

Cheltenham Borough Council

Council – 23 March 2026

Capital, Investment, Treasury Management Strategies 2026/27

Accountable member:

Councillor Peter Jeffries, Cabinet Member Finance and Assets

Accountable officer:

Adele Taylor, Director of Finance and Operations S151 Officer

Ward(s) affected:

All

Key Decision: No

Executive summary:

In December 2017, CIPFA published updates to the Prudential Code and The Treasury Management Code of Practice. The Prudential Code requires the Council to approve a Capital Strategy on an annual basis in advance of the forthcoming financial year. The Ministry for Housing, Communities and Local Government (MHCLG) also updated statutory guidance on treasury management which has resulted in changes to the Treasury Management Strategy and the introduction of a separate Investment Strategy.

Wider consultation took place across the Council in the preparation of these documents to reflect our collective vision for the use of assets and resources to drive economic recovery in the town following the pandemic and help facilitate growth. These have been reviewed again this year in light of the changes to the 2026/27 budget which was approved by Full Council on 27 February 2026. In particular, there is ongoing focus on the use of capital receipts to support our capital programme and treasury management activity.

Page 2

In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management and the Prudential Code by relevant Capital Finance Regulations. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities.

Recommendations:

1) The Council considers and approves the following:

- The Capital Strategy 2026/27 at Appendix 2;
 - The Investment Strategy 2026/27 at Appendix 3; and
 - The Treasury Management Strategy Statement 2026/27 at Appendix 4.
-

1. Implications

1.1 Financial and Asset implications

As detailed throughout this report.

Signed off by: Adele Taylor, Director of Finance and Operations (S151)
adele.taylor@cheltenham.gov.uk

1.2 Legal implications

None arising from the recommendations in this report.

Signed off by: One Legal, legalservices@onelegal.org.uk, Tel no: 01684 272012

1.3 Environmental and climate change implications

The capital and investment strategies outline how our assets and resources are planned to be used to meet our corporate priorities, including those relating to carbon neutrality. These schemes and subsequent funding were approved by Council on 27 February 2026.

Signed off by: Maizy McCann, Climate Emergency Officer

1.4 Corporate Plan Priorities

The capital and investment strategies outline how our assets and resources are planned to be used to meet our corporate priorities.

Signed off by: Ann Wolstencroft, Director of Corporate Resources

1.5 Equality, Diversity and Inclusion Implications

None directly related to the recommendations in this report.

1.6 Performance management – monitoring and review

The performance against our strategies will continue to be monitored by the Finance team throughout the year. The budget and the treasury management activity will be subject to scrutiny throughout the year from the Budget Scrutiny Working Group and Treasury Management Panel.

2 Background

- 1.1. Local authorities in England are legally obliged to “have regard” to the CIPFA Treasury Management Code and the Prudential Code by relevant Capital Finance Regulations.
- 1.2. Local authority investment decisions have made headlines over the past few years with questions being raised about the role of local authorities investing in property and assets as a means to generate income to compensate for the reduction in government funding. Investing in property and other assets is nothing new for this Council who have historically held major assets such as retail sites and commercial property. The scaling up of investments by local councils has been brought to the attention of DHCLG and CIPFA resulting in changes to the Treasury Management Code and the Prudential Code.
- 1.3. Chartered Institute of Public Finance (CIPFA) published its revised Treasury Management Code of Practice and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 1.4. CIPFA published its new 2017 guidelines of Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes and the Prudential Code for Capital Finance in Local Authorities just before the end of 2018. The Council is now required to prepare and approve three strategies/statements on an annual basis:
 - Capital Strategy;
 - Investment Strategy;
 - Treasury Management Strategy Statement
- 1.5. Additionally, a DHCLG consultation (now MHCLG) was concluded in August 2020 which now means that from 26 November 2020 local authorities are prohibited from using monies borrowed from the Public Works Loan Board (PWLB) to invest purely for yield. Borrowing can still be used for service expenditure and schemes focused on regeneration, housing or funding interventions to prevent negative outcomes for a local area.
- 1.6. The capital and investment strategies present how we continue to comply with these requirements by focusing our assets, resources and investments on our key corporate priorities to support the economic recovery of the town. The MRP policy for 2026/27 was approved as part of the final budget proposal for the General Fund revenue and capital budgets.
- 1.7. We have used the strategy documents to set out our approach to future capital, investment and funding decisions which balances social value, sustainability, regeneration, commercial and housing needs at a strategic level to ensure a lasting legacy can be left for the residents of Cheltenham.
- 1.8. This will guide the management of our current portfolio and guide future potential investment by establishing a clear vision, objectives and selection criteria.

3 Reasons for recommendations

- 3.1 The Council is required to approve these strategy documents in line with the CIPFA guidelines in advance of each financial year.

4 Consultation and feedback

- 4.1 Each strategy is attached at Appendices 2 - 4 and is based on information relating to the Council's local circumstances with accompanying information and advice supplied by the Council's treasury

advisors Arlingclose Limited.

4.2 The financial information included in these documents was approved by Council on 27 February 2026.

5 Key risks

5.1 The risks are in appendix 1

Report author:

Adele Taylor, Director of Finance and Operations (S151 Officer), adele.taylor@cheltenham.gov.uk

Appendices:

1. Risk Assessment
2. Capital Strategy 2026/27
3. Investment Strategy 2026/27
4. Treasury Management Strategy 2026/27

Background information:

1. The Housing Revenue Account Revenue and Capital Final Budget Proposal – Council 27 February 2026
2. The General Fund Revenue and Capital Final Budget Proposal - Council 27 February 2026

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
52	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	5	4	20	Reduce	<ul style="list-style-type: none"> - Commercial strategy & activities - Quarterly budget monitoring - Cabinet engagement - budget proposals - Increased capacity in the finance team - Cabinet Away Day challenge and decisions - Ongoing monitoring of targets for workstreams/ser vices 	Section 151 Officer	Ongoing
403	Prioritisation of capital resources – If CBC are unable to prioritise medium term projects and programmes which require significant capital financing, then it will increasingly have to rely of borrowing to	Cabinet	5	4	20	Reduce	<ul style="list-style-type: none"> - Ongoing review and alignment of the capital programme with the Corporate Plan - Quarterly budget monitoring - Cabinet engagement - 	Section 151 Officer	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	fund service investments increasing the pressure on our revenue budgets to fund repayments.						<ul style="list-style-type: none"> - budget proposals - Gateway reviews of all projects through the Corporate Programme office - Cabinet Away Day challenge and decisions - Business case and approval for all new projects, including allocation of resource and budgets 		
53	If General Balances are not strengthened then insufficient reserves will be available to cover unanticipated spend or deficits resulting in the levels which will consequently fall below the minimum required level as recommended by the Section 151 Officer in the council's Medium Term Financial	ED Finance and Assets	5	3	15	Reduce	The MTFs is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2025/26 and in ongoing budget monitoring, consideration will continue to be given to the use of	Section 151 Officer	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	Strategy						fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.		
199	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.	ED Finance and Assets	4	3	12	Reduce	<p>The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the Council.</p> <p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p>	Section 151 Officer	Ongoing

Cheltenham Borough Council Capital Strategy 2026/27

1. INTRODUCTION

- 1.1** The Council's Capital Strategy outlines the principles and framework that underpin our long-term capital investment and expenditure proposals. The Capital Strategy has been a statutory requirement for all Councils to produce and review annually since April 2018 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2018.
- 1.2** New development and regeneration in Cheltenham are necessary and essential to:
- Help facilitate economic growth and recovery
 - Help meet our housing needs
 - Help create commercial space that supports our key employment sectors
 - Support the financing of our capital programme through the generation of capital receipts
 - Stimulate a positive climate for inward investment into Cheltenham
 - Help to deliver on our climate and environmental commitments
- 1.3** The Councils Capital Strategy forms a key part of our overall Corporate Planning Framework. It provides a mechanism by which our capital investment and financing decisions can be aligned with our over-arching corporate priorities and objectives over a medium-term planning horizon.
- 1.4** In refreshing the Capital Strategy, it is important that we set this within the current wider corporate strategy context, together with our priorities for investment, growth, climate change and social value. In setting the vision and key principles around how we plan to invest in the delivery of homes, commercial space and supporting infrastructure we can deliver on the outcome of creating new places and investing and regenerating our existing places.
- 1.5** The Strategy has direct links to the Councils Asset Management Strategy, Commercial Strategy, Investment Strategy, Treasury Management Strategy and emerging Housing Investment Plan. It forms a key part of the Councils Medium Term Financial Strategy (MTFS) as presented in the table below.
- 1.6** Collectively these plans and strategies will develop a diverse investment programme that allows cross subsidy across the programme to balance the social, economic and environmental outcomes set out in the councils 2025-28 Corporate Plan.

Category	Overall	Revenue	Capital	Treasury Mgmt	Risk Management
Strategies	Medium Term Financial Strategy				
	Commercial Strategy	Investment Strategy	Capital Strategy	Treasury Mgmt (TM) Strategy	Risk Management
			Asset Mgmt Strategy		
Guidance	CIPFA and Technical Guidance	Budget Guidance	Capital Guidelines	CIPFA Code for Practice for TM	Risk Management Guidance
Plans	MTFP Projection	Annual Budget	Capital Programme & Asset Mgmt Plan	Treasury Policy Statements	Risk Register
Governance	Constitution and Annual Governance Statement	Quarterly Performance Reports		Prudential Indicators and Annual Report	Risk Register reporting and regular review
	Contract and Finance Procedure Rules				Audit Committee and Cabinet Reports
	Internal and External Audit Plans and our response to audit review				
Decision making	Cabinet/Council				

2. OUR VISION AND AMBITIONS FOR CHELTENHAM

2.1 Cheltenham is a world-renowned cultural destination; our town is rated one of the best places to live and it is also the UK’s capital of cyber and security. We want everyone who lives and works in our town to benefit from Cheltenham’s successes, and for all our residents and communities to thrive, not just survive, so that our town continues to be a fantastic place to live, work and visit.

- 2.2** Our decision in 2023 to bring housing services back into the Council has given us an opportunity to review our existing Corporate Plan and ensure our priorities and activities going forward reflect our additional responsibilities not only as a housing provider, but as landlord to the tenants and leaseholders who live in our properties.
- 2.3** We are setting a higher standard for ourselves, and our town, to build a better future for everyone in Cheltenham, but we also recognise that pressures such as the cost of living impact our residents, businesses and communities. So, we will continue to work alongside our partners in the months and years ahead to deliver practical support and, as a council, we will aim to provide an excellent service to everyone, regardless of need or access to technology. We will also continue to invest in partnerships and services that will strengthen the long-term financial stability of Cheltenham.
- 2.4** The capital investments outlined in this document are a key part of our approach to shaping and re-prioritising for Cheltenham. To drive longer term economic recovery in the town will take a fully integrated, whole Council approach focused on strategic outcomes within an understanding of place, commerciality, regeneration and our overarching contribution to climate change.
- 2.5** With that in mind, we need to take an approach to future investment decisions and our management of our asset portfolio which balances social value, sustainability, regeneration, commercial and housing needs at a strategic level to ensure a positive direction of travel to economic recovery continues. This also needs to underpin our overall financial sustainability of the Council to ensure we can deliver the essential services we both need and want to deliver.
- 2.6** A review of our approach to investment activity and the use of our assets and capital resources has been undertaken and the Council's asset management strategy was refreshed and reviewed by Full Council in February 2022. This provides the strategic vision and delivery framework that will help guide management of our current portfolio and, together with our investment strategy, will guide future potential investment by establishing a clear vision, objectives and selection criteria.

3. PURPOSE OF THIS STRATEGY

- 3.1** The key aims of this Capital Strategy are:
- To outline the capital programme in the MTFS and how it has been developed in alignment with the key priorities outlined in the 2025-28 Corporate Plan
 - To set out the required and available funding options for the programme, including how these have been appraised to ensure we are able to achieve the best outcomes for our town and are maximising the benefit of our assets and resources. This includes indirect

benefits such as increase in jobs, skills, inclusive growth, increase in tax revenues, place shaping outcomes, climate change deliverables, accelerating delivery of the Cheltenham Plan and Joint Core Strategy.

- To present the arrangements that enable a programme wide approach for managing and monitoring the capital schemes in the programme, and assessing potential new schemes, including assessment of outcomes, the use of any financial returns and the continual alignment to our Corporate Plan. We also demonstrate how this contributes to our ongoing financial sustainability as an organisation.

What is capital expenditure?

Capital expenditure is where the Council spends money on assets, such as land, property or vehicles, which will be used for more than one year. The Council has a minimum threshold of £10,000 for capital. Anything below £10,000 is not capitalised and is charged to the revenue budget.

4. HOW WE INVEST OUR MONEY

4.1 In 2026/27, the Council is planning capital expenditure of £85.655m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2024/25 actual £000's	2025/26 forecast £000's	2026/27 budget £000's	2027/28 budget £000's
General Fund services	7,012	6,726	1,856	718
Council housing (HRA)	18,055	33,122	43,328	45,662
Capital investments	6,055	445	40,471	73,297
TOTAL	31,122	40,293	85,655	119,677

What is the HRA?

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.

4.2 The 2025-28 Corporate Plan outlines the Council's strategic priorities for Cheltenham, what we have chosen to focus on and why we think these are important for our town. The sections below summarise the key commitments made in the capital programme to support the key priorities in the Corporate Plan.

4.3 Priority One – Securing our future

Our capital investment supports Cheltenham's long term economic resilience, productivity and place making. Significant commitments within the programme underpin the town's future growth trajectory.

- Investment in the Golden Valley development, including delivery of the National Cyber Innovation Centre and associated financing costs, strengthens Cheltenham's position as a national centre for cyber innovation and high value employment. £101.7m
- The Minster Innovation Exchange, delivering c.20,000 sq. ft of commercial space, enhances the town centre's role as a creative and digital hub. £0.015m
- Investment in event space development following the disposal of the Municipal Offices supports Cheltenham as a destination for culture, conferencing and business activity. £0.5m
- Enhancements to CCTV infrastructure in key commercial areas improve safety and help sustain a thriving town centre economy. £0.075m

Collectively, these investments ensure Cheltenham remains competitive, attractive and well positioned to secure future prosperity, fully aligning with our ambition to promote Cheltenham as a place to live, work, visit and invest.

4.4 Priority Two – Quality homes, safe and strong communities

Our capital investment underpins our commitment to providing high quality homes and creating neighbourhoods that are safe, resilient and inclusive.

General Fund

- Housing Delivery and Housing Enabling budgets support additional and affordable housing supply through partnership working with Registered Providers and Homes England. £9.0m
- Investment in public conveniences at Sandford Park and Montpellier, alongside improvements to sport and leisure assets such as recreation centre waterproofing, enhances neighbourhood quality and local pride. £0.15m

HRA

- Significant internal improvements, including kitchens, bathrooms and rewiring, ensure our homes meet modern quality and safety standards. £25m
- External and communal upgrades, including fencing, pathways, lighting and CCTV, Strengthen neighbourhood safety and the quality of the local environment. £7.1m
- Fire protection works, including enhanced systems in communal areas, ensure regulatory compliance and resident safety. £4.4m

- Door entry and lift replacements improve accessibility and security for residents, particularly those in sheltered accommodation. £1.9m

This investment ensures we make best use of our stock, provide safe and high-quality homes, and maintain neighbourhoods where people feel secure and supported.

4.5 Priority Three – Reducing carbon, achieving council net zero, creating biodiversity

Our capital programme makes a fundamental contribution to the decarbonisation of our operations, our homes and our public realm in line with our ambition to achieve net zero by 2030.

General Fund

- A dedicated Carbon Neutral agenda seed fund enables delivery of key actions required to meet the Council's climate commitments. £0.07m
- Decarbonisation of Leisure@, including LED lighting and pool cover improvements, delivers long term energy savings in one of our highest use assets. £0.33m

HRA

- A comprehensive programme of energy efficiency and sustainability measures—including insulation, renewables and heat pump ready systems—supports the decarbonisation of council homes. £15.4m
- Heating system renewals and window/door replacements improve thermal performance, reduce carbon emissions and lower energy costs for tenants. £2.0m

These investments drive emissions reduction across our assets, help create warmer and more affordable-to-heat homes, and contribute to our biodiversity and climate objectives.

4.6 Priority Four – Reducing inequalities, supporting better outcomes

Capital investment plays a key role in supporting health, wellbeing and inclusive access to facilities, ensuring opportunities are available to all communities.

General Fund

- A programme of play area enhancement improves access to high quality play provision for families across Cheltenham. £0.32m
- Investment in public conveniences at Sandford Park and Montpellier. £0.15m

HRA

- Upgrades to communal areas, including lighting, flooring and CCTV, contribute to safer, more supportive living environments. £1.04m

- Improvements to sheltered accommodation provide better facilities for older residents and promote social inclusion. £0.11m

These investments align with our ambition to broaden participation in sport, culture and leisure and to improve outcomes for residents across the borough.

4.7 Priority Five – Taking care of your money

Our capital programme enables modern, efficient and financially sustainable services, while safeguarding the value of the Council's assets.

General Fund

- Investment in the IT Infrastructure programme and the development of a digital platform for Cemeteries and Crematorium services modernises our systems and improves customer experience. £0.53m
- The Asset Management Strategy implementation ensures the long-term sustainability and productivity of our operational and investment estate. £0.3m

HRA

- Ongoing stock condition surveys, structural works and communal service renewals (e.g., wiring, fire detection, CCTV) strengthen our ability to manage assets proactively and reduce future maintenance liabilities. £0.97m
- Replacement of door entry systems and lifts lowers lifecycle costs and enhances service reliability. £0.95m

These programmes support our commitment to delivering high quality services efficiently, using technology and prudent asset management to maintain financial resilience.

Our Capital Strategy aims to invest and deliver for the residents, communities and businesses in Cheltenham.

5. HOW WE FUND CAPITAL SPENDING

Capital Programme Funding Overview

5.1 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the current capital programme is as follows:

Table 2: Capital financing

	2024/25 actual £000's	2025/26 forecast £000's	2026/27 budget £000's	2027/28 budget £000's
External sources	8,499	2,751	24,618	6,433
Own resources	11,284	14,970	13,261	11,711
Debt	11,339	22,572	47,776	101,533
TOTAL	31,122	40,293	85,655	119,677

5.2 In order to maximise the resources available to us, we look to fund new capital programmes from external resources and capital receipts from disposal of surplus assets where possible. The Council would only look to fund schemes through borrowing if no other funding source was available and where the business case demonstrates the loan can be repaid through the investment and that associated borrowing costs can be covered without additional pressure on the revenue budget.

5.3 Council resources will be allocated to programmes based on asset values to manage the long-term yield and revenue implications. Capital receipts and reserves will be focused on those assets with short term life span (e.g. vehicles and IT investments) and the unsupported borrowing on long term assets (e.g. land and buildings). In assessing value, those outside capital receipts will be fully considered.

Capital Funding from External Sources

5.4 There are a number of external sources of capital funding which are proposed to be used to fund the 2026/27 capital programme. The most significant are:

- Funding through the Government's UK Shared Prosperity Funding (UKSPF)
- Better Care Fund grant funding.
- External funding from partner organisations
- The Government's Warm Homes Wave 2 Social Housing Decarbonisation Fund.
- Levelling Up grant funding

5.5 Throughout the financial year, available sources of funding will continue to be reviewed as new schemes are announced by the Government to support Local Government.

Capital Funding from our own Resources

General Funding from Capital Receipts

5.6 Capital receipts from the disposal of assets represent a finite funding source and it is important that a planned and structured manner of disposals is created to support our priorities and fully considered within the context of our strategic context and wider place shaping outcomes. The Council's estate is managed through the Asset Management Plan which identifies property requirements and, where appropriate, properties which are surplus to requirement, and which may be disposed. This strategy is under review and will be assessed within the vision and principles of economic recovery and place vision.

5.7 The capital receipts funding the programme for the 2026/27 financial year is:

Table 3: Capital receipts

	2024/25 actual £000's	2025/26 forecast £000's	2026/27 budget £000's	2027/28 budget £000's
GF Capital programme	678	629	5,494	810
HRA Capital programme	3,913	3,936	3,940	3,940
TOTAL	4,591	4,565	9,434	4,750

5.8 As part of the November 2015 Spending Review, the Government announced greater flexibility in the use of capital receipts to fund the revenue costs of service reform and transformation. In February 2021, the Government announced that this policy will be extended to 2030 for qualifying expenditure.

5.9 We will continue to maintain a policy of not ring-fencing the use of such capital receipts to fund new investment in specific schemes or service areas, but instead, to allocate resources in accordance with key aims and priorities, subject to the following exceptions:

- capital receipts received in respect of right to buy sales will be wholly invested in the provision of additional housing.
- any receipts from the sales of properties previously acquired for site assembly where borrowing has previously incurred will be used to repay the debt incurred on that particular acquisition.

- 5.10** The Asset Management Strategy outlines a number of different categories of assets, from surplus land to community centres. To reduce the Council's reliance on borrowing there is a proactive drive to identify a pipeline of sites to consider for disposal. These will include sites which are not used for the delivery of services, can be used differently or will provide an opportunity for economic growth and development. The receipt from any of these sales can then be re-invested by the Council whilst the land disposed can also be used more productively for local needs.
- 5.11** This same approach is also a key consideration in 2026/27 for the funding of the future HRA capital program. A large amount of planned maintenance work is currently proposed to be funded by borrowing which will increase the pressure on the revenue budget. The sale of some strategic sites would provide capital to replace this borrowing

Capital Funding from Borrowing

- 5.12** The Prudential Code for Capital Finance in Local Authorities ("the Code") was introduced throughout Great Britain in April 2004. The Code allows Councils to undertake borrowing to meet its objectives if this is considered to be affordable, prudent and sustainable, measured using prudential indicators. When undertaking borrowing, we must make sure we are satisfied that these conditions are met.
- 5.13** The schemes included in our capital programme have been assessed as clearly focused on our corporate priorities, attract significant third-party investment and generate financial and non-financial benefits to our residents and communities in future financial years. They are also supported by a business case which demonstrates that the ongoing costs of borrowing can be covered without adding unfunded pressure on the revenue budget and therefore supporting our ongoing financial sustainability.
- 5.14** The Council's main objectives when borrowing are to achieve as low and certain cost of finance as is available at the time of need while retaining flexibility should plans change in future. These objectives are often conflicting, and we seek to strike a balance between short-term loans (currently available at around 4%) and long-term fixed rate loans where the future cost is known but higher (currently 5.5% to 6.0%).
- 5.15** Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes. As noted in the Treasury Management Strategy Statement, the Council will not borrow more than two years in advance of need.
- 5.16** The role of public estate management and investment can act as a lever that maximises co investment from other public funding sources or the private sector. Our focus will therefore

be on clear commercial investment aligned to our priorities as opposed to speculative development. This in particular applies within the new build and acquisition programme within our HRA where viability assessments are required to be prepared and agreed before funding is granted.

- 5.17** 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. Alternatively, proceeds from selling capital assets may also be used to replace debt finance. The planned replacement of our borrowing is outlined in the table below:

Table 4: Replacement of debt finance

	2024/25 actual £000's	2025/26 forecast £000's	2026/27 budget £000's	2027/28 budget £000's
Own resources to repay debt	1,648	1,866	2,117	2,219

- 5.18** The cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases when new borrowing is taken out and reduces when debt is repaid through revenue or other capital receipts. Statutory guidance is that our debt should remain below the capital financing requirement, except in the short-term.
- 5.19** The CFR for our Council is expected to increase by £64.19m during 2026/27. Our projected total outstanding debt from borrowing is shown below, compared with the CPR.

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement

	31.03.2025 actual £000's	31.03.2026 forecast £000's	31.3.2027 budget £000's	31.3.2028 budget £000's
General Fund services	120,328	123,514	164,549	220,280
Council housing (HRA)	95,512	117,454	140,609	169,624
TOTAL CFR	203,650	240,968	305,158	389,904

- 5.20** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. The liability benchmark is the total amount borrowed less investments held at year end or forecast. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is currently £10m and is forecast to remain the same over the next three years. More information is provided in the Treasury Management Strategy.

- 5.21** The Council is also legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 6: Prudential Indicators: Authorised limit and operational boundary for external debt

	2024/25 limit £m	2025/26 limit £m	2026/27 £m	2027/28 £m
Authorised limit – total external debt	300	308	306	390
Operational boundary – total external debt	290	298	296	400

5.22 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to our net revenue spending to assess affordability of the borrowing we have.

Table 7: Prudential Indicator: Proportion of financing costs to net revenue stream

	2024/25 actual £'000	2025/26 forecast £'000	2026/27 budget £'000	2027/28 budget £'000
Financing costs (£m)	4,772	4,183	4,628	4,919
Proportion of revenue	5.11%	4.32%	4.64%	4.73%

6. HOW WE MONITOR THE CAPITAL PROGRAMME

- 6.1** The staff responsible for making capital expenditure, borrowing and investment decisions are professionally qualified and experienced. We are led by a Section 151 Officer with a significant amount of experience across the sector and a Head of Finance and supporting team of qualified accountants committed to the financial sustainability of the Council. We are passionate about investing in the training and development of our staff and ensure that those involved in the planning and delivery of capital programmes have the relevant knowledge and skills to be successful.
- 6.2** We work with external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and other specialist advisers to advise upon specific, extra-ordinary transactions as required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills aligned with its risk appetite.
- 6.3** We have various mechanisms in place to monitor and continually assess how the capital programme continues to meet the key priorities in our Corporate Plan. These include:

- The Council which is ultimately responsible for approving investment and the capital programme.
- The Cabinet who are responsible for setting the corporate framework and receive and scrutinise regular performance and monitoring reports.
- Officer Groups which bring together a range of service interests and professional expertise.
- An integrated service and financial planning process, including the corporate performance management framework. Within this framework, all proposals for capital investment are required to demonstrate how they contribute to the achievement of the Council's aims and priorities. This includes an evaluation process for investment proposals which ensures cross-cutting appraisal of projects which are aligned to the Council's key aims and priorities and deliver on the efficiency and value for money agendas.

This page is intentionally left blank

Cheltenham Borough Council Investment Strategy 2026/27

1. INTRODUCTION

- 1.1** The Council's Investment Strategy outlines the principles and framework that underpin our investment proposals. The Investment Strategy is a statutory requirement for Councils to produce that was established in April 2018 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2018.
- 1.2** New development and regeneration in Cheltenham are necessary and essential to:
- Help facilitate economic growth and recovery.
 - Help meet our housing needs.
 - Help create commercial space that supports our key employment sectors.
 - Stimulate a positive climate for inward investment into Cheltenham.
- 1.3** The Council's Investment Strategy forms a key part of our overall Corporate Planning Framework. It provides a mechanism by which our capital investment and financing decisions can be aligned with our over-arching corporate priorities and objectives over a medium-term planning horizon as well as underpin our ongoing financial sustainability.
- 1.4** In refreshing the Investment Strategy, it is important that we set this within the current wider corporate strategy context, together with our priorities for investment, growth, climate change and social value. In setting the vision and key principles around how we plan to invest in the delivery of homes, commercial space and supporting infrastructure with the outcome of creating new places and investing and regenerating in existing places.
- 1.5** The Strategy has direct links to the Councils Asset Management Strategy, Commercial Strategy, Capital Strategy, Treasury Management Strategy and emerging Housing Investment Plan. It forms a key part of the Councils Medium Term Financial Strategy (MTFS) as presented in the table below.
- 1.6** Collectively these plans and strategies will develop a diverse investment programme that allows cross subsidy across the programme to balance the social, economic and environmental outcomes set out in the councils 2025-28 Corporate Plan.

1.7

Category	Overall	Revenue	Capital	Treasury Mgmt	Risk Management
Strategies	Medium Term Financial Strategy				
	Commercial Strategy	Investment Strategy	Capital Strategy	Treasury Mgmt (TM) Strategy	Risk Management
			Asset Mgmt Strategy		
Guidance	CIPFA and Technical Guidance	Budget Guidance	Capital Guidelines	CIPFA Code for Practice for TM	Risk Management Guidance
Plans	MTFP Projection	Annual Budget	Capital Programme & Asset Mgmt Plan	Treasury Policy Statements	Risk Register
Governance	Constitution and Annual Governance Statement	Quarterly Performance Reports		Prudential Indicators and Annual Report	Risk Register reporting and regular review
	Contract and Finance Procedure Rules				Audit Committee and Cabinet Reports
	Internal and External Audit Plans and our response to audit review				
Decision making	Cabinet/Council				

2. OUR VISION AND AMBITIONS FOR CHELTENHAM

2.1 Cheltenham is a world-renowned cultural destination; our town is rated one of the best places to live and it is also the UK’s capital of cyber and security. We want everyone who lives and works in our town to benefit from Cheltenham’s successes, and for all our residents and communities to thrive, not just survive, so that our town continues to be a fantastic place to live, work and visit.

- 2.2** Our decision in 2023 to bring housing services back into the Council has given us an opportunity to review our existing Corporate Plan and ensure our priorities and activities going forward reflect our additional responsibilities not only as a housing provider, but as landlord to the tenants and leaseholders who live in our properties.
- 2.3** We are setting a higher standard for ourselves, and our town, to build a better future for everyone in Cheltenham, but we also recognise that pressures such as the cost of living impact our residents, businesses and communities. So, we will continue to work alongside our partners in the months and years ahead to deliver practical support and, as a council, we will aim to provide an excellent service to everyone, regardless of need or access to technology. We will also continue to invest in partnerships and services that will strengthen the long-term financial stability of Cheltenham.
- 2.4** The capital investments outlined in this document are part of our approach to shaping and re-prioritising outcomes for Cheltenham. To drive longer term economic recovery in the town will take a fully integrated, whole Council approach focused on strategic outcomes within an understanding of place, commerciality, regeneration and our overarching contribution to climate change as well as underpinning our overall financial sustainability.
- 2.5** With that in mind, we need to take an approach to future investment decisions and our management of our asset portfolio which balances social value, sustainability, regeneration, commercial and housing needs at a strategic level to ensure a positive direction of travel to economic recovery continues.
- 2.6** A review of our approach to investment activity and the use of our assets and capital resources has been undertaken and the Council's asset management strategy was refreshed and reviewed by Full Council in February 2022. This provides the strategic vision and delivery framework that will help guide management of our current portfolio and, together with our investment strategy, will guide future potential investment by establishing a clear vision, objectives and selection criteria.

3. PURPOSE OF THIS STRATEGY

- 3.1** The key aims of this Capital Strategy are:
- To outline how we invest our money to ensure we continue to be aligned to the key priorities outlined in the 2025-2028 Corporate Plan.
 - To set out the required and available funding options for the programme, including how these have been appraised to ensure we are able to achieve the best outcomes for our town and are maximising the benefit of our assets and resources. This includes indirect benefits such as increase in jobs, skills, inclusive growth, increase in tax revenues, place

shaping outcomes, climate change deliverables, accelerating delivery of the Cheltenham Plan and Joint Core Strategy.

- To present the arrangements for managing and monitoring the investment portfolio, including assessment of outcomes and the continual alignment to our Corporate Plan

4. HOW WE INVEST OUR MONEY

4.1 The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments)
- to directly support local public services by lending to other organisations (service investments), and
- to invest in community led and sustainable place shaping, regeneration and economic development of our town (known as growth investments).

Our treasury management strategy outlines the principles and arrangements in place for the first category of investment. This strategy focuses on our approach to the second and third of these categories.

4.2 The 2025-28 Corporate Plan outlines the Council's strategic priorities for Cheltenham, what we have chosen to focus on and why we think these are important for our town. The sections below summarise the key commitments made in the capital programme to support the key priorities in the Corporate Plan.

4.3 Priority One – Securing our future.

Our capital investment supports Cheltenham's long term economic resilience, productivity and place making. Significant commitments within the programme underpin the town's future growth trajectory.

Growth Investment

- Investment in the Golden Valley development, including delivery of the National Cyber Innovation Centre and associated financing costs, strengthens Cheltenham's position as a national centre for cyber innovation and high value employment. £101.7m
- The Minster Innovation Exchange, delivering c.20,000 sq. ft of commercial space, enhances the town centre's role as a creative and digital hub. £0.015m
- Investment in event space development following the disposal of the Municipal Offices supports Cheltenham as a destination for culture, conferencing and business activity. £0.5m

- Enhancements to CCTV infrastructure in key commercial areas improve safety and help sustain a thriving town centre economy. £0.075m

Collectively, these investments ensure Cheltenham remains competitive, attractive and well positioned to secure future prosperity, fully aligning with our ambition to promote Cheltenham as a place to live, work, visit and invest.

4.4 Priority Two – Quality homes, safe and strong communities

Our capital investment underpins our commitment to providing high quality homes and creating neighbourhoods that are safe, resilient and inclusive.

Growth Investment

General Fund

- Housing Delivery and Housing Enabling budgets support additional and affordable housing supply through partnership working with Registered Providers and Homes England. £9.0m
- Investment in public conveniences at Sandford Park and Montpellier, alongside improvements to sport and leisure assets such as recreation centre waterproofing, enhances neighbourhood quality and local pride. £0.15m

HRA

- Significant internal improvements, including kitchens, bathrooms and rewiring, ensure our homes meet modern quality and safety standards. £25m
- External and communal upgrades, including fencing, pathways, lighting and CCTV, Strengthen neighbourhood safety and the quality of the local environment. £7.1m
- Fire protection works, including enhanced systems in communal areas, ensure regulatory compliance and resident safety. £4.4m
- Door entry and lift replacements improve accessibility and security for residents, particularly those in sheltered accommodation. £1.9m

This investment ensures we make best use of our stock, provide safe and high-quality homes, and maintain neighbourhoods where people feel secure and supported.

4.5 Priority Three – Reducing carbon, achieving council net zero, creating biodiversity.

Our capital programme makes a fundamental contribution to the decarbonisation of our operations, our homes and our public realm in line with our ambition to achieve net zero by 2030.

Service Investment

General Fund

- Service Investment - A dedicated Carbon Neutral agenda seed fund enables delivery of key actions required to meet the Council's climate commitments. £0.07m

Growth Investment

General Fund

- Growth Investment - Decarbonisation of Leisure@, including LED lighting and pool cover improvements, delivers long term energy savings in one of our highest use assets. £0.33m

HRA

- A comprehensive programme of energy efficiency and sustainability measures—including insulation, renewables and heat pump ready systems—supports the decarbonisation of council homes. £15.4m
- Heating system renewals and window/door replacements improve thermal performance, reduce carbon emissions and lower energy costs for tenants. £2.0m

These investments drive emissions reduction across our assets, help create warmer and more affordable-to-heat homes, and contribute to our biodiversity and climate objectives.

4.6 Priority Four – Reducing inequalities, supporting better outcomes.

Capital investment plays a key role in supporting health, wellbeing and inclusive access to facilities, ensuring opportunities are available to all communities.

Growth Investment

General Fund

- A programme of play area enhancement improves access to high quality play provision for families across Cheltenham. £0.32m
- Investment in public conveniences at Sandford Park and Montpellier. £0.15m

HRA

- Upgrades to communal areas, including lighting, flooring and CCTV, contribute to safer, more supportive living environments. £1.04m
- Improvements to sheltered accommodation provide better facilities for older residents and promote social inclusion. £0.11m

These investments align with our ambition to broaden participation in sport, culture and leisure and to improve outcomes for residents across the borough.

4.7 Priority Five – Taking care of your money.

Our capital programme enables modern, efficient and financially sustainable services, while safeguarding the value of the Council’s assets.

Growth Investment

General Fund

- Investment in the IT Infrastructure programme and the development of a digital platform for Cemeteries and Crematorium services modernises our systems and improves customer experience. £0.53m
- The Asset Management Strategy implementation ensures the long-term sustainability and productivity of our operational and investment estate. £0.3m

HRA

- Ongoing stock condition surveys, structural works and communal service renewals (e.g., wiring, fire detection, CCTV) strengthen our ability to manage assets proactively and reduce future maintenance liabilities. £0.97m
- Replacement of door entry systems and lifts lowers lifecycle costs and enhances service reliability. £0.95m

These programmes support our commitment to delivering high quality services efficiently, using technology and prudent asset management to maintain financial resilience.

Our Investment Strategy aims to invest and deliver for the residents, communities and businesses in Cheltenham.

It demonstrates to wider investors that Cheltenham is a destination for growth, innovation and investment.

5. ASSESSING THE RISK OF OUR INVESTMENTS

5.1 Service Investments - Loans

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as below in table 1.

Table 1: Loans for service purposes in £

Category of borrower	31.3.2025 actual £				2026/27
	Balance owing	Loss allowance	Est. figure accounts	Net in	Approved Limit

Charities	269,000		269,000	369,000
Cheltenham Borough Homes	7,313,000	-	7,313,000	107,000,000
Gloucestershire Airport	8,604,000	-	8,604,000	10,000,000
Workshop Cheltenham Limited	-	-	-	6,000,000

Accounting standards require us to set aside loss allowance for loans, reflecting the likelihood of non-payment. The loans that the Council has made are limited to specific service areas and subsidiaries and the likelihood of non-payment is minimal. There is no history of non-payment and no evidence to suggest that there will be any default against the loans granted. As a result, no allowance for loss has been included against the loan balances. Should any indication be given that there is a risk of default then the risk will be assessed and a provision established at that time. Should a loan default, the Authority will make every reasonable effort to collect the full sum lent and recover any overdue repayments.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans by undertaking credit checks and ensuring that appropriate legal documentation is in place to secure the Council's money. The Council also receives independent financial advice on its financial dealings from Arlingclose Limited to assist in decision making.

Liquidity: We have not invested in the companies to generate a financial return but to support service provision. We support the strong financial management of each of the partner companies we invest in and monitor the cash flow as part of this. As such, the liquidity of these investments may be low if the funding has been used to enhance an asset or business for long term gain.

5.2 Service Investments: Shares

Security: One of the risks of investing in shares is that they could fall in value meaning that the initial outlay may not be recovered. The Council has no other shareholdings.

Table 2: Shares held for service purposes in £

Category of company	31.3.2025 actual £		
	Amounts invested at cost	Gains or losses	Est. Value in accounts at 31.03.2025
UBICO	1	-	1
Gloucestershire Airport	435,222	(435,222)	0
TOTAL	435,223	(435,222)	1

Risk assessment: Ubico is a cost sharing company – any surplus generated within Ubico is returned to the partner Councils, similarly with any deficit met by the Councils. Through regular budget monitoring and sound financial management by Ubico and transparency within calculation of contract sums, the risk of any financial loss is mitigated. Gloucestershire Airport is also jointly owned by ourselves and Gloucester City Council and are consolidated in our group accounts.

Liquidity: We have not invested in the companies to generate a financial return but to support service provision. We support the strong financial management of each of the partner companies

we invest in and monitor the cash flow as part of this. As such, the liquidity of these investments are low as the Council has no intention to dispose of its investment in the foreseeable future.

Non-specified Investments: Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5.3 Growth Investments

The Council owns a number of properties and assets within Cheltenham that have been purchased to support projects and programmes which are aligned to the key priorities in the Corporate Plan.

In line with the revised guidance on the use of the Public Works Loan Board (PWLB) borrowing, these investments are not held purely for yield but support our place vision for Cheltenham.

Table 3: Growth investments in £ (including HRA Investment properties)

	Purchase Price	01.04.25	31.3.2024 actual £	
		Value in accounts £'000	Purchases, Gains or (losses)	Value in accounts £
Growth Investments	Various	55,809	(1,929)	53,880

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. A fair value assessment of the Authority's investment property portfolio is made each year as part of the final accounts process. The fair value of the Authority's investment property portfolio is included in the Statement of Accounts, based upon 'market value'.

Risk assessment: It is understood that the fair value of property will fluctuate. The long-term impact of this is mitigated by having a diverse portfolio of secure tenants across a number of sectors on long leases. We continue to assess the movement in asset values before each year, and our holdings will be reviewed as part of the ongoing work to achieve our strategic vision for Cheltenham.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the Council has cash funds that can be accessed when they are needed, the Treasury management policy includes the provision of liquid investments should the Council be in need of cash. It is not anticipated that the Council would need to sell any Investment Property at short notice.

Proportionality: Table 4 below shows the extent to which the General Fund expenditure planned to meet the service delivery objectives of the Authority is dependent on achieving the expected income from treasury investments over the lifecycle of the Medium-Term Financial Plan. Should it fail to achieve the expected income targets, the Authority will be required to draw additional balances from reserves or generate savings elsewhere within the budget to continue to provide its services.

Table 4: Proportionality of Investments in £

	2024/25 Actual £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Gross service expenditure*	44,950	46,594	45,763	44,987
Investment income	5,722	5,666	5,601	5,601
Proportion	12.73%	12.16	12.24%	12.45%

* Excluding Housing Benefit payments.

6. HOW WE MONITOR THE INVESTMENT STRATEGY

- 6.1** The staff responsible for making borrowing and investment decisions are professionally qualified and experienced. We are led by a Section 151 Officer with a significant amount of experience across the sector and a Head of Finance and supporting team of qualified accountants committed to the financial sustainability of the Council.
- 6.2** We also work with external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and other specialist advisers to advise upon specific, extra-ordinary transactions as required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills aligned with its risk appetite.
- 6.3** The Cabinet will make decisions or make recommendations to full Council on new investments that align to our key Corporate Plan priorities. The Cabinet also receive financial performance reports on a quarterly basis which allows the monitoring of our investments.
- 6.4** In particular, the following quantitative investment indicators have been set to allow our Officers, Elected Members and residents to monitor the risk exposure the Council have as a result of its investment decisions:

Indicator One: Total risk exposure to potential investment losses. This includes amounts the Authority is contractually committed to and any guarantees the Authority has issued over third-party loans.

Table 5: Total investment exposure in £

Total investment exposure	31.03.2024 Actual £	31.03.2025 Forecast £	31.03.2026 Forecast £
Treasury management investments	15,054,000	15,000,000	15,000,000
Service investments: Loans	15,917,000	15,412,000	14,907,000
Service investments: Shares (at cost)	435,224	435,224	435,224
Commercial investments: Property	62,297,000	62,297,000	62,297,000
TOTAL INVESTMENTS	93,703,224	93,144,224	92,639,224
Commitments to lend ¹	0	0	0
TOTAL EXPOSURE	93,703,224	93,144,224	92,639,224

¹ This excludes the potential loan facility offered to Ubico Limited, Publica Group (Support) Limited and Cheltenham Trust for cash flow purposes.

Indicator Two: Total investments funded by borrowing.

Table 6: Investments funded by borrowing in £

Investments funded by borrowing	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Treasury management investments	-	-	-
Service investments: Loans	5,821,954	5,626,433	5,430,912
Service investments: Shares	-	-	-
Commercial investments: Property	40,800,000	39,897,000	39,169,000
TOTAL FUNDED BY BORROWING	46,621,954	45,523,433	44,599,912

Indicator Three: Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	4.6%	3.34%	3.50%
Service investments: Loans			
Cheltenham Borough Homes	3.63%	3.63%	3.63%
Gloucestershire Airport	3.59%	3.04%	.3.00%
St Margarets Hall	3%	3%	3%
Service investments: Shares	0%	0%	0%
Commercial investments: Property yield/contribution (net of borrowing)	£1,930,408	£1,925,273	£1,994,203
Commercial investments: Property	4.65%	4.76%	5.07%

Cheltenham Borough Council Treasury Management Strategy 2026/27

1. INTRODUCTION

- 1.1** Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council, like many similar sized organisations, borrows and invests significant sums of money and is therefore exposed to financial risks including the loss of investments. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.2** The Council's Treasury Management Strategy forms a key part of our overall Corporate Planning Framework. It provides a mechanism by which our treasury management decisions can be aligned with our over-arching corporate priorities and objectives over a medium-term planning horizon.
- 1.3** The Strategy has direct links to the Council's Asset Management Strategy, Commercial Strategy, Capital Strategy and Investment Strategy and forms a key part of the Council's Medium Term Financial Strategy (MTFS) as presented below:

2. PURPOSE OF THIS STRATEGY

- 2.1** Our 2026/27 Treasury Management Strategy has been developed, with a focus on working with our partner organisations to deliver future place shaping, investment and regeneration in Cheltenham.
- 2.2** The key aims of this document are:
- To outline how we invest our money to ensure we have the financial resources to support the key priorities outlined in the Corporate Plan.
 - To set out the key principles on which our borrowing and investment decisions are made, including how security and risk have been assessed in the development of our investments (See Section 5, page 6).
 - To present the arrangements for managing and monitoring our treasury management decisions, including assessment of outcomes and the continual alignment to our Corporate Plan (See Section 6, page 13).

3. WHY WE INVEST OUR MONEY

3.1 The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments)
- to directly support local public services by lending to other organisations (service investments), and
- to invest in community led and sustainable place shaping, regeneration and economic development of our town (known as growth investments).

Our Investment Strategy outlines the principles and arrangements in place for the second two categories of investment. This strategy focuses on our approach to the first category.

4. HOW WE BORROW MONEY

Our Borrowing

4.1 The council currently holds debt of £201.451m as at 31st January 2026 across both the General Fund and Housing Revenue Account. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council has an increasing CFR due to the capital programme especially within the HRA capital programme to deliver on our affordable housing target, but also on the General Fund in regard to the Cyber Innovation project. With minimal investments the council will therefore be required to borrow up to £60m over the forecast period.

4.2 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's external borrowing should be lower than its highest forecast CFR over the following three years. Table 1 below shows that the Council expects to comply with this recommendation during 2026/27.

4.3 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

4.4 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-

day cash flow. The total forecast net borrowing against the CFR and liability benchmark is set out in the table below for the period of the Medium-Term Financial Strategy.

Table: 1

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m
General Fund CFR	120.328	123.514	164.549	220.280
Housing (HRA) CFR	95.512	117.454	140.609	169.624
TOTAL CFR	215.840	240.969	305.158	389.904
Less: External Borrowing	204.409	204.500	204.500	204.500
Internal (over) Borrowing	11.431	36.469	100.658	185.404
Less: Balance Sheet Resources	(4.795)	(5.597)	(5.231)	(5.231)
Investments/ (New Borrowing)	6.636	30.872	95.427	180.173
Net Borrowing Requirement	211.045	235.372	299.927	384.673
Preferred year-end position (Invest)	10.000	10.000	10.000	10.000
Liability Benchmark (year-end)	221.045	245.372	309.927	394.673

Our Borrowing Strategy

- 4.5** The Council’s chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council’s long-term plans change is a secondary objective.
- 4.6** Given the significant cuts to public expenditure and in particular to local government funding, the Council’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year, and are expected to fall a little further, and it is therefore likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. However, if long term rates prove more attractive, then the Council will switch to using the Public Works Loan Board (PWLb), National Wealth Fund or another lender in the market to fund past and future debt.
- 4.7** By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 4.8** Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages on a day to day basis.
- 4.9** An opportunity to replace HRA temporary borrowing of £18m in early December 2024 and to access the PWLB HRA discounted rate for 1 year was taken, fixed at 4.77% has now been replaced by a further loan of £18m fixed for one year at 4.05%, was utilised instead of borrowing from the local authority market which had seen short term rates start to climb from 4.60%. The decisions to take out these loans was to help protect interest costs and keep within the revised budget for 2025/26.
- 4.10** The main sources of approved long-term and short-term borrowing for Cheltenham Borough Council are:

Sources of Borrowing

HM Treasury's PWLB lending facility (formally the Public Works Loan Board):

The Council has previously raised the majority of its long-term borrowing from the PWLB (currently £134m) but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council will avoid this activity in order to retain its access to PWLB loans.

National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd):

National Wealth Fund is a government-owned policy bank, launched in 2021 looking to provide £6bn of infrastructure finance to local government over the next 4 years to finance regional and local economic growth, support tackling climate change and the investment in infrastructure assets or in new infrastructure technology. Since the change in government in 2024, the name is to change to the National Wealth Fund (NWF). The Council currently holds no loans with the NWF but are in communication with them regarding the funding of the Cyber Innovation project.

Short-term and variable rate loans:

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators. However, the use of short-term loans is currently favourable as borrowing costs are still lower compared with long term rates. Arlingclose forecast a slow decrease in rates in 2026/27. The Council as at end of January 2026 holds £58m of these loans.

Debt rescheduling:

The PWLB allows councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5. HOW WE INVEST OUR MONEY**Our Treasury Management investments**

5.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has averaged from as high as £25m and as low as £14.5m. On 31 January 2026, we held £15.054m of treasury investments which are outlined in the table 2 below.

Table: 2

	31 January 2026 Actual Portfolio £m	31 January 2026 Actual Rate %
Treasury investments:		
Glos Airport – Revolving credit facility	2.275	5.75%
Glos Airport – Sub Station/ Radar loans	0.897	2.00%
Cheltenham Borough Homes (St Georges Place)	0.535	1.18%
Money Market Funds	4.347	3.89%
Other Pooled Funds		
CCLA Property Investment Management	3.000	3.99%
CCLA Cautious Multi Asset Fund	2.000	2.63%
Schroders Unit Trusts Ltd	2.000	7.15%
Total Treasury investments	15.054	4.58%

5.2 By the end of the 2025/26 financial year, it is forecast that our investment balance will have reduced as the use of cash liquid accounts i.e., Money Market Funds to reduce the need to borrow at year end. The table below shows the forecast between short- and longer-term holdings. Future capital receipts are not factored in until they are received.

	31.3.2025 Actual £m	31.03.2026 Forecast £m	31.03.2027 Budget £m	31.03.2028 Budget £m	31.03.2029 Budget £m
Near-term investments	5.000	5.000	5.000	5.000	5.000
Longer-term investments	10.054	10.000	10.000	10.000	10.000
Total	15.054	15.000	15.000	15.000	15.000

Our Treasury Management investments

- 5.3** The Council’s policy on treasury investments, in line with the CIPFA Code, is to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 5.4** ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors’ decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council’s ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance (from January 2026) and/or the UK Stewardship Code.
- 5.5** As demonstrated by the liability benchmark in table 1, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income
- 5.6** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council’s “business model” for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.7 The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table: 3

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	2 years to 25 years	£4m	Unlimited
Secured investments *	20 years	£4m	Unlimited
Secured investments – government collateral	25 years	£8m	Unlimited
Banks (unsecured) *	13 months	£1m	Unlimited
Building societies (unsecured) *	13 months	£1m	£10m
Registered providers (unsecured) *	5 years	£2m	£5m
Money market funds *	n/a	£5m	Unlimited
Strategic pooled funds	n/a	£5m	£10m

* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

Bank & Building Society unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Bank & Building Societies secured

Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the

investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

UK Government

Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment as part of a diversified pool in order to spread the risk widely.

Registered providers

Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England) and, as providers of public services; they retain the likelihood of receiving government support if needed.

Money Market funds

Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds

Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer

enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts

The Council banks with Lloyds (Lloyds Banking Group). On adoption of this Strategy, it will meet the minimum credit criteria of A- (or equivalent) long term. It is the Council's intention that even if the credit rating of Lloyds Bank falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Policy investments

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment as part of a diversified pool in order to spread the risk widely.

- Gloucestershire Everyman Theatre £100k up to one year duration
- Gloucestershire Everyman Theatre £269k Non-specified duration
- Ubico Limited £500k up to one year duration
- Cheltenham Town Football Club £20k Non-Specified
- Cheltenham BID £100k up to one year duration
- The Cheltenham Trust £100k up to one year duration
- Publica Group £100k up to one year duration
- Cheltenham Borough Homes £97m Non-specified duration
- Cheltenham Borough Homes £10m Equity Non- Specified duration (1)
- Gloucestershire Airport Limited £9m up to one year
- Gloucestershire Airport Limited £7.250m Non-specified duration -dependant on sale
- Folk2Folk (Peer to Peer lending) £575k Non-specified duration (2)

(1) £10m Equity Investment from the council to assist in three areas over the coming years to provide substantial new housing in the town by providing Private Rented Sector (PRS) housing, purchasing 106 sites and building new homes. The drawdown of the loans will be over a period of 40 years.

(2) Folk2Folk is a peer to peer lending platform in which the council can lend to support local, rural and entrepreneurial businesses £575,000 with a capped limit of £100,000 per loan application, up to a maximum of 5 years. Interest rates earned can be between 4.5% and up to 9% per annum.

Renewable Energy investments

Over recent years significant investments from Local Authorities in the Renewable Energy markets have occurred by way of investing in an energy bond. Currently the council has approved the use of Corporate Bonds and has used them on a regular basis but only for a maximum of two years previously. To be able to potentially invest in Green Renewable energy recommendation was made

following consultation with members of the Treasury Management Panel on the 5 June 2017 and approved by Council on 24 July 2017 that up to £2m in relation to Green Investment bonds can be invested up to five years.

Within our treasury management investments, it is critical to get the right balance between social, environmental and financial factors when assessing the investment, we make. Full Council noted in December 2025 that our exposure to gas and oil investments currently stands at £59k down from £120k this time last year. This is part of the Schroder Income Maximiser Fund and makes up 0.84% (1.71% in 2024) of the £7m we have invested in Pooled Funds. However, the current capital value of the fund is valued £116k less than the original £2m invested. Given our current climate priorities, assurance was provided to Council that we are looking to take steps to ensure our investments are contributing to these goals. We are committed in the longer term to divesting from oil and gas but need to balance these priorities with ensuring we are making the right financial decisions to safeguard our residents, businesses and communities. We will continue to closely monitor the performance of this fund and when it is financially prudent to do so, will consider the climate implications of how we invest this money in the future.

Monitoring our Treasury Management Investments

5.8 Credit ratings are obtained and monitored by the Council’s treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.9 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.10 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and advice from the Council’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

5.11 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.12 In order to monitor this, we have set cash limits on the credit quality of the investments.

	Cash Limit
Total long-term investments	£20m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£10m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£10m

Investment Limits

5.13 The Council’s revenue reserves available to cover investment losses are forecast to be £5.05 million on 31st March 2026. In order that no more than the available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £4 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash Limit
Any single organisation, except the UK Central Government	£1m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£1m per group
Any group of pooled funds under the same management	£5m per manager
Foreign countries	£1m per country
Registered providers	£2m in total
Unsecured investments with building societies	£1m in total
Loans to unrated corporates – Renewable Energy	£4m in total- £2m max in each
Money Market Funds	£5m per MMF

5.14 The Council uses purpose-built cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.

6. TREASURY MANAGEMENT INDICATORS

6.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A-

Interest rate exposures

This indicator is set to control the Council’s exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures, expressed as the proportion of net principal borrowed will be:

	2025/26	2026/27	2027/28
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	75%	75%	75%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing

This indicator is set to control the Council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%

10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2025/26	2026/27	2027/28
Limit on principal invested beyond one year	£20m	£20m	£20m

7. RELATED MATTERS

7.1 There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

Policy on the use of financial derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Policy on apportioning interest to the Housing Revenue Account (HRA)

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. New long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/ income arising from long-term loans (e.g., premiums and

discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each year and interest transferred between the General Fund and HRA at the Council's average interest rate on treasury investments excluding strategic pooled funds, adjusted for credit risk.

Markets in Financial Instruments Directive

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Investment advisers

The Council re-appointed Arlingclose Limited as treasury management advisers for three years plus the option for a further two years after a full joint tender with Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council. The contract commenced from 1st March 2023 and will run to at least 28th February 2026.

Investment of money borrowed in advance of need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £308m. The maximum period between borrowing and expenditure is expected to be three years, although the Council is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2026/27 is forecast to be £733k based on an average investment portfolio of £13 million at an interest rate of 5.64%. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 3% to 3.75%. On top of this interest received on third parties' loans amounts to £264k.

The estimated budget for debt interest to be paid in 2026/27 is forecast to be £6.773 million, based on an average debt portfolio of £197.965m at an average interest rate of 3.42% (3.71% 25/26). The HRA will reimburse the General Fund £4.264m for its share of the debt it holds as of 1 April 2026. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

8. ALTERNATIVE OPTIONS

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer, having consulted the Cabinet Member for Finance and Assets, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix 1 - Arlingclose Limited Economic & Interest Rate Forecast February 2026

Economic background:

While the MPC acceded to widely held expectations to leave Bank Rate unchanged at 3.75% in February, the decidedly dovish tone in which the decision was delivered prompted investors to reassess interest rate expectations. Four Committee members voted to reduce rates, but two of the slim holding majority also indicated that they would likely vote for a cut soon.

Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.

While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.

Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.

Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Interest rate forecast (February 2026):

The Council’s treasury management adviser Arlingclose expects the Bank of England’s MPC will continue reducing Bank Rate through 2026, taking it to around 3.25% by the middle of 2026. However, near-term upside risks to the forecast have increased. Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.

Arlingclose expects medium and long-term gilt yields to continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly, and they expect yields to remain higher.

Please see Arlingclose’s interest rate forecasts over the next two years

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

- PWLB Standard Rate = Gilt yield + 1.00%
- PWLB Certainty Rate = Gilt yield + 0.80%
- PWLB HRA Rate = Gilt yield + 0.40%
- National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

This page is intentionally left blank