

Appendix 12 – 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 |

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|--|--------------|--------------|--------------|--------------|--------|---------------|
| 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 | | | | | | |
| 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 |