

Cheltenham Borough Council Capital Strategy 2026/27

1. INTRODUCTION

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

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

2. OUR VISION AND AMBITIONS FOR CHELTENHAM

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

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

3. PURPOSE OF THIS STRATEGY

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

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

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

What is capital expenditure?

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

4. HOW WE INVEST OUR MONEY

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

Table 1: Prudential Indicator: Estimates of Capital Expenditure

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

What is the HRA?

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services.

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

4.3 Priority One – Securing our future

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

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

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

4.4 Priority Two – Quality homes, safe and strong communities

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

General Fund

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

HRA

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

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

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

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

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

General Fund

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

HRA

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

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

4.6 Priority Four – Reducing inequalities, supporting better outcomes

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

General Fund

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

HRA

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

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

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

4.7 Priority Five – Taking care of your money

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

General Fund

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

HRA

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

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

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

5. HOW WE FUND CAPITAL SPENDING

Capital Programme Funding Overview

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

Table 2: Capital financing

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

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

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

Capital Funding from External Sources

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

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

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

Capital Funding from our own Resources

General Funding from Capital Receipts

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

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

Table 3: Capital receipts

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

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

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

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

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

Capital Funding from Borrowing

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

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

- 5.17** Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing. Alternatively, proceeds from selling capital assets may also be used to replace debt finance. The planned replacement of our borrowing is outlined in the table below:

Table 4: Replacement of debt finance

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

- 5.18** The cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases when new borrowing is taken out and reduces when debt is repaid through revenue or other capital receipts. Statutory guidance is that our debt should remain below the capital financing requirement, except in the short-term.

- 5.19** The CFR for our Council is expected to increase by £64.19m during 2026/27. Our projected total outstanding debt from borrowing is shown below, compared with the CPR.

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement

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

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

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

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

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

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

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

	2024/25 actual £'000	2025/26 forecast £'000	2026/27 budget £'000	2027/28 budget £'000
Financing costs (£m)	4,772	4.183	4,628	4,919
Proportion of revenue	5.11%	4.32%	4.64%	4.73%

6. HOW WE MONITOR THE CAPITAL PROGRAMME

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

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