

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Environment and Transport
Date:	22 January 2013
Title:	Capital Programme 2013-2016
Reference:	4487
Report From:	Director of Economy, Transport and Environment 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 2013/14 to 2015/16.

1.2. The proposed Programme has been prepared in consultation with the Executive Member and has been reviewed by the Environment and Transportation Select Committee. It will be reported to the Leader and Cabinet on 8 February 2013 to make final recommendations to County Council on 21 February 2013.

1.3. The report considers the projects which it is proposed to include in the Capital Programme for 2013/14, 2014/15 and 2015/16, with the latter two years being provisional, based on indicative figures. Appendix 1 provides the overall capital programme summary, and sets out new capital resources for the following areas:

- a) Structural Maintenance and bridges;
- b) Integrated Transport, including Major Scheme Development and Local Sustainable Transport Fund (LSTF);
- c) Economic Development;
- d) Coastal Sites Programme and Coastal Defence;

1.4. Proposals are derived from the Departmental service plan, which has been developed to support the priorities of the Corporate Strategy. Transport proposals have also been developed in conjunction with the third Local Transport Plan (LTP3).

2. Contextual Information

- 2.1. The guidelines for the locally resourced capital programme for 2013/14 to 2015/16 have not yet been agreed by Cabinet. This report is based on best information currently available.
- 2.2. Executive Members can now prepare proposals for:
 - (i) A locally resourced capital programme for the three years from 2013/14 to 2015/16 within the guidelines of the current capital programme (not adjusted for inflation).
 - (ii) A programme of capital schemes supported by Government grants in 2013/14, 2014/15 and those expected to be supported in 2015/16.
- 2.3. 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. Financial Overview

- 3.1. The Environment Capital Programme is mainly funded through the Local Transport Plan (LTP) settlement, which for the period 2013-2015 is exclusively in the form of Government Grant.
- 3.2. The LTP covers integrated transport schemes (tackling safety, congestion, accessibility, and amenity problems) and structural maintenance of roads and bridges.
- 3.3. In addition, at its meeting on 24 May 2010, the Cabinet agreed to add £70m to the Environment Capital Programme for structural maintenance and restructuring of the highway network over a seven year period, ending 2017/18 at £10m per annum, to be funded through utilisation of efficiency savings to fund prudential borrowing.
- 3.4. In December 2012, Government announced details of how the £215m extra capital funding for roads, announced in the Autumn Statement, will be distributed. Hampshire's allocation for 2013/14 and 2014/15 will be £3.990m and £2.136m respectively, which has been added to Structural Maintenance and Bridges programme.
- 3.5. Substantial external funding (EF) is also available; mainly in the form of developer contributions, but also from district and parish councils and other bodies.
- 3.6. The balance is funded from local resources within limits set by Cabinet. These programmes include ongoing allocations for maintenance and economic development, second year allocations for flood risk and coastal defence, Major Scheme Development and Bid Preparation, but no new

resources for either environmental improvements (Quality of Place) or waste management schemes; both of which continue to spend unused local resources and external funding available from previous years.

- 3.7. The overall capital strategy is to protect underlying highway maintenance spending. To enable this, an additional efficiency funded programme addressing the longer term resilience of the highway network has been implemented.
- 3.8. The overall strategy also utilises developer contributions as far as possible, and focuses residual spending on schemes and sub-programmes that deliver value for money through low to medium cost projects delivering effective local transport outcomes.
- 3.9. Recent changes in the way the Government awards funding for transport schemes favours Local Authorities that can, within their bid, place an emphasis on having the availability of match funding. In order to place the County in the best position to attract future Government investment into Hampshire, for transport schemes and also assist economic development and job creation, it is prudent to consider establishing ongoing provision in the forward capital programme for match funding to support an effective bidding process. Proposals are being developed as part of forward planning and recommendations will be brought forward in due course.

PART A: RESOURCES

4. Local Resources

- 4.1. The programme proposed for 2013/14 to 2015/16 is largely based upon the allocation of resources between priorities in the current 2012/13 to 2014/15 capital programme. The programme is detailed in Appendix 1.
- 4.2. As usual, a proportion of resources are transferred to revenue to reflect the changes in the four-year average cost of winter maintenance, and to meet the project and financing costs of any prudential borrowing, in this case funded through contract efficiencies anticipated to be delivered through the structural maintenance parts of the term highway contract. The adjusted guideline figures are set out in Table 1 below:

Table 1: Local Resources Adjusted Guidelines

	2013/14 £000	2014/15 £000	2015/16 £000
Guideline	7,378	5,878	5,878
Transfer to Revenue	-3,436	-4,132	-4,828
Resources for new projects	3,942	1,746	1,050

- 4.3. Efficiency funded prudential borrowing provides another £10m per year for the duration of this capital programme.
- 4.4. In addition, £0.780m per year for three years, is expected to be vired to Economy, Transport and Environment from Corporate Policy Reserves specifically for the delivery of the new 'Members Environment (Highway) Fund', which was introduced at the County Council meeting on 20 September 2012. If approved in the 2013/14 budget, this will be added to the department's programme.

5. Capital programme supported by Government allocations

- 5.1. DfT confirmed final grant settlement figures for 2013/14 on 21 December 2012. Proposed allocations for 2014/15 remain unchanged. Allocations beyond 2015 have yet to be advised. For planning purposes, this programme assumes a continued level of funding commensurate with previous years.
- 5.2. An additional £6.126m cash boost for Hampshire's roads was announced by DfT in December 2012. This grant will fund additional Operation Resilience activities. We do not need to adjust the DfT settlement figures for the duration of this programme, between structural maintenance and integrated transport.

6. Capital programme funded by developers' contributions and other external funding

- 6.1. The department receives contributions from developers towards the cost of highway and transport infrastructure associated with mitigating the effects of developments. These contributions are held until appropriate schemes have been programmed, and the annual spend, which until recently has been about equal to the LTP, is steadily increasing as more schemes come forward. Other external funding includes grants from organisations such as match funding from Districts, Parishes and local business.

7. Total Resources

- 7.1. Appendix 1 details the source of capital resources across the programme and will be the basis for the Budget Book. Table 2, below, summarises the total new capital resources available for this programme period.

Table 2: Total New Capital Resources

	2013/14 £000	2014/15 £000	2015/16 £000
Local resources	3,942	1,746	1,050
Efficiency Funded	10,000	10,000	10,000
Cash Boost	3,990	2,136	0
LTP Grant	29,036	30,591	31,000*
Developer Contributions	5,253	5,525	10,525
Other Local Authority	173	0	0
Other	5,314	0	4,700
Total Programme	57,708	49,998	57,275

*LTP Grant 15/16 figure is an assumption.

This table does not include carry forwards identified in section 8 below.

- 7.2. Not all resources will be used in the year in which they are awarded; in the case of LTP and Developer contributions the council carries the funding forward into future years to match forecast expenditure. This explains the difference between the total capital resources, and the size of the programme set out in Table 8. Appendix 2 sets out the proposed expenditure profile for each scheme.

8. Amendments to the 2012/13 programme

- 8.1. The revised 2012/13 programme for Environment and Transport is shown below and now totals £55.7m. Changes since the programme was approved by Cabinet in February 2012 have been reported through quarterly monitoring, and third quarter amendments are highlighted below:

Table 3: Summary of 2012/13 Amendments

	2012/13 £000s
Approved Programme (February 2012)	45,805
Q1 Adjustments (including carry forwards)	+12,999
Q2 Adjustments	-269
Q3 Adjustments	-2,878
Revised Capital Programme Total	55,657†

† Values are net of contributions.

Structural Maintenance and Bridges 2012/13 Amendments

- 8.2. Despite ongoing efforts to maximise delivery, adverse weather conditions continue to affect progress against the programme. A number of schemes are now programmed for delivery in 2013/14 including work following the landslip at Cottage Lane, Hawkley.
- 8.3. In addition, it would be prudent to carry forward provision against potential part 2 claims which may arise following the recently completed Bus Rapid Transit scheme, together with an additional contribution towards the bridge

works at Holmesley. The total value of these schemes is currently estimated at £2.718m and it is proposed to re-profile this sum to 2013/14 when the spend will be incurred. This would leave a contingency balance at the year end of £0.7m.

- 8.4. For operational practicalities it is recommended that the £0.9m allocation currently within the Integrated Transport budget relating to 'Highways Co-Location Project' be vired to structural maintenance, where financial and progress monitoring is being recorded.

Integrated Transport 2012/13 Amendments

- 8.5. In November 2012, the Executive Member approved the addition of £0.165m National Parks LSTF in November.
- 8.6. Capital receipts of £0.01m (relating to 2011/12) have been allocated to Park Gate 2012/13 scheme to cover additional costs.
- 8.7. A new "Better Bus Area Fund" (BBAF) Grant has been awarded to Hampshire towards bus priority schemes at Brockhurst Roundabouts and The Crossways in Gosport; both are important links in the BRT series of improvements, and will cost £1.25m. The £0.914m Grant is added to £0.150m of TfSH LSTF and £0.186m local resources (2010/11 capital receipts and previously unallocated 11/12 inflation) identified for carrying forward to 12/13 in the June 2012 report. The schemes are due to start on site in May and funding is proposed to be carried forward.
- 8.8. £0.9m relating to 'Highways Co-Location Project' is proposed to be vired to the structural maintenance programme.

Other Amendments

- 8.9. There are no planned amendments to the 2012/13 programmes for Quality Enhancements, Waste Management or Coastal Sites Programme and Flood Defence.

PART B: PROGRAMMES

9. Highway Maintenance and Bridge Programme 2013/14 to 2015/16

- 9.1. Highway maintenance is funded from both the revenue budget and capital programme. The capital element covers the structural maintenance of roads and bridges, and is funded from both LTP Grant and Local Resources. In addition, the seven year programme of resilience, which started in 2011/12, is funded through prudential borrowing.
- 9.2. The £6.126m cash boost for roads has been applied to the Maintenance and Bridges programme and will enable additional Operation Resilience activities

to be undertaken during the plan period. This boost also means no adjustment of the LTP settlements is necessary.

- 9.3. The highways maintenance capital programme for 2013/14 has been set at £38,453m. Funding for the three year programme is set out below.

Table 4: Total programme : Maintenance and Bridges

	2013/14 £000	2014/15 £000	2015/16 £000
LTP Grant	22,052	20,770	20,770
Cash Boost Grant	3,990	2,136	0
Local Resources	2,411	1,715	1,019
Prudential Borrowing	10,000	10,000	10,000
Total Programme	38,453*	34,621	31,789

*Figures exclude the £4.5m carry forward identified and approved in November and Q3 amendments listed above.

- 9.4. More detailed information on the highways and bridges maintenance programme will be presented to the Executive Member at a subsequent decision day.

10. Integrated Transport Programme 2013/14 to 2015/16

- 10.1. The Integrated Transport Programme is funded from a mix of Government grant and external contributions. Additional Government grants for major schemes will occasionally enhance the programme. In this programme period there will be a number of major schemes funded by a mix of external contributions and specific grants.
- 10.2. Pinchpoint funding is an example of a specific grant, awarded to the Highways Agency for delivery of congestion-busting projects on Motorways and Trunk Roads in the region. This £12.8m investment on five projects that the County would have had to fund, will now be delivered by the Highways Agency using Pinchpoint funding. Currently, Hampshire's contribution, shown in the appendices, relates only to the £0.4m of developer contributions towards improvements at Black Dam Roundabout scheme, in Basingstoke. The remaining four projects do not appear in the Appendices as they are fully externally funded and delivered.
- 10.3. There is no requirement to adjust the LTP settlement figures in support of road maintenance this year, so the LTP allocations for integrated transport are left as the DfT recommended. This means we can allocate significant additional capital to developing major schemes and build on the successes of recent bids to meet the Government's appetite for quick-win transport schemes that support economic growth. The 3-year programme therefore includes a £2m p/a provision for this purpose.
- 10.4. Related to Major Transport improvements, is the formation of Local Transport Bodies (LTBs) and the future funding arrangements for major schemes.

Hampshire is one of only two Counties nationally in more than one Local Enterprise Partnership (LEP) and therefore will have membership of two LTBs. Both LTBs will meet for the first time in early summer 2013, their sole remit being the prioritisation of funding for major transport schemes. Schemes will be considered through a competitive bidding process and those chosen will be expected to be delivered up to full business case very quickly. LTB funding starts in 2015 and is intended to part-fund schemes; a local financial contribution is likely to be essential to securing funds. While there are no LTB major schemes currently included in this programme, it is the intention to submit bids to both LTBs for 2015 onwards.

- 10.5. The allocation and use of developer contributions is set to increase significantly towards the third year of the programme. This is mainly due to a few large value projects that are in development now. For 2014/15, it is expected that, as more schemes progress through feasibility during 2013/14, additional smaller value developer funded schemes will be added.
- 10.6. This three-year integrated transport programme totals £54.3m, and updates the three-year Implementation Plan for LTP3. Please note, these are programme values, not spend levels or new resources.

Table 5: Total starts programme : Integrated Transport

	2013/14 £000	2014/15 £000	2015/16 £000
LTP Grant	8,706	6,375	5,400
Local Resources	1,186†	0	0
Developer Contributions	5,253	5,525	10,525
OLA	173	0	0
LSTF	590	589	0
other	5,314*	0	4,700
Total Programme	21,222	12,489	20,625

*'Other' figure in 2013/14 relates mainly to Newgate Lane major scheme, £4.4m Growing Places and HCA funding, plus £0.914m BBAF grant for Brockhurst roundabout and Crossways.

† Figure includes £1m for Major Scheme Development and £0.186m of carried forward capital receipts from 2011 towards Brockhurst.

- 10.7. The programme has been designed to ensure spend remains within overall resources (overall resources including previous years' unspent approvals). Appendix 2 gives an indication of the total annual spend across all three years (including ongoing spend against previous years' approvals)

11. Coastal Sites and Flood Defence Programme

- 11.1. This is the second-year allocation, funded from Local Resources at a value of £0.5m in 2013/14.

- 11.2. The County Council has significant responsibilities both in respect of coastal sites and flood defence. Funding is being used to identify priority areas within the County that require immediate works and also to attract matched funding and other contributions from the Environment Agency and other organisations.

Table 6: Total starts programme: Flood risk and Coastal Defence

	2013/14 £000	2014/15 £000	2015/16 £000
Local Resources	500	0	0
Total Programme	500	0	0

12. Economic Development

- 12.1. This ongoing annual allocation will be spent in-year.

Table 7: Total starts programme : Economic Development

	2013/14 £000	2014/15 £000	2015/16 £000
Local Resources	31	31	31
Total Programme	31	31	31

13. Capital Programme Summary

- 13.1. On the basis of the position outlined above, Table 8 summarises the capital programmes submitted for consideration for the next three years, and Table 9 sets out how they are to be funded in aggregate.

Table 8: Summary of Capital Programmes

	2013/14 £000	2014/15 £000	2015/16 £000
Highways Maintenance	38,453	34,621	31,789
Integrated Transport	21,222	12,489	20,625
Flood Risk	500	0	0
Economic Development	31	31	31
Total Programme	60,206	47,141	52,445

Table 9: Summary capital funding for new projects

	2013/14 £000	2014/15 £000	2015/16 £000
Local Resources	4,128	1,746	1,050
Efficiency Funded	10,000	10,000	10,000
Cash Boost Grant	3,990	2,136	0
LTP	30,758	27,145	26,170
LSTF	590	589	0
Externally funded*	10,740	5,525	15,225
Total Funding	60,206	47,141	52,445

*Figures include developer contributions, other external funding.

14. Revenue Implications

14.1. Table 10 sets out the revenue implications of the proposed three-year capital programme as follows:

Table 10: Revenue Implications – full year cost

	2013/14 £000	2014/15 £000	2015/16 £000
Current expenditure	297	175	289
Revenue Charges	2,026	1,566	1,797
Total Implications	2,323	1,741	2,086

14.2. The total revenue implications for the three-years of the starts programme, including capital charges, represents a real term increase of 4.3% over the 2012/13 original budget for the Environment Service.

15. Conclusions

- 15.1. This report complies with the Cabinet's request to prepare proposals for a three-year capital programme for 2013/14 to 2015/16 in line with the guidelines for local resources and expenditure to be supported by Government grants and borrowing approvals.
- 15.2. Programmes have been maintained at previous levels, and it is expected that further external funding for transport improvements will come forward as scheme options are explored during the year.
- 15.3. There is continued emphasis on maintaining investment in highway maintenance and also on establishing an ongoing provision to build on recent transport bid successes.

16. Recommendations

- 16.1 That the capital programme for 2013/14 to 2015/16, as set out in Appendix 1, be recommended to the Cabinet.
- 16.2 That the revised capital programme for 2012/13, and highlighted carry-forwards set out in section 8 be agreed.
- 16.3 That the £0.9m Highways Co-Location project funding be vired within the Capital Programme from the Integrated Transport budget to Structural Maintenance.

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

Hampshire safer and more secure for all:	yes/no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes/no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes/no
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

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

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

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1 The proposals in this report have been developed with due regard to the requirements of the Equality Act 2010, including the Public Sector Equality Duty and the Council's equality objectives. An assessment of the impacts in this service area can be found at [our EqIA web page](#)

It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.

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 service plans and project reports where appropriate.