

Cheltenham Borough Council Investment Strategy 2026/27

1. INTRODUCTION

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

1.7

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

2. OUR VISION AND AMBITIONS FOR CHELTENHAM

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

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

3. PURPOSE OF THIS STRATEGY

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

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

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

4. HOW WE INVEST OUR MONEY

4.1 The Council invests its money for three broad purposes:

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

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

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

4.3 Priority One – Securing our future.

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

Growth Investment

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

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

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

4.4 Priority Two – Quality homes, safe and strong communities

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

Growth Investment

General Fund

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

HRA

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

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

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

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

Service Investment

General Fund

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

Growth Investment

General Fund

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

HRA

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

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

4.6 Priority Four – Reducing inequalities, supporting better outcomes.

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

Growth Investment

General Fund

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

HRA

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

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

4.7 Priority Five – Taking care of your money.

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

Growth Investment

General Fund

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

HRA

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

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

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

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

5. ASSESSING THE RISK OF OUR INVESTMENTS

5.1 Service Investments - Loans

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

Table 1: Loans for service purposes in £

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

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

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

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

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

5.2 Service Investments: Shares

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

Table 2: Shares held for service purposes in £

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

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

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

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

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

5.3 Growth Investments

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

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

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

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

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

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

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

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

Table 4: Proportionality of Investments in £

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

* Excluding Housing Benefit payments.

6. HOW WE MONITOR THE INVESTMENT STRATEGY

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

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

Table 5: Total investment exposure in £

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

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

Indicator Two: Total investments funded by borrowing.

Table 6: Investments funded by borrowing in £

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

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

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

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