

## Capital Programme Update

### 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 £845.4m, of which £331.0m is planned for delivery in the MTFP period from 2025/26 to 2028/29 (three years plus one). It is these three years plus one of the programme that 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 (£m)	MTFP Period			2029/30 to 2035/36 (£m)	Total (£m)
			2026/27 (£m)	2027/28 (£m)	2028/29 (£m)		
<b>Approved Capital Programme (State of the County 2025)</b>		<b>102.981</b>	<b>91.542</b>	<b>57.291</b>	<b>48.854</b>	<b>336.354</b>	<b>637.022</b>
Approved Variations	A	6.402	2.383	1.657	3.359	6.367	<b>20.168</b>
Capital Programme Reprofiles	B	(16.714)	15.832	0.613	-	0.269	<b>0.000</b>
Schools Basic Need / SEND	C	-	3.244	(1.240)	(5.738)	29.219	<b>25.485</b>
IT&D Programme	D	-	(0.772)	(0.891)	(0.131)	1.794	<b>0.000</b>
Capital Programme Extension	E	-	-	-	-	42.127	<b>42.127</b>
Capital Programme Updates	F	6.088	12.777	5.948	11.462	84.616	<b>120.891</b>
Capital Programme Risk Review	G	-	(2.840)	2.524	-	-	<b>(0.316)</b>
<b>Total Updates</b>		<b>(4.224)</b>	<b>30.624</b>	<b>8.611</b>	<b>8.952</b>	<b>164.392</b>	<b>208.355</b>
<b>Revised Capital Programme</b>		<b>98.757</b>	<b>122.166</b>	<b>65.902</b>	<b>57.806</b>	<b>500.746</b>	<b>845.377</b>
Capital Slippage Risk Factor	H	(2.176)	(20.633)	6.536	2.684	13.589	<b>0.000</b>
<b>Approved Capital Programme (after Capital Slippage Risk Factor)</b>		<b>96.581</b>	<b>101.533</b>	<b>72.438</b>	<b>60.490</b>	<b>514.335</b>	<b>845.377</b>

## Normal Capital Strategy Updates

### A Approved Variations

There is a gross increase to the programme of £21.2m relating to fully funded schemes having a net nil impact on the capital programme borrowing, 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: 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: MBOS Oracle (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
Approved Variation: Other Integrated Transport Schemes	10.312
Approved Variation: House Adaptations for Disabled Children's Carers Homes	0.539
Approved Variation: Bus Service Improvement Plan - Passenger Transport	0.066
Approved Variation: Flood Management and SuDS in Schools	0.445
Approved Variation: Other Integrated Transport Schemes	0.005
Approved Variation: Children's Services Essential System Developments	0.018
Approved Variation: Learning Disability Supported Living Scheme	0.039
Approved variation - Schools Streets (Countywide Plan)	0.100
Approved variation - ATF Eastbourne Liveable Town Centre	0.065
Approved variation - Eastbourne Town Centre Phase 2a	0.772
Approved Variation - Integrated Transport Schemes - A22 Corridor Package	1.100
Approved Variation - Waste Transfer Stations Fire Suppression	1.215
<b>Total Net Nil Approved Variations</b>	<b>20.168</b>

## **B Capital Programme Reprofiles**

Current approved programme profiles have been reviewed across years to reflect current best knowledge and to be consistent with the Quarter 2 2025/26 monitoring position. This includes

## **C Schools Basic Need**

There continues to be some degree of uncertainty over precisely how many school places will be required in the longer-term future and when, as this is dependent on local planning authorities developing their local plans to an extent that will inform and enable housing growth and for those developments to happen. The Schools Basic Need and SEND programmes have therefore been updated to reflect latest assumptions.

## **D IT&D Programme Update**

The IT&D programme has also been subject to separate review.

## **E 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.

## **F Capital Programme Updates**

Key updates to the programme in line with the strategy include:

- Additional expenditure on The Queensway Gateway Road construction, which has cost more to complete than originally planned. It has required significant redesign to meet updated National Highways standards, and faced challenges, some unexpected, such as utility diversions, ground conditions and extended traffic management. These issues lengthened the construction period and, combined with a decade of substantial construction sector inflation since the scheme was first costed in 2014, resulted in significantly higher prices for materials, labour and specialist services.
- Spend in advance within the Highways programme as several roads scheduled for inclusion in the 2026/27 resurfacing programme are already showing early signs of deterioration and may require intervention before the end of the current financial year.
- The inclusion of updated funding allocations, most notably in Highways Maintenance, which has been issued in within allocations for the new Combined County Authority (CCA); and
- Ongoing investment in the implementation of the Council's Oracle system.

## **G Capital Programme Risk Review**

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 exercise has been revisited during 2025/26, with a further small reduction in borrowing identified.

## **H Capital Slippage Risk Factor**

In line with previous years, a capital slippage risk factor has been applied to the capital programme from 2026/27 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 (£m)	MTFP Period			2029/30 to 2035/36 (£m)	Total (£m)
			2026/27 (£m)	2027/28 (£m)	2028/29 (£m)		
<b>Gross Expenditure</b>		<b>96.581</b>	<b>101.533</b>	<b>72.438</b>	<b>60.490</b>	<b>514.335</b>	<b>845.377</b>
Specific Funding	I	(23.715)	(23.868)	(11.542)	(1.744)	(6.033)	<b>(66.902)</b>
Specific Developer Contributions	J	(4.963)	(2.263)	(1.092)	(0.226)	(3.068)	<b>(11.612)</b>
<b>Net Expenditure</b>		<b>67.903</b>	<b>75.402</b>	<b>59.804</b>	<b>58.520</b>	<b>505.234</b>	<b>766.863</b>
Formula Grants	K	(30.714)	(38.059)	(40.881)	(46.930)	(289.119)	<b>(445.703)</b>
Capital Receipts	L	(1.288)	(4.449)	(2.102)	(3.461)	(1.293)	<b>(12.593)</b>
Recycled Loans		(0.274)	(0.300)	(0.300)	(0.300)	(7.040)	<b>(8.214)</b>
Reserves and Revenue Set Aside	M	(1.402)	(0.831)	(1.409)	(2.056)	(8.099)	<b>(13.797)</b>
Capital Reserve	N	(4.278)	(1.755)	-	-	-	<b>(6.033)</b>
Developer Contribution Target	J	(0.671)	-	-	-	(16.930)	<b>(17.601)</b>
<b>Capital Programme Borrowing</b>	<b>O</b>	<b>29.276</b>	<b>30.008</b>	<b>15.112</b>	<b>5.773</b>	<b>182.753</b>	<b>262.922</b>

#### I Specific Funding

The approved programme is supported by £66.9m 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.

#### J 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.

#### K Formula Grants Update

The capital programme is supported by £445.7m 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.

In particular, the formation of Combined County Authorities (CCAs) introduces uncertainty around the future allocation of certain formula grant streams, most notably Transport and Highways, as funding methodologies may be revised to reflect new governance structures. This programme has does not reflect any assumptions around how the formation of CCAs will impact those funding streams in future.

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.

#### **L 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. The approach to capital receipts will continue even though the Council is applying for Exceptional Financial Support (EFS). This is a result of the Council's limited opportunity to raise finance through the sale of assets, and the approach ensures that all available resources are maximised to minimise the impact on the revenue budget and maintain financial sustainability.

#### **M 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.

#### **N 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.

#### **O Capital Programme Borrowing**

The updated capital programme has a total borrowing requirement of £262.9m, of which £80.2m 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.

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.

## **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 2026/27 to 2046/47 and was approved as part of RPPR 2026/27. 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 (£m)	MTFP Period			2029/30 to 2035/36 (£m)	Total (£m)
		2026/27 (£m)	2027/28 (£m)	2028/29 (£m)		
Adult Social Care						
Learning Disability Support Living Scheme	1.868	0.043	-	-	-	1.911
Greenacres	-	0.140	-	-	-	0.140
Adult Social Care Total	1.868	0.183	-	-	-	2.051
Business Services						
Youth Investment Fund	1.745	-	-	-	-	1.745
Hollington Youth Centre	2.992	0.101	-	-	-	3.093
Disability Children's Home	0.014	-	-	-	-	0.014
Westfield Land	0.017	-	-	-	-	0.017
Special Educational Needs Provision	2.659	4.078	1.000	0.500	3.500	11.737
Special Educational Needs Provision - now Acre Wood (Grove Park)	6.621	9.181	0.250	-	-	16.052
Schools Basic Need Provision	0.664	0.400	0.400	0.400	83.730	85.594
Capital Building Improvement (Schools)	4.800	7.121	5.012	5.012	35.084	57.029
Capital Building Improvement (Corporate)	4.400	4.250	4.000	4.000	28.000	44.650
IT&Digital Strategy Implementation	4.144	4.099	2.102	3.461	51.791	65.597
IT & Digital Strategy Implementation – Oracle Implementation	7.710	8.037	2.457	-	-	18.204
IT&D – Utilising Automation	0.024	-	-	-	-	0.024
Business Services Total	35.790	37.267	15.221	13.373	202.105	303.756
Children's Services						
Childrens House Adaptations	0.430	0.109	-	-	-	0.539
Hastings and Rother Skills Capital	0.093	-	-	-	-	0.093
Youth Service Mobile Resource Bus	0.053	-	-	-	-	0.053
Schools Delegated Capital	1.150	1.150	1.150	-	-	3.450
Children's Services Essential System Developments	1.063	1.192	0.774	-	-	3.029
Children's Services Total	2.789	2.451	1.924	-	-	7.164
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	-	0.300	0.300	0.300	0.777	1.677
Growing Places Fund Loan Scheme	0.650	-	-	-	6.263	6.913
Community Match Fund	0.451	-	-	-	-	0.451
Community Road Safety Interventions	0.131	0.291	-	-	-	0.422
Newhaven Port Access Road	0.028	-	-	-	-	0.028
Real Time Passenger Information	0.199	0.068	-	-	-	0.267
Passenger Services Software	0.005	-	-	-	-	0.005
Bus Service Improvement Plan - Bus Prioritisation	1.231	9.812	1.190	1.213	1.236	14.682
Bus Service Improvement Plan - Passenger Transport	0.804	3.034	3.094	3.156	3.216	13.304
Queensway Depot Development	0.001	-	-	-	-	0.001
Queensway Gateway Road (excluding part 1 claims)	5.316	-	-	-	-	5.316
The Keep	0.212	0.085	0.152	0.628	-	1.077

Other Integrated Transport Schemes	2.737	5.653	4.720	5.355	25.649	<b>44.114</b>
A22 Corridor Package	6.092	-	-	-	-	<b>6.092</b>
A22 North of Hailsham	0.272	-	-	-	-	<b>0.272</b>
Exceat Bridge Replacement	2.587	9.243	4.855	0.507	-	<b>17.192</b>
Waste Transfer Stations Fire Suppression	-	1.215	-	-	-	<b>1.215</b>
Emergency Active Travel Fund - Tranche 2	0.403	-	-	-	-	<b>0.403</b>
Area-wide Traffic Management Scheme - Schools Streets	0.154	-	-	-	-	<b>0.154</b>
Schools Streets	0.061	0.100	-	-	-	<b>0.161</b>
Eastbourne Liveable Town Centre	0.080	0.202	-	-	-	<b>0.282</b>
Hastings Town Centre Public Realm and Green Connections	1.024	8.681	-	-	-	<b>9.705</b>
Libraries Basic Need	0.442	0.456	0.449	0.449	3.143	<b>4.939</b>
14A Alders Close Heating	0.188	-	-	-	-	<b>0.188</b>
Highways Structural Maintenance	18.375	20.948	25.094	28.531	227.164	<b>320.112</b>
Safer Roads Fund	0.028	0.836	-	-	-	<b>0.864</b>
Bridge Assessment and Strengthening	3.480	7.758	1.830	1.885	14.882	<b>29.835</b>
Street Lighting Replacement Programme	2.396	2.450	3.565	1.095	9.203	<b>18.709</b>
Rights of Way Programme	0.810	0.662	0.702	0.744	6.618	<b>9.536</b>
Gypsy and Traveller Site Refurbishment	0.137	0.070	0.070	0.070	0.490	<b>0.837</b>
Visibly Better Roads	0.248	-	-	-	-	<b>0.248</b>
Local Electric Vehicle Infrastructure	-	2.320	2.221	-	-	<b>4.541</b>
Flood & Coastal Resilience Innovation Programme	0.910	0.613	-	-	-	<b>1.523</b>
Flood Management and SuDS in Schools	0.445	-	-	-	-	<b>0.445</b>
Urban Tree Challenge	0.015	0.015	0.015	-	-	<b>0.045</b>
Climate Emergency Works	0.242	-	-	-	-	<b>0.242</b>
Eastbourne Town Centre Phase 2a	2.290	1.933	-	-	-	<b>4.223</b>
Eastbourne Town Centre Phase 2b	4.328	-	-	-	-	<b>4.328</b>
Eastbourne / South Wealden Walking & Cycling Package	0.183	1.720	-	-	-	<b>1.903</b>
Hailsham / Polegate / Eastbourne Movement & Access Corridor	0.150	0.160	-	-	-	<b>0.310</b>
Hastings / Bexhill Movement and Access Package	0.735	3.140	-	-	-	<b>3.875</b>
<b>Communities, Economy and Transport Total</b>	<b>58.310</b>	<b>82.265</b>	<b>48.757</b>	<b>44.433</b>	<b>298.641</b>	<b>532.406</b>
<b>Capital Programme Total</b>	<b>98.757</b>	<b>122.166</b>	<b>65.902</b>	<b>57.806</b>	<b>500.746</b>	<b>845.377</b>
Capital Slippage Risk Factor	(2.176)	(20.633)	6.536	2.684	13.589	<b>0.000</b>
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