

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. 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: supporting the Council's aim of reaching carbon neutrality from our activities as soon as possible and in any event by 2050 within the grants and programme budgets in an appropriate and cost-efficient way.
- 1.2 At Full Council in February 2025 the target led basic need capital strategy of 20 years, supported by a 10-year planned capital programme was approved. The approved programme was further updated at State of the County in July 2025 to reflect the 2024/25 outturn, project and programme reprofiles and approved variations, revising the gross programme to £724.1m to 2034/35. For planning purposes, the first 3 years of the programme are considered approved, whilst the remaining years are indicative to represent the longer-term planning for capital investment.
- 1.3 The capital programme is funded from a number of sources and can be split into the elements that are funded from identified specific sources (such as grants, developer contributions and earmarked specific reserves), and elements considered to be Core Council Funded. Core Council Funded relates to those projects funded from council resources that ultimately increases the Council's need to borrow.
- 1.4 The financial outlook for local authorities is increasingly challenging, with uncertain funding allocations, inflationary pressure on contracts and wages, increasing service demands and the impact of national reforms leaving much uncertainty about the Council's future financial position, with a large financial deficit being forecast as part of the RPPR planning process. Capital investment decisions have a direct impact on the council's revenue budget, particularly relating to borrowing costs, and are therefore to be considered in the context of their impact on the MTFP.

2 Capital Programme Update

- 2.1 Table 1 below summarises the gross movements to the approved capital programme since State of the County in July 2025. The updates provide a revised capital programme of £672.5m, of which £288.7m is planned for delivery in the period to 2028/29. The first three years of the programme over the MTFP period to 2028/29 are to be presented for approval, whilst the remaining years to 2035/36 are indicative to represent the longer-term planning for capital investment. A detailed capital programme that reflects all the proposals outlined in this update is provided at **Annex A**.

Table 1 - Capital Programme Gross Expenditure Updates	Ref:	Current Year 2025/26 £'000	MTFP Period			2029/30 to 2035/36 £'000	Total £'000
			2026/27 £'000	2027/28 £'000	2028/29 £'000		
Approved Capital Programme (State of the County 2025)		102.981	91.542	57.291	48.854	336.354	637.022
Approved Variations	A	4.299	(0.112)	-	-	1.305	5.492
Capital Programme Extension	B	-	-	-	-	29.953	29.953
Total Updates		4.299	(0.112)	-	-	31.258	35.445
Revised Capital Programme		107.280	91.430	57.291	48.854	367.612	672.467
Capital Slippage Risk Factor	C	(18.890)	-	-	2.699	16.191	0.000
Approved Capital Programme (after Capital Slippage Risk Factor)		88.390	91.430	57.291	51.553	383.803	672.467

Normal Capital Strategy Updates

A Approved Variations

There is a gross increase to the programme of £5.5m relating to fully funded schemes having a net nil impact on the capital programme borrowing due to the identification of specific funding in accordance with the Capital Strategy, as detailed in Table 2 below:

Table 2 – Approved Variations since State of the County 2025	Gross Variation (£m)
Approved Variation: A22 North of Hailsham	0.030
Approved Variation: Alders Close Heating	0.188
Approved Variation: Eastbourne and South Wealden Walking and Cycling Package (ESWWCP) use formula ITB, reduce other ITB £11K	0.000
Approved Variation: Community Match Funding	0.054
Approved Variation: ITM Scheme S106 - Other Integrated Transport	0.088
Approved Variation: Hastings Town Centre Public Realm and Green Connections	0.052
Approved Variation: Rights of Way Surface Repairs and Bridge Replacement Programme	0.168
Approved Variation: Burfield - Hailsham new academy	0.006
Approved Variation: A22 Corridor	3.880
Approved Variation: Oracle (transfer of costs to revenue)	(1.090)
Approved Variation: Active Travel Fund 5 Capital (Eastbourne Liveable £100k, Schools streets £61k)	0.161
Approved Variation: Growing Places loan - Hastings Common + reuse	1.955
Total Net Nil Approved Variations	5.492

B Capital Programme Extension

The capital programme has been updated to extend the programme by a further year to maintain a 10-year planning horizon. This extends annual envelopes of funding for ongoing programmes of work and those fully funded by formula grants by one year into 2035/36.

C Capital Slippage Risk Factor

A capital slippage risk factor was applied to the capital programme from 2025/26 to reflect likely slippage based on a risk assessment of historic levels of actual expenditure and slippage at a project/programme level and has been updated to reflect the latest capital proposals. The risk factor is held at a corporate level to enable services / project managers to manage project budgets at a local level, whilst ensuring greater robustness to the planning and monitoring process at a corporate level.

3 Capital Programme Funding Update

- 3.1 Table 3 below 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 3 – Capital Programme Funding Update	Ref:	Current Year 2025/26 £'000	MTFP Period			2029/30 to 2035/36 £'000	Total £'000
			2026/27 £'000	2027/28 £'000	2028/29 £'000		
Gross Expenditure		88.390	91.430	57.291	51.553	383.803	672.467
Specific Funding	D	(24.794)	(18.647)	(12.214)	(1.700)	(7.200)	(64.555)
Specific Developer Contributions	E	(2.571)	(2.305)	(1.674)	(1.127)	(1.275)	(8.952)
Net Expenditure		61.025	70.478	43.403	48.726	375.328	598.960
Formula Grants	F	(36.599)	(29.953)	(29.953)	(30.248)	(213.836)	(340.589)
Capital Receipts	G	(1.288)	(4.910)	(2.198)	(3.592)	(0.832)	(12.820)
Reserves and Revenue Set Aside	H	(4.352)	(1.843)	(0.723)	(1.627)	(11.209)	(19.754)
Capital Reserve	I	-	-	-	-	(4.738)	(4.738)
Developer Contribution Target		-	-	-	(2.515)	(15.086)	(17.601)
Capital Programme Borrowing	J	18.786	33.772	10.529	10.744	129.627	203.458

D Specific Funding

The approved programme is supported by £64.6m of scheme specific grants and external funding which is sourced and managed by services at a project level, in the main comprising of DfT grants for Bus Service Improvement Plan, social care capital grants towards supported living improvements; Youth Investment Fund grant towards youth centre improvements; Levelling Up Fund & BSIP grant towards Exceat Bridge replacement; and Devolved Formula Capital grant toward schools delegated capital works.

E Developer Contributions

Developer contributions is a collective term used to refer to the Community Infrastructure Levy (CIL) and Section 106 planning obligations, being funding secured in support of the provision of infrastructure and to mitigate the impact of development, largely in respect of school places provision, transport and rights of way improvements, and libraries provision. The Council seeks to maximise the use of Developer Contributions to fund basic need requirements and unfunded infrastructure schemes (via net nil variation). For future planning purposes, capital programme includes a reasonable funding target for future years. An assessment of the current developer contribution position is in progress and may identify additional that can be utilised towards the current capital programme to fund basic need programmes and reduce the future years funding target.

F Formula Grants Update

The capital programme is supported by £340.6m of non-specific government formula grant towards capital expenditure. Formula grant assumptions reflect best estimates but noting that there continues to be risk in relation to these grants as values for future years are still yet to be announced. The level of assumed formula grants will continue to be reviewed to ensure that they represent prudent estimates and updated once the detailed implications of any announcements are known, noting that changes in funding formula could change the level of grants anticipated and impact on the level of borrowing. In accordance with Capital Strategy principles, formula grants are used to fund the approved Basic Need capital programme and reduce the Council's need to borrow.

G Capital Receipts

Property Services hold a schedule of capital receipts available to support the capital programme, which is reviewed regularly with estimates being based on Property Officers' professional

judgment on a site by site basis. In accordance with Capital Strategy principles, the profile of capital receipt funding has been updated to prioritise funding towards assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost on the revenue budget.

H 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, an approved business case or approved variation. This includes specific reserves, payback from invest to save schemes and revenue contributions.

I Capital Programme Reserve

The Council also holds a Capital Programme Reserve to support the capital programme to reduce the need to borrow, that has a consequential increase in pressure on revenue budgets. In accordance with Capital Strategy principles, the profile of capital reserve funding has been updated to prioritise funding towards assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost on the revenue budget.

J Capital Programme Borrowing

The Capital Strategic Asset Board (CSAB) conducted a capital programme risk review in 2024/25, starting from an assumed base position of removing all core funded projects and providing the capital programme at funded levels only, to provide the maximum level of potential MTFP savings. This reduced the capital programme by £129.2m over the period 2025/26 to 2027/28, and related borrowing costs by £3.9m per annum. The remaining total borrowing requirement following this review and latest update is £203.4m, of which £73.8m is anticipated over the period to 2028/29.

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 position, whereby the cost of funding and Minimum Revenue Provision needs to be included within the MTFP. The proposed capital programme has been prepared to seek reductions in the Council's borrowing requirement to support the revenue budget position, whilst considering the level of risk associated to removing/reducing investment.
- 4.2 Current 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 £750,000 per year over the full life of the asset** (based on a 30 year asset life), although the value and profile of costs will vary dependent on a number of variables such as timing, internal balances and interest rates. As highlighted at budget setting in February 2024 the current planned programme borrowing requirement will need Treasury Management budget increases outside the current MTFP period.
- 4.3 Treasury Management modelling takes a holistic approach considering a number of variable factors including availability of cash balances and interest rates impacting borrowing costs and return on investments. Therefore, any updates to the MTFP will consider the overall impact on the TM budget.

5 Risk Provision Update

- 5.1 A £7.5m ongoing risk provision was approved in February 2024 to mitigate against capital programme risks, representing more than 2% of the programme over the MTFP period. 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.

5.2 There are several risks and uncertainties regarding the programme to 2028/29 and beyond which have necessitated holding a risk provision. These risks previously reported include:

- 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 developer contribution targets.

6 Capital Strategy

6.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code was includes the requirement for Local Authorities to produce a Capital Strategy. The Council's current Capital Strategy covers the period 2025/26 to 2045/46 and was approved as part of RPPR 2025/26. The Capital Strategy has been reviewed to ensure it continues to reflect emerging risks, principles and corporate priorities, and informed by decisions made as part of the RPPR process.

Annex A – Detailed Capital Programme

Detailed Capital Programme (Gross Expenditure)	Current Year 2025/26 £'000	MTFP Period			2029/30 to 2035/36 £'000	Total £'000
		2026/27 £'000	2027/28 £'000	2028/29 £'0000		
Adult Social Care						
Learning Disability Support Living Scheme	1.829	0.043	-	-	-	1.872
Greenacres	0.140	-	-	-	-	0.140
Adult Social Care Total	1.969	0.043	-	-	-	2.012
Business Services						
Youth Investment Fund	1.745	-	-	-	-	1.745
Hollington Youth Centre	3.037	0.039	-	-	-	3.076
Disability Children's Home	0.014	-	-	-	-	0.014
Westfield Land	0.017	-	-	-	-	0.017
Special Educational Needs Provision	3.673	1.000	1.000	0.500	3.500	9.673
Special Educational Needs Provision - now Acre Wood (Grove Park)	3.350	11.272	1.430	0.000	-	16.052
Schools Basic Need Provision	0.664	0.400	0.460	6.138	54.511	62.173
Capital Building Improvement (Schools)	6.909	5.012	5.012	5.012	35.084	57.029
Capital Building Improvement (Corporate)	4.966	4.000	4.000	4.000	24.000	40.966
IT&Digital Strategy Implementation	5.094	4.281	2.880	3.592	49.750	65.597
IT & Digital Strategy Implementation – Oracle Implementation	7.710	2.622	-	-	-	10.332
IT&D – Utilising Automation	0.024	-	-	-	-	0.024
Business Services Total	37.203	28.626	14.782	19.242	166.845	266.698
Children's Services						
Childrens House Adaptations	-	-	-	-	-	0
Hastings and Rother Skills Capital	0.093	-	-	-	-	0.093
Youth Service Mobile Resource Bus	0.070	-	-	-	-	0.07
Schools Delegated Capital	1.150	1.150	1.150	-	-	3.45
Children's Services Essential System Developments	1.279	0.958	0.774	-	-	3.011
Children's Services Total	2.592	2.108	1.924	-	-	6.624
Communities, Economy and Transport						
Broadband	0.338	0.500	0.500	0.500	-	1.838
Bexhill and Hastings Link Road Complementary Measures	0.132	-	-	-	-	0.132
Economic Intervention Fund – Loans	0.022	0.300	0.300	0.300	0.755	1.677
Growing Places Fund Loan Scheme	0.650	-	-	-	6.263	6.913
Community Match Fund	0.451	-	-	-	-	0.451
Community Road Safety Interventions	0.422	-	-	-	-	0.422
Newhaven Port Access Road	0.028	-	-	-	-	0.028
Real Time Passenger Information	0.267	-	-	-	-	0.267
Passenger Services Software	0.005	-	-	-	-	0.005
Bus Service Improvement Plan - Bus Prioritisation	9.877	-	-	-	-	9.877
Bus Service Improvement Plan - Passenger Transport	0.738	-	-	-	-	0.738
Queensway Depot Development	0.001	-	-	-	-	0.001
Queensway Gateway Road	0.470	-	-	-	-	0.470
The Keep	0.212	0.085	0.152	0.628	-	1.077

Other Integrated Transport Schemes	4.14	4.818	3.523	2.941	20.587	36.009
A22 Corridor Package	4.992	-	-	-	-	4.992
A22 North of Hailsham	0.272	-	-	-	-	0.272
Exceat Bridge Replacement	2.587	5.323	9.282	-	-	17.192
Emergency Active Travel Fund - Tranche 2	0.403	-	-	-	-	0.403
Area-wide Traffic Management Scheme - Schools Streets	0.154	-	-	-	-	0.154
Schools Streets	0.061	-	-	-	-	0.061
Eastbourne Liveable Town Centre	0.217	-	-	-	-	0.217
Hastings Town Centre Public Realm and Green Connections	0.824	8.881	-	-	-	9.705
Libraries Basic Need	0.489	0.574	0.449	0.449	0.449	2.410
14A Alders Close Heating	0.188	-	-	-	-	0.188
Highways Structural Maintenance	16.667	21.000	21.000	21.000	147.000	226.667
Safer Roads Fund	0.864	-	-	-	-	0.864
Bridge Assessment and Strengthening	3.480	7.758	1.830	1.885	12.562	27.515
Street Lighting Replacement Programme	2.596	4.974	1.041	1.095	7.695	17.401
Rights of Way Programme	0.810	0.662	0.702	0.744	5.036	7.954
Gypsy and Traveller Site Refurbishment	0.137	0.070	0.070	0.070	0.420	0.767
Visibly Better Roads	0.248	-	-	-	-	0.248
Local Electric Vehicle Infrastructure	0.500	2.320	1.721	-	-	4.541
Flood & Coastal Resilience Innovation Programme	0.840	0.683	-	-	-	1.523
Urban Tree Challenge	0.015	0.015	0.015	-	-	0.045
Climate Emergency Works	0.242	-	-	-	-	0.242
Eastbourne Town Centre Phase 2a	2.290	1.161	-	-	-	3.451
Eastbourne Town Centre Phase 2b	4.328	-	-	-	-	4.328
Eastbourne / South Wealden Walking & Cycling Package	1.903	-	-	-	-	1.903
Hailsham / Polegate / Eastbourne Movement & Access Corridor	0.310	-	-	-	-	0.310
Hastings / Bexhill Movement and Access Package	2.346	1.529	-	-	-	3.875
Communities, Economy and Transport Total	65.516	60.653	40.585	29.612	200.767	397.133
Capital Programme Total	107.280	91.430	57.291	48.854	367.612	672.467