

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member – Environment and Transport
<b>Date:</b>	17 January 2012
<b>Title:</b>	Capital Programme 2012/13 – 2014/15
<b>Reference:</b>	3589
<b>Report From:</b>	Director of Economy, Transport and 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 2012/13 to 2014/15.
- 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 3 February 2012 to make final recommendations to County Council on 23 February 2012.
- 1.3. The report considers the schemes which it is proposed to include in the capital programmes for 2012/13, 2013/14 and 2014/15, with the latter two years being provisional, based on indicative figures. Appendix 1 provides the overall capital programme summary.
- 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. Background

- 2.1. The guidelines for the locally resourced capital programme for 2012/13 to 2014/15 were agreed by Cabinet on 19 December 2011.
- 2.2. Executive Members can now prepare proposals for:
  - (i) a locally resourced capital programme for the three year period from 2012/13 to 2014/15 within these guidelines; and

- (ii) a programme of capital schemes in 2012/13 to 2014/15 supported by Government grants or supported borrowing as announced by the Government, subject to limits restricting the take-up of Government supported borrowing approvals.

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. Overview**

3.1. The Environment capital programme has mainly been funded through the LTP settlement, which for the period 2012/13 – 2014/15 is exclusively in the form of Government grant. 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 and other bodies.

3.2. The switch from supported borrowing, which was never fully supported and resulted in the non-take up of the full LTP allocation, to 100% grant funding has been welcomed by Hampshire County Council. This means that the full level of approvals issued by the Department for Transport can now be utilised. This change in funding route is worth some £5m to the Environment Department's capital programme, and is the main reason why the reductions in capital grant are not as severe for the LTP as was feared.

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, but no new resources for either environmental improvements or waste management schemes; both of which continue to spend unused resources available from previous years' allocations and the 2012/13 external funding previously allocated to waste management.

3.4. In addition, at its meeting on 24 May 2010, Cabinet agreed to add £70m to the Environment capital programme for structural maintenance and restructuring of the highway network over the seven year period from 2011/12 at £10m per annum, to be resourced through utilisation of efficiency savings to fund prudential borrowing.

3.5. The overall capital strategy is to protect underlying highways maintenance spending whilst implementing this additional efficiency funded prudential borrowing programme to address the longer term resilience of the highway network. The strategy 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.

## PART A: RESOURCES

### 4. Local resources

- 4.1. The cash limit guidelines for the locally resourced capital programme for the Environment service were set by Cabinet on 19 December 2011. The guidelines do not include any addition for inflation.
- 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**

	2012/13 £000	2013/14 £000	2014/15 £000
Guideline	5,878	5,878	5,878
Transfer to revenue	-2,313	-3,009	-3,705
<b>Resources for new projects</b>	<b>3,565</b>	<b>2,869</b>	<b>2,173</b>

- 4.3. Efficiency funded prudential borrowing provides another £10m per year for the duration of this capital programme.

### 5. Capital programme supported by Government allocations

- 5.1. The Government announced details of the local transport capital settlement for 2011/12 to 2014/15 on 13 December 2010. Final allocations were given for 2011/12 and 2012/13 whilst only indicative allocations were provided for 2013/14 and 2014/15. The remaining grant allocations are set out in Table 2.
- 5.2. On 24 March 2011, the Secretary of State announced that £200m was being allocated to local Highway Authorities to repair potholes and other road damage caused by the cold winter. Hampshire received an additional £6.016m which was committed to supporting Hampshire's 'Operation Resilience' strategy.
- 5.3. On 14 December 2011, the Department for Transport announced a further £50m grant was being allocated nationally to the integrated transport block for 2011/12. Hampshire received an additional £1.091m, which will be carried forward to 2012/13.
- 5.4. Proposals for the programmes for integrated transport and structural maintenance for 2012/13 to 2014/15 period, set out in this report, have been prepared in accordance with the above guidelines.

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

- 6.1. The Environment Department receives contributions from developers towards the cost of highway and transport infrastructure associated with developments. These are held until appropriate schemes can be developed.
- 6.2. Other external funding includes Local Sustainable Transport Fund (LSTF), grants from organisations such as SUSTRANS, as well as match funding from Districts, Parishes and local business.
- 6.3. Table 2 summarises the total capital resources available for the period, including developer and other contributions.

**Table 2 – Total New Capital Resources**

	2012/13 £000	2013/14 £000	2014/15 £000
Local resources	3,565	2,869	2,173
Efficiency funded	10,000	10,000	10,000
LTP grant	30,214	29,036	30,591
Externally Funded*	6,669	6,709	7,870
<b>Total programme</b>	<b>50,448</b>	<b>48,614</b>	<b>50,634</b>

\*figures include developer and other external contributions.

- 6.4. Not all of the LTP grant and external funding will be used in the year in which it is awarded, and the grant conditions allow the Council to carry this forward into future years. This explains the difference between the total capital resources available, and the size of the overall starts programme set out in Table 5 and Appendices.

## 7. Amendments to the 2011/12 Capital Programme

- 7.1. The revised 2011/12 programme for Environment and Transport is shown below and totals £57m. The changes since the capital programme was approved in January 2011 are summarised below:

	2011/12 £000
Approved Programme	45,146
Schemes carried forward from previous years	4,507
Share of capital receipts	636
Government Grant	7,107
Transfer from Policy and Resources	190
<b>Revised Capital Programme Total</b>	<b>57,586</b>

## PART B : PROGRAMMES

### 8. Highway maintenance and bridge programme 2012/13 to 2014/15

- 8.1. 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 the LTP and local resources. In addition, a seven year programme to improve the resilience of the network was approved to start in 2011/12 from efficiency funded prudential borrowing.
- 8.2. The highways maintenance capital programme for 2012/13 has been set at £37.384m. Funding of the three year programme is set out in Table 3 below.

**Table 3: Highway maintenance capital programme**

	2012/13 £000	2013/14 £000	2014/15 £000
LTP grant	23,850	24,576	25,320
Local resources	3,534	2,838	2,142
Efficiency funded	10,000	10,000	10,000
<b>Total programme</b>	<b>37,384</b>	<b>37,414</b>	<b>37,462</b>

- 8.3. More detailed information on the highways and bridges maintenance programme for 2012/13 will be presented to the Executive Member for Environment at a subsequent decision day.

### 9. Integrated transport programme 2012/13 to 2014/15

- 9.1. The integrated transport programme is funded from an even mix of LTP grant and external contributions. Occasionally, Government grants for major schemes will enhance the programme, though there are none confirmed within this three-year programme, at present.
- 9.2. As a result of the commitment to maintain investment levels in highway maintenance some resource from the LTP settlement for integrated transport has been diverted; with the result that, going forward, the primary source of funding for individual schemes, rather than countywide sub-programmes, will be developers' contributions.
- 9.3. The move to 100% grant funding has enabled a full take up of LTP approvals, and a larger transport programme to be developed than originally anticipated, whilst maintaining structural maintenance programme at protected levels.
- 9.4. This three-year integrated transport programme totals some £38.595m and has been developed in conjunction with setting the three-year Implementation

Plan for LTP3. Table 4, below, sets out the integrated transport headings and capital programme new starts contained within the Implementation Plan, and represents new starts for each of those years.

**Table 4: LTP3 Implementation Plan – Integrated transport (3 years)**

	2012/13 £000	2013/14 £000	2014/15 £000	Total
Safety Schemes	2,330	2,550	2,000	6,880
Minor Improvements (<£50k)	1,950	1,950	1,700	5,600
Major Highway Improvements				
<i>Totton Western Bypass Junction Improvements</i>	2,535	0	0	2,535
<i>Alençon Pedestrian Link, Basingstoke</i>	1,500	0	0	1,500
<i>Newgate Lane Accessibility Improvements, Fareham</i>	0	5,500	0	5,500
<i>A325/A331 Corridor Improvements, Farnborough</i>	0	0	4,000	4,000
<i>A327/A325 Corridor Improvements, Rushmoor</i>	0	0	2,000	2,000
	4,035	5,500	6,000	15,535
Town Access Plan Priorities	0	500	0	500
Town Centre Schemes	300	280	0	580
Sustainable and Healthy Access Routes	1,450	889	450	2,789
Accessibility	1,791	1,217	1,775	4,783
Junction Improvements	0	450	0	450
Public Transport Infrastructure	970	0	0	970
Other Priorities	400	108	0	508
<b>Total</b>	<b>13,226</b>	<b>13,444</b>	<b>11,925</b>	<b>38,595</b>

9.5. This 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).

9.6. To maintain programme flexibility throughout the year, category headings, rather than named schemes are submitted in Table 4 and the Appendices.

Schemes valued £1.0m to £5.0m are of significant value to warrant a specific mention.

- 9.7. Schemes over £50,000 will continue to generate business cases and be subject to project appraisal under the Department's gateway process. Those below this threshold are included in the above table as 'Minor Improvements' and will be detailed in sub-programmes for approval under delegated authority procedures, in consultation with the Executive Member.
- 9.8. The ongoing exercise to use developers' contributions and other external funding continues to bring new schemes into the programme. £20.2m of new externally funded schemes are now planned to start during the next three years. This is a base-level programme; as more funding is received, additional schemes will be introduced.
- 9.9. Consistent levels of new developers' contributions are still being received, despite the economic downturn. Introduction of the Community Infrastructure Levy (CIL) is still some way off. However, contributions arising from pre-CIL Agreements will continue to be paid direct (potentially £20m based on current records).
- 9.10. A number of bids for Local Sustainable Transport Funding (LSTF), Regional Growth Funds (RGF) and Growing Places Funds are currently in preparation, which, if successful, will need to be included in a revised capital programme. Announcements are likely to be made by mid 2012.
- 9.11. At present, there are no new Major Schemes for which specific funding has been awarded by Government. However, the proposed programme includes a number of +£1m projects, and one over £5m. These are specifically identified in Table 4, above.

## **10. Quality of place programme 2012/13 to 2014/15**

- 10.1. In October 2010, a comprehensive review of allocations within this programme was undertaken with a view to reallocating uncommitted resources to a priority-led, cross-cutting programme.
- 10.2. As a result, a programme of works to complete projects committed in previous years was approved, which is continuing to spend the remaining £1.379m approvals.
- 10.3. While there are no new schemes, a £1m LTP provision was made in 2011/12 integrated transport programme for 'quality enhancements'. This will enable improved materials and some 'public realm' additions to standard maintenance and improvement schemes.

## 11. Waste management

- 11.1. This programme has historically comprised facilities management at landfill sites and improvements to household waste recycling centres. While there are no new local resources proposed, £0.9m new developer contributions are being received towards delivery of Waterlooville Household Waste Recycling Centre (HWRC) relocation. The remaining programme will be funded from waste infrastructure grant already received, and earmarked for this purpose.
- 11.2. The current programme will see delivery in 2012/13 of Waterlooville HWRC and Havant HWRC with the potential for Marchwood HWRC and Eastleigh HWRC being redeveloped/relocated in 2013/14. From 2014/15 we anticipate progressing schemes linked to the Aldershot military town redevelopment, North of Whitely and Fareham SDA.
- 11.3. We are currently undertaking a full review of the HWRC Service and will be implementing changes, subject to Member approval, from April 2012 onwards. The final outcomes will inform future capital schemes other than those that have full Member approval.

## 12. Capital programme summary

- 12.1. On the basis of the position outlined above, Table 5 summarises the capital programmes submitted for consideration for the next three years, and Table 6 sets out how they will be funded in aggregate.

**Table 5: Summary Capital Starts Programme**

	2012/13 £000	2013/14 £000	2014/15 £000
Highways maintenance	37,384	37,414	37,462
Integrated transport	13,226	13,444	11,925
Waste management	900	-	-
Economic Development	31	31	31
<b>Total programme</b>	<b>51,541</b>	<b>50,889</b>	<b>49,418</b>

**Table 6: Summary Capital Funding for New Projects**

	2012/13 £000	2013/14 £000	2014/15 £000
Local resources	3,565	2,869	2,173
Efficiency funded	10,000	10,000	10,000
LTP grant	31,307	31,311	29,375
Externally funded*	6,669	6,709	7,870
<b>Total funding</b>	<b>51,541</b>	<b>50,889</b>	<b>49,418</b>

\*figures include developer and other external contributions

### 13. Revenue implications

- 13.1. Table 7 sets out the revenue implications of the proposed capital programme as follows:

**Table 7: Revenue implications – full year cost**

	2012/13 £000	2013/14 £000	2014/15 £000
Current expenditure	180	188	167
Capital charges	1,711	1,704	1,628
<b>Total implications</b>	<b>1,891</b>	<b>1,892</b>	<b>1,795</b>

- 13.2. The total revenue implications for the three years of the starts programme, including capital charges, represent a real term increase of 3.8% over the 2011/12 original budget of the Environment service.

### 14. Conclusions

- 14.1. This report complies with the Cabinet's request to prepare proposals for a three year capital programme for 2012/13 to 2014/15 in line with the guidelines for local resources and expenditure to be supported by Government grants and borrowing approvals.

### 15. Recommendation

- 15.1. That the capital programme for 2012/13 to 2014/15, as set out in Appendix 1, be approved for submission to the Leader and Cabinet.
- 15.2. That the revised capital programme as set out in paragraph 7.1 be agreed.

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

<b>Hampshire safer and more secure for all:</b>	Yes
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	Yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	Yes
Corporate Improvement plan link number (if appropriate):	

**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.)

DocumentLocation

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 service plans and project reports where appropriate.