
Capital Strategy Financial Years 2026/27 – 2029/30

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Author:	Shail Vitish	Sign & Date:	
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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 alongside an overview of how associated risks are managed, and the implications for future financial sustainability. Decisions made in relation to 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 local policy considerations.

2. Executive Summary

- 2.1 The Strategy forms part of the framework for financial planning and is integral to both the Medium-Term Financial Framework (MTFF) and the Treasury Management and Investment Strategy and considers the funding implications of the capital programme and borrowing requirements.
- 2.2 Capital expenditure is the Council's spend on assets, such as property or vehicle assets, that will generate economic benefit for more than one year. The Local Government Act 2003 and Capital Finance Regulations introduced the Prudential Code, which was amended and reissued in December 2021. This legislation requires the Council to review capital and investment plans whilst considering overall organisational strategy and financial 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 determines indicators which are reviewed within this report and as part of the Council's Investment and Borrowing Strategy.
- 2.3 The Capital Strategy forms a key part of the Council's overall corporate planning framework within which capital and investment decisions are made with a focus on protecting capital assets and delivering corporate objectives. The Strategy is underpinned by the planned capital programme which details projects to be undertaken in support of the delivery of the approved Council Strategy. The Capital Programme for 2026/27 is detailed in Appendix B, with the full Capital Programme incorporating financial years 2026/27 to 2029/30 in Appendix C.

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.
- 3.2 The main sections of the Capital Strategy link to the Council Plan in the following key areas:
 - **Asset Management Planning** – this is aligned to the Council Plan by reviewing service needs to ensure that quality services are delivered, and to further protect the Council's assets. Investment and disinvestment are a strategic, lifecycle-based approach to managing assets that balances costs, risks, and performance to meet an organisation's objectives. Decisions to invest in new assets or improve existing items are made alongside decisions

to disinvest (dispose of or sell) underperforming or surplus assets, all within a robust, transparent framework.

The adoption of a Strategic Asset Plan is a major component of longer-term financial resilience and sustainability planning and will be overseen by the Council's Financial Improvement Group (FIG). The purpose is to undertake an ongoing and comprehensive review of assets to maximise utilisation of the Council's properties. This will inform the basis of decisions on investments and disposals, and inform the planning of, generation of, and utilisation of resulting capital receipts.

- **School Estate Planning** – is aligned to the Council Plan by supporting pupil needs via financial investment in schools.

The Council has a duty to ensure that there is sufficient school attendance capacity for resident children that require a place. Basic Needs and High Needs capital funding are therefore allocated by the Department for Education (DfE) to Local Authorities, based on pupil place number forecasts, to deliver the additional places in schools which will meet anticipated demand.

The pupil place requirement for SEND/mainstream schools is increasing for many Local Authorities, including West Berkshire. The primary impact is that Local Authority areas may have insufficient or inappropriate provision and capacity to deliver specialist support, and therefore the efficient utilisation of scarce financial resources has become increasingly key to ensuring not only the fulfilment of school places but also the delivery of value for money. To address the issue of the shortage in school places for Primary, Secondary and SEND schools, a strategy of short-term, medium-term and long-term works has been enacted by the Council's Education Services team.

- **Investment in Regeneration** – is aligned to the Council Plan through a focus on economic growth by supporting key strategic projects that will deliver business growth and jobs across the Council.

In support of the objectives disclosed in the Council Plan to achieve economic growth, the Council continues to plan for and deliver its highway works plans and proposals accordance with local, sub-regional and regional strategies. Furthermore, some capital assets are continually under consideration for regeneration, to bring them into use and generate income, or save existing costs. For example, temporary accommodation.

- **Investment in ICT and Digital Services** - is aligned to the Council Plan by ensuring that services meet the needs of the customer, through efficiency and the delivery of value for money.
- **Capital Investment for Revenue Benefits** – is aligned to the Council Plan via the investment in relevant services which reduce expenditure or create or increase revenue.

3.3 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 2026/27.

- 3.4 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).
- 3.5 In respect of planned capital expenditure financed by the Council, historically the Council has sought to apply capital receipts in conjunction with financing via borrowing. For the purposes of the 2026/27 strategy, capital receipts generated from asset disposals scheduled for financial year 2025/26 have been identified to fund planned transformational expenditure across the Council in accordance with the Council's Flexible Use of Capital Receipts Policy (Appendix D).
- 3.6 The main source of Council funding in support of planned capital expenditure in 2026/27 is borrowing. 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 sources, 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).
- 3.7 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 plan based upon its individual circumstances, through assessing medium-term and long-term financial projections, current budgetary pressures, future capital expenditure plans and future funding needs.
- 3.8 The Council must ensure that capital financing sourced via debt 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.
- 3.9 Allowance has been made within 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 Treasury Management Strategy.

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 either secured funding externally or has allocated financing from Council resources to the projects which maximise sustainability.

5. Priorities

- 5.1 The Capital Strategy and supporting capital programme is aligned to the approved Council Strategy (2023-2027). 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, enhancement through planned maintenance programmes, and the investment in operational assets such as corporate buildings.

6. Summary

6.1 Planned expenditure during the period of the Medium-Term Financial Strategy (MTFS) between 2026/2027 and 2029/2030, analysed between external sums and Council-funded amounts, is detailed below:

Longer-Term Committed Funding from Projects Planned to Commence in 2026/27	2026/27	2027/28	2028/29	2029/30
Council Funding	£10,419,140	£8,930,874	£9,524,087	£20,336,075
External Funding - Grants & Contributions	£27,339,822	£26,145,132	£21,730,817	£15,750,675
External Funding - Section 106	£2,328,568	£224,497	£3,111,662	£3,223,924
External Funding - CIL	£6,125,945	£3,854,520	£4,686,359	£7,330,134
Total Funding Committed	£ 46,213,475	£ 39,155,023	£ 39,052,925	£ 46,640,808

6.2 In respect of Council-funded expenditure (i.e. funded through borrowing), capital expenditure is not charged directly to the revenue budget. Interest payable on loans, the 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 complement the Capital Strategy. The Capital Strategy should be read alongside the Council's Treasury Management Strategy and the MTFS.

Appendices

Appendix B	Capital Programme 2026/27
Appendix C	Full Capital Programme 2026/27-2029/30
Appendix D	Flexible Use of Capital Receipts Policy