

Cheltenham Borough Council Council

Meeting date: 17 March 2025

Meeting time: 2.30 pm

Meeting venue: Council Chamber - Municipal Offices

Membership:

Councillors Paul Baker (Chair), Dr David Willingham (Vice-Chair), Frank Allen, Glenn Andrews, Victoria Atherstone, Adrian Bamford, Garth Barnes, Dilys Barrell, Graham Beale, Angie Boyes, Jackie Chelin, Barbara Clark, Julia Chandler, Flo Clucas, Mike Collins, Ashleigh Davies, Chris Day, Iain Dobie, Jan Foster, Juan Carlos Garcia Clamp, Steve Harvey, Rowena Hay, Sandra Holliday, Martin Horwood, Peter Jeffries, Tabi Joy, Alisha Lewis, Cathal Lynch, Andy Mutton, Tony Oliver, Ben Orme, Dr Helen Pemberton, Richard Pineger, Julie Sankey, Stan Smith, Dr Steve Steinhardt, Izaak Tailford, Julian Tooke, Simon Wheeler and Suzanne Williams

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Contact: democraticservices@cheltenham.gov.uk

Phone: 01242 264 246

1 Apologies

2 Declarations of interest

3 Minutes of the last meeting

The minutes of the meeting held on 21 February will be approved at the next meeting of Council.

4 Communications by the Mayor

5 Communications by the Leader of the Council

6 To receive petitions

7 Public Questions

8 Member Questions

9 Neighbourhood Planning Protocol (Pages 3 - 26)

Report of the Cabinet Member for Planning and Building Control

10 Capital, Investment, Treasury Management Strategies 2025/26 (Pages 27 - 82)

Report of the Cabinet Member for Finance and Assets

11 Devolution and Local Government Reorganisation

Report of the Leader – TO FOLLOW

12 Notice of Motions

13 Any other item the Mayor determines as urgent and which requires a decision

Gareth Edmundson
Chief Executive

Cheltenham Borough Council

Council – 17 March 2025

Neighbourhood Planning Protocol

Accountable member:

Cllr Mike Collins, Cabinet Member for Planning and Building Control

Accountable officer:

John Spurling, Planning Policy Manager (Interim)

Ward(s) affected:

All

Key Decision: No

Executive summary:

This report is asking Council to approve and publish a protocol which updates how decisions relating to the different stages of neighbourhood planning will be undertaken by Cheltenham Borough Council.

Recommendations:

Council is asked to:

1. **Adopt the Cheltenham Borough Council Neighbourhood Planning Protocol, attached to the report at Appendix 4.**
2. **Delegate authority to the Director of Community & Economic Development, in consultation with the Cabinet Member for Planning and Building Control, to prepare the Neighbourhood Planning Protocol for publication correcting any minor errors such as spelling, grammar, typographical and formatting changes that do not affect the substantive content of the Protocol.**
3. **Delegate authority to the Corporate Director and Monitoring Officer to make changes to the constitution, as set out in Appendix 2 of this report.**

- 4. Delegate authority to the Director of Community & Economic Development, in consultation with the Cabinet Member for Planning and Building Control to make any future amendments to the Neighbourhood Planning Protocol such as updates to references to Government guidance, to ensure it remains fit for purpose.**
-

1. Implications

1.1 Financial, Property and Asset implications

The Council can already claim financial support from Central Government at various stages of the neighbourhood planning process. However, it is considered that there are no direct financial, property or asset implications for the Council as a result of the recommendations in this report.

Signed off by: Gemma Bell, Director of Finance and Assets and Deputy S151 Officer,
gemma.Bell@cheltenham.gov.uk

1.2 Legal implications

Neighbourhood Development Plans and Neighbourhood Development Orders are prepared in accordance with the Town and Country Planning Act 1990 and the Planning and Compulsory Purchase Act 2004 (as amended by the Localism Act 2011) and the Neighbourhood Planning (General) Regulations 2012 (as amended). The Council has a statutory duty to support the preparation of neighbourhood plans and to adopt, or 'make them', if supported by the referendum. Amendments to the Town and Country Planning Act 1990 and the Planning and Compulsory Purchase Act 2004 introduced by the Localism Act, allow for a third party to make a claim for a judicial review in certain circumstances. This claim can be made to a Neighbourhood Development Plan or Neighbourhood Development Order, or to the consideration of recommendations made by an examiner. There is also the entitlement for a claim to be made to anything relating to the referendum which could have legal implications for the Council.

Signed off by: Charlotte Lockwood, Locum Senior Lawyer,
charlotte.lockwood@onelegal.org.uk

1.3 Environmental and climate change implications

There are no environmental/climate change implications to consider for this report. Throughout the protocol processes defined for each stage of Neighbourhood plan development, the relevant Council/Cabinet sign off is highlighted. It is at this evaluation and decision making stage, in which the climate impact assessment tool should be requested, to enable members to review the negative and positive environmental implications of the proposed neighbourhood plan, and any associated measures to mitigate these.

Signed off by: Maizy McCann Climate Officer, Maizy.mccann@cheltenham.gov.uk

1.4 Corporate Plan Priorities

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This report, through the facilitation of neighbourhood planning, supports delivery across the five corporate plan priorities:

1. Enhancing Cheltenham's reputation as the cyber capital of the UK
2. Working with residents, communities and businesses to help make Cheltenham net zero by 2030
3. Increasing the number of affordable homes through our £180m housing investment plan
4. Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
5. Being a more modern, efficient and financially-sustainable council

1.5 Equality, Diversity and Inclusion Implications

The Equality Impact Assessment (Screening) tool has been completed (See Appendix 3 of this report). There are no specific equality implications on the Neighbourhood Planning Protocol. Any wider community and stakeholder engagement publicity that Cheltenham Borough Council needs to undertake would be worked up in more detail, depending on the form of neighbourhood planning that a community body chooses to progress.

2 Background

2.1 The Council currently has a Neighbourhood Development Plan Protocol dated December 2015. This protocol was adopted following the approval of the Leckhampton with Warden Hill Neighbourhood Area, when it became apparent that there would be benefit in establishing a set of guidelines relating to the neighbourhood planning process. The protocol provides a general overview and advice to interested local community groups. It sets out how the Council will take decisions at key stages in the neighbourhood planning process and is informed by the statutory regulations and national guidance.

3 Reasons for recommendations

3.1 Since the time that the protocol was first developed, central government has updated the [Planning Practice Guidance \(PPG\) on neighbourhood planning](#). Further guidance / information has been developed including Locality and the 'Neighbourhood Planning Independent Examiner Referral Service (NPIERS) planning guidance to services users and examiners RICS' available via [the NPIERS website](#). [Locality](#) also produce various guidance relating to neighbourhood planning.

3.2 The Council has been providing on-going support to different community groups who are seeking to progress neighbourhood planning within their own areas. Timely decision making at the appropriate level is important, in order to assist such groups.

3.3 It is therefore considered an opportune time to refine the protocol to ensure that it remains fit for its intended purpose. The revised protocol signposts information, such as that within the PPG. The Planning Practice Guidance is 'live' and is regularly updated. Furthermore, other guidance / information may be revised in time. The report therefore seeks delegated approval to make future amendments to the protocol to ensure that it can remain fit for

purpose over the coming years.

3.4 Cheltenham Borough Council are mindful that the PPG sets out that a local planning authority should make every effort to promptly conclude each stage within the neighbourhood planning process. This should be balanced against the requirements in the Council's constitution that sets out various procedures, relating to the level of sign-off for neighbourhood planning. Whilst some of the processes are required by law, the constitution recognises that many of these are a matter for the Council to choose.

3.5 There are a number of key stages in neighbourhood planning, which are set out below:

1. Publicising a Neighbourhood Area / Forum Application;
2. Designating a Neighbourhood Area;
3. Designating a Neighbourhood Forum (where there is no parish or town council);
4. Production of Neighbourhood Plan or Order;
5. Pre-submission consultation and publicity on Neighbourhood Plan or Order;
6. Publicising a Plan Proposal or Order;
7. Appointment of an independent examiner;
8. Submission of Neighbourhood Plan or Order;
9. Examination of Neighbourhood Plan or Order;
10. Approval of Neighbourhood Plan or Order for referendum;
11. Referendum on Neighbourhood Plan or Order; and
12. Adoption of Neighbourhood Plan or Order.

3.6 The table below sets out only those stages in the process where changes are intended to the level of sign-off. Please see Appendix 4 for the Revised Protocol.

Stage	Current Protocol (2015)	Revised Protocol	Rationale for change
Submission of Neighbourhood Plan or Order	<u>Council to decide</u> whether the Neighbourhood Plan and Order should be submitted for examination.	<u>Director of Community & Economic Development in conjunction with the Cabinet Member for Planning and Building Control to decide</u> whether the Neighbourhood Plan or Order should be submitted for examination.	This is a technical judgement where the Local Planning Authority (LPA) will check the documents for compliance with legislation and regulations, rather than needing to judge the merits of what is proposed.
Approval of Neighbourhood Plan or Order for referendum	Cheltenham Borough Council will publish the examiner's report and <u>Council to decide</u> whether to approve the plan for referendum.	Cheltenham Borough Council will publish the examiner's report and <u>Cabinet to decide</u> whether to approve the Neighbourhood Plan or Order for referendum.	The LPA will publish a report of its decisions following considering the examiner's report. If the LPA propose making a decision different to the examiner, it must publish a report and invite further representations – possibly requiring a second examination. It is considered that this stage is a technical judgement, rather than needing to judge the merits of what is proposed.
Adoption of Neighbourhood Plan or Order	The decision to adopt a Neighbourhood Development Plan and a Neighbourhood Development Order are <u>made by Cabinet</u> .	The decision to adopt a Neighbourhood Plan or an Order are <u>made by Council</u> .	Once the Neighbourhood Development Plan is adopted ('made') then it will become part of the 'Policy Framework'. Therefore, this decision should be made by Council in line with the constitution.

3.7 The constitution refers to the Neighbourhood Development Plan Protocol (December 2015) and specifically the level of sign-off at different stages in the neighbourhood planning process. Authority is therefore sought to make a number of changes to Table 1 (Functions of Council) within Part 3B – Council Functions, and Table 5 (Scheme of Delegation of Executive Functions) within Part 3E – Executive Functions. These tracked changes can be seen in Appendix 2 of this Council report.

4 Alternative options considered

4.1 Do not update the existing Neighbourhood Development Plan Protocol dated December 2015. However, for the reasons set out in this report, this would mean that the protocol would not fully reflect new and revised guidance.

5 Consultation and feedback

5.1 There is no statutory requirement for consultation.

6 Key risks

6.1 As set out in Appendix 1, the risk can be avoided through having an up-to-date neighbourhood planning protocol.

Report author:

John Spurling, Planning Policy Manager (Interim), john.spurling@cheltenham.gov.uk

Appendices:

1. Risk Assessment
2. Changes to the constitution
3. Equality Impact Assessment – Screening
4. Neighbourhood Planning Protocol

Background information:

The Council's constitution including [Part 3B – Council Functions](#); [Article 4 The Council](#); [Part 3E – Executive Functions](#)

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
	That the revised protocol is not approved and the Council continues to implement the 2015 version.	Director of Community & Economic Development	3	2	6	Avoid the risk	Close	This risk will be mitigated by the Council decision	17 March 2025

Appendix 2: Tracked changes needed to the Constitution

PART 3

Responsibilities for Functions

Part 3B – Council Functions

3B.1 The functions that may only be exercised by Council are set out in Table 1 below:

Table 1 (Functions of Council)

Determine which plans, strategies and policies shall comprise the Authority's Policy Framework ¹ and from time to time approve, adopt and amend those plans, strategies and policies
Determine and amend the Authority's Budget ²
Approve a departure from the approved Policy Framework and/or the approved Budget ³
Appoint and remove the Leader ⁴
Change the executive arrangements of the Authority ⁵
Establish, abolish and decide the terms of reference and the composition of Council Committees and make appointments including co-opted members to them and other non-Executive bodies ⁶
Make and amend Procedural Rules, Financial Rules and Contract Rules ⁷
Change the name of the Borough or a parish ⁸

¹ Policy Framework is defined in Article 4

² Budget is defined in Article 4

³ Subject to Rule 4 Budget & Policy Framework Rules (Part 4G)

⁴ Stat ref #

⁵ S# LGA 2000

⁶ S101 LGA 1972

⁷ ss 135, #, 151 LGA 1972 (For Procedural, Financial and Contract Rules see Part 4)

⁸ ss74 & 75 LGA 1972

Elect a Mayor (Council Chair) and Deputy Mayor (Council Vice-Chair) ⁹
Confer the title of Honorary Alderman ¹⁰ and grant the Freedom of the Borough
Promote or oppose local or personal bills
Where it is the function of the Authority, divide Parliamentary Constituencies and local government electoral divisions into polling districts ¹¹
Appoint an Electoral Registration Officer ¹² and Returning Officer for local government elections ¹³
Make, amend, revoke or re-enact Byelaws
Dissolve small parish councils and make orders for grouping parishes, dissolving groups and separating parishes from groups and make temporary appointments to parish councils ¹⁴
Fill Council or Parish Council vacancies in the event of insufficient nominations
Change ordinary year of election of parish councillors ¹⁵
Submit proposals to the Secretary of State for an Order for pilot schemes for local elections ¹⁶
Authorise community governance reviews ¹⁷
▼
▼
Confirm the appointment or dismissal of the Head of Paid Service and designate officers as the Monitoring Officer and the Chief Finance Officer ¹⁹
Make a scheme for the payment of allowances to Members and determine the amount of all allowances payable to Members of the Council
Approve the Pay Policy Statement ²⁰
Establish and abolish Joint Committees (in respect of non-Executive functions) ²¹

Deleted: Submit Neighbourhood plan and order examination¹⁸

Deleted: Approve the neighbourhood plan for referendum following the examination¹⁸

⁹ ss3-5 LGA 1972

¹⁰ S249 LGA 1972

¹¹ ss18 & 31 Rep of the People Act 1983

¹² s8(2) Rep of the People Act 1983

¹³ s35 Rep of the People Act 1983

¹⁴ ss 10, 11 & 91 LGA 1972

¹⁵ s53 LGPIH Act 2007

¹⁶ s10 Rep of the People Act 2000

¹⁷ Chapter 3, part 4 LGPIH Act 2007

¹⁹ ss4&5 LG(MP)A89 and s151 LGA 1972

²⁰ s38 Localism Act 2011

²¹ s101(5) LGA 1972

Authorise applications to the Secretary of State for approval of housing land transfers ²²
Appoint or nominate individuals to outside bodies in respect of non-Executive Functions and revoke or withdraw such appointment or nomination ²³
Appoint or nominate individuals to outside bodies in respect of Executive Functions and revoke or withdraw such appointment or nomination where there is no Group Leader consensus on the decision to be taken
Adopt or amend the Code of Members' Conduct ²⁴
Take decisions and/or give advice on matters brought to Council by the Leader, Cabinet, Officers and other bodies or persons
Receive and consider statutory reports from the Head of Paid Service and the Monitoring Officer ²⁵
Determine whether local choice functions ²⁶ will be exercised by Council or the Cabinet and undertake such local choice functions as allocated to Council
Discharge any other function which is by law reserved to Council

²² Para # Fcts & Resps Regs 2000

²³ Local Authorities (Functions and Responsibilities) Regulations 2000

²⁴ See Part 5A. The statutory context of the Code may change under the Localism Act.

²⁵ ss 4 and 5 Local Government (Misc Provisions) Act 1989

²⁶ The allocation of local choice functions is shown at Appendix #.

Part 3E – Executive Functions

Table 5 Scheme of Delegation of Executive Functions

In this table the following abbreviations have the following meanings:

CEO: Chief Executive

DCEO: Deputy Chief Executive

MO: Monitoring Officer

All: Chief Executive, Deputy Chief Executive and Directors

Function	Leader	Cabinet Member	Cabinet	Joint Arrangements	Other Local Authority	Officer
Neighbourhood Plans						
Designate neighbourhood area/forum			✓			
▼			▼			
Submission of neighbourhood development plan/neighbourhood development order		✓				Director of Community & Economic Development
Approval of neighbourhood development plan/neighbourhood development order for referendum			✓			

Deleted: 27

Deleted: Adopt a neighbourhood development and a neighbourhood development order

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1. Identify the policy, project, function or service change

a. Person responsible for this Equality Impact Assessment

Officer responsible: John Spurling

Service Area: Planning

Title: Planning Policy Manager (Interim)

Date of assessment: 27 January 2025

Signature: John Spurling

b. Is this a policy, function, strategy, service change or project?

Policy

If other, please specify:

c. Name of the policy, function, strategy, service change or project

Neighbourhood Planning Protocol

Is this new or existing?

Already exists and is being reviewed

Please specify reason for change or development of policy, function, strategy, service change or project

To ensure that the protocol remains fit for its intended purpose and that sign off of the key stages of the neighbourhood planning process is made at an appropriate level.

d. What are the aims, objectives and intended outcomes and who is likely to benefit from it?

Aims:

To provide a revised strategy guiding how the Council will undertake decision taking relating to neighbourhood planning.

Objectives:

To ensure that the level of sign off is made at an appropriate level.

Outcomes:

Consistency in approach in how different stages of neighbourhood planning are dealt with by CBC.
Transparency in terms of the process.

Benefits:

As above

e. What are the expected impacts?

Are there any aspects, including how it is delivered or accessed, that could have an impact on the lives of people, including employees and customers.

No

Do you expect the impacts to be positive or negative?

No impact expected

Please provide an explanation for your answer:

The protocol will apply to any community body that chooses to progress neighbourhood planning. However, the form of that neighbourhood planning will be decided by the community body.

If your answer to question e identified potential positive or negative impacts, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

f. Identify next steps as appropriate

Stage Two required

No

Owner of Stage Two assessment

Completion date for Stage Two assessment



Neighbourhood Planning Protocol

Published

Date of publication to be added

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1. Introduction

- 1.1 Neighbourhood planning was introduced by the Localism Act 2011. This provided an opportunity for local communities to lead and prepare statutory plans for their area and to prepare Orders giving planning permission for specific development. Neighbourhood Development Plans and Neighbourhood Development Orders are prepared in accordance with the Town and Country Planning Act 1990 and the Planning and Compulsory Purchase Act 2004 (as amended by the Localism Act 2011) and the Neighbourhood Planning (General) Regulations 2012 (as amended).
- 1.2 Cheltenham Borough Council produced a neighbourhood planning protocol in December 2015. This revised protocol has primarily been produced to update how decisions relating to the different stages of neighbourhood planning will be undertaken by the council, together with updating on changes made via national guidance on the matter of neighbourhood planning. The revised protocol also signposts the reader to other sources of information relating to neighbourhood planning which may assist local communities.

2. What is Neighbourhood Planning?

- 2.1 There are three main planning tools, which are:
- i. Neighbourhood Plans;
 - ii. Neighbourhood Development Orders, and
 - iii. Community Right to Build Orders.

Neighbourhood Plans

- 2.2 As set out within the [\(Government's\) Planning Practice Guidance \(PPG\) on Neighbourhood Planning](#), *"A neighbourhood plan should support the delivery of strategic policies set out in the local plan or spatial development strategy and should shape and direct development that is outside of those strategic policies... Within this broad context, the specific planning topics that a neighbourhood plan covers is for the local community to determine. A neighbourhood plan should, however, contain policies for the development and use of land..."* (Paragraph: 004 Reference ID: 41-004-20190509). Neighbourhood Plans *"should not promote less development than set out in the strategic policies"* (Paragraph: 044 Reference ID: 41-044-20190509).

Neighbourhood Development Orders

- 2.3 This is a community led "order" that grants planning permission *"for specific types of development in a specific neighbourhood area. A Neighbourhood Development Order can therefore:*
- *apply to a specific site, sites, or wider geographical area*
 - *grant planning permission for a certain type or types of [development](#)*

- *grant planning permission outright or subject to [conditions](#)* Paragraph: 010 Reference ID: 41-010-20140306 of [PPG Neighbourhood Planning](#).

Community Right to Build Orders

- 2.4 As set out in the [PPG Neighbourhood Planning](#), “A Community Right to Build Order is a form of Neighbourhood Development Order which can be created by a local community organisation, and so not restricted to a town or parish council or neighbourhood forum, and can be used to grant planning permission for small scale development for community benefit on a specific site or sites in a neighbourhood area...” (Paragraph: 012 Reference ID: 41-012-20190509).

3. Guidance about Neighbourhood Planning

- 3.1 Locality, who are “the national membership network supporting local community organisations”, have produced guidance on [neighbourhood planning](#). This includes the ‘[How to create a Neighbourhood Plan: Your step by step roadmap guide](#)’, which may be helpful to refer to. Neighbourhood planning support in the form of ‘technical support’ and ‘grant funding’ may be available. Further information about these aspects is available via [neighbourhood planning \(about\)](#).
- 3.2 The [Neighbourhood Planning Independent Examiner Referral Service \(NPIERS\)](#), which is managed and administered by the Royal Institute of Chartered Surveyors (RICS), have also produced guidance which may be helpful to refer to.

4. Resourcing for Neighbourhood Planning

- 4.1 There is no requirement or expectation by Government for local authorities to fund communities who wish to undertake neighbourhood planning. The council does not have a budget to fund neighbourhood planning, and it will not be able to write the plan or order for the local community. Any funding that the Government may provide to the council to support neighbourhood planning will be safeguarded to support the cost of the required independent examination and referendum.

5. Stage of Process and Sign Off

- 5.1 The council recognises that it must:
- provide assistance to parish councils, neighbourhood forums or community organisations that produce a neighbourhood plan or order.
 - take decisions at key stages in the neighbourhood planning process. Figure 1 sets out the key stages in the process and what level of sign-off will take place. It is recommended that this is read in conjunction with the [NPIERS Guidance to service users and examiners](#).

specifically pages 10-17 which has a flowchart mapping the neighbourhood planning examination process. This provides details about who is responsible for different aspects of neighbourhood planning.

Figure 1: Stage of process and sign-off

Stage	Protocol*
Publicising a Neighbourhood Area / Forum Application	Cabinet, the Planning and Liaison Member working group and local ward members for the areas concerned are to be notified.
Designating a Neighbourhood Area	<u>Cabinet to decide</u> on whether to designate Neighbourhood Area.
Designating a Neighbourhood Forum	<u>Cabinet to decide</u> on whether to designate Neighbourhood Forum.
Production of Neighbourhood Plan or Order	Produced by the Qualifying Body (QB). Officers to provide advice or assistance.
Pre-submission consultation and publicity on Neighbourhood Plan or Order	Before submitting Plan or Order to Cheltenham Borough Council, the QB must publicise and invite representations (Regulation 14). Consideration of the Plan/Order will also be made via the Planning and Liaison Member Working Group.
Publicising a Plan Proposal or Order	QB submits Plan / Order to Cheltenham Borough Council (Regulation 15). Officers to check documents for compliance with legislation and regulations. CBC will then publicise and invite representations (Regulation 16)
Appointment of an independent examiner	Officers to organise appointment of an independent examiner with the agreement of the QB.
Submission of Neighbourhood Plan or Order	<u>Director of Community & Economic Development in conjunction with the Cabinet Member for Planning and Building Control to decide</u> whether the Neighbourhood Plan or Order should be submitted for examination (Regulation 17).
Examination of Neighbourhood Plan or Order	Examiner assesses whether it meets certain basic conditions and requirements set out in statute.
Approval of Neighbourhood Plan or Order for referendum	CBC and QB will publish the examination report. <u>Cabinet to decide</u> whether it accepts the examination report in full or part – e.g. regarding any proposed modifications and whether / when to hold a referendum (Regulation 18).

Referendum on Neighbourhood Plan or Order	CBC will run the referendum on behalf of the QB. Providing more than 50% of those taking part in the referendum vote in favour of the plan being made part of the development plan for the local area, the LPA must proceed to make the plan part of its development plan
Adoption of Neighbourhood Plan or Order	The decision to adopt a Neighbourhood Plan or an Order is <u>made by Council and then publicised</u> (Regulations 19 and 20).
*Those stages that relate to sign-off are indicated by text that is <u>underlined</u> . References to Regulations are taken from The Neighbourhood Planning (General) Regulations 2012 (as amended)	

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Cheltenham Borough Council

Council – 17 March 2025

Capital, Investment, Treasury Management Strategies 2025/26

Accountable member:

Councillor Alisha Lewis, Cabinet Member Finance and Assets

Accountable officer:

Gemma Bell, Director of Finance & Assets

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 new 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 in light of the changes to the 2025/26 budget which was approved by Full Council on 21 February 2025. In particular, there is ongoing focus on the use of capital receipts to support our capital programme and treasury management activity to reduce the ongoing pressures experienced by the previous increases in the Bank of England base

rate.

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 2025/26 at Appendix 2;**
 - **The Investment Strategy 2025/26 at Appendix 3; and**
 - **The Treasury Management Strategy Statement 2025/26 at Appendix 4.**
-

1. Implications

1.1 Financial, Property and Asset implications

As detailed throughout this report.

Signed off by: Gemma Bell, Director of Finance and Assets gemma.bell@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 21 February 2025.

Signed off by: Maizy McCann, Climate Emergency Officer

1.4 Corporate Plan Priorities

Taking action to ensure overspends are reduced as far as possible by the end of the financial year will help ensure that the council can continue to deliver its corporate objectives as set out in the 2023-2027 Corporate Plan.

Signed off by: Ann Wolstencroft, Head of Performance, Projects and Risk

1.5 Equality, Diversity and Inclusion Implications

None directly related to the recommendations in this report.

1.6 Performance management – monitoring and review

The budget position will continue to be monitored by the Finance team throughout the year and a revised budget will be presented to the December Cabinet with the 2025/26 draft budget proposal. Likewise, 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 MHCLG 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 four strategies/statements on an annual basis:
 - Capital Strategy;
 - Investment Strategy;
 - Treasury Management Strategy Statement; and a
 - A Minimum Revenue Provision (MRP) Statement
- 1.5. Additionally, a MHCLG consultation 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 2025/26 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 - 5 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 21 February 2025.

5 Key risks

5.1 The risks are in appendix 1

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Appendices:

- i. Risk Assessment
- ii. Capital Strategy 2025/26
- iii. Investment Strategy 2025/26
- iv. Treasury Management Strategy 2025/26

Background information:

- 1. The Housing Revenue Account Revenue and Capital Final Budget Proposal – Council 21 February 2025
- 2. The General Fund Revenue and Capital Final Budget Proposal - Council 21 February 2025

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/services 	Director of Finance & Assets	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 - 	Director of Finance & Assets	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	Director of Finance & Assets	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>	Director of Finance & Assets	Ongoing

Capital Strategy 2025 to 2026



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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 Councils to produce 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 Council's 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 reset 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 Council's Asset Management Strategy, Commercial Strategy, Investment Strategy, Treasury Management Strategy and emerging Housing Investment Plan. It forms a key part of the Council's 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 2023-27 Corporate Plan.

Category	Overall	Revenue	Capital	Treasury Management	Risk Management
Strategies	Medium Term Financial Strategy				
	Commercial Strategy	Investment Strategy	Capital Strategy	Treasury Management (TM) Strategy	Risk Management
			Asset Management 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 Management 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** Despite the financial uncertainty of the last four years, the Council has continued to demonstrate its commitment to make Cheltenham a place where everyone can thrive. There has been continued commitment to the Council's corporate priorities; to inclusive and sustainable growth in the town, to the goal of supporting the Council and the town to be net carbon zero by 2030, securing our future for the town, to delivering more housing across the borough and to our No Child Left Behind initiative.
- 2.2** In order that we can lead the recovery of our town, we will continue to invest in Cheltenham for the benefit of Cheltenham both in terms of sustainable Council finances, but also in terms of the way we invest both commercially and for regeneration. This was followed up with the revision of the Council's Corporate Plan for 2023-27 which includes detail of how the Council will deliver on their ambitious corporate priorities.
- 2.3** The capital investments outlined in this document are the beginning 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.
- 2.4** 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.
- 2.5** 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 2023-27 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

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 and spend below £10,000 is not capitalised and are charged to the revenue budget.

4. How we invest our money

4.1 In 2025/26, the Council is planning capital expenditure of £77.055m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2023/24 actual £000's	2024/25 forecast £000's	2025/26 budget £000's	2026/27 budget £000's	2027/28 budget £000's
General Fund services	6,669	12,212	35,157	71,659	2,373
Council housing (HRA)	20,559	21,094	37,398	41,932	44,708
Capital investments	556	-	4,500	4,500	4,500
TOTAL	27,784	33,306	77,055	118,091	51,581

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 2023-27 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.

Priority 1

Enhance Cheltenham's reputation as the cyber capital of the UK

- In September 2023, the Council approved the decision to enter a Development Funding Agreement for the construction of a National Cyber Innovation Centre as part of the West Cheltenham development. This was the most significant step the Council have taken to bring this project to fruition since the decision in 2019 to purchase the land. The proposal for the Innovation Centre is currently within the planning process and is expected to be granted permission in early 2025/26.
- As part of the decision in September 2023, a funding envelope of £95m was approved, subject to key gateway reviews being passed as part of the wider programme governance. In February 2025, this was then increased to £104m to include a reprofiling of the delivery of the mobility hub which will be delivered as part of the same project. This was proposed following confirmation from the new Government that the successful £20m Levelling Up funding bid would be continued in this Parliament.
- The 2025/26 capital programme now includes the full approved budget for the National Cyber Innovation Centre which is expected to be delivered by 2028/29. The funding is currently modelled to be £20m Government grant with the remaining allocation from borrowing. However work is ongoing to identify and complete asset sales which will be used to replace some of the borrowing requirement.

Priority 2

Working with residents, communities and businesses to help make Cheltenham net zero by 2030

- Our Climate Emergency Action Plan: Pathway to Net Zero is to target residents, communities, businesses, public and voluntary organisations.
- To demonstrate our commitment to this vision and lead the response to the climate challenge in Cheltenham, £300k of capital investment has been committed to the Carbon Neutrality programme since 2023/24.
- Funding of over £1.178m from the UK Shared Prosperity Funding was secured in 2022/23, which has been committed to a number of carbon reduction projects over the next three years. The projects include the development of a town centre safe bicycle parking and associated activities, carbon footprint and reporting for businesses to develop and carry out carbon reduction plans, address fuel poverty, installation of electricity infrastructure in key locations around the town to remove reliance on generators for key events and to fund our commitment to climate change.
- In 2025/26, an additional budget has been approved for the installation of fixed power for our Festival Gardens. The objective is to ensure that festivals and events in the park can be less reliant on fossil fuel generators and can instead access power from the grid. Likewise, funding has also been made available to install pool covers and LED lighting at the Council's leisure centre to reduce the energy usage at the site.
- Additionally, within the HRA capital programme there is £17.584m of investment in energy efficiency measures within our housing stock over five years. A funding bid has been submitted for the Government's Warm Homes: Social Housing Fund Wave 3 to fund some of this work and we are currently awaiting the outcome.

Priority 3

Increasing the number of affordable homes through our £180m housing investment plan

- The Council's Housing Investment Plan has committed £80m of investment from the Housing Revenue Account to fund affordable housing. The purpose of these investments is to shape sustainable and resilient communities and allow residents secure homes in which they and their families can thrive.
- The HRA capital programme includes £104.692m of approved investment between 2024/25 and 2028/29 for new build and acquisition projects to increase the number of social and affordable rental housing in Cheltenham. The projects currently includes development at Monkscroft School, Swindon Road and Swindon Farm which are all well progressed. Following the transition of housing services back in house to the Council, the Housing Investment Plan will be reviewed and additional sites will be identified for affordable housing in line with Government targets.
- We have already spent £35m delivering 136 homes, with a strong pipeline set to deliver significant numbers of additional affordable homes over the current and following four years. A further £48m is forecast to be spent within the HRA capital programme between 2024 and 2027. The transition of our housing services back to the Council will only support this planned delivery.
- Additionally, the Council will continue to work with the private sector to utilise redundant assets and vacant land to bring them into a useful economic purpose to facilitate regeneration and employment creation. The medium term capital programme commits a further £4.5m a year for three years to 2027/28 to increase the supply of housing in the town.



Priority 4

Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity

- Cheltenham will see huge investment over the coming years through expansion of the cyber industry, more affordable homes and infrastructure. This presents a once in-a-generation chance to ensure all of our communities can benefit from sustainable growth in jobs, skills and housing.
- Upgrading some of the parks and town centre toilets to include Changing Places and much improved disabled facilities has capital of £590k within the approved capital programme.
- Play areas across the town also have an approved annual budget of £80k to support the cyclical maintenance and improvement of facilities for our residents and visitors.
- The acquisition of several shops and premises to help regenerate the High Street commenced in 2022 with an investment of over £3.3m. The development appraisal for these sites is expected to commence in 2025/26.

Priority 5

Being a more modern, efficient and financially sustainable Council

- Beyond the above, our Capital Strategy also helps us meet our need to upgrade and maintain:
 - Operational buildings;
 - Our vehicle fleet;
 - Infrastructure in the Borough;
 - Our ICT infrastructure.

Put simply, 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

	2023/24 actual £000's	2024/25 forecast £000's	2025/26 budget £000's	2026/27 budget £000's	2027/28 budget £000's
External sources	5,217	7,885	19,755	8,961	5,206
Own resources	9,111	15,097	17,769	11,145	12,487
Debt	13,456	10,324	39,531	97,985	33,888
TOTAL	27,784	33,306	77,055	118,091	51,581

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 taken into account.

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 2025/26 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 requirements 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 2025/26 financial year is:

Table 3: Capital receipts

	2023/24 actual £000's	2024/25 forecast £000's	2025/26 budget £000's	2026/27 budget £000's	2027/28 budget £000's
GF capital programme	1,683	4,923	5,494	810	1,855
HRA capital programme	1,647	4,165	6,140	3,940	3,940
TOTAL	3,330	9,088	11,634	4,750	5,795

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 The Council approved the flexible use of capital receipts policy for 2025/26 on 21 February 2025 which outlined the definition of qualifying expenditure and identified the use of £475k of capital receipts to support the general fund revenue budget.

5.10 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.

5.11 The Asset Management Strategy outlines a number of different categories of assets; from surplus land to community centres. In order 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.

- 5.12** This same approach is also a key consideration in 2025/26 for the funding of the future HRA capital programme. 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

- 5.13** 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.
- 5.14** 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.
- 5.15** 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 4.75%) and long-term fixed rate loans where the future cost is known but higher (currently 5.0 to 6.0%).
- 5.16** 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. There are no plans to borrow in advance of need.
- 5.17** 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.
- 5.18** 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

	2023/24 actual £000's	2024/25 forecast £000's	2025/26 budget £000's	2026/27 budget £000's	2027/28 budget £000's
Own resources to repay debt	1,950	1,734	2,171	2,199	2,229

- 5.19** The cumulative outstanding amount of external 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.
- 5.20** The CFR for our Council is expected to increase by £8.590m during 2025/26. Our projected total outstanding debt from borrowing is shown below, compared with the CPR.

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement

	31.03.2024 actual £000's	31.03.2025 forecast £000's	31.3.2026 budget £000's	31.3.2027 budget £000's	31.3.2028 budget £000's
General Fund services	114,440	113,427	130,274	202,905	205,176
Council housing (HRA)	89,210	98,813	119,326	142,481	171,869
TOTAL CFR	203,650	212,240	249,600	345,386	377,045

- 5.21** 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	304	344	439
Operational boundary – total external debt	290	294	334	429

- 5.21** 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

	2023/24 actual £'000	2024/25 forecast £'000	2025/26 budget £'000	2026/27 budget £'000	2027/28 budget £'000
Financing costs (£m)	3,753	4,591	4,167	4,189	4,212
Proportion of revenue	4.27%	5.01%	4.39%	4.26%	4.17%

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 an Deputy Chief Executive (Section 151 Officer) with over 25 years of experience in the sector and a Director of Finance & Assets 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** Use is also made of 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.



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Investment Strategy

2025 to 2026



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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 is both necessary and essential to:
- help facilitate economic growth and recovery
 - help deliver our housing needs
 - help create commercial opportunities that support 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.
- 1.4** In refreshing the Investment Strategy, it is important that we reset this within the current wider corporate strategy context, together with our priorities for investment, growth, climate change and social value, 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 Council's Asset Management Strategy, Commercial Strategy, Investment Strategy, Treasury Management Strategy and emerging Housing Investment Strategy. It forms a key part of the Council's 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 Council's 2023-27 Corporate Plan.

1.7

Category	Overall	Revenue	Capital	Treasury Management	Risk Management
Strategies	Medium Term Financial Strategy				
	Investment Vision and Principles				
	Commercial Strategy	Investment Strategy	Capital Strategy	Treasury Management (TM) Strategy	Risk Management
			Asset Management Strategy	Housing Investment Plan	
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 Management 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 recovery

- 2.1** As we look beyond the difficult financial and economic pressures that we face, we are clear in our future ambition for Cheltenham. We are setting a higher standard for ourselves, and our town, to build a better future for everyone in Cheltenham, ensuring that everyone who lives and works here can equally share the benefits of Cheltenham's successes.
- 2.2** Against a backdrop of global instability, war, high inflation and the recent pandemic, we believe that building a better future means leaving a legacy of sustainability for future generations. Our ambitions to reduce Cheltenham's carbon emissions to net zero, but also encompasses building affordable carbon neutral homes across Cheltenham, conserving and enhancing our green spaces, and securing financial and economic sustainability through the Golden Valley Development.
- 2.3** With the revised Corporate Plan for 2023-2027, we have needed 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 full economic recovery continues.
- 2.4** 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 document are:

- To outline how we invest our money to ensure we continue to be aligned to the key priorities outlined in the 2023-2027 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 2023-27 Corporate Plan outlines our 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 investments we have made and areas of focus for 2024/25 to support the key priorities in the Corporate Plan.

Priority 1

Enhance Cheltenham's reputation as the cyber capital of the UK

Growth investment

- In September 2023, the Council approved the decision to enter a Development Funding Agreement for the construction of a National Cyber Innovation Centre as part of the West Cheltenham development. This was the most significant step the Council have taken to bring this project to fruition since the decision in 2019 to purchase the land. The proposal for the Innovation Centre is currently within the planning process and is expected to be granted permission in early 2025/26.
- As part of the decision in September 2023, a funding envelope of £95m was approved, subject to key gateway reviews being passed as part of the wider programme governance. In February 2025, this was then increased to £104m to include a reprofiling of the delivery of the mobility hub which will be delivered as part of the same project. This was proposed following confirmation from the new Government that the successful £20m Levelling Up funding bid would be continued in this Parliament.
- The 2025/26 capital programme now includes the full approved budget for the National Cyber Innovation Centre which is expected to be delivered by 2028/29. The funding is currently modelled to be £20m Government grant with the remaining allocation from borrowing. However work is ongoing to identify and complete asset sales which will be used to replace some of the borrowing requirement.

Priority 2

Working with residents, communities and businesses to help make Cheltenham net zero by 2030

Growth investment

- Funding of over £1.178m from the UK Shared Prosperity Funding was secured in 2022/23, which is to be spent on a number of carbon reduction projects over the next three years. The projects include the development of a town centre cycle hub for safe bicycle parking and associated activities, carbon footprint and reporting for businesses to develop and carry out carbon reduction plans, address fuel poverty, installation of electricity infrastructure in key locations around the town to remove reliance on generators for key events and to fund our commitment to climate change.
- Additionally, within the HRA capital programme there is £17.584m of investment in energy efficiency measures within our housing stock over five years. A funding bid has been submitted for the Government's Warm Homes: Social Housing Fund Wave 3 to fund some of this work and we are currently awaiting the outcome.

Service investment

- In 2025/26, an additional budget has been approved for the installation of fixed power for our Festival Gardens. The objective is to ensure that festivals and events in the park can be less reliant on fossil fuel generators and can instead access power from the grid. Likewise, funding has also been made available to install pool covers and LED lighting at the Council's leisure centre to reduce the energy usage at the site.



Priority 3

Increasing the number of affordable homes through our £180m housing investment plan

Growth investment

- The Council's Housing Investment Plan has committed £80m of investment from the Housing Revenue Account to fund affordable housing. The purpose of these investments is to shape sustainable and resilient communities and allow residents secure homes in which they and their families can thrive.
- The HRA capital programme includes £104.692m of approved investment between 2024/25 and 2028/29 for new build and acquisition projects to increase the number of social and affordable rental housing in Cheltenham. The projects currently includes development at Monkscroft School, Swindon Road and Swindon Farm which are all well progressed. Following the transition of housing services back in house to the Council, the Housing Investment Plan will be reviewed and additional sites will be identified for affordable housing in line with Government targets.
- We have already spent £35m delivering 136 homes, with a strong pipeline set to deliver significant numbers of additional affordable homes over the current and following four years. A further £48m is forecast to be spent within the HRA capital programme between 2024 and 2027. The transition of our housing services back to the Council will only support this planned delivery.
- Additionally, the Council will continue to work with the private sector to utilise redundant assets and vacant land to bring them into a useful economic purpose to facilitate regeneration and employment creation. The medium-term capital programme commits a further £4.5m a year for three years to 2027/28 to increase the supply of housing in the town.



Priority 4

Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity

Growth investment

- Cheltenham will see huge investment over the coming years through expansion of the cyber industry, more affordable homes and infrastructure. This presents a once in-a-generation chance to ensure all of our communities can benefit from sustainable growth in jobs, skills and housing.

The acquisition of several shops and premises to help regenerate the High Street commenced in 2022 with an investment of over £3.3m. The development appraisal for these sites is expected to commence in 2025/26.

Service investment

Upgrading some of the parks and town centre toilets to include Changing Places and much improved disabled facilities has capital of £590k within the approved capital programme.

Play areas across the town also have an approved annual budget of £80k to support the cyclical maintenance and improvement of facilities for our residents and visitors.

- Subject to an approved business case, we may invest in our subsidiary companies or partners to directly support the provision of local services. There are two main forms these investments may take:
- Purchase of shares in an organisation;
- Loans to organisations within the Borough to support the running costs of the organisations
- The Council has a £1 shareholding in Ubico Ltd. Ubico Ltd is wholly-owned by seven local authorities and operates as a not for profit enterprise. Ubico Ltd is an environmental services company which provides household and commercial refuse collection, recycling, street cleansing, grounds maintenance and fleet maintenance services to the Council. Also the Council has £435,222 shareholding in Gloucestershire Airport (at cost) which equates to 50%. The other 50% is retained by Gloucester City Council.

The acquisition of several shops and premises to help regenerate the High Street commenced in 2022 with an investment of over £3.3m. The development appraisal for these sites is expected to commence in 2025/26.

Priority 5

Being a more modern, efficient and financially-sustainable council

Service investment

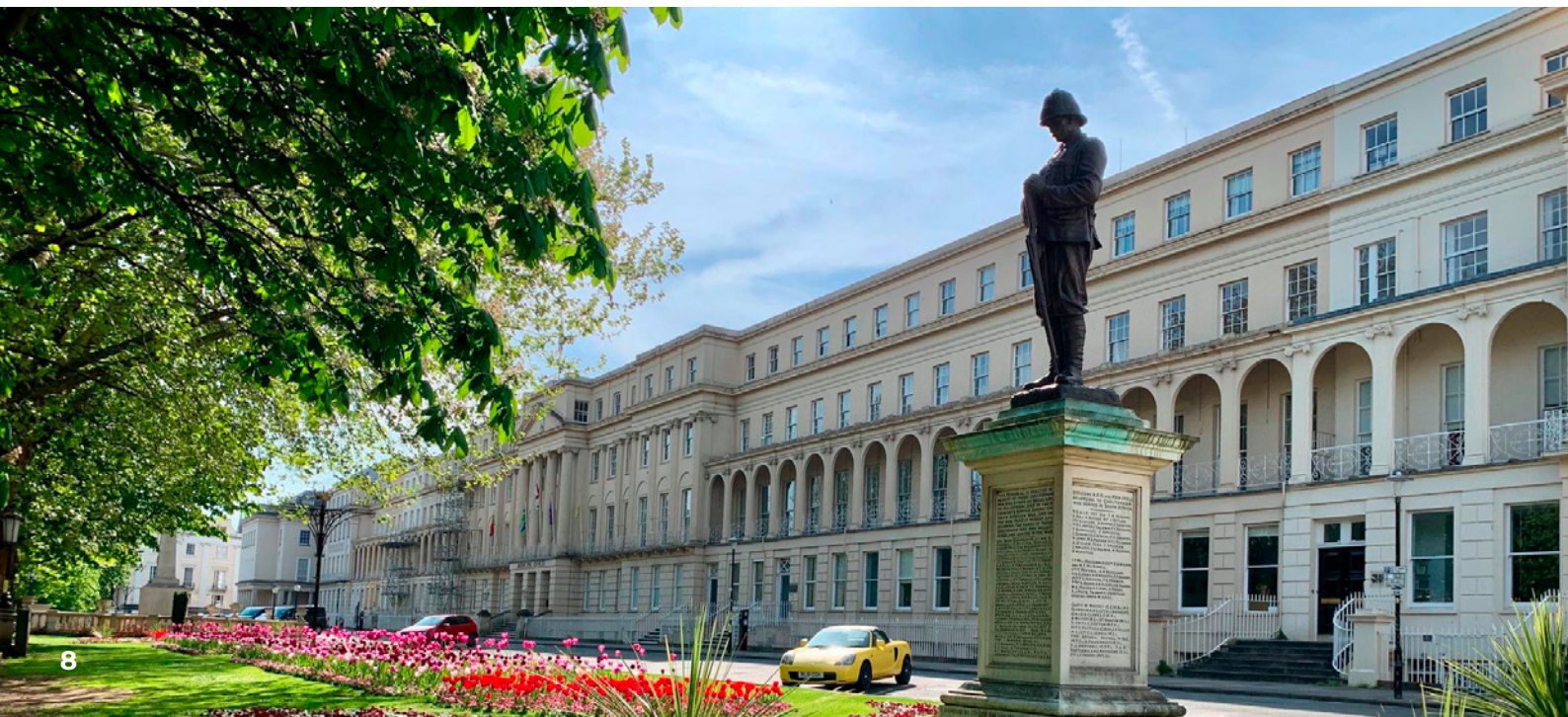
- Local councils continue to operate in a challenging financial environment and we will continue to identify opportunities to increase income and reduce costs to ensure financial sustainability. This will enable continued investment in front-line services and enhance Cheltenham as a place to live, work and visit.
- Advancements in new technologies provide a greater opportunity for residents, communities and businesses to interact with the council. Whilst new digital services present huge opportunities, we will continue to provide efficient services over the telephone and face to face, to ensure we remain accessible, responsive and helpful.
- Implementation and roll out of the new digital platform across the Council has been in progress with a capital budget of £180k.

Beyond the above, our Capital Strategy also helps us meet our need to upgrade and maintain:

- Operational buildings;
- Our vehicle fleet;
- Infrastructure in the Borough;
- Our ICT infrastructure.

Put simply, 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	31.3.2024 actual £			2025/26
	Balance owing	Loss allowance	Est. Net figure in accounts	Approved Limit
Charities	326,000		286,000	321,000
Cheltenham Borough Homes	8,034,585	-	8,152,157	107,000,000
Gloucestershire Airport	6,771,942	-	6,771,942	10,000,000
Workshop Cheltenham Limited	-	-	-	6,100,000

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 and 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	31.3.2024 actual £		
	Amounts invested at cost	Gains or losses	Est. Value in accounts at 31.03.2024
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 (PWL) 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	01.04.23	31.3.2024 actual £	
		Value in accounts £'000	Purchases, Gains or (losses)	Value in accounts £
Growth Investments	Various	65,268	(1,332)	63,936

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 £

	2023/24 Actual £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Gross service expenditure*	43,550	45,194	44,363	43,587	42,483
Investment income	5,330	5,654	5,734	5,734	5,734
Proportion	12.24%	12.51%	12.93%	13.16%	13.50%

* 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 an Deputy Chief Executive (Section 151 Officer) with over 25 years of experience in the sector and a Director of Finance & Assets and supporting team of qualified accountants committed to the financial sustainability of the Council.
- 6.2** Use is also made of 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	31.03.2023 Actual £	31.03.2024 Forecast £	31.03.2025 Forecast £
Treasury management investments	14,720,000	13,070,000	13,070,000
Service investments: Loans	15,274,132	15,963,154	15,801,528
Service investments: Shares (at cost)	435,224	435,224	435,224
Commercial investments: Property	63,936,000	63,936,000	63,936,000
TOTAL INVESTMENTS	94,365,356	93,404,378	93,242,752
Commitments to lend ¹	0	0	0
TOTAL EXPOSURE	94,365,356	93,404,378	93,242,752

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	31.03.2023 Actual	31.03.2024 Forecast	31.03.2024 Forecast
Treasury management investments	-	-	-
Service investments: Loans	5,949,163	5,752,800	5,618,192
Service investments: Shares	-	-	-
Commercial investments: Property	39,911,000	39,222,000	38,514,000
TOTAL FUNDED BY BORROWING	45,860,163	44,974,800	44,132,192

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.

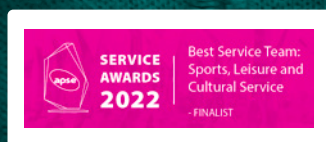
Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	5.10%	5.00%	4.25%
Service investments: Loans			
Cheltenham Borough Homes	3.63%	3.63%	3.63%
Gloucestershire Airport	3.87%	3.84%	3.59%
St Margarets Hall	3%	3%	3%
Service investments: Shares	0%	0%	0%
Commercial investments: Property yield/ contribution (net of borrowing)	£1,669,996	£1,814,107	£1,863,735
Commercial investments: Property	3.90%	4.34%	4.57%



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Treasury Management Strategy 2025 to 2026



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1. Introduction

- 1.1** Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. 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 2025/26 Treasury Management Strategy has been developed, with a focus on working with our partner organisations to lead in 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 2023-2027 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 X).
 - • 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 X).

3. Why we invest our money

2.1 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 £191.941m as of 31st January 2025. 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. With minimal investments the council will therefore be required to borrow up to £92m 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 2025/26.
- 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

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
General Fund CFR	114.440	113.427	130.274	202.905	205.176
Housing (HRA) CFR	89.210	98.813	119.326	142.481	171.869
TOTAL CFR	203.650	212.240	249.600	345.386	377.045
Less: External Borrowing	196.326	203.358	199.931	196.378	192.693
Internal (over) Borrowing	7.324	8.882	49.669	149.008	184.352
Less: Useable reserves	(5.497)	(3.833)	(6.296)	(6.431)	(6.511)
Less: Working Capital	(15.370)	(19.579)	(22.170)	(28.473)	(34.825)
Investments/ (New Borrowing)	13.543	14.530	15.500	16.000	16.500
Net Borrowing Requirement	182.783	197.710	234.100	329.386	360.545
Preferred year-end position (Invest)	10.000	10.000	10.000	10.000	10.000
Liability Benchmark (year-end)	193.783	207.710	244.100	339.386	370.545

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. With short-term interest rates currently lower than long-term rates, it is 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) or another lender in the market to fund past and future debt.
- 4.7** In September 2024, the Council replaced £5m of temporary borrowing with a fixed 10 year PWLB Annuity loan at a rate of 4.30% to cover some General Fund capital expenditure, and then took out a HRA loan for £15m over 5 ½ years at a rate of 3.97% to fund the HRA capital programme, which also was funded from short term borrowing. 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%, was utilised instead of borrowing from the local authority market which had seen short term rates start to climb from 4.95% to 5.60%. The decisions to take out these loans was to help protect interest costs and keep within the revised budget for 2024/25.
- Ongoing monitoring may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 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 during 2025/26, 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. The Council may also borrow short-term loans to cover unplanned cash flow shortages.
- 4.9** 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 £138m) but will consider long-term loans from other sources including banks, pensions 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.

Municipal Bonds Agency:

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet. The Council currently holds no loans from the MBA.

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.

LOBOs: The Council holds a £5m loan of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

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 2025/26. The Council as at end of January 2025 holds £40m of these loans.

Debt rescheduling:

The PWLB allows authorities 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 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 2025, we held £15.053m of treasury investments which are outlined in the table 2 below.

Table: 2

	31 January 2025 Actual Portfolio £m	31 January 2025 Actual Rate %
Treasury investments:		
Glos Airport – Revolving credit facility	2.100	6.75%
Glos Airport – Sub Station/ Radar loans	0.123	2.00%
Cheltenham Borough Homes (St Georges Place)	0.535	1.12%
Money Market Funds- check next week	5.000	4.72%
Other Pooled Funds		
CCLA Property Investment Management	3.000	4.34%
CCLA Diversified Income	2.000	3.46%
Schroders Unit Trusts Ltd	2.000	5.83%
Total Treasury investments	14.758	4.82%

5.2 By the end of the 2024/25 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.

	31.3.2024 Actual £m	31.03.2025 Forecast £m	31.03.2026 Budget £m	31.03.2027 Budget £m	31.03.2028 Budget £m
Near-term investments	5.000	3.000	3.000	3.000	3.000
Longer-term investments	9.285	11.500	12.500	13.000	13.500
Total	14.285	14.500	15.500	16.000	16.500

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 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	25 years	£4m	Unlimited
Secured investments *	20 years	£4m	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

- 5.8** * 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.

Government

Loans, bonds, and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. Investments with the UK Government are deemed to be zero credit risk due to its 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 either 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 £278k Non-specified duration
- Ubico Limited £500k up to one year duration
- Cheltenham Town Football Club £35k 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 duration¹
- Cheltenham Borough Homes £500k up to one year
- Gloucestershire Airport Limited £9m up to one year
- Gloucestershire Airport Limited £7.250m Non-specified duration
- Folk2Folk (Peer to Peer lending) £575k Non-specified duration²

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 2023 that our exposure to gas and oil investments currently stands at £120K down from £173k this time last year. This is part of the Schroder Income Maximiser Fund and makes up 1.71% (2.5% in 2023) of the £7m we have invested in Pooled Funds. However, the current capital value of the fund is valued £493k 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 £3.8 million on 31st March 2024. 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:

	2024/25	2025/26	2026/27
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:

	2024/25	2025/26	2026/27
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 DLUHC 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 HRA

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, 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 recently 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 new contract commenced from 1st March 2023 and will run to at least 28th February 2026.

Investment of money borrowed in advance

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 £304m. 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 2025/26 is forecast to be £908k based on an average investment portfolio of £16.837 million at an interest rate of 5.06%. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4% to 5%. On top of this interest received on third parties' loans amounts to £273k.

The estimated budget for debt interest to be paid in 2025/26 is forecast to be £7.090 million, based on an average debt portfolio of £191.9411m at an average interest rate of 3.71% (3.86% 24/25). The HRA will reimburse the General Fund £3.408m for its share of the debt it holds as of 1 April 2025. 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 2024

Economic background:

The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26. ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The Bank of England's (BoE) Monetary Policy Committee (MPC) reduced Bank Rate by 0.25% to 4.50% at its February 2025 meeting. The messaging was a little mixed despite the 7-2

voting split, with the two dissenters wanting a 0.5% reduction. There were a range of views; there is evidently growing concern about the UK's growth trajectory while the inflation picture is not clear enough for policymakers to instigate more rapid monetary loosening.

UK GDP growth petered out towards the end of 2024 and recent data suggest growth in early 2025 is unlikely to improve much, with the MPC halving their forecast from 1.5% to just 0.75%. While government spending

should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.

Private sector wage growth and services inflation remain elevated despite a reduction in the services CPI rate for December. We expect the labour market to continue to weaken over the next year, which will place downward pressure on wage growth and services inflation.

However, CPI inflation rates are expected to rise above 3% in the near term due to unfavourable base effects, particularly for retail energy prices (wholesale gas spot prices are at two-year highs). The MPC revised its inflation forecast upwards significantly, with the CPI rate now expected to peak at 3.7% in mid-2025.

The labour market appears to be easing slowly, but the data still will require treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.



Credit outlook:

Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the Council's treasury adviser.

Overall, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (February 2024):

The Council's treasury management adviser Arlingclose expects the Bank of England's MPC will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.50	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.90	4.60	4.35	4.10	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.15	4.20	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.10	4.10	4.10
Downside risk	0.00	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	0.90	-0.95	-1.00	-1.05
10yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.46	4.50	4.45	4.30	4.25	4.25	4.25	4.25	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	0.90	-0.95	-1.00	-1.05
20yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.98	5.00	4.90	4.80	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Downside risk	0.00	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	0.90	-0.90	-0.90	-0.90
50yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.34	4.70	4.60	4.50	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Downside risk	0.00	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	0.90	-0.90	-0.90	-0.90
50yr gilt yield													
Upside risk	0.00	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.94	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95	3.95
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00



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