

The Capital Strategy and Supporting Programme: Financial Years 2026/27 - 2029/30

Committee considering report:	Council
Date of Committee:	26 th February 2026
Portfolio Member:	Councillor Iain Cottingham
Date Service Director agreed report:	22 nd January 2026
Date Portfolio Member agreed report:	4 th February 2026
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1 Purpose of the Report

- 1.1 To outline the Capital Strategy period and the supporting funding framework, providing 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.
- 1.2 Decisions made on capital and treasury management have financial consequences for the Council for many years into the future. Decisions are therefore subject to both a national regulatory framework and local policy assessment.

2 Recommendation(s)

- 2.1 It is recommended that Council approve the Capital Strategy appended to this report and its sub appendices:
 - (a) Appendix A – Capital Strategy
 - (b) Appendices B & C – Capital Programme for financial years 2026/27-2029/30
 - (c) Appendix D – Flexible Use of Capital Receipts Policy

3 Implications and Impact Assessment

Implication	Commentary
<p>Financial:</p>	<p>The Council-funded (i.e. debt funded) capital programme over the life of the MTFS (2026/27 -2029/30) has been significantly reduced compared to prior financial years. The reduction has been driven by a significant increase in the Council’s Capital Financing Requirement (CFR), through an increasing need to seek Exceptional Financial Support (EFS). During the life of the Medium Term Financial Strategy (MTFS), there is a current projected need for EFS of over £165million compared to planned Council-funded capital expenditure of £49million. The affordability of delivering a capital programme is being eroded through EFS requirements and the application of Balance Sheet resources to fund capital commitments that are being depleted by increases in the High Needs Block (HNB) deficit.</p> <p>The capital programme needs to be considered within the context of the wider financial position of the Council. The current financial environment of increasing revenue pressures and reductions in funding as detailed in the MTFS, will result in the longer-term viability of the Council delivering a funded capital programme being reduced, with a shift towards a programme focused on the utilisation of external grants and contributions.</p>
<p>Human Resource:</p>	<p>Part of the Council’s establishment is funded directly by the capital programme each year. Salaries are funded from capital where it can be demonstrated that staff directly support and assist the delivery of the capital programme.</p>
<p>Legal:</p>	<p>The Capital Strategy contains Prudential Indicators that are mandatory under the CIPFA Prudential Code for Capital Finance in Local Authorities. When the final programme has been approved by Council, the budget managers will have the authority to agree contracts for the schemes included in the approved programme in accordance with the Council’s Contract Rules of Procedure.</p>
<p>Risk Management:</p>	<p>Assumptions as to the anticipated cost of external borrowing are aligned to current guidance as set out by the Bank of England and potential interest rate changes. Significant/unanticipated rises in borrowing costs over and</p>

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	above those assumed within budget setting will impact upon the affordability of the overall programme.
Property:	The proposed capital programme will provide funding for the maintenance of, and improvements to, several existing Council buildings.
Policy:	The Capital Strategy is closely aligned to the delivery of the Council Strategy through enabling key projects to be financed and delivered. The Council has reviewed two key documents - the Flexible Use of Capital Receipts policy and the Minimum Revenue Provision Policy (covered in Treasury Management Strategy). Both policies have been compiled with a view to minimising charges against the Council's General Fund and maximising the use of revenue provision, including existing capital financing budgets.

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	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		None directly from the Strategy. Any impacts from individual proposals within the programme will be assessed and publicly consulted upon where necessary.
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:	X			There are a few schemes included to enhance the environmental impact of the Council, for example carbon management, walking and cycling infrastructure, and solar energy generation.
Health Impact:	X			Proposals included to encourage more walking and cycling as well as use of the district's environment.
ICT Impact:	X			Opportunities included in the programme for IT projects to enhance efficiency.
Digital Services Impact:	X			Opportunities included in the programme for improved digital access to services.
Council Strategy Priorities:	X			The planned programme is aligned to supporting the Council Strategy.

Core Business:				The planned programme provides funding for projects focused on improving business as usual functions.
Data Impact:		X		
Consultation and Engagement:	Financial Planning and Savings Board (Member board). Assets and Capital Group (Officer board).			

4 Executive Summary

- 4.1 The Council is statutorily required to produce a Capital Strategy with a supporting capital programme, and a treasury management strategy. The Council is required to formally adopt both the Capital Strategy and the Treasury Management Strategy. This report and supporting appendices focus on the Capital Strategy.
- 4.2 The Capital Strategy proffers a high-level overview of how capital expenditure and capital financing 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 regarding capital and capital financing will have financial consequences for the Council many years into the future. These decisions are therefore subject to both a national regulatory framework and to local policy concerns, as summarised in this report.
- 4.3 The Council’s ability to deliver a capital programme has been constrained by two key factors: Firstly, by a high-interest rate environment, Public Works and Loan Board (PWLB) rates on average being around 5.5% compared to a historic 2-3% average. Although capital is not charged directly to the revenue budget, the financing of capital (i.e. capital financing costs) is chargeable to revenue. Secondly, by the overarching constraints on the Council’s finances. The Council is in receipt of EFS, which is essentially the capitalisation of revenue account overspends. The EFS is subject to capital financing in the form of Minimum Revenue Provision (MRP), which is itself a charge to the revenue account. Over the medium-term, against a backdrop of the fair Funding Reforms 2.0 effecting future funding, an adjusted council tax base and escalating revenue pressures predominately driven by social care pressures, the availability of revenue funding to support future capital expenditure has been constrained. The Council, as documented in the Medium-Term Financial Strategy, has a projected EFS requirement. The financing of this EFS requirement impacts on the availability of revenue to support financing of the capital programme, as the revenue capital financing requirement becomes consumed by the EFS financing requirement and the funding of the HNB deficit associated with an overspending Dedicated Schools Grant (DSG). In response to this pressure, the administration has proactively reviewed the capital programme and refocused scope onto only key projects that most benefit residents, ensuring that assets are maintained across the district. Further details on the financial impacts of the programme are included in Section 7 of this report.

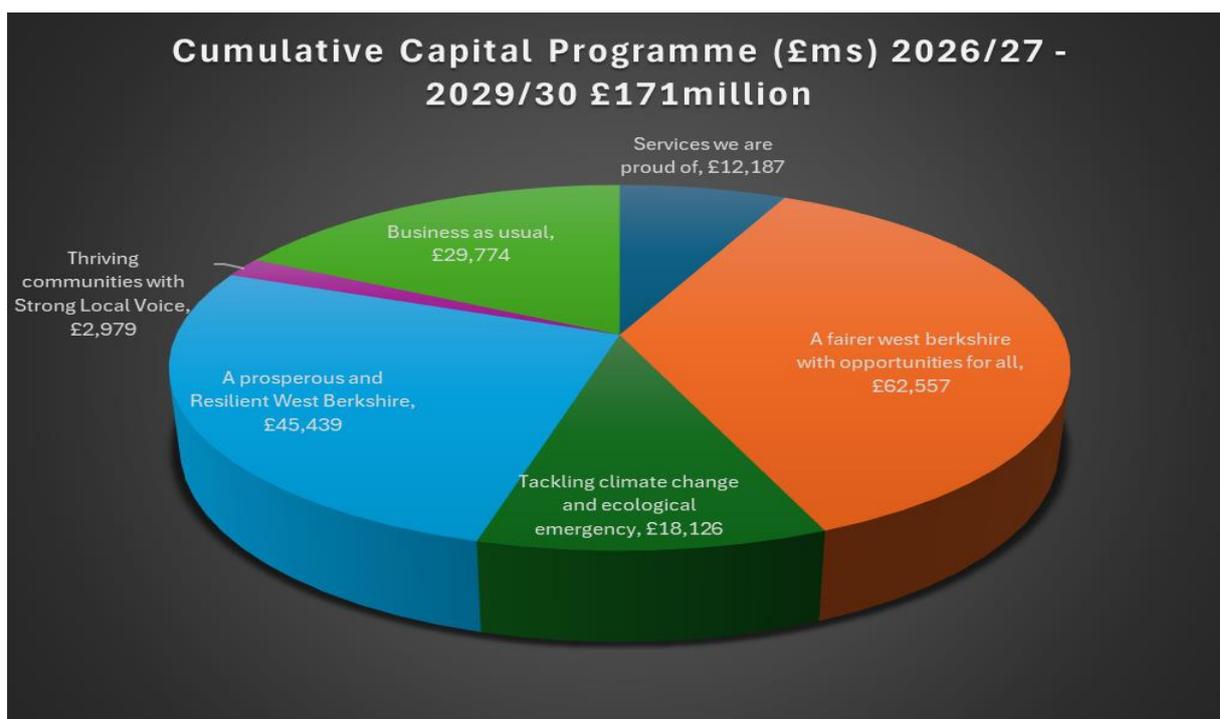
5 Supporting Information

Medium-Term Financial Strategy (MTFS)

- 5.1 The MTFS highlights the financial planning, high level proposals, and sensitivity analysis that underpins the financial resources that deliver the Council Strategy. The MTFS also includes narrative on financing the Capital Strategy and how the scale and profile of the strategy will have an impact upon the overall financial position of the Council. The proposed MTFS details a significant funding gap for financial year 2026/27. An element of the gap is being driven by the revenue capital financing requirement (debt servicing), incurred supporting delivery of the Council's Capital Strategy and the associated programme of works.

Treasury Management Strategy

- 5.2 Financial planning supporting the delivery of the Capital Strategy is detailed in the Council's Treasury Management Strategy. The Council predominately borrows to support the delivery of capital projects and for short-term cashflow requirements. Capital expenditure is not directly chargeable to the Council's revenue budget; however, the Council is required within the revenue budget to make provision for the repayment of financing undertaken in support of capital expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), whilst usable reserves and working capital are the resources underpinning investment.
- 5.3 The traditional driver for the CFR is the Capital Strategy and supporting capital programme. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR during the term of the MTFS. The Council is required to publish a Liability Benchmark in conjunction with the CFR. The Liability Benchmark is effectively the net borrowing requirement of a Local Authority plus a liquidity allowance. In simple terms, it is calculated by deducting the level of investable resources available within the Balance Sheet from the amount of outstanding external debt and then adding back a minimum level of investments required to manage daily cashflow needs. The Council's Liability Benchmark is published within the separate Treasury Management Strategy.
- 5.4 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. 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 as detailed below:



5.5 Funding of the Capital Strategy and the linked capital programme is via a combination of external sources (government grants and other contributions) and the Council's own financial resources (revenue, reserves, and capital receipts) or debt (borrowing, leasing and Private Finance Initiatives). The Prudential Code (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 outlines indicators which are reviewed within this report and in the Treasury Management Strategy.

5.6 **Full details of the Capital Strategy and supporting programme are detailed within the Capital Programme in Appendix A.**

6 Other options considered

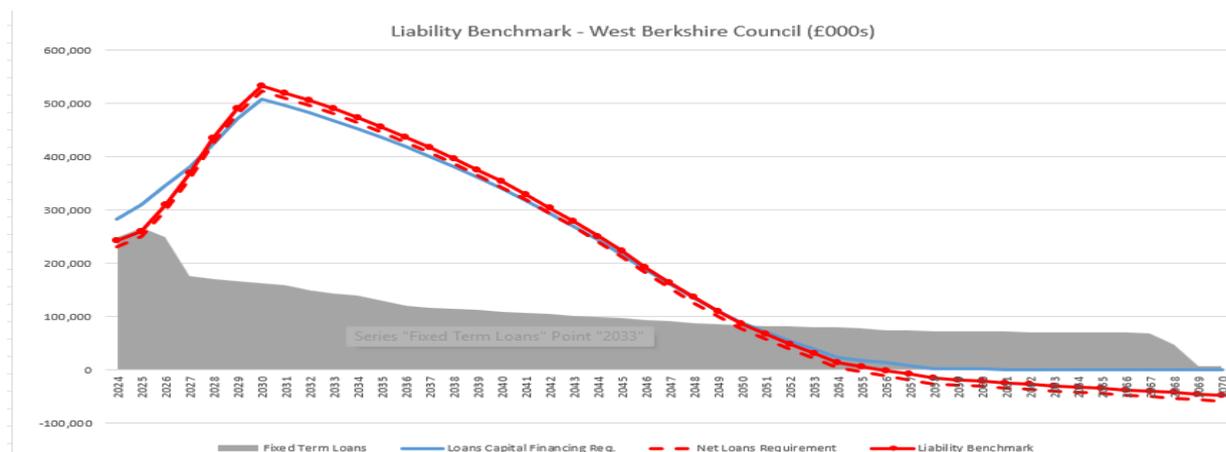
6.1 No other options considered. The Council is required to approve a Capital Strategy and linked capital programme whilst also taking into consideration the longer-term financial implications of the programme and its affordability.

7 Conclusion

7.1 A key consideration is the long-term affordability of the capital programme. The Council's CFR is driven by delivery of the capital programme and capitalised revenue expenditure (through exceptional financial support). The MTFS is forecasting an increasing need to access exceptional financial support. Alongside the dramatically increasing CFR (primarily driven by projected exceptional financial support in future years of over £165 million compared to planned debt funding capital expenditure of £49 million over the MTFS), there is an increasing HNB deficit which is consuming the internal resources of the Balance Sheet. The depletion of Balance Sheet resources is externalising the Council's CFR, i.e. increasing external borrowing needs to support

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capital and capitalised revenue expenditure (exceptional financial support). The HNB deficit (related to the DS G), which is currently subject to a statutory override, (i.e. the deficit is held within the Council's Balance Sheet in unusable reserves as opposed to impacting the Council's General Fund), is forecast to be in the region of £30.5 million by 31st March 2026, increasing to an estimated £51.7 million by 31st March 2027. The deficit is effectively reducing working capital amounts in the Council's Balance Sheet, increasing overall borrowing requirements, and ultimately exceeding the CFR in 2027/2028, as demonstrated in this graph:



- 7.2 Councils are only permitted to borrow to finance capital expenditure (inclusive of capitalised exceptional financial support) and the refinancing of existing debt and short-term cashflow amounts. The HNB statutory accounting override is scheduled to remain in place until 31st March 2028.
- 7.3 The current financing proposals supporting the Capital Strategy and supporting programme, make no provision for the allocation of capital receipts from asset disposals. The Council is currently undertaking an asset review, linked to the approved Financial Improvement Plan, once completed, any potential asset disposals will be reviewed and a cost benefit analysis undertaken between allocation to capital financing and funding of transformational activity under the flexible use of capital receipts policy (Appendix D).
- 7.4 The development of a solar farm within the district is also not included in the proposed capital programme. In accordance with recommendations made within the recent CIPFA Resilience Review, the business case is currently under review. Should the business case be supported moving forward, alternative models of funding will be sought and the programme updated through the corporate governance process.
- 7.5 The proposed capital programme will be subject to amendment through approved projects relating to financial year 2025/26 (including the 3G Faraday Road Pitch), which are subject to financial monitoring and where appropriate slippage applied into the subsequent financial year. Slippage is reported to the Executive via the outturn review and reporting process. Approved projects which are proposed to be externally funded, and a borrowing requirement is not anticipated, are subject to review through the budget monitoring process, should a borrowing requirement arise, this will be reported through to the Executive.

8 Appendices

8.1 Appendix A – The Capital Strategy.

8.2 Appendices B& C – Capital Programme for financial years 2026/27 to 2029/30.

8.3 Appendix D – Flexible Use of Capital Receipts Policy.

Background Papers:

None

Subject to Call-In:

Yes: No: X

The item is due to be referred to Council for final approval X

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council's position:

Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months

Item is Urgent Key Decision

Report is to note only

Wards affected: All

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