

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member – Environment
Date of Decision:	12 January 2010
Decision Title:	Capital Programme 2010/11, 2011/12 and 2012/13
Decision Reference:	1183
Report From:	Director of Environment and County Treasurer

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1. Executive Summary

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

2. Background

2.1. In approving the medium term financial and efficiency strategy on 26 October 2009, the Cabinet agreed that the guidelines for the locally resourced capital programme for 2010/11 to 2012/13 should be set at the same level as the current capital programme for 2009/10 to 2011/12. This reflects the continued uncertainty about the levels of capital receipts likely to be available to finance the locally resourced capital programme.

2.2. Executive Members can now prepare proposals for:

- (i) a locally resourced capital programme for the three-year period from 2010/11 to 2012/13 within these guidelines; and

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

2.3. There is considerable uncertainty over the level of Government support from 2011/12 onwards, and therefore it has been considered prudent not to include firm programme details for 2011/12 or outline estimates for 2012/13.

2.4. 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. Overview

3.1. The Environment capital programme is mainly funded through the Local Transport Plan (LTP) settlement in the form of supported borrowing and grants. The LTP covers integrated transport schemes (tackling safety, congestion, access and amenity problems) and structural maintenance of roads and bridges. In addition, substantial external funding (EF) is available from developers' contributions, district and parish councils, plus the South East England Partnership Board and other bodies.

3.2. Due to Hampshire County Council remaining a floor authority for grant settlement purposes, LTP borrowing is only partially supported, and so the allocation has not been fully taken up. The reduction in supported borrowing guidelines was set by Cabinet for 2007/08 onwards.

3.3. Most of the rest of the Environment capital programme is funded from local resources within limits set by Cabinet. These programmes include a further allocation for highway maintenance, as well as funding for environmental improvements/urban regeneration schemes and waste management (household waste recycling centres and facilities management).

PART A : RESOURCES

4. Locally resourced capital programme

4.1. The cash limit guidelines for the locally resourced capital programme for the Environment service were set by Cabinet in October 2009. These guidelines have been subsequently amended to reflect base budget adjustments between capital and revenue.

4.2. The adjusted guideline figures are as follows :

	£000
2010/11	5,836
2011/12	5,925
2012/13	5,764

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

5. Capital programme supported by Government allocations

5.1. As the Government has previously announced details of its support for capital schemes in 2010/11, the cash limit guidelines for the programme supported by Government borrowing allocations remain unchanged. They continue to allow for not taking up Government supported borrowing in full based on the existing policy of limiting the increase in the capital financing requirement to 2.5% per annum, subject to specific decisions taken in 2008/09 to support additional borrowing.

5.2. Details of Government support for projects in 2011/12 and 2012/13 will not be known until after the Government's next Spending Review in 2010. In addition, the third LTP period is to start in 2011 and funding allocation formulas are changing in that year too. It is therefore by no means certain, at this stage, what Government support will be allocated in these latter years.

5.3. With this in mind, the cash limit guidelines for the capital programme supported by Government borrowing allocations, for the next two years, are set out below, based on an assumption that there will be a 15% reduction in support in 2011/12.

	£000
2010/11	24,501
2011/12	20,826 (dependent on LTP3 settlement)

5.4. These guidelines are supported by capital grants expected from the Government. These grant figures comprise mainly the integrated transport element of the local transport settlement, but also include the anticipated specific road safety capital grant and a proportion of the road safety support now paid as part of the area-based grant. Again, a 15% reduction is assumed for 2011/12.

	£000
2010/11	6,869
2011/12	5,131

5.5. Proposals for the programmes for integrated transport and structural maintenance for the 2010/11 to 2011/12 period, set out in this report, have been prepared in accordance with the above guidelines. The programme for 2010/11 has been prepared in detail, but in the light of the uncertainty over Government support from 2011/12 onwards, proposals are in outline only from then.

6. Capital programme funded from developers' contributions

6.1. The Environment Department receives contributions from developers towards the cost of highway and transport infrastructure associated with proposed developments. These are held until appropriate schemes can be developed. £7 million is planned to be spent in 2010/11 on schemes from previous starts years, the 2010/11 starts programme and the design of future schemes. It is expected that an increased level of spend will be achieved in 2011/12, though the programme is not yet fully defined. A notional value has been included as an indication of the expected programme level.

PART B : PROGRAMMES

7. Highway maintenance and bridge programme 2010/11 to 2012/13

7.1. Highway maintenance is funded both from the revenue budget and capital programme. The capital programme element covers the structural maintenance of roads and bridges and is funded from both the LTP (borrowing and grant) and local resources. The level of spending on structural maintenance to maintain spending at a steady level is £26.860 million in 2010/11, including an allowance for inflation and also taking into account transfers and other adjustments made between capital and revenue in preparing the 2010/11 base budget.

7.2. The highways maintenance capital budget for 2010/11 has been set at £26,860, in line with the above figure, of which £5,085 is to be funded from local resources and £21,775 from within the approved borrowing guidelines. The 2011/12 budget is notionally set at £28,214, £5,189 from local resources and £23,025 from within borrowing guidelines set out in 5.3 and 5.4 of this report.

7.3. The 2011/12 capital budget has been identified for accounting purposes only at this stage and is dependent on the first LTP3 settlement figures, which will not be available until late 2010.

7.4. Detailed information on the highways and bridges maintenance programme for 2010/11 will be presented to the Executive Member for Environment at a subsequent decision day.

8. Integrated transport programme 2010/11 to 2012/13

LTP funded programme

- 8.1. The integrated transport programme is funded both from the capital programme and developer contributions. The capital programme element is primarily funded from the LTP (borrowing and grant). These resources are now insufficient to fund all the schemes previously proposed for inclusion in 2010/11 and 2011/12 owing to the commitment to fully support structural maintenance.
- 8.2. With this in mind, it is proposed to allocate £736,000 of local resources to this programme in 2011/12. While this additional resource will help, it does not reinstate the full starts programme for that year.
- 8.3. The following proposals for the integrated transport programme, for a two year period, include the rescheduling of some schemes to a reserve list, as well as reducing the scope of the programme, to remain within the Cabinet's capital guidelines.
- 8.4. The integrated transport programme is managed as a starts list, and spending during the year comprises ongoing schemes from previous years, delivery of the current starts list and development of future schemes. The 2010/11 starts programme has been set at £17.092 million, of which £8.565 million is LTP, £7.776 million is EF and £751,000 is local resources. It is expected this programme will spend in the region of £17 million.
- 8.5. The 2011/12 draft starts programme is set at £12.3million. It includes an estimated £8.3 million EF programme, £736,000 local resources and £3.2 million LTP. This draft programme is dependent on the LTP3 settlement figure.
- 8.6. The Appendix contains the revised proposed programmes for 2010/11 and 2011/12. All the schemes have been reviewed and, where necessary, the scope adjusted to reflect factors such as:
 - (i) well advanced stage of scheme development;
 - (ii) contribution to LTP and local priorities; and
 - (iii) likelihood of scheme being completed in that year.
- 8.7. Consideration of the 2012/13 programme will be deferred for 12 months, pending the outcome of LTP3 settlement in 2010, when there will be more information available to determine the way forward.

Developer funded programme

- 8.8. Schemes wholly or partly funded by developers' or other contributions are included in the above programmes. The 2010/11 EF starts programme is £7.7 million, with 2011/12 currently at £8.3 million, inclusive of £7 million estimated

new schemes. Schemes have only been named where there is reasonable confidence on funding security and programme dates. The exercise to accelerate the use of developers' contributions is continuing to bring forward new schemes into the programme. Notional sums under the heading of emerging schemes have been included in the starts programme to reflect these potential additions.

Major schemes

8.9. There are no new Major Schemes planned to start in 2010/11.

8.10. The 2009/10 Capital Programme Quarter 3 progress and revisions report, elsewhere on this agenda, has more information on progress and latest cost estimates of current projects.

9. Quality of Place programmes 2010/11 to 2012/13

9.1. There is no new programme against this heading in 2010/11 though work will continue to complete schemes started and committed in previous years.

9.2. Reinstating this programme from 2011/12 has not been possible owing to the reductions elsewhere across the capital programme. It is proposed that the £736,000 previously identified for this programme in 2011/12 be moved in order to support the Integrated Transport Programme.

9.3. Given this a change of emphasis is required for the future and development of a more integrated planning approach will be essential to enable public realm improvements to be delivered.

10. Waste management

10.1 This programme has historically comprised facilities management at landfill sites and improvements to household waste recycling centres. There are no new local resources for waste management during the period 2010/11 to 2012/13. However waste infrastructure grant of £4.8 million is still available.

10.2 On 21 January 2010 a project appraisal for improvements at Havant HWRC will be submitted to the Executive Member for Policy and Resources for approval. At £1.224 million the proposals seek to redevelop the existing site into a modern facility that will not only improve efficiency but also tackle the traffic congestion within the site and on the adjoining network.

11. Capital programme summary

11.1 On the basis of the position outlined above, the total value of the capital programmes, submitted for consideration for the three years, are:

	Schemes within locally resourced guidelines	Schemes supported by Government allocations	Schemes supported by developer contributions	Total
	£000	£000	£000	£000
2010/11	5,836	31,180	7,776	44,792
2011/12	5,925	26,289	8,350	40,564
2012/13	5,764	Unable to forecast	Unable to forecast	5,764

11.2 The following table summarises the proposed 2010/11 capital programme over the main categories of expenditure:

	Local	LTP & Grants	EF	£000
Structural maintenance of roads and bridges	5,085	21,775	-	26,860
Integrated Transport schemes	751	8,565	7,776	16,506
Major Schemes	-	-	-	-
Quality of Place schemes	-	-	-	-
Waste Management	-	840	-	840
Total Capital Programme 2010/11	5,836	31,180	7,776	44,792

12. Revenue implications

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

	Full Year Cost	
	Current Expenditure £000	Capital Charges £000
Schemes within the guidelines		
2010/11	11	132
2011/12	nil	118
2012/13	6	133

Schemes supported by Government allocations

2010/11	230	1,337
2011/12	167	1,156
2012/13	nil	nil

12.2 The total revenue implications for the three years of the starts programme, including capital charges, represent a real term increase of 2.5% over the 2009/10 original budget of the Environmental service.

13. Conclusions

13.1 This report complies with the Cabinet's request to prepare proposals for a three year capital programme for 2010/11 to 2012/13 in line with the guidelines for local resources and expenditure to be supported by Government grants and borrowing approvals.

14. Recommendation

14.1. That the capital programme for 2010/11 to 2012/13 as set out in the report be approved for submission to the Leader and Cabinet.

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

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

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Proposed Capital Programme 2009/10 to 2011/12	491	20 January 2009

Section 100 D - Local Government Act 1972 - background documents

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

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

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Assessment of the Race Relations (Assessment) Act has been considered in preparing this report. No adverse impact has been identified in terms of race, creed or gender.
- 1.2. The proposals in this report are derived from the departmental service plans and LTP objectives, and are in accordance with the budget strategy and the County Council's financial management policy. An impact assessment of the departmental service plans and the financial management policy has been carried out and the proposals in this report are not considered to be discriminatory.

2. Impact on Crime and Disorder:

- 2.1. As this is a general report covering the whole of the budget for the department it cannot set out detailed crime and disorder implications. However, some schemes within the programme may contribute to a reduction in the fear of crime that may have been identified by local communities during consultation or development stages.

3. Climate Change:

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

As this is a general report it cannot set out detailed climate change implications. However, climate change implications of specific issues raised in the budget would be reflected in individual services plans and project reports where appropriate.