

Investment Strategy

2023 to 2025



CHELTENHAM
BOROUGH COUNCIL

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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 was a new requirement for Councils to produce from 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 space that supports our key employment sectors
 - stimulate a positive climate for inward investment into Cheltenham
- 1.3** The Council’s Investment Strategy forms a key part of our overall Corporate Planning Framework. It provides a mechanism by which our capital investment and financing decisions can be aligned with our over-arching corporate priorities and objectives over a medium term planning horizon.
- 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 councils Corporate Plan and Recovery Strategy.

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 2019-2023 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 over the next few pages 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

- At the end of August 2019, we completed the purchase of 112 acres of strategically important land for £37.5m which forms part of the Cyber Central Golden Valley development. This was the most expensive land purchase ever made by the Council. It will enable the delivery of the Cyber Central vision and has been specifically named in the Government's National Cyber Strategy launched in February 2022. The planning applications were submitted in 2023/24 and work is underway to deliver the vision for the Innovation Centre into 2024/25. In January 2024, Cheltenham Borough Council were provisionally awarded £20m of Levelling Up funding by the Government for the delivery of the Innovation Centre.

Service investment

- In addition to the flagship Golden Valley development, the Council are also working in partnership with the Workshop Group to establish a brand new business and cultural hub in the town centre. The Minister Innovation Exchange will be a critical strand of our economic recovery strategy; continuing the momentum created at Hub8 ahead of the opening of Cyber Central at Golden Valley and establishing Cheltenham as the UK's foremost cyber tech cluster with a global reach.
- The scheme is due for completion by summer of 2024, following a successful bid for £3.114m of funding via GFirst LEP from the Government's 'Getting Building Fund'.

Priority 2

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

Growth investment

- 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 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.
- £75k has been committed for Electric Vehicle charging points around the town centre which will be delivered in 2024/25.



Priority 3

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

Service investment

- The Council's Housing Investment Plan has committed £100m of service investment to fund mixed tenure housing in the private rented sector and £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.
- 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 2024/25 capital programme commits a further £4.5m a year for three years to 2026/27 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.
- Improving toilet and changing facilities around the town has £750k earmarked in the 2024/25 capital programme.
- We have previously committed £600k of capital funding to support investments made by the Trust into their venues and infrastructure. The 2024/25 capital programme includes an additional £400k of funding to continue to support their financial sustainability.
- Refurbishing of Clarence Fountain area has had £90k investment spent on it in 2022/23.
- The acquisition of several shops and premises to help regenerate the High Street commenced in 2022 with an investment of over £3.3m.

Service investment

- 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.

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.
- Installation of a new building management system to help reduce energy will have an investment of over £150k.
- Smart Working to use the Municipal Offices more efficiently has seen investment of over £250k.

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	31.3.2023 actual £			2023/24
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Charities	286,000	-	286,000	326,000
Cheltenham Borough Homes	8,152,157	-	8,152,157	107,000,000
Gloucestershire Airport	6,771,942	-	6,771,942	9,000,000
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	31.3.2023 actual £		
	Amounts invested at cost	Gains or losses	Value in accounts at 31.03.2023
UBICO	1	-	1
Gloucestershire Airport	435,222	(435,222)	0
TOTAL	435,223	(435,222)	1

Risk assessment

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

Liquidity

We have not invested in the companies to generate a financial return but to support service provision. We support the strong financial management of each of the partner companies we invest in and monitor the cash flow as part of this. As such, the liquidity of these investments are low as the Council has no intention to dispose of its investment in the foreseeable future.

Non-specified Investments

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

5.3 Growth Investments

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

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

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

	Purchase Price	01.04.22	31.3.2023 actual £	
		Value in accounts £'000	Purchases, Gains or (losses)	Value in accounts £
Growth Investments	Various	66,415,000	(1,147,000)	65,268,000

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 £

	2022/23 Actual £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Gross service expenditure*	41,587	41,834	39,480	39,743	38,890
Investment income	5,262	5,675	5,540	5,540	5,540
Proportion	12.65%	13.57%	14.03%	13.94%	14.25%

* 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 Executive Director for Finance and Assets with over 20 years of experience in the sector and a Head of Finance 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	12,779,000	14,926,000	15,151,000
Service investments: Loans	14,924,100	14,760,059	14,589,799
Service investments: Shares (at cost)	435,224	435,224	435,224
Commercial investments: Property	65,268,000	65,268,000	65,268,000
TOTAL INVESTMENTS	93,406,324	95,389,283	95,444,023
Commitments to lend ¹	0	0	0
TOTAL EXPOSURE	93,406,324	95,389,283	95,444,023

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	6,073,930	5,948,969	5,821,657
Service investments: Shares	-	-	-
Commercial investments: Property	42,889,174	40,824,899	39,762,178
TOTAL FUNDED BY BORROWING	48,963,104	46,773,868	45,583,835

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	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	4.21%	5.07%	5.00%
Service investments: Loans			
Cheltenham Borough Homes	3.63%	3.63%	3.63
Gloucestershire Airport	3.87%	4.38%	4.38%
St Margarets Hall	3%	3%	3%
Service investments: Shares	0%	0%	0%
Commercial investments: Property yield/ contribution (net of borrowing)	£1,810,314	£1,814,107	£1,863,735
Commercial investments: Property	4.22%	4.34%	4.57%



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