

Appendix 4 – State of the County 2024 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 2024 the target led basic need capital strategy of 20 years, supported by a 10-year planned capital programme was approved. The capital programme 2023/24 to 2033/34 reported as part of the Budget in February 2024 had a total programme expenditure of £768.1m and a borrowing requirement of £383.3m. Table 1 below provides details of the approved capital programme and funding.

Table 1 – Capital Programme (Budget 2024) (£m)	Previous Year 2023/24	MTFP Period			2027/28 to 2033/34	Total
		2024/25	2025/26	2026/27		
Gross Expenditure	80.139	96.690	98.128	67.216	495.749	837.922
Specific Funding	(10.822)	(30.472)	(23.276)	(2.609)	(2.612)	(69.791)
Net Expenditure	69.317	66.218	74.852	64.607	493.137	768.131
Formula Grants	(32.502)	(23.916)	(26.223)	(26.023)	(191.066)	(299.730)
Capital Receipts	(0.817)	(7.061)	(9.753)	-	-	(17.631)
Reserves and Revenue Set Aside	(18.979)	(3.098)	(6.709)	(8.507)	(11.598)	(48.891)
Developer Contributions Target	-	-	-	-	(18.588)	(18.588)
<i>Slippage Risk Factor</i>	-	(19.143)	(22.079)	-	41.222	0.000
Programme Borrowing	17.019	13.000	10.088	30.077	313.107	383.291

1.3 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. 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. The Council will therefore continue to consider changes to the Capital Programme outside normal Capital Strategy updates that present a more realistic and affordable programme that reduces pressure on the MTFP position.

2 Capital Programme

- 2.1 Table 2 below summarises the gross movements since budget setting in February 2024, reflecting the 2023/24 outturn position, other updates made in accordance with approved governance and variation process, and proposed updates to be made in accordance with Capital Strategy principles. A detailed programme has been included at **Annex A**.

Table 2 - Capital Programme (gross) movements (£m)	Ref	Previous Year 2023/24	MTFP Period			2027/28 to 2033/34	Total
			2024/25	2025/26	2026/27		
Gross Expenditure Feb 2024		80.139	96.690	98.128	67.216	495.749	837.922
Approved Variations	A	5.741	11.595	10.775	1.333	4.958	34.402
Grove Park Project Update	B	-	(3.950)	3.000	(1.610)	1.001	(1.559)
Other Programme Updates	C	-	0.256	0.347	0.347	2.649	3.599
2023/24 Slippage / Reprofiles	D	(8.561)	3.714	4.400	0.674	(0.227)	0.000
2023/24 Over/Underspend		0.172	-	-	-	-	0.172
Revised Gross Expenditure		77.491	108.305	116.650	67.960	504.130	874.536
Slippage Risk Factor	E	-	(24.281)	(27.069)	(7.861)	59.211	0.000
Gross Expenditure (after slippage risk factor)		77.491	84.024	89.581	60.099	563.341	874.536

A Approved Variations

There is a gross increase to the programme of £34.4m relating to fully funded schemes having a net nil impact on the capital programme due to the identification of specific funding in accordance with the Capital Strategy, as summarised in Table 3 below:

Table 3 – Approved Variations since February 2024	Gross Variation (£m)
Climate Emergency works (reserves funding switch to revenue)	(0.535)
Climate Emergency works (specific grant funding)	0.859
Flood Management and SuDs in Schools (specific grant funding)	0.440
Real Time Passenger Information (revenue set aside)	0.218
Area Wide Traffic Management Scheme – School Streets (revenue set aside)	0.119
Local Electric Vehicle Infrastructure (specific grant funding)	4.541
Hastings Town Centre Public Realm and Green Connections (specific grant funding)	9.689
The Keep Solar PV (partner contributions)	0.070
Schools Delegated Capital (specific grant and schools contributions)	0.653
Growing Places Fund Loan Scheme (earmarked loan repayments)	4.958
IT & Digital Strategy Implementation – Oracle Implementation (reserves set aside)	13.390
Total Net Nil Approved Variations	34.402

B Grove Park Project Update

The Grove Park Project Board, with support from external consultancy partners, have undertaken an Options Appraisal of SEN school place provision at Grove Park, due to various construction and budgetary risks associated to the original proposal of additional nursery, secondary and sixth form places on the site. The Board have agreed to proceed with a project that delivers required secondary places and considers options for the provision of nursery places, which is considered to be the best option in managing risks and being affordable within the approved budget envelope. This update therefore presents a revised budget requirement based on the agreed option.

C Other Programme Updates

Other updates made in accordance with Capital Strategy principles relate to:

- Following government announcements of the 2024/25 grant allocation, the Schools Capital Building Improvements programme has been increased in line with anticipated grant value, being a cash limited programme that represent the value of formula grants received.
- The 10-year school basic need capital strategy has been reviewed and updated considering the need for temporary place provision over the MTFP period, resulting in a reduced requirement of £0.3m.

D 2023/24 Capital Programme Outturn

Total 2023/24 capital expenditure was £77.5m against an approved budget of £85.9m, resulting in a variation to budget of £8.4m. This variation is made up of £8.6m net slippage and £0.2m net overspend on the planned programme.

E Capital Slippage Risk Factor

The Capital Programme continues to experience significant levels of budget slippage compared to original budgets (£19m slippage in 2023/24 compared to original budget) which can undermine the planning process, particularly in terms of treasury management modelling and the impact of borrowing on the revenue budget over the medium term. A corporate capital risk factor has therefore been introduced from 2024/25 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 following the 2023/24 outturn position.

3 Capital Programme Funding Update

- 3.1 Table 4 below provides movements in the council's borrowing requirement to reflect the 2023/24 outturn position, government funding announcements and other updates, reducing the council's borrowing requirement from £383.3m to £374.8m, of which £43.6m is expected over the period to 2026/27.
- 3.2 Current Treasury Management 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 profile of costs will vary dependent on a number of variables such as timing, internal cash 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.

Table 4 - Capital Programme Borrowing (£m)	Ref	Previous Year 2023/24	MTFP Period			2027/28 to 2033/34	Total
			2024/25	2025/26	2026/27		
Borrowing February 2024		17.019	13.000	10.088	30.077	313.107	383.291
Formula Grants Update	F	(6.033)	(1.436)	(0.500)	(0.500)	-	(8.469)
Capital Receipts Update	G	-	2.259	5.803	(8.870)	-	(0.808)
Revenue Contribution to Capital	H	1.827	-	-	-	-	1.827
Other Programme Changes	I	(0.261)	(3.740)	2.840	(1.670)	1.005	(1.826)
2023/24 Slippage / Reprofiles	J	(3.857)	2.038	2.843	(0.076)	(0.948)	0.000
2023/24 Over/Underspend		0.736	-	-	-	-	0.736
Slippage Risk Factor	E	-	(5.138)	(4.990)	(7.862)	17.990	0.000
Revised Borrowing		9.431	6.983	16.084	11.099	331.154	374.751

F Formula Grants Update

The capital programme is supported by £312.1m of non-specific formula grant, which represents 36% of the total gross programme funding. 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. Formula Grant values have been updated to reflect the following announcements:

- **High Needs Provision:** Notification of additional High Needs Provision capital grants in 2023/24 and 2024/25 of £6.7m which will be allocated to the existing basic need programme. Assumptions for further years allocations over the MTFP period have been updated to minimum levels, as funding beyond 2025 is contingent on the outcomes of future Spending Reviews and additional capital funding beyond this period is not guaranteed.
- **Childcare Expansion Grant:** The DfE announced Childcare Expansion capital grant to support the expansion of current or new childcare places. Of the £0.823m council allocation, £0.659m has been allocated to fund existing programme expenditure, and it is intended to use the remaining £0.164m to support wraparound provision not currently included in the capital programme.
- **Traffic Signal Obsolescence and Green Light Fund:** New funding from the DfT announced in March 2024 totalling £0.613m to upgrade traffic signal systems and equipment.

G Capital Receipts Update

Review and refinement of Property Services schedule of capital receipts is undertaken on a regular basis with estimates based on Property Officers' professional judgement on a site by site basis. This is supported by the work undertaken recently and successfully getting a number of surplus properties to the point of sale. Following a recent review, it is suggested that anticipated capital receipts can be increased by £0.8m for capital planning purposes over the MTFP period.

H Revenue Contribution to Capital

Due to slippage within the capital programme, and to support the council's wider financial position in the year, it was agreed that two transfers for Capital Expenditure from Revenue Account (CERA) were not utilised to fund the capital programme during 2023/24, and were instead maintained within revenue to support the council's overspend position.

I Other Programme Changes

A number of other capital programme updates made in accordance with Capital Strategy principles have impacted the capital borrowing requirement, such as the review of the Grove Park Project Update, profile of capital reserves contributions and identification of developer contributions to fund basic need requirements.

J 2023/24 Capital Programme Outturn

Net variations within the 2023/24 capital programme have resulted in reprofile of borrowing requirements, and a minor increase to fund net overspends reported as part of the council's monitoring process.

- 3.3 The revised capital programme, taking into consideration the updates presented throughout this report, would reduce the level of borrowing to £43.6m in the period to 2026/27, which represents a reduction of £26.6m since the position reported in February 2024. It is estimated that this will have a favourable MTFP impact of £0.8m for cost of borrowing which will be incorporated into the MTFP revenue planning process.

4 Programme Update and Review / RPPR Next Steps

- 4.1 Work will now be progressed as part of the RPPR process to extend the programme by a further year to maintain a 10-year planning horizon and ensure continued links into, and support of, the Council's other strategies.

- 4.2 The draft capital programme after updates identified in this report would require capital programme borrowing of £43.6m up to 2026/27, the revenue cost of which would have a significant impact on the MTFP which is already in a large deficit position. It has therefore been agreed by CMT that a further review of the capital programme will be conducted as part of this year's RPPR cycle, to consider the implications of removing core council funded programmes / projects from the capital programme that increases the council's borrowing need.
- 4.3 The Capital Strategy will also be reviewed to ensure it continues to drive investment ambition in line with the Council's priorities and to continue to include equality impact assessments (EQIAs) as part of the capital RPPR process, whilst also providing for appropriate capital expenditure, capital financing and treasury management within the context of sustainable, long-term delivery of services.

5 Conclusion

- 5.1 This report provides an update on current approved capital programme as part of the annual RPPR cycle. Work will now be progressed as part of the RPPR process to extend the programme by a further year to maintain the 10-year planning horizon, link into and support the Council's other strategies, as well as a review of the programme to reduce the revenue impact of borrowing.

Annex A – Funding Summary and Detailed Capital Programme

Capital Programme Summary	Previous Year 2023/24	MTFP Period			2027/28 to 2033/34	Total
		2024/25	2025/26	2026/27		
Gross Expenditure	77.491	108.305	116.650	67.960	504.130	874.536
Specific Funding	(9.028)	(33.835)	(35.338)	(4.692)	(2.612)	(85.505)
Net Expenditure	68.463	74.470	81.312	63.268	501.518	789.031
<i>Slippage Risk Factor</i>	-	(24.281)	(27.069)	(7.862)	59.212	0.000
Formula Grants	(38.736)	(25.558)	(27.130)	(26.930)	(193.715)	(312.069)
Capital Receipts	(0.817)	(4.802)	(3.950)	(8.870)	-	(18.439)
Reserves and Revenue Set Aside	(19.479)	(12.846)	(7.079)	(8.507)	(17.277)	(65.188)
Developer Contributions Target	-	-	-	-	(18.584)	(18.584)
Programme Borrowing	9.431	6.983	16.084	11.099	331.154	374.751

Detailed Capital Programme (Gross Expenditure)	Previous Year 2023/24	MTFP Period			2027/28 to 2033/34	Total
		2024/25	2025/26	2026/27		
Adult Social Care						
Adults House Adaptations	0.013	0.050	0.050	0.050	-	0.163
Learning Disability Support Living Scheme	1.012	3.700	1.256	0.081	-	6.049
Greenacres	-	0.070	0.070	-	-	0.140
Adult Social Care Total	1.025	3.820	1.376	0.131	0.000	6.352
Business Services						
SALIX Contract	0.056	0.350	-	-	-	0.406
Lansdowne Secure Unit	0.026	0.039	-	-	-	0.065
Youth Investment Fund	0.621	7.003	-	-	-	7.624
Disability Children's Home	0.742	0.024	-	-	-	0.766
Westfield Land	0.036	0.017	-	-	-	0.053
Special Educational Needs Provision	1.029	0.525	0.685	0.300	1.000	3.539
Special Educational Needs Provision Grove Park	0.172	1.300	11.000	3.390	1.430	17.292
Schools Basic Need Provision	2.093	0.353	0.400	0.512	60.609	63.967
Capital Building Improvement (Schools)	4.419	5.781	4.589	4.389	30.723	49.901
Capital Building Improvement (Corporate)	3.748	4.401	4.000	4.000	28.000	44.149
IT&Digital Strategy Implementation	3.372	6.399	6.409	4.075	54.351	74.606
IT & Digital Strategy Implementation – Oracle Implementation	7.088	9.634	-	-	-	16.722
IT&D – Utilising Automation	-	0.024	-	-	-	0.024
Business Services Total	23.402	35.850	27.083	16.666	176.113	279.114

Children's Services						
Childrens House Adaptations	0.078	0.050	0.050	0.050	-	0.228
Schools Delegated Capital	1.803	1.150	1.150	1.150	-	5.253
Children's Services Essential System Developments	-	0.736	0.885	0.958	0.774	3.353
Children's Services Total	1.881	1.936	2.085	2.158	0.774	8.834
Communities, Economy and Transport						
Broadband	(0.269)	0.065	5.721	-	-	5.517
Bexhill and Hastings Link Road	0.566	-	-	-	-	0.566
Bexhill and Hastings Link Road Complementary Measures	0.048	0.141	-	-	-	0.189
Economic Intervention Fund – Grants	0.072	-	0.300	0.300	1.186	1.858
Economic Intervention Fund – Loans	0.053	-	0.300	0.300	1.097	1.750
Stalled Sites	0.013	-	0.050	0.050	0.157	0.270
Upgrading Empty Commercial Properties	-	-	-	0.007	-	0.007
Growing Places Fund Loan Scheme	-	-	-	-	4.958	4.958
Community Match Fund	0.029	0.379	0.066	-	-	0.474
Community Road Safety Interventions	0.175	0.547	-	-	-	0.722
Newhaven Port Access Road	(0.036)	0.135	0.030	0.665	-	0.794
Real Time Passenger Information	0.132	0.180	0.131	-	-	0.443
Passenger Services Software	0.021	0.005	-	-	-	0.026
Bus Service Improvement Plan - Bus Prioritisation	0.187	6.933	11.380	-	-	18.500
Bus Service Improvement Plan - Passenger Transport	2.174	1.251	-	-	-	3.425
Lewes Bus Station Replacement	0.004	-	-	-	-	0.004
Queensway Depot Development	(0.016)	0.120	2.900	1.500	-	4.504
The Keep	-	0.172	0.040	0.085	0.780	1.077
Other Integrated Transport Schemes	1.638	3.557	6.087	9.087	41.528	61.897
A22 Corridor Package	0.207	-	-	-	-	0.207
Exceat Bridge Replacement	0.632	5.340	0.880	-	-	6.852
Emergency Active Travel Fund Tranche 2	(0.003)	-	-	-	-	(0.003)
Schools Streets	0.169	0.150	-	-	-	0.319
Eastbourne Liveable Town Centre	0.058	0.216	-	-	-	0.274
Hastings Town Centre Public Realm and Green Connections	0.359	0.706	8.624	-	-	9.689
Libraries Basic Need	0.442	0.773	0.550	0.467	1.347	3.579
Highways Structural Maintenance	33.877	23.704	22.246	22.819	237.539	340.185
Bridge Assessment and Strengthening	1.955	7.945	2.901	2.901	14.025	29.727
Street Lighting Replacement Programme	2.150	3.835	3.988	3.429	8.395	21.797

Street Lighting SALIX Scheme	0.220	-	-	-	-	0.220
Rights of Way Programme	0.534	0.588	0.643	0.662	5.486	7.913
Gypsy and Traveller Site Refurbishment	-	0.070	0.070	0.070	0.490	0.700
Visibly Better Roads	0.789	0.504	-	-	-	1.293
Local Electric Vehicle Infrastructure	-	0.400	2.298	1.843	-	4.541
Flood & Coastal Resilience Innovation Programme	1.135	0.758	0.989	0.683	-	3.565
Flood Management and SuDS in Schools	0.202	0.218	-	-	-	0.420
Climate Emergency Works	2.843	4.336	4.206	4.137	10.255	25.777
Eastbourne Town Centre Phase 2a	0.521	1.779	1.746	-	-	4.046
Eastbourne Town Centre Phase 2b	0.078	0.022	5.050	-	-	5.150
Eastbourne / South Wealden Walking & Cycling Package	0.089	0.990	1.328	-	-	2.407
Hailsham / Polegate / Eastbourne Movement & Access Corridor	0.260	0.134	-	-	-	0.394
Hastings / Bexhill Movement and Access Package	(0.125)	0.746	3.582	-	-	4.203
Communities, Economy and Transport Total	51.183	66.699	86.106	49.005	327.243	580.236
Capital Programme Total	77.491	108.305	116.650	67.960	504.130	874.536