

Capital Programme 2011/12 to 2015/16

Commentary by Deputy Chief Executive and Director of Corporate Resources

1. Introduction

1.1 This report sets out the financial position for short and medium term capital investment and proposed schemes for inclusion in the County Council's capital programme.

1.2 To be consistent with the Comprehensive Spending Review timescales a '2+2' approach has been used i.e. "2011/12 to 2012/13" and "2013/14 to 2014/15".

2. Background

2.1 The starting point is the Mid Term Review of the forward capital programme, annually approved by Council in February 2010. This has been re-tested against key criteria including policy steers and the overall Council promise, contribution to economic generation, basic need and risk management, invest to save and revenue efficiencies and support for infrastructure. Not surprisingly many schemes meet more than one criteria and equally unsurprisingly (with relatively minor changes), there was no strong reason to remove or radically alter existing approved schemes.

2.2 The existing approved programme to 2014/15 is balanced based upon existing and planned internal resources over the following 4 years but also confirmed or hoped for external resources, particularly government grants, as at February 2010 when the current programme was approved. (It has however been adjusted for schemes entirely dependent on external grants known to be ceasing).

2.3 Two large and significant schemes are particularly dependent upon future government grant; namely the Academies Programme and the Hastings and Bexhill Link Road. The capital programme approved last February assumed gross spend of £60.5m on academies over the following 4 years. Of this £52.7m was assumed to be covered by external grants leaving £7.8m to be met from the Council's own resources. The latest position suggests the final grant allocations from Government will be less and significantly so in respect of the proposed St Leonard's Academy. The grant allocations in this case may not exceed £5m. Accordingly, as part of the final proposed programme for 2011/12 onwards, it is proposed to retain the existing allocation of £7.8m of our own resources to the Academy Programme but apply it particularly to the St Leonard's proposition. (Proposals later in this paper suggest topping this up by a further £4m – making £11.8m in total). The grant award for the other schemes, while less than initially hoped for especially in relation to Eastbourne, are considered to still allow worthwhile schemes to be delivered. In due course the capital programme will need to be updated to reflect final spend and its profile and grant decisions.

2.4 In respect of the Link Road, the current programme assumes a gross spend over the next 4 years of some £82.3m and grant of some £78.1m, thus requiring £4.2m of the Council's own resources. (This excludes the largely unfunded spend of £15m on the scheme to date). We know there is a strong likelihood of reduced grant from government and work is in hand to explore alternative funding streams to make up the difference.

2.5 Beyond the two major schemes above, the currently approved programme based largely on confirmed or planned internal resources provides for all of the schemes approved last February (updated for mid term review and approved variations) including:

- Adult Social Care
 - Warwick House - day service, supported accommodation and library facility
- Governance and Community Services
 - The Keep - a new historical resources centre
 - Libraries - including major improvements in Newhaven and Hastings (however the feasibility of the current Hastings scheme is under review)
- Children's Services
 - School updating, school access initiatives, temporary accommodation
- Corporate Resources
 - Building maintenance and backlog reduction, energy saving measures
 - Systems developments, re-tendering, implementation
- Transport and Environment
 - Structural maintenance of roads and bridges
 - Integrated transport schemes

3. New bids

3.1 In building up a proposed capital programme, as well as re-testing the existing programme, we have looked at new bids. In substance, this has centred on a new bid for basic need primary school places from Children's Services. This has been accepted and when added to the currently approved programme – based upon existing resources assumptions - it means we have a net deficit over the next 4 years of £10.2m.

3.2 The position can be summarised as follows:

	Existing Programme and New Bids 2011/12 to 2014/15
<u>Gross spend</u>	£m
By dept	
Adult Social Care	16.9
Corporate Resources	20.4
Children's Services	106.6
Governance and Community	26.1
Transport and Environment	139.6
Total	<u>309.6</u>
<u>Existing Resources</u>	
Internal	127.6
External	171.8
Total	<u>299.4</u>
Gap	£10.2m

4. New Resources

4.1 The announcement of new capital grants just before Christmas was unexpected but provides additional resources over and above existing assumptions in some key areas. Nationally, control totals for capital have reduced significantly but the ending of some major national programmes such as Building Schools for the Future and more weight to per capita allocations appears to help explain the local improvement for us.

4.2 The Government's steer is consistently to move away from specific ring-fenced grants for services. Despite ambiguities in the statements accompanying these awards, the new grants do in effect contribute to the overall general resources to be used for capital purposes.

4.3 The three new grants are as follows:

(i) Capital Investment in Community Capacity [DoH]

This grant was unexpected and is as follows:

	<u>2011/12</u>	<u>2012/13</u>	<u>Total</u>
	£m	£m	£m
New Resource included	1.3	1.3	2.6

(ii) Capital Maintenance and Basic need [DfE]

	<u>2011/12</u>	<u>2012/13</u>	<u>Total</u>
	£m	£m	£m
Basic Need Assistance	6.0	6.0	12.0
Maintenance	9.1	9.1	18.2
New Resource included	15.1	15.1	30.2

The Government have explained that allocations for 2012-13 until 2014-15 have not been confirmed for each individual council and will be informed by the outcomes of the capital review which will be published in early 2011. While the allocation and management of these programmes may change to reflect the recommendations of the review, we are assuming that we will at least receive a further £15.1m over those back 3 years to augment the sums confirmed for 2011/12. Over the four year period of our planning that is considered a prudent approach. In relation to maintenance, it appears a significant element of this award may have been financed from diverting maintenance monies that may formally have gone direct to schools as part of their devolved capital allocation assumptions.

Accordingly pending further announcements, the receipt of £15.1m of grant is built into each of 2011-12 and 2012-13 but no assumptions for later years. This means we have assumed a total of £30.2m is available to the programme.

(iii) Local Transport (DfT)

	<u>2011/12</u>	<u>2012/13</u>	<u>Total</u>
	£m	£m	£m
Integrated Transport	3.2	3.4	6.6
Capital Maintenance	9.8	9.2	19.0
Sub-total	13.0	12.6	25.6
Less net-off:	(1.5)	(0.9)	(2.4)
New Resource included	11.5	11.7	23.2

Note: the net-off avoids double counting existing programme grants/assumptions.

4.4 In summary the new resources that can now be added to the general resources for the capital programme are as follows:

	<u>Total</u>
	£m
Capital Investment in Community Capacity [DoH]	2.6
Capital Maintenance and Basic need (DfE)	30.2
Local Transport (DfT)	23.2
	<u>56.0</u>

Plus amounts released back to the programme	1.2
	<u>57.2</u>

5. Proposed Use of Spare Capacity

5.1 The proposed use of these new resources is as follows:

	£m	Total £m
Unfunded (net) new bids		10.2
<u>Proposed New Allocations</u>		
CSD New School Maintenance	18.0	
CSD Additional Academy Funds	4.0	
GCS LEP/Broadband Capacity	2.0	
T&E Continuing Programme	18.0	
General Provisions:		
Market Development	1.0	
Further Change Capacity	2.0	
Contingency	<u>2.0</u>	
		<u>47.0</u>
		<u>57.2</u>

5.2 As mentioned earlier, the current Hastings library scheme is under review and in particular the feasibility of the current scheme needs to be tested. The reality of the Council adding more of its own resources to the Hastings Academies programme reduces funding capacity for other bids. It may be that a more feasible revised Hastings Library scheme may free up resources that otherwise has been used to meet the academy top up proposed – thus increasing available resources for other new bids. This will be dealt with as part of the mid term review in the usual way.

6. Risk Management

6.1 There is always a risk of default on projects financed by scheme specific grants. To mitigate this risk, schemes will not go ahead if the grant is not banked.

6.2 A scheme must be properly constructed, as evidenced by an approved Project Initiation Document [PID], prior to commencement of the project. This will clearly need to apply to the proposed new allocation above also.

6.3 Any overspend or slippage on a project is subject to normal project management disciplines.

6.4 As mentioned the mid term review – which will be brought forward for next year – will help set any necessary changes in the usual way.

7. Prudential Indicators

7.1 The prudential indicators are for the period 2010/11 to 2013/14 and are as set out in Annex C. These are required under the "Prudential Code for Capital Finance in Local Authorities" and Part 1 of the Local Government Act 2003. This brings together the capital programme and the impact of financing decisions.

8. Conclusions

8.1 The draft Capital Programme is set out in Annex A. This programme covers all our services and will deliver extensive investment in the community. By way of caveat, it is substantially financed by external resources, and, to that extent we remain vigilant to the risk of non-receipt of funds.

Annexes

A – Proposed Capital Programme Summary

B - Programme review for each department.

C – Prudential indicators for 2010/11 to 2013/14

SEAN NOLAN

DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE RESOURCES

Contact Officer: Amanda Walker
Deputy Director of Finance

Tel No. 01273 481820

		2011/12	2012/13	2013/14	2014/15	Later	Total
		£000s	£000s	£000s	£000s	years	£000s
						£000s	
Revised Capital Programme for new bids, deleted schemes and variations since MTR							
Adult Social Care (A1)	Gross	7,662	4,181	3,719	1,340	0	16,902
	Income	(1,141)	0	0	0	0	(1,141)
	Net	6,521	4,181	3,719	1,340	0	15,761
Governance and Community Services (A2)	Gross	20,338	7,341	355	100	0	28,134
	Income	(6,794)	(2,635)	0	0	0	(9,429)
	Net	13,544	4,706	355	100	0	18,705
Childrens (A3)	Gross	84,817	25,370	3,145	2,040	100	115,472
	Income	(73,042)	(21,548)	0	0	0	(94,590)
	Net	11,775	3,822	3,145	2,040	100	20,882
Corporate Resources (A4)	Gross	6,972	8,605	6,555	3,250	0	25,382
	Income	(2,753)	(3,502)	(2,253)	(2,030)	(180)	(10,718)
	Net	4,219	5,103	4,302	1,220	(180)	14,664
Transport & Environment (A5)	Gross	35,904	53,675	50,193	17,815	0	157,587
	Income	(22,069)	(42,675)	(36,540)	(4,048)	0	(105,332)
	Net	13,835	11,000	13,653	13,767	0	52,255
Total	Gross	155,693	99,172	63,967	24,545	100	343,477
	Income	(105,799)	(70,360)	(38,793)	(6,078)	(180)	(221,210)
	Net	49,894	28,812	25,174	18,467	(80)	122,267

ANNEX A1

	PID Approved	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Future Years £'000	Total £'000
Adult Social Care							
Schemes in Progress:							
Age Well - East Sussex	Y	300					300
LD Extra Care Project	Y	205					205
Warwick House, Seaford	Y	3,982	774	59			4,815
ASC IT Infrastructure <i>Grant</i>	N	18 (18)					18 (18)
ASC PPF IT Infrastructure <i>External Contributions</i>	N	159 (159)					159 (159)
Older Peoples' Day Opportunities	N	130					130
Starting in 2011/12:							
Gilda Crescent, Polegate <i>Grant - Social Care</i>	N/A	540 (540)					540 (540)
Old London Road , Hastings <i>Grant</i>	N/A	100 (100)					100 (100)
St Anthony's Court, Eastbourne <i>Grant</i>	N/A	673 (324)					673 (324)
Greenwood, Bexhill-on-Sea	N	430					430
LD Service Opportunities	N	485	1,300	500			2,285
Starting in 2012/13:							
Battle Road, Hailsham	N/A		340				340
Cemetery Lodge - Bexhill-on-Sea	N/A			280			280
Horntyte, Hastings	N/A			540			540
Specialist Supported Housing Programme	N						
Battle Road, Hailsham			1,000				1,000
Balance of programme allocation				1,000			1,000
Net Expenditure		5,881	3,414	2,379	0	0	11,674
Continuing Programme:							
House Adaptations for People with Disabilities	N/A	475	475	475	475		1,900
Refurbishment - Registration Standards	N/A	165	165	165	165		660
Extra care/Supported accommodation	N/A		127	700	700		1,527
Net Expenditure Continuing Programme		640	767	1,340	1,340	0	4,087
Adult Social Care							
Gross Payments		7,662	4,181	3,719	1,340	0	16,902
Income		(1,141)	0	0	0	0	(1,141)
Net		6,521	4,181	3,719	1,340	0	15,761

ANNEX A2

	PID Approved	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Future Years £'000	Total £'000
Governance and Community Services							
Schemes in Progress:							
New Archive and Record Office - "the Keep" - phase 1 & 2 <i>Lottery Grant</i>	Y	12,669 (4,418)	4,145 (1,385)				16,814 (5,803)
Travellers Site Swan Barn <i>GOSE Grant</i>	Y	426 (426)					426 (426)
Newhaven Library	N	1,066					1,066
Hastings Library <i>Other Contributions</i>	N	4,587 (950)	2,046 (250)	255			6,888 (1,200)
Registration of Births, Deaths & Marriages - forced relocation	N	240					240
Starting in 2011/12:							
Eastbourne and South Wealden Library Provision Feasibility	N/A	50	50				100
Net Expenditure		13,244	4,606	255		0	18,105
Continuing Programme:							
Library Refurbishment Programme	N/A	300	100	100	100		600
Net Expenditure Continuing Programme		300	100	100	100	0	600
General Schemes:							
Starting in 2011/12:							
Broadband <i>Grant</i>	N	1,000 (1,000)	1,000 (1,000)				2,000 (2,000)
Net Expenditure for General Schemes		0	0	0	0	0	0
Governance and Community Services							
Gross Payments		20,338	7,341	355	100	0	28,134
Income		(6,794)	(2,635)	0	0	0	(9,429)
Net		13,544	4,706	355	100	0	18,705

	PID Approved	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Future Year £'000	Total £'000
Childrens Services							
Schemes in Progress:							
Bexhill High BSF	Y	495					495
Stafford	Y	45					45
Wivelsfield Primary	Y	22					22
<i>Development Contributions</i>		(7)					(7)
Children Centres and Extended Schools Programme	Y	134					134
Modernisation Schemes							
Northiam CE Primary School	Y	9					9
Punnetts Town Community Primary School	Y	8					8
St. Michael's Primary School, Withyham	Y	18					18
Childrens Social Services							
C&F Fostering and Adoption adaptations - invest to save	N/A	108					108
Dorset Road Redevelopment	Y	20					20
Internally Managed Schemes							
Mercread Centre	Y	264					264
Kitchen Ventilation	Y	250					250
High Hurstwood CE School - hall and kitchen	Y	42					42
Barcombe CE School - Kitchen/dining room	Y	57					57
Grove Park Hydrotherapy Pool	Y	399					399
Primary Capital Programme							
Cradle Hill	Y	24					24
Chyngton School	Y	24					24
Hurst Green	Y	55					55
Churchwood	Y	23					23
Frant	Y	47					47
<i>Development Contributions</i>		(244)					(244)
<i>Modernisation Grant / TCF</i>		(553)					(553)
Harnessing Technology	N	420					420
<i>Government Grant</i>		(420)					(420)
Academies Project	N	152					152
Academies Programme - Pre Procurement	N	(94)					(94)
Hillcrest School - Academy	N	20,504					20,504
Filsham Valley - Academy	N	20,859					20,859
Eastbourne Technical College - Academy	N	19,058					19,058
<i>Grant</i>		(49,531)					(49,531)
<i>TCF contribution</i>		(3,200)					(3,200)
Landsdowne Secure Unit	N	4,949	500				5,449
<i>Grant</i>		(4,199)	(500)				(4,699)
Diploma Exemplar Programme	N	2,480					2,480
<i>Grant</i>		(2,480)					(2,480)
Co-location - Charlies	N	4					4
<i>Grant</i>							
Eastbourne Primary Places	N	3,300	800	100			4,200
<i>Modernisation Grant (10/11 allocation)</i>		(1,633)					(1,633)
<i>Development Contributions</i>			(151)				(151)
Starting in 2011/12:							
Eastbourne Primary Places Phase 2	N	1,920	4,870	1,120	140		8,050
Bexhill Primary Places	N	75	920	25			1,020
<i>PCP Years 1 & 2</i>		(75)	(40)				(115)
<i>Development Contributions</i>			(235)				(235)
<i>Additional income to support new bids - to be allocated</i>		(4,700)	(4,622)				(9,322)
Starting in 2012/13:							
Hastings Primary Places	N		180				180
Net Expenditure		9,276	1,722	1,245	140	0	12,383

ANNEX A3

	PID Approved	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Future Year £'000	Total £'000

	PID Approved	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Future Year £'000	Total £'000
Continuing Programme:							
Schools Access Initiative	N/A	830	700	700	700		2,930
Temporary Accommodation	N/A	1,000	800	600	600		3,000
House Adaptations for disabled children's carers homes	N/A	200	200	200	200	100	900
Minor Works	N	50					50
Primary Capital Programme Feasibility	N/A	419	400	400	400		1,619
Net Expenditure for Continuing Programme		2,499	2,100	1,900	1,900	100	8,499
General Schemes:							
Starting in 2011/12:							
School Maintenance <i>Grant</i>	N	4,000 <i>(4,000)</i>	14,000 <i>(14,000)</i>				18,000 <i>(18,000)</i>
Additional Academy <i>Grant</i>	N	2,000 <i>(2,000)</i>	2,000 <i>(2,000)</i>				4,000 <i>(4,000)</i>
Children's Services Department							
Gross Payments		84,817	25,370	3,145	2,040	100	115,472
Income		(73,042)	(21,548)	0	0	0	(94,590)
Net		11,775	3,822	3,145	2,040	100	20,882

	PID Approved	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Future Years £'000	Total £'000
Transport and Environment							
Schemes in Progress:							
Eastern Area Highways Depot/Rationalisation of Highway Depots	Y	66					66
Household Waste Recycling Site <i>Waste Infrastructure Capital Grant</i>	Y	448 (448)					448 (448)
Starting in 2011/12:							
Departmental Contingency <i>Waste Infrastructure Capital Grant</i>	Y	202 (200)					202 (200)
Bexhill & Hastings Link Road <i>Grant</i>	N	11,253 (12,486)	34,348 (34,348)	33,905 (31,252)	2,767		82,273 (78,086)
Highway Lighting Invest to Save Energy Reduction Programme 1 Reduction 70W to 50W	N	83					83
Starting in 2013/14:							
Lewes Station Bridge - Strengthen and Refurbish <i>Additional income to support new bids - to be allocated</i>	N			400 (83)	350 (350)		750 (833)
Net Expenditure		(1,165)	0	2,653	2,767	0	4,255
Continuing Programme:							
Integrated Transport - LTP plus Externally Funded <i>Development and Borough Council Contributions Grant</i>	N/A	3,642 (1,429) (923)	3,117 (904) (923)	3,678 (1,465) (923)	2,488 (275) (923)		12,925 (4,073) (3,692)
Bridge Assessment Strengthening	Y	1,000	1,000	1,000	1,000		4,000
Additional Highway Maintenance Funded by Prudential Borrowing	N	4,000					4,000
LTP Structural Maintenance	N/A	7,600	7,600	7,600	7,600		30,400
Speed Management <i>CERA Contributions</i>	Y	310	310	310	310		1,240 0
Rights of Way Surface Repairs and Bridge Replacement Project	Y	350	350	350	350		1,400
Street Lighting - Life Expired Equipment	N/A	450	450	450	450		1,800
Net Expenditure for Continuing Programme		15,000	11,000	11,000	11,000	0	48,000
General Schemes:							
Starting in 2011/12:							
T&E Continuing Programme <i>Grant</i>	N	6,500 (6,500)	6,500 (6,500)	2,500 (2,500)	2,500 (2,500)		18,000 (18,000)
Net Expenditure for General Schemes		0	0	0	0	0	0
Transport and Environment							
Gross Payments		35,904	53,675	50,193	17,815	0	157,587
Income		(22,069)	(42,675)	(36,540)	(4,048)	0	(105,332)
Net		13,835	11,000	13,653	13,767	0	52,255

General Resources

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Future Years £'000	Total £'000
General resources available						
Revenue Contributions	2,335	2,335	2,335			7,005
Capital Programme Reserve / invest to save	21,659	6,377	3,436		100	31,572
Capital Programme Reserve	23,994	8,712	5,771		100	38,577
Capital Receipts	1,000		2,500	2,500		6,000
Borrowing - General	21,000	21,000	18,500	18,500		79,000
Prudential Borrowing for highway maintenance	4,000					4,000
Total general resources	49,994	29,712	26,771	21,000	100	127,577

Reconciliation to ANNEX A

Invest to Save Payback (5310)

Total Net Programme 122,267

(*Revised)

Department Programme Review

Adult Social Care

The prioritisation of the Adult Social Care capital programme focus on delivering capital developments that support the department's policy steers plus, in many instances, ongoing revenue savings. The development of supported accommodation schemes at Old London Road, Hastings; Gilda Crescent, Polegate and St Anthony's, Eastbourne, will improve service users care and support, draw in external funding from the Homes and Communities Agency, continue the delivery of schemes in partnership with external Registered Social Landlords (RSL) and, through the robust business case, deliver ongoing revenue savings.

The Warwick House scheme (£5m) is developing creative solutions, in partnership between Adult Social Care, Governance and Community Services and an external RSL, to deliver a new library, OP day service and LD supported accommodation in Seaford.

Further allocations will support the requirement to maintain, refurbish and remodel facilities to meet the needs of service users, health and safety and changing demand and service provision over the next few years.

The spending review announced on 13 December 2010 capital grant allocations of £1.315m in 2011/12 and £1.344m in 2012/13 as "Capital Investment in Community Capacity" to enable developments in adult social care services, particularly with regard to alternatives to residential care – supported and extra care housing, telecare, house adaptations and redesign of the care infrastructure.

Governance and Community Services

The department has not proposed any new bids and none of the current schemes are directly dependant upon Government grant decisions.

The G&CS programme, though consisting of relatively few specific schemes, is dominated by a once in a generation opportunity to provide a new Historical Resource Centre (The Keep). This partnership scheme (with B&HCC and Sussex University) is expected to enter the construction phase in mid-2011 having now obtained full planning approval from B&HCC.

Whilst there may be some debate nationally as to how library services are delivered, there is and will continue to be a demand for good quality library buildings. This is consistently evidenced in user survey responses. This programme addresses the key investment priorities for major improvements in Hastings, Newhaven and in partnership with ASC, at Seaford. A programme of planned refurbishment to maintain the condition of our library asset infrastructure is included in the continuing programme and our Registration service faces the prospect of being required to re-locate from 3 out of 4 existing centres within the "2011/12 to 21012/13'+ timeframe.

Children's Services

The draft programme is set out in Annex A and reflects the latest position although by way of caveat, further work is still ongoing on the academies.

For the purposes of the continuing programme set alongside new bids, the focus has been on immediate basic need pressures underpinned by extensive forecasting analysis for school places together with historic expenditure profiles. An initial new bid of £15.4m principally for these pressures was subsequently reduced to £9.3m following a full review of priorities. In addition without direct support from the Comprehensive Spending Review (CSR), all projects for estate improvement, betterment or specific funding programmes (e.g. Modernisation Fund), were removed.

The CSR announcement since identified alternative funding streams as follows:

Basic Need - funding of £6.0m (confirmed for 2011/12 and assumed for 2012/13)

Children's Services has an immediate pressure from basic need shortfalls in 7 Forms of Entry in Eastbourne, Hastings and Bexhill. In addition there are further pressures from 5 Forms of Entry elsewhere across the County. Far from ideal is the use of temporary mobiles to respond to this demand, as the programme is currently structured.

Maintenance - funding of £9.1m for maintenance works (confirmed for 2011/12 and assumed for 2012/13)

Schools has suffered a drastic cut in their Devolved Formula Capital funding (circa 70% to £1,431,091) which will have a major impact on the general state of repair and health and safety matters in our school buildings. To lessen this impact the use of this new maintenance funding direct to the County Council for school basic repairs is argued for.

This funding will allow for local prioritisation of larger projects over and above the basic maintenance which are aimed at improving the suitability of the school estate, including Sure Start and Children's Centres.

In the light of these additional funds, Children's Services will now need to consider how to allocate capital in a fair way, respecting emerging priorities and capital programme funding criteria.

Corporate Resources

It has been possible to maintain the current level of building maintenance within the programme and provision has also been made, as a new start in 2011/12, for the CBOSS ICT and Exchequer services contract retendering and implementation. To continue to reduce energy consumption and carbon emissions, and the associated costs, we will continue to invest in energy saving measures for our buildings through our self-sustaining energy conservation fund, which is part funded by the Carbon Trust's Salix programme.

Two new invest to save projects have been included in the programme this year. The first is a £300k programme of solar panel installations, to take advantage of the new arrangements which permit councils to access feed-in tariffs thus improving the payback date. The other is a £4.8 million scheme to improve the layout of some of the Council's office hubs to facilitate flexible working, which will reduce the total amount of accommodation needed. This scheme is calculated to raise capital receipts and give a payback of about 3 years, after which the Council will achieve revenue savings estimated at £1.975 million a year.

Transport and Environment

The largest element of the T&E programme is the 'continuing programme' which covers a range of services including Structural Maintenance of Roads, Integrated Transport Schemes, Road Safety Schemes, Street Lighting stock replacement, Rights of Way Structural maintenance, and Major Structures Strengthening work.

A priority order has been attached to these as part of the work completed for CAPS with Structural Maintenance of Roads and Bridges featuring as the highest priorities followed by Integrated Transport / Road Safety Schemes. While the latter is generally about building new assets or enhancing existing, the profile attached to these schemes by our Councillors and residents is incredibly high. Any funding directed to this route would need to evidence real value for money and / or contribution to reduction in casualty numbers.

Following those all other continuing programme items are concerned with maintenance of existing assets with the exception of completion of the review of speed limits within villages. Without investment in our assets, they will over time deteriorate and potentially become dangerous.

In reality, with whatever resources are available to the department for continuing programme items we will seek to strike the right balance between essential maintenance and investment in new schemes. It's likely that the majority of our current programmes would be scaled back rather than cut entirely if there is choice.

Some of our continuing programme items have been funded by grant and / or developer contributions. We have just received confirmation of the LTP grant (covering Highways Maintenance and Integrated Transport) which is significantly greater than we have received in the past by some £12m per year for the next two years. This grant is un-ring-fenced and will consequently be considered as part of the wider overall council resource pot.

As a specific point it is worth noting that the current level of spend on Structural Maintenance of Roads is around £7.6m per annum (supplemented by the approved prudential borrowing of £8.5m (between 2010/11 and 2011/12)). It is the combined and sustained investment that the forecasts of our road condition are predicated upon. We have committed to improving our road condition by 2012 but it would be impossible to sustain that position with any level of significant cut. We should also remember that reactive maintenance budgets have been significantly reduced predicated upon achieving a gradual shift to a better network condition. If this deteriorates it is very likely that reactive maintenance budgets would need to be increased and revert to a less cost effective form of maintenance.

Prudential indicators for 2010/11 to 2013/14

P1 The actual gross capital expenditure that was incurred in 2009/10 and the estimates of capital expenditure to be incurred for the current and following 3 years that are recommended for approval are:

Department	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual £'000	Estimate £'000	Estimate £'000	Estimate £'000	Estimate £'000
Adult Social Care	3,350	1,586	7,662	4,181	3,719
Governance & Community Services	1,900	3,040	20,338	7,341	355
Children's Services	50,494	38,966	83,817	24,370	3,145
Corporate Resources	5,607	3,754	7,972	9,605	6,555
Transport and Environment	25,322	19,490	35,904	53,675	50,193
Total for ESCC	86,673	66,836	155,693	99,172	63,967

P2 Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual financing requirement at 31 March 2010 are:

31/03/2010	31/03/2011	31/03/2012	31/03/2013	31/03/2014
Actual £'000	Estimate £'000	Estimate £'000	Estimate £'000	Estimate £'000
332,841	348,000	361,000	369,000	377,000

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, East Sussex County Council does not associate borrowing with particular items or types of expenditure. The Council has an integrated treasury management strategy and has adopted the CIPFA *Code of Practice for Treasury Management in the Public Services*. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury positions in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Council's underlying need to borrow for a capital purpose.

- P3 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2009/10 are:

2009/10 Actual %	2010/11 Estimate %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
7.79%	7.29%	7.13%	7.49%	7.72%

The estimates of financing costs include current commitments and the proposals in this budget report.

- P4 The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken by the Council are:

For the band D Council Tax

Annual Increase	£0.20	£0.14	£0.13
Cumulative Increase	£0.20	£0.34	£0.47

Consideration of options for the capital programme

In considering its programme for capital investment, the Council is required within the Prudential Code to have regard to:

- Affordability, e.g. implications for Council Tax;
- Prudence and sustainability, e.g. implications for external borrowing;
- Value for money, e.g. option appraisal;
- Stewardship of assets, e.g. asset management planning;
- Service objectives, e.g. strategic planning for the authority;
- Practicality, e.g. achievability of the forward plan.

The following indicators are considered in detail within the treasury management strategy considered elsewhere on this agenda.

- P5 CIPFA's *Prudential Code of Capital Finance in Local Authorities* Includes the following as a key indicator of prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The Deputy Chief Executive and Director of Corporate Resources reports that the Council envisages no difficulty meeting this requirement for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Authorised Limit for External Debt				
	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Total Borrowing	340	391	399	407

The Council's updated treasury management strategy and annual plan for 2010/11 was agreed by the Council at its meeting in January 2010 and has subsequently been updated in the light of changes in the financial markets. The plan for 2011/12 is contained elsewhere on the agenda.

- P6 The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the Deputy Chief Executive and Director of Corporate Resources' estimate of the most likely, prudent but not worse case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the Deputy Chief Executive and Director of Corporate Resources.

Operational Boundary for External Debt				
	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Total Borrowing	320	371	379	387

P7 **Borrowing**

The Council will continue the current practice of seeking to secure competitive fixed interest rate exposure. It is proposed to continue to set limits which would allow variable rate borrowing and lending in case that becomes a more effective approach. The table below shows both borrowing and lending and a combined borrowing and lending table.

	2010/11 Projected Outturn	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
Borrowing:				
Fixed Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit*	67%	53%	54%	55%
Variable Rate Exposure				
Upper Limit	33%	47%	46%	45%
Lower Limit*	0%	0%	0%	0%
* assumes all new borrowing is variable				
Lending:				
Fixed Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit	0%	0%	0%	0%
Variable Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit	0%	0%	0%	0%
Combined:				
Fixed Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit	28%	26%	25%	24%
Variable Rate Exposure				
Upper Limit	100%	100%	100%	100%
Lower Limit	0%	0%	0%	0%

- P8 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

Maturity Period	Lower limit	Upper limit	Current
Under 12 months	0%	25%	0%
12 months and within 24 months	0%	40%	0%
24 months and within 5 years	0%	60%	4%
5 years and within 10 years	0%	80%	10%
10years and within 20 years	0%	80%	17%
20 years and within 30 years	0%	80%	20%
30 years and within 40 years	0%	80%	21%
More than 40 years	0%	80%	28%

- P9 East Sussex County Council has adopted the revised CIPFA *Code of Practice for Treasury Management in the Public Services*.
- P10 The County Council policy on Treasury Management does not allow investments of over one year.