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# Capital Strategy Financial Year 2025/2026

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## 1. Foreword

The Capital Strategy and supporting funding framework, provide a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. Decisions made on capital and treasury management have financial consequences for the Council for many future years. Decisions are therefore subject to both a national regulatory framework and to a local policy framework.

## 2. Executive Summary

- 2.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. The Prudential Code (The Local Government Act 2003 and Capital Finance Regulations introduced the Prudential Code which was amended and reissued in December 2021), requires the Council to review capital and investment plans whilst taking into consideration overall organisational strategy and resources to ensure that operational decisions are made with sufficient regard to the long-term financing implications and wider risks to the Council. To demonstrate compliance, the Code sets out indicators which are reviewed within this report and in the Council's Investment and Borrowing Strategy.
- 2.2 The Capital Strategy is underpinned by the planned capital programme which details projects to be undertaken in support of the delivery of the Council's approved Council Strategy. The Capital Programme for 2025/2026 is detailed in Appendix A.

## 3. Introduction

- 3.1 The Capital Strategy proposes planned capital investment in district-wide improvement programmes and an allocation of resources to reflect enhancements to the Council's existing business systems to deliver long-term improvements to services. Planned expenditure is split between General Fund services (i.e. enhancement and extension of the existing operational asset base) and capital investments (i.e. maintaining the Council's commercial property portfolio).
- 3.2 In November 2023, the Council's Executive adopted a revised Property Investment Strategy with a view to disinvesting from the commercial property portfolio. To that end, no provision for additional investment in the Council's portfolio has been reflected in this strategy for financial year 2025/2026.
- 3.3 All capital expenditure must be financed, either from external sources (government grants and other contributions), or the Council's own resources (revenue, reserves, and capital receipts) or debt (borrowing, leasing and Private Finance Initiatives).
- 3.4 In respect of planned capital expenditure financed by the Council, historically the Council has sought to apply capital receipts in conjunction with financing via debt and/or borrowings. For the purposes of the 2025/2026 strategy, capital receipts generated from asset disposals scheduled for financial year 2024/2025 have been identified to fund planned transformational expenditure across the Council in accordance with the Council's Flexible Use of Capital Receipts Policy (included in Appendix C).

- 3.5 The main source of Council funding in support of planned capital expenditure in 2025/2026 is debt and borrowings. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Local Authorities are required by statute to reflect a charge to their revenue account to provide for the repayment of debt resulting from capital expenditure (MRP). CIPFA Code guidance and other associated accounting principles define alternative methods to calculate MRP, but this guidance does not provide a clear definition of prudence. Each individual Authority must determine a prudent repayment based upon its individual circumstances, through assessing medium-term and long-term financial plans, current budgetary pressures, future capital expenditure plans and future funding needs. The Council's MRP Statement is itemised in Appendix D.
- 3.6 The Council must ensure that capital financing sourced via debt and/or borrowings is reasonable and affordable in the long-term. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) in each financial year. In accordance with statutory guidance, a lower "operational boundary" is also communicated as a warning level if debt levels approach this limit.
- 3.7 Allowance has been made within both the operational boundary and authorised limit to allow debt financing of the planned capital programme, existing financing and PFI liabilities. The Council's Authorised Limit and Operational Boundary data is detailed within the Investment and Borrowing Strategy for 2025/2026.

#### 4. **Vision**

- 4.1 The Council has sought to develop its core strengths, focusing on Social Care, Education, and improvements to local infrastructure (including road enhancements, flood prevention, and other alleviation schemes). The Council has also focused on expanding the district's leisure provision offering, with significant capital investment in Leisure Centre facilities across the district. In response to the climate emergency, the Council has allocated significant funding to projects during the period of the Capital Strategy, with a view to enhancing sustainability and assisting the Council's long-term objective to move to net zero by 2030.

#### 5. **Priorities**

- 5.1 The Capital Strategy and supporting capital programme is aligned to the Council's approved Council Strategy. Each individual capital project is aligned with a Council priority.



5.2 The Council also seeks to invest within its operational infrastructure, such as ICT and other digital platforms, supporting business as usual activities, enhancing through planned maintenance programmes and investing in operational assets such as corporate buildings.

5.3 The capital programme for 2025/2026 has longer term financial ramifications for the Council as project delivery can span multiple financial years and is often difficult to forecast in terms of costs and timescales. The 2025/2026 capital programme refers to several projects that commenced in past financial years, alongside annual enhancement programmes and new projects identified to support the overall delivery of the Council Strategy.

5.4 Key areas of investment are:

- Special Education Needs and Disabilities Infrastructure Delivery – 2025/2026 commitment **£1.7m** (external funding)
- Development and delivery of projects that will support a reduction in nutrients entering the River Lambourn – 2025/2026 commitment **£2.4m** (external funding).
- Brookfields Expansion – Early Years and Key Stage 3 (additional classrooms and support spaces) – 2025/2026 commitment **£1.1m** (external funding)
- Theale Station infrastructure improvements – 2025/2026 commitment **£3.9m** (external funding)
- Renewable energy provision (solar farm) – 2025/2026 commitment **£18.6m** (Council-funded).
- Active Travel Infrastructure (create new and upgrade existing infrastructure including cycle lanes, footways, shared routes and related facilities) – 2025/2026 commitment **£1.7m** (external funding)
- Highway Improvements Programme – 2025/2026 commitment **£9.7m** (external funding)
- Four Houses Corner (refurbishment of sixteen pitches) – 2025/2026 commitment **£2.1m** (Council-funded).

5.5 The Council is undertaking significant investment in green initiatives in order to deliver on the net zero agenda by 2030. The solar farm in particular will allow the Council to make a significant impact in the reduction of its carbon footprint, initial estimates are that approximately 3700 tonnes of carbon (40% of the Council's footprint) will be saved annually through the solar farm project.

## 6. Summary

6.1 Planned expenditure over the period of the Medium-Term Financial Strategy (MTFS) between 2025/2026 and 2028/2029 split between external sums and Council-funded amounts is detailed below:

Longer-Term Committed Funding from Projects Planned to Commence in 2025/26	2025/26	2026/27	2027/28	2028/29
Council Funding	£35,197,944	£14,654,917	£15,557,785	£13,586,369
External Funding - Grants & Contributions	£29,696,288	£16,434,476	£16,931,488	£17,190,216
External Funding - Section 106	£1,405,740	£863,650	£115,978	£214,378
External Funding - CIL	£6,677,980	£3,929,750	£4,494,978	£5,495,791
<b>Total Funding Committed</b>	<b>£ 72,977,952</b>	<b>£ 35,882,793</b>	<b>£ 37,100,229</b>	<b>£ 36,486,753</b>

- 6.2 This strategy focuses on planned capital expenditure for financial year 2025/2026 and the financial implications of this expenditure during the period of the MTFS. Appendix B Future Years' Capital Pipeline contains details of planned capital projects that are not yet at scoping/feasibility stage and will commence at a currently undetermined future date.
- 6.3 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, repayment of loans and MRP are charged to revenue, and this is referred to as capital financing. To ensure that capital expenditure and the associated financing is affordable in the short-term and long-term, several policies (within the Appendices to this report) complement the Capital Strategy. The Capital Strategy should be read alongside the Council's Investment and Borrowing Strategy and the MTFS.

## Appendices

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Appendix A	Capital Programme 2025/2026
Appendix Ai	Planned Capital Expenditure by Directorate
Appendix B	Future Years' Capital Pipeline
Appendix C	Flexible Use of Capital Receipts Policy
Appendix D	Minimum Revenue Provision Statement