

Debt Repayment Strategy

Introduction

The Council requires a debt repayment strategy so that there is a clear plan to reduce the level of General Fund (GF) debt to under £300m, over the next 10 financial years as well as lowering the % of the debt servicing costs compared to the net revenue budget, with 10% the targeted level.

The Council agreed a debt repayment strategy in 2021 predicated on the generation of c£400m capital receipts from disposal of General Fund assets to 2027, both to repay additional borrowing required to finance Capitalisation Directions and existing debt. After this, further operational and financial reviews have been undertaken to assess what could be delivered from asset disposals, the outcomes of which have been included in subsequent annual Treasury Management Strategy's.

An assessment of borrowing per capita amongst a sample of 15 local authorities of similar size, including Berkshire neighbours, London Boroughs and wider unitaries, based on information from published final or draft 2024/25 statements of accounts is set out in the table below:

Local Authority Comparators	Population	Debt as at 31/03/25 (£m)	Per Capita	Equivalent Average Debt to SBC Popn (£m)
Slough	158500	461.933	2,914.40	
Nearest Neighbours (Berkshire)	746,561	1,319.14	1,766.95	280.062
London Boroughs of Similar Size	700,865	1,238.15	1,766.60	291.687
Other Unitary Authorities of Similar Size	1,030,564	2,210.89	2,145.32	340.033
Total in Sample (15)	2,477,990	4,768.176	1,924.21	304.987

It should be noted that the comparator table above shows authorities have an average net debt of £304m across GF & HRA, therefore the targeted level of below £300m for the GF debt in Slough remains significantly above the benchmark.

Overview

The Councils overall Capital Financing requirement is £686m, of which £523m relates to the GF and £162.9m to the HRA. The table below shows the current level of indebtedness for the Council (after balances held), of which £373.5m relates to the GF and £101.9m to the HRA.

Table 1 – Capital Financing Requirement

Capital Financing Requirement	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30
	Estimate £m	Budget £m	Forecast £m	Forecast £m	Forecast £m
General Fund CFR	523.0	536.4	536.2	495.0	474.9
inc. Capitalisation Direction	91.6	111.7	118.2	87.1	78.9
Housing Revenue Account CFR	162.9	162.9	162.9	162.9	162.9
TOTAL CFR	686.0	699.3	699.1	657.9	637.9
Other Balance Sheet Items - GF	-149.6	-132.0	-110.5	-106.4	-104.0
Other Balance Sheet Items - HRA	-61.0	-65.3	-64.9	-61.7	-61.8
TOTAL OTHER BALANCE SHEET ITEMS	-210.6	-197.3	-175.4	-168.2	-165.9
TOTAL NET INDEBTEDNESS	475.4	502.0	523.7	489.7	472.0
General Fund Net Indebtedness	373.5	404.5	425.7	388.6	370.9
HRA Net Indebtedness	101.9	97.6	98.0	101.2	101.1
TOTAL NET INDEBTEDNESS	475.4	502.0	523.7	489.7	472.0

It is important that the Council has a plan to reduce the level of debt at a manageable level whilst delivering core Council service and having a capital programme that meets the longer-term needs of the borough.

Key Considerations:

Exceptional Financial Support and Disposal Receipts

Disposal of assets continues to be a key element of the debt repayment strategy. Capital receipts generated from the disposal of GF assets are primarily applied against debt incurred from EFS through Capitalisation Directions or to finance capital expenditure on short-life assets, reducing the need for further external borrowing and maximising the revenue saving from interest costs and Minimum Revenue Provision (MRP).

As of the 31st March 2026, the Council have an in-principle agreement for a capitalisation direction of up to £352.2m, primarily funded by capital receipts from asset sales. £227.8m of disposal receipts have been realised (which includes £4.9m of disposal receipts expected in the remainder of 2025/26) and after accounting for £32.8m of MRP, the balance of borrowing which has been required under the Exceptional Financial Support (EFS) agreement is £91.6m.

Subject to agreement from MHCLG the Council has a further capitalisation direction of up to £65.3m across 2026/27 and 2027/28 to support the Council balancing the budget in these financials' years and funding revenue investment in transformation to enable the Council to set a balanced budget from 2028/29 without the requirement

for further EFS. Additionally, £20m of investment in transformation is included in the Capital Programme, spread across 2026/27, 2027/28 and 2028/29.

A further £79.4m of GF assets are due to be disposed of across the next 3 financial years which if delivered will significantly reduce the level of additional borrowing required under the EFS agreement. This is dependent on the Council being able to realise the sales value anticipated and that the sales are achieved as profiled, any delays to these sales will lead to the Council having to borrow more money to fund day to day GF expenditure.

The Council will utilise excess capital receipts arising from the disposal of HRA assets under the “no detriment” principle to support investment in transformation, in accordance with the agreed Flexible Use of Capital Receipts policy, including the acquisition of assets to facilitate the delivery of revenue savings, such as new technology. As of 31st March 2025, £4m of excess receipts were held, with £1.3m to be used during 2025/26 and £2.7m to be carried forward.

This position is shown within the table below:

Table 2 - EFS and Disposal Summary:

Financial Year	EFS In Year £m	Transformation Investment £m	Capital Receipts applied £m	Minimum Revenue Provision £m	Borrowing Related to EFS £m
2018/19	78.0				
2019/20	47.5		7.7	2.9	
2020/21	24.9		0.0	4.5	
2021/22	60.0		1.7	5.5	
2022/23	56.6		107.2	7.8	
2023/24	46.3		26.9	4.5	
2024/25	23.1		75.6	4.9	
2025/26	15.7		8.7	2.8	
Sub Total	352.2	0.0	227.8	32.8	91.6
2026/27	42.9	8.0	27.7	3.0	
2027/28	22.4	9.0	21.4	3.6	
2028/29	0.0	3.0	30.3	3.8	
Total	417.5	20.0	307.2	43.3	87.1

Italics are forecast receipts from disposals.

Capital Programme

The Council has reviewed the capital programme for the next five years. There is £20.2m of expenditure which cannot be funded from grants or contributions and will require external borrowing as detailed within the capital strategy.

Assumptions for annual changes in the Capital Financing Requirement for years 6 to 10, arising from capital expenditure not funded externally are set out below.

The Council will continue to review the capital programme as part of the annual Medium Term Financial Planning process to ensure alignment with the capital strategy, and where possible avoiding schemes requiring significant borrowing unless they deliver clear service and financial benefits.

The Model:

Key Considerations

A debt repayment model has been built which reduces Council debt over the next 10 years, the key considerations above are reflected within the modelling along with the following assumptions and where they are reflected in the model:

Opening Liability Benchmark:

- Opening (2026/27) General Fund Liability Benchmark of £384.13m.

Capital Programme (plus Contingency from yr 6):

- Capital expenditure for years 1-5 as per the capital programme which includes service capital investment, transformation investment and EFS.
- Capital expenditure for years 6-10 of the models estimated based on a service-by-service assessment of future requirements taking account of estimated asset lives and benchmarked investment in fixed assets. This is averaged over the period, with a 40% contingency allowance in line with sector norm to reflect uncertainty over costs in future years.
- The Dedicated Schools Grant (DSG) is assumed to overspend by £5m in 2026/27 and £20m in 2027/28, which is an assessment based on the final Local Government Funding Settlement. The Council will need to borrow to cover the cost of this expenditure and that borrowing will be a GF cost. This assumption may change once there is further guidance from government but at this stage based on available information this is the prudent position to take.

Balance Sheet (Reserves/Working Cap):

- The anticipated increases/decreases to the balance sheet on an annual basis are reflected in the model, this includes the impact on GF and HRA reserves as well as the DSG deficit (as reflected in the Budget and HRA business plan).

Asset Disposals:

- GF disposals as detailed above for 2026/27, 2027/28 and 2028/29, with an additional £5.3m for 2029/30.

Minimum Revenue Provision:

- The model accounts for the additional MRP on all capital investment detailed above.

There are many factors that could impact the Council's level of debt both favourably and adversely, the ones considered to have a significant financial impact are explained further below:

- Reducing the 40% contingency line for capital expenditure in years 6-10 down to 20%, reflecting that whilst the 40% is an accepted benchmark, the local authority will continue to avoid schemes which require the funds to be borrowed unless they deliver clear service and financial benefits.
- A 10% prudence figure on the capital receipts assumptions reflecting some of the challenge realising disposal receipts and

The model will be reviewed internally on a quarterly basis and the strategy updated on an annual basis or where significant internal or external factors require it to be amended.

Appendix 1 Debt Repayment Model 2025/26 to 2045/46:

General Fund Debt Repayment Model	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	
	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35	35/36	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Opening Liability Benchmark	384.13	389.20	396.57	363.60	350.11	342.12	330.22	318.10	305.64	292.82	
Capital Programme (plus Contingency from	60.95	57.20	6.63	2.61	3.14	6.39	6.55	6.71	6.88	7.05	
Balance Sheet (Reserves/Working Cap)	(-7.63)	7.44	7.60	6.22	6.55	(-0.02)	(-0.07)	(-0.14)	(-0.19)	(-0.29)	
Asset Disposals	(-27.73)	(-21.36)	(-30.30)	(-5.27)	0.00	0.00	0.00	0.00	0.00	0.00	
Minimum Revenue Provision	(-15.51)	(-15.91)	(-16.90)	(-17.04)	(-17.68)	(-18.27)	(-18.60)	(-19.03)	(-19.52)	(-19.43)	
Closing Balance	394.20	416.57	363.60	350.11	342.12	330.22	318.10	305.64	292.82	280.15	
Increase/ (Decrease)	5.07	7.37	(-32.97)	(-13.49)	(-7.99)	(-11.90)	(-12.12)	(-12.46)	(-12.82)	(-12.67)	
Debt Servicing Costs	22.80	25.60	26.98	27.03	24.37	24.70	24.99	25.53	26.00	26.57	
Net Revenue Budget	193.72	204.08	219.83	224.22	228.71	233.28	237.95	242.71	247.56	252.51	
% of Debt Servicing Cost to Net Revenue Bu	11.77%	12.55%	12.27%	12.06%	10.66%	10.59%	10.50%	10.52%	10.50%	10.52%	
Debt Repayments	35.50	28.81	24.21	25.21	23.42	24.17	20.26	19.54	17.86	7.70	
To be Refinanced/ New Borrowing	40.57	36.18	(-0.00)	2.96	15.43	12.28	8.13	7.09	5.04	0.00	
Change	5.07	7.37	(-24.21)	(-22.25)	(-7.99)	(-11.90)	(-12.12)	(-12.46)	(-12.82)	(-7.70)	

Sensitivities	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35	35/36	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Reduce Contingency Assumption on CP (20%)						0.91	1.81	2.70	3.57	4.44	
Amended Closing Balance`	394.20	416.57	363.60	350.11	342.12	329.31	316.29	302.94	289.24	275.71	
Capital Receipts reduce by 10%	- 2.8	- 4.9	- 7.9	- 8.5							
Amended Closing Balance`	396.97	421.48	371.54	358.58	350.59	338.69	326.57	314.11	301.29	293.59	