

Capital Strategy to 2026/27

1.0 Overview

- 1.1 The purpose of the Capital Strategy is to drive the authority's capital investment ambition whilst also ensuring appropriate capital expenditure, capital financing and treasury management within the context of the sustainable, long-term delivery of services.
- 1.2 The Capital Strategy supports the prioritisation of investment in assets that support the objectives of the Council, while helping to ensure that all elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.
- 1.3 The Capital Strategy is framed within the following statute and guidance:

Legislation Local Government Act 2003

- Chapter 1:
 - o 1.1 – Power to Borrow
 - o 1.3 – Affordable borrowing limit
 - o 1.12 – Power to invest
 - o 1.15 – Regard to guidance issued

Professional Codes CIPFA Professional Codes

- Prudential Code 2021
 - Treasury Code of Practice 2021 Guidance Government and CIPFA guidance
 - Minimum Revenue Provision 2018
 - Local Government Investments 2018
- 1.4 The Strategy is completed in line with best practice as outlined within the Chartered Institute of Public Finance and Accountancy (CIPFA) revised 2021 Treasury and Prudential Code

2.0 Member approval and review

- 2.1 The Treasury Management Code allows authorities to delegate the detailed management of Treasury Management and the Capital Strategy, to a sub-committee and this responsibility is delegated to the Audit Committee.

3.0 Governance Framework

- 3.1 The programme is dynamic in support of the Council's investment need, its sustainability and long-term service delivery. The Council's 5 year rolling programme (current year plus 4) is profiled based on best estimates and is required to be regularly reviewed and reprofiled to ensure the programme is current and can support decision making.
- 3.2 To support the dynamic nature of the programme, the Council's constitution, in particular the Financial Procedure Rules set out at Part 4(iv), financial regulations and Capital Strategy govern the capital programme as set out below:

- All capital expenditure must be carried out in accordance with the financial regulations and the Council's constitution.
- The Capital Strategy and Programme is approved by Full Council as part of the Council's annual Corporate Plan and Budget report.
- The Audit Committee scrutinises the Treasury Management Strategy and this Strategy for recommendation to Council,
- Internal and External audit scrutiny as and when agreed by audit plans.
- The programme approved as part of the annual corporate plan and budget will only be added to, or removed from, with the agreement of the AD Corporate Recourses by an approved variation that is in accordance with Financial Regulation B.3.2 (e). and:
 - where budget provision is transferred to capital expenditure financed from revenue account (CERA) or another project in accordance with Financial Limits.
 - where earmarked grants or other specific funding are spent for the purpose they were received, provided that capital resources are enhanced by the amount received. And that the capital receipts are received either before the payments are made, or within the same financial year.
 - Where reprofiling into future years occurs on a project and there is no effect on the availability of capital resources, these should be reported to Cabinet as part of monitoring and equivalent adjustments will be made to the following year's programme.
 - Any request outside of this process would have to be approved by Cabinet;
- Officers are not authorised to commit expenditure without prior formal approval as set out in the financial regulations and the Capital Strategy;
- The Council will put in place an officer led Major Projects Board (MPB) to oversee the development, delivery and reporting of the Council' capital programme.

4.0 Capital Funding

4.1 Capital expenditure can be funded in a variety of ways:

- Grants - contributions are generally used to fund specific capital schemes linked to the conditions imposed by the relevant grant.
- Section 106 contributions - contributions are generally used to fund specific capital schemes linked to the conditions imposed by the relevant Section 106 contribution.
- Capital receipts - Capital receipts are derived from the sale of the Council's assets.
- Direct Revenue contributions (CERA)- Revenue contributions from service budgets within financial limits.
- Reserves and Revenue Set Aside – The Council can use its general fund balance to fund capital projects, specific reserve and payback from invest to save schemes.
- Borrowing - Borrowing spreads the cost over a number of years but loan servicing costs (MRP) and the overall level of debt exposure both need to be considered and clearly flagged in a business case.

4.2 Project feasibility works are funding through specific reserve until such a time as the Business Case can be proposed for approval.

4.3 The method of funding for any particular scheme will depend on a number of factors and the combination will be reviewed by the S151 officer on an on-going basis to ensure the best long-term options are achieved.

5.0 Whole life costing for capital schemes

- 5.1 Whole life costing can be defined as “the systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset.” In practical terms this means that any appraisal of a proposed capital project will need to consider not just the initial capital cost, but all costs and income streams associated with the project that are likely to occur in future years, including possible replacement or disposal costs. This is vital to ensure that the Council is not committing itself to future liabilities that are unsustainable.

6.0 Scheme Evaluation and Risk

- 6.1 The Major Projects Board (MPB) will have overview of any feasibility works and the proper reporting of new capital schemes via appropriate project documentation and will as necessarily include a full evaluation of risk and have regard to the whole life costing methodology set out above.

7.0 Monitoring of approved capital schemes

- 7.1 For approved capital schemes it is the responsibility of the relevant budget holder to manage costs and to provide explanations for any variations from the approved budget to MPB in accordance with Financial Procedure Rules.

Capital Programme to 2026/27

8.0 Core Programme

- 8.1 Capital expenditure can be defined as expenditure that results in the acquisition, construction or enhancement of an asset (e.g., land, buildings, plant and equipment), that continues to benefit the Council for a period of more than one financial year. The definition of ‘capital’ will be determined by the AD Corporate Resources, having regard to government regulations and accounting requirements. Within the programme there will be elements of expenditure that for accounting purposes will be defined as revenue.
- 8.2 To ensure that the Council meets the requirements, it will:
- Ensure expenditure included in the capital programme contributes to the achievement of the Council’s Priorities The programme is considered annually as part of the corporate plan and budget which underpins the financial planning process;
 - Ensure investment decisions make best use of resources.
 - Have a clear framework for making capital expenditure decisions.
 - ensure access to sufficient long-term assets to provide services.
- 8.3 The Council has a core programme comprising: -
- Asset Management and Temporary Accommodation (all owned or leased assets) which allows assets to be maintained in a condition fit for purpose and to ensure access to these assets to provide services.
 - Information Technology, the overarching principle of the IT&D strategy is to ensure that our Information and Communications Technology (ICT) is fit for purpose for delivering modern council services in a digital era, whilst protecting any data held and maintaining appropriate security standards.

- Disabled Facilities Grants (DFGs) that pay for essential adaptations to help people with disabilities stay in their own homes and is fully funded by Government grant.

To this end asset management and temporary accommodation and information technology programmes are funded by capital receipts in the first instance where available and then general reserve if no receipts are available or capitalisation is not appropriate.

8.4 In addition to the core annual programme other schemes will be considered subject to the criteria set out below. As detailed above it is important that any new schemes have a clear benefit to ensure that limited resources are used in the most effective possible way to support the council's priorities.

9.0 Prioritising new schemes

9.1 In common with other local authorities Mid Sussex is facing a challenging financial climate and it is therefore essential that governance procedures are in place to ensure that scarce resources are allocated in the most effective possible way.

9.2 Business Cases for new schemes will be assessed against the following criteria:

- Link to the Council's strategic direction
- Availability of specific external funding
- Demonstration of a sound business case
- Whole life cost implications (see 2.6 above)
- Value for money

9.3 Business Cases (BC) will be required to set out the key factors. BC's will be considered by the MPB before being proposed for inclusion within the programme in line with the financial regulations with appropriate information being presented to Cabinet in line with financial procedure rules.

10.0 Links to other Council Strategies

10.1 A requirement under the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services is to prepare a **Treasury Management Policy and Strategy** setting out the Council's policies for managing investments and borrowing. The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

10.2 The Local Government Act 2003 permits local authorities to borrow to finance capital expenditure provided that the plans are affordable, prudent and sustainable in the long term. The Treasury Management Policy and Strategy and the Capital Programme identifies a borrowing need. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet the capital expenditure plans.

10.3 Under the Prudential Code and Treasury Management Code, the Council is required to set parameters around its borrowing and treasury activity, including an authorised borrowing limit for each year which cannot be breached. Additionally, when funding

capital expenditure through borrowing, the Council is required to set aside a sum from revenue each year to repay the debt, known as the Minimum Revenue Provision (MRP).

- 10.4 To ensure the separation of the core treasury function under security, liquidity and yield principles (SLY), and the policy and commercialism investments usually driven by expenditure on an asset, the Capital Strategy is reported separately from the Treasury Management (TM) Strategy. Therefore, the debt related to the activity and the associated interest costs, payback period, Minimum Revenue Provision policy or for non-loan type investments, the cost against the current market value and the financial risks are part of the Treasury Management Policy and Strategy.
- 10.5 The proposed capital programme investment has consideration directly to the Treasury Management Strategy. A specific model developed for this purpose continues to be used and updated to remain current so that it remains responsive to any treasury management risks, such as interest rate volatility. Any borrowing required is within the limits set by the Treasury Management Strategy, which sets out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy.

11.0 Asset Management

- 11.1 As outlined in 8.3 above, there is a core annual programme to cover capitalised repairs and improvements for all the Council's assets. Asset management planning establishes the priorities for this programme having regard to the condition of the various assets and their respective priorities in terms of delivering Council services or generating rental income.

12.0 Proposed Programme of Capital and Revenue projects

Proposed additions approved by Cabinet in February are listed in the table 1 below

Table 1 – Proposed Additions

Proposed New Projects - Capital Programme 2023/24 - 2026/27					
	Total 2023/24	Total 2024/25	Total 2025/26	Total 2026/27	Revenue Implications 2023/24
	£'000s	£'000s	£'000s	£'000s	£'000s
Capital Projects					
Digital & Technology Projects					
PC Replacement Programme V	50	50	50	50	
Endpoint and Infrastructure Refresh	30				
Mobile device refresh	60				
Office 365 (Phase II)	50				
Total Digital & Technology Projects :	190	50	50	50	0
Others:					
Garden Waste Service Expansion - Bin Purchase	39	39	39	29	120
Replacement Wheelie Bin Purchase	117	0	0	0	
Car Park condition survey	35				
<u>Parks Improvement Programme</u>					
Mount Noddy, East Grinstead Masterplan	196	319			
Total Others:	387	358	39	29	120
Major Capital Renewals					
Unallocated Funding for future years	0	146	133	133	
Total Major Capital Renewals	0	146	133	133	0
Environmental Health					
Disabled Facility Grants	900	900	900	900	
Total Environmental Health	900	900	900	900	0
Total New Capital Projects	1,477	1,454	1,122	1,112	120
Financed By:					
Grant Contributions WSCC	900	900	900	900	
Met from Revenue Contributions (for MCR)	0	146	133	133	
S106s (time limited / non-time limited)	96	200			
General Reserve	275	119			
Capital Receipts	206	89	89	79	
Total Financed:	1,477	1,454	1,122	1,112	

The proposed programme is presented below at Table 2.

Table 2 Capital Programme 2022/23 - 2026/27							
<i>Scheme Description</i>	<i>Total £'000</i>	<i>Pre 1/4/2022 £'000</i>	<i>2022/23 £'000</i>	<i>2023/24 £'000</i>	<i>2024/25 £'000</i>	<i>2025/26 £'000</i>	<i>2026/27 £'000</i>
Planning & Sustainable Economy							
Burgess Hill Place and Connectivity Programme	5,335	4,112	1,223	0	0	0	0
About the Place Public Arts Project	118	4	114				
Keymer Brick & Tile Community Building improvement works	4	0	4				
Electric Vehicle fast charging points	38	0	38				
Hill Place Farm SANG -easement Bluebell Railway Line	731	0	731				
Temporary Accommodation (including Swanmead)	4,450	1,070	1,200	2,180	0	0	0
Affordable Housing	485	405	80	0	0	0	0
Total Planning Policy & Sustainable Economy	11,161	5,591	3,390	2,180	0	0	0
Commercial Services and Contracts							
Contracts & Services							
Bolney Recreation Ground(Batchelor's Field) Playground Improvements	80	78	2				
Petanque Rink construction, Marle Place Recreation Grd, Bhill	26	22	4				
Forest Field, Haywards Heath	60	4	56				
Turners Hill Recreation Ground	72	43	29				
St Andrews Play Area, Burgess Hill	73	65	8				
Garden Waste Bins	20	19	1				
Garden Waste Service Expansion - Bin Purchase	146	0	0	39	39	39	29
Replacement Wheelie Bin Purchase	234	0	117	117			
Car Park Condition Survey	35	0		35			
Dolphin Leisure Centre Play Area Haywards Heath	30	0	30				
Hollands Way Play Area, East Grinstead	62	0	62				
Hemsleys Meadow and Finches Field, Pease Pottage Masterplan	900	0	90	810			
Victoria Park, Haywards Heath Masterplan	326	0	162	164			
Mount Noddy, East Grinstead Masterplan	695	0	180	196	319		
St. John's Park, Burgess Hill Masterplan	0	0	TBD				
Centre for Outdoor Sport (Master Planning)	545	0	375	170			
		0					
Total Contracts & Services	3,304	231	1,116	1,531	358	39	29
Commercial Services and Contracts							
Estates Services & Building Control							
Major Capital Renewals Unallocated Funding	412	0	0	0	146	133	133
Intruder Alarm Upgrade	52	19	33				
East Court Pavilion Sewage pump	69	0	69				
Oaklands Replacement Windows	95	0	95				
Heating works Phase IV	52	0	52				
Oaklands Staff Room and Remodelling and Refurbishment	44	0	44				
The Orchards - Changing Place Toilet	190	0	190				
Hickman's Lane Pavilion Renovation	255	0	0	255			
Bedelands Gypsy and Traveller site	500	0	15	485			
Cherry Tree (St Albans Hall(Fairfield Road BH)	16	0	16				
Unallocated MCR 22/23	10	0	10				
Total Estates Services & Building Control	1,695	19	524	740	146	133	133
Corporate Resources							
Income Management Replacement System	63	51	12				
Total Corporate Resources	63	51	12	0	0	0	0
Digital & People Services							
Workstation replacement programme (future years)	306	56	50	50	50	50	50
Workstation replacement programme (slippage 21/22))	10	0	10				
Host Replacement- Production farm and DMZ	55	41	14				
Fibre Channel Switch Replacement	36	27	9				
Rural Connectivity Programme	3,182	2,184	998				
Research and Innovation Fibre Ring (RIFR)	312	212	100				
Oaklands Wifi Refit	50	40	10				
Telephony System replacement (hardware)	250	54	2	194			
Network Infrastructure Maintenance Project	20	2	18				
Endpoint and Infrastructure Refresh	30	0		30			
Mobile Device Refresh	60	0		60			
Office 365 (Phase II)	50	0		50			
Total Digital & People Services	4,361	2,616	1,211	384	50	50	50
Communities							
Air Quality Monitoring Station	10	0	10				
Disabled Facility Grants	7,141	1,898	1,643	900	900	900	900
CCTV East Court and Mount Noddy Recreation Ground in East Grinstead	43	14	29				
Martlets Temporary Urban Park	100	0	100				
Total Communities	7,294	1,912	1,782	900	900	900	900
Grand Total	27,878	10,420	8,035	5,735	1,454	1,122	1,112

Table 3 below then presents the financing of the programme.

Capital Programme 2022/23 - 2026/27						
Financing Schedule						
<i>Description</i>	<i>Notes</i>	2022/23	2023/24	2024/25	2025/26	2026/27
		£'000	£'000	£'000	£'000	£'000
Grant Contributions from WSCC-Disabled Facility Grants	1	1,643	900	900	900	900
Grant Contributions from third parties	2	2,330	150			
Capital Grants & Contributions Reserve :	3					
: - S106 Contributions -non time limited		184	259	200		
: - S106 Contributions - Housing -non time limited		80	0			
Capital Grants & Contributions - Receipts in Advance :	4					
: - S106 Contributions -time limited		789	723			
: - S106 Contributions - Housing time limited		0	0			
Capital Receipts	5	1,497	2,386	89	89	79
Use of General Reserves / Specific Reserves / Revenue Contributions	6	1,512	1,317	265	133	133
Total Programme		8,035	5,735	1,454	1,122	1,112

Notes:

1. West Sussex County Council grant received for Disabled Facility Grants.
2. Grant received from third parties including other Local Authorities.
3. Capital grants, capital contributions and S106 contributions from developers with no conditions to repay.
4. Capital grants and S106 contributions from developers with conditions to repay if not used within a specified time limited.
5. Financed from Capital Receipts.
6. Financing from General Reserve and Specific Reserve including the use of revenue contributions.