

Capital Programme 2017/18 - 2022/23

1.1 Due to the ongoing financial pressures the Council is facing, the current capital programme, which runs to 2022/23, focusses on a strategy to deliver core need as efficiently as possible. As agreed, service developments and investment opportunities that are outside core need are required either to be match funded or produce a business case that demonstrates benefits. Approved bids are added to the programme in line with current variation policy and financial regulations.

1.2 Core basic need is defined as:-

- Schools Places (early years, primary, secondary and special);
- Highways Structural Maintenance, Bridge Strengthening and Replacement, Street Lighting, and Rights of Way;
- Property Building Maintenance;
- ICT Strategy;
- Adults' and Children's House Adaptations Programme; and
- Libraries

1.3 In addition to core need, there are a number of other fully funded schemes which are either funded through Local Enterprise Partnerships, or the provision of grants and loans. These were originally pump primed in the 2013-18 programme and include the Economic Intervention Fund which, by 2021/22, will be self-funding.

Current programme

1.4 The current gross programme reported at State of the County in June 2017 was £447.7m, with £100.0m specific income, giving a net programme of £347.7m, with a contingency of £11.3m. The programme has now been updated for Q2 and all other known re-profiling and approved variations. These amendments are set out in the following paragraphs.

Schools Basic need

1.5 Based on the latest estimates from the School Capacity Surveys there has been an estimated reduction in the forecast need for pupil places and therefore a reduction in DfE funding over the life of the programme. This combined with scheme specific funding equates to a funding reduction of £13.2m. The Council invests in pupil places over and above the funding it receives therefore the associated expenditure reduces by £17.5m, giving a net underspend of £4.3m.

1.6 In addition, work undertaken by Finance and CET has identified an additional £2.7m of S106 contributions that can be used to offset school basic need expenditure, therefore reducing the need to borrow to support programme.

Libraries

1.7 Following the development of the Libraries Strategic Commissioning Strategy, an analysis has been undertaken to assess the expenditure required to keep library buildings in their current condition and stop them from deteriorating. This is required to guard against deterioration and the creation of a poor environment from which to deliver the service. It is proposed therefore, that £2.2m is added to the basic need

programme for this. It is proposed that the budget for this programme of works will transfer to Property services to align budgets with delivery.

1.8 From an initial review of libraries S106 contributions £80,000 has been identified to offset the libraries programme. Work is ongoing to identify further S106 contributions that could be used to offset this amount, as well as identifying priority 1 library works that would normally be undertaken under the building improvement budget, therefore this is a maximum investment and may be reduced.

Capital Building Improvements

1.9 When the 2018-23 capital programme was set, the capital building improvements programme was based on the best estimates at that time. The Property Delivery team are currently refining the profile and need based on condition surveys that are being undertaken over the next 6 months to June 2018. The position will be updated when revised figures are available.

ICT

1.10 ICT are currently managing additional pressures arising from the data centre move within their current strategy allocation for basic need which includes essential and transformation works. Although this does not represent a change to the programme at this point it may cause pressures in future years.

Broadband

1.11 The current capital programme includes £8.2m expenditure on Broadband. This has been increased to £16.5m to include additional BDUK grant and use of the 'Clawback fund' from BT generated as a result of higher levels of take up (East Sussex take up is 40% compared to the clawback trigger point of 20% for contract 1). This additional funding gives the opportunity to pursue as close to 100% coverage as possible, with no further capital funding being required from the Council. If the full amount of clawback is not required for Broadband, there is scope for it to be used elsewhere in the capital programme after a period of 7 years.

Capital Receipts

1.12 In support of the property strategy deliverables, to maximise capital receipts and investment opportunities, the capital programmes use of receipts are planned towards the end of the current programme in 2021/22. A review of the £13.1m current receipts planned to be used (excluding ring-fenced VPN receipts) has been undertaken and the estimated level remains reasonable, however, the position will continue to be reviewed bi-annually. Should receipts be realised early or additional receipts be identified, they will be considered for early use and offset the need to borrow.

Government Grants

1.13 The programme is supported by £226.8m of specific and non-specific government grants. Currently only £78.2m (35%) is confirmed and therefore this remains a risk to the programme. For example, there is £10m of unconfirmed DfT funding for Newhaven Port Access Road.

New Homes Bonus (NHB)

1.14 As part of the provisional settlement announcement on 19th December 2017 the Council's NHB allocation of £1.2m was announced for 2018/19. This will now be included in the funding for the capital programme.

Conclusion

1.15 The table below summarises the net movements in the capital programme set out in this report.

Changes to programme (reduction)/addition	Ref	Scheme Specific Income (£m)	Non Specific Income (£m)	Expenditure (£m)	Variation (£m)
Gross programme at SOC		(100.0)	(347.7)	447.7	0.0
Approved variations	1.4	(0.3)	(3.3)	3.6	0.0
Schools Basic Need underspend	1.5	8.8	4.4	(17.5)	(4.3)
Additional S106 identified	1.6	(2.7)			(2.7)
Libraries Basic need	1.7	(0.1)		2.2	2.1
Broadband	1.11	(8.2)		8.2	0.0
New Homes Bonus	1.14		(1.2)		(1.2)
Gross programme at budget setting Feb 2018		(102.5)	(347.8)	444.2	(6.1)
Movement	1.16	(2.5)	(0.1)	(3.5)	(6.1)

1.16 These movements result in additional income of £2.6m (NHB, S106 and specific grant income) and a reduction in programme expenditure of £3.5m, a total reduction in resource requirement of £6.1m. It is proposed that this reduction is used to reduce borrowing.

1.17 At Q1 it was agreed that £0.1m overspend on Hastings library would be met from the contingency of £11.3m, reducing the approved contingency to £11.2m.

1.18 Work continues to refine and update the Capital Programme. In addition to the Children's Services Sub-Board, a Property Sub-Board has now been set up to improve the governance around the building improvements programme with an aim to manage and, where possible, drive down costs further.

1.19 The capital programme will be updated as and when required as other Council strategies are developed, and in line with the governance arrangements for the programme.

1.20 The proposed revised programme which now totals £444.2m gross, further detail can be found in the Budget Summary 2018/19 at Appendix 2.