Briefing Report: Quarter One Capital Monitoring

1. EXECUTIVE SUMMARY

1.1. This report sets out an update on the capital programme, which has seen a net increase of £38.213m in the quarter (see table 1). As at 30 June 2025 the 5-year capital budget 2025-2030 is currently forecast at £351.063m.

1.2. The opening budget for the 2025/26 year was £195.196m. During quarter 1, £28.019m of this opening budget has been reprofiled into future years following a targeted review exercise of the more significant schemes to develop a more accurate position at the reporting date.

2. CAPITAL PROGRAMME OVERVIEW

2.1. The capital programme as at 30 June 2025 incorporates movement since the capital outturn position as at 31 March 2025 with the 5-year capital budget 2025-2030 currently forecast at £351.063m.

2.2. Table 1 reflects the rolling forward of the 5-year programme scope and movement through new approvals and variations since last reported at outturn 2024/25.

Table 1: Capital Programme Changes

Description	£m
Capital Programme as at 31 March 2025 for 5 year period 2024 - 2029	421.629
Restatement of five-year programme window:	
Remove completed 2024/25 year – outturn reported	(109.309)
Addition of 2029/30 to 5 year scope	0.530
New Approvals – April to June see table 4 for breakdown	56.272
Variations – April to June 2025	(18.059)
Total Revised Capital Budget for Approval (2025/26 -2029/30)	**351.063**

2.3. A breakdown of the current approved Capital Budget by directorate and by funding is shown in Tables 2 and 3 below.

Table 2: Capital Programme by Directorate

Directorate	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total
Children's Services	4.474	0.075	-	-	-	**4.549**
Adults, Health and Communities	15.412	11.038	1.903	-	-	**28.353**
Growth - Economic Development	60.619	57.765	33.025	12.427	0.008	**163.844**
Growth - Strategic Planning & Infrastructure	79.105	30.764	6.216	9.225	0.275	**125.585**
Growth - Street Services	15.482	6.403	0.242	0.212	0.247	**22.586**
Customer & Corporate Services	3.185	2.044	0.280	0.101	-	**5.610**
Office for Director of Public Health	0.536	-	-	-	-	**0.536**
Total	**178.813**	**108.089**	**41.666**	**21.965**	**0.530**	**351.063**

Table 3: Capital Programme Financing

Financed by:	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total
Capital receipts	11.106	3.914	1.196	4.589	0.008	**20.813**
Grant funding	80.149	28.817	12.394	0.193	0.295	**121.848**
Corporate funded borrowing	44.936	25.992	10.965	5.324	-	**87.217**
Service dept. supported borrowing	38.012	40.667	16.095	11.494	0.227	**106.495**
Developer contributions	2.477	8.686	1.016	0.102	-	**12.281**
Other Contributions	2.133	0.013	-	0.263	-	**2.409**
Total	**178.813**	**108.089**	**41.666**	**21.965**	**0.530**	**351.063**

2.4. Based on the latest 2025/26 forecast totalling £178.813m, actual spend as at 30 June 2025 was £16.431m, which equates to 9.19% of the forecast figure of the Capital Programme for 2025/26.

2.5. Of the 5-year programme valued at £351.063m, 75.16% is forecast to be funded from grants, contributions and service-supported 'invest-to-save' borrowing, with the remaining 24.84% (£87.217m) forecast to be funded from corporate borrowing. Work is ongoing to update the capital pipeline which will identify further potential corporate borrowing requirements. Assessment of the future funding assumptions and resulting revenue impact of the capital programme is under review.

Table 4: Capital approvals Q1 including funding

Service / Directorate	Governance	New Approvals	5 Year Programme Approvals £m	Financed By
ED	Exec Decision	Civic Centre Redevelopment (Civic Centre)	45.866	RF Grant, Corp Borrowing, RF Service Borrowing
ED	Exec Decision	Plymouth & South Devon Freeport – Millbay Terminal Development	5.500	RF Grant
ED	Exec Decision	Foulson Park (Brickfields)	0.900	Corp Borrowing
CS	Exec Decision	Woodlands School SEND Expansion	0.728	URF Grant
AHC	Exec Decision	Local Authority Housing Fund Phase 3	0.334	RF Grant
ED	Exec Decision/S151	Plymouth Sound National Marine Park	1.750	RF Grant
CCO	S151	MASH Accommodation move	0.111	RF Service Borrowing
CS	S151	Riverside School Phase 2	0.161	URF Grant
CS	S151	Longcause Office Conversion	0.192	URF Grant
ED	S151	Rail Station Accommodation Block	0.106	RF Grant
SPI	S151	Heat Decarbonisation B.2 – DPRO & EEBC	0.115	Corporate Borrowing
SPI	S151	Plan for Homes 4	0.006	External Contribution
CS	S151	Foster for Plymouth Carers Adaptations	0.200	RF Service Borrowing
CS	S151	Laira Green - Early Years Expansion	0.150	RCCO
CS	S151	Laira Green - Devolved Capital	0.001	RF Grant
SS	S151	Minor Traffic Schemes	0.006	S106
SS	S151	Inclusive Mobility	0.003	S106
SS	S151	Workshop HGV Ramp	0.054	RCCO
SS	S151	Central Park Improvements	0.038	S106
SS	S151	Improving Outdoor Play Phase 3	0.013	S106
SS	S151	Central Park Baseball Pitch Improvements	0.024	S106

Service / Directorate	Governance	New Approvals	5 Year Programme Approvals £m	Financed By
PH	S151	Rees Centre Wellbeing Hub	0.013	S106
Total Capital Approvals			**56.272**	

Glossary	
AHC	Adults, Health and Communities
CS	Children's Services
SPI	Strategic Planning & Infrastructure
SS	Street Services
ED	Economic Development
PH	Public Health
CCO	Customer & Corporate

Glossary	
RF	Ring Fenced
URF	Unringfenced
CB	Corporate Borrowing
SB	Service Borrowing
Cap Rec	Capital Receipts
Cont	External Contribution

3. CAPITAL PROGRAMME MONITORING

3.1. The opening budget for 2025/26 was £195.196m. During quarter 1, £28.019m of this opening budget has been reprofiled into future years following a targeted review exercise of the more significant schemes to develop a more accurate Q1 position, alongside routine Q1 monitoring. The amount reprofiled included £21.3m identified as part of the targeted exercise and this element was financed by £10.369m of borrowing. Together with new approvals programmed for 2025/26, and variations, this produces a latest forecast for 2025/26 totaling £178.813m.

3.2. Table 5 below includes a breakdown by directorate of actual expenditure as at 30th June 2025. At this stage in the year, actual spend is reduced by the effect of outstanding accruals processed in 2024/25 accounts, which (due to the robust verification process for capital payments) are yet to be matched off with actual invoices. This being the case, the reported figure of 16.431m will increase to a more proportionate level in future monitoring reports.

Table 5: 2025/26 Programme including actual spend and % spent compared to latest forecast

Directorate	Latest Forecast 2025/26 £m	Actual Spend as at 30 June 2025 £m
Children's Services	4.474	0.197
Adults, Health and Communities	15.412	2.234
Growth - Economic Development	60.620	4.520
Growth - Strategic Planning & Infrastructure	79.106	6.184
Growth - Street Services	15.482	2.525
Customer & Corporate Services	3.185	0.651
Office for Director of Public Health	0.536	0.120
Total	**178.813**	**16.431**

3.3. Profiling of the capital programme will continue to review robustness of forecasts to spend as project officers assess the inflationary impact to schemes, delivery timescales and challenges to meet grant funding conditions.

4. PRUDENTIAL CODE INDICATORS - Q1 2025/26

4.1. The Authority measures and manages its capital expenditure, borrowing and commercial and service investments with reference to the statutory CIPFA Prudential Code indicators. It is a requirement of the Prudential Code that these indicators are reported on a quarterly basis – Tables 6 – 10 below are produced in line with the methodologies and terminology prescribed by the Prudential Code.

4.2. *Capital Financing Requirement*
The Authority's cumulative underlying outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments and capital receipts used to replace debt. The capital financing requirement measures the underlying need to borrow – it is not the same as the Authority's actual debt because of the impact of cash balances and reserves, which act to offset the underlying requirement to borrow. Table 6 below sets out the actual, forecast and budgeted CFR level for different financial years as required by the Prudential Code.

Table 6: Capital Financing Requirement (CFR)

Capital Financing Requirement	2024/25 actual £m	2025/26 forecast £m	2026/27 budget £m	2027/28 budget £m
General Fund services	869.516	931.960	975.528	976.784

Note to table 6 - Capital Financing Requirement: The Authority's cumulative outstanding underlying need to borrow is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments and capital receipts used to replace debt. The actual CFR is calculated on an annual basis. The figures reported above include Private Finance Initiative (PFI) and finance lease debt as explained in paragraph 4.5.

4.3. Statutory guidance is that total debt should remain below the capital financing requirement, except in the short term. The Authority has complied with, and expects to continue to comply with, this requirement in the medium term as is shown below in Table 7.

Table 7: Gross Debt/Capital Financing Requirement

Gross Debt /Capital Financing Requirement	2024/25 actual £m	2025/26 forecast £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m	Q1 2025/26 actual £m
Debt (incl. PFI & leases)	795.360	857.804	926.372	927.628	916.305	800.360
Capital Financing Requirement	869.516	931.960	975.528	976.784	965.460	

4.4. Note that whilst the underlying driver for Plymouth City Council's borrowing is capital investment, actual borrowing levels are driven by cash flow needs. Therefore, the level of borrowing above also includes the impact of working capital financing, including the cumulative deficit in the Dedicated Schools Grant.

4.5. Included in the debt balance are amounts relating to 'PFI liabilities & finance leases'. These represent the gross value of the total long-term financing obligations payable or long-term service delivery contracts, e.g. the Energy from Waste plant. Whilst these are both analysed alongside borrowing, these are financing arrangements directly linked to underlying assets, which represent a prudent approach to enabling key operational initiatives to proceed.

4.6. *The Authorised Limit and Operational Boundary*
The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

4.7. The Council manages its borrowing activity in line with its approved Capital Strategy and Treasury Management Strategy, ensuring that borrowing is managed responsibly, and sustainably. The setting of the Authorised Limit is informed by the CIPFA Prudential Code, and the Council continues to operate well within these defined parameters. Maintaining borrowing within these limits is essential to ensure that the Council's capital investment programme remains financially sustainable and that any future implications for Council Tax are manageable and proportionate. Table 8 below sets out the actual level of debt as at the end of Quarter 1 2025/26 against the Authorised Limit and Operational Boundary approved by the City Council at its budget setting meeting in February 2025.

Table 8: Debt and Authorised Limit/Operational Boundary

	Max. debt Q1 2025/26 £m	Debt at Q1 2025/26 £m	Operational Boundary £m	Authorised Limit £m	Complied? Yes/No
Borrowing	769.976	707.532	788.286	838.286	Yes
PFI and Finance Leases	92.828	92.828	217.000	217.000	Yes
Total debt	**862.804**	**800.360**	**1005.286**	**1055.286**	

Note: Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

4.8. *Affordability of debt financing: Proportion of Financing Costs to Net Revenue Stream*
Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP/loans fund repayments are charged to revenue and this financing cost is monitored in accordance with the Prudential Code to assess the affordability of the Authority's debt financing. As noted in table 3 above, the Authority distinguishes between 'Corporate Borrowing' and 'Service Supported Borrowing'. Service Supported Borrowing is used for investments that generate additional income or cost savings, which are used to repay financing costs and provide an overall financial benefit to the Authority. Compared with other councils, a relatively large proportion of Plymouth City Council's overall debt relates to investment through Service Supported Borrowing into the Property Regeneration Fund (PRF), a portfolio of assets with a gross capital cost of £223.6m. The PRF has regenerated areas of the city, encouraged private investment and created or retained employment in the city.

4.9. In line with statutory guidance we have reported total financing costs against the core (net) revenue streams for the authority. However, because for Plymouth City Council this figure is potentially misleading due to the use of borrowing for investment in the PRF and other revenue-generating assets and invest-to-save schemes, we also report a local indicator which excludes financing costs relating to Service Supported Borrowing. This local indicator, we feel, provides a better measure of affordability by comparing 'core' borrowing with core (net) revenue streams, setting aside the borrowing that is funded by income or cost reduction. Both figures are reported in Table 9 overleaf.

Table 9: Proportion of Total Financing Costs to Net Revenue Stream (statutory indicator) and proportion of Financing Costs (excluding Service Borrowing) to Net Revenue Stream

	2024/25 actual £m	2025/26 forecast £m	2026/27 forecast £m	2027/28 forecast £m
Financing costs (£m)	43.480	50.369	53.895	59.135
Proportion of net revenue stream *- all financing costs (Prudential Code indicator)*	18.38%	19.91%	21.09%	22.35%
- financing costs excl. Service Borrowing (local indicator)	10.73%	12.48%	13.07%	14.08%

4.10. The increase in financing costs set out in the table above is driven by assumptions surrounding use of borrowing to support the approved capital programme and cashflow requirements. Currently this includes assumptions on financing required to fund the cumulative High Needs Block DSG deficit, however at the time of reporting we are seeking guidance to clarify how this financing cost should be disclosed within Prudential Code indicators. The level of borrowing incurred, and therefore MRP, may be reduced where external funding sources, e.g. grants, are secured.

4.11. Short-term borrowing with other local authorities is currently being secured at 4.25% to 4.30% with comparable 1-year Public Works Loans Board loans at 4.50% as at 30 June 2025.

4.12. *Net Income from Commercial and Service Investments to Net Revenue Stream*
The Prudential Code requires councils to report this measure as an assessment of how reliant the council is on commercial investment income (there are risks associated with an over-reliance on funding public services through commercial income). The Authority's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as set out in Table 10 below.

Table 10: Net Income from Commercial and Service Investments to Net Revenue Stream

	2024/25 actual £m	2025/26 forecast £m	2026/27 budget £m	2027/28 budget £m
Total net income from service & commercial investments (£m)	(11.281)	(11.666)	(11.705)	(13.637)
Proportion of net revenue stream	4.77%	4.61%	4.58%	5.15%

4.13. As noted in paragraph 4.8 above, this income relates to the strategic investments made into the Property Regeneration Fund (PRF), currently held as a portfolio of assets with a gross capital cost of £223.6m. The PRF has regenerated areas of Plymouth, encouraged private investment and created or retained employment in the city.