

# Appendix 8(a): Capital Programme 2021-22 to 2031-32 and Capital Strategy

## 1 Background

1.1 Through the Reconciling Policy Performance and Resources (RPPR) process the Capital Strategy and programme are reviewed annually to ensure that they support the Council's responsibilities and departmental service strategies. To manage investment to a sustainable level, the Capital Strategy focuses on the delivery of targeted basic need for the council to continue to deliver services as efficiently as possible, rather than rationing through prioritisation. This is in recognition that there will be conflicting priorities but that a level of investment is needed across the council in order to deliver the council's services and react to changes in technology, economy and the environment. Basic need for the purpose of strategic capital planning is provided below: -

- Place: ensuring we can deliver services by planning for 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.
- Climate Change: tackling climate change has become part of ESCC core business, investment will be required towards the achievement of carbon neutrality.

1.2 At Full Council in February 2021 the target led basic need capital strategy of 20 years, supported by a 9-year planned capital programme was approved. The programme was not extended for an additional year to maintain a 10-year planning horizon due to the uncertainty over future years capital grants. As shown at Table 1, the updated capital programme 2021/22 to 2029/30 reported as part of the State of the County in July 2021, had a total programme expenditure of £527.5m, which was funded by a borrowing requirement of £227.9m

Table 1 – Approved Capital Programme (£m)	Current Year 2021/22	MTFP Period			2025/26 to 2029/30	Total
		2022/23	2023/24	2024/25		
<b>Gross Expenditure</b>	<b>95.462</b>	<b>78.138</b>	<b>53.536</b>	<b>54.230</b>	<b>246.087</b>	<b>527.453</b>
Specific Funding	(20.057)	(4.321)	(2.348)	(0.645)	(1.850)	(29.221)
<b>Net Expenditure</b>	<b>75.405</b>	<b>73.817</b>	<b>51.188</b>	<b>53.585</b>	<b>244.237</b>	<b>498.232</b>
Formula Grants	(23.619)	(19.737)	(20.895)	(23.026)	(99.385)	(186.662)
Capital Receipts	(8.676)	(4.658)	(5.694)			(19.028)
Reserves and Revenue Set Aside	(5.697)	(10.445)	(3.058)	(5.254)	(15.571)	(40.025)
CIL/S106 Target				(4.114)	(20.570)	(24.684)
<b>Programme Funded from Borrowing</b>	<b>37.413</b>	<b>38.977</b>	<b>21.541</b>	<b>21.191</b>	<b>108.711</b>	<b>227.833</b>

1.3 It was agreed at the State of the County 2021, that the programme would be updated by a further 2 years to maintain the 10-year planning horizon and that Climate Change would be included as basic need. Services were also asked to review their targeted basic need and investment requirements focussing on Highways and the Carbon Neutral commitment by 2050. This report provides an update on these actions and presents the financial impact of the basic need updates and growth.

1.4 Updated estimates to funding assumptions are reflected as part of the normal capital strategy updates. Further updates to Formula Grant assumptions will be made once the details of the Local Government Financial Settlement are announced, noting that changes in funding formula and allocation criteria will alter the level of grants anticipated and impact on the level of borrowing required. Indications are that this might happen annually.

1.5 Investment beyond basic need, including asset enhancements and strategic investments, will continue to be considered separately via business cases. As such these will not be included in the Capital Programme until their overall impact, including funding implications, have been assessed and approved.

## 2 Capital Programme Update

- 2.1 **Capital programme refresh and update:** The capital programme has been extended by two years in line with the current strategy to maintain a 10-year planning horizon and to include a nominal level of investment for Climate Change as basic need. The proposed programme also supports areas of growth in basic need requirements that have been identified by services where these represent reasonable synergy with the basic need principles. The Capital Strategy therefore continues to drive the authority's capital investment ambition whilst also ensuring appropriate capital expenditure, capital financing and treasury management within the context of the sustainable, long-term delivery of services. As normal, Service Finance and Departmental Capital Teams have also completed a capital programme refresh, re-profiling their programmes and projects as accurately as possible based on current knowledge held. After the application of estimated funding available, these updates will require new borrowing with an associated revenue impact via the Treasury Management revenue budget (see Section 4).
- 2.2 Table 2 below summarises the movements to the approved capital programme since State of the County in July 2020 for the programme refresh and updates. Noting that the first three years of the programme over the MTFP period (Medium Term Financial Plan) period to 2024/25 are being presented for approval, whilst the remaining years to 2031/32 are indicative to represent the longer-term planning for capital investment. The detailed proposals of the RPPR Programme updates are presented at **Annex A**.

Table 2 – Capital Programme Updates (£m)	Current Year 2021/22	MTFP Period			2025/26 to 2031/32	Total
		2022/23	2023/24	2024/25		
<b>Approved Net Expenditure</b> (State of the County 2021)	<b>75.405</b>	<b>73.817</b>	<b>51.188</b>	<b>53.585</b>	<b>244.237</b>	<b>498.232</b>
Capital Programme Refresh	(6.773)	2.478	3.606	0.125	0.564	<b>0.000</b>
RPPR Programme Updates	0.059	17.723	14.305	18.389	157.935	<b>208.411</b>
<b>Revised Net Expenditure</b>	<b>68.691</b>	<b>94.018</b>	<b>69.099</b>	<b>72.099</b>	<b>402.736</b>	<b>706.643</b>

- 2.3 Table 3 below provides a summary of the approved variations to the programme relating to fully funded schemes having a net nil impact on the capital programme. These total £13.4m.

Table 3: Approved Capital Variations (£m)	Total
A22 Corridor Packaged (funded from specific DfT grant funding)	<b>0.429</b>
Accessing Charleston (funding from specific LEP grant funding)	<b>0.241</b>
Hailsham HWRS (funding from S106 funding)	<b>0.018</b>
Exceat Bridge (funding from Levelling Up grant)*	<b>7.958</b>
Ninfield School Decarbonisation Measures (funding from Salix grant)	<b>0.145</b>
Integrated Transport Measures & LEP Projects (funding from Section 106 Developer Contributions)	<b>4.608</b>
<b>Total</b>	<b>13.399</b>

*\*In October 2021 the council received notification of the outcome for application to the first round of the Levelling Up Fund from the Department of Levelling Up, Housing & Communities. The confirmed grant award of £8.0m towards Exceat Bridge replacement.*

- 2.4 **Investment beyond basic need:** A number of projects are currently being developed that are beyond basic need will therefore be presented to Capital Strategic Asset Board (CSAB) for consideration via business cases or approved variation. As such these will not be included in the Capital Programme until their overall impact, including funding implications, have been assessed and approved in line with the appropriate governance.
- **Learning Disability Supported Living:** Adult Social Care has prepared a business case for capital investment towards a range of settled accommodation available for adults with learning disabilities in East Sussex, a key performance indicator for the Council. A draft business case was reviewed and endorsed by the CSAB in December 2021, subject to

final cost estimates and the project funding being confirmed. It is anticipated that the final business case will be presented, on a fully funded basis, for the consideration of Lead Member in early 2022.

- **Children’s Disabled Accommodation Investment:** The current capital programme includes £0.242m for creating greater in-house capacity for disability children’s homes. Originally approved in 2020/21, this budget has since slipped as the scope of the project has expanded. The project scope now includes three phases requiring an increased capital requirement. This proposal will be developed as a business case covering all phases of the projects on an Investment Project basis seeking approval through the appropriate governance process.
- **Bus Service Improvement Plans (BSIPs):** The Council has recently bid for a combination of revenue and capital funds from the DfT to support BSIPs. These will be added to the programme if successful and where they relate to capital investment.

### 3 Funding Updates

3.1 Table 4 provides an updated capital programme funding position to reflect the capital programme updates and their associated funding assumptions outlined above and other more specific updates.

Table 4 – Capital Programme Funding Update (£m)	Current Year 2021/22	MTFP Period			2025/26 to 2031/32	Total
		2022/23	2023/24	2024/25		
<b>Gross Expenditure</b>	<b>88.219</b>	<b>101.899</b>	<b>77.088</b>	<b>78.892</b>	<b>406.781</b>	<b>752.879</b>
Specific Funding (3.2)	(19.528)	(7.881)	(7.989)	(6.793)	(4.045)	<b>(46.236)</b>
<b>Net Expenditure</b>	<b>68.691</b>	<b>94.018</b>	<b>69.099</b>	<b>72.099</b>	<b>402.736</b>	<b>706.643</b>
Formula Grants (3.3)	(25.177)	(25.436)	(17.738)	(19.433)	(142.607)	<b>(230.391)</b>
New Homes Bonus Grant (3.4)	-	(0.816)	-	-	-	<b>(0.816)</b>
Capital Receipts (3.5)	(5.919)	(8.580)	(6.505)	-	-	<b>(21.004)</b>
Reserves and Revenue Set Aside (3.6)	(5.772)	(18.867)	(6.989)	(5.166)	(19.937)	<b>(56.731)</b>
Developer Contributions Target (3.7)	-	-	-	-	(24.068)	<b>(24.068)</b>
<b>Programme Borrowing (3.7)</b>	<b>31.823</b>	<b>40.319</b>	<b>37.867</b>	<b>47.500</b>	<b>216.124</b>	<b>373.633</b>

3.2 **Specific Funding:** The approved programme is supported by £46.2m of scheme specific grants and external funding which is sourced and managed by services at a project level, in the main comprising of LEP funding; Development Infrastructure Contributions allocated to specific projects; grants for Broadband project; Salix contributions to support energy efficiency measures; and Devolved Formula Capital grant toward schools delegated capital works. The level of this specific funding is shown at a departmental level at **Annex A**.

3.3 **Formula Grants:** The capital programme is supported by £230.4m of non-specific formula grants, which represents 31% of the total gross programme funding. Formula grant assumptions have been updated to represent best estimates but noting that there continues to be considerable risk in relation to these grants as the values for future years are still yet to be announced. Changes made to formula grants include updated to Schools Basic Need Allocation grant to reflect newly announced allocations and updated estimates for required pupil places; changes for known highways related formula grants in 2021/22; and the continuation of assumptions for the two year extension to the programme. Further updates to Formula Grant assumptions will be made once the detailed implications of announcements as part of the Spending Review 2021 are known, noting that changes in funding formula could change the level of grants anticipated and impact on the level of borrowing required.

3.4 **New Homes Bonus:** New Homes Bonus is a (non-specific) grant given by Central Government to councils based on the number of homes build or brought back into habitation in the previous year. New Homes Bonus can be used to fund revenue or capital expenditure. The provisional Local Government Financial Settlement announced funding of £0.8m for the Council in 2022/23 which has been allocated to fund the capital programme.

- 3.5 **Capital Receipts:** Property Services hold a schedule of capital receipts available to support the capital programme, which is reviewed regularly and estimates are based on Property Officers' professional judgement on a site by site basis. This is supported by the work undertaken by Property Services recently in successfully getting a number of surplus properties to the point of sale. At this stage, it is suggested that anticipated capital receipts can be increased by £1.975m for capital planning purposes. Further work is being completed on a range that could potentially be provided for community assets.
- 3.6 **Reserves and Revenue Set Aside:** The Council can use revenue resources to fund capital projects, where these have been approved as part of the budget setting process or an approved business case. This includes specific reserves, payback from invest to save schemes and revenue contributions.
- 3.7 **Developer Infrastructure Contributions (Section 106 and Community Infrastructure Levy):** The capital programme reported as part of the State of the County 2021 included a total of £33.7m of Developer Infrastructure Contributions, of which £9.0m was identified as applied to specific project / programme funding, and an additional £24.7m targeted over the capital programme. Work is ongoing through the S106 and CIL Working Group to maximise specific sums that can be allocated to basic need projects / programmes. This has resulted in £0.6m being applied as specific funding toward basic need, reducing the funding target by this amount.

As previously reported at State of the County 2021, the result of increased burdens of planning system reform and the trend of Community Infrastructure Levy contributions focusing on transport infrastructure work (which is added via approved variation as net nil to the programme) has increased the risk of achieving the funding target set in 2019/20. There is also uncertainty on the future of developer contributions with government publishing the Planning for the Future White Paper in August 2020, proposing reform of the planning system in England. Detailed work has been carried out by the cross departmental S106 and CIL Working Group, identifying a potential funding risk of between £10m and £12m. It is proposed that subject to further funding announcements, the funding target is initially reduced by any additional capital grant allocations in year (2022/23 only), and the position continues to be reviewed annually. Should additional grants, over the current assumption from 2022/23 be confirmed that relate to Highways, these will first be considered against further capital investment opportunities.

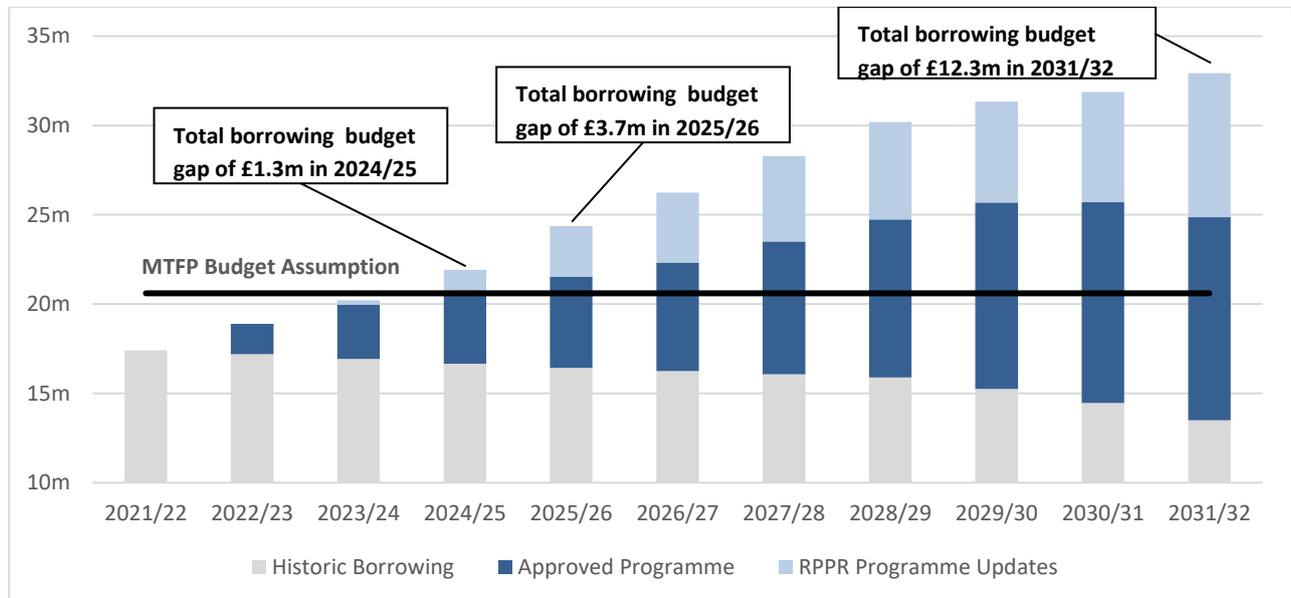
- 3.8 **Borrowing:** The updated capital programme has a borrowing requirement for the period 2021/22 to 2031/32 of £373.6m, which represents 50% of the total gross programme funding. This is an increase of £145.8m compared to that reported in the State of the County 2021 of £227.8m. The Capital Strategy seeks to maximise the application of other funding sources in order to reduce the council's borrowing requirement which has a long term revenue implication.

#### **4 Impact on the Revenue Medium Term Financial Plan and Treasury Management Capacity**

- 4.1 Decisions on future capital investment should be considered in the context of the impact on the Treasury Management (TM) capacity to fund the investment and the revenue budget, whereby the cost of funding and Minimum Revenue Provision needs to be included within the MTFP. The current capital programme already requires borrowing in future years, which together with the Minimum Revenue Provision accounting requirements, will need the TM budget to be increased beyond the current MTFP. In advance of the detailed funding announcements expected as part of the Local Government Settlement, this will add to the MTFP deficit and potential requirement to make savings in future years. This is before other emerging revenue pressures within Children's Services and Adult Social Care, aligned to Social Care Reform are known.
- 4.2 TM budget modelling takes a holistic approach, and includes the forecast repayment of loans, accounts for balances held and other cash management transactions. The impact on the TM budget of the cost of borrowing for capital investment will therefore vary dependant on a number of variables such as timings, internal balances and future interest rates. In order to therefore give an indicative estimate of the cost of borrowing, **TM modelling for the direct costs of borrowing**

estimates that for every £10m of additional borrowing, there would be an associated revenue cost of approximately £400,000 per annum over the current MTFP period; this rises to an average of approximately £750,000 over the full life of the asset (based on a 30 year asset life), when taking a long term view of borrowing rate forecasts and as costs increase in later years under the annuity methodology.

4.3 The graph below presents the cost of borrowing for the capital programme proposed updates, against the current TM budget held in support of borrowing, as reported to Cabinet in September 2021. It shows that further increases will be required to the budget, with an additional £1.3m required in 2024/25, increasing to £3.7m (an additional £2.4m) in 2025/26 for the current programme profile.



4.4 The Council is required to set a maximum authorised limit for external debt which represents a limit beyond which external debt is prohibited. The authorised borrowing limit is effectively the cap of the total amount of borrowing that the council can have outstanding at any one time, and this limit cannot be breached. The current Treasury Management Strategy sets this at £435m within the current MTFP period, which includes an element allowable for long-term liabilities other than external debt. Although this limit is reviewed annually as part of the TM Strategy refresh with reference to the planned capital programme, this limit can be used as an indication of future borrowing limits. TM modelling suggests that the proposed capital programme updates would exceed the current maximum authorised limit of £435m for external debt by 2028/29. However, this is likely to be pushed out further by slippage and the strategy of using the TM underspend to reduce the borrowing requirement.

## 5 Risk provision update

5.1 As part of RPPR process at February 2021, the ongoing capital risk provision of £7.5m was approved, which represented 2.6% of gross programme over the MTFP period. The risk provision of £7.5m would still represent more than 2.0% of gross budget over the MTFP period after all updates identified in this report, which was the level the provision has historically been set. 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 2024/25 and beyond which have necessitated holding a risk provision, these risks as reported at State of the County 2021 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

- 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.

- 5.2 There are currently increased uncertainties that exist within the construction industry in terms supply chain issues and volatile cost inflation. The capital programme includes an element of 'normal' level of inflation for ongoing target-based core programmes (as opposed to programmes that have cash limited envelopes) such as Highways of 3% annually, with any increases above this level to be covered by the risk provision.
- 5.3 It is anticipated that there will be increasing pressures on the current programme due to the climate change agenda meaning additional requirements will need to be incorporated into the current programme, such as emerging environmental planning requirements and low carbon replacements of current assets. The risk provision and potential provision for this area will be reviewed as these requirements become clearer.

## **6 Capital Strategy**

- 6.1 In 2017, the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code was revised and included the requirement for Local Authorities to produce a Capital Strategy. The Council's current Capital Strategy covers the period 2021/22 to 2040/41 and was approved as part of RPPR 2020/21. The Capital Strategy has been updated as part of the 2022/23 RPPR process to reflect emerging risks, principles and corporate priorities, and informed by decisions at State of the County 2021 and discussions at CSAB. The updated Capital Strategy can be found at Appendix 8(c).
- 6.2 Updates to the Capital Strategy include the impact of the capital programme with regards to the Equality Act 2010, and highlights the need to demonstrate that equalities impacts have been assessed and considered for any new project, and that the impact of existing projects must be reviewed and refreshed annually as part of the RPPR process.
- 6.3 Other updates reflect changes to basic need definitions and targets, including the inclusion of Climate Change as basic need, SEND requirements to be considered on a business case basis, and a change to Highways basic need condition targets as identified throughout this paper.

## **7 Conclusion and reasons for recommendations**

- 7.1 It is recommended that updates to the capital programme to 2031/32 are approved as presented, with the first three years of the programme to 2024/25 over the MTFP period being approved whilst the remaining years to 2031/32 are indicative to represent the longer-term planning for capital investment; noting the impact on borrowing costs and the MTFP in future years. The programme will continue to be reviewed through the RPPR, Capital Strategic Asset Board, Sub Boards and variation process to ensure it remains aligned to the MTFP, Treasury Management Strategy and other council strategies.
- 7.2 It is recommended that updates to the Capital Strategy to 2042/43 are approved, to reflect updates to target driven basic need, which supports the Council's responsibilities and wider service strategies adopted.

## Revised Capital Programme

Current Detailed Capital Programme (£m)	Current Year 2021/22	MTFP Period			2025/26 to 2031/32	Total
		2022/23	2023/24	2024/25		
(A) House Adaptations - Adults	0.050	0.050	0.050	0.050		0.200
Greenacres	0.010	0.144				0.154
<b>Adult Social Care Gross</b>	<b>0.060</b>	<b>0.194</b>	<b>0.050</b>	<b>0.050</b>		<b>0.354</b>
Scheme Specific Funding	(0.010)	(0.144)				(0.154)
<b>Adult Social Care Net Expenditure</b>	<b>0.050</b>	<b>0.050</b>	<b>0.050</b>	<b>0.050</b>		<b>0.200</b>
(B) SALIX Contract	0.428	0.350	0.350	0.350	2.450	3.928
Property Agile Works	0.122	0.081				0.203
Lansdowne Secure Unit - Phase 2	0.314					0.314
(C) Core Programme - Schools Basic Need	16.574	5.684	5.869	16.625	69.580	114.332
(D) Special Educational Needs	0.100	1.600	1.500			3.200
(E) SEND - Grove Park / Beacon Academy		2.500	5.000	6.000	5.6000	19.100
Special Provision in Secondary Schools	0.730	0.150				0.880
Disability Children's Homes	0.020	0.222				0.242
Westfield Lane	0.500	0.690				1.190
(F) Core Programme - Capital Building Improvements (Schools)	5.400	5.463	3.982	3.982	27.874	46.701
(G) Core Programme - Capital Building Improvements (Corporate)	2.100	7.507	4.300	4.300	28.000	46.207
(H) Core Programme - IT & Digital Strategy implementation	8.568	14.910	10.999	2.940	48.625	86.042
IT&D - Utilising Automation	0.024					0.024
<b>Business Services Gross</b>	<b>34.880</b>	<b>39.157</b>	<b>32.000</b>	<b>34.197</b>	<b>182.129</b>	<b>322.363</b>
Scheme Specific Funding	(6.226)	(0.535)	(2.156)	(0.350)	(2.450)	(11.717)
<b>Business Services Net Expenditure</b>	<b>28.654</b>	<b>38.622</b>	<b>29.844</b>	<b>33.847</b>	<b>179.679</b>	<b>310.646</b>
(A) House Adaptations for Disabled Children's Carers Homes	0.160	0.050	0.050	0.050		0.310
(I) Schools Delegated Capital	0.760	0.729	1.150	1.150		3.789
Conquest Centre redevelopment	0.047					0.047
<b>Children's Services Gross</b>	<b>0.967</b>	<b>0.779</b>	<b>1.200</b>	<b>1.200</b>		<b>4.146</b>
Scheme Specific Funding	(0.760)	(0.729)	(1.150)	(1.150)		(3.789)
<b>Children's Services Net Expenditure</b>	<b>0.207</b>	<b>0.050</b>	<b>0.050</b>	<b>0.050</b>		<b>0.357</b>
Broadband	1.109	2.512	2.513	2.513		8.647
Salix Solar Panels	0.257	0.086				0.343
Salix Decarbonisation - Ninfield School	0.145					0.145
Bexhill and Hastings Link Road	1.660	0.252				1.912
BHLR Complementary Measures	(0.068)	0.198				0.130
Economic Intervention Fund - Grants	0.221	0.368	0.345	0.300	1.054	2.288
Economic Intervention Fund - Loans	0.375	0.500	0.500	0.500	0.473	2.348
Stalled Sites	0.075	0.100	0.154			0.329
Upgrading Empty Commercial Properties		0.007				0.007
Community Match Fund	0.060	1.189				1.249
Newhaven Port Access Road	0.459	0.079	0.020	0.776		1.334
Real Time Passenger Information	0.139	0.047	0.044	0.060	0.061	0.351
Queensway Depot Development	0.300		0.791			1.091
Hailsham HWRS	0.005	0.159				0.164
The Keep	0.014	0.132	0.096	0.026	0.823	1.091

(J) Other Integrated Transport Schemes	3.270	5.402	2.981	5.535	21.867	<b>39.055</b>
A22 Corridor Package	0.429					<b>0.429</b>
Exceat Bridge Replacement	0.887	1.748	3.733	2.509		<b>8.877</b>
Emergency Active Travel Fund - Tranche 1	0.006					<b>0.006</b>
Emergency Active Travel Fund - Tranche 2	0.921	0.522				<b>1.443</b>
Core Programme - Libraries Basic Need	0.490	0.622	0.449	0.449	2.245	<b>4.255</b>
Covid-19 Recovery - Libraries Targeted Support	0.250					<b>0.250</b>
(K) Core Programme - Highways Structural Maintenance	16.512	17.821	18.047	18.588	146.704	<b>217.672</b>
(K) Core Programme - Bridge Assessment Strengthening	1.662	0.926	1.708	1.675	13.219	<b>19.190</b>
(K) Core Programme - Street Lighting and Traffic Signals - life expired equipment	1.713	1.545	1.592	1.639	12.890	<b>19.379</b>
(L) Highways Structural Maintenance – Basic Need Change		3.100	3.100	3.100	21.700	<b>31.000</b>
(M) Bridge Assessment Strengthening – Essential Maintenance		2.100	2.000	0.100	2.300	<b>6.500</b>
(N) Street Lighting Backlog		2.200	2.200	2.200	2.200	<b>8.800</b>
(N) Street Lighting Reduced Requirement					(4.500)	<b>(4.500)</b>
Street Lighting and Traffic Signals - SALIX scheme	1.636					<b>1.636</b>
(O) Core Programme - Rights of Way and Bridge Replacement Programme	0.577	0.565	0.565	0.475	3.616	<b>5.798</b>
(P) Climate Emergency Works			3.000	3.000		<b>6.000</b>
(Q) Highways Investment Bid		5.800				<b>5.800</b>
(Q) Climate Emergency Works	0.768	2.819				<b>3.587</b>
<b>LEP/SELEP schemes - delivery not controlled by ESCC:</b>						
Eastbourne Town Centre Phase 2	0.515	1.959				<b>2.474</b>
Bexhill Enterprise Park North	1.940					<b>1.940</b>
Eastbourne/South Wealden Walking & Cycling Package	0.482	2.231				<b>2.713</b>
Hailsham/Polegate/Eastbourne Movement & Access Corridor	0.276	0.744				<b>1.020</b>
Hastings Bexhill Movement and Access Programme	1.571	4.323				<b>5.894</b>
Sidney Little Road Business Incubator Hub	0.381					<b>0.381</b>
Skills for Rural Businesses Post-Brexit	3.113					<b>3.113</b>
Bexhill Creative Workspace	0.369					<b>0.369</b>
Eastbourne Fisherman's Quayside & Infrastructure Development Project	1.440					<b>1.440</b>
Getting Building Fund (GBF) - Fast Track Business Solutions	3.500					<b>3.500</b>
GBF - Observer Building	0.778					<b>0.778</b>
GBF - Restoring Winter Gardens	1.324					<b>1.324</b>
GBF - Creative Hub 4 Fisher Street	0.107					<b>0.107</b>
GBF - Riding Sunbeams	1.820	0.707				<b>2.527</b>
GBF - Sussex Innovation Falmer	0.200					<b>0.200</b>
GBF - UTC Maritime and Sustainable Technology Hub	0.294	1.006				<b>1.300</b>
GBF - Accessing Charleston	0.330					<b>0.330</b>
<b>Communities, Economy &amp; Transport Gross</b>	<b>52.312</b>	<b>61.769</b>	<b>43.838</b>	<b>43.445</b>	<b>224.652</b>	<b>426.016</b>
Scheme Specific Funding	(12.532)	(6.473)	(4.683)	(5.293)	(1.595)	(30.576)
<b>Communities, Economy &amp; Transport Net Expenditure</b>	<b>39.780</b>	<b>55.296</b>	<b>39.155</b>	<b>38.152</b>	<b>223.057</b>	<b>395.440</b>
<b>Total Programme Gross</b>	<b>88.219</b>	<b>101.899</b>	<b>77.088</b>	<b>78.892</b>	<b>406.781</b>	<b>752.879</b>
Total Scheme Specific Funding	<b>(19.528)</b>	<b>(7.881)</b>	<b>(7.989)</b>	<b>(6.793)</b>	<b>(4.045)</b>	<b>(46.236)</b>
<b>Total Programme Net of Specific Funding</b>	<b>68.691</b>	<b>94.018</b>	<b>69.099</b>	<b>72.099</b>	<b>402.736</b>	<b>706.643</b>

- (A) House Adaptations (Adults and Children's):** House adaptations are included for the three-year programme in line with the MTFP period, funded by contribution from reserve therefore having a net nil impact. This allows the budget to be more reflective of demand rather than representing a budget allocation that continuously slips with any variations to be managed through the RPPR process and reserve policy.
- (B) SALIX Contact Property:** This investment in energy efficiency across council buildings is fully funded by recycled loans and the £0.350m per year represents estimated repayments for targeted investment (this will vary depending on opportunities identified).
- (C) Schools Basic Need:** An update on the emerging ten-year school basic need capital strategy for the whole county to 2031/32 has been assessed, taking account of the potential impacts on education provision of the developing Wealden District Council (WDC) Local Plan. The analysis looks at the impact on early years, primary and secondary school places in areas where significant levels of new housing are proposed, resulting in an estimated funding requirement of £39.2m in addition to the £75.1m currently in the capital programme. The increase funding is to provide up to an additional 6.5FE (form entry) early years/primary places compared to current plans. To not provide for school basic need programme would mean the council would not fulfil its statutory duty to ensure there are sufficient good school places for all pupils.

The proposals relate to predicted numbers and are required to meet statutory duties. Identified intervention is based on data, both in terms of numbers of classes and location. No significant equality impacts are identified. Uncertainties about impacts of Covid-19, proposed new housing developments and normal demographic fluctuations mean that data will continue to be monitored and changing needs mapped (including in relation to SEND pupils). Specific action to ensure any planned alterations in schools or additional provision are accessible and meet the needs of children sharing specific characteristics will need to be built into more detailed plans when these are developed in coming years.

The assumptions for Schools Basic Need Allocation grant have been updated to reflect newly announced allocations and estimates based on updated forecast for pupil places required. The School Basic Need allocation to support the provision of new school places in 2022/23 has increased by £2.368m compared to original assumptions, however, despite the SBN programme ambition increasing by £39.2m, the net increase in grant estimates over the programme is only an increase of £3.293m. This is due to estimates in 2023/24 and 2024/25 being reduced based on initial modelling, and in later years to reflect reducing level of grant as a percentage of expenditure reducing over time.

- (D) SEND Provision:** 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. The latest SEN forecasts show a greater increase in numbers of pupils with Education, Health and Care Plans (EHCPs) presenting with a broad range of needs including Autistic Spectrum Disorder (ASD), Social, Emotional and Mental Health (SEMH) and Profound and Multiple Learning Difficulties (PMLD). It is forecast that the need to provide for already budgeted places in the MTFP period can be funded from the existing budget, however there are likely longer-term requirements with significant financial implications directly as a result of increased housing within the developing WDC Local Plan.

The Council has received notification of new High Needs Provision Capital Allocations (HNPCA) funding of £1.274m in 2021/22 to provide for new places or improved provision for pupils and students with high needs. The HNPCA funding has been allocated to local authorities proportionally based on the estimated share of future growth in the high need pupil population, with a mechanism to ensure that all authorities receive at least £0.500m. Funding for years beyond 2021-22 was announced as part of the Spending Review 2021, however the methodology or

approach to future grant allocations have not been provided at this stage; the capital programme has been updated to assume at least £0.500m (the funding floor for each authority under current methodology) each year of the MTFP programme beyond 2021/22. This provides a total of £2.774m additional grant to meet SEND need.

**(E) SEND Provision (Grove Park / Beacon Academy):** In order to fulfil emerging additional SEND need, it is proposed that the provision of additional SEND places at Grove Park special school be provided, together with the addition of a nursery at Grove Park, to provide important additional capacity in the north of the County. The cost of these proposals is estimated at £19.1m. To not provide additional SEND places would result in continuing to rely on the independent sector for the expected increase in need, having a significant impact on the council's revenue budget estimated to be £21.3m over ten years (before considering the cost of transport) compared to internal provision, and therefore demonstrating value for money.

This is a large value project with a number of risks and options that need to be worked through. It is proposed that this project (and future large value SEND projects) be reported via a business case to CMT and on to Cabinet, and has additional governance in place (e.g., a project working group / sub-group) in addition to the current Gateway process.

**(F) Capital Building Improvements (Schools):** The budget represents estimated grant received, thereby having a net nil impact on the programme. This work is currently done on the basis of priority one (health and safety) works; identified via condition reports, and essential safeguarding risk mitigation. This is a cash limited budget and therefore category 1 priority works are completed on a 3-year cycle.

**(G) Capital Building Improvements (Corporate):** This work is currently done on the basis of priority works; identified via condition reports as essential to meet health and safety requirements of corporate assets. There is no specific funding provided for this need and it is therefore funded via borrowing. This is a cash limited budget and therefore category 1 priority works are completed on a 3-year cycle. Pressures arising from academy ambitions are also funded here, therefore reducing the available investment for County Council operational buildings.

**(H) IT&D Strategy Implementation:** The overarching principle of the IT&D strategy is to ensure that our Information and Communications Technology (ICT) is fit for purpose for delivering modern council services in a digital era and protecting any data held. The update presents an extension of the programme of 2 years to maintain the 10-year planning horizon. Estimates provided of £8.6m in 2030/31 and £9.9m in 2031/32 to cover basic need items. There is no specific funding provided for this need and it is therefore funded via general internal resources.

- Compliance (£1.0m in 2030/31; £0.4m in 2031/32)
- Cyber Defence (£0.9m in 2030/31; £0.6m in 2031/32)
- IT core provision (£4.2m in 2030/31; £0.9m in 2031/32)
- Staff Technology Refresh (£2.5m in 2030/31; £8.0m in 2031/32)

**(I) Schools Delegated Capital:** This budget represents capital works delegated to schools through specific DfE Devolved Formula Capital grant funding and other contributions from schools, therefore having a net nil impact on borrowing. This programme has been extended within the MTFP period so it is reflected in the programme, with a proposed budget based on historic annual costs.

**(J) Integrated Transport Schemes:** The integrated transport programme delivers the objectives of the County's Local Transport Plan, which is complemented by five-year implementation plans, delivering priority schemes. The programme is provided at grant level, supported by external funding (such as S106 and CIL) approved via variations to the programme and has been extended to 2031/32 based on estimated grant levels.

The budget also includes annual revenue contributions of £150k (2021/22 to 2023/24) and £100k (2024/25 onwards) to support the programme. These revenue contributions are to be removed, with a corresponding reduction in capital expenditure, thereby having a net nil impact on the programme. This would reduce the amount of capital budget from internal resources available to

deliver implementation plans, however, it is anticipated that repurposing the revenue budget towards 'pipeline' activity will support progression of schemes and the leveraging of additional external funding towards unfunded priority schemes.

**(K) Highways Maintenance (includes plus 3% normal inflation annually on roads):** The Highway Maintenance budget includes carriage resurfacing as well as capital maintenance of footways, drainage replacement, street signs and street furniture, crash barriers and soft landscaping (trees and verges). The budget has been extended to maintain current condition target levels including annual normal inflation increases of 3% annually, being greater than the level of grants received. Highways Maintenance covers a number of specific areas:

- **Highways Structural Maintenance:** The programme was modelled to maintain the Council's currently agreed road condition targets and to ensure that highways drainage is adequate to meet the needs of maintaining safe roads and, as the occurrence of extreme weather events increases, is able to cope with those events.
- **Bridges/Structures Strengthening:** Investment in these assets is for priority health and safety works and is maintained at current levels to ensure the safety of road users.
- **Street Lighting & Traffic Signals:** Investment in these assets is for priority health and safety works and is maintained at current levels to ensure the safety of road users.

It is anticipated that this would protect against any decline in the condition of these highway assets, which could lead to the loss of the DfT incentive grant and an increased level of third party claims, putting further pressure on limited resources.

Most highways maintenance and repairs identified throughout this paper do not have significant equality impacts, but issues relating to street lighting, pavement condition and clear signage have the potential for disproportionate impacts on people sharing specific characteristics (specifically age, disability). Prioritisation of repairs is based on assessment of physical condition, focused on avoiding health and safety concerns. The completed detailed condition surveys enable assessment of places and assets that are in greatest need of repair and where risks to health and safety are identified. No further EqIA is needed on these proposals. EqIA on the Highway's procurement process will identify and address equality impacts arising from implementation of these principles.

The Department for Transport (DfT) announced the allocation of highways maintenance funding to local authorities for the financial year 2021/22 in February 2021, plus a more recent announcement was made of additional funding towards traffic signal maintenance and upgrading schemes. The Council's share being £13.525m, which represents an increase of £3.189m compared to that originally assumed in the capital programme. Although funding in 2021/22 has increased, the 'block' element, which has historically had multiple year settlements and is usually used for longer term planning purposes, has reduced over time, with the remaining funding made up of time-limited funds.

Details provided at the Spending Review 2021 did not give any clear indication of future years allocations or funding formula. Further updates to Formula Grant assumptions will be made once the detailed implications of announcements as part of the Spending Review 2021 are known, noting that changes in funding formula could change the level of grants anticipated and impact on the level of borrowing required.

**(L) Highways Basic Need Uplift:** Carriageway condition continues to exceed the Council's performance targets of 8% (A Roads), 9% (B&C Roads), 15% (Unclassified) being of "red" condition. Modelling predicts that whilst the current level of investment is sufficient to stem the rate of deterioration in the short term, roads will deteriorate faster in the medium to long term. However, it is not until 2027 that road condition is predicted to decline below (be worse than) the current performance targets.

To stem the rate of deterioration, and change the current basic need target to maintain current road conditions of 4% (A Roads), 4% (B&C Roads), 14% (Unclassified) being "red" over the next 10 years, would require investment of a further additional £3.1m per year.

**(M) Highways Structures – Essential Maintenance:** The current approved programme for highways structures was set at a level to support priority health and safety works to ensure the safety of road users, however noting that structures would increasingly become “at risk”, at which point there would be options available to manage the position, ranging from ongoing monitoring to load restriction or full closure. Since the current budget was approved in 2020, the need for essential project specific expenditure totalling £6.5m for safety purposes over the next five years has been identified, relating to the following highest priority structures:

- Refurbishment and painting of Newhaven Swing Bridge (£1.1m)
- Iden Lock bridge bearing replacement (£1.3m)
- Shinewater bridge bearing replacement and refurbishment (£4.1m)

**(N) Street Lighting – Essential Maintenance:** The Council invests in the annual maintenance of streetlights and traffic signals, to ensure that stock is adequate to meet the needs of maintaining safe roads and is replaced with modern, energy efficient alternatives at the end of its useful life. Additional investment is needed to address a backlog of life-expired street lighting columns, totalling an additional upfront £8.8m over four years.

**Street Lighting - Reduced Annual Requirement:** Addressing the backlog as described above would enable the future capital budget requirement for street lighting to be reduced from £1.5m to £0.8m per year from 2026/27 onwards, whilst maintaining the current basic need principles of ensuring stock is adequate to meet the needs of maintaining safe roads.

**(O) Rights of Way:** The County Council has a statutory duty to maintain bridges and path surfaces so that they can be safely used by the public. The proposed level of investment is at current levels, increased for normal inflation of 3% annually. There is no funding to support this investment need so it is all funded from internal resources.

**(P) Climate Emergency Works:** To reach carbon net zero by 2050 at the latest in an appropriate and cost-efficient way, extensive works to decarbonise ESCC’s estates operations will be necessary.

One off funding in 2021/22 has been approved to kick start carbon reduction. This includes revenue investment in specialist staff, commissioning net zero modelling, solar PV and low energy lighting schemes and to decarbonise when replacing boilers in the planned programme of replacement works, over the next 2 years.

Within the proposed programme an annual investment of £3.0m per annum over the life of the MTFP has then been included, it is anticipated that this will add to the 2021/22 investment by continuing to (a) support the current programme and uplift planned critical works from like-for-like replacements to those achieving a greater level of decarbonisation. For example, transitioning away from gas-fed heating systems and the use of energy efficient lighting. (b) Future proofing the estate by enabling works that will facilitate later delivery of decarbonisation, for example, the upgrading of insulation sufficient to enable later installation of air source heat pumps or uplifting the cost of roofing works to ensure the loading capacity can sufficiently cater for PV insulation and/or roof-positioned plant associated with switching to heat pumps (or other) and solar panels. (c) Decarbonisation projects which can demonstrate operational and financial benefit and/or decarbonisation opportunities taken to enhance the current approved programme, likely to be best suited to support larger capital building projects. (d) to support planning application requirements where reasonable adjustments are requested that facilitate carbon reduction across the Councils estate but also across East Sussex, for example the installation of vehicle charging points or solar panels. (e) Supporting the outcome of the net zero modelling.

Proposals outlined are not assessed as having impacts on people sharing legally protected characteristics. Any specific future proposals for changes in regard to staff changing (for example) commuting patterns will need to take account of specific needs, such as reliance on private vehicle use for some disabled people. No further EqIA needed on these proposals.

(Q) Reports were approved at Cabinet in November that set out proposals to spend identified one off funding on highways and climate change:

- **Climate Emergency Work:** An investment bid towards one-off resources for additional budget to support the council's climate emergency works. This includes £0.768m capital investment in-year (2021/22) funded from existing resources (underspending within the CET department) and £2.819m capital investment in 2022/23 funded from a reserve established for one-off investment.
- **Highways Investment Bid - Visually Better Roads:** An investment bid for one-off resources of £5.8m towards additional highways investment, in addition to current condition target-based budgets. This includes investment in addressing non-intervention level potholes, maintaining the current condition of pavements, increasing the regularity of refreshing road marking and replacing aging road signs to visually improve highway assets.