

**AUDIT COMMITTEE
30 APRIL 2025**

ITEM NO.

**QUARTER 3 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT
2024/25**

SUMMARY REPORT

Purpose of the Report

1. The CIPFA (Chartered institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on Treasury Management activities and Prudential Indicators at least quarterly. After a soft introduction Local Authorities are expected to fully implement the recommendations from 2024/25. This report, therefore, ensures that the Council is implementing best practice in accordance with the Code.

Summary

2. The Council's Treasury Management Strategy for 2024/25 was approved by Council on 15th February 2024. An updated 2024/25 position was presented as part of the Prudential Indicators and Treasury Management Strategy 2025/26 that was approved by Council on 20th February 2025.
3. This report summarises the Council's borrowing and investment position as at 31st December 2024 and provides the latest update of the Prudential Indicators which are included at Annex 1.

Recommendation

4. It is recommended that:
 - (a) The Audit Committee note the quarter 3 Treasury Management update.
 - (b) The Audit Committee note the Prudential Indicators outlined in Annex 1 (updated where applicable) and note the compliance with the indicators.

Reasons

5. The recommendations are supported by the following reasons :-
 - (a) In order to comply with the CIPFA Code of Practice for Treasury Management.

**Elizabeth Davison
Executive Director - Resources and Governance**

Background Papers

- (i) Prudential Indicators & Treasury Management Strategy 2024/25
- (ii) Prudential Indicators & Treasury Management Strategy 2025/26
- (iii) The Prudential Code for Capital Finance in Local Authorities

Judith Murray: Extension 5204

Council Plan	The Council's treasury management contributes to all priorities outlined within the Council Plan.
Addressing inequalities	This report is providing an update on prudential indicators and the monitoring of the Council's treasury management. There is therefore no impact as a result of this report.
Tackling Climate Change	This report is providing an update on prudential indicators and the monitoring of the Council's treasury management. There is therefore no impact as a result of this report.
Efficient and effective use of resources	This report contains updated information regarding the Council's treasury management position
Health and Wellbeing	This report is providing an update on prudential indicators and the monitoring of treasury management therefore there is no impact as a result of this report.
S17 Crime and Disorder	This report has no implications for crime and disorder
Wards Affected	No specific impact on an individual area as a result of this report
Groups Affected	No specific impact on an individual area as a result of this report
Budget and Policy Framework	This report does not recommend a change to the Council's budget or policy framework
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

6. This quarter 3 review report meets the regulatory framework requirement of Treasury Management and has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. It covers the following:
 - A review of the treasury position as at 31st December 2024.
 - A review of the Council's investment portfolio.
 - A review of the Council's borrowing strategy.
 - A review of the compliance with the Treasury and Prudential Limits.
 - An update of the Prudential Indicators (set out at Annex 1)

Treasury Management Strategy 2024/25

7. The Council's Treasury Management Strategy 2024/25 was approved by Council on 15th February 2024.
8. A mid year Treasury Management monitoring report for 2024/25 was then presented to Audit Committee and approved by Council on 30th January 2025. This provided an update to the original estimated indicators.
9. Only significant movements from the previously reported estimated 2024/25 year end position (included in the Prudential Indicators and Treasury Management Strategy 2025/26 as approved by Council 20th February 2025) will be highlighted in this report, to avoid duplication of reported variances.
10. There are no investment policy changes and the details in this report do not amend the Strategy.

Overall Treasury Position 31st December 2024

11. Table 1 below shows the Council's net treasury investment position for the period ending 31st December 2024 along with the original and updated estimates for 2024/25.
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Table 1

	2024/25 Original Estimate	2024/25 Updated Estimate	31/12/24 Actual
	£m	£m	£m
Debt at 31 March	155.946	167.878	161.288
Loans to Joint Ventures	20.115	13.611	6.590
Other Long Term liabilities	5.912	6.912	5.912
Gross Debt	181.973	188.401	173.790
Investments	41.664	41.357	41.357
Net Debt	140.309	147.044	132.433

12. The change in Debt between the original estimate and the updated estimate is due to changes in the profiling of capital expenditure due to slippage of schemes and the need to manage the Council’s day to day revenue activities.
13. The change in estimated loans to Joint Ventures is because the Council have now received an updated cashflow schedule and have therefore updated the estimate shown above to reflect this.

Investment Portfolio

14. Table 2 shows the Council’s current investments as at 31st December 2024

Table 2

Investments	Value (£m)	Average Interest/Return Rate
	£m	%
Local Authorities	5.000	5.25
Money Market Funds	10.950	4.74
Property Funds	25.407	
Total Investments	41.357	

Table 3

15. The target for our investment returns is to better or at least match a number of external comparators. This performance indicator is known as yield benchmarking.

	Cashflow Investments %
Darlington Borough Council – Actual	5.03
External Comparators	
Sterling Overnight Index Average (SONIA) – to 31 st December	5.01

16. The Council is using its cash balances to delay taking on long-term borrowing whilst interest rates remain high. The effect of this is that there is less cash available for longer term investment and cash balances are held in more liquid funds.

Borrowing Requirement and Debt

17. The Council undertakes long-term borrowing in accordance with the investment requirements of the capital programme and all borrowing is therefore secured for the purpose of its asset base.
18. The level of borrowing taken by the Council is determined by the Capital Financing Requirement (CFR) which is the Council's underlying need to borrow for capital expenditure purposes. Borrowing needs to be affordable, sustainable and prudent.
19. Table 4 shows the Council's underlying need to borrow to finance capital expenditure as per the Mid Year Treasury Management report.

Table 4

	2024/25 Original Estimate	2024/25 Updated Estimate
	£m	£m
Prudential Indicator- Capital Financing Requirement		
Opening CFR- Post Audit of Accounts	241.020	233.973
CFR General Fund	148.208	151.373
CFR General Fund PFI/Leasing IFRS	5.912	6.912
CFR – Housing	85.871	76.371
CFR – Loans to Joint Ventures	20.115	13.611
Total Closing CFR	260.106	248.267

20. There has been no change to this position as at 31st December 2024.

Borrowing Portfolio

21. The Council's actual borrowing position as at 31st December 2024 is shown in Table 5 below.

Table 5

	2024/25 Original Estimate	2024/25 Updated Estimate	31/12/24 Actual
	£m	£m	£m
PWLB	108.346	108.208	108.278
Market Loans (Annuity)	0.000	0.000	0.000
Market Loans (Maturity)	4.400	4.400	4.400
Non-Market Loans (Maturity)	35.000	47.000	47.000
Market Loans (LOBO's)	8.200	8.200	8.200
Total Borrowing	155.946	167.808	167.878

22. Three new loans have been taken out since the 2024/25 estimate totalling £12m which are short term loans used to cover short term cash flow fluctuations.

23. New borrowing was undertaken in Quarter 4 to manage the Council's cash flows as funding is expended on day to day revenue activities and the progression of the capital programme, in particular housing schemes. This will increase borrowing levels above the updated estimate position.

24. Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

Compliance with Treasury Policy and Prudential Indicators

25. As part of the Treasury Strategy for 2024/25 the Council set a number of prudential indicators. Compliance against these indicators is regularly monitored and there are no breaches to report.

26. An update of the Prudential Indicators is shown in Annex 1.

Prudential and treasury Indicators for 2024-25 as of 31st December 2024**Treasury Indicators**

Headline Indicators	2024/25 Original Estimate	31/03/25 Updated Estimate
	£m	£m
Authorised limit for external debt	273.111	260.681
Operational boundary for external debt	183.973	190.401
Investments	41.664	41.357
Net borrowing	140.309	132.433

Maturity Structure of Borrowing	2024/25 Original indicator	31/03/25 Updated Indicator
Under 12 months	40%	40%
12 months to 2 years	50%	50%
2 years to 5 years	60%	60%
5 years to 10 years	80%	80%
10 years and above	100%	100%

Upper Limit for principal sums invested	2024/25 Original Indicator	31/03/25 Updated Indicator
Maximum principal sums invested greater than 1 year	£50m	£50m

Prudential Indicators

Headline Indicators	2024/25 Original Estimate	31/03/25 Updated Estimate
	£m	£m
Capital Expenditure	70.088	74.738
Capital Financing Requirement	260.106	248.267
In year borrowing requirement	23.493	5.357
Ratio of Financing Costs to net revenue stream- General Fund	4.16%	4.10%
Ratio of Financing Costs to net revenue stream- Housing Revenue Account (HRA)	12.42%	12.49%