

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Universal Services
Date:	23 January 2023
Title:	2023/24 to 2025/26 Capital Programme Report for the Former Culture, Communities and Business Services
Report From:	Director of Universal 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 the former Culture, Communities and Business Services (CCBS) department for 2023/24 to 2025/26 and the revised capital programme for 2022/23.

Recommendation(s)

To approve for submission to the Leader and the Cabinet:

2. The capital programme for 2023/24 to 2025/26 as set out in Appendix 1.
3. The revised capital programme for 2022/23 as set out in Appendix 2.
4. The carry forward of resources of £39.233m from 2022/23 to 2023/24, 2024/25 and 2025/26 respectively as set out in paragraph 29.
5. The following four increases in the value of SCA SCOLA recladding schemes, to be approved by the Executive Lead Member: Hart Plain Junior £0.699m (scheme total now £1.573m); Crookhorn College £0.629m (scheme total now £2.027m); Henry Beaufort £0.641m (scheme total now £2.097m) and Cranborne School £0.710m (scheme total now £2.516m).

To approve for submission to Cabinet and County Council:

6. The increase in the value of the two following School Condition Allocation (SCA) schemes: Hiltingbury Junior SCOLA recladding scheme to be increased by £2.265m (scheme total now £3.811m) and Springwood Junior patent glazing upgrade scheme to be increased by £1.165m (scheme total now £1.785m).

7. The increase to the value of, and the expenditure approvals for, the Uplands Development Infrastructure (UDI) project by £3.837m (scheme total now £32.326m), to be funded by future capital receipts and other local resources.

Executive Summary

8. This report seeks approval for submission to the Leader and Cabinet of the proposed capital programme for the former CCBS department for 2023/24 to 2025/26.
9. The report has been prepared in consultation with the Executive Member and will be reviewed by the Transport and Environment Select Committee. It will be reported to the Leader and Cabinet on 7 February 2023 to make final recommendations to County Council on 23 February 2023.
10. In accordance with the provisional capital guidelines approved by Cabinet in December 2022, the report considers the schemes which it is proposed to include in the capital programmes for 2023/24, 2024/25 and 2025/26. The report also presents the revised programme for 2022/23.
11. The proposals contained within this report are derived from the departmental service plans which have been developed to support the 'Serving Hampshire - Strategic Plan 2021 – 2025'.

Contextual information

12. Executive Members have been asked to prepare proposals for:
 - a locally resourced capital programme for the three-year period from 2023/24 to 2025/26 within the guidelines used for the current capital programme including the third year, 2025/26, at a similar level to 2023/24
 - a programme of capital schemes in 2023/24 to 2025/26 supported by Government grants as announced by the Government.
13. The capital guidelines are determined by the Medium Term Financial Strategy which is closely linked to the 'Serving Hampshire - Strategic Plan 2021 – 2025' and departmental Service plans to ensure that priorities are affordable and provide value for money and that resources follow priorities.
14. The schemes included in the three-year capital programme reported to the Executive Member for Universal Services, will be delivered by the Universal Services Directorate. However, from time to time, the three-year programme may also need to include one-off proposals from Corporate Operations.

Locally resourced capital programme

15. The cash limit guidelines for the locally resourced capital programme for the Universal Services portfolio service set by Cabinet are as follows:

£'000

2023/24	4,559
2024/25	4,559
2025/26	4,559

16. 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.
17. 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.

Revised 2022/23 capital programme

18. The resources for the revised 2022/23 capital programme for the former CCBS are shown below and total £68.7m. The changes since the capital programme was approved in February 2022 are summarised below with further details shown in Appendix 2:

	2022/23 £'000
Approved programme	59,728
Allocations carried forward from previous years	37,596
Draw down of approved corporate funding	1,600
Draw down of approved cost of change funding	693
Adjustment to Government grant	(306)
Approved capital receipts added to programme	245
Future capital receipts	4,612
Developers' contributions	268
Other external funding	180
Carry forward to 2023/24	(26,493)

Carry forward to 2024/25	(5,224)
Carry forward to 2025/26	(7,516)
Funding transferred from Adults' Health & Care	1,706
Funding transferred from Children's Services	1,239
Net transfers between capital and revenue and other technical adjustments to meet accounting requirements	373
	68,701

19. Allocations carried forward from previous years to the 2022-23 capital programme, totalling £37.596m, were approved by Cabinet on 19 July 2022. This is on top of the £30.744m carry forward of schemes approved by the Executive Member for Commercial Strategy, Estates and Property on 21 January 2022.
20. Significant additions to the 2022-23 programme are highlighted in the following paragraphs.
21. The transfer of £1.154m Capital Maintenance Grant funding from the Children's Services capital programme to the CCBS capital programme was approved by Cabinet on 19 July 2022. This government grant funding for improvements to school buildings has been added to the funding for the School Condition Allocation (SCA) programme.
22. The capital programme has been adjusted to reflect the £0.306m difference between an expected 2022-23 SCA grant of £23.391m and the actual grant of £23.085m.
23. There have been increases to the allocations to named schemes, within the SCA grant envelope. Additional funding has been approved by the Executive Member for Commercial Strategy, Estates and Property for the recladding projects at Wavell School and Nightingale School, the window replacement on the listed block at Warblington School and the roof replacement at Stoke Park Junior School. Increasing the total value of these schemes within the 2022-23 programme to £3.4m, £3.0m, £3.5m and £1.9m respectively.
24. The addition of £1.4m Covid recovery funding to the programme, for a scheme to create new meeting rooms within the EII Court complex, was also approved by Cabinet on 19 July 2022.
25. Adults Health and Care (AHC) DMT approved an allocation of £2.4m for 2022-23 Health & Safety priorities from the Covid-19 related Infection Control Fund government grant. £1.706m of this has been identified as funding capital

schemes, and has therefore been added to the capital programme, leaving £0.694m allocated to revenue works.

26. Cost of change funding of £0.510m has been added to the programme to support additional funding needs for the Country Park Transformation Programme, which will address either unknown pre-existing condition issue or post completion performance.
27. It is proposed that £0.775m future capital receipts funding be added to the programme for phase one works related to Titchfield Haven Nature Reserve, which will allow for works to be tendered to facilitate the sale of Haven House in addition to more urgent works on the facilities in the reserve.
28. Approval is also sought to add £3.837m to the programme for the Uplands Development Infrastructure (UDI) project to cover inflationary cost pressures (£0.758m), other costs arising from a change in design standards and a significant extension to the construction programme. This project has/will provide servicing arrangements (highways and utilities) to support the delivery of Deer Park School and housing on the County Council owned Woodhouse Meadows site at Hedge End and is anticipated to yield significant capital receipts for the County Council when the serviced land is sold. The project currently has an approved project budget of £28.489m, which is funded by Infrastructure funding (HIF) from Homes England, developers' contributions and future capital receipts. It is proposed that the increased cost will be funded from the Capital Inflation Risk Reserve established by Cabinet in December 2022.

Resources and projects proposed to be carried forward to 2023/24, 2024/25 and 2025/26

29. The following table outlines the projects and resources approved within the 2022/23 capital programme that, for reasons set out below, it is proposed to defer and carry forward to 2023/24, 2024/25 and 2025/26 respectively:

Project	Cost of Projects & Resources carried forward			
	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000
Hampshire Transport Management Petersfield Vehicle Workshop Refurbishment	600			600
Corporate Estate Capital Projects	402			402
Fareham Parkway Improvements	2,500			2,500
Office Accommodation Capital Projects	226			226
Facilities Management	286			286
Energy Performance Programme	1,450			1,450
Adults' Health & Care Essential	1,518			1,518

Health & Safety works (funding transferred from Adults' Health & Care)				
Hampshire Outdoor Centres (carry forward of capital receipt to fund HOC transformation programme)	190			190
Country Parks Transformation Programme	428			428
Basingstoke Canal Swan Cutting Restoration	775			775
School Condition Allocation (building improvements)	17,918	5,224	7,516	30,658
Hiltingbury Junior School SCOLA Reclad Project (CCBS Climate Change funding)	200			200
Total	26,493	5,224	7,516	39,233

30. A number of planned capital investments in the corporate estate, to be funded from the allocations for facilities management, repairs and maintenance and office accommodation, were put on hold in 2022/23 to enable time for the further development of the corporate office strategy and asset rationalisation programmes. £2.5m allocated to Fareham Parkway improvements will be carried forward to 2023/24, plus uncommitted funding totalling £0.9m that will be used to address capital priorities within the retained estate to improve the safety, condition, utilisation and efficient management of retained buildings.
31. Six of the eight AHC Health & Safety schemes funded by the Infection Control Fund grant will start in 2023/24, which requires a carry forward of £1.5m.
32. Previous Energy Performance programmes (EEP1 – EPP6) have been consolidated to support the County Council's winter climate change programme. This £1.45m funding will be carried forward and will allow for further investment in the County Councils' electric vehicle infrastructure to support the continuous transition of fleet vehicles to electric and decarbonisation pilot projects to reduce carbon emissions.
33. The majority (£0.428m) of the £0.510m Cost of Change funding added to the programme for Country Park Transformation will be carried forward to 2023/24 to address the condition issues at Lepe Country Park and Queen Elizabeth Country Park.
34. The SCA grant is used to improve the condition of the school's estate on a priority basis. In line with normal timescales for design development and procurement, programmes are planned for delivery on site in future years and £30.658m of the funding from the 2022/23 programme is to be carried forward.
35. £18m SCA funding will be carried forward into 2023-24 and includes four named schemes with a combined value of £7.869m for SCOLA recladding at

Hart Plain and Hiltngbury Junior Schools, a roof upgrade at Red Barn Primary and the upgrade of patent glazing at Springwood Junior School. A further £4.3m has been allocated to projects below the named schemes threshold and, to make provision for the impacts of the current market conditions on tendered costs, £5.9m is currently being held as contingency.

36. The remaining named projects from the 2022-23 SCA programme totalling £12.7m will be carried forward into future years and include five SCOLA recladding projects (Crookhorn, Henry Beaufort, Cranbourne, Baycroft and Henry Court) that were placed on hold pending the outcomes of their nominations for the DfE's Schools Rebuilding Programme. Timing of schemes will be reviewed following the recent DfE announcement of schemes to be included in the programme,
37. Additional funding totalling £5.4m is now proposed for six of the carried forward named schemes, which reflects revised scopes on some projects and the anticipated impact of increased tender costs across all with their total combined value now £11m.
38. Details of named schemes in the 2023/24 to 2025/26 programme are provided in Appendix 1.

Proposed capital programme 2023/24 to 2025/26 – locally resourced schemes

39. The programme proposed for 2023/24 to 2025/26 is detailed in Appendix 1.
40. The need for additional capital investment to carry out essential asset condition works was identified in the Medium-Term Financial Strategy and approved by Cabinet on 19 July 2022. £3.65m of this capital priorities funding has been added to the 2023/24 programme, and £3.3m to the 2024/25 programme, for investment in Countryside bridges and rights of way to meet legal obligations; Countryside improvement of livestock management and historic building repairs; Basingstoke Canal management; County Farms estate buildings and the corporate estate programme of building fabric and mechanical and electrical building services lifecycle replacement.
41. £3.4 million per annum for vehicle purchases by Hampshire Transport Management (HTM) has been allocated to the programme to enable HTM to respond to growing business for electric vehicles. The cost of these purchases is recovered through business unit charges to customers.
42. An annual allocation of £0.328m has been added to the programme for CCBS minor capital works. CCBS DMT allocated the 2023/24 funding to targeted income and service improvements for Countryside.
43. The 2023/24 programme includes £2.1m allocated to the Hampshire Outdoors Centre Transformation Programme, which will support works to strengthen operations across three outdoor centres as part of the drive to be a self-financing service. Funding has been drawn from a carried forward capital receipt, Cost of Change funding and funding from the Portal Trust.
44. Additional Cost of Change funding of £1m has been allocated to Calshot Futures interim works, to address non-lifecycle maintenance issues and make minor improvements.

45. The 2023/24 capital programme also includes the proposal to carry forward funding from the 2022/23 programme in respect of schemes that for a variety of reasons summarised from paragraph 29 will not start in the current financial year. As set out in the previous section of this report, the total of locally resourced funding proposed to be carried forward is £8.6m. The augmented locally resourced programme totals are shown in the table below:

	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Guideline set by Cabinet	4,559	4,559	4,559
Capital Priorities funding (County Council 29/9/22)	3,650	3,300	
Departmental revenue and reserve contributions to capital	2,800		
External contribution	110		
Carry forward from 2022/23	8,575		
Proposed locally resourced programme	19,694	7,859	4,559

Proposed capital programme 2023/24 to 2025/26 supported by Government allocations

46. The Secretary of State has not yet announced details of individual local authority School Condition Allocation grant allocations for 2023/24, 2024/25 and 2025/26. A continuation of the 2022/23 allocation is assumed in the 2023/24 programme.
47. A project to re-roof Fleet Infant School has been identified for inclusion as a named scheme within the 2023-24 SCA programme at an estimated value of £0.750m. Other programmes of work, below the threshold for named schemes, are being developed to address the identified condition priorities across the schools' estate. These projects address mechanical, electrical and building fabric related condition priorities, incorporating measures that reduce energy consumption and achieve carbon emission reductions wherever possible. In line with the approach taken in 2022/23, a contingency sum will also be identified within the grant funding envelope to enable the management of the significant inflation pressures within the construction sector.
48. The cash limit guidelines for this part of the capital programme are as follows:

Capital grant	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Assumed	23,085	23,085	23,085
Carry forward from 2022/23	17,918	5,224	7,516

Proposed programme funded by Govt grant	41,003	28,309	30,601
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Emerging construction inflation and resource capacity issues

49. 2022 has been a challenging year for the construction industry with material and labour shortages and cost increases impacting on programmes of work being delivered as part of the County Council’s capital programme. However, construction output has continued to grow with the industry seeing four consecutive months of growth.
50. Tender price inflation is influenced by the level of risk accepted by the supply chain and how that is priced. Recently, the Construction Leadership Council has suggested introducing fluctuations into JCT and NEC forms of contract to collaboratively share the risk of inflation. In some instances, we have seen contractors request some form of allowance for fluctuations within the tender and contract documents.
51. The BCIS are now indicating that 2022 saw a 7.6% in year increase in tender prices from the fourth quarter of 2021, which again is evident in some recent tender returns. BCIS is also forecasting a further 5.4% increase in the first quarter of 2023, with inflation then starting to fall. The Maintenance cost indices have shown a slightly higher increase with the average on year cost during 2022 being between 8-9%.
52. The general fiscal position for the UK economy remains uncertain, with inflationary pressures due to the rising cost of commodities continuing to affect the cost of materials. It is anticipated that this will not be fully understood until the mid-point of 2023. However, material price growth is starting to ease from the high levels of mid-2022.
53. Continued use of local and regional construction frameworks and the early engagement of contractors will be vital in securing cost certainty and value for money for the successful delivery of projects within the CCBS capital programme. Key to the success of the early engagement will be pipeline management and visibility to the market of programmes of work.

Capital programme summary

54. On the basis of the position outlined above, the total value of the capital programmes submitted for consideration for the three years to 2025/26 are:

	Schemes within locally resourced guidelines	Schemes supported by Government allocations	Total
	£'000	£'000	£'000
2023/24	19,694	41,003	60,697

2024/25	7,859	28,309	36,168
2025/26	4,559	30,601	35,160

Revenue implications

55. 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.
56. 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
2023/24	1,471
2024/25	997
2025/26	962
Total	3,430

Conclusions

57. The proposed capital programme for the former CCBS as summarised in paragraph 55 is in line with the guidelines set by Cabinet. In addition, it plans to use the allocated Government grants in full.
58. The main priority of the programme continues to be the maintenance and improvement of the County Council's built and rural estate, 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>
Budget Setting and Provisional Cash Limits 2023/24 (Cabinet) Financial Update and Budget Setting and Provisional Cash Limits 2023/24 (hants.gov.uk)	13 December 2022
Medium Term Financial Strategy Update (Cabinet) MTFS.pdf (hants.gov.uk)	19 July 2022
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 IMPACT ASSESSMENT

1. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
2. **Climate Change Adaptation.** The climate change adaptation tool is not applicable because this is a financial report amending or proposing budgets for a number of individual projects or programmes, which are subject to assessment individually when project appraisals are developed.
3. **Carbon Mitigation.** The carbon mitigation tool is not applicable because this is a financial report amending or proposing budgets for a number of individual projects or programmes, which are subject to assessment individually when project appraisals are developed.