

Appendix 5 - Slough Borough Council Capital Strategy 2026/27 - 2030/31

Introduction

The Capital Strategy is a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services along with an overview of how associated risk is managed and the implications for future financial sustainability. All schemes within the approved capital programme should deliver priorities within the Corporate Plan, see specific section below. It is a requirement of the Prudential Code and provides the policy framework that sets out the principles which guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's budgetary and medium-term financial planning process.

The Prudential Code requires the production of a Capital Strategy approved by full Council each year. Section 15(1) of the Local Government Act 2003 states that in carrying out its capital finance function under the Act (including the power to invest), a local authority shall have regard to guidance issued by the Secretary of State, which includes the Statutory Guidance on Local Government Investments.

This is reinforced by the Chartered Institute of Public Finance and Accountancy (CIPFA) which published a revised Prudential Code for Capital Finance in Local Authorities in 2017. The objectives of the Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

For Slough, a requirement of the "minded to" issuing of Exceptional Financial Support (EFS) to the Council by the Secretary of State, is that by the end of the 2025/26 financial year, the Council produces a refreshed Capital Strategy, along with the Treasury Management Strategy (TMS) and Medium-Term Financial Strategy (MTFS), all of which need to be aligned to the transformation plans, that establishes the council's journey to financial sustainability. As part of this the secretary of state guidance states that the commissioner will; providing advice and challenge to the Authority in the setting of annual budgets and a robust medium term financial strategy for the Authority, including strictly limiting future borrowing and capital spending;

The Capital Strategy focuses on the priorities within the Corporate Plan that underpin the Council's five-year capital programme as presented in this strategy. It gives a position statement with regards to capital expenditure and the resources available in terms of funding. The Strategy projects where the Council will be in five years' time and how it will get there and provides indicative assumptions as to future borrowing requirements for both General Fund and HRA capital investment to aid longer term financial planning and the drive to reduce debt. It also focuses on the key issues and

risks that will impact on the delivery of the Capital Investment Strategy and the governance framework required to ensure the Strategy is delivered.

The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the TMS, Asset Management Strategy, MTFs and the Corporate Plan, with an overarching objective to provide a strategic planning and decision-making framework to deliver a programme that is affordable, sustainable and represents best value. The Capital Strategy for Slough Borough Council (SBC) must also align with the requirement for the Council to reduce its level of debt and associated capital financing charges over a reasonable timescale to be comparable to the average for a unitary authority of a similar size and core funding level. A Debt Repayment Strategy has therefore been developed alongside this Capital Strategy and is also appended the budget report. The management of the Capital Strategy is also supported by the Council's approved Financial Regulations as approved by full Council.

The Council's capital expenditure plans are a key driver of treasury management activity. All capital expenditure must be financed, either from external sources (government grants, section 106 and other contributions) or the Authority's own resources (revenue, reserves, capital receipts and external borrowing). Slippage in the Capital programme delays the completion of schemes and can also result in the need to set aside more MRP in the short-term pending receipts being released.

The resources to deliver the Capital Strategy are allocated through the annual budget process that sets a five-year rolling programme. The objectives of the capital strategy include:

- To provide a framework for the use of capital in line with the CIPFA codes and statutory legislation in the delivery of priorities set out in the corporate plan.
- A mechanism for project prioritisation which ensures alignment with other key Council strategies and the delivery of statutory requirements.
- Set out the governance process for all projects including funding and resource requirements and the overall balance of risk.
- Determine and work within a prudent, affordable and self-sustaining funding policy framework whilst minimising or mitigating the ongoing revenue implications.
- Acknowledge the climate emergency and its impact on capital finance.

Corporate plan

The capital programme and the schemes within it should be aligned with the corporate Plan. The Corporate Plan is a key strategic document for SBC, which sets out the vision for the council and what we hope to deliver in the borough. It is not intended to cover everything the council does but sets out the council's aspirations and goals that will be delivered alongside our day-to-day activities.

The approach is:

- **Resident focussed:** We will serve the people of Slough first and foremost: responding to their concerns, ensuring their views are heard and delivering on the issues that matter most to them.
- **Providing financial sustainability:** We will build on our work to provide financial sustainability for the council and embed good practice for local government: living within our means, balancing our budget and being honest and open about the difficult decisions that we will need to make over the coming years.
- **Enabling residents and communities:** We will focus on enabling residents to live well independently: building community capacity and resilience, fostering self-sufficiency and creating platforms that allow our community to shape Slough's future.
- **Strengthening partnerships:** We will strengthen relationships with partners, the community and our young people through collaboration and co-operation: developing a united way of working, toward a shared vision for our town and its residents.
- **Building trust:** We will work to restore trust and confidence in SBC: ensuring that we are reliable, responsive and open, as we continue to recover and improve.

Our Priorities

1. A borough for children and young people to thrive
2. A town where residents can live healthier, safer and more independent lives
3. A cleaner, healthier and more prosperous Slough

A link to the current corporate plan can be found here 2023-27: [Slough Borough Council Corporate Plan 2023-27](#).

Capital Programme Overview

Capital investment is Expenditure on the acquisition, creation, or enhancement of 'non-current assets' i.e. items of land, property and plant which have a useful life of more than 1 year. Expenditure outside this definition is defined as revenue expenditure. Council's assets consist of:

- Property assets (operational, investment and community)
- Dwellings
- Infrastructure (e.g. roads)
- IT Assets (hardware and software)
- Vehicles and other plant and equipment

The capital programme is a key output of the capital strategy and encompasses the management of the range of physical assets the Council holds. The capital programme therefore reflects budgets and expenditure on the Council's many physical assets such as housing, schools, roads, major infrastructure projects. These assets are held within one of two funds – the General Fund (GF) for most asset types and the Housing Revenue Account (HRA) for social housing stock.

The Council typically sets its detailed Capital Programme over a five-year period based on secured (e.g. grant) and affordable (e.g. level of borrowing) funding. This is because the nature of the projects and programmes mean that the associated expenditure is incurred over several years rather than in a single financial year.

New borrowing is subject to internal approval at the capital board as well as sign off by the Council's Section 151 and Finance Commissioner in line with the terms of the EFS detailed above.

The focus for capital expenditure will continue to align with delivery of the council's statutory duties and corporate plan priorities set out above, with a focus on:

- Delivery of long-term financial sustainability (supported through EFS).
- Business critical investment for safe delivery of essential services to residents and staff.
- New legislation, investment required to comply with new legislative requirements.
- Investment in statutory services or economic growth that is financed from Government Grants or other external funding.
- Invest to save investment that transforms operational efficiency and generates a cashable positive return on investment.
- Investment that protects income streams, where the net present value of the benefit exceeds the capital expenditure required.
- Investment in affordable housing that supports the long-term sustainability of the HRA business plan.
- Other HRA refurbishment and regeneration within the parameters of the affordability measures set out below.

All capital proposal must meet at least one of the above criteria. Financial monitoring of the programme is carried out in a similar way to the revenue budget monitoring and reported to Cabinet on a quarterly basis and at year end through the Outturn Report.

Appraisal of Business Cases

All new additions to the Capital Programme, whether relating to operational service delivery or to maintain our investment portfolio, require a detailed business case which is initially reviewed and challenged by the Capital Board.

In the case of capital expenditure relating to service delivery the business case sets out the basis of the requirement (e.g. service continuity, health and safety, legislative requirements, invest to save), the justification for the amount and timing of the

expenditure, the impact of do minimum, what other options have been considered, the ongoing revenue implications and alignment to corporate priorities. Any schemes that require external borrowing will be subject to the sign off requirements detailed within the capital strategy.

Service delivery business cases are prioritised in the following order:

- Fully externally funded,
- Health and Safety / Legislative requirement,
- Invest to Save (with high level of confidence in the saving),
- Service delivery critical.

Any business cases not falling within these categories are rejected. Proposals are discussed agreed with CLT and discussed with portfolio leads, with the final proposals submitted to cabinet as part of the draft MTFP.

For business cases relating to our investment portfolio, for example capital expenditure needed to maintain rental income or increase the market value of an asset prior to disposal, or for new major acquisitions (either lease or outright acquisition) a business case needs to be submitted to [the Asset Disposal board]. The business case includes a detailed cash flow setting out the net present value of the lifetime income and costs of the asset and in the case of current investment properties a judgement is made on whether it is more beneficial to continue to hold the asset, along with the capital expenditure requirements, and retain the income stream, or to dispose of the asset and use the proceeds to reduce the capital Direction borrowing and associated financing costs. The final decision for such investment will be made by Cabinet.

The Council will also consider new acquisitions, for example to acquire or lease properties for the purpose of housing families living in private landlord Temporary Accommodation and so reduce the net cost to the council, careful consideration is given to delivery model (e.g. is the asset best held in the HRA or GF) to ensure it offers best value to the Council and complies with the various legislative restrictions. To be clear, in line with statutory guidance the Council does not make any acquisitions of property purely for yield.

The Council will test and deploy the practice above whilst working towards a documented proportionate option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication, Project and Investment Appraisal for Sustainable Value Creation - in line with the CIPFA FM Code.

Again, once officers have thoroughly explored all options a recommended option is discussed with portfolio leads with the final recommendation taken to Cabinet.

Capital Programme 2026/27 to 2030/31

The detailed capital programme broken down on a scheme-by-scheme basis can be found within the Capital Programme Appended to the budget report. The table below

shows the estimated capital expenditure for 2025/26 based on the Quarter 3 monitoring report through to 2030/31.

Capital Expenditure Draft Budget	25/26 Revised Budget	26/27 Draft Estimate	27/28 Draft Estimate	28/29 Draft Estimate	29/30 Draft Estimate	30/31 Draft Estimate	Total 26/27-30/31
	£m	£m	£m	£m	£m	£m	£m
General Fund	39.083	87.265	55.172	16.572	12.451	8.057	179.516
Council Housing (HRA)	26.515	25.029	24.877	23.652	22.468	22.520	118.546
TOTAL	65.597	112.294	80.049	40.223	34.919	30.577	298.062

At this stage the capital requirement for 2031/32 onwards can only be estimated, for Treasury Management and Debt Repayment purposes an assessment has been made of the anticipated general fund capital requirement to be funded from borrowing for the next 15 years from 2031/32 onwards. This can be found within the Treasury Management Strategy, which is a further appendix to the budget report.

The planned financing of the above expenditure is as follows:

Capital Financing General Fund	25/26 Revised Budget	26/27 Draft Estimate	27/28 Draft Estimate	28/29 Draft Estimate	29/30 Draft Estimate	30/31 Draft Estimate	Total 2026/7-30/31
	£m	£m	£m	£m	£m	£m	£m
Grants and Contributions	21.680	30.315	17.973	9.947	9.846	4.922	73.002
Capital Receipts	4.000	1.000	-	-	-	-	1.000
Prudential Borrowing - Capital Direction	15.709	50.899	31.433	3.000	-	-	85.332
New Borrowing	1.694	5.051	5.766	3.625	2.605	3.135	20.182
Total	43.083	87.265	55.172	16.572	12.451	8.057	179.516

Housing Revenue Account

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes capital works to existing stock and development of new affordable homes. The draft HRA Capital Programme to 2030/31 is indicative subject to finalisation of the updated HRA 30-year business plan. It is anticipated the programme will be funded from a combination of major repairs and revenue reserves, right-to-buy and other unapplied capital receipts. No additional borrowing is currently anticipated to be required to fund the programme over the period of the business plan.

As the Council continues to increase its capital investment programme and consider the wider strategic use of HRA capital receipts from disposal of surplus assets, it is important for the Council to have an agreed approach and framework for monitoring the financial capacity, capability of the HRA to deliver on its objectives towards refurbishment, investment, regeneration, and new supply and ensure the HRA remains sustainable over the 30-year period of the Plan. In doing so the following is proposed:

- The minimum HRA level of general reserves of £4m.

- The minimum level of Major Repairs Reserve of £5m
- Interest Cover of 1.25
- Interest cover ratio: This is the ratio of operating surplus divided by interest costs and represents the cover that the HRA has against its interest cost liabilities in any year. The minimum level should be 1.25 reflecting the national challenges HRA's face.

The above will need to be monitored on an annual basis by the Section 151 Officer and revised upwards if they consider that the risks and pressures facing the HRA warrants an increase and reassessed at each gate way review for the plan.

Detail on the HRA capital programme can be found in the Capital Programme appended to the budget report.

HRA CAPITAL EXPENDITURE	26/27 Draft Estimate £m	27/28 Draft Estimate £m	28/29 Draft Estimate £m	29/30 Draft Estimate £m	30/31 Draft Estimate £m	Total £m
Total - Repairs & Maintenance (RMI)	18.829	19.877	18.652	17.468	17.520	92.346
Total - Affordable Homes	6.200	5.000	5.000	5.000	5.000	26.200
TOTAL HRA CAPITAL PROGRAMME	25.029	24.877	23.652	22.468	22.520	118.546
FINANCING						
Major Repairs Reserve (MRR)	11.975	14.946	12.986	12.775	13.800	66.482
Capital Receipts Reserve (CRR)	8.763	5.641	10.666	9.693	6.720	41.483
Grant	2.791	2.791	0.000	0.000	0.000	5.581
Section 106	1.500	1.500	0.000	0.000	0.000	3.000
Revenue Contributions	0.000	0.000	0.000	0.000	2.000	2.000
Total Financing	25.029	24.877	23.652	22.468	22.520	118.546

Assets

The Council owns a diverse range of land and property assets that make an important and positive contribution to the borough. These are mainly used in the delivery of day to-day Council services and housing, while others generate income or are held for future regeneration opportunities, or as contributors to the provision of public services. Altogether, the Council's fixed asset base, made up of property, plant and equipment, is currently estimated to be worth £1.1bn of which £622m are housing assets.

The property asset base is generally accounted for in two core areas: HRA or housing portfolio and GF or non-housing portfolio. There are approximately 7,372 individually tenanted units within the HRA portfolio (including leasehold properties) and 338 assets in the GF or non-housing portfolio.

The non-housing portfolio includes assets mainly used to deliver the Council's civic functions (offices, libraries, depot, hostels etc), help discharge statutory obligations (e.g., schools), generate revenue income stream (retail units, light industrial sites etc) and help deliver specific corporate objectives. These assets are held and accounted for by the various services and directorates using them.

In addition to the land and property assets, the Council is also responsible for managing and maintaining 324km of public road network. The Council's responsibilities include ensuring highway assets are compliant, fit for purpose and fulfil their functions in an efficient and sustainable manner.

The Council first received EFS in relation to the financial year 2018/19 and since 2022/23 has had an asset disposal programme aimed at rationalising the asset base within Slough, generating disposals

Asset disposals:

GF: When a capital asset is deemed surplus, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. For Slough, due to the terms of the EFS agreement disposal receipts are used to reduce the level of borrowing required under the terms of the EFS agreement reducing the overall level of debt.

Local government disposal of cultural assets, including land, buildings, and museum collections, must follow strict legal frameworks, guidance from organisations like [Arts Council England](#) and [Historic England](#), and often involves community consultation.

The Council's Community Asset Transfer Policy sets out the council's policy for cultural assets. For this policy, a community heritage asset is defined as any asset holding historical, environmental, cultural, or social significance for the local community. This encompasses a range of items and places, including:

- Monument, historical buildings and archaeological sites (including statues, and other structures commemorating significant events or individuals as well as locations containing historical artifacts or ruins).
- Military and scientific equipment of historical importance.
- Historic motor vehicles, civic regalia, and orders and decorations (medals).
- Museum and gallery collections, and works of art.
- Areas, public open parks or landscapes that contribute to the community's identity and heritage.

The Council expects to receive £84.7m of net GF capital receipts from 2026/27 to 2029/30.

HRA: Before a disposal of a HRA asset is undertaken, consideration is given as to whether it would be in the best interest of the Council to appropriate the asset to the GF for continued council use. Any disposal receipts generated by the HRA are reinvested back into Council Housing services, the HRA expects to generate disposal receipts of £12.8m in 2026/27 and £2.8m in 2027/28.

No Detriment Policy: The no detriment principle was initially set out in the Akzo Nobel July 2024 Cabinet Paper where, following an in-depth review by EY, advice from GT

and engagement with MHCLG and taking advice from Grant Thornton, it was stated it is within the Council's gift to apply excess capital receipts to the General Fund if the Council can demonstrate that:

- there is no detriment to the HRA, and that the HRA does not require the 'excess capital receipts' to deliver a sustainable 30-year business plan.

The default starting point is to value any HRA asset being disposed of within the disposal programme at Estimate Use Value (EUV). The EUV of the asset takes into account all future income streams and costs arising from that asset over the lesser of the life of the asset or 30 years (being the HRA Business Plan).

The general fund will benefit from the any sale proceeds over and above the EUV after covering the cost of sales and any outstanding debt on the site.

The amount applied to the GF will primarily be utilised to reduce prior years' capitalisation directions, to reduce the level of borrowing, or for the financing of short-life assets.

Governance Arrangements

To ensure that available resources are allocated optimally and deliver value for money, the Capital Programme is managed through the Capital Board which meets monthly. The board focusses on:

- The monthly monitoring position and discussing key variances from planned expenditure and progress on key schemes.
- Discuss any emerging capital requirements, considering how they can be funded minimising external borrowing.
- Focus on the future capital programme and closure of accounts at the relevant points of the financial year.

If a scheme requires adding to the capital programme finance and the service work through cost benefit analysis to assess the delivery route that provides best value for money.

Should externally borrowing be required this would require Section 151 and Commissioner approval, if this is agreed then the scheme would be added to the programme via a separate cabinet report or as part of the quarterly monitoring report depending on the value of the addition.

Funding

There are several sources of funding that the Council uses to finance its Capital Strategy and programme in any given MTF period. The core sources of funding are summarised below:

Grants: These are sums of money given to the council, usually from central government bodies, that are predominantly for a specific purpose detailed in the grant agreement. These include Department of Education (DfE) and Department for Transport (DfT) funding.

Section 106: S106 agreements are made with developers/landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary infrastructure to support it. These contributions are site specific and can be 'pooled' into larger sums to fund projects where appropriate. All contributions received are 'ring-fenced' for the purpose as set out in the relevant agreement, these contributions often cover all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm and public art.

Right To Buy Receipts: These are capital receipts received from the sale of council housing. Local authorities in England now retain 100% of Right to Buy (RTB) receipts to fund replacement social housing, following updates that removed previous Treasury pooling requirements.

HRA Reserves: These are the balances ringfenced to the HRA generated from its operations since inception. They are held to fund 1) existing stock maintenance and improvement works and 2) redevelopment and investment in new homes.

Disposal Receipts: The Council has an asset disposal programme for both GF and HRA assets, receipts from GF assets are used to reduce the level of borrowing required as part of EFS agreement with MHCLG, disposals of HRA assets are reinvested into the HRA.

External Borrowing: Some projects and programmes cannot be funded from the above sources and if they meet the criteria set out within this document require funding from prudential borrowing. The Public Works Loans Board (PWLB) is Council's source of long-term borrowing given the transparency and control that its facilities.

Key Risks

Slough's risk appetite for GF capital investment is cautious, reflecting the Council's financial position and the constraints of the financial recovery process. The Council will take on capital risk where this is necessary to:

- Meet statutory duties and health and safety requirements.
- Maintain critical assets in a safe and usable condition.
- Support the delivery of agreed corporate priorities.

Capital risks are managed through the Council's existing risk management framework and its project and programme management arrangements. At project level:

- Business cases for significant schemes must include options appraisal, whole-life costing, sensitivity analysis and a project risk register with named owners.
- Risks are reviewed at key decision points within the stage gate process (initiation, feasibility, design, procurement, delivery and post-implementation), and mitigation plans are updated as projects progress.

At programme and corporate level:

- The overall capital programme is monitored regularly by officers and reported to Members, including updates on costs, funding, delivery timelines and major risks.
- Aggregate risks such as cumulative pressure on borrowing, the impact on revenue budgets and reserves, and delivery capacity are assessed alongside the MTFS.
- Where risks are judged to be outside the Council's risk appetite or threaten the delivery of the financial recovery, options include re-profiling, scaling back or deferring schemes, or using contingencies and reserves where available.

Significant capital risks are recorded and monitored within the Council's corporate risk dashboards where appropriate, ensuring visibility through senior management and Member oversight. Given that the capital programme spans across five financial years there are many risks that need to be considered as part of developing the capital programme including:

- Contractors going into administration and being unable to complete work on projects.
- Increased cost pressures caused by rising inflation rates, which may cause further change to scheme scope to meet with funding availability and could lead to contractors looking to renegotiate scheme costs.
- Delays to projects caused by supply chain disruptions, labour shortages and other factors, which may cause costs to increase due to inflation or additional costs such as storage.
- The Council may need to make additional savings meaning certain schemes may need to be paused/aborted. This risk may become more prevalent as the Council is currently forecasting an overspend and therefore will look to make savings to combat this.
- A project may not deliver the expected benefits.
- A project may not meet the criteria laid out in its funding requirements (for example grant funding with conditions attached), leading to a potential repayment of this funding. If this materialises then there is a possibility some or all the funding would need to be repaid.

- Competing priorities for limited resources requires statutory requirements (for example Health & Safety works or changes resulting from new building regulations) to be met first, potentially limiting the number or scale of schemes within the programme.
- Lack of capacity to seek external funding where necessary or appropriate to procure and deliver agreed projects.