Shropshire Council

TREASURY MANAGEMENT STRATEGY 2026/27

Section 1: Overview

The objectives and contents of the Treasury Management Strategy

The Council is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

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".

Cash flow management involves forecasting in- and out-flows of cash and ensuring that funds are available to meet expenditure needs. Any temporarily surplus monies can be invested in low-risk counterparties, sometimes providing a return on investment. In doing so, we prioritise

- Security first (that is, the investment will be repaid), then
- Liquidity (that is, we can afford to lose access to the sum invested for the period of the investment, without negatively impacting on wider council operations), and lastly
- Yield (securing a beneficial return on investments made).

Treasury Management also ensures that funds are available to support the Council's capital investment plans, whether using government grants, developer contributions, or external borrowing. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

Whilst any commercial initiatives or loans to third parties will be informed by the treasury strategy and appropriate advice, these activities are generally classed as non-treasury activities, and are separated from the day-to-day treasury management activities.

This Treasury Management Strategy includes the following sections
1. Overview of the strategy
2. Economic update
3. Annual investment strategy
4. Prudential and treasury indicators
5. Minimum Revenue Provision statement
6. Specified and non-specified investments

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training. This especially applies to members responsible for scrutiny. The training needs of treasury management officers are periodically reviewed.

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
   - the capital plans, (including prudential indicators)
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
   - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an Annual Investment Strategy, (the parameters on how investments are to be managed)

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Council will receive quarterly update reports.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Audit & Governance Committee.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) has also been required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by Cabinet. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

<u>Compliance with best practice</u>

Best practice guidance is regularly reviewed and updated as necessary. This strategy has been prepared in accordance with CIPFA's Code of Practice on Treasury Management, and is approved annually by Full Council. In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued Prudential and Treasury Management Codes.

The codes have clarified CIPFA's position on the role of the treasury management team and that there is a clear separation between treasury and non-treasury

Section 1: Overview

investments. Accordingly, periodic reporting by the treasury management team to members will focus solely on treasury investments. If non treasury investments are considered, a separate report will be presented for approval and any changes required to Prudential indicators incorporated within an updated Treasury Strategy if necessary.

The Local Government Act 2003 and supporting Regulations requires the Council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that capital investment plans are affordable, prudent and sustainable. This report incorporates the indicators to which regard should be given when determining the Council's Treasury Management Strategy for the next financial year.

As the Council is responsible for housing, Prudential Indicators relating to Capital Expenditure, financing costs and the Capital Financing Requirement will be split between the Housing Revenue Account (HRA) and the General Fund.

Treasury Management Consultants

The Council uses MUFG Corporate Markets as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

Annual investment strategy

The Act also requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This is attached in appendix 2 and includes a list of additional responsibilities for the Section 151 Officer role following the issue of the Treasury Management Code of Practice and Prudential Code.

The proposed Strategy for 2026/27 in respect of the following aspects of the treasury management function is based upon the Section 151 Officer's view on interest rates, supplemented with leading market forecasts provided by the Council's Treasury Advisor, MUFG Corporate Markets.

Relationship of the Treasury Management Strategy to the Capital Strategy

All local authorities are required to prepare a Capital Strategy which is intended to provide the following: -

Section 1: Overview

- 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

The aim of the Capital Strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy is separate from the Treasury Management Strategy. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy objectives realised in investments in local capital assets. The capital strategy sets out:

- The corporate governance arrangements for capital investments
- Any service objectives relating to the investments
- The expected income, costs and resulting contribution
- The debt related to the activity and the associated interest costs
- The payback period (implementing the MRP policy contained in the treasury management strategy)
- For non-loan type investments, the cost against the current market value
- The risks associated with each activity

Section 2: Economic Context

Economic Update

Overview

Treasury management needs to be undertaken with a clear understanding of the economic context. Factors such as the bank rate and inflation rates have a clear impact on likely interest charged on future borrowing and interest earned on potential investments.

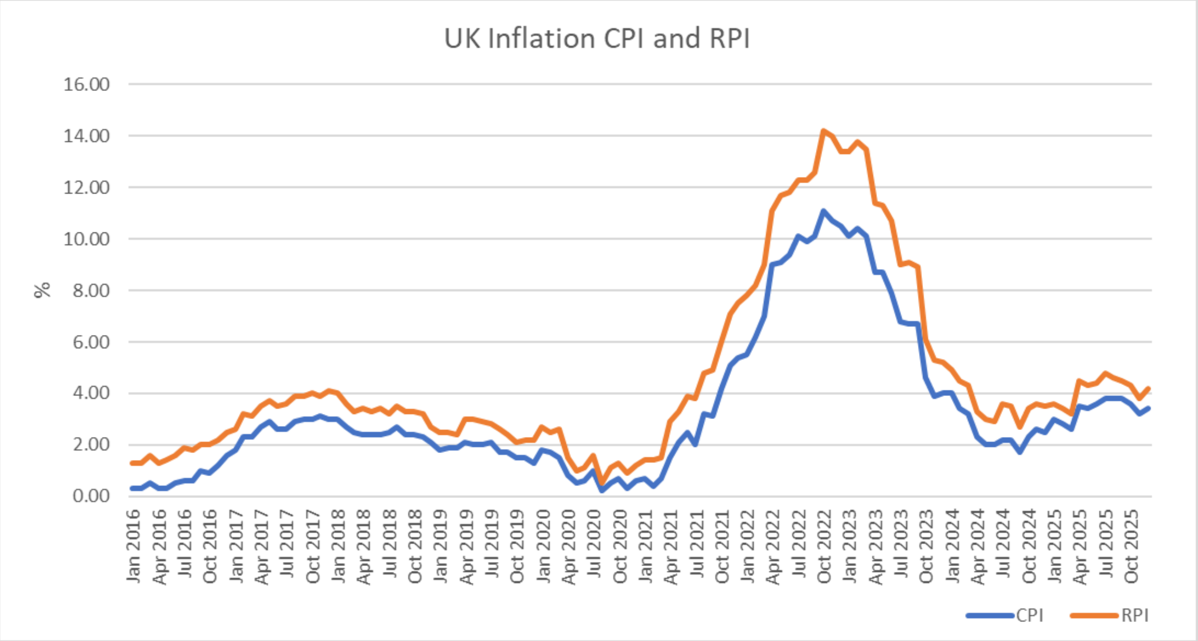
UK inflation is expected to gradually moderate as the temporary factors that pushed up the headline rate fade over the coming months. Some of the measures announced in the Autumn Budget could also contribute to the downward momentum in inflation.

Headline GDP is expected to slow in 2026, down to just 1% growth, but accelerate in 2027 with projected growth of 1.4%. Domestic demand is expected to remain weak next year, as a slowing labour market and weak household sentiment is set to keep consumer spending sluggish, with growth of just 1% in 2026.

The pace of interest rate cuts is likely to slow in 2026. The MPC has signalled that the scope for further cuts is narrowing as interest rates have become less restrictive. As a result, we expect the BoE to cut interest rates only twice in 2026, ending its easing cycle with rates settling at 3.25%. This is important to consider by the council when they need to secure external borrowing, as borrowing may need to be secured on a short-term basis so that more preferable rates can be secured once rates have reduced in the longer term. The Council will obtain advice in that event to ensure that the most economic option is identified.

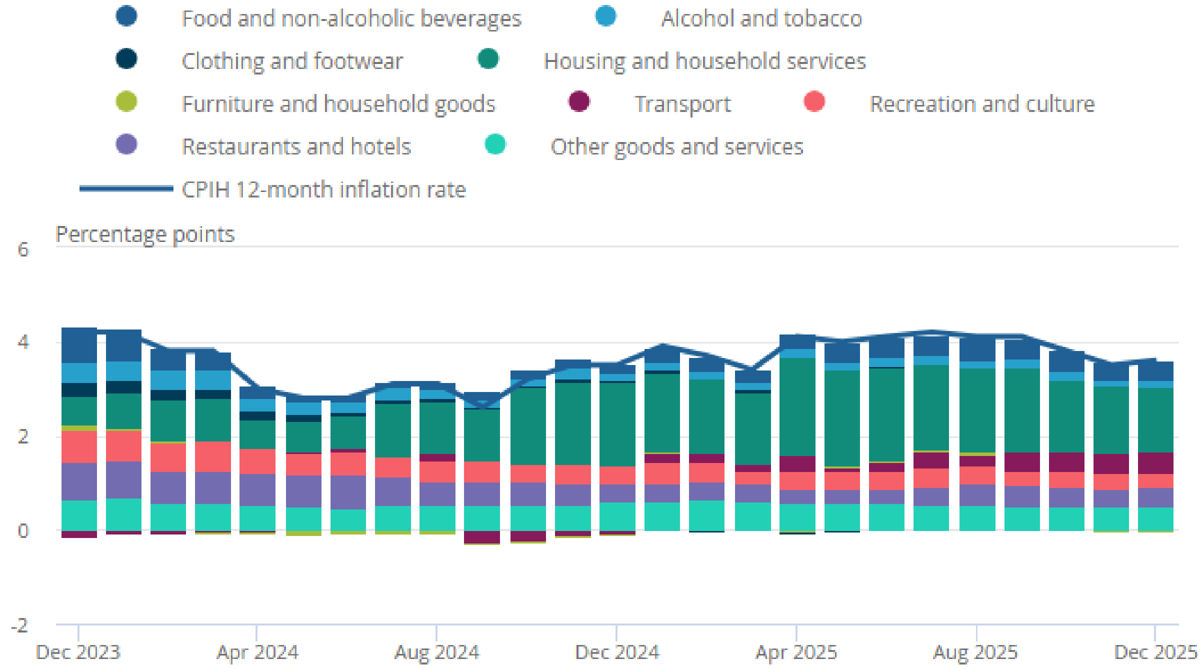
Inflation

CPI inflation has been on the rise during 2025, with the annual growth rate rising to 3.8% in July and reducing down to 3.4% by the end of the year.



Section 2: Economic Context

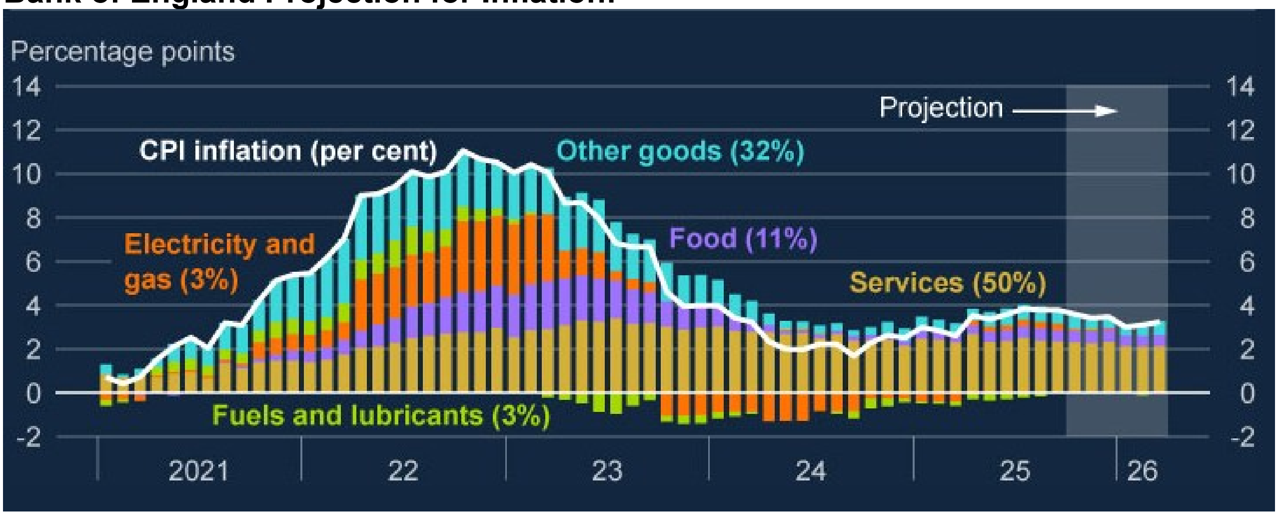
Largest Contributions to annual CPI inflation rate



Source: Consumer price inflation from the Office for National Statistics

The largest positive contribution to the CPIH annual inflation rate came from housing and household services. There were also significant changes in the annual rate from food, alcoholic beverages and tobacco, particularly from tobacco and from bread and cereals.

Bank of England Projection for Inflation:



Over half of the expected decline in CPI inflation over the next six months reflects a fall in the contribution of household fuel and energy bills. The effects of increases in energy prices a year ago will drop out of the annual comparison and reduce the contribution to headline inflation by 0.2–0.3 percentage points over 2025 Q4 and

Section 2: Economic Context

2026 Q1 relative to September. Food inflation and, to a lesser extent, core goods inflation, are expected to remain elevated. An expected slowing in services inflation accounts for most of the remaining fall in CPI inflation to 3.2% in March. Services inflation is expected to fall to 4.3% in March, from 4.7% in September, as the effects of higher employer NICs begin to fade and lower wage growth continues to drag.

UK Government finances

Public sector net borrowing excluding public sector banks in the UK was £11.6 billion in December 2025, which was £7.1 billion less than in December 2024.

Public sector borrowing consists of two broad components: the current budget deficit and net investment. The current budget deficit can be considered as borrowing to fund day-to-day public sector activities. This makes up £5.8 billion of the £11.6 billion total borrowing in December 2025. This means that the public sector spent £5.8 billion more on the provision of day-to-day public services than it received in taxes and other current receipts. The public sector's net (capital) investment was £5.8 billion in December 2025, £4.8 billion less than in December 2024.

Public sector net debt excluding public sector banks (PSND ex) was £2,793.6 billion at the end of December 2025, or around 95.5% of gross domestic product (GDP).

Bank of England forecasts

At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

CPI inflation has fallen since the previous meeting, to 3.2%. Although above the 2% target, it is now expected to fall back towards target more quickly in the near term. Reflecting restrictive monetary policy, and consistent with evidence of subdued economic growth and building slack in the labour market, pay growth and services price inflation have continued to ease.

Monetary policy is being set to ensure CPI inflation settles sustainably at 2% in the medium term, which involves balancing the risks around achieving this. The risk from greater inflation persistence has become somewhat less pronounced since the previous meeting, while the risk to medium-term inflation from weaker demand remains.

The extent of further easing in monetary policy will depend on the evolution of the outlook for inflation. On the basis of the current evidence, Bank Rate is likely to continue on a gradual downward path. But judgements around further policy easing will become a closer call.

Section 2: Economic Context

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

Section 3: Annual Investment Strategy

Annual Investment Strategy

The Authority's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Council's risk appetite.

In accordance with the guidance from DLUHC and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as credit default swaps and overlay that information on top of the credit ratings.

The income and expenditure flow of the Council is such that funds are temporarily available for investment. Under the Annual Investment Strategy the Council may use, for the prudent management of its treasury balances, any of the investments highlighted under the headings of Specified Investments and Non-Specified Investments as detailed in the final section of this strategy.

Creditworthiness Policy

This Authority applies the creditworthiness service provided by the MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

- Credit watches and credit outlooks from credit rating agencies.
- Credit Default Swap (CDS) spreads to give an early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration of investments and are therefore referred to as durational bands. The Council is satisfied that this service gives the required level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by a selection of institutions down to a minimum durational band with MUFG Corporate Markets weekly credit list of worldwide potential counterparties.

The MUFG Corporate Markets creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency’s ratings.

Monitoring of Credit Ratings

All credit ratings will continue to be monitored continuously and formally updated monthly if any changes are required. The Council is alerted to interim changes in ratings from all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

If a counterparty’s or investment scheme’s rating is downgraded with the result that it no longer meets the Council’s minimum criteria, the further use of that counterparty will be withdrawn immediately. If a counterparty is upgraded so that it fulfils the Councils criteria, its inclusion will be considered for approval by the S151 Officer.

In addition to credit ratings the Council will be advised of information in movements in CDS against the iTraxx European Senior Financials benchmark and other market data on a daily basis via the Passport website. Extreme market movements may result in the downgrade of an institution or the removal from the Council’s lending list.

Sole reliance will not be placed on the use of this external service. In addition the Council will monitor the financial press and also use other market data and information e.g. information on external support for banks.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities from the 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Country Limits

The Council will only use approved counterparties from the UK and from other countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies). It is recommended that UK institutions continue to be used unless the sovereign credit rating falls below A. Following the problems with Icelandic Banks lending is currently restricted to the UK which currently has a sovereign credit rating of AA and Sweden which has the highest possible sovereign rating of AAA. The S151 Officer has delegated authority to revert back to placing investments in countries with a minimum sovereign credit rating of AA- in line with MUFG Corporate Markets' revised creditworthiness policy if required.

Security of Capital

The Council's current policy is to not place investments with any Foreign banks. The only exception to this is a call account set up with the Swedish bank, Handelsbanken, but this is a highly rated institution and the sovereign rating of Sweden is AAA. Funds are also repayable immediately if required.

Following approval of the S151 Officer, lending to AAA rated Money Market Funds has also been recommenced. Lending to other Foreign banks which comply with MUFG Corporate Markets' creditworthiness policy may be considered again but only with the express approval of the S151 Officer.

In addition, in order not to solely rely on an institution's credit ratings there have also been a number of other developments which require separate consideration, set out below.

Part Nationalised banks in the UK effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. This is because the Government owns significant stakes in the banks and this ownership is set to continue. MUFG Corporate Markets are still supportive of the Council using these institutions with a maximum 12 month duration. For this reason Royal Bank of Scotland (RBS) and National Westminster Bank which are part of the RBS Group are included on the approved counterparty list.

Local Authorities are not credit rated but where the investment is a straightforward cash loan, statute suggests that the credit risk attached to local authorities is an acceptable one (Local Government Act 2003 s13). Local Authorities are therefore included on the approved list.

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rated and Part Nationalised Institutions the maximum amount is currently limited to £20m. Any changes to the maximum limit must be approved by the S151 Officer.

DLUHC Investment Guidance

Guidance from the DLUHC requires Councils to give priority to the security and portfolio liquidity of investments over yield whilst still aiming to provide good returns. This is in line with the Council's current practice and it is recommended that the policy should be reaffirmed.

The guidance also requires Councils to categorise their investments as either “specified” or “non-specified” investments.

Specified Investments

Specified investments are deemed as “safer” investments and must meet certain conditions, i.e. they must:-

- be denominated in sterling
- have less than 12 months duration
- not constitute the acquisition of share or loan capital
- either: be invested in the UK government or a local authority or a body or investment scheme with a “high” credit quality.

The Council is required to specify its creditworthiness policy and how frequently credit ratings should be monitored. It must also specify the minimum level of such investments.

Of the investments currently authorised by the Council, deposits in the Debt Management Office Account and with other Local Authorities automatically qualify as specified investments as they are of less than 12 months duration and are denominated in sterling.

The classification of the other investments is dependent on the counterparty having high credit quality in line with MUFG Corporate Markets’ creditworthiness policy. The Council is alerted to any changes in an institutions credit rating by MUFG Corporate Markets.

Non Specified Investments

These are any investments which do not meet the specified investment criteria outlined above. The Council is required to look at non-specified investments in more detail. It must set out:

- procedures for determining which categories of non-specified investments should be used
- the categories deemed to be prudent

- the maximum amount to be held in each category

The Strategy must also set out procedures for determining the maximum period for committing funds.

It is recommended that the following procedure be adopted for determining which categories of non-specified investments should be used:

- the Cabinet/Council should approve categories on an annual basis
- advice should be provided by the S151 Officer
- priority should be given to security and portfolio liquidity ahead of yield

It is recommended that for specified investments the range of maximum limits is set between £5m and £20m for the internal treasury team. For non specified investments it is recommended that the limit for the internal treasury team should be restricted to £70m of the total investment portfolio. Any changes to the maximum limits must be approved by the S151 Officer.

Temporary Investment Strategy

Investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

Accordingly, while most cash balances are required in order to manage the ups and downs of cashflow (amend as appropriate), where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed. The market is continually monitored for opportunities to lock in to higher, longer term rates in order to bring some stability to the returns going forward and add value. However, based on the interest rate assumptions outlined above, we do not expect to lock into longer term deals unless exceptionally attractive rates are available which make longer term deals worthwhile.

The current forecast for Bank Rate show an expected fall to a low of 3.25% in 2027.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year were updated on 11 August 2025 and are as follows:

Section 3: Annual Investment Strategy

Average earnings in each year	*Now*	*Previously*
	%	*%*
2025/26 (residual)	*3.90*	*4.10*
2026/27	*3.60*	*3.60*
2027/28	*3.30*	*3.50*
2028/29	*3.50*	*3.50*
2029/30	*3.50*	*3.50*
Years 6-10	*3.50*	*3.50*
Years 10+	*3.50*	*3.50*

Caution must be exercised in respect of all interest rate forecasts.

For the cash flow generated balances, we will seek to utilise instant access accounts, Money Market Funds and short dated deposits (1-3 months) in order to benefit from the compounding of interest. The present strategy is to diversify investments so as to spread risk over a range of investment types and periods and provide the opportunity to enhance returns. All investments will continue to be made in accordance with the Local Government Act 2003, and with those institutions on the authorised lending list. The credit status of institutions on the approved list is monitored continuously.

Policy on the use of external service providers

The Council currently uses MUFG Corporate Markets, as its external treasury management advisers. The Council recognises that the responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to review.

Scheme of Delegation

Full Council

- Approval of Treasury Strategy.
- Receiving and reviewing reports on treasury management policies, practices and activities including the Annual Treasury Report and Mid-Year Strategy Report.
- Budget consideration and approval

Cabinet

- Receiving & reviewing Treasury Strategy, Mid-Year Strategy Report, Annual Treasury Report and Quarterly Treasury Management Update Reports

Audit and Governance Committee

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- Receiving & reviewing Treasury Strategy, Mid Year Report, Annual Treasury Report.

Role of the Section 151 Officer

The role of the S151 Officer in relation to treasury management is as follows:-

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly and monitoring compliance.
- Approval of segregation of responsibilities.
- Approval of the Treasury Policy Statement and Treasury Management Practices.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function. Medium Term Financial Strategy Summary
- Ensuring the adequacy of internal audit and liaising with external audit.
- Recommending the appointment of external service providers.

The above list of specific responsibilities of the s151 Officer in the 2021 Treasury Management Code has not changed. However, implicit in the changes in both Codes, is a major extension of the functions of this role, especially in respect of non-financial investments:-

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority

Section 3: Annual Investment Strategy

- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Pension Fund Cash

The Council complies with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and does not pool pension fund cash with its own balances for investment purposes.

Section 4: Prudential and Treasury Indicators

Specified and Locally Adopted Prudential Indicators

The Prudential Code and CIPFA Code of Practice on Treasury Management require the Council to set a number of Prudential and Treasury Indicators. In addition to the specified indicators, we have set further internal indicators for Treasury Management, regarding lower limits on interest rate exposure for both borrowing and investments.

These are summarised below, and details are set out in the following paragraphs.

Capital Prudential Indicators:

1. Capital Expenditure and Financing
2. Borrowing Need
3. Liability Benchmark

Treasury Indicators:

4. External debt – Operational Boundary
5. External debt – Authorised Limit
6. External debt - estimated and actual debt
7. External debt - Interest rate exposure; Borrowing (fixed rate and variable rate debt)
8. External investment - Interest rate exposure; investments (fixed rate and variable rate investments)
9. External debt – maturity structure (profile of when debts become due in coming years)
10. External debt – maturity limits
11. Maturity limits – investments

It should be noted that these indicators should not be used for comparison with indicators from other local authorities as Treasury Management policies and practices vary with local circumstances.

Prudential Indicator 1 – Capital Expenditure and Financing
The estimated capital expenditure has been split between Non HRA and HRA and represents commitments to complete ongoing schemes, the estimated expenditure for 2026/27, 2027/28 and 2028/29. This indicator also includes details on the financing of capital expenditure. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Non HRA Capital expenditure	90.5	83.2	77.7	71.4	4.0
HRA Capital expenditure	17.4	22.2	20.7	17.7	10.7
Total Capital expenditure	**107.9**	**105.4**	**98.4**	**89.1**	**14.7**

Section 4: Prudential and Treasury Indicators

Financing of capital expenditure	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital receipts	0.8	(7.5)	(11.3)	(10.4)	(1.5)
Capital grants	(61.5)	(66.0)	(54.2)	(47.9)	(5.3)
Other Contributions	(17.5)	(4.4)	(2.9)	(14.4)	0.0
Major Repairs Allowance	(8.6)	(6.9)	(5.0)	(5.0)	0.0
Revenue	(1.0)	(1.5)	(0.4)	(0.0)	0.0
Net Financing need for the year	**20.1**	**19.1**	**24.6**	**11.4**	**7.9**

Prudential Indicator 2 – Borrowing Need

The capital financing requirement (CFR) is the maximum we would expect to borrow based on the total historic outstanding capital expenditure which has not been paid for from either revenue or capital resources. Therefore, it is essentially a measure of the Council's underlying borrowing need. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

Compliance with the indicator will mean that this limit has not been breached. Gross borrowing includes debt administered on behalf of Telford and Wrekin Council, Magistrates Courts and Probation Service. It also includes the debt transferred from Oswestry Borough Council and North Shropshire District Council on the 1st April 2009. In accordance with the Code the HRA Capital Financing requirement has been calculated separately and has been updated due to the HRA reform which took place on the 28 March 2012.

Gross borrowing less than CFR	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Financing Requirement:					
Non HRA Capital Financing Requirement	347	479	602	742	911
HRA Capital Financing Requirement	100	112	136	146	169
Total CFR	**447**	**591**	**738**	**888**	**1,080**
Movement in CFR	**32**	**145**	**147**	**149**	**192**
Movement in CFR represented by					
Net financing need for the year (above)	47	100	165	147	182
Less MRP/VRP and other financing movements	(15)	45	(18)	2	10
Movement in CFR	**32**	**145**	**147**	**149**	**192**
Gross Borrowing (including HRA)	420	515	680	827	1,009
Investments	(51)	(50)	(50)	(50)	(50)
Net Borrowing	**369**	**465**	**630**	**777**	**959**

Section 4: Prudential and Treasury Indicators

Prudential Indicator 3 – Liability Benchmark
This identifies the net borrowing requirement of a local authority plus a liquidity allowance. There are four components to the Liability benchmark:

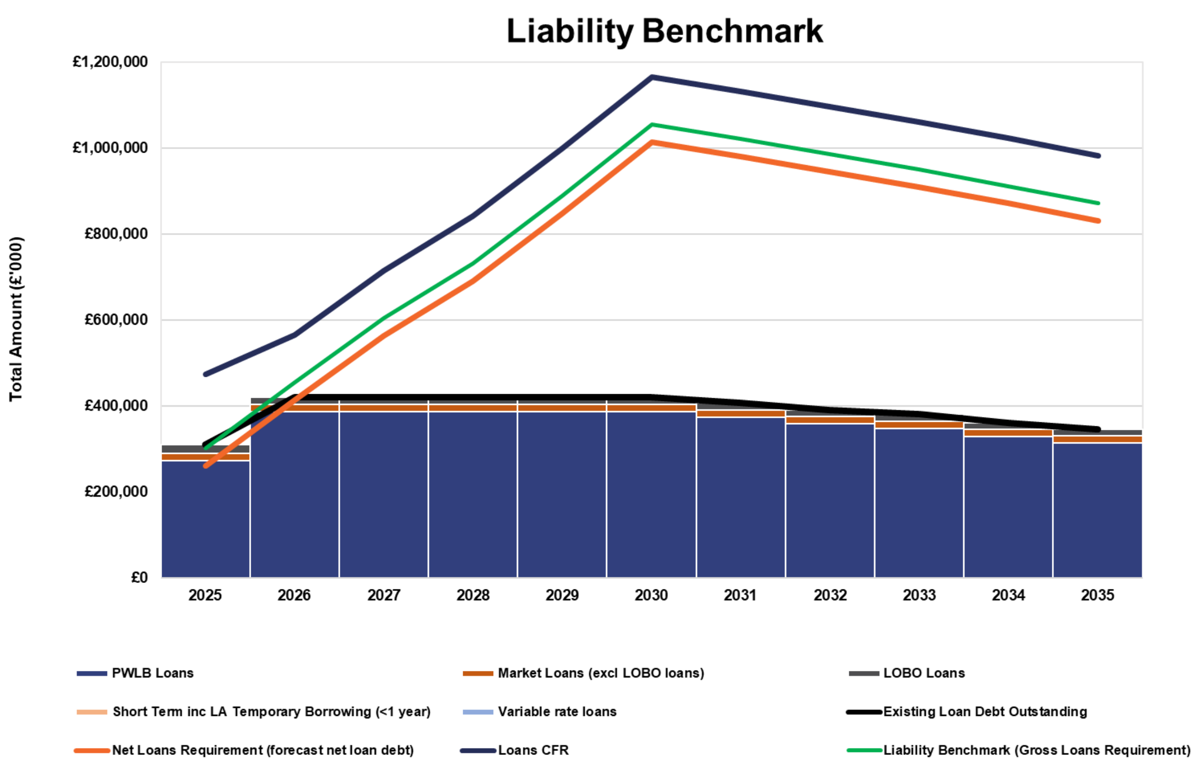
Existing loan debt outstanding: the Council's existing loans that are still outstanding in future years.

Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

Net loans requirement: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Calculation of the Liability Benchmark is a complex calculation and has been undertaken by officers with assistance from the Council's Treasury Advisors, MUFG Corporate Markets to produce the information using a complex model.



Shropshire's calculated Liability Benchmark has been determined for ten years, 2025/26 to 2035-36, in accordance with CIPFA's recommendation. As an absolute minimum CIPFA requires the Liability Benchmark to be estimated and measured for the forthcoming financial year and the following two financial years and strongly recommends that the Liability Benchmark is produced for at least ten years.

The data shows a steep increase in the Loans Capital Financing Requirement (CFR) over the next 5 financial years, reflecting the need in the Medium-Term Financial Plan to secure Exceptional Financial Support. The Existing Loan Debt Outstanding lies significantly below this and so demonstrates the need to secure significant additional external borrowing over the coming years.

This may not actually reflect what happens over time however, as the modelling suggested by CIPFA does not take account of any new approved capital expenditure / CFR increases beyond the extent of the currently approved Capital Programme (financial years 2026-27 to 2028-29), i.e. CFR increases projected in the Capital Strategy are not included in the model. Also, if the Council can drive out savings over the course of the Medium Term, Exceptional Financial Support to the values stated may not be required.

Similarly, the data does not take account of the replacement of any existing loans that mature over the life of the model.

We continue to forecast that internal borrowing will form part of the financing mix for the CFR and that is represented in the chart by the gap between the Loans CFR and the Existing Loan Debt Outstanding (PWLB, Market and LOBO loans).

Prudential Indicator 4 – External Debt – Operational Boundary
This is the maximum borrowing limit set for Shropshire Council and includes the HRA borrowing. This indicator shows the maximum permitted amount of outstanding debt for all purposes. It includes three components:
1. The maximum amount for capital purposes;
2. The maximum amount for short term borrowing to meet possible temporary revenue shortfalls;
3. The maximum permitted for items other than long term borrowing i.e. PFI & leasing.

Operational Boundary	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt	713	783	902
Other long term liabilities	118	113	112
Total	**831**	**896**	**1,014**

Prudential Indicator 5 – External Debt – Authorised Limit
This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external

debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

Authorised Limit	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt	811	831	991
Other long term liabilities	118	113	112
Total	**929**	**944**	**1,106**

Prudential Indicator 6 – Interest Rate Exposure – Borrowing Limits
The Prudential Code requires the Council to set interest rate exposure limits for borrowing and investments.

Interest Rate Exposure	2026/27	2027/28	2028/29
	£m	**£m**	**£m**
Upper Limit for Fixed Interest Rate Exposure	929	944	1,106
Upper Limit for Variable Interest Rate Exposure	464	472	553
Lower Limit for Fixed Interest Rate Exposure	464	472	553
Lower Limit on Variable Interest Rate Exposure	0	0	0

These indicators seek to control the amount of debt exposed to fixed and variable interest rates. Variable rate debt carries the risk of unexpected increases in interest rates and consequently increases in cost. The upper limit for variable rate exposure has been set following advice from MUFG Corporate Markets, however, this limit is unlikely to be reached due to authority's objective to have no more than 25% of outstanding debt at variable interest rates.

Calculation of indicators is set out below

- Upper limit for fixed rate exposure; A maximum of 100% of the Authorised Limit (£687m in 2026/27) exposed to fixed rates is consistent with the Authority's objective to have a long-term stable debt portfolio.
- Upper limit for variable rate exposure; For efficient management of the debt portfolio it is considered prudent by MUFG Corporate Markets to permit up to 50% (£472m in 2026/27) of the Authorised Limit to be borrowed at variable interest rates.
- Lower limit for fixed rate exposure; Upper limit for fixed rate exposure less the maximum permitted borrowing at variable interest rates
- Lower limit for variable rate exposure; Calculation: To be consistent with the Authority's objective to have a long term stable portfolio all of

the debt portfolio could be at a fixed rate therefore the lower limit for variable rate exposure should be nil.

Prudential Indicator 7 – Interest Rate Exposure – Investment Limits

Interest Rate Exposure	2026/27	2027/28	2028/29
Investment Limits	**£m**	**£m**	**£m**
Upper Limit for Fixed Interest Rate Exposure	250	250	250
Upper Limit for Variable Interest Rate Exposure	250	250	250
Lower Limit for Fixed Interest Rate Exposure	0	0	0
Lower Limit on Variable Interest Rate Exposure	0	0	0

These indicators seek to control the amount of investments exposed to fixed and variable interest rates. Variable rate investments are subject to changes in interest rates, but have a higher degree of liquidity and action can be taken at short notice in response to interest rate changes.

- Upper limit for fixed rate exposure: Maximum amount of fixed rate investments in order to maintain a stable investment portfolio.
- Upper limit for variable rate exposure: For the purposes of efficient portfolio management in response to interest rate conditions a maximum potential exposure to variable rates of £250m in 2026/27 is recommended.
- Lower limit for fixed rate exposure: A lower limit of zero is locally set so as to enable full advantage to be taken of market conditions.
- Lower limit for variable rate exposure: A lower limit of zero is locally set so as to enable full advantage to be taken of market conditions.

Prudential Indicator 8 – Upper and lower limits for the maturity structure of debts (borrowings)

Limits for the maturity structure of debts (borrowing)	Upper Limit	Lower Limit
Maturity Structure of Fixed/Variable Rate Borrowing During 2025/26*	**%**	**%**
Under 12 months	25	0
12 months & within 24 months	25	0
24 months & within 5 years	50	0
5 years & within 10 years	75	0
10 years & within 20 years	100	0
20 years & within 30 years	100	0
30 years & within 40 years	100	0
40 years & within 50 years	100	0
50 years and above	100	0

* Internal limit is to have no more than 25% of total outstanding debt maturing in any one financial year. This is to ensure that the risk of having to replace maturing debt at times of high interest rates is controlled.

Section 4: Prudential and Treasury Indicators

Prudential Indicator 9 – Maturity Limits - Investments
The Council is required to set maximum levels for investments over 365 days for both the internal treasury team and an external fund manager if appointed.

Maturity Limits > 365 days	2025/26	2026/27	2027/28
Investment Limits	**£m**	**£m**	**£m**
Upper Limit for Total Principal Sums Invested for over 365 days:			
Externally Managed (if appointed)	50	50	50
Internally Managed	70	70	70

Section 5: Minimum Revenue Provision (MRP) Statement

The Council's Annual Minimum Revenue Provision Statement

5.1 Statutory Requirements

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) includes four options (and there are two alternatives under Option three) for the calculation of a prudent provision.

There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial years. There is also no requirement to charge MRP on the Housing Revenue Account share of the CFR.

The legislation recommends that before the start of each financial year the Council prepares a statement of its policy on making MRP in respect of that financial year and submits it to the Full Council for approval.

5.2 Policy for Calculation of Prudent Provision

The options for the calculation of a Prudent Provision are detailed in appendix 3(a) to this report. Authorities must always have regard for the guidance and the decision on what is prudent is for the authority to conclude, taking into account detailed local circumstances, including specific project timetables and revenue-earning profiles.

Following a review of the MRP policy from 2018/19 the prudent provision for Supported Borrowing has been calculated based on the expected useful life of the asset on an annuity calculation basis.

Option 3a - Asset life method (Unsupported Borrowing) - equal instalment method will continue to be used for unsupported borrowing agreed prior to 2018/19 and specific treatment for PFI Assets and assets held under Finance Leases and long-term capital loans. For any approved unsupported borrowing from 2018/19 the prudent provision will be calculated on an annuity basis linked to the expected useful life of the asset for consistency with the Supported Borrowing calculation, Option 3b.

Section 5: Minimum Revenue Provision (MRP) Statement

5.3 Supported Borrowing

From 2016/17 the approach for calculating the MRP was on a straight line (equal instalments) calculation basis on the remaining asset life of the assets linked to the borrowing. An analysis of the average remaining asset life of the assets financed from previous supported borrowing, determined the average remaining life to be around 45 years and this was used as the basis of calculation.

From 2018/19 Council approved to adopt the annuity calculation method for supported borrowing whilst retaining the link to the average remaining useful life of the assets it was used to finance. The annuity calculation method results in lower MRP payments in the early years, but higher payments in later years. This method has the advantage of linking MRP to the flow of benefits from an asset where these are expected to increase in later years.

CIPFA puts forward the following reasons for using the annuity method in CIPFA's "The Practitioner's Guide to Capital Finance in Local Government" (2008) which states:

- The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 year's time, is less of a burden than paying £100 now.
- The schedule of charges produced by the annuity method results in a consistent charge over an asset's life, taking into account the real value of the amounts when they fall due.
- The annuity method is a prudent basis for providing for assets that provide a steady flow of benefits over their useful life.

For 2018/19 and onwards the Council has adopted the annuity-based calculation on a 45- year basis.

5.4 Unsupported Borrowing - Asset Life Method

For new borrowing under the Prudential system for which no Government support is being given and is therefore self-financed (unsupported borrowing) the MRP has been calculated in accordance with Option 3 Asset Life Method. Option 3 is to make provision over the estimated life of the asset for which the borrowing is undertaken.

Freehold land cannot properly have a life attributed to it, so for the purposes of Option 3 it should be treated as equal to a maximum of 50 years. But if there is a structure on the land which the authority considers to have a life longer than 50 years, that same life estimate may be used for the land.

To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate. For energy efficiency schemes the payback period of scheme is used as the basis for calculating the period over which MRP is calculated.

This method is a straightforward calculation of MRP for unsupported borrowing which calculates MRP based on asset life.

Provision for debt under Option 3 will normally commence in the financial year following the one in which the expenditure is incurred. But the guidance highlights an important exception to the rule. In the case of a new asset, MRP would not have to be charged until the asset came into service and would begin in the financial year following the one in which the asset became operational. This “MRP holiday” would be perhaps two or three years in the case of major projects, or possibly longer for some complex infrastructure schemes, and could make them more affordable.

Prior to 2018/19 the Council adopted the Option 3a Straight Line calculation for unsupported borrowing. From 2018/19 Council approved to adopt the Option 3b annuity calculation method for new unsupported borrowing whilst retaining the link to the average remaining useful life of the assets it was used to finance. The annuity calculation method results in lower MRP payments in the early years, but higher payments in later years. This method has the advantage of linking MRP to the flow of benefits from an asset where these are expected to increase in later years.

The authority can still make voluntary extra provision for MRP in any year.

5.5 Adjustment A

This is an accounting adjustment to the MRP calculation that ensures consistency with previous capital regulations. Once calculated, the amount remains constant within the MRP calculations.

Between 2016/17 and 2017/18 the adjustment A was not included in the MRP calculation but continues to be a legitimate part of the calculation under the 2003 Regulations (Regulation 28) and can therefore continue to be used to reduce the supported borrowing CFR for MRP purposes. It has been considered to be prudent to include the Adjustment A value from 2018/19 onwards to calculate the CFR value. For Shropshire the fixed Adjustment A calculation is £4,446,483.75

5.6 PFI Assets and Assets Held Under Finance Leases

For assets under on-balance sheet PFI contracts and finance leases, the annual principal payment amount in the PFI or finance lease model is used as the MRP payment amount, with no additional charges above those within the contract.

5.7 Long Term Capital Loans

The Council has made available a small number or capital loans to Housing Associations and Village Halls, financed from the Councils balances. The annual repayments of principal amounts are treated as capital receipts and set aside in the Capital Adjustment Account in place of a revenue MRP charge.

Section 5: Minimum Revenue Provision (MRP) Statement

5.8 Housing Revenue Account MRP

As at 31/03/25 the HRA CFR is £100.192m, this includes the £83.35m transferred to the Council as part of housing self-financing. In managing the HRA debt and considering the HRA business plan there is no mandatory requirement to make provision in the HRA for annual MRP payments. However, the Council will make annual voluntary provision for debt repayment in the HRA based on affordable levels in the HRA against the need for investment and delivering services in the HRA. The annual level of provision will be determined annually as part of the closure of the HRA.

5.9 2026/27 Annual MRP Statement

Section 5.11 provides the MRP statement for the 2026/27 financial year.

5.10 Capital Receipts Set Aside

The current regulations, Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414] state that the minimum revenue provision is calculated using the previous year’s closing Capital Financing Requirement for supported borrowing.

In 2009/10 Shropshire Council got DCLG approval to allow the new council to voluntarily set aside capital receipts as at 1st April 2009 to reduce the CFR and consequently reduce the MRP charge for 2009/10. This approach was discussed with our Treasury Advisors and External Auditors and was approved by Members in a report to Council in December 2009.

As the extent of new borrowing is not subject to any limitation the sum of capital receipts set aside are still available to support capital expenditure in future years. This will increase the CFR to its previous level and the MRP charge in future years will increase, but not beyond the level had the saving not been generated in 2009/10. Thus, the saving in MRP is therefore temporary, albeit very helpful to the short-term financial position.

As the full level of capital receipts set aside were not required to finance capital expenditure between 2009/10 and 2020/21, a balance was retained as set aside as at the end of each financial year to enable a further MRP saving in the following financial years. In the 2026/27 MRP Statement it has been assumed all the capital receipts retained as set aside as at 31 March 2026 to reduce the CFR will be offset by an increase in the CFR in 2026/27 from capital expenditure incurred in 2026/27. In the event that the level of capital expenditure in 2026/27 to be financed from the capital receipts set aside is below the level of capital receipts set aside, it is proposed to retain the balance in capital receipts as set aside in order to achieve a further MRP saving in 2027/28. This will be reported for approval as part of the Capital Outturn report 2026/27.

5.11 Options for Prudent Provision

Section 5: Minimum Revenue Provision (MRP) Statement

Option 1: Regulatory Method (Supported borrowing)

MRP is equal to the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations, as if they had not been revoked by the 2008 Regulations. For the purposes of that calculation, the Adjustment A should normally continue to have the value attributed to it by the authority in the financial year 2004-05. However, it would be reasonable for authorities to correct any perceived errors in Adjustment A, if the correction would be in their favour.

Option 2: CFR Method (Supported borrowing)

MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. Option 3: Asset Life Method (Unsupported borrowing) Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset. There are two main methods by which this can be achieved, as described below. Under both variations, authorities may in any year make additional voluntary revenue provision, in which case they may make an appropriate reduction in later years' levels of MRP.

(a) Equal Instalment Method
MRP is the amount given by the following formula:

$$\frac{A - B}{C}$$

Where:
A is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements
B is the total provision made before the current financial year in respect of that expenditure
C is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

For the purpose of the above formula in the initial year of making the MRP the variable "C" should be given the maximum values set out in the following table:

Expenditure Type	Maximum value of "C" in initial year
Expenditure capitalised by virtue of a direction under s16(2)(b)	"C" equals 20 years
Regulation 25(1)(a) Expenditure on computer programs	"C" equals the value it would have for computer hardware
Regulation 25(1)(b) Loans and grants towards capital expenditure by third parties	"C" equals the estimated life of the assets in relation to which the third-party expenditure is incurred
Regulation 25(1)(c) Repayment of grants and loans for capital expenditure	"C" equals 25 years, or the period of the loan, if longer

Section 5: Minimum Revenue Provision (MRP) Statement

Regulation 25(1)(d) Acquisition of share or loan capital	“C” equals 20 years
Regulation 25(1)(e) Expenditure on works to assets not owned by the authority	“C” equals the estimated life of the assets
Regulation 25(1)(ea) Expenditure on assets for use by others	“C” equals the estimated life of the assets
Regulation 25(1)(f) Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings	“C” equals 25 years

(b) Annuity Method
MRP is the principal element for the year of the annuity required to repay over the asset life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during the repayment period (e.g. by the application of capital receipts) should be made as necessary.

Option 4: Depreciation Method (Unsupported borrowing)
MRP is to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment chargeable to the Income and Expenditure Account.

For this purpose, standard depreciation accounting procedures should be followed, except in the following respects.

a. MRP should continue to be made annually until the cumulative amount of such provision is equal to the expenditure originally financed by borrowing or credit arrangements. Thereafter the authority may cease to make MRP.
b. On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. But this does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt.
c. Where the percentage of the expenditure on the asset financed by borrowing or credit arrangements is less than 100%, MRP should be equal to the same percentage of the provision required under depreciation accounting.

Section 5: Minimum Revenue Provision (MRP) Statement

Appendix 3(b): Minimum Revenue Provision Statement 2026/27

Minimum Revenue Provision Statement 2026/27	£
General Fund	
Closing CFR 2024/25	173,383,942
Proposed use of capital receipts voluntarily set aside to be applied in 2025/26	24,432,326
Adjustment A	-4,446,484
Less transfer of asset from GF to HRA	0
	193,369,784
Less LGR (98) Debt	-17,879
	193,351,905
Less MRP 2025/26	-2,852,404
Add Back LGR (98) Debt	17,879
CFR for Supported Borrowing MRP Calculation	**190,517,380**
Add Back Adjustment A	4,446,484
Closing CFR 31/03/26 - Supported Borrowing (GF)	**194,963,864**
Housing Revenue Account	
Closing CFR 2024/25	100,192,910
Add profiled prudential borrowing 2025/26	12,000,000
Add transfer of asset from GF to HRA	0
Less MRP 2025/26 (non budgeted as per HRA MRP Policy)	0
	112,192,910
Closing CFR 31/03/26 - Supported Borrowing (GF & HRA)	**307,156,774**
Unsupported Borrowing - Asset Life (based on individual assets)	
Unsupported Borrowing brought forward	173,210,569
Add profiled prudential borrowing 2025/26	87,801,716
Less MRP - 2024/25	-5,249,660
Closing CFR 31/03/26 - Unsupported Borrowing	**255,762,625**
Closing CFR (GF & HRA) 31/03/26 - Unsupported Borrowing	**562,919,399**
Additional items included:	
Village Hall Loans	244,684
Housing Association Loans	13,248,900
Cornovii Developments Ltd	36,610,000
Salix Loan	977,398
Biodynamic Carbon Loan Limited	392,000
Biodynamic Carbon Loan Investment	10,000
IFRS 16 Leases	4,666,505
	619,068,886
Summary MRP	
MRP 2026/27 on Annuity Basis at 45 year life from 2018/19	2,926,697
LGR (98) Debt MRP	5,976
Prudential Borrowing MRP	7,494,039
Total MRP	**10,426,712**

Section 6: Specified and Non-Specified Investments

LOCAL GOVERNMENT INVESTMENTS (England)

SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security/ Minimum Credit Criteria	Capital Expenditure?	Circumstance of use	Maximum period
Term deposits with the UK government (e.g. DMO Account) or with local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	No	Yes	High security although most LAs not credit rated.	No	In-house and by external fund manager	1 year
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	No	Yes	Yes – Minimum colour band green	No	In-house and by external fund manager	1 year
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) up to 1 year. Custodial arrangement required prior to purchase	No	Yes	Yes – Minimum colour band green	No	In house buy and hold and External fund managers	1 year
Banks nationalised by high credit rated (sovereign rating) countries – non UK	No	Yes	Minimum Sovereign Rating AA	No	In house and external fund managers	1 year
UK Nationalised & Part Nationalised banks	No	Yes	Yes – Minimum colour band green	No	In house and external managers	1 year
Government guarantee (explicit) on all deposits by high credit rated (sovereign rating) countries	No	Yes	Yes – Minimum Sovereign Rating AA- / UK Sovereign Rating	No	In house and external fund managers	1 year
Bonds issued by multilateral development banks (Euro Sterling Bonds as defined in SI 2004 No 534) **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail** Custodial arrangement required prior to purchase Gilt Funds and Bond Funds (including Ultra-Short Dated Bond Funds)	No No No	Yes Yes Yes	AAA UK sovereign rating AAA	No No No	In-House on a buy and hold basis after consultation/advice from MUFG Corporate Markets also for use by External fund manager	1 year 1 year

Section 6: Specified and Non-Specified Investments

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security/ Minimum Credit Criteria	Capital Expenditure?	Circumstance of use	Maximum period
					In House and by external fund managers	
Gilts : up to 1 year Custodial arrangement required prior to purchase	No	Yes	Govt-backed UK Sovereign Rating	No	In House on a buy and hold basis and for trading by external fund manager subject to the guidelines and parameters agreed with them	1 year
Money Market Funds (CNAV), Enhanced Money Market Funds (LVNAV & VNAV) & Government Liquidity Funds (including CCLA Fund)	No	Yes	Yes AAA rated & UK sovereign rating. Enhanced MMFs minimum colour Dark Pink/Light Pink & AAA rated	No	In-house and by external fund managers subject to the guidelines and parameters agreed with them	the period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements. Deposits are repayable at call.
Treasury bills [Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value] Custodial arrangement required prior to purchase	No	Yes	Govt-backed UK Sovereign Rating	No	In House or external fund managers subject to the guidelines and parameters agreed with them	1 year

Monitoring of credit ratings:
All credit ratings will be monitored continuously and formally updated on a monthly basis if required. If a counterparty or investment scheme is downgraded with the result that it no longer meets the Council's minimum credit criteria, the use of that counterparty / investment scheme will be withdrawn.

Section 6: Specified and Non-Specified Investments

Any intra-month credit rating downgrade which the Council has identified that affects the Council’s pre-set criteria will also be similarly dealt with.

Section 6: Specified and Non-Specified Investments

LOCAL GOVERNMENT INVESTMENTS (England)
NON-SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated (with the exception of the WME US dollar account).

Investment	a) Why use it? b) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security/ Minimum Credit Criteria	Capital Expenditure?	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Certificates of Deposit with credit rated deposit takers (banks and building societies) with maturities greater than 1 year Custodial arrangement required prior to purchase	(A) tradable more liquid than fixed term deposits (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of CD which could negatively impact on price of the CD. (ii) Although in theory tradable, are relatively illiquid.	No	Yes	UK Sovereign rating	No	In house on a buy and hold basis after consultation/advice from MUFG Corporate Markets & external cash fund manager(s) subject to the guidelines and parameters agreed with them.	50%	Suggested limit: Average duration in the portfolio not to exceed 5 years
Collateralised deposit	Deposits are backed by collateral of AAA rated local authority	No	Yes	UK Sovereign rating	No	In house & External Manager	25%	5 years
UK government gilts with maturities in excess of 1 year Custodial arrangement required prior to purchase	A. (A)((i) Excellent credit quality. (ii)Very Liquid). (iii) If held to maturity, known yield (rate of return) per annum ~ aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.	No	Yes	UK Sovereign rating	No	In house on a buy & hold basis following advice from MUFG Corporate Markets and for trading by external cash fund manager subject to the guidelines and parameters agreed with them	50%	Suggested limit : Average duration in the portfolio not to exceed 5 years

Section 6: Specified and Non-Specified Investments

Investment	a) Why use it? b) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security/ Minimum Credit Criteria	Capital Expenditure?	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Term deposits with UK government, other Local Authorities, and credit rated deposit takers (banks and building societies) including callable deposits with maturities greater than 1 year	A)(i) Certainty of rate of return over period invested. (ii) No movement in capital value of deposit despite changes in interest rate environment. (B) (i) Illiquid : as a general rule, cannot be traded or repaid prior to maturity. (ii) Return will be lower if interest rates rise after making the investment. (iii) Credit risk : potential for greater deterioration in credit quality over longer period	No	No	Minimum colour band purple	No	In-House For trading by external cash fund manager subject to the guidelines and parameters agreed with them	£40 million 50%	Suggested limit: 3 years
Sovereign bond issues ex UK Government Gilts: any maturity	A. (i) Excellent credit quality. (ii) Liquid. (iii) If held to maturity, known yield (rate of return) per annum – aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk B. (i) “Market or interest rate risk” : Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss	No	Yes	AAA	No	For trading by external cash fund manager only subject to the guidelines and parameters agreed with them	50%	Suggested limit: 5 years
Bonds issued by multilateral development banks (Euro-Sterling Bonds) or issued by a financial institution guaranteed by UK government Custodial	(A) (i) Excellent credit quality. (ii) Liquid. (iii) If held to maturity, known yield (rate of return) per annum – aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk	Yes	Yes	AAA	No	In house on a buy and hold basis after consultation/advice from MUFG Corporate Markets. Also for use by external fund managers	50%	5 years

Section 6: Specified and Non-Specified Investments

Investment	a) Why use it? b) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security/ Minimum Credit Criteria	Capital Expenditure?	Circumstance of use	Max % of overall investments	Maximum maturity of investment
arrangement required prior to purchase	(B) (i) “Market or interest rate risk” : Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss							
Corporate Bonds & Corporate Bond funds (the use of these investments would constitute capital expenditure although this is currently under review)	(A)(i) Excellent credit quality. (ii) Liquid. (iii) If held to maturity, known yield (rate of return) per annum – aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk (B)(i) “Market or interest rate risk” : Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss	Yes	Yes	Minimum Sovereign rating AA	Yes	To be used by external fund managers only	50%	Suggested limit: 5 years
Pooled property funds – including CCLA Local Authorities Property Fund	Enhanced return but increased risk, only to be used following advice from MUFG Corporate Markets	No	Yes	No Minimum Credit rating need to assess underlying assets within fund following advice taken from MUFG Corporate Markets	No	In House Use & External Fund managers following advice from MUFG Corporate Markets	20%	5 years
Floating Rate notes	(A)(i) Rate of return tied to some measure of current interest rates, so when interest rates are expected to go up they offer protection to investors against	Yes	Yes	Minimum Colour band green	No	In House Use & External Fund managers following advice from MUFG Corporate Markets	10%	3 years

Section 6: Specified and Non-Specified Investments

Investment	a) Why use it? b) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security/ Minimum Credit Criteria	Capital Expenditure?	Circumstance of use	Max % of overall investments	Maximum maturity of investment
	such rises (ii) In some circumstances may have access to banks which meet minimum credit criteria but generally don't take small fixed term deposit cash amounts (B)(i) Credit quality : if financial health of issuer deteriorates, investors will demand a greater yield and the price of the bond will fall							
US Dollar Deposits (WME Only)	US dollar account to be utilised as a part of West Mercia Energy prudent management of income and expenditure, ensuring that ongoing US dollar commitments can be hedged, thus extinguishing any adverse risk of exposure to movements in the exchange rate and guaranteeing a known cashflow for West Mercia Energy. The account is only to be used for this purpose and not for the purpose of speculative or trading transactions.	No	Yes	Minimum Colour band green	No	West Mercia Energy only	N/A	3 months