

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Policy and Resources
Date:	17 January 2020
Title:	2020/21 to 2022/23 Capital Programme Report for Policy and Resources
Report From:	Chief Executive, Deputy Chief Executive and Director of Corporate Resources and Director of Culture, Communities and Business Services

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Purpose of the Report

1. This report seeks approval for submission to the Leader and Cabinet of the proposed capital programme for Policy and Resources for 2020/21 to 2022/23 and the revised capital programme for 2019/20.

Recommendation(s)

To approve for submission to the Leader and the Cabinet:

2. The capital programme for 2020/21 to 2022/23 as set out in Appendix 1.
3. The revised capital programme for 2019/20 as set out in Appendix 2.
4. The deferral of resources from 2019/20 to 2020/21 relating to schemes of £1.937 million as set out in paragraph 32.

Executive Summary

5. This report seeks approval for submission to the Leader and Cabinet of the proposed capital programme for Policy and Resources for 2020/21 to 2022/23.
6. The report has been prepared in consultation with the Executive Member and will be reviewed by the Policy and Resources Select Committee. It will be reported to the Leader and Cabinet on 3 February 2020 to make final recommendations to County Council on 13 February 2020.
7. In accordance with the provisional capital guidelines approved by Cabinet in January 2020, the report considers the schemes which it is proposed to include in the capital programmes for 2020/21, 2021/22 and 2022/23. The report also presents the revised programme for 2019/20.
8. The proposals contained within this report are derived from the departmental service plans which have been developed to support the 'Serving Hampshire - Strategic Plan 2017 – 2021'.

Contextual information

9. Executive Members have been asked to prepare proposals for:
 - a locally resourced capital programme for the three-year period from 2020/21 to 2022/23 within the guidelines used for the current capital programme including the third year, 2022/23, at a similar level to 2021/22
 - a programme of capital schemes in 2020/21 to 2022/23 supported by Government grants as announced by the Government.
10. The capital guidelines are determined by the medium-term financial strategy which is closely linked to the 'Serving Hampshire - Strategic Plan 2017 – 2021' and departmental Service plans to ensure that priorities are affordable and provide value for money and that resources follow priorities.

Locally resourced capital programme

11. The cash limit guidelines for the locally resourced capital programme for the Policy and Resources portfolio service set by Cabinet are as follows:

	£'000
2020/21	4,159
2021/22	4,159
2022/23	4,159

12. Executive Members may vary the guidelines between years provided their total three-year guideline is not exceeded and bunching of payments in any one year or front-loading is avoided.
13. Executive Members may propose supplementing their capital guidelines under the 'prudential framework' agreed by Cabinet at its meeting on 24 November 2003, as amended by Cabinet in February 2006. From 2009/10, Hampshire Transport Management (HTM) has used prudential borrowing to fund the purchase of vehicles instead of leasing them to generate savings. The allocation for this scheme is included within the guidelines above.

Proposed capital programme 2020/21 to 2022/23 – locally resourced schemes

14. The programme proposed for 2020/21 to 2022/23 is detailed in Appendix 1.
15. The largest allocation is £3 million per annum for vehicle purchases by Hampshire Transport Management (HTM). An increase of £1m per annum from 2017/18 was approved by Cabinet in October 2017 to enable HTM to respond to growing business especially with schools and colleges looking for an environmentally friendly fleet alongside an upsurge in customers reviewing their fleets again considering environmental credentials alongside potential efficiencies. The cost of these purchases is recovered through business unit charges to customers.

16. The 2020/21 cash limit guideline is supplemented by contributions from departmental revenue budgets and cost of change reserves and business unit reserves to fund three specific schemes.
17. The 2020/21 capital programme also includes the proposal to carry forward funding from the 2019/20 programme in respect of schemes that for a variety of reasons as set out in paragraphs 33 and 34 will not start in the current financial year. The total funding proposed to be carried forward is £1.937m. The augmented locally resourced programme totals are shown in the table below:

	2020/21	2021/22	2022/23
	£'000	£'000	£'000
Guideline set by Cabinet	4,159	4,159	4,159
Departmental revenue and reserve contributions to capital	895		
Business unit reserve contribution	500		
Carry forward from 2019/20	1,937		
Proposed locally resources programme	7,491	4,159	4,159

Proposed capital programme 2020/21 to 2022/23 supported by Government allocations

18. The Government has allocated all its support for the capital programme in the form of capital grants, and not as borrowing allocations.
19. The Secretary of State has not yet announced details of individual local authority capital allocations for 2020/21, 2021/22 and 2022/23. However, for planning purposes, a continuation of 2019/20 allocations is assumed.
20. In 2019/20, the Government announced a Schools Condition Allocation (SCA) grant of £17,425,528 for local authority schools and Sure Start early years centres. This is similar to the allocation for 2018/19 and is indicative of allocations that can be assumed for future years, although these will be adjusted for any changes in the size of the Hampshire school estate.
21. The full grant is added to the Policy and Resources cash limit to allow the funding to be prioritised to ensure that school buildings are kept safe and in good working order. Priorities are jointly agreed with Children's Services.
22. The cash limit guidelines for this part of the capital programme are as follows:

	Capital grant
	£'000
2020/21 (Assumed)	17,426
2021/22 (Assumed)	17,426
2022/23 (Assumed)	17,426

23. Close working between Property Services and Children's Services staff ensures maximum impact is achieved from the Schools Condition Allocation funding. A detailed programme of work will be developed to ensure targeted risk-based investment alongside the revenue funded maintenance strategies.

Capital programme summary

24. On the basis of the position outlined above, the total value of the capital programmes submitted for consideration for the three years to 2022/23 are:

	Schemes within locally resourced guidelines	Schemes supported by Government allocations	Total
	£'000	£'000	£'000
2020/21	7,491	17,426	24,917
2021/22	4,159	17,426	21,585
2022/23	4,159	17,426	21,585

Revenue implications

25. The on-going service and maintenance implications of the proposed capital programme are funded from within the revenue budget. Some schemes are of an invest to save nature and thus have a positive impact on the revenue budget.
26. In line with proper accounting practice, the asset value resulting from capital expenditure is depreciated over the expected life of the asset with a corresponding charge to the income and expenditure account. However, this accounting adjustment does not directly impact the cash limited budget of services. The estimated depreciation arising from the proposed capital programme is as follows:

	Full year cost
	£'000
2020/21	725
2021/22	659
2022/23	659
Total	2,043

Revised 2019/20 capital programme

27. The revised 2019/20 capital programme for Policy and Resources is shown in Appendix 2 and totals £74.0 million. The changes since the capital programme was approved in February 2019 are summarised below:

	2019/20
	£'000
Approved programme	22,656
Underspend and schemes carried forward from previous years	30,170
Additional approved prudential borrowing	10,000
Draw down of approved corporate funding	1,110
Salix interest free loan funding	500
Adjustment to Government grant	162
Share of 2018/19 capital receipts	681
Developers contributions	914
Carry forward to 2020/21	-1,937
Net transfers between capital and revenue and other technical adjustments to meet accounting requirements	-254
Purchase of Investment – Pooled Property Fund	10,000
	<hr/> 74,002 <hr/>

28. The schemes carried forward from previous years of £30.17m were agreed by Cabinet on 17 June 2019. Significant additions to the programme include the approval for prudential borrowing up to £10m. In November 2019, the County Council approved delegated authority for the Deputy Chief Executive and Director of Corporate Resources, in consultation with the Chief Executive and the Leader to pursue and complete opportunistic land or farm purchases where this is considered to be in the best financial interests of the County Council. It is anticipated that the resulting borrowing costs will be met from income derived from the land or farm.
29. A further addition of £10m relates to the increase in 2019/20 of pooled property fund investments in line with the approved Treasury Management Strategy. This type of investment is regarded as capital expenditure under the Capital Finance Regulations (SI 2010 No 454). When the asset is sold it will

generate a capital receipt which will result in a capital gain or loss at the time of the sale.

30. The draw-down of approved corporate funding of £1.11m relates to the remaining funds previously approved by Cabinet for the energy performance programme. In November 2019, the Executive Member for Policy and Resources approved use of this funding for further electric vehicle infrastructure and battery storage for buildings with Photo Voltaic (PV) installations. Cabinet agreed in January 2020 to supplement the funding with a Salix interest free loan to create a revolving fund for solar PV, building fabric and heating improvements across the non-school estate. Energy savings will be returned to the fund for further investment in the energy performance programme.
31. The revenue funded allocation for office accommodation has been transferred to the revenue budget to fund minor works and office moves as determined by the Corporate Office Accommodation Board in line with strategy for office accommodation. Capital receipts from previous rationalisation of the office accommodation portfolio have been amalgamated and retained in the capital programme. The office accommodation strategy is currently being reviewed to prioritise known condition and suitability issues to ensure a more consistent level of office accommodation for HCC staff across Hampshire and ensure that utilisation of space can be maximised. In addition, following the roll out of the modern technology programme (EPP) a further aim is to address adaptations to the current workspaces to ensure that these provide an appropriately flexible and productive working environment in line with new ways of working. The total funding of £1.040m will be allocated once priorities are determined by the Corporate Office Accommodation Board.

Resources and projects proposed to be carried forward to 2020/21

32. The following table outlines the projects and resources that for reasons set out below, it is proposed to defer and carry forward to 2020/21:

Project	Cost of Projects & Resources carried forward
	£'000
Country Parks Transformation (Phase 2) – Royal Victoria Country Park	1,400
County Farms improvement projects	450
County Farms minor works	87
Total	1,937

33. The Country Parks Transformation Programme (CPTP) has been in operation for some time and seeks to improve visitor experiences whilst at the same time generating income to make the parks self-financing. Capital funding of £800,000 is included within the current capital programme to improve the catering offer at Royal Victoria Country Park which is key to further income generation. In addition, the Executive Member for Policy and Resources agreed in November 2019 to allocate £600,000 from the Investing in Hampshire Fund to address other backlog liabilities including refurbishing the Empire Rooms and the external toilets to ensure they are of a similar standard to the other new facilities that are already planned. The combined funding of £1.4m will be carried forward into the 2020/21 programme.
34. In accordance with the strategy for the County Farms estate, capital receipts from the sale of farm land and buildings are accrued and earmarked for future investment in County Farms. Overall priorities across the County Farm estate are currently being reviewed, however three improvement projects to the value of £450,000 are planned for 2020/21 and it is proposed to carry forward this funding together with an unrestricted allocation of £87,000 for minor capital works.

Conclusions

35. The proposed capital programme for Policy and Resources as summarised in paragraph 26 is in line with the guidelines set by Cabinet. In addition, it plans to use the allocated Government grants in full. The main priority of the programme continues to be structural maintenance and improvement of the County's built and rural estate, and cultural facilities and the purchase of vehicles to support service delivery across the County Council. The programme supports the delivery of services countywide and contributes to the strategic aims:
 - Hampshire maintains strong and sustainable economic growth and prosperity
 - People in Hampshire live safe, healthy and independent lives
 - People in Hampshire enjoy a rich and diverse environment
 - People in Hampshire enjoy being part of strong, inclusive communities.

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

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Medium Term Financial Strategy Update and Transformation to 2021 Savings Proposals (County Council) http://democracy.hants.gov.uk/documents/s40039/MTFS%20-%20Council%20Report.pdf	7 November 2019
Budget Setting and Provisional Cash Limits 2020/21 (Cabinet) http://democracy.hants.gov.uk/documents/s42775/Dec%20Report%20-%20Cabinet%20-%20FINAL.pdf	6 January 2020
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	

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 protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are 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 in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equalities impact assessments will be considered when individual project appraisals are developed.

2.1. Impact on Crime and Disorder:

Crime prevention issues will be considered when individual project appraisals are developed.

Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

All relevant developments within the capital programme are subject to specific, detailed assessments. Energy conservation, and where applicable enhancing biodiversity, are priorities for all major building schemes.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Where appropriate capital schemes are planned with adaptation to climate change in mind, such as the inclusion of passive cooling, solar shading, sustainable urban drainage and rainwater harvesting systems in building projects where technically feasible and deliverable within budget constraint

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
2020/21 Schemes							
Schemes Supported from Local Resources							
Culture, Communities and Business Services							
1	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
2	County Supplies Warehouse, Winchester	644	106	-	750	-	15
3	West End Arts Centre, Aldershot	253	42	-	295	-	6
4	CCBS Capital	328	-	-	328	-	7
5	Country Parks Transformation (Phase 2) - Royal Victoria Country Park	1,202	198	-	1,400	-	28
6	Robert Mays School, Odiham - Safer Walking Route to School	300	50	-	350	-	7
7	County Farms - Improvement Projects	386	64	-	450	-	9
8	County Farms - Provision for Minor Improvements	75	12	-	87	-	2
Corporate Services							
9	Contingency	185	-	-	185	-	3
Total Programme Supported by Local Resources		3,373	472	3,000	6,845	-	377

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
N/A	-	-	Continuing programme of replacing vehicles	1
N/A	2	3	Roof upgrade at Bar End County Supplies warehouse	2
N/A	2	2	Roof upgrade at West End Arts Centre, Aldershot	3
N/A	1	12	Provision of minor works across the department including Library and Countryside services	4
N/A	2	6	To support a range of planned works at Royal Victoria Country Park, including improvements to and extension of restaurant and catering facilities, refurbishment of Empire Rooms and external toilets	5
N/A	2	6	Countryside element of safer walking route to Robert Mays School	6
N/A	1	12	Planned improvements across the County Farms estate	7
N/A	1	12	Provision for minor improvement works across the County Farms estate	8
N/A	-	-		9
# controlled on an accrued expenditure basis				

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2020/21 Schemes (continued)						
	Schemes Supported by the Government						
	Schools Condition Allocation (SCA)						
10	Cove School, Farnborough	399	66		465	-	9
11	Crestwood School, Eastleigh	1,502	248		1,750	-	35
12	Marchwood Junior School, Southampton	451	74		525	-	11
13	Marnel Junior School, Basingstoke	1,202	198		1,400	-	28
14	Petersfield Infant School, Petersfield	253	42		295	-	6
15	Swanmore School, Swanmore	275	45		320	-	6
16	Wavell School, Aldershot	1,974	326		2,300	-	46
17	Schools Condition Allocation (costing less than £250,000)	8,902	1,469	-	10,371	-	207
	Total Schemes Supported by the Government	14,958	2,468	-	17,426	-	348
	Total Excluding Land				24,271	-	725
	Advance and Advantageous Land Purchases				646	-	-
	Total Programme				24,917	-	725

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
Owned	2	6	Upgrade front elevation of curtain wall to three storey block	10
Owned	3	9	Roof upgrade to atrium	11
Owned	2	3	Roof upgrade	12
Owned	2	10	SCOLA recladding	13
Owned	2	2	Window upgrade	14
Owned	2	6	Window upgrade	15
Owned	2	10	SCOLA recladding	16
Owned	-	-	Major improvements to school buildings	17

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2021/22 Schemes						
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
18	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
19	CCBS Capital	328	-	-	328	-	7
20	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	513	-	3,000	3,513	-	310
	Schemes Supported by the Government						
21	Schools Condition Allocation	14,958	2,468	-	17,426	-	349
	Total Schemes Supported by the Government	14,958	2,468	-	17,426	-	349
	Total Excluding Land				20,939		659
	Advance and Advantageous Land Purchases				646		
	Total Programme				21,585		659

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
N/A	-	-	Continuing programme of replacing vehicles	18
N/A	1	12	Provision of minor works across the department including Library and Countryside services	19
N/A	-	-		20
Owned	-	-	Major improvements to school buildings	21
			# controlled on an accrued expenditure basis	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2022/23 Schemes						
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
22	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
23	CCBS Capital	328	-	-	328	-	7
24	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	513	-	3,000	3,513	-	310
	Schemes Supported by the Government						
25	Schools Condition Allocation	14,958	2,468	-	17,426	-	349
	Total Schemes Supported by the Government	14,958	2,468	-	17,426	-	349
	Total Excluding Land				20,939		659
	Advance and Advantageous Land Purchases				646		
	Total Programme				21,585		659

Capital Programme - 2022/23

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
N/A	-	-	Continuing programme of replacing vehicles	22
N/A	1	12	Provision of minor works across the department including Library and Countryside services	23
N/A	-	-		24
Owned	-	-	Major improvements to school buildings	25
			# controlled on an accrued expenditure basis	

Policy and Resources 2019/20 capital programme

1. Latest programme limit:	£'000
Total programme as per budget book	22,656
Carry forward schemes from 2018/19	30,170
Approved prudential borrowing	10,000
Additional approved capital allocations	1,110
Salix interest free loan funding	500
School Condition Allocation funding change	162
Share of capital receipts	681
Developers contributions	914
Carry forward to 2020/21	-1,937
Net transfers between capital and revenue and other technical adjustments to meet accounting requirements	-254
Technical adjustment – Pooled Property Fund	10,000
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	74,002
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2. Analysis of 2019/20 programme including carry forwards from 2018/19:

	£'000
Vehicles for Hampshire Transport Management (HTM)	3,000
Havant Day Services access road	<u>55</u>
Schemes controlled on an expenditure basis:	<u>3,055</u>
Capital repairs - Schools Condition Allocation (SCA):	
- Bishops Waltham Junior School – SCOLA recladding	1,600
- St Michael's Junior School (Aldershot) – Roof upgrade	410
- Other SCA works	12,916
Testbourne Community School - SCOLA recladding (part funded by SCA grant allocation)	3,150
Corporate Estate Capital projects:	
- EII South Fire precaution works	590
- 2019/20 projects individually under £250k	728
Office Accommodation	1,040
Facilities Management schemes	205
Hampshire Transport Management (HTM) – Vehicle Workshop Refurbishment	600
Investment in Hampshire	1,386
Strategic land purchase	10,000
Advance and Advantageous Land	1,938
Botley (Uplands Development) – Infrastructure and Utility Works (provisional allocation)	16,883

	£'000
Energy Performance Programme:	
- EPP5 - Battery Storage Technology	700
- EPP6 – Solar PV, building fabric and heating improvements	1,000
- EPP6 – Electric Vehicle infrastructure	410
- EPP6 – battery storage for buildings with Photo Voltaic (PV) installations, bulk storage of grid electricity	200
Winchester Leisure Centre	1,000
CCBS - ICT Developments	120
Customer Access Improvements	80
CCBS Capital	428
Country Parks Transformation (Phase 2):	
- Manor Farm	550
- Queen Elizabeth Country Park	300
- Staunton Country Park	450
Other Countryside projects	264
Basingstoke Canal:	
- Crookham Deeps Embankment lining	230
- Swan Cutting	335
Footway Improvements	15
Investment - Pooled Property Fund	10,000
Capital receipts – restricted for County Farms	1,729
Unallocated 25% of Capital receipts	<u>369</u>
Schemes controlled on a starts basis:	<u>69,626</u>
Unallocated	<u>1,321</u>
Policy and Resources Capital Programme 2019/20	<u>74,002</u>

