

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economy, Transport and Environment
Date:	14 January 2020
Title:	ETE Proposed Capital Programme 2020/21, 2021/22 and 2022/23
Report From:	Director of Economy, Transport and Environment

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Purpose of this Report

1. The purpose of this paper is to set out, subject to confirmation of funding, the proposals for the Economy, Transport and Environment (ETE) Capital programme for 2020/21, 2021/22 and 2022/23 and to seek approval for their onward submission to the Cabinet in February 2020. Appendix 1 is the approved format for the budget book and Appendix 2 is a simplified view with expenditure profiled.

Recommendation

2. That the Executive Member for Economy, Transport and Environment recommends approval to the Leader and Cabinet of the proposed 2020/21, 2021/22 and 2022/23 capital programmes totalling £161.930million, as set out in this report and in Appendices 1 and 2.

Executive Summary

3. The proposals set out in this report amount to just under £162million across the next three years. Government formula settlements (£86.132million) and Government competitively bid grants (£6.4million) make up the bulk of the funding, with other competitively-bid project specific grants, e.g. Local Growth fund (LGF) through the Local Enterprise Partnerships (LEPs) (£9.705million) also contributing. The remainder is funded through a mix of local resources, (£36.341million), developer contributions (£19.459million), other funding (£3.045million), and other local authority contributions (£0.848million).

Contextual Information

4. Executive Members can now prepare proposals for:
 - a locally resourced capital programme for three years from 2020/21 to 2022/23 within the guidelines of the current capital programme; and

- a programme of capital schemes supported by Government Grants in 2020/21, 2021/22 and 2022/23.
5. The 2020/21, 2021/22 and 2022/23 programmes set out new capital resources only, with the latter two years based on indicative schemes and figures. The 2020/21 and 2021/22 programmes replace previously approved programmes, they do not add to them.
 6. ETE's forward capital programme includes the following programmes:
 - Structural Maintenance;
 - Integrated Transport;
 - Waste;
 - Flood Risk and Coastal Defence; and
 - Economic Development.
 7. The proposed programmes have been prepared in consultation with the Executive Member for Economy, Transport and Environment and have been reviewed by the Economy, Transport and Environment Select Committee. They are to be reported to the Leader and Cabinet on 3 February 2020 to make final recommendation to Council later in February 2020.

PART A – RESOURCES

Local Resources

8. Local resources guidelines were agreed by Cabinet on 6 January 2020. The guidelines reflect the additional funding of £10million per annum for Operation Resilience (from 2018/19 for three years), with the assumption that funding will continue at this level in 2022/23 also.
9. Total local resources amount to £36.341million over the next three years.

Table 1: Local Resources

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Capital Guidelines	11,929	11,929	11,929	35,787
Original Capital Guidelines	11,929	11,929	11,929	35,787
Local Resources Carried Forward/Vired from Earlier Years	554	0	0	554

Additional Approvals	0	0	0	0
Revised Capital Guidelines	12,483	11,929	11,929	36,341

Government Formula Allocations

10. The Department for Transport (DfT) has confirmed the Integrated Transport and Structural Maintenance allocations for 2020/21 and 2021/22 as detailed in Table 3 below.
11. The DfT is yet to confirm that Band 3 (highest band) recipients of its Incentive Fund will be awarded £4.495 million (the maximum available) each year until 2021/22. It is assumed in this report that Hampshire County Council will retain its Band 3 status and that funding remains at this level through to 2022/23 inclusive.
12. Further, in 2015 Government allocated £250 million for all local authorities over a 5-year period until 2020/21 through its Pothole Action Fund. It is assumed that this funding will cease after the instalment of £2.123million in 2020/21.

Other Government Funding

13. The County Council has historically had a great deal of success in securing Local Growth Funding (LGF) from both the EM3 and Solent LEPs, with a significant proportion of Integrated Transport schemes currently being delivered from previous capital programme years (due to the 'starts-based' nature of this programme) being part-funded from LGF funding. Due to the lack of additional Local Growth Funding being made available to the LEPs by central government, the total value of funding from this source has reduced from recent years to £9.705million.
14. At time of writing the outcome of the submission of bids for Transforming Cities Fund Tranche 2 funding was unknown. Given this, schemes that would be delivered based on securing Tranche 2 funds have not been included in this three year capital programme. It should be noted however that a successful outcome will likely lead to a substantial increase in the Integrated Transport Programme element of the ETE three-year capital programme in early 2020/21.

Developer Contributions and other external funding

15. The Department receives contributions from developers towards the cost of highway and transport infrastructure associated with mitigating the effects of developments.
16. This three-year programme includes an estimate of £19.459million from Section 106 developer contributions; however there are many more projects currently at feasibility or early development stages that may well come forward during the year for delivery which may utilise this source.

Revenue Investment

17. With all these potential funding sources available, it remains important to recognise that these substantial capital grants require revenue investment. Securing these funds requires schemes to be appropriately designed, costed and evidenced. Such activities are multi-disciplinary, time consuming, and do need to be sufficiently resourced if the County Council is to take best advantage. The County Council has had £3.6million over a three-year period allocated to develop the pipeline of schemes within the department up until the end of 2021/22. It is expected however, that over half of this will have been spent by the end of 2019/20, to progress the council's aspirations across early stages of multiple major schemes and strategies, as well as the Transforming Cities Fund bids for scheme development work across the south of the county. Therefore, to continue this vital area of work, at time of writing a bid has been made for further funding in the next three years.

Total Resources

18. The table below is a breakdown of the capital resources in their respective starts year. This table does not reflect actual expenditure in those years.

Table 2: Total Capital Resources

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Local Resources	12,483	11,929	11,929	36,341
DfT LTP Grant – Maintenance	21,584	21,584	21,584	64,752
DfT Pothole Fund	2,123	0	0	2,123
DfT Highways Maintenance Incentive Fund	4,495	4,495	4,495	13,485
DfT LTP Grant – Transport (awarded, not spent)	5,296	5,296	5,296	15,888
DfT Pinch Point Grant	0	5,200	0	5,200
LGF Grant – Transport	9,705	0	0	9,705
Highways England	1,200	0	0	1,200
Developer Contributions	10,583	5,645	3,231	19,459

Other Local Authority	848	0	0	848
Other Contributions	3,045	0	0	3,045
Total Programme	71,362	54,149	46,535	172,046

Figures in italics are subject to DfT decisions, for planning purposes it is assumed that funding will keep to current levels.

PART B: PROGRAMMES

Structural Maintenance Programme

19. The maintenance programme is a 'spend' based programme, and therefore the figures in this table represent how much will be spent in that year.

Table 3: Total Programme – Structural Maintenance

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Local resources	11,823	11,823	11,823	35,469
DfT LTP Grant – Maintenance	21,584	21,584	21,584	64,752
DfT Pothole Fund	2,123	0	0	2,123
DfT Highways Maintenance Incentive Fund	4,495	4,495	4,495	13,485
Total Programme	40,025	37,902	37,902	115,829

Figures in italics are subject to DfT and local decisions, for planning purposes it is assumed that funding will keep to current levels.

20. ETE is undertaking feasibility on options to replace some of Hampshire's street lighting with LED, including negotiations with the PFI provider and funder. If this proves viable and full funding is identified, the department would expect to add this replacement programme to the Structural Maintenance programme over this three-year period, with a total value estimated at £3.4million.

Integrated Transport Programme

21. This programme is a 'starts' based programme, and therefore the figures in table 4 do not represent how much will be spent but the full value of projects that are proposed to start construction in that year.
22. The proposed total value of the three-year ITP Programme is £45.783 million. As this is a 'starts-based' programme this figure does not include the value of schemes currently in delivery which commenced prior to 2020/21. These schemes, including Stubbington Bypass (£34.495 million), M27 Junction 9 (£22.23 million) and Eclipse Busway Phase 1 Completion (£11.602 million), require significant on-going resources from across the department.
23. At present the proposed three-year ITP Programme does not include schemes submitted for funding from DfT's Transforming Cities Fund (Tranche 2). It is expected that the outcome of the two bids will be known later in 2019/20, with schemes successfully gaining funding entering the three-year programme early in 2020/21. Depending on the outcome of the bids, this could significantly increase the overall value of the three-year programme.
24. The 2020/21 main programme provides details of the schemes expected to commence during that financial year. Circumstances outside of the organisation's control such as unexpected public utility apparatus or environmental considerations can intervene that may cause some schemes to be delayed to later financial years. The main 2021/22 and 2022/23 programmes are at this stage provisional and programmed based upon the more limited information available for schemes at a much earlier stage of development.
25. The three-year capital programme has a range of scheme types, including a sub-programme of schemes which are mainly concerned with walking and/or cycling improvements. The current value of this sub-programme is over £10.0million, an increase of £1 million from 2019/20. It is noted however that this is the value of schemes mainly focused on walking and cycling improvements, there are many other schemes in the programme that include walking and cycling elements, which are not included in this sub-programme.
26. The programme includes an allocation of £1.0 million to the Safety Engineering Programme for each of 2020/21, 2021/22 and 2022/23. This budget provides for a combination of planned schemes and other safety measures based on a rigorous process of continuous monitoring of accident statistics, patterns, and trends. Going forward, this programme will be reported to the Executive Member in-year on a rolling basis as part of the quarterly monitoring reports of the capital programme more generally.
27. Appendix 2 provides detail on the schemes to be included in this programme and presents a spend profile across years for information.

Table 4: Total Programme – Integrated Transport

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Local Resources	554	0	0	554

DfT - LTP Grant - Transport	2,350	1,772	1,650	5,772
DfT - Pinch Point Grant	0	5,200	0	5,200
LGF Grant - Transport	9,705	0	0	9,705
Highways England	1,200	0	0	1,200
Developer Contributions	10,583	5,645	3,231	19,459
Other Local Authority	848	0	0	848
Other Contributions	3,045	0	0	3,045
Total Programme	28,285	12,617	4,881	45,783

28. The County Council is developing additional schemes, which are expected to be added to 2021/22 and 2022/23 capital programme years once further developed. This explains why the value is so much higher in 2019/20 than the following two years.

Waste Programme

29. Business case modelling has continued on the potential new Materials Recycling Facility (MRF), Veolia has produced a detailed and costed proposal which is being reviewed to determine whether a successful business case can be made. In addition, discussions are taking place with the Project Integra partners to establish a preferred collection system, this to take into account the Government's proposals set out in the recently stalled Environment Bill. There will need to be significant change in terms of the waste disposal and processing infrastructure.
30. The next milestone is a waste summit in February 2020, where decisions will be sought from District and Borough Leaders on what collection system options they wish to pursue in the context of the current performance and legislative issues and this will help inform therefore whether or not to proceed with the MRF.
31. A capital funding bid has been submitted for the upgrading of the current infrastructure to meet the change in service driven by legislation and the need to improve performance. This includes provision of dry mixed recycling infrastructure, food waste processing capacity as well as upgrading of the waste transfer network to enable new and increasingly separated materials streams to be collected and bulked for transport to final destinations.

Flood Risk & Coastal Defence Programme

32. Significant progress has been made in the implementation of the County Council's Flood Risk and Coastal Defence Programme. The approved programme includes a Main and Pipeline programme of locations that, subject to further investigation, have been identified for potential flood risk reduction measures. Additional locations have also been identified and these are included in an extended programme for investigation and, if appropriate, scheme development.
33. The estimated value of the Main, Pipeline and the extended programme of investment is £24 million. The County Council has made available just under £14 million of local resources towards this total with the balance anticipated to be drawn from other sources including Flood Defence Grant in Aid (FDGiA), Regional Flood and Coastal Committee (RFCC) Local Levy, other local authorities and the private sector.
34. To date, £9.45 million has been invested in the development of a range of schemes with £4.7 million of this total secured from national FDGiA, local levy and contributions from partners. A further £3.4 million of local levy is due to be drawn down for the Buckskin Flood Alleviation Scheme in 2020/21. The County Council has also been instrumental in securing a further £2.67 million from the above sources for the implementation of elements of the Romsey Flood Alleviation Scheme by the Environment Agency.

Table 5: Flood Risk and Coastal Defence Capital Programme

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Local Resources – Capital Guidelines	106	106	106	318
Total	106	106	106	318

PART C: SUMMARY

Summary

35. On the basis of the position outlined in Part B above, Table 6 summarises the proposed new capital investment submitted for consideration for the next three years. Table 7 sets out how they are to be funded in aggregate.

Table 6: Summary of Capital Programmes

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Structural Maintenance	40,025	37,902	37,902	115,829
Integrated Transport	28,285	12,617	4,881	45,783
Flood and Coastal Defence	106	106	106	318
Total Programme	68,416	50,625	42,889	161,930

Table 7: Summary of Capital Funding

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Local Resources	12,483	11,929	11,929	36,341
DfT - LTP Grant - Maintenance	21,584	21,584	21,584	64,752
DfT - Pothole Funding	2,123	0	0	2,123
DfT - Highways Maintenance Incentive Funding	4,495	4,495	4,495	13,485
DfT - LTP Grant - Transport	2,350	1,772	1,650	5,772
DfT - Pinch Point Grant	0	5,200	0	5,200
LGF Grant - Transport	9,705	0	0	9,705
Highways England	1,200	0	0	1,200

Developer Contributions	10,583	5,645	3,231	19,459
Other Local Authority	848	0	0	848
Other Contributions	3,045	0	0	3,045
Total Programme	68,416	50,625	42,889	161,930

Revenue Implications

36. On the basis of the position outlined in Part B above, Table 8 summarises the Revenue Implications of the proposed capital investment.

Table 8: Revenue Implications

	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Running Costs	396	162	67	625
Capital Charges	3,421	2,529	2,142	8,092
Revenue Implications	3,817	2,691	2,209	8,717

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

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.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. Equalities Impact Assessment:

This is a financial report amending or proposing budgets for programmes and individual schemes. Changes or proposals for individual schemes will have been made following consultation and will have undertaken their own specific consideration of equalities issues. The decisions in this report are financial, and mainly relate to in-house management of accounts, and therefore have a neutral impact on groups with protected characteristics.