

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

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