

Capital Programme Update**1. Current Capital Programme - Expenditure Update**

1.1 Table 1 below summarises the movements to the approved capital programme since budget setting in February 2020, noting that the first 3 years of the programme, to 2022/23, are approved, whilst the remaining years to 2029/30 are indicative to represent the longer term planning for capital investment. The changes have included year-end and other material, non Covid-19 re-profiling in line with updated information and the approved governance and variation process. The impact of COVID-19 on the programme will be reported as slippage and/or under/overspend as part of the capital monitoring process.

Table 1 – Capital Programme (gross) movements

Capital Programme (gross) movements (£m)		2019/20	MTFP Programme			Future Years	Total
			2020/21	2021/22	2022/23	2023/30	
Approved programme at Feb 2020		99.595	100.456	58.889	58.036	345.358	662.334
Approved Variations	A	1.474	0.429	0.748	1.402	(0.594)	3.459
Re-profiling	C	(6.433)	(3.168)	9.754	(0.153)		0.000
Underspend	D	(0.133)	(0.828)				(0.961)
Less 2019/20 expenditure	E	(94.503)					(94.503)
Total Programme		0.000	96.889	69.391	59.285	344.764	570.329

1.2 Total 2019/20 capital expenditure was £94.5m (ref E) against an approved budget of £101.1m, (including £1.5m of approved variation (ref A)), resulting in a net variation of £6.6m (ref C + D).

1.3 Since February 2020 net nil approved variations amount to £1.5m in 2019/20 (ref A) comprising; Schools Delegated Capital of £1.4m and a reduction in the Economic Intervention Fund for revenue expenditure of £0.1m.

1.4 For 2020/21 onward there has been a reduction for a double count in the programme of £0.8m relating to funding of the Greenacres project. Net nil variations include £1.0m for Bexhill Creative Workspace; a reduction of £1.3m in line with the grant reduction on the SALIX scheme for street lighting and traffic signals; and £2.3m for the Economic Intervention Fund (EIF) loan repayments. This revised programme also reflects reprofiling of the current street lighting scheme and the EIF.

2.0 Programme Risks and Pressures

2.1 In February 2020, Full Council approved the 20-year Capital Strategy which underpinned a 10-year planned capital programme established to achieve agreed targets for basic need investment in support of the Council Plan. The purpose of the Capital Strategy is to drive investment ambition whilst also ensuring appropriate capital expenditure, capital financing and treasury management within the context of the sustainable, long-term delivery of services. 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.

2.2 There are, additionally, a number of specific issues arising that are set out below: -

2.3 **South East Local Enterprise Partnership (SELEP) Funding** – As a consequence of Covid-19, it is estimated that schemes will slip gross expenditure of £12.1m together with associated specific funding of £11.3m. (Funding issues are noted at 3.3).

2.4 **Road funding** – announced in the March 2020 budget, an additional £7.7m one off funding has been allocated to the Council in 2020/21. The funding incorporates the Potholes Fund, from which the Council was allocated £0.6m in 2019/20. The national pots combined are shown in the table below:-

Table 2 – National Funding for Roads

	National £m	ESCC Share £m
Potholes Fund	500.0	tbc
Challenge Fund	100.0	tbc
Pothole Action Fund	50.0	tbc
	650.0	7.7

The funding is currently included at section 3, reducing the need to borrow, in line with the current capital strategy. Once the terms and conditions of the grant funding are clarified, this may impact on how the grant can be applied.

2.5 **Emergency Active Travel Fund** - Further indicative funding allocations totalling £2.4m from the Emergency Active Travel Fund have been announced to support the installation of cycling and walking facilities following the Covid-19 pandemic. This funding will be treated as specific grant having a net nil impact on the overall capital programme. Approval to include this funding in the capital programme will be through the variation process.

2.6 School Basic Need - As a result of Covid-19 the School Basic Need programme is anticipating additional expenditure of £0.6m due to work arounds to facilitate delivery at Seahaven, Robertsbridge and Lansdowne. There is a further risk relating to extension of time payments that may materialise depending on legal consideration. However, currently and at this level, any impact of Covid-19 is anticipated to be manageable within the overall programme funding. In addition, the programme is anticipating slippage of £1.8m as a result of delays caused by the pandemic. Future Schools Basic Need provision will be impacted by several factors, including any changes to the birth rate as a result of Covid-19 lockdown, a decision by Wealden District Council to withdraw its Local Plan and the requirement on them to build more homes over the plan period. It is too early to predict the impact of these on place planning strategies and school places, however, existing strategies as set out in the 10-year capital strategy will be reviewed on a regular basis.

2.7 Modernising Back Office Systems – Cabinet on 23 June 2020 approved the launch of the procurement for a Software-as-a-Service (SaaS) solution to replace the current SAP system for Finance, HR and Procurement. The cost of the new system will be determined at the end of the procurement process and will need to be reflected in the capital programme, in accordance with the governance process.

3.0 Current Capital Programme - Funding updates

3.1 Table 3 provides an updated funding position. Funding has been updated to reflect the 2019/20 outturn position, approved variations and other known funding changes. The revised borrowing requirement of £228.8m represents a reduction compared to that reported at February 2020 budget setting of £260.2m, the result of a reduction for the 2019/20 borrowing requirement of £24.2m, underspend of £1.0m and additional one off Highways Maintenance funding of £7.7m (announced at Budget in February 2020), offset by a small reduction in Incentive Fund Grant over the life of the programme of £0.2m and a correction to specific funding of £1.3m.

3.2 In general future years capital grants estimates, CIL and S106 targets remain at risk of reducing and MHCLG announced in May that only 2/3rds of SELEP funding will be received initially this year ahead of a review in September. Strategies and mitigations are currently under review to ensure that this will be at no financial detriment to the Council.

Table 3 - Capital Programme Funding

Capital Programme Funding (£m)	MTFP Programme			Future Years	Total
	2020/21	2021/22	2022/23	2023/30	
Gross Expenditure	96.889	69.391	59.285	344.764	570.329
Section 106 and CIL	(9.410)	(1.727)	(1.902)	(0.321)	(13.360)
Other Specific Funding	(27.947)	(5.340)	(1.079)	(2.450)	(36.816)
Net Expenditure by Department	59.532	62.324	56.304	341.993	520.153
Capital Receipts	(2.915)	(3.260)	(4.945)	(8.000)	(19.120)
Formula Grants	(26.317)	(17.237)	(21.537)	(143.305)	(208.396)
Section 106 and CIL Target	0.000	0.000	0.000	(28.392)	(28.392)
Reserves and revenue set aside	(5.783)	(4.544)	(3.742)	(21.414)	(35.483)
Borrowing	(24.517)	(37.283)	(26.080)	(140.882)	(228.762)
Total Funding	(59.532)	(62.324)	(56.304)	(341.993)	(520.153)

3.3 The revised programme is £570.3m. Although it should be noted that there may be further emerging overspends relating to Covid-19 that will need to be managed within the overall programme. Work will be ongoing over the summer to review and update the programme and Capital Strategy in support of the future service offer and Council Plan. Together with updates on grants, S106, CIL and capital receipts. A detailed programme is presented at annex 1.

ANNEX 1

CAPITAL PROGRAMME 2020/21 to 2029/30	2020/21 £'000	2021/22 £'000	2022/2 £'000	2023/30 £'000	Total £'000
Adult Social Care					
Older People's/LD Service Improvements	50	50	50		150
Greenacres	264				264
Adult Social Care Gross	314	50	50		414
Scheme Specific Resource – Other Specific Funding	(264)				(264)
Adult Social Care Net	50	50	50		150
Business Services					
SALIX Contract	440	350	350	2,450	3,590
Property Agile Works	374				374
Lansdowne Secure Unit - Phase 2	1,457	96			1,553
Special Educational Needs		800	1,600	800	3,200
Special Provision in Secondary Schools	2,379	60			2,439
Disability Children's Homes	242				242
Westfield Lane (delivered on behalf of CSD)	1,200				1,200
Core Programme - Schools Basic Need	13,308	19,688	12,002	43,875	88,873
Core Programme - Capital Building Improvements	9,214	7,983	7,982	55,873	81,052
Core Programme - IT & Digital Strategy Implementation	4,634	4,251	11,580	42,976	63,441
Business Services Gross	33,248	33,228	33,514	145,974	245,964
Scheme Specific Resource – Other Specific Funding	(1,897)	(446)	(350)	(2,450)	(5,143)
Scheme Specific Resource - S106 and CIL	(8,034)	(1,727)	(1,853)		(11,614)
Business Services Net	23,317	31,055	31,311	143,524	229,207
Children's Services					
House Adaptations for Disabled Children's Carers Homes	104	50	50		204
Schools Delegated Capital	791	760	729		2,280
Conquest Centre redevelopment	83				83
Children's Services Gross	978	810	779		2,567
Scheme Specific Resource – Other Specific Funding	(791)	(760)	(729)		(2,280)
Children's Services Net	187	50	50		287
Communities, Economy & Transport					
Broadband	4,279	3,276	3,277		10,832
Bexhill and Hastings Link Road	1,652	643	252		2,547
BHLR Complementary Measures	219				219
Economic Growth & Strategic Infrastructure Programme					
Economic Intervention Fund - Grants	542	460	599	899	2,500
Economic Intervention Fund - Loans	500	500	500	1,500	3,000
Stalled Sites	152	150	47		349
EDS Upgrading Empty Commercial Properties	7				7
Integrated Transport					
Community Match Fund	769	307	250		1,326
Newhaven Port Access Road	4,054	170	20	41	4,285
Real Time Passenger Information	284		44	121	449
Parking Ticket Machine Renewal	291				291
Queensway Depot Development (Formerly Eastern)	1,153				1,153
Hailsham HWRS	97				97

The Keep	24	73	49	945	1,091
Other Integrated Transport Schemes	3,235	3,152	2,969	21,183	30,539
Core Programme - Libraries Basic Need	670	262	619	3,143	4,694
Core Programme - Highways Structural Maintenance	18,404	17,850	12,946	142,859	192,059
Dropped Kerbs	1,000				1,000
Core Programme - Bridge Assessment Strengthening	1,267	1,285	1,260	12,460	16,272
Core Programme - Street Lighting and Traffic Signals	1,331	1,712	1,545	12,179	16,767
Street Lighting and Traffic Signals - SALIX scheme	935	1,869			2,804
Core Programme - Rights of Way Surface Repairs and Bridge Replacement Programme	596	565	565	3,460	5,186
LEP/SELEP schemes - delivery not controlled by ESCC					
Eastbourne Town Centre Phase 2	3,014				3,014
Bexhill Enterprise Park North	1,940				1,940
Exceat Bridge Replacement (Formerly Maintenance)	1,500	1,651			3,151
Eastbourne/South Wealden Walking & Cycling Package	2,988	363			3,351
Hailsham/Polegate/Eastbourne Movement & Access Corridor	1,203	206			1,409
Hastings and Bexhill Movement & Access Package	6,169	309			6,478
Queensway Gateway Road	504				504
Sidney Little Road Business Incubator Hub	435				435
Skills for Rural Businesses Post-Brexit	2,189	500			2,689
Bexhill Creative Workspace	946				946
Gross LEP/SELEP schemes sub total	20,888	3,029			23,917
Scheme Specific Resource – Other Specific Funding		(1,468)			(1,468)
Scheme Specific Resource - LEP Contribution	(17,557)	(1,095)			(18,652)
Scheme Specific Resource - S106 and CIL	(565)				(565)
Net LEP/SELEP schemes sub total	2,766	466			3,232
Communities, Economy & Transport Gross	62,349	35,303	24,942	198,790	321,384
Scheme Specific Resource – Other Specific Funding	(7,438)	(3,039)			(10,477)
Scheme Specific Resource - LEP Contribution	(17,557)	(1,095)			(18,652)
Scheme Specific Resource - S106 and CIL	(1,376)		(49)	(321)	(1,746)
Communities, Economy & Transport Net	35,978	31,169	24,893	198,469	290,509
Total Gross	96,889	69,391	59,285	344,764	570,329
Scheme Specific Resource – Other Specific Funding	(10,390)	(4,245)	(1,079)	(2,450)	(18,164)
Scheme Specific Resource - LEP Contribution	(17,557)	(1,095)			(18,652)
Scheme Specific Resource - S106 and CIL	(9,410)	(1,727)	(1,902)	(321)	(13,360)
Total Net of Specific Funding	59,532	62,324	56,304	341,993	520,153