Committee and Date	Item
Audit and Governance Committee 27th November 2025	
Cabinet 3rd December 2025	Public
Council 11th December 2025	

Healthy People

Healthy Economy

Healthy Environment

Healthy Organisation

Treasury Strategy 2025/26 Mid-Year Review

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Cabinet Member (Portfolio Holder):	Roger Evans, Finance	

1. Synopsis

As at 30 September 2025 the Council held £44.1m in investments and had £420m of borrowing. The report confirms compliance with Treasury and Prudential limits agreed by Full Council.

2. Executive Summary

2.1. This mid-year Treasury Strategy report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management 2017 and covers the following:

- An economic update for the first six months of 2025/26
- A review of the Treasury Strategy 2025/26 and Annual Investment Strategy
- A review of the Council's investment portfolio for 2025/26
- A review of the Council's borrowing strategy for 2025/26
- A review of any debt rescheduling taken
- A review of compliance with Treasury and Prudential limits for 2025/26

3. Recommendations

Members of the Audit Committee, Cabinet and Council are asked to:

3.1. Agree the Treasury Strategy activity as set out in the report.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

4.2. There are no direct environmental, equalities or climate change consequences arising from this report.

4.3. The main risk relating to undertaking Treasury Management activities is a potential financial loss and this is considered in the table below:

Risk	***Mitigation***
Potential financial loss arising from undertaking Treasury Management activities	All Treasury Management practices are in compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement, and the Prudential Code for Capital Finance, together with rigorous internal controls.
	Council's Audit Committee is the committee responsible for ensuring effective consideration of the Council's Treasury Management Strategy and policies

5. Financial Implications

5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):

- scaling down initiatives,
- changing the scope of activities,
- delaying implementation of agreed plans, or
- extending delivery timescales.

5.2. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing as a result of capital receipt generation or delays in delivery of the capital programme will both have a positive impact of the council's cash position. Similarly, higher than benchmarked returns on available cash will also help the Council's financial position. For monitoring purposes, assumptions are made early in year about borrowing and returns based on the strategies agreed by Council in the preceding February. Performance outside of these assumptions results in increased or reduced income for the Council.

5.3. The 2025/26 six-month performance is marginally below benchmark but has delivered net income of £1.346m.

6. Climate Change Appraisal

6.1. The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council therefore the Treasury Team is working with the Council to achieve this. There are no direct climate change impacts arising from this report. Shropshire Council's investment portfolio has no level 1, 2 or 3 emissions. It comprises of straightforward cash deposits with financial institutions and other Local Authorities.

7. Background

7.1. The Council defines its treasury management activities as "the management of the authority's borrowing, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with the activities, and the pursuit of optimum performance consistent with those risks." Broadly, cash received by the Council raised during the year will meet its cash expenditure. Treasury Management operations ensure this cash flow is planned and managed. Temporary surplus balances are invested in low-risk counterparties (providing security), ensuring cash availability (liquidity), and only considering investment return (yield) last.

7.2. Cash flow management covers in-year (revenue) costs as well as the funding of the Council's long term (capital) plans. Capital plans provide a guide to the future borrowing need of the Council and may involve arranging long or short-term borrowing. Occasionally existing debt may be restructured as opportunities allow.

7.3. In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare a Capital Strategy which is intended to provide the following: -

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how associated risk is managed
- The implications for future financial sustainability

7.4. A report setting out the Council's Capital Strategy was taken to full Council in February 2024. This report informs Members of the treasury activities of the Council for the first six months of the financial year.

7.5. To secure specialist advice on long-term borrowing and investment, the Council works with MUFG Corporate Markets (MUFG), who provide the detailed analysis set out in this report.

8. Economic Update and Forecast

8.1. Since the Council's Treasury and Capital strategies were agreed in February 2025, there has been further change in terms of the economic environment. The Bank of England has initiated its easing cycle by lowering interest rates from bank base rate has reduced over the period from 4.50% to 4.00%. A detailed commentary can be found in Appendix D.

8.2. MUFG forecast interest rates over the next 36 months. Their latest interest rate forecasts are shown below.

MUFG Corporate Markets Interest Rate View 11.08.25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

9. Treasury Strategy Update

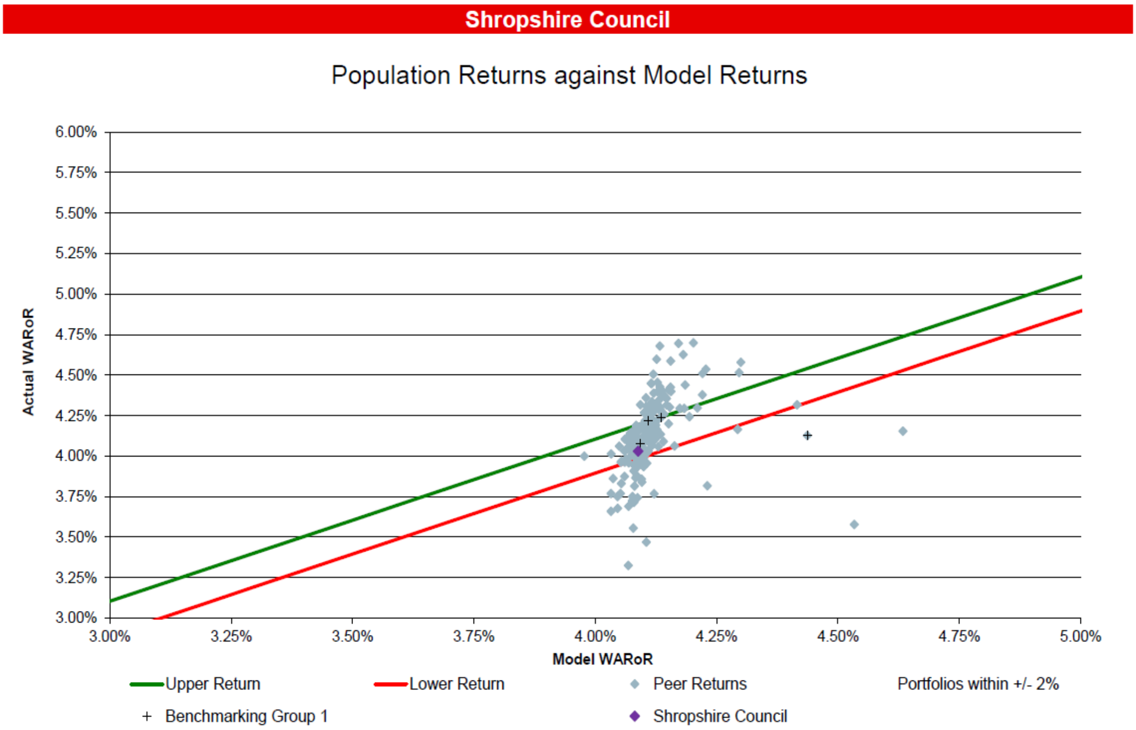
9.1. The Treasury Management Strategy (TMS) for 2025/26 was approved by Full Council on 27 February 2025. There are no policy changes, or any changes required to the prudential and treasury indicators previously approved. The details in this report update the position in the light of the updated economic position.

10. Annual Investment Strategy

10.1. .The Council's Annual Investment Strategy, which is incorporated in the TMS, outlines the Council's investment priorities as the security and liquidity of its capital. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit quality financial institutions, using the MUFG suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

10.2. The average level of funds available for investment purposes during the first half of the financial year was £64.430m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

10.3. In the first six months of 2025/26 the internal finance team's return achieved was marginally lower than its benchmark by 0.07%. The gross investment return was 4.18% compared to the benchmark of 4.25%. As cash balances held are lower than in previous years, the Council need to ensure cash balances are highly liquid, resulting in lower interest rates on short term deals. Whilst returns on investment are important, as we strive to achieve the best investment we can, the Council's priority is always to ensure security of funds and ensure we hold sufficient liquid balances. With this in mind, this will often mean that we cannot secure the higher rate investments as these are offered to longer term deals. The Council does receive benchmarking analysis of its investments in relation to its comparative group and throughout the second quarter of 2025/26, its performance on investment were considered in line with the other organisations.



10.4. A full list of investments held as at 30 September 2025, compared to MUFG's counterparty list, and changes to Fitch, Moody's and Standard & Poor's credit ratings are shown within MUFG's Monthly Investment Analysis Review at Appendix 1. None of the approved limits within the Annual Investment Strategy were breached during the first half of 2025/26. Officers continue to monitor the credit ratings of institutions on a daily basis. Delegated authority has been put in place to make any amendments to the approved lending list.

10.5. Recent investment rates available in the market have decreased due to the central bank rate reducing to 4.00% in August 2025.

10.6. The interest receivable budget is expected to deliver, as a minimum, net income of £1.346m in the first six months of the year. Projections on income will be reviewed monthly. The current estimates are based on assumptions of the value of investment balances.

11. Borrowing

11.1. Details of the Council's borrowing activity can be found within Appendix D.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Treasury Strategy 2025/26 – Council, 27 February 2025

Financial Strategy 2025/26 – 2029/30 – Council, 27 February 2025

Local Member:	N/A

Appendices

Appendix A – Investment Report as at 30 September 2025

Appendix B – Prudential Limits

Appendix C – Prudential Borrowing Schedule

Appendix D – Economic Background and Borrowing Update