Committee	Audit & Governance Committee 26 November 2026 Cabinet 2 December 2026 Council 10 December 2026 Public

Treasury Strategy 2026/27 Mid-Year Review

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield, Section 151 Officer
Service Area:	Finance
Report Author	Cheryl Sedgley, Head of Finance Management & Reporting
Officer contact details	cheryl.sedgley@shropshire.gov.uk
Electoral Divisions Affected	All Divisions
Key Decision?	Key Decision
Cabinet Forward Plan	Yes – 12 May 2026
Report considered by	Audit & Governance Committee – 26 November 2026 Cabinet – 2 December 2026 Full Council – 10 December 2026

1. Purpose of Report

1.1. This mid-year Treasury Strategy report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management (revised 2021) to provide members with the following:

- An economic update for the first half of the 2026/27 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

- The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Authority's investment portfolio for 2026/27;
- A review of the Authority's borrowing strategy for 2026/27;
- A review of any debt rescheduling undertaken during 2026/27;
- A review of compliance with Treasury and Prudential Limits for 2026/27.

2. Recommendations

2.1. Audit and Governance Committee, Cabinet and Council are recommended to:

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

3. Background

3.1. 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.

3.2. 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.

3.3. 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.

4. Summary of Main Proposals

4.1. The Treasury Management Strategy (TMS) for 2026/27 was approved by Full Council on 26 February 2026. 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.

4.2. Since the Council's Treasury and Capital strategies were agreed in February 2026, there have been further changes in terms of the economic environment. Inflation, particularly relating to fuel and energy costs have increased as a direct consequence of the conflict in the Middle East. Whilst the Bank Rate remained static during the first six months of the year at 3.75% it was suggested that if the Middle East conflict remained, the Bank of England may need to consider rate increases later in the year. A detailed commentary can be found in Appendix D.

4.3. 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.

4.4. The average level of funds available for investment purposes during the first half of the financial year was £57.307m. 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.

4.5. In the first six months of 2026/27 the internal finance team's return achieved was marginally higher than its benchmark by 0.091%. The gross investment return was 3.821% compared to the benchmark of 3.730%. 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. However, during August and September cash balances have enabled some investments to be made with other local authorities or banks spanning a full month, which have resulted in a better interest return.

4.6. A full list of investments held as at 30 September 2026, 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 A. None of the approved limits within the Annual Investment Strategy were breached during the first half of 2026/27. 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.

4.7. The interest receivable budget has delivered net income of £1.081m in the first six months of the year. Projections on income are reviewed monthly and estimates for the remainder of the year will be dependent on the value of investment balances available and interest rates available for investments.

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

5. Key risks and Opportunities

5.1 The assessment and management of risk are key considerations for any Treasury Management approach. 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.

Risk	Mitigation	Link to Strategic Risk
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	Governance and performance

	diversification across all investments. The Council uses a treasury advisor, MUFG Corporate Markets/Link Asset Services 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 daily and continuously updated to ensure appropriate liquidity to match this profile.	Impact of financing Exceptional Financial Support (EFS)
Achievement of investment benchmark	Investments undertaken by the Finance team are benchmarked against the 3 Month 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. During the months of February and March the Council does not collect Council Tax and so cash balances reduce during	Effective and transparent decision making and scrutiny arrangements

	these months. 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 security and liquidity of funds in preference to investment returns.	

6. Council Priorities

6.1. The requirement to manage the Council's cashflow position, treasury investments and borrowing efficiently and effectively is a key requirement in helping to deliver a financially sustainable council. By ensuring that any surplus monies are invested, this will generate essential additional income for the Council. Also by carefully managing the timescale and need to borrow funds, this can keep associated borrowing costs to a minimum for the Council.

7. Financial Implications

7.1. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing because 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.

7.2. The 2026/27 six-month performance is marginally above benchmark and has delivered net income of £1.081m.

8. Legal and HR implications

8.1. The Local Government Act 2003 and supporting regulations require the Council to determine and keep under review the Prudential and Treasury Indicators as set out in the CIPFA Prudential Code and CIPFA Treasury management Code of Practice.

8.2. The s151 Officer, as the Council's Chief Financial Officer, has a wide range of obligations set out in Part 8 of the Council's Constitution – Shropshire Scheme for Officer Decision Making, to ensure that the Council's finances are well managed, and to uphold the highest standards of governance, probity, audit and risk management are upheld. This report is but one demonstration of the discharge of these duties, and allow the Council to demonstrate it is adhering to the requirement of the Local Government Finance Act 1992 to appoint an Officer responsible for the good financial administration of the authority.

9. Electoral Division Implications

9.1. None.

10. Health, Social (including "Child Friendly Shropshire") and Economic Implications

10.1. None

11. Equality and Diversity Implications

11.1. None

12. Climate Change, Biodiversity and Environmental Implications

12.1. There are no direct climate change consequences arising from this report.

13. Background Papers

1. Treasury Strategy 20206/27 – Council, 26 February 2026

14. Appendices

Appendix A – Investment Report as at 3- September 2026
Appendix B – Prudential Limits
Appendix C – Prudential Borrowing Schedule
Appendix D – Economic Background and Borrowing Update