

Capital Programme Update

1 Background

- 1.1 The capital programme 2020/21 to 2029/30 approved as part of the Budget in February 2021 had a total programme expenditure of £586.0m, funded from a combination of Formula Grants (£211.6m), Section 106/Community Infrastructure Levy (CIL) Contributions (£41.8m), Specific Project Grants (£44.8m), Capital Receipts (£19.0m), Reserves and revenue set aside (£40.9m) and borrowing (£227.9m).
- 1.2 The capital programme focusses on the delivery of targeted basic need to enable the Council to continue to deliver services as efficiently as possible. Basic need for the purposes of the capital programme is currently:
- Place: ensuring we meet future need;
 - Asset Condition: maintaining our assets to an agreed level;
 - ICT Strategy: ensure that our ICT is fit for purpose for delivering modern council services in a digital era and protecting data.
- 1.3 Investment beyond basic need, including asset enhancements and strategic investments is considered separately via business cases. Business cases should support organisational strategic direction. Payback is expected as agreed in the Business Case and will annually be used to reduce the borrowing requirement as part of affordability management. As such these are not included in the capital programme until their overall impact, including funding implications, have been assessed and approved.

2 Capital Programme Update

Table 1 below summarises the gross movements to the approved capital programme since budget setting in February 2021, noting that the first 3 years of the programme to 2023/24 are approved, whilst the remaining years to 2029/30 are indicative to support longer term planning against priority outcomes for capital investment. The movements reflect the 2020/21 outturn position and other updates in accordance with the approved governance and variation process. The detailed programme is provided at Annex 1.

| Table 1 - Capital Programme (gross) movements (£m) | 2020/21 | MTFP Programme | | | 2024/25 to 2029/30 | Total |
|--|---------------|----------------|---------------|---------------|--------------------|-----------------|
| | | 2021/22 | 2022/23 | 2023/24 | | |
| Approved programme at February 2021 | 78.735 | 92.085 | 65.581 | 52.822 | 296.755 | 585.978 |
| Approved Variations (see 2.2) | 2.534 | 9.094 | 1.311 | 0.082 | 0.000 | 13.021 |
| 2020/21 Net Slippage (2.4) | (9.723) | 8.921 | 0.474 | - | 0.328 | 0.000 |
| 2020/21 Underspend (2.4) | (0.357) | - | - | - | - | (0.357) |
| 2020/21 Covid-19 Related (2.4) | 1.156 | - | - | - | - | 1.156 |
| 2020/21 Expenditure (2.4) | (72.345) | - | - | - | - | (72.345) |
| Programme Reprofiles | - | (14.638) | 10.772 | 0.632 | 3.234 | 0.000 |
| Total Programme | 0.000 | 95.462 | 78.138 | 53.536 | 300.317 | 527.453 |

- 2.1 Net nil approved variations to the programme since Budget in February 2021 total a gross £13.021m and are summarised in Table 2 below:

| Table 2 – Net nil approved variations since February 2021 | Gross Variation (£m) |
|--|-----------------------------|
| Schools Delegated Capital Expenditure 2020/21 (Specific Grant and Section 106) | 1.521 |
| Bridge Assessment & Strengthening - Adopted Structures (Commutated Sums) | 0.313 |
| Other Integrated Transport Schemes (Additional Grant) | 0.022 |
| Emergency Active Travel Fund (Specific Grant) | 1.389 |
| The Keep Equipment (Revenue Set Aside) | 0.030 |
| Getting Building Fund Various (Local Enterprise Partnership (LEP) Specific Grant) | 4.366 |
| Eastbourne Fisherman's Quayside & Infrastructure Development Project (LEP Specific Grant) | 0.360 |
| Skills for Rural Businesses Post-Brexit (LEP Specific Grant) | 1.495 |
| Salix Solar Panel Scheme (Specific Grant and Revenue Set Aside) | 0.343 |
| Hastings Bexhill Movement and Access Programme (CIL Contribution) | 0.300 |
| Covid-19 Recovery: Libraries Targeted Support (Covid-19 Contain Outbreak Management Fund Specific Grant) | 0.250 |
| Additional Schools Condition Allocation Grant (Additional 2021/22 Specific Grant) | 1.076 |
| Lansdowne Phase 2 (Specific Grant Funding) | 0.126 |
| House Adaptations for Disabled Children's Carers Homes (Capital Reserve) | 0.110 |
| Modernising Back Office Systems implementation (Financial Management Reserve) | 1.320 |
| Total Gross Variations | 13.021 |

- 2.2 Despite the pressures due to the Covid-19 pandemic, in total 2020/21 capital expenditure was £72.3m. Against an approved programme (including net nil variations) of £81.3m, resulting in a net variation of £9.0m. A detailed report on outturn can be found in the end of year council monitoring report to Cabinet in June 2021. The variation comprises; slippage of £9.7m, reprofiled to future years, a (net nil) underspend of £0.4m on the planned programme, and £1.1m of additional costs associated with Covid-19 related pressures that will be funded by Covid-19 grant.
- 2.3 The revised programme also reflects reprofiles reviewed and approved by the Capital Strategic Asset Board (CSAB).

3 Programme Update and Review / RPPR Next Steps

- 3.1 In February 2021, Full Council approved the 20-year Capital Strategy which underpinned a nine-year planned capital programme established to achieve agreed targets for basic need investment in support of the Council Plan. This was as a result of the ten-year programme not being extended for an additional year. This was because it was not considered meaningful to do so; with the one-year Spending Review (SR) on 25 November 2020 only setting government department's revenue and capital budgets for 2021/22 and providing no certainty over future years capital grants. Work will now be progressed as part of RPPR 2022/23 to extend the programme by a further 2 years to maintain a 10-year planning horizon and link into and support the Council's other strategies.

The Capital Strategy will also be reviewed to ensure it continues to drive investment ambition in line with the Council's priorities and to include and embed equality impact assessments (EQIAs) as part of the capital RPPR process. Whilst also providing for appropriate capital expenditure, capital financing and treasury management within the context of sustainable, long-term delivery of services. Updates to the Capital Strategy approved in February 2021 included

the emerging relevance of Environment, Social and Governance (ESG) considerations. The strategy will now be further updated to support the climate emergency, declared by the Council in 2019, and its target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050. Work to tackle climate change has become a part of ESCC's core business due to national legislation and is a key priority for the Council, opportunities for investment will be considered as basic need.

- 3.2 The pressures and issues that Covid-19 has presented are unprecedented and has thrown many of the current planning assumptions off course. Over the summer, services will not only have to explore their revenue offer but whether the current targeted basic need investment and capital strategy remain appropriate to support the post Covid-19 service offer and Council Plan. Any ongoing pressures on the programme will continue to be reviewed as part of the Council's performance monitoring process and funding options will be considered if specific mitigations are not forthcoming.

As well as a general review and all services being asked to consider their specific investment need, there are a number of specific issues arising that are set out below: -

- **Highways Maintenance:** Highways condition survey work is currently being carried out to review the extent of any underlying deterioration to the county's road systems. Any additional investment in highways will be considered in the context of the Highways Assets Management Strategy, and consideration given to how additional investment could be achieved, its implications, and how value for money can be assured. In addition, the Highways Maintenance programme will be further informed by the Highways contract re-procurement, details of which is reported as part of a separate report to Cabinet in July 2021.
- **Special Education Needs and Disability (SEND) School Places:** The current capital budget allocation for Special Education Need provision is £3.2m over the MTFP period, however, this continues to be an area of pressure for local authorities and additional funding will be required in East Sussex. SEND provision is currently being reviewed to ascertain what level needs to be provided across the county to minimise the revenue impact of alternative expensive placements. The outcome of this will be considered as part of the wider review of the capital programme during the RPPR process this year to inform 2022/23 onwards.
- **Schools Basic Need:** School Basic need requirements are currently under review for the latest data available and impact of revised local plans by Districts and Boroughs. This will be considered as part of the wider review of the capital programme during the RPPR process this year to inform 2022/23 onwards.
- **Workstyles investment:** a joint review of investment need (including on IT&Digital) to support changing workstyles where the impact of the pandemic has provided opportunities to accelerate planned changes of new working practices.
- **Carbon Neutral Commitment:** The Council declared a climate emergency in 2020. Work will be undertaken to review potential additional investment in carbon reduction projects to support the Council's aims, such as achieving a 13% year on year carbon reductions within our estates, integration of carbon reduction schemes as part of the planned maintenance programme and transport decarbonisation.
- The performance of East Sussex in relation to **Learning Disability settled accommodation** is below the national average. The Council's strategy is to increase supported living provision for adults with a learning disability in East Sussex, in line with the principles of Building the Right Support (2015). A number of developments, which would require capital investment, are being considered that would introduce additional accommodation options for adults with a learning disability.

- 3.3 A **Levelling Up Fund** was announced by government as part of the Spending Review in November 2020 to provide investment funding to local authorities for infrastructure improvements such as town centre and high street regeneration, local transport projects, and cultural and heritage assets. The Council has submitted a bid for £8.0m from the fund to deliver

infrastructure works to replace Exceat Bridge on the A259 near Seaford. If the bid is successful, then the capital investment will be added to the capital programme in accordance with the approved governance and variation process.

- 3.4 As part of RPPR process at February 2021, the ongoing capital risk provision of £7.5m was approved. This risk provision is a permission to borrow for emerging risks and is managed through ensuring Treasury Management capacity rather than representing funds that are within the Council's accounts. Its utilisation, if approved by CSAB would, therefore, require additional borrowing and be reported through the RPPR process and quarterly monitoring in the normal way. There are a number of risks and uncertainties regarding the programme to 2023/24 and beyond which have necessitated holding a risk provision, these risks include:
- Excess inflationary pressures on construction costs;
 - Uncertainty about delivery of projects in the programme, e.g. highways and infrastructure requirements;
 - Any as yet unquantifiable impact of supply issues and cost increases associated to EU Exit and Covid-19;
 - Any as yet unknown requirements;
 - Residual project provision (previously removed) if required; and
 - Uncertainty regarding the level of government grants and the ability to meet CIL and S106 targets.

3.6 As part of the RPPR process Capital Strategic Asset Board (CSAB) will review the adequacy of the level of provision for risks in the current programme.

4 Funding Update

- 4.1 In total there has been £6.6m of **additional non-specific government funding** announced since the budget for highways and schools investment. In accordance with the approved Capital Strategy, this funding would normally be used to reduce the level of borrowing currently required to support the core programme as the Council funds in excess of the grant provided in these areas. However as noted at 3.4 above these areas are will be reviewed as part of the RPPR process this year and this funding will be held to support in the first instance, any emerging additional need. The increases are as follows:
- **Highways Maintenance Funding (Block and Pothole Funding):** The Department for Transport (DfT) announced the allocation of highways maintenance funding to local authorities for the financial year 2021/22 in February 2021. The Council's share being £13.375m, which represents an increase of £2.939m compared to that originally assumed in the capital programme.
 - **High Need Provision Capital Allocation:** The Council has received notification of new capital funding of £1.274m in 2021/22.
 - **Schools Basic Need Allocation:** The recently announced School Basic Need allocation to support the provision of new school places in 2022/23 has increased by £2.368m.
- 4.2 Work will also continue to review and update estimates of other sources of capital programme funding as follows:-
- **Borrowing:** The current approved Capital Programme of £527.5m includes a borrowing requirement of £227.9m to 2029/30. This will be updated as part of the RPPR process and in line with the Capital Strategy.
 - **Capital Receipts:** Review and refinement of Property Services schedule of capital receipts will be undertaken to ascertain if further receipts might be included in support of the programme as their risk reduces. This is supported by the work undertaken by property recently and successfully getting a number of surplus properties to the point of sale.
 - **Infrastructure Contributions (Section 106 and Community Infrastructure Levy):** Joint working across finance and CET will continue to identify and draw down contributions to support the planned programme. There continues, however, to be a risk that the current

target for Infrastructure Contributions to support the programme is too high. This is the result of increased burdens of planning system reform and the trend of Community Infrastructure Levy contributions focusing on transport infrastructure work not included within the programme (this is added via approved variation once identified and in line with the Capital Strategy), therefore the current target will be reduced where possible. As part of 2020/21 outturn it has therefore been proposed that the target is reduced by £2.7m, reflective of the additional contribution to Capital Reserve for 2020/21 from Treasury Management underspend.

5 Conclusion

- 5.1 This report provides an update on current approved capital programme as part of the annual RPPR cycle. Work will now be progressed as part of the RPPR 2022/23 process to extend the programme by a further 2 years to maintain the 10-year planning horizon and link into and support the Council's other strategies. The Capital Strategy and programme will be reviewed, considering other Council strategies and to include environmental considerations, and revised targeted basic need expectations once the outcome of the various reviews are known. As defined in the Capital Strategy, any requirements outside basic need will need to be supported by a business case.

ANNEX 1 – Detailed Capital Programme

| CAPITAL PROGRAMME 2021/22 to 2029/30 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 to 2029/30 £'000 | Total Programme £'000 |
|---|------------------|------------------|------------------|--------------------------------|-----------------------------|
| Older People's/LD Service Improvements (House Adaptations) | 50 | 50 | 50 | | 150 |
| Greenacres | 154 | | | | 154 |
| Adult Social Care Gross | 204 | 50 | 50 | | 304 |
| Scheme Specific Resource - Specific Funding | (154) | | | | (154) |
| Adult Social Care Net of Specific Funding | 50 | 50 | 50 | | 150 |
| SALIX Contract | 428 | 350 | 350 | 2,100 | 3,228 |
| Property Agile Works | 122 | 81 | | | 203 |
| Lansdowne Secure Unit - Phase 2 | 314 | | | | 314 |
| Special Educational Needs | 800 | 1,600 | 800 | | 3,200 |
| Special Provision in Secondary Schools | 730 | 150 | | | 880 |
| Disability Children's Homes | 242 | | | | 242 |
| Westfield Lane (delivered on behalf of CSD) | 466 | 724 | | | 1,190 |
| Core Programme - Schools Basic Need | 16,686 | 6,218 | 6,714 | 45,480 | 75,098 |
| Core Programme - Capital Building improvements | 8,163 | 12,907 | 7,982 | 47,892 | 76,944 |
| Core Programme - IT & Digital Strategy implementation | 9,068 | 14,410 | 10,999 | 33,065 | 67,542 |
| IT & Digital Strategy implementation (utilising automation) | 24 | | | | 24 |
| Business Services Gross | 37,043 | 36,440 | 26,845 | 128,537 | 228,865 |
| Scheme Specific Resource - Specific Funding | (742) | (350) | (350) | (2,100) | (3,542) |
| Scheme Specific Resource - S106 and CIL Contribution | (4,925) | (185) | (1,806) | | (6,916) |
| Business Services Net of Specific Funding | 31,376 | 35,905 | 24,689 | 126,437 | 218,407 |
| House Adaptations for Disabled Children's Carers Homes | 160 | 50 | 50 | | 260 |
| Schools Delegated Capital | 760 | 729 | | | 1,489 |
| Conquest Centre redevelopment | 47 | | | | 47 |
| Children's Services Gross | 967 | 779 | 50 | | 1,796 |
| Scheme Specific Resource - Specific Funding | (760) | (729) | | | (1,489) |
| Children's Services Net of Specific Funding | 207 | 50 | 50 | | 307 |
| Broadband | 2,364 | 3,300 | 200 | 2,783 | 8,647 |
| Salix Solar Panels | 257 | 86 | | | 343 |
| Bexhill and Hastings Link Road | 1,660 | 252 | | | 1,912 |
| BHLR Complementary Measures | 97 | 33 | | | 130 |
| Economic Intervention Fund - Grants | 388 | 512 | 385 | 1,003 | 2,288 |
| Economic Intervention Fund - Loans | 375 | 625 | 500 | 848 | 2,348 |
| Stalled Sites | 100 | 229 | | | 329 |
| EDS Upgrading Empty Commercial Properties | | 7 | | | 7 |
| Community Match Fund | 106 | 1,143 | | | 1,249 |
| Newhaven Port Access Road | 459 | 79 | 20 | 776 | 1,334 |
| Real Time Passenger Information | 139 | 91 | 60 | 61 | 351 |
| Queensway Depot Development (Formerly Eastern) | 818 | 273 | | | 1,091 |
| Hailsham HWRS | 146 | | | | 146 |
| The Keep | 97 | 49 | 96 | 849 | 1,091 |
| Other Integrated Transport Schemes | 3,574 | 4,535 | 3,069 | 18,114 | 29,292 |
| Exceat Bridge Replacement (Formerly Maintenance) | 551 | 368 | | | 919 |

Appendix 4

| | | | | | |
|---|----------------|----------------|----------------|----------------|-----------------|
| Emergency Active Travel Fund - Tranche 1 | 6 | | | | 6 |
| Emergency Active Travel Fund - Tranche 2 | 1,443 | | | | 1,443 |
| Core Programme - Libraries Basic Need | 370 | 742 | 449 | 2,694 | 4,255 |
| Covid-19 Recovery - Libraries Targeted Support | 250 | | | | 250 |
| Core Programme - Highways Structural Maintenance | 16,812 | 17,521 | 18,047 | 120,236 | 172,616 |
| Core Programme - Bridge Assessment Strengthening | 1,249 | 1,339 | 1,708 | 10,834 | 15,130 |
| Core Programme - Street Lighting and Traffic Signals - life expired equipment | 1,713 | 1,545 | 1,592 | 10,587 | 15,437 |
| Street Lighting and Traffic Signals - SALIX scheme | 1,636 | | | | 1,636 |
| Core Programme - Rights of Way Surface Repairs and Bridge Replacement Programme | 627 | 615 | 465 | 2,995 | 4,702 |
| LEP/SELEP schemes - delivery not controlled by ESCC | | | | | |
| Eastbourne Town Centre Phase 2 | 1,637 | 937 | | | 2,574 |
| Bexhill Enterprise Park North | 1,940 | | | | 1,940 |
| Eastbourne/South Wealden Walking & Cycling Package | 525 | 2,402 | | | 2,927 |
| Hailsham/Polegate/Eastbourne Movement & Access Corridor | 456 | 663 | | | 1,119 |
| Hastings Bexhill Movement and Access Programme | 2,325 | 3,523 | | | 5,848 |
| Sidney Little Road Business Incubator Hub | 381 | | | | 381 |
| Skills for Rural Businesses Post-Brexit | 3,113 | | | | 3,113 |
| Bexhill Creative Workspace | 369 | | | | 369 |
| Eastbourne Fisherman's Quayside & Infrastructure Development Project | 1,440 | | | | 1,440 |
| Getting Building Fund - Fast Track Business Solutions | 3,500 | | | | 3,500 |
| Getting Building Fund - Observer Building | 778 | | | | 778 |
| Getting Building Fund - Restoring Winter Gardens | 1,324 | | | | 1,324 |
| Getting Building Fund - Creative Hub 4 Fisher Street | 107 | | | | 107 |
| Getting Building Fund - Riding Sunbeams | 2,527 | | | | 2,527 |
| Getting Building Fund - Sussex Innovation Falmer | 200 | | | | 200 |
| Getting Building Fund - UTC Maritime and Sustainable Technology Hub | 1,300 | | | | 1,300 |
| Getting Building Fund - Accessing Charleston | 89 | | | | 89 |
| Gross LEP/SELEP schemes sub total | 22,011 | 7,525 | | | 29,536 |
| Scheme Specific Resource - LEP Contribution | (6,264) | | | | (6,264) |
| Scheme Specific Resource - S106 and CIL Contribution | (151) | (633) | | | (784) |
| Net LEP/SELEP schemes sub total | 15,596 | 6,892 | | | 22,488 |
| Communities, Economy & Transport Gross | 57,248 | 40,869 | 26,591 | 171,780 | 296,488 |
| Scheme Specific Resource - Specific Funding | (6,331) | (2,319) | (82) | | (8,732) |
| Scheme Specific Resource - LEP Contribution | (6,264) | | | | (6,264) |
| Scheme Specific Resource - S106 and CIL Contribution | (881) | (738) | (110) | (395) | (2,124) |
| Communities, Economy & Transport Net of Specific Funding | 43,772 | 37,812 | 26,399 | 171,385 | 279,368 |
| Total Programme Gross | 95,462 | 78,138 | 53,536 | 300,317 | 527,453 |
| Scheme Specific Resource - Specific Funding | (7,987) | (3,398) | (432) | (2,100) | (13,917) |
| Scheme Specific Resource - LEP Contribution | (6,264) | | | | (6,264) |
| Scheme Specific Resource - S106 and CIL Contribution | (5,806) | (923) | (1,916) | (395) | (9,040) |
| Total Programme Net of Specific Funding | 75,405 | 73,817 | 51,188 | 297,822 | 498,232 |