards significant planned measures within Hambleton to be reviewed as necessary to match fund other contributions. Indicative outcomes of the bids should be known by the end of July, but there is the possibility that in order to secure the funding, the County Council will need to commit to cash flow the full cost of the schemes on the understanding that funding will be reimbursed at a later date given the significant pressure on resources at this point. This is seen as a minor issue for the County Council assuming a firm commitment is given that the funds will be paid at some point in the future.
- 9.7 A further provision of £2m has also been requested at this stage to provide funding to meet other schemes that will not qualify for grant funding. There are a number of areas that may need targeted works in order to maximise flood defences in the future, but many of these need further work, both in terms of the technical solution that may need to be applied and the likely cost and timing of any schemes. It is therefore proposed that this sum is earmarked in the programme at this point, with specific scheme approvals to be taken by the Executive Member for Policy and Resources at future decision days.

- 9.8 The County Council also wishes to fully recognise the key role it has to play in preventing the future severity and impact of flooding across the County Council. It is therefore proposed that the County Council adopts a formal policy position to act as an enabler for future flood works, where possible, bringing together District Councils, Parish Councils, the Environment Agency and other relevant parties to pursue flood defence works in key localities and to provide funding where needed to unlock schemes that might not otherwise progress.

*Investment in Infrastructure*

- 9.9 A sum of £1m was added to the capital programme as part of the 2013/14 budget setting process in order to fund specific funding for major improvements to community buildings throughout the County.
- 9.10 This provision was allocated by the Executive Member for Culture and Communities as part of a bidding process the aim of which was to maximise the investment in community buildings both to improve the basic quality and infrastructure and to enhance the community facilities that were on offer.
- 9.11 Given the success of this programme and in recognition of the significant facilities that community buildings provide, it is recommended in this report that a further £1m allocation be made available for a similar scheme in this financial year, bids against which will be considered by the Executive Member for Policy and Resources.
- 9.12 A provision of £2m has been included for further investment in our ICT infrastructure. To a large extent this relates to the next phase of development associated with our IBC IT platform and would be dovetailed with other development and integration works that will be required if the County Council extends the existing shared services partnership to Oxfordshire County Council.
- 9.13 Feasibility funding of £140,000 has been requested to progress a number of streams of work associated with the corporate savings workstream of 'Workstyles and Other Asset Backed Opportunities'. Whilst £2m will be delivered by the current Workstyles programme as part of Transformation to 2015, there are further opportunities that are being explored to extend the Workstyles programme and to look at more radical options for other asset backed opportunities. Funding is requested to undertake further work on the feasibility of some of these longer term options that then may form part of the proposals for Transformation to 2017/18.

*Balance of Extra-Care Funding*

- 9.14 Having provided for and expanded the original ambition for Extra-Care, it is proposed that a further £6m is earmarked in the programme for use by Adult Services for extending Extra-Care to Young Adults in line with the narrative set out in Section 7 with the balance of £10m remaining uncommitted for further review within the Transformation to 2015 Programme and in respect of discussions that are currently developing with Health sector colleagues.

*Feasibility funding for school pressures / major development opportunities*

- 9.15 As outlined in Section 6, significant opportunities exist to exploit the County Council's position as a landowner and developer in line with its statutory duties and other objectives around economic development and collaborating with partners. These opportunities must be viewed in the context of the need to provide school places, in particular in the secondary sector and a significant piece of work is required to bring all of the issues and options together for consideration at a later date, together with further feasibility work that will be required when there is more certainty around the proposed direction of travel. Feasibility funding of £350,000 to allow this work to progress is therefore required.
- 9.16 In summary, Appendix 1 shows that in total, projects to the value of just over £15.3m have been identified within this report the proposed funding of which is outlined in section 12.

## **10. Potential opportunities for further collaboration with other organisations**

### *Collaboration with Local Enterprise Partnerships*

- 10.1 From 2015/16 to 2020/21, both Hampshire LEPs will oversee significant capital funding programmes supported by the LGF. The main focus of these programmes will be housing, transport and further education related projects.
- 10.2 Solent LEP set out a case for £300m of LGF funding over 6 years and Enterprise M3 LEP requested £340m. The outcomes of the bidding for local growth funding was announced on 7<sup>th</sup> July, and provides £124.8m for the Solent LEP area and £118.1m for Enterprise M3 LEP area, with over £130m of funding for projects within the Hampshire County Council area. The announcement confirms firm commitments for 2015/16 of £27.5m for Solent and £29.4m for Enterprise M3, with a further £57.7m and £31.3m respectively as initial commitments for the period 2016/17-2020/21. Prioritised transport projects, for which delivery timing is still to be finalised in detail as the funding announcements are worked through, demonstrates an opportunity to leverage significant funding for major infrastructure schemes across Hampshire, many of which Hampshire County Council is the main delivery partner.
- 10.3 The allocations to growth fund projects across the two LEP areas is outlined below. This demonstrates approximately £916.5m of capital investment being part facilitated in relation to transport schemes, by £17.69m of HCC capital contribution. This will be the most significant capital investment in transport, infrastructure and economic development related projects for many years. With a strong focus on delivery, it will stretch the County Council's and the construction industry's capacity locally to the full to secure timely delivery of these major projects, particularly in 2015/16. In order to meet this challenge it will be important to review existing programmes and resource allocations across the range of transport projects in particular.

	<b>Enterprise M3 LEP £M</b>	<b>Solent LEP £M</b>	<b>Total £M</b>
LGF Funding	118.1	128.4	246.5
Other Funding Sources	310.0	360.0	670.0
<b>Total</b>	<b>428.1</b>	<b>488.4</b>	<b>916.5</b>

Weblinks to the full Statements of the LEP settlements are available in the background documents section of this report.

- 10.4 The opportunity to work with LEP's and other agencies to leverage additional funding over and above the numbers in the above table will be further progressed as part of the wider piece of work outlined in Section 6 but it is possible that short term opportunities may arise to attract external funding to the County, which may require some element of matched funding.
- 10.5 Given the County Council's unique position to co-ordinate and submit bids of this nature, it is important that flexibility exists within Council to approve matched funding as part of these bids and therefore this report seeks delegated authority for the Director of Economy, Transport and Environment to submit bids that require new County Council matched funding up to a maximum of £4m per bid in consultation with the Leader, Chief Executive and Director of Corporate Resources.
- 10.6 The opportunity also exists to work with LEPs on developing skills for young people within the college sector and this report seeks an in principle decision to commit County Council resources of up to £100,000 (representing around 5% of the total cost) to progress options for new training accommodation with LEP partners, subject to detailed business cases and the balance of funding being approved.

## **11. Evaluate the risks and benefits of borrowing on behalf of or investing in other organisations**

- 11.1 Local authorities have powers under Section 12 of the Local Government Act 2003 to invest "for any purpose relevant to its functions under any enactment, or for the purpose of the prudential management of its financial affairs".
- 11.2 The County Council's annual Treasury Management Strategy ensures that it only invests, or lends money to, organisations of high credit quality. The strategy lists a number of factors that it uses to assess the credit quality of the organisations in which it invests, including a minimum long term credit rating from the three main rating agencies.
- 11.3 Whilst there are many potential opportunities for the County Council to invest in organisations with a link to Hampshire and with similar objectives, they must still meet the minimum credit criteria specified in the Annual Investment Strategy. This would also apply if the County Council were to borrow on behalf of other organisations (as it can do for LEP's under a Government Scheme) unless the

borrowing was underwritten by a legal agreement secured against assets or by the Government itself.

## **12. Summary**

- 12.1 The table in paragraph 8.1 identified funds of £64.5m within the current capital programme that could be made available to support alternative capital investment. Taken together with capital receipts of £2.3m and a potential Bellwin claim of £4m gives a grand total of £70.8m.
- 12.2 A large proportion of the schemes set out in paragraph 8.1 will need to be re-phased within the programme and still therefore require the funding that was originally identified for them. The release of funding from the Investing in Hampshire programme also needs to be reflected, together with the proposal to retain £10m of the Extra-Care funding as part of the wider Transforming the Council to 2015 Programme.
- 12.3 It is also necessary to retain some funding pending the results of feasibility works for schools, major developments, partnership working with LEPs and the energy programme. These factors have therefore all been reflected in the funding table shown in Appendix 2, together with proposals for funding the capital expenditure contained in Appendix 1
- 12.4 This report also recommends that the County Council considers at a later date a £10m contribution to a new secondary school at Whitehill and Bordon, subject to the future shape and progress of the overall development.

## **13. Recommendations**

- 13.1 It is recommended that Cabinet:
  - 1. Notes the significant contribution that a capital programme in excess of £0.75 billion makes to the overall infrastructure, facilities and economic prosperity of the County.
  - 2. Notes the challenges outlined in this report in respect of the future provision and funding of school places.
  - 3. Approves the extension of the Extra-Care programme for older people to 700 units at an estimated cost of £26m (from the existing capital programme allocation) in order to secure the accelerated delivery of 500 units by 2017.
  - 4. Recommends to County Council the addition of £6m to the capital programme for an Extra-Care programme for young adults.
  - 5. Recommends to County Council to approve the other new capital schemes and their sources of funding as set out in Appendices 1 and 2
  - 6. Approves an allocation of up to £100,000 to progress training accommodation for skills for young people, subject to approval of final business cases and the balance of funding being made available by the LEPs and other partners.

7. Commits to a formal policy position that the County Council will act as a key enabler, where possible, in taking forward flood mitigation measures with partner Councils and other agencies.
8. Gives future consideration to a contribution of up to £10 million to a new secondary school at Whitehill and Bordon.
9. Agree to retain the balance of funding in the Extra-Care programme of £10m pending the review of the Transformation to 2015 Programme in October.
10. Approve the retention of the remaining funding in the programme pending the outcome of further feasibility work due to take place this year.
11. Delegate authority to the Director of Economy, Transport and Environment to submit transport or other infrastructure bids that require new County Council matched funding up to a maximum of £4m per bid in consultation with the Leader, Chief Executive and Director of Corporate Resources.
12. Accept the offer from the Department for Culture Media and Sport of a further £9.2m of grant towards the Hampshire Broadband Programme
13. Recommend to County Council (subject to the agreement of recommendation 12) the addition of £12.040m to the Policy and Resources capital programme (£10.240m from extra grant and an assumed £1.8m of external contributions).
14. To approve subject to County Council approval of recommendation 13 additional spending of £11.8m to extend the availability of superfast broadband services across the County through the Hampshire Broadband Programme.
15. To approve a contracting programme with a total value of up to £21m for the next phase of superfast broadband roll out subject to attracting £1.8m of external funding to support the programme.

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

<b>104. Hampshire safer and more secure for all:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>105. Maximising well-being:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>106. Enhancing our quality of place:</b>	no
Corporate Improvement plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
<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>
Enterprise M3 Growth Deal	<a href="https://www.gov.uk/government/publications/enterprise-m3-growth-deal-2014">https://www.gov.uk/government/publications/enterprise-m3-growth-deal-2014</a>
Solent Growth Deal	<a href="https://www.gov.uk/government/publications/solent-growth-deal-2014">https://www.gov.uk/government/publications/solent-growth-deal-2014</a>

## **IMPACT ASSESSMENTS:**

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

Equality objectives are not considered to be adversely affected by proposals in this report but individual capital schemes will consider at a more detailed level the equalities impact of any investment.

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

In designing and implementing detailed schemes within the capital programme, issues in respect of crime and disorder will be taken into account.

### **Climate Change:**

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

In designing and implementing detailed schemes within the capital programme, issues in respect of energy consumption and climate change will be taken into account.

## **CAPITAL INVESTMENT PRIORITIES**

	<b>£'000</b>
<b><u>Flood Repairs and Mitigation - Specific Works</u></b>	
Schools - repairs and mitigation	638
Countryside - repairs and mitigation	750
<b><u>Flood Repairs and Mitigation - Match Funding</u></b>	
Contribution to flood defence programme - Flood Grant in Aid (FGiA) Partnership	1,460
Mitigation works at Hambledon (match funding)	1,000
<b><u>Flood Repairs and Mitigation - General Provision</u></b>	
Contribution to further flood defence works	2,000
	<b><u>5,848</u></b>
<b><u>Investment in Infrastructure</u></b>	
Community Buildings Fund	1,000
Asset Backed Opportunities - Feasibility	140
Investment in ICT Infrastructure	2,000
	<b><u>3,140</u></b>
Extra-Care for Young Adults	6,000
School Pressures / Major Development Feasibility	350
<b>Total</b>	<b><u>15,338</u></b>

Department	Item	Funding	Re-phasing / Committed	Flood Works	Infra-structure	Extra-Care for YA	Major Dev. Feasibility	Uncommi-tted
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	Estimated surplus to 2016/17 in schools programme	19,200	19,200					0
Adult Services	Extra-Care	16,000				6,000		10,000
	Country Parks	3,700	3,700					0
Policy and Resources	Advance and advantageous land purchases	1,900						1,900
	Invest in Hampshire funding	9,000	7,500	1,500				0
	Strategic Infrastructure Investment	7,000					350	6,650
Economy, Transport and Environment	Havant footbridge	500	500					0
	HWRC uncommitted	1,600				1,188		412
	Public Realm improvements	500						500
District Energy Capital Provision	Balance of £7m agreed in Feb 2013	5,100						5,100
	Capital receipts	2,300		348	1,952			0
	Bellwin claim	4,000		4,000				0
<b>Total</b>		<b>70,800</b>	<b>30,900</b>	<b>5,848</b>	<b>3,140</b>	<b>6,000</b>	<b>350</b>	<b>24,562</b>