

Board/Committee:	Full Council
Date of meeting:	29 May 2024
Title:	Review of the Capital Programme - 2024/25 TO 2026/27
Author:	Borough Treasurer
Status:	For Decision

Purpose

- The Capital Programme is an integral part of the Council's Medium Term Financial Strategy. It sets out the Council's Capital Investment plans and is a key mechanism for the Council to achieve its objectives and enhance services for Borough residents.
- This report makes proposals to revise the approved Capital Programme 2024/25 to 2026/27 with a number of changes, additions and deletions to reflect the priorities of the Administration and accord with the Medium Term Financial Strategy.
- The changes to the Capital Programme contained within this report have been prepared in such a way as to be financially neutral to the Council.

Recommendation

It is recommended that:

- i) The Capital Programme 2024/25 to 2026/27 set out in Appendix A is approved
- ii) The Borough Treasurer be given delegated authority to amend the Prudential Indicators to reflect the Capital Programme set out in Appendix A

1.0 Background

- 1.1** The current programme was agreed by Council in February 2024. Since that time the May 2024 local elections have concluded and the Administration have re-visited the Council's needs and reassessed their aspirations and priorities. These are now expressed within the proposed Capital Programme at Appendix A.
- 1.2** The recommended Revised Capital Programme has been prepared in accordance with the Medium Term Financial Strategy.
- 1.3** As part of the Capital Programme Review, the opportunity has also been taken to reflect any known under and overspendings to provide assurance that the overall programme remains in financial balance.

2.0 MEDIUM TERM FINANCIAL STRATEGY

Overall Strategy

2.1 The Medium Term Financial Strategy (MTFS) is designed to meet the following overall aim:

"In year" expenditure matches "in year" income over the medium term whilst providing sustainable high quality public services, improving the overall prosperity of residents and businesses and ensuring adequate financial resilience"

2.2 Over the next 3 years, the Council has a forecast budget deficit to remedy amounting to £1.204m (+/- £0.5m arising from future uncertainty).

Capital Strategy

2.3 Within the context of an overall Medium Term Financial Strategy, a Capital Strategy considers investments that will be made for the acquisition, creation, or enhancement of tangible or intangible fixed assets, in order to yield benefits to the Council for a period of more than one year. It also considers how stewardship, value for money, prudence, sustainability and affordability will be secured.

2.4 Whilst the Council will continue to bid for external capital grants to further the aspirations and needs of the Borough, more general capital resources from Capital Receipts, S.106 contributions and CIL will remain very constrained in the future. It is imperative therefore, that the Council has a strategy that seeks to maximise those resources, their flexibility of use and targets their allocation to the highest priority activities. Given such scarcity, this necessarily requires the Council to plan for the medium term, ensuring that continuity of essential service delivery can remain even in times of scarce availability of funding.

2.5 Prudential Borrowing as a financing source for Capital Investment remains available to the Council but only where the investment can be demonstrated to be an "Invest to Save" scheme. Prudential Borrowing is governed by the Prudential Code and its associated tests of affordability, sustainability and prudence. The Affordability test dictates that the Council must be able to demonstrate that it can afford the debt repayments over the long term. This means that there must be a demonstrable case that the capital expenditure incurred will result in savings (i.e. cost reduction or additional income) that at least cover the cost of borrowing. Also, that those savings accrue directly to the Council and will be available on a sustained basis over the lifetime of any borrowing. Additionally, a more recent update to the Prudential Code has "ruled out" borrowing which has the primary purpose of generating yield so as to restrict Local Authorities exposure to the financial risk of incurring debt where:

- i) It does not serve a primary purpose of the Council
- ii) Any associated income stream necessary to fund the debt repayments are not certain, risking an unfunded cost burden on the Council

2.6 The Capital Strategy has 3 core aims:

Aim 1 - To support a Medium Term Outlook

- Allocating known resources to future years for critical capital investment, ensuring that in years where capital resources are limited, critical investment can continue to be made
- Aligning known resources and spending, ensuring that uncertain or forecast resources are not applied to current investment, thus leaving potentially unfunded obligations in the future
- Smoothing out any significant gaps between capital investment needs and capital resources available by utilising contributions from revenue.

Aim 2 - To Maximise the Capital Resources available and the flexibility of their application

- Setting aside capital funding for "match funding" opportunities, where these are aligned with the Council's strategic objectives in order to take advantage of "free" funding
- Reviewing contractually uncommitted schemes against newly emerging capital investment priorities
- Avoiding ring-fencing of capital resources, except where such ring-fencing is statutory
- Using prudential borrowing for "Invest to Save" schemes, or schemes which generate income.

Aim 3 - Targeted Capital Investment

- Annual review of all contractually uncommitted capital schemes which rely on non-ring-fenced funding is undertaken to ensure that they remain a priority in the context of any newly emerging needs and aspirations
- Investment in programmes of a recurring nature that are essential to maintain operational effectiveness
- Invest in specific schemes that:
 - Have a significant catalytic potential to unlock the regeneration of the Borough
 - Are significant in terms of the Council strategies that they serve
 - Are significantly income generating or efficiency generating
 - If not implemented would cause severe disruption to service delivery.

2.7 The Capital Programme is the plan that underpins the Capital Strategy (described above) and has an important role to play in seeking to support the financial sustainability of the Council and its services. It is a key mechanism to:

- Meet the Council's statutory obligations for continued and sustainable service provision
- Support the delivery of Council priorities and strategies
- Improve the economy of the borough (and therefore the funding base of the Council)
- Improve the efficiency, effectiveness and cost of services
- Generate or maintain income for the Council

3.0 PROPOSED ADDITIONS TO THE CAPITAL PROGRAMME 2024/25 TO

2026/27

3.1 In accordance with the Capital Strategy, the Administration proposes that the following new Capital Schemes, totalling £20,223,400, are added to the Council's Capital Programme 2024/25 to 2026/27, detailed in section 3.2.

3.2 *Schemes Funded By GBC Resources To Resources To Be Added To Capital Programme*

It is proposed that the Capital Schemes described below be funded by removing schemes within the current Capital Programme (as set out in Section 4), some of which have remained dormant for some time or where the funding is no longer sufficient to be able to deliver the intended purpose of the original scheme.

With the exception of the proposal to create a Capital Reserve to support the Regeneration and Growth within the borough, the schemes listed below are all of a business critical or high risk health and safety nature and are proposed to ensure that the Council can continue to deliver its essential key services on a sustainable basis.

At this stage, it is anticipated that the proposed funds to be set aside to support Regeneration and Growth will be used flexibly to support the development of the Criterion Building, The Waterfront and the People's Park. At this early stage of the business case and design processes for these schemes and the uncertainty regarding any external funding that may be available, it is not possible to make specific budget allocations to these schemes. Any expenditure however will be subject to first undertaking a proper due diligence process in order to properly safeguard public funds and demonstrate value for money for the public purse as is the Council's obligation. The Reserve may also be used to manage cost and funding risk across the entire capital programme to ensure that the Capital Programme remains fully funded at all times.

Re-direction of the released funding for the delivery of the proposed schemes set out above will also ensure that those financial resources are put to productive social and economic use. The IT schemes and Skatepark projects are subject to further analysis.

Wilmott Lane Depot Electrical Works	17,000
Ann's Hill Cemetery Pot Holes Repairs	10,000
Lee Skatepark Removal / Make Safe	58,000
Weir Improvements - Structural Survey	15,000
Forton Recreation Ground	2,000
IT - Migration of Elector8 System to Cloud Hosting	5,000
IT - Migration of Housing System to Cloud Hosting	100,000
IT - Migration of Housing Benefit And Local Taxation / Council Tax System to Cloud Hosting	60,000
IT - Migration of Streetscene IDOX System to Cloud Hosting	50,000
Capital Reserve to support Regeneration and Growth within the Borough	795,400
	1,112,400

Schemes Funded By External Sources To Be Added To Capital Programme

External funding has been secured for the following schemes, which require no financial contribution from the Council:

Tree Planting	86,000
Rum Store	11,378,000
Public Realm / Connectivity	6,962,000
Lead Curator - Public Realm	15,000
Food Waste Collection	670,000
	19,111,000

4.0 PROPOSED DELETIONS, REDUCTIONS AND OTHER CHANGES TO THE CAPITAL PROGRAMME 2024/25 TO 2026/27

- 4.1 It is proposed that the following Schemes, releasing £1,112,400 of funding, be removed / changed from the Capital Programme 2024/25 to 2026/27:

Removed Schemes

Forton Bowling Pavilion	10,000
Cockle Pond - Water Circulation Scheme	100,000
Ann's Hill Cemetery – Children's Graves	10,200
Grange Farm Depot - Long Barn	74,600
Daedalus Regeneration	50,000
Gosport Museum & Gallery (Capital Grant)	70,000
	314,800

Scheme Reductions

Playgrounds - Improvements To Existing Facilities	38,000
Play Area Refurbishments Across The Borough	249,000
West of the River Nature Reserve	5,000
Essential Paving Improvements & Upgrades	50,000
Cockle Pond Footway Repairs	90,000
Heritage Action Zone	57,000
CCTV	22,000
	511,000

Schemes Underspent / Overspent

Underspends:	
Stokes Bay Home Park - Upper Site Store Shed Demolition	2,000
Stokes Bay Fountain	10,000
Allotments - Management And Eradication Of Japanese Knotweed	30,000
Replacement of NNDR System	15,100
IT - Desktop Replacement Programme	10,000
IT - Server Replacement	23,000
IT - System Upgrades	18,200
IT - iPad Replacement	10,000
IT - Laptop Replacement	30,000
CCTV - Replacement & Upgrades	24,000
Overspends:	
Landing Stage	-34,400
Stokes Bay Home Park - Upper Site Store Shed Replacement	-3,300
	134,600

<i>Community Infrastructure Levy - Additional Funding</i>	152,000
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<i>Total Cost / Funding Released</i>	1,112,400
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*Please note that the IT Capex budget is an annual programme cost which occurs every year.

- 4.2 The funding released from reviewing and reducing Capital Schemes has been combined with additional CIL funding received to devise an overall financing package to release £1,112,400 of Capital Funding (as described in paragraph 4.1 above) to fund the additions to the Capital Programme set out in paragraph 3.2.

4.3 The changes proposed to the Capital Programme will require amendments to the approved Prudential Indicators. The changes themselves have been devised to have a neutral financial impact on the Council and neither do they change the Council's Authorised Limit for Debt or the overall Capital Financing Requirement.

5.0 CONCLUSION

5.1 The proposed additions to the Capital Programme 2024/25 to 2026/27 seek to deliver new capital investment across the borough that enhances the social and economic base of the borough. These new investment priorities have largely been funded from the removal of schemes, many of which have been dormant, ensuring that the financial impact on the Council is neutral.

Financial Services comments:	All of the financial implications associated with the recommendations are described within the body of the report.
Legal Services comments:	
Equality and Diversity:	There are no Equality and Diversity implications
Climate Change implications:	There are no climate change implications
Crime and Disorder:	n/a
Service Improvement Plan implications:	The Capital Investment proposals reflect both service improvement plans and the corporate plan.
Corporate Plan:	The Capital Investment proposals reflect both service improvement plans and the corporate plan.
Risk Assessment:	The Capital Programme makes budget provision for planned Capital Investment. Budget estimates have been prepared to include the most up to date information relating to costs and future inflationary expectations. Prior to the commencement of any scheme and entering into contracts, a financial appraisal will be undertaken to ensure that sufficient funding still remains.
Background Papers:	Capital Programme 2024/25 to 2026/27
Appendices:	A. Revised Capital Programme 2024/25 to 2026/27
Report Author/Lead Officer:	Borough Treasurer

**CAPITAL PROGRAMME 2023/24 TO 2026/27
HOUSING BOARD (HRA)**

SCHEME	SPENDING				Project costs funded by GBC			
	2024/25 £'000	2025/26 £'000	2026/27 £'000	3-Year Total £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	3-Year Total £'000
IMPROVEMENTS TO HOUSING STOCK	4,110	3,700	3,700	11,510	4,110	3,700	3,700	11,510
NEW BUILD	5,000	1,700		6,700	5,000	1,700		6,700
PURCHASES		300	450	750		300	450	750
Board Total	9,110	5,700	4,150	18,960	9,110	5,700	4,150	18,960

**CAPITAL PROGRAMME 2023/24 TO 2026/27
HOUSING BOARD (GENERAL FUND)**

SCHEME	SPENDING				Project costs funded by GBC			
	2024/25 £'000	2025/26 £'000	2026/27 £'000	3-Year Total £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	3-Year Total £'000
DISABLED FACILITIES	900	900	900	2,700				
Board Total	900	900	900	2,700				

CAPITAL PROGRAMME 2023/24 TO 2026/27
COMMUNITY & ENVIRONMENT BOARD

SCHEME	SPENDING				Project contr funded by GBC			
	2024/25	2025/26	2026/27	3-Year Total	2024/25	2025/26	2026/27	3-Year Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CAR PARK RESURFACING & UPGRADING	10			10	10			10
COCKLE POND - FOOTWAY REPAIRS	90			90	90			90
ESSENTIAL PAVING IMPROVEMENTS & UPGRADES	50			50	50			50
PLAYGROUNDS - IMPROVEMENTS TO EXISTING FACILITIES	150			150				
STOKES BAY ROAD, EAST AND WEST CAR PARKS - DRAINAGE UPGRADE	40			40	40			40
FORTON COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	1,652			1,652				
SEAFIELD COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	361	111	1,819	2,291				
ALVERSTOKE COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	942	1,000	1,000	2,942				
GROUPS MAINTENANCE SERVICE - PURCHASE OF EQUIPMENT AND MACHINERY	77	40	40	157	77	40	40	157
STOKES BAY SEAWALL	1,235			1,235	196			196
LEISURE CENTRE SOLAR PANELS	185			185	185			185
ALLOTMENTS - IMPROVED ACCESS TO SITES	59			59	59			59
ALVER VALLEY FOOTPATH	4			4				
WEST OF THE RIVER NATURE RESERVE - ALL ABILITIES ACCESS	10			10				
SPORTS PAVILIONS MAINTENANCE & REFURBISHMENT	34			34				
SPLASH PARKS MAINTENANCE	35			35				
ALLOTMENTS - MANAGEMENT AND ERADICATION OF JAPANESE KNOTWEED	25			25	25			25
ALLOTMENT INFRASTRUCTURE	40			40	40			40
ALLOTMENT SIGNAGE	10			10	10			10
ANNS HILL CEMETERY - REFURBISH CREMATION GARDEN	22			22	22			22
MANOR WAY ALLOTMENTS								
BASTION NO1 GARDEN	8			8				
BEACH MANAGEMENT PLAN	100	462		562				
PLAY AREA REFURBISHMENTS ACROSS THE BOROUGH	27			27				
TREE PLANTING	42	22	22	86				
FOOD WASTE COLLECTION	670			670				
WILMOTT LANE DEPOT ELECTRICAL WORKS	17			17	17			17
ANN'S HILL CEMETRY POT HOLE REPAIRS	10			10	10			10
LEE SKATEPARK REMOVAL / MAKE SAFE	58			58	58			58
WIER IMPROVEMENTS - STRUCTURAL SURVEY	15			15	15			15
FORTON RECREATION GROUND	2			2	2			2
Board Total	6,030	1,635	2,881	10,546	906	40	40	986

CAPITAL PROGRAMME 2023/24 TO 2026/27
POLICY & ORGANISATION BOARD

SCHEME	SPENDING				Project costs funded by GBC			
	2024/25	2025/26	2026/27	3-Year Total	2024/25	2025/26	2026/27	3-Year Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
IT - DESKTOP REPLACEMENT PROGRAMME	10	10	10	30	10	10	10	30
TOWN HALL MAJOR REPAIRS - ELECTRICS	50			50	50			50
WATERFRONT (BUS STATION) REGENERATION & PEOPLE'S PARK	1,059			1,059	772			772
CCTV - REPLACEMENT & UPGRADES		15	15	30		15	15	30
IT - SERVER REPLACEMENT	40	40	40	120	40	40	40	120
IT - SYSTEM UPGRADES	121	40	40	201	121	40	40	201
TOWN HALL MAJOR REPAIRS - INTERNAL DECORATIONS	10	10	10	30	10	10	10	30
TOWN HALL MAJOR REPAIRS - HEALTH & SAFETY	10	10	6	26	10	10	6	26
TOWN HALL MAJOR REPAIRS - ADAPTIONS	10	10	10	30	10	10	10	30
FINANCE SYSTEM UPGRADE	15			15	15			15
HERITAGE ACTION ZONE (FEASIBILITY STUDIES/MATCH FUNDING)	15			15	15			15
IPAD REPLACEMENT	10		10	20	10		10	20
CRITERION BUILDING - ACQUISITION & REFURBISHMENT	971			971	971			971
HERITAGE GRANTS	255			255	255			255
LAPTOP REPLACEMENT	30	30	30	90	30	30	30	90
WFH INFRASTRUCTURE	120	20	20	160	120	20	20	160
FLEETLANDS FC GRANT	20			20				
UK SHARED PROSPERITY FUND	210			210				
IT - CYBER SECURITY / EMAIL ARCHIVING	50	50		100				
CONCERTO PROPERTY DATABASE	18			18	18			18
RUMSTORE	2,822	3,764	4,792	11,378				
PUBLIC REALM / CONNECTIVITY	2,455	4,507		6,962				
LEAD CURATOR - PUBLIC REALM	15			15				
IT - MIGRATION OF ELECTOR8 SYSTEM TO CLOUD HOSTING	5			5	5			5
IT - MIGRATION OF HOUSING SYSTEM TO CLOUD HOSTING	100			100	100			100
IT - MIGRATION OF HOUSING BENEFIT AND LOCAL TAXATION / COUNCIL TAX SYSTEM TO CLOUD	60			60	60			60
IT - MIGRATION OF STREETSCENE IDOX SYSTEM TO CLOUD HOSTING	50			50	50			50
CAPITAL RESERVE TO SUPPORT REGENERATION AND GROWTH WITHIN THE BOROUGH	795			795	795			795
Board Total	9,326	8,506	4,983	22,815	3,467	185	191	3,843

CAPITAL PROGRAMME 2023/24 TO 2026/27

SCHEME	SPENDING				Project costs funded by GBC			
	2024/25 £'000	2025/26 £'000	2026/27 £'000	3-Year Total £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	3-Year Total £'000
HOUSING BOARD (HRA)	9,110	5,700	4,150	18,960	9,110	5,700	4,150	18,960
HOUSING BOARD (GENERAL FUND)	900	900	900	2,700				
COMMUNITY & ENVIRONMENT BOARD	6,030	1,635	2,881	10,546	906	40	40	986
POLICY & ORGANISATION BOARD	9,326	8,506	4,983	22,815	3,467	185	191	3,843
TOTAL CAPITAL PROGRAMME	25,366	16,741	12,914	55,021	13,483	5,925	4,381	23,789

SUMMARY FINANCING STATEMENT

	£,000
PROJECT COSTS FUNDED BY EXTERNAL SOURCES	
GRANTS AND CONTRIBUTIONS - GF	27,698
DEVELOPER CONTRIBUTIONS - OPEN SPACES - GF	292
DEVELOPER CONTRIBUTIONS - CIL	540
GRANTS AND CONTRIBUTIONS - HRA	2,700
	31,231
PROJECT COSTS FUNDED BY GBC	23,789
	55,021