Committee and Date	Item
Audit & Governance Committee 5th February 2026	
Cabinet 11th February 2026	Public
Council 26th February 2026	

Healthy People Healthy Economy Healthy Environment Healthy Organisation

Treasury Strategy 2026/27

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Cabinet Member (Portfolio Holder):	Roger Evans, Finance

1. Synopsis

The report proposes the Treasury Strategy for 2026/27. It sets out the arrangements for how the council will appropriately manage its arrangements for banking, cash flow management, investments, and borrowing, supporting the delivery of the Medium Term Financial Plan.

2. Executive Summary

2.1. Treasury management refers to work undertaken 'in the background'. It is the way the authority manages cash flow, banking, investments and borrowings. Effective treasury management is an essential foundation for the services the Council provides.

2.2. CIPFA has defined treasury management activities as 'the management of the organisation's investments and cash flows - banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.' The amounts in these different areas of activity fluctuate, but at the time of preparing the report, the council had:

- gross cashflows in and out registering in the hundreds of millions of pounds each year
- future planned capital investments (capital financing requirement or 'CFR'), funded from a variety of sources of £621m.
- debt (external borrowings) at £415m (this is all fixed rate; no borrowings held with variable rates). The majority of this (£383m) is government loans (Public Works Loan Board, 'PWLB'). The profile of debt maturity is spread across future years (PWLB loans mature between 2026/27 and 2056/57). Provision to meet the finance cost of this debt and to repay the principal is included in the annual budget process.
- Investments (of cash held for various purposes, which can be safely invested for a period based on projected cash flow requirements) of £24.2m as at 31 December 2025.

2.3. This is a complex and significant area of the Council's financial operations and is therefore delivered within an appropriately robust framework of legislative and best practice safeguards.

2.4. To enable an efficient approach to delivery of treasury management functions across partner organisations, the Council also provides this function for other organisations as below. (NB – this report relates specifically to the Treasury Management Strategy for the Council.)

- West Mercia Energy (WME)
- Shropshire and Wrekin Fire Authority

2.5. Given the scale of these activities, it is essential that best practice is applied, and local activity is amended as best practice evolves. The Council achieves this in two ways – by retaining MUFG Corporate Markets as specialist treasury management advisors, and by adopting recommended best practice from sector leaders such as CIPFA.

2.6. In December 2021, CIPFA published the revised Treasury Management Code and Prudential Code. As noted last year, formal adoption is included for the 2026/27 financial year. This Treasury Management Strategy has also been prepared in compliance with CIPFA's Code of Practice on Treasury Management 2017 and covers the following:-

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

2.7. Key points to note in the strategy are:-

- Borrowing is driven by the requirements of the approved Capital Programme.
- Currently the approved borrowing requirement identified within the approved Capital Programme 2026/27 to 2028/29 is prudential borrowing of £59m. In addition to this there is an anticipated prudential borrowing requirement for future prioritised schemes in the Capital Strategy 2026/27 to 2030/31 of £17.6m and borrowing as a result of assumed approval of Exceptional Financial Support.

- Investment limits are also set out within the strategy, to ensure that counterparties are credit worthy and that investments are undertaken in line with internal funds requirement.

2.8. Outside the approved Capital Programme there are a number of further capital investment schemes which are being prepared but have not yet been approved to be included in the capital programme. Once these decisions are made (either to accept and progress, or to reject), the funding including the borrowing requirement will also be revised.

2.9. The Council's lending is restricted to highly credit rated Banks, Building Societies, Money Market Funds and Part Nationalised Institutions which meet Link Asset Services creditworthiness policy, as well as other Local Authorities and the UK Government (for example, lending to the Debt Management Office, 'DMO').

2.10. The Finance Team will continue to look for opportunities to make savings by actively managing the cash and debt portfolio in accordance with the Treasury Strategy. Savings may be secured by increasing the interest earnt through investment of cash balances, or by reducing the cost of external borrowing (for example, by paying back higher interest loans and replacing them with lower interest loans – 'rescheduling').

3. Recommendations

3.1. The treasury strategy is required to be received at three committee meetings:
- Audit & Governance Committee receive the report as part of their consideration of the probity and regularity of the council's financial affairs;
- Cabinet receive it and recommend its adoption to Council from the perspective of this setting out the policy Cabinet wish to adopt; and
- Full Council receive the strategy for its formal approval and adoption as a reserved decision.

Specific recommendations for each meeting are set out below.

Audit & Governance Committee

3.2. That the Audit & Governance Committee:-
a) Consider and endorse, with appropriate comment, the Treasury Strategy for 2026/27.

Cabinet

3.3. That Cabinet recommends that Council:-
a) Approve, with any comments, the Treasury Strategy for 2026/27 set out in appendix 1 (parts 1-3).
b) Approve, with any comments, the Prudential Indicators, set out in Appendix 1 (parts 4), in accordance with the Local Government Act 2003.
c) Approve, with any comments, the Investment Strategy, set out in Appendix 1 (part 5) in accordance with the DLUHC Guidance on Local Government Investments.
d) Approve, with any comments, the Minimum Revenue Provision (MRP) Policy Statement, set out in Appendix 1 (part 6).

e) Authorise the Section 151 Officer to exercise the borrowing powers contained in Section 3 of the Local Government Act 2003 and to manage the Council's debt portfolio in accordance with the Treasury Strategy.
f) Authorise the Section 151 Officer to use other Foreign Banks which meet MUFG Corporate Markets' creditworthiness policy as required.

Council

3.4. That Full Council:-
a) Approve, with any comments, the Treasury Strategy for 2026/27, set out in appendix 1 (parts 1-3).
b) Approve, with any comments, the Investment Strategy, set out in Appendix 1 (part 4) in accordance with the DLUHC Guidance on Local Government Investments.
c) Approve, with any comments, the Prudential Indicators, set out in Appendix 1 (part 5), in accordance with the Local Government Act 2003.
d) Approve, with any comments, the Minimum Revenue Provision (MRP) Policy Statement, set out in Appendix 1 (part 6).
e) Authorise the Section 151 Officer to exercise the borrowing powers contained in Section 3 of the Local Government Act 2003 and to manage the Council's debt portfolio in accordance with the Treasury Strategy.
f) Authorise the Section 151 Officer to use other Foreign Banks which meet MUFG Corporate Markets' creditworthiness policy as required.

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. Compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement and Treasury Management Practices and the Prudential Code for Capital Finance together with the rigorous internal controls will enable the Council to manage the risk associated with Treasury Management activities and the potential for financial loss.

4.4. The Council's Audit & Governance Committee is the committee responsible for ensuring effective consideration of the Council's Treasury Management Strategy and policies.

4.5. Risk table

Risk	*Mitigation*
Security of funds	The Council maintains an Annual Investment Strategy which ensures that minimum acceptable credit criteria is applied for all investments to ensure that only highly creditworthy counterparties are used which enables

	diversification across all investments. The Council uses a treasury advisor, MUFG Corporate Markets to provide a creditworthiness service of all potential investment counterparties, which is continuously monitored and updated as needed
Managing liquidity	The Council undertakes cash flow monitoring which highlights anticipated cash transactions for the upcoming 18 months. All departments are requested to provide details of large value income and expenditure transactions that may impact on the authority's cash flow position. This is tracked on a daily basis and continuously updated to ensure that cash is held appropriately liquid should there be a need to use the funds
Achievement of investment benchmark, particularly in months of February and March.	Investments undertaken by the Finance team are benchmarked against the overnight Sterling Overnight Index Average (SONIA). The key factors in tracking performance of investments, is the cash balance available to invest and the return that is achieved on investments made. When interest rates are rising in the economy, it may be that previous investments that were fixed have now become less favourable, and so there is a higher risk that the benchmark may not be achieved. The availability of cash for investing has also become a key factor, especially in a period where reserves and hence cash balances have reduced. Also during the months of February and March the Council does not collect as much Council Tax and so cash balances reduce during these months in particular. In order to manage this period, cash is held in call accounts or highly liquid investments rather than being placed into longer term fixed interest investments. The main priority for the Council is always to maintain liquidity and the security of funds over chasing investment returns.

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 financial implications arising from the Treasury Strategy are detailed in this report. The Council makes assumptions about the levels of borrowing and investment income over the financial year to facilitate financial planning.

5.3. Reduced borrowing either as a result of capital receipt generation or due delays in delivery of the capital programme will 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.

5.4. As at 31 December 2025 the Council held £24.2 million in investments and borrowing of £415 million at fixed interest rates.

6. Climate Change Appraisal

6.1. The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council therefore the Finance Team is working with the Council in order 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.

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 Treasury Strategy 2025/26 – Mid Year Review Finance Strategy 2025/26 – 2029/30	
Local Member:	All
Appendices	
Appendix 1 – Treasury Strategy 2026/27	