

Appendix 4 – State of the County 2025 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 and within the resources available.

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 programme reflected the outcome of the capital programme review undertaken during 2024 that reduced planned borrowing costs by an estimated £3.9m over the medium term period (2025/26 to 2027/28).

1.3 The capital programme 2024/25 to 2023/24 reported as part of the Budget in February 2025 had a total programme expenditure of £713.9m and a borrowing requirement of £218.3m. Table 1 below provides details of the approved capital programme and funding.

Table 1 – Capital Programme (Budget 2024/25) (£m)	Previous Year 2023/24	MTFP Period			2027/28 to 2033/34	Total
		2024/25	2025/26	2026/27		
Gross Expenditure	(104.651)	(130.758)	(54.046)	(44.527)	(379.936)	(713.918)
Specific Funding	(33.851)	(51.046)	(5.815)	(2.883)	(1.002)	(94.597)
Net Expenditure	(70.800)	(79.712)	(48.231)	(41.644)	(378.934)	(619.321)
Formula Grants	(25.772)	(29.530)	(29.330)	(30.919)	(208.370)	(323.921)
Capital Receipts	(4.802)	(3.950)	(2.248)	(2.198)	(4.424)	(17.622)
Reserves and Revenue Set Aside	(14.671)	(12.141)	(0.385)	(0.452)	(14.187)	(41.836)
Developer Contributions Target	-	-	-	-	(17.601)	(17.601)
<i>Slippage Risk Factor</i>	<i>(20.068)</i>	<i>(18.278)</i>	<i>(7.337)</i>	<i>(3.924)</i>	<i>(49.607)</i>	(0.000)
Programme Borrowing	(5.487)	(15.813)	(8.931)	(4.151)	(183.959)	(218.341)

1.4 The financial outlook for local authorities continues to become ever more 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.

2 Capital Programme

2.1 Table 2 below summarises the gross movements since budget setting in February 2025, reflecting the 2024/25 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 Expenditure Updates	Ref:	Outturn 2024/25 £m	MTFP Period			2028/29 to 2034/35 £m	Total £m
			2025/26 £m	2026/27 £m	2027/28 £m		
Approved Capital Programme (Budget 2025)		104.651	130.758	54.046	44.527	379.936	713.918
Approved Variations	A	1.937	(0.734)	0.263	0.227	0.000	1.693
Capital Programme Slippage / Reprofiles	B	(19.088)	(30.347)	36.610	11.914	0.911	0.000
Capital Programme Over / Underspend		(0.464)	0.000	0.000	0.000	0.000	(0.464)
Other Programme Updates	C	0.000	3.304	0.623	0.623	4.361	8.911
Total Updates		(17.615)	(27.777)	37.496	12.764	5.272	10.140
Revised Capital Programme		87.036	102.981	91.542	57.291	385.208	724.058
Capital Slippage Risk Factor	D	0.000	(18.890)	0.000	0.000	18.890	0.000
Approved Capital Programme (after Capital Slippage Risk Factor)		87.036	84.091	91.542	57.291	404.098	724.058

A Approved Variations

There is a gross increase to the programme of £1.7m relating to several fully funded schemes that have a net nil impact on the capital programme. One of the schemes – the purchase of the Pacific House site was funded via internal borrowing as set out in table 3 below:

Table 3 – Approved Variations since State of the County 2025	Outturn 2024/25 £'m	MTFP Period			2028/29 to 2034/35 £m	Total £'000
		2025/26 £'000	2026/27 £'000	2027/28 £'000		
Children's Essential System Developments net change (revenue set aside)	0.017	0.000	0.000	0.000	0.000	0.017
Youth Service Mobile Resource Bus (specific grant funding)	0.070	0.000	0.000	0.000	0.000	0.070
Sidley Family Hub Refurbishment (specific grant funding)	0.090	0.000	0.000	0.000	0.000	0.090
Youth Investment Fund (revenue set aside)	0.200	0.000	0.000	0.000	0.000	0.200
Sorrel Drive Refurbishment (50/50 revenue set aside & health funding)	0.165	0.000	0.000	0.000	0.000	0.165
Oracle Implementation - training to revenue (reserve funding)	(0.290)	0.000	0.000	0.000	0.000	(0.290)
Flood Management and SUDs in Schools (specific grant funding)	0.060	0.080	0.000	0.000	0.000	0.140
Pacific House purchase (internal borrowing)	0.002	0.000	0.000	0.000	0.000	0.002
Schools Basic Need (external contribution)	0.793	0.000	0.000	0.000	0.000	0.793
Special Educational Needs (school contribution)	0.035	0.000	0.000	0.000	0.000	0.035
Climate Emergency Works (external contribution)	0.083	0.000	0.000	0.000	0.000	0.083
Schools Delegated Capital (specific grant and schools contributions)	0.713	0.000	0.000	0.000	0.000	0.713
Capital Building Improvements Corporate (external contribution)	0.000	0.070	0.000	0.000	0.000	0.070
Urban Tree Challenge (specific grant)	0.000	(0.117)	(0.044)	(0.044)	0.000	(0.205)

Other Integrated Transport Schemes (Formula Grant)	0.000	(0.505)	0.000	0.000	0.000	(0.505)
ATF Eastbourne Liveable Town Centre (Formula Grant)	0.000	0.075	0.000	0.000	0.000	0.075
Hailsham/Polegate/Eastbourne Movement & Access Corridor (Formula Grant)	0.000	0.240	0.000	0.000	0.000	0.240
A22 North of Hailsham (Formula Grant)	0.000	0.190	0.000	0.000	0.000	0.190
Other Integrated Transport Schemes (S106 & External Contribution)	0.000	(0.805)	0.000	0.000	0.000	(0.805)
Hastings Bexhill Movement and Access Programme (S106 Contributions)	0.000	(0.372)	0.000	0.000	0.000	(0.372)
Area-wide Traffic Management Scheme - Schools Streets (S106 Contributions)	0.000	0.010	0.000	0.000	0.000	0.010
Hastings Town Centre Public Realm and Green Connections	0.000	0.000	0.307	0.000	0.000	0.307
Hastings Town Centre Public Realm and Green Connections	0.000	0.400	0.000	0.000	0.000	0.400
Exceat Bridge Replacement	0.000	0.000	3.037	8.362	0.000	11.399
Bus Service Improvement Plan - Bus Prioritisation	0.000	0.000	(3.037)	(8.091)	0.000	(11.128)
Total Net Nil Approved Variations	1.937	(0.734)	0.263	0.227	0.000	1.693

C Other Programme Updates

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

- the DFE Grant for Schools, which has increased by £0.6m per annum above previous planning assumptions.
- the allocation of additional High Needs Capital Funding, which has been added to the programme in line with the Capital Strategy.

D 2024/25 Capital Programme Outturn

Total 2023/24 capital expenditure was £87.0m against an approved budget (after variations) of £106.5m, resulting in a variation to budget of £19.5m. This variation is made up of £19.1m net slippage, and a £0.4m net underspend against the planned programme. Net slippage has been re-profiled to future years. In addition, work has been undertaken to re-profile future expenditure to construct a programme that reflects a realistic projection of when work will take place at a project level.

E Capital Slippage Risk Factor

The Capital Programme continues to experience significant levels of budget slippage compared to original budgets, 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 was introduced in 2024/25 to reflect likely slippage based on a risk assessment of historic levels of actual expenditure and slippage at a project/programme level. The original slippage risk factor applied to the 2024/25 budget was £19.1m. This compares with final slippage of £19.5m. A further risk factor of £18.9m has been applied for 2025/26, proportionate to the slippage reported in the 2024/25 outturn, to bring the total planned expenditure over the MTFP period to a figure which reflects the general risk to delivery of the programme.

3 Capital Programme Funding Update

3.1 Table 4 below shows the funding for the programme.

Table 4 – Capital Programme Funding Update	Ref:	Current Year 2024/25 £m	MTFP Period			2028/29 to 2034/35 £m	Total £m
			2025/26 £m	2026/27 £m	2027/28 £m		
Gross Expenditure		87.036	84.091	91.542	57.291	404.098	724.058
Specific Funding	E	(21.666)	(21.191)	(18.647)	(12.214)	(8.900)	(82.618)
Specific Developer Contributions	F	(3.279)	(1.771)	(2.305)	(1.674)	(2.402)	(11.431)
Net Expenditure		62.091	61.129	70.590	43.403	392.796	630.009
Formula Grants	G	(23.815)	(36.453)	(29.953)	(29.953)	(214.130)	(334.304)
Capital Receipts	H	(4.802)	(1.288)	(4.910)	(2.198)	(4.424)	(17.622)
Reserves and Revenue Set Aside		(7.155)	(4.568)	(1.843)	(0.723)	(11.532)	(25.821)
Capital Reserve		(2.005)	(4.624)	(0.535)	(0.682)	(7.957)	(15.803)
Developer Contribution Target		0.000	0.000	0.000	0.000	(17.601)	(17.601)
Capital Programme Borrowing	I	24.314	14.196	33.349	9.847	137.152	218.858

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. The capital programme review undertaken has significantly reduced the borrowing required to fund the future programme.

F Formula Grants Update

The capital programme is supported by £327.3m of non-specific formula grant, which represents 45% 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 both the notification of additional High Needs Provision capital grants in 2025/26 of £7.0m and the reduction of basic need funding to zero in 2026/27 and 2027/28.

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 several surplus properties to the point of sale. Capital receipts have been re-profiled based on recent sales. Further work will be undertaken during budget setting 2025/26 to reflect recent legislative changes to the use of capital receipts.

I Borrowing

The borrowing figure in 2024/25 reflects a level of internal borrowing required to fund capital expenditure incurred in 2024/25. No additional external borrowing was undertaken. The requirement for future external borrowing will depend on projected treasury balances, interest rates and future slippage.

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 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 – Detailed Capital Programme

Detailed Capital Programme (Gross Expenditure) (£m)	Previous Year 2024/25	MTFP Period			2027/28 to 2033/34	Total
		2025/26	2026/27	2027/28		
Adult Social Care						
Older People's/LD Service Improvements (House Adaptations)	(0.003)	-	-	-	-	(0.003)
Learning Disability Supported Living Scheme	3.165	1.829	0.043	-	-	5.037
Greenacres	-	0.140	-	-	-	0.140
Adult Social Care Total	3.162	1.969	0.043	-	-	5.174
Business Services						
SALIX Contract	0.094	-	-	-	-	0.094
Lansdowne Secure Unit - Phase 2	0.001	-	-	-	-	0.001
Youth Investment Fund	5.458	1.745	-	-	-	7.203
Hollington Youth Centre	0.336	3.037	0.039	-	-	3.412
Hastings and Rother Skills Capital	0.907	0.093	-	-	-	1.000
Youth Service Mobile Resource Bus	-	0.070	-	-	-	0.070
Sidley Family Hub and Main Building Refurbishment	0.090	-	-	-	-	0.090
Sorrel Drive Refurbishment	0.165	-	-	-	-	0.165
Special Educational Needs	0.522	3.673	1.000	1.000	3.500	9.695
Special Educational Needs – Additional Places	1.068	3.350	11.272	1.430	-	17.120
Disability Children's Homes	0.010	0.014	-	-	-	0.024
Westfield Lane (delivered on behalf of CSD)	-	0.017	-	-	-	0.017
Core Programme - Schools Basic Need	0.232	0.546	0.512	0.460	60.149	61.899
Core Programme - Capital Building Improvements (Schools)	4.064	6.909	5.012	5.012	35.084	56.081
Core Programme - Capital Building Improvements (Corporate)	3.526	4.966	4.000	4.000	28.000	44.492
Pacific House Purchase	0.713	-	-	-	-	0.713
Core Programme - IT & Digital Strategy implementation	5.208	5.094	4.281	2.880	53.342	70.805
IT & Digital Strategy implementation - Oracle Implementation	6.722	8.800	2.622	-	-	18.144
IT & Digital Strategy implementation (utilising automation)	-	0.024	-	-	-	0.024
Business Services Total	29.116	38.338	28.738	14.782	180.075	291.049

House Adaptations for Disabled Children's Carers Homes	0.167	-	-	-	-	0.167
Schools Delegated Capital	1.943	1.150	1.150	1.150	-	5.393
Children's Services Essential System Developments	0.462	1.279	0.958	0.774	-	3.473
Children's Services Total	2.572	2.429	2.108	1.924	-	9.033
Broadband	0.172	0.338	0.500	0.500	0.500	2.010
Bexhill and Hastings Link Road	0.034	-	-	-	-	0.034
BHLR Complementary Measures	0.009	0.132	-	-	-	0.141
Economic Intervention Fund - Grants	-	-	-	-	-	-
Economic Intervention Fund - Loans	0.020	0.022	0.300	0.300	1.055	1.697
Growing Places Fund Loan Scheme	-	-	-	-	4.958	4.958
Stalled Sites	-	-	-	-	-	-
EDS Upgrading Empty Commercial Properties	-	-	-	-	-	-
Community Match Fund	0.048	0.397	-	-	-	0.445
Community Road Safety Interventions	0.125	0.422	-	-	-	0.547
Newhaven Port Access Road	0.107	0.028	-	-	-	0.135
Real Time Passenger Information	0.264	0.267	-	-	-	0.531
Passenger Services Software	-	0.005	-	-	-	0.005
Bus Service Improvement Plan - Bus Prioritisation	1.308	5.877	-	-	-	7.185
Bus Service Improvement Plan - Passenger Transport	1.068	0.183	-	-	-	1.251
Bus Service Improvement Plan 2025-26	-	4.555	-	-	-	4.555
Queensway Depot Development (Formerly Eastern)	0.002	0.001	-	-	-	0.003
Queensway Gateway Road	2.888	0.470	-	-	-	3.358
The Keep	-	0.212	0.085	0.152	0.628	1.077
Other Integrated Transport Schemes	2.379	4.063	4.818	3.523	20.587	35.370
Integrated Transport Schemes - A22 Corridor Package	1.031	1.112	-	-	-	2.143
A22 North of Hailsham	0.066	0.242	-	-	-	0.308
Exceat Bridge Replacement	0.427	2.587	5.323	9.282	-	17.619
Emergency Active Travel Fund - Tranche 2	0.035	0.403	-	-	-	0.438

Area-wide Traffic Management Scheme - Schools Streets	0.006	0.154	-	-	-	0.160
ATF Eastbourne Livable Town Centre	0.274	0.117	-	-	-	0.391
Hastings Town Centre Public Realm and Green Connections	0.384	0.772	8.881	-	-	10.037
Core Programme - Libraries Basic Need	0.727	0.489	0.574	0.449	0.898	3.137
Core Programme - Highways Structural Maintenance	28.537	16.667	21.000	21.000	147.000	234.204
Safer Roads Fund	0.011	0.864	-	-	-	0.875
Core Programme - Bridge Assessment Strengthening	2.409	2.180	6.758	1.830	14.447	27.624
Bridge/Structures Assessment Strengthening - Essential Maintenance	0.100	1.300	1.000	-	-	2.400
Core Programme - Street Lighting and Traffic Signals - life expired equipment	3.369	2.596	4.974	1.041	8.790	20.770
Core Programme - Rights of Way Surface Repairs and Bridge Replacement Programme	0.589	0.642	0.662	0.702	5.780	8.375
Gypsy and Traveller Site Refurbishment	0.003	0.137	0.070	0.070	0.490	0.770
Visibly Better Roads	0.256	0.248	-	-	-	0.504
Local Electric Vehicle Infrastructure	-	0.500	2.320	1.721	-	4.541
Flood & Coastal Resilience Innovation Programme	1.119	0.840	0.683	-	-	2.642
Flood Management and SuDS in Schools	0.398	-	-	-	-	0.398
Urban Tree Challenge	0.011	0.015	0.015	0.015	-	0.056
Climate Emergency Works	2.036	0.242	-	-	-	2.278
Eastbourne Town Centre Phase 2a	0.374	2.290	1.161	-	-	3.825
Eastbourne Town Centre Phase 2b	0.744	4.328	-	-	-	5.072
Eastbourne/South Wealden Walking & Cycling Package	0.083	1.892	-	-	-	1.975
Hailsham/Polegate/Eastbourne Movement & Access Corridor	0.064	0.310	-	-	-	0.374
Hastings Bexhill Movement and Access Programme	0.709	2.346	1.529	-	-	4.584
Communities, Economy and Transport Total	52.186	60.245	60.653	40.585	205.133	418.802
Capital Programme Total	87.036	102.981	91.542	57.291	385.208	724.058