

Portsmouth
CITY COUNCIL

CAPITAL STRATEGY

2022/23- 2031/32

**“Portsmouth People Value Collaboration,
Community, Equality, Respect and Innovation”**

Part I Capital Expenditure and Aspirations

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1. Definition, Purpose & Scope

Definition

a. Capital expenditure is the expenditure that is incurred primarily on buying, constructing or improving physical assets, such as:

- Buildings (including schools, houses, libraries and museums)
- Land for development, roads, playing fields; and
- Vehicles, plant and machinery (including street lighting and road signs).

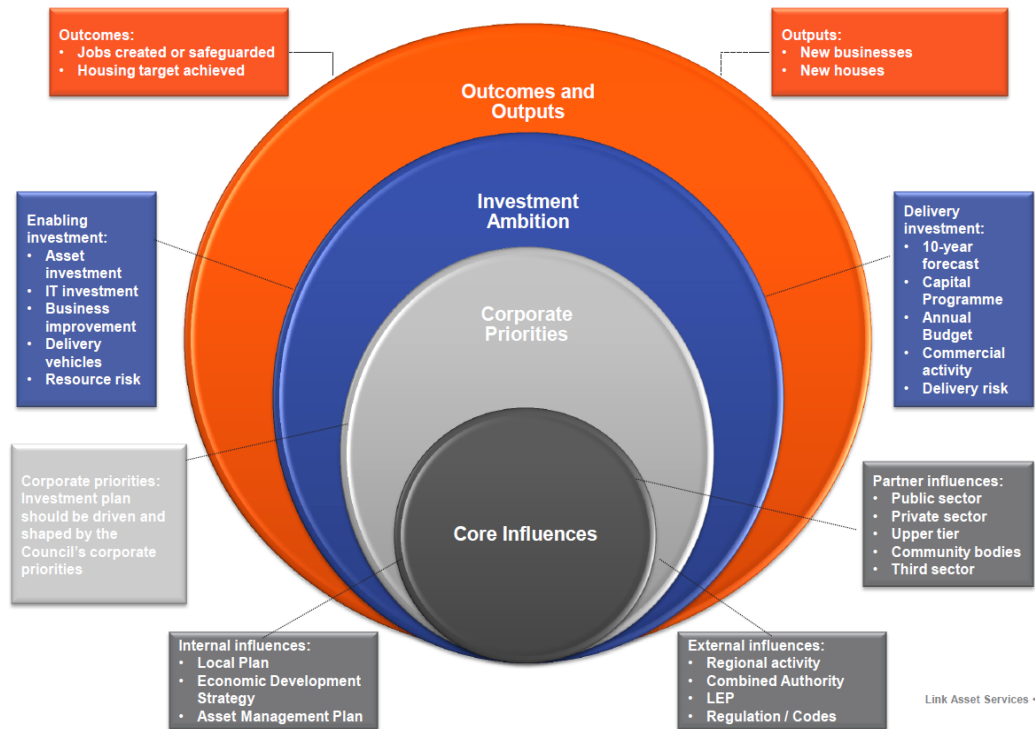
Capital expenditure also includes grants and advances made to the public or private sector for capital purposes, such as advances to Registered Social Landlords to provide adaptations to houses meet the needs of vulnerable people

b. The Capital Strategy is a high level plan that sets out the Council's approach to Capital expenditure over the short, medium and long term.

c. The Capital Strategy takes both a "bottom up" and "top down" approach to the identification of the Council's Capital expenditure requirements. It takes a 10 year time horizon and considers:

- What are the short term **needs** of the existing capital assets of the City Council, which of them will be required for future service delivery and what capital expenditure will be needed to sustain them both now and in the future ("Bottom Up" approach)
- What are the Council's medium term **priorities** for service delivery and what capital expenditure will be needed to help deliver those priorities ("Top Down" and "Bottom Up" approach)
- What are the Council's long term **aspirations** for the City of Portsmouth and what capital expenditure will be needed to deliver those aspirations ("Top Down" approach)

Capital Strategy



Purpose

- d. The purpose of the Capital Strategy is to set out a plan and a supporting financial framework to assist in the delivery of the Council's needs, priorities & aspirations. That plan describes what will be achieved, by when with key milestones and how it could be funded.
- e. The Capital Strategy is intended to be a robust vehicle with sufficient guiding principles to achieve the Council's stated vision and priorities but flexible enough to be able to respond to the emerging local priorities that will inevitably arise.
- f. The Capital Strategy is not intended to be static, it is a dynamic plan that will change and evolve continually over time. The Capital Strategy needs to be flexible to respond to emerging national and local priorities. In particular, the nature of the Central Government Capital Financing system is such that many national priorities for Capital expenditure will be cascaded and "drip fed" to Local Authorities over time and will be accompanied by the external funding to support them. These will be incorporated into the Council's Capital expenditure Plans as they arise. The Strategy will however, be robust and will include local priorities and aspirations that the Council aims to fund from the Council's own capital resources
- g. Unless there is a compelling case in the wider public interest, any capital receipts received from assets previously appropriated between the General Fund and the Housing Revenue Account be used in any way to relieve the Council (HRA or General Fund) of its associated ongoing debt burden. Such uses will include:
 - i. A voluntary contribution to the repayment of debt (i.e. Voluntary Minimum Revenue Provision)
 - ii. The funding of (or contribution to) a capital scheme that will generate long term income streams that exceed the ongoing debt burden

- iii. The funding of a capital scheme that will reduce expenditure or avoid costs at a level that exceeds the ongoing debt burden
 - iv. Any combination of the above
- h. Following the December 2017 edition of the CIPFA Prudential Code for Capital Finance in Local Authorities' regulations guidance, there is also a requirement for full Council to approve an annual Capital Strategy linking with the Council's asset management plans and its Treasury Management Strategy. Being aligned with one another, they will generate and create value for the Council by optimising the Council's liquidity; having a framework in place to prioritise capital expenditure and safeguarding against risk of either project overspend or non-delivery and by limiting the uncertainty of its returns.

Scope

- i. The City Council's Capital Strategy encompasses all areas of the Council's activities including some of the traditionally more autonomous service areas such as Housing Revenue Account and the Commercial Port.
- j. The body that approves the budget for PCC is the Full Council. The responsibility for decision-making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with the Full Council.
- k. New Capital Expenditure will be targeted towards those schemes that meet the Council's statutory responsibilities and that are most likely to drive cost reduction for the Council, innovation and clean economic growth and productivity for the City.
- l. The top 3 most important service areas for residents at present are, in order of popularity:
 - i. Collecting bins and keeping the city clean
 - ii. Ensuring older people and vulnerable adults are looked after and supported to live independently
 - iii. Supporting education, early years and children with special educational needs
- m. Additionally, for future investment of the Council's capital budget, the three most popular project areas selected by respondents are, in order of popularity:
 - i. Building new homes in the city, including flats offering special care for elderly residents
 - ii. Investing in greening projects across the city
 - iii. Creating better facilities for sustainable transport such as cycling and walking

2. Portsmouth Vision & Corporate Plan – “Strategic Fit

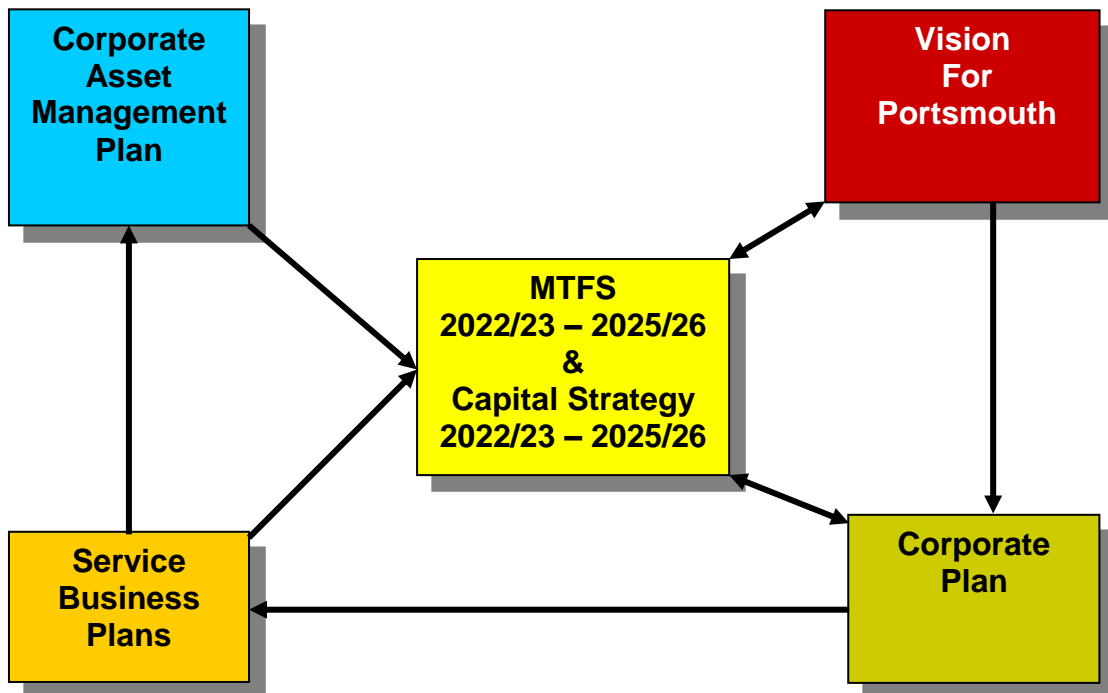
a. The Vision for Portsmouth is:

“Portsmouth people value collaboration, community, equality, respect and innovation”.

In order to deliver this vision, the City’s priorities are to:

- A healthy and happy city
 - A city rich in culture and creativity
 - A city with a thriving economy
 - A city of lifelong learning
 - A green city
 - A city with easy travel
- b. The Medium Term Financial Strategy (MTFS) and the Capital Strategy (CS) set out the Revenue Spending plans and the Capital expenditure plans respectively that deliver the longer term aspirational Vision for Portsmouth and the medium term Priorities for the City Council. Both of these strategies set out the financial frameworks that exist to support the achievement of the vision and priorities.
- c. Whilst there is a technical distinction between Revenue and Capital, the focus of attention for the Council is not whether it is Capital or Revenue, but whether the desired outcome is achieved. In this respect, the strategy for capital expenditure is of equal importance to the strategy for revenue spending.
- d. Whilst the MTFS and CS are designed to support the delivery of the day to day revenue and ongoing capital expenditure needs, priorities and aspirations of the Council, those needs, priorities and aspirations are also constrained by the revenue and capital resources available. These strategies therefore introduce criteria based processes to assist the Council in making informed spending decisions that will optimise the outcomes from the resources available.
- e. The MTFS and CS are driven by the Vision for Portsmouth and the Corporate Plan both directly in terms of medium to longer term priorities and ambitions of the Council and via Service Business Plans and the Corporate Asset Management Plan in terms of the short and medium term needs and priorities of the Council. This is illustrated pictorially below:

STRATEGIC FIT



- f. The Corporate Asset Management Plan and Service Business Plans are the more immediate “needs analysis” and “bottom up” drivers that feed the MTFS and Capital Strategy. Service Business Plans set out all spending plans of the service in order to deliver priority outcomes. Service Business Plans also feed the Corporate Asset Management Plan (CAMP) which seeks to align the Council's asset base with our corporate plans and objectives. The CAMP identifies current and future needs and priorities of services and seeks to provide a series of actions to ensure the Council has the right assets, in the right condition and in the right location
- g. A core feature of this Capital Strategy is to assist in the delivery of the Vision and the Corporate Plan. There is a presumption that Capital expenditure will be targeted towards income generation and economic growth whilst ensuring the Council's statutory obligations are also met. The emphasis is therefore on cost reduction, innovation and clean economic growth and productivity for the City.

3. Key Capital Expenditure Principles

- a. In order to determine which current, or future assets, should be either maintained or invested in the following principles will be adopted when consideration is given to capital expenditure decisions:

b.

Principle 1 – Contribution to Council Plan / Priorities

For the Council's non-commercial activities, Capital expenditure will be made where there is a clear and demonstrable contribution to the priorities contained within the Corporate Plan or the aspirations contained within the Portsmouth Vision.

For the Council's commercial activities (such as the Port and Investment Property Portfolio), Capital expenditure will be based on the commercial principles of achieving security of the investment with a specified rate of return and payback through surpluses over a reasonable time period.

Principle 2 - Statutory Obligations

There must be clarity about the details of immediate obligations and the extent to which the current statutory obligation is being met.

Principle 3 – Financial Appraisal

The City Council will only embark on new capital expenditure where that capital expenditure is fully funded and the source of funding in terms of both timing and value can be relied upon with a high degree of confidence. The timing and accessibility of funds to PCC must be considered.

Prior to any Capital expenditure decision being made, the whole life cost of the proposal will be estimated and the Council will satisfy itself that those costs can be accommodated with the council's overall budget. Capital Expenditure must also take into consideration the impact on both existing revenue and capital budgets and future forecasts. This will include both the maintenance and any lifecycle replacement of components required over the estimated useful life of the asset.

Principle 4 – Option Appraisal

Any new capital expenditure decision is to follow a full and proper options appraisal that considers the following for each reasonable alternative:

- Suitability – the extent to which each option makes a contribution to the needs, priorities and aspirations of the Council as defined within the CAMP, Corporate Plan and Vision for Portsmouth
- Feasibility – the capital cost and whole lifecycle cost plus the practical ease of implementing the scheme
- Acceptability – the extent to which the scheme is acceptable to Members of the City Council and the residents of Portsmouth.

Principle 5 - Risk

The Capital expenditure should not place the Council in a position where the risks associated with the Capital expenditure exceed the benefits of undertaking that investment. Neither, should the Council enter into any Capital expenditure where the risks associated with that investment cannot be managed effectively. Such risks may include (but will not be exclusive to) having insufficient resources generally or project management resources in particular to be able to effectively deliver a capital scheme.

Principle 6 – Approved Schemes in Progress (overspends)

The first consideration before any new Capital Expenditure is to ensure that the existing approved capital programme is fully and properly funded. Except in exceptional circumstances, the first call on available capital resources will be to fund any overspendings on approved schemes which are contractually committed. An approved scheme that is in progress will only be cancelled when the Value for Money of that scheme becomes unviable. (i.e. the additional costs and risks outweigh the potential future benefits)

4. Capital Resources

The financial framework governing the allocation of Capital Resources has evolved from the previous framework based on passporting of funding, to one that is based on pooling resources designed to offer Members greater choice and transparency with the overall aim of delivering better outcomes from the resources available. It seeks to strike the correct balance of allocating capital resources between short and medium term needs and priorities and longer term aspirations, in order to support the delivery of the long term Capital Strategy.

Allocation of corporate capital resources (i.e. non passported sources of finance) available to the City Council for new capital schemes comprise the following:

- Contributions to the “Corporate Pool” of all non ring-fenced capital grants from Government, commonly referred to as the “Single Capital Pot” allocations
- The anticipated balance on the Revenue Reserve for Capital
- Changes to the existing Capital Programme - additions or deductions for any changes in the costs or funding requirements associated with the existing capital programme
- Any allowances for Prudential Borrowing
- Other Corporate Capital Grants & Contributions e.g. Community Infrastructure Levy
- Any Revenue Contributions to Capital
- The forecast value of additional capital receipts taking into account:
 - New assets declared surplus to requirements
 - Any increase or decrease in the estimated value of existing assets to be disposed of
 - Any requirements to provide for affordable housing, parking or any other conditions which could have a significant impact on the disposal value and other costs associated with disposal

Unless there is a compelling case in the wider public interest, any capital receipts received from assets previously appropriated between the General Fund and the Housing Revenue Account be used in any way to relieve the Council (HRA or General Fund) of its associated ongoing debt burden. Such uses will include:

- A voluntary contribution to the repayment of debt (i.e. Voluntary Minimum Revenue Provision)
- The funding of (or contribution to) a capital scheme that will generate long term income streams that exceed the ongoing debt burden
- The funding of a capital scheme that will reduce expenditure or avoid costs at a level that exceeds the ongoing debt burden
- Any combination of the above

5. Short & Medium Term Capital Expenditure Needs & Priorities

- a. The short and medium term Capital expenditure needs of the Council will be driven by the Corporate Plan and be identified in Service Business Plans and the Corporate Asset Management Plan (CAMP).
- b. The CAMP is a consolidation of all existing Capital expenditure needs and priorities drawing on Service Asset Management Plans and other Corporate Priorities. It is both a “bottom up approach” (i.e. needs led) drawing upon changing demographics, changing demand and changing expectations of residents as well as a “top down” approach (i.e. priority led) based on the future direction of the Council set out in the Corporate Plan.
- c. In summary, the CAMP will identify:
 - The assets needed to deliver current and future services
 - The condition and sufficiency of those assets
 - The capital expenditure required to maintain and / or adapt those assets to ensure that they are “fit for purpose”
 - Unsuitable and surplus assets that are not required for the delivery of the Council’s services and could either be:
 - Re-used for another purpose
 - Re-developed or “mothballed” for future re-development
 - Transferred for Community or other Public Use
 - Disposed of via sale.
- d. The City Council has a wide range of service responsibilities, both statutory and non-statutory. In determining the needs and priorities for new Capital expenditure, a balanced approach will be taken to ensure that the needs and priorities of all service areas are considered including taking into account, the capital intensive nature of some services.
- e. The Capital Strategy is dynamic and whilst the priorities and aspirations of the Council will remain broadly constant, the Capital expenditure to achieve those priorities may change. The Capital expenditure plans of the Council will be updated continuously and added to the Council’s Capital Programme following the proper approvals in accordance with the Council’s Constitution and Financial Rules. The Capital Planning process is described as part of the Financial Framework supporting the Delivery of the Capital Strategy in Section 7.

6. Long Term Capital Expenditure Aspirations

- a. It is recommended that the City Council endorses the short to medium and long-term aspirations of the Capital Strategy, as set out in Appendix 1.
- b. The longer term aspirations that the Council has for the City are ambitious and rely on the Council applying the resources at its disposal in ways which deliver the greatest impact. Those resources include Capital Resources which will be targeted at Capital expenditure that has the greatest prospect of delivering the Council's aspirations.
- c. The Council has developed a wide range of longer term Capital expenditure proposals aimed at meeting the "Vision for Portsmouth", some of which have partial funding, but the majority of which, are currently unfunded. Section 7 (Appendix 1) of this Strategy sets out the way in which these unfunded Capital expenditure plans could be achieved.
- d. The Council's key longer term Capital expenditure plans and aspirations aimed at delivering the Vision for Portsmouth are set out in Appendix 1.

7. Summary

- a. This strategy sets out the key capital expenditure priorities over the short, medium and longer term.
- b. Whilst the capital resources available are currently insufficient to meet all the capital expenditure Priorities of the Council, the financial framework set out in this strategy will provide the best opportunity for maximising resources and the best opportunity for applying those resources to that Capital expenditure which will make the greatest contribution to the Council's needs, priorities and aspirations.
- c. Inevitably plans to achieve the Council's objectives over the short, medium and long term will change as will the capital resources available. This strategy has been designed to be flexible enough to accommodate any such changes whilst being robust enough to enable the Council's core objectives to be achieved.

APPENDIX 1

Capital Aspirations (Short / Medium / Long-term) 2022/23 Onwards

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A City of lifelong learning	Additional School Places - SEND	30,000	20,000	10,000	Investing in school buildings to create additional places and provide learning environments that meet the needs of all children, including for Tipner Infrastructure
A City of lifelong learning	Maintenance of School Buildings (rolling programme)	10,000		10,000	Maintain and improve PCC Assets
A City of lifelong learning	Improving IT Infrastructure for Education and Children's Social Care	1,500		1,500	Maintain and improve PCC Assets
A healthy and happy City	Maintenance of Children, Families and Education Portfolio Buildings	2,000	2,000		Maintain and improve PCC Assets
A healthy and happy City	Carer's adaptations	3,000	3,000		Improve the number of children who can be cared for in homes in the city.
A City with a thriving economy and a green City	Cruise Expansion	30,000	30,000		Income generation for both the Council and the City
A City with a thriving economy and a green City	North Quay and Associated Development	30,000		30,000	Income generation for both the Council and the City
A green City	Shore Power	51,000	12,750	38,250	Maintain and improve PCC Assets, whilst protecting income for both the Council and the City
A green City	Living Walls	1,000		1,000	To facilitate improvements to the city's environment
A City with a thriving economy	Crane Replacement - 40 Tonne	350	350		Maintain and improve PCC Assets
A City with a thriving economy	Berth 5 Linkspan Replacement	15,000	3,750	11,250	Protect income to both the Council and the City
A City with a thriving economy	Berth 3 Linkspan Replacement	20,000	5,000	15,000	Protect income to both the Council and the City
A City with a thriving economy and a green City	Freight Gate Automation	2,000	500	1,500	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Freight Inspection Point	500	125	375	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Switch Room 1	750	188	563	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Check-In Booths Automation	2,000	500	1,500	Maintain and improve PCC Assets

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A healthy and happy City	Development of new burial site for faith Group	500		500	Dedicated burial space for different faith groups
A healthy and happy City - supporting people to live active, healthy lives	Sports and Leisure Facility improvements (mainly Mountbatten Centre)	5,000	5,000		To ensure that the Mountbatten Centre remains fit for purpose and that it can respond to the latest needs in line with the next re-procurement. Improved physical participation and mental and physical health
A healthy and happy City - supporting people to live active, healthy lives	Replace Farlington Pavilion (7-10 years) plus match funding	5,000	2,500	2,500	Replace Pavilion
A healthy and happy City - supporting people to live active, healthy lives	Replace Langstone Pavilion	1,000	1,000		Replace Pavilion
A healthy and happy City - supporting people to live active, healthy lives	Invest in Young People's Play (£1m in alternate years)	5,000	5,000		Replace equipment over a period of years to spread life expectancy and to include works that are not necessarily fixed equipment in fenced sites
A healthy and happy City - supporting people to live active, healthy lives	Invest in Public Open Spaces	1,000	1,000		build outcomes of Covid 19 and invest in public open spaces to increase their value as public assets further-increasing maintenance and green features to cope with demand and meet public expectation
A healthy and happy City - supporting people to live active, healthy lives	Horsea Island Country Park- post Handover plan	200		200	Provision of country park experience for residents
A City rich in Culture & Creativity	Japanese garden	125		125	complete refurbishment of garden
A healthy and happy City - supporting people to live active, healthy lives	Conversion of west chapel at Kingston Cemetery	500	250	250	Office accommodation and toilets
A healthy and happy City - supporting people to live active, healthy lives	Milton and South Kingston lodge refurbishment	1,000	500	500	Increase life & usage of assets

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A healthy and happy City - supporting people to live active, healthy lives	Seafront & Old Portsmouth Refurbishment	500		500	maintain / improve customer experience whilst increasing the life of assets
A City rich in Culture & Creativity and A City of Lifelong Learning	Refurbishment of Southsea Library	250	125	125	Maintain/Improve customer experience
A City rich in Culture & Creativity and A City of Lifelong Learning	IT Investment in Library service	250		250	Maintain/Improve customer experience
A City rich in Culture & Creativity	Guildhall Renaissance Project	1,700	1,700		(Self-funding)quality cultural/leisure provision for residents
A City rich in Culture & Creativity	Refurbishment of the Rose Gardens	125		125	Refurbishment of gardens
A City rich in Culture & Creativity	Central Library -enhancements for long term protection of Conan Doyle Archive and creation of additional space	450		450	Enclosure of balcony and levelling to enable development of space for cultural and wellbeing activity and the protection of archive collection.
A City rich in Culture & Creativity	Upgrade of Library Facilities	350		350	Link between Beddow Library and Community Centre plus structural and internal works
A City rich in Culture & Creativity	Maintenance & Upgrade of Museum facilities	1,330		1,330	Replace heating system and update building appearance to enhance visitor experience
A City rich in Culture & Creativity	Secure facility for Museum collection	1,100		1,100	Repair existing or identify alternative repository for the City's Museum collection
A healthy and happy City - supporting people to live active, healthy lives	Seafront Lighting Enhancements	100		100	Lighting improvements to seafront including Pyramids and Castle Moat
A City rich in Culture & Creativity	Repair and Maintenance of Historical Theatres	200		200	Medium Term Identified works to building completed

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A City rich in Culture & Creativity	Southsea Castle- repairs to underground tunnels	275		275	Enhance visitor experience
A healthy and happy City	Expansion and development of supported living and respite accommodation within the city.	5,000-10,000	5,000-10,000		Increased range of accommodation within the city, to enable people to live independently within their communities.
A healthy and happy City	Expansion of use of Assistive Technology.	500-1,000	500-1,000		Increased range of services available within the city to promote and sustain independence.
A healthy and happy City	Property Maintenance; implementing maintenance programs to ensure ASC buildings remain as safe and secure assets within the city	250-500	250-500		Ensure properties remain operational, able to service the residents of the city
A healthy and happy City	Maximising use of enhancements and developments in technology to support the delivery of direct care services.	250-500	250-500		Ensuring the provision of care services are run efficiently and effectively as possible to deliver high quality services to residents.
A healthy and happy City	Maximising use of enhancements and developments in technology to support the efficient and effective delivery of services (e.g. mobile assessment tools, e-forms, e-information, support & sign-posting for clients, reporting tools, etc.)	500-1,500	500-1,500		Ensuring that the service maximises the opportunities from enhancements & developments in technology to ensure services are delivered efficiently and effectively for the benefit of the citizens of Portsmouth.
A healthy and happy City	Redevelopment of Former Horatia and Leamington House Sites	142,000	118,000	24,000	Increase supply of affordable housing
A City with a thriving economy	Tipner Infrastructure	200,000		200,000	Provision of circa 3,500 homes and 1,000,000 sq. ft of marine employment space
A healthy and happy City	Cosham Masterplan	192,000	57,600	134,400	Provision of a community hub including circa 800 homes
A City with easy travel	Local Transport Scheme (rolling programme)	6,000		6,000	Improving road safety across Portsmouth

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A City with easy travel	Design & Build 2000 Space Multi Story Car Park at the existing Park & Ride site	32,000		32,000	A city where all residents and visitors have opportunities to enhance their health and well-being and to be involved in building happier and healthier local communities
A green City	Environmental Initiatives	9,170		9,170	To facilitate improvements to the city's environment
A healthy and happy City	PCC Estate Landlords Repairs & Maintenance (rolling programme)	10,400		10,400	Maintain and improve PCC Assets
A healthy and happy City	Sea Defences - Enhancements - Future Phases	10,000		10,000	To enhance the sea defences
A City with a thriving economy	Regeneration of Former Tricorn Site	125,000	62,500	62,500	The delivery of Additional Residential accommodation, employment and public realm improvements in the City Centre
A City with a thriving economy	Regeneration of Sainsbury's Site	200,000	180,000	20,000	The delivery of Additional Residential accommodation, employment and public realm improvements in the City Centre
A healthy and happy City	Regeneration of Fratton Bridge Centre	38,600	31,530	7,070	Purchase of Fratton Bridge Centre, redevelopment of unit to mixed use including residential and commercial
A healthy and happy City	Housing development - Strouden Court	24,000	16,000	8,000	Housing developments at Strouden Court
A healthy and happy City	Housing development - Cabbagefield Row	30,000	20,000	10,000	Housing developments at Cabbagefield Row
A green City	Digital Strategy	1,750		1,750	Working to ensure we have a modern, flexible, highly skilled, supported and motivated workforce to provide services that meet the needs of our residents
	Total Investment	1,252,476 - 1,259,477	587,368 - 594,369	665,108	

