

## Appendix 2 - 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 in an appropriate and cost-efficient way.
- 1.2 At Full Council in February 2023 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 June 2023 to reflect the 2022/23 outturn, project and programme reprofiles and approved variations, revising the gross programme to £651.575m to 2032/33. For planning purposes, the first 3 years of the programme, to 2025/26 are considered approved, whilst the remaining years are indicative to represent the longer-term planning for capital investment.
- 1.3 The financial outlook for local authorities is increasingly challenging, with factors such as the volatile economic situation, undefined impact of national reforms and uncertain funding allocations leaving much uncertainty about the Council's future financial position. 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 Variations to the Current Approved Programme

- 2.1 The programme has been updated for approved variations and other approved updates since the State of the County in June 2023. These are summarised in the table below with the detailed capital programme provided at Annex A.

Table 1 - Capital Programme (gross) movements (£m)	MTFP Programme			MTFP +1 Year	2027/28 to 2032/33	Total
	2023/24	2024/25	2025/26	2026/27		
Approved programme at State of the County 2023	88.852	91.777	80.239	68.148	322.559	651.575
Other Approved Variations (see 2.2)	18.977	5.923	-	-	-	24.900
Highways Maintenance Investment (see 2.3)	-	5.100	5.100	5.100	30.600	45.900
<b>Total Revised Programme</b>	<b>107.829</b>	<b>102.800</b>	<b>85.339</b>	<b>73.248</b>	<b>353.159</b>	<b>722.375</b>

- 2.2 **Approved Variations:** A gross increase to the programme of £9.200m relating to fully funded schemes having a net nil impact on the capital programme due to the identification of developer contributions and specific grant funding in accordance with the Capital Strategy. In addition, a total increase to the Highways Structural Maintenance programme of £15.700m in 2023/24 was approved by Cabinet in June 2023 and Full Council in July 2023.

- £5.100m to maintain approved 'steady state' road condition target rates of 4% (A Roads), 4% (B&C Roads) and 14% (Unclassified Roads) being in 'red' condition.
- £5.600m spend on additional highways maintenance, comprising £2.500m patching work and £3.100m drainage work, to be funded from the Priority Outcomes and Transformation Reserve set aside for one-off investment.
- £5.000m to provide early improvement and resilience.

The total approved variations are summarised in Table 2 below:

<b>Table 2 – Approved Capital Variations Gross (£m)</b>	<b>Total</b>
Eastbourne/South Wealden Walking & Cycling Package (funding from developer contributions)	0.343
Eastbourne Town Centre Phase 2a (funding from Active Travel England grant)	0.750
Area Wide Traffic Management Schemes – Eastbourne Liveable Town Centre (funding from Active Travel England grant)	0.274
Area Wide Traffic Management Schemes – Schools Streets (funding from Active Travel England grant)	0.200
Community Match Fund (funding from parish council contributions)	0.009
Youth Investment Fund (funded by specific grant funding)	7.624
Highways Maintenance Investment – maintain steady state (funded from borrowing)	5.100
Highways Maintenance Investment – additional maintenance (funded from reserves)	5.600
Highways Maintenance Investment – early improvement and resilience (funded from borrowing)	5.000
<b>Total</b>	<b>24.900</b>

2.3 **Highways Maintenance Investment:** In order to maintain approved road condition target rates in the future, the £5.100 additional investment identified above has been assumed on an ongoing basis to be funded from borrowing. Further one-off investment in 2024/25 is to be considered as part of the RPPR process, giving consideration to the impact on the Council's revenue budget.

### 3 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.

<b>Table 3 - Capital Programme Funding Update (£m)</b>	<b>MTFP Programme</b>			<b>MTFP +1 Year</b>	<b>2027/28 to 2032/33</b>	<b>Total</b>
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>		
<b>Gross Expenditure</b>	<b>107.829</b>	<b>102.800</b>	<b>85.339</b>	<b>73.248</b>	<b>353.159</b>	<b>722.375</b>
Specific Funding	(16.372)	(36.994)	(8.828)	(1.041)	(0.202)	<b>(63.437)</b>
Formula Grants	(31.966)	(21.044)	(17.475)	(22.218)	(112.320)	<b>(205.023)</b>
Capital Receipts	(0.817)	(8.676)	(5.327)	-	-	<b>(14.820)</b>
Reserves and Revenue Set Aside	(20.369)	(3.454)	(7.317)	(6.694)	(10.657)	<b>(48.491)</b>
Developer Contributions Target	-	-	-	(2.663)	(15.975)	<b>(18.638)</b>
<b>Borrowing Requirement</b>	<b>38.305</b>	<b>32.632</b>	<b>46.392</b>	<b>40.632</b>	<b>214.005</b>	<b>371.966</b>

3.2 The updated capital programme has a borrowing requirement for the period 2023/24 to 2032/33 of £372m, which represents 51% of the total gross programme funding. This is an increase of £56m compared to that reported in the State of the County 2023 of £316m due to the additional highways

maintenance investment as described in section 2 of this report. 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.

- 3.3 Ahead of further announcements there are no updates to the overall funding position currently. As part of the RPPR process capital funding will be reviewed, and this will include estimates of developer contributions (Section 106 and Community Infrastructure Levy), capital receipts and any updates to formula grants following government announcements.

#### **4 Conclusion and Next Steps**

- 4.1 Work will be progressed as part of the RPPR process to ensure continued compliance with the Capital Strategy principles and extend the programme by a further year to maintain a 10-year planning horizon, together with a review of programme profiles across years. The annual review of the Capital Strategy will also be completed to ensure continued links into, and in support of, the Council's other strategies, as well as reviewing latest guidance and best practice.
- 4.2 A £7.5m ongoing risk provision was approved in February 2023 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. There are several risks and uncertainties regarding the programme to 2025/26 and beyond which have necessitated holding a risk provision, these risks as reported at Budget 2023 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 developer contribution targets.
- 4.3 Any unmanageable risks which have a financial impact are required to be reported to Capital and Strategic Asset Board to be considered as part of the broader RPPR process. This will be done on a case-by-case basis, and in the context of the wider programme, and the fiscal and economic national position. As part of the RPPR process the adequacy of the risk provision will also be assessed.
- 4.4 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. The impact of the proposals within this update on the cost of borrowing have been included within MTFP update at Appendix 1.

## Annex A – Detailed Capital Programme

Capital Programme (gross) (£m)	MTFP Programme			MTFP+1 Year	2027/28 to 2032/33	Total
	2023/24	2024/25	2025/26	2026/27		
<b>Adult Social Care:</b>						
House Adaptations	0.050	0.050	0.050	-	-	<b>0.150</b>
Learning Disability Support Living Scheme	2.177	2.914	0.854	0.104	-	<b>6.049</b>
Greenacres	0.140	-	-	-	-	<b>0.140</b>
<b>Adult Social Care Total</b>	<b>2.367</b>	<b>2.964</b>	<b>0.904</b>	<b>0.104</b>	-	<b>6.339</b>
<b>Business Services:</b>						
Salix Contract	0.350	0.350	-	-	-	<b>0.700</b>
Lansdowne Secure Unit – Phase 2	0.065	-	-	-	-	<b>0.065</b>
Youth Investment Fund	2.745	4.879	-	-	-	<b>7.624</b>
Special Educational Needs	1.692	1.347	-	-	-	<b>3.039</b>
Special Educational Needs – Grove Park	5.422	8.000	5.000	0.429	-	<b>18.851</b>
Disability Children’s Homes	0.716	0.024	-	-	-	<b>0.740</b>
Westfield Land	0.053	-	-	-	-	<b>0.053</b>
Schools Basic Need	1.931	0.837	11.833	19.022	30.155	<b>63.778</b>
Capital Building Improvements (Schools)	5.594	4.199	4.182	3.982	24.092	<b>42.049</b>
Capital Building Improvements (Corporate)	3.509	4.640	4.640	4.640	27.320	<b>44.749</b>
IT & Digital Strategy Implementation	4.742	5.319	7.187	7.872	47.836	<b>72.956</b>
IT & Digital Strategy Implementation - MBOS	3.332	-	-	-	-	<b>3.332</b>
IT & Digital Strategy Implementation - Utilising Automation	0.024	-	-	-	-	<b>0.024</b>
<b>Business Services Total</b>	<b>30.175</b>	<b>29.595</b>	<b>32.842</b>	<b>35.945</b>	<b>129.403</b>	<b>257.960</b>
<b>Children’s Services:</b>						
House Adaptations	0.050	0.050	0.050	-	-	<b>0.150</b>
School Delegated Capital	1.150	1.150	1.150	-	-	<b>3.450</b>
Conquest Centre Redevelopment	0.015	-	-	-	-	<b>0.015</b>
<b>Children’s Services Total</b>	<b>1.215</b>	<b>1.200</b>	<b>1.200</b>	-	-	<b>3.615</b>
<b>Communities, Economy &amp; Transport:</b>						
Broadband	0.160	0.100	5.257	-	-	<b>5.517</b>
Climate Emergency Works	3.095	5.459				<b>8.554</b>
Flood & Coastal Resilience Innovation Programme	0.943	0.930	0.989	0.683	-	<b>3.545</b>
Bexhill and Hastings Link Road – Complementary Measures	0.189	-	-	-	-	<b>0.189</b>
Economic Intervention Fund – Grants	0.175	0.300	0.300	0.300	0.783	<b>1.858</b>
Economic Intervention Fund – Loans	0.300	0.300	0.300	0.300	0.550	<b>1.750</b>
Stalled Sites	0.050	0.050	0.050	0.050	0.070	<b>0.270</b>
Upgrading Empty Commercial Properties	-	0.007	-	-	-	<b>0.007</b>
Community Match Fund	0.149	0.325	-	-	-	<b>0.474</b>

Community Road Safety Interventions	0.485	0.237	-	-	-	<b>0.722</b>
Newhaven Port Access Road	0.086	0.708	-	-	-	<b>0.794</b>
Real Time Passenger Information	0.070	0.094	0.061	-	-	<b>0.225</b>
Passenger Services Software	0.026	-	-	-	-	<b>0.026</b>
Bus Service Improvement Plan	3.245	18.680	-	-	-	<b>21.925</b>
Lewes Bus Station Replacement	0.004	-	-	-	-	<b>0.004</b>
Queensway Depot Development	0.504	-	-	-	-	<b>0.504</b>
The Keep	0.228	0.026	-	0.085	0.738	<b>1.077</b>
Other Integrated Transport Schemes	3.740	3.259	7.324	3.153	17.609	<b>35.085</b>
Area Wide Traffic Management Schemes – Eastbourne Liveable Town Centre	0.274	-	-	-	-	<b>0.274</b>
Area Wide Traffic Management Schemes – Schools Streets	0.200	-	-	-	-	<b>0.200</b>
Integrated Transport Schemes – A22 Corridor	0.100	-	-	-	-	<b>0.100</b>
Exeat Bridge Replacement	2.320	3.612	0.920	-	-	<b>6.852</b>
Libraries Basic Need	0.508	0.799	0.449	0.449	1.347	<b>3.552</b>
Peacehaven Library Refurbishment and Conversion	-	0.027	-	-	-	<b>0.027</b>
Highways Structural Maintenance	35.893	26.788	27.346	27.919	180.586	<b>298.532</b>
Bridge Assessment Strengthening	4.740	1.775	3.025	2.777	11.839	<b>24.156</b>
Street Lighting and Traffic Signals	4.686	3.839	3.888	0.989	7.023	<b>20.425</b>
Street Lighting and Traffic Signals – Salix Scheme	0.219	-	-	-	-	<b>0.219</b>
Visually Better Roads	1.293	-	-	-	-	<b>1.293</b>
Rights of Way Surface Repairs and Bridges	0.552	0.514	0.484	0.494	3.211	<b>5.255</b>
<b>Communities, Economy &amp; Transport (LEP Funded Schemes):</b>						
Eastbourne Town Centre Phase 2	3.296	0.750	-	-	-	<b>4.046</b>
Eastbourne/South Wealden Walking & Cycling Package	2.064	0.343	-	-	-	<b>2.407</b>
Hailsham/Polegate/Eastbourne Movement & Access Corridor	0.275	0.119	-	-	-	<b>0.394</b>
Hastings & Bexhill Movement & Access Package	4.203	-	-	-	-	<b>4.203</b>
<b>Communities, Economy &amp; Transport Total</b>	<b>74.072</b>	<b>69.041</b>	<b>50.393</b>	<b>37.199</b>	<b>223.756</b>	<b>454.461</b>
<b>Total Programme</b>	<b>107.829</b>	<b>102.800</b>	<b>85.339</b>	<b>73.248</b>	<b>353.159</b>	<b>722.375</b>