

FINANCE MONITORING REPORT

Month 3 (June 2025)



I. EXECUTIVE SUMMARY

I.1. The monitoring position reported at Month 3 is an adverse variance of £2.609m. This report provides an explanation of this position and gives details around further underlying risks.

Table 1: General Fund Revenue Forecast

Directorate	Budget £m	Forecast £m	Variance £m
Total General Fund Budget	253.418	256.027	2.609

I.2. The Children's Directorate is reporting budget pressure due to Children's Social Care placements; caused by an increase against budget for Independent Sector Placements, with Residential Placements at 64 (2 above budget) and Unregistered Placements at 9 (also 2 above budget).

The Children's Directorate is also reporting a net cost pressure on short breaks provision, however the service is engaged in developing mitigation plans to address.

I.3. The Customer & Corporate Directorate is forecasting an adverse variance of £1.557m against budget. This is predominately caused by additional survey requirements for the Facilities Management service, and savings target delivery pressures across the directorate.

I.4. Overall, £4.737m of the in-year planned savings targeted have been considered achieved, with the remaining balance being progressed. Ongoing monitoring of these savings, alongside further mitigations to offset in-year pressures, will be maintained to ensure that any additional pressures are promptly escalated.

I.5. Section 12 of this report sets out an update on the capital programme, which has seen a net increase of £38.213m in the quarter (see table 13). As at 30 June 2025 the 5-year capital budget 2025-2030 is currently forecast at £351.063m.

The opening budget for 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. DIRECTORATE REVIEW

2.1. The reported position is an overspend of £2.609m at Month 3, an adverse movement of £2.609m from the nil variance position reported at Month 2.

Table 2: Revenue Forecast by Directorate

Directorate	Budget £m	Forecast £m	Variance £m	Status
Adults, Health and Communities Directorate	119.128	119.128	-	Nil variance
Children's Directorate	90.775	91.890	1.115	Over
Growth Directorate	29.579	29.579	-	Nil variance
Office of the Director of Public Health	3.874	3.810	(0.064)	Under
Chief Executive's Office	1.632	1.632	-	Nil variance
Customer and Corporate Services	43.316	44.873	1.557	Over
Corporate Items	(34.885)	(34.885)	-	Nil variance
Total	253.418	256.027	2.609	

3. ADULTS, HEALTH AND COMMUNITIES' DIRECTORATE

Table 3: Adults, Health and Communities Directorate Forecast

Adult Social Care	Variance £m	RAG (mitigations)
Pressure: Care package expenditure	1.176	
Client income forecast pressure	0.225	
Mitigation: Joint funding contributions	(0.643)	Amber
Forecast staffing savings	(0.051)	Amber
Targeted Budget Containment Action Plan		
Pressure: Pressure on delivery plans	2.200	
Mitigation: Remaining in-year delivery plan	(1.508)	Amber
Targeted Budget Containment action plan (inc. b/f delivery plan)	(1.399)	Amber
Total	-	

3.1. The Adults, Health and Communities Directorate is reporting nil variance in Month 3 but is flagging the following risks, actions and mitigations:

- 3.1.1. £1.176m forecast pressure within Care Package expenditure budgets; with the main pressures being within Domiciliary Care (due to an increased number of clients) and in Residential Care (due to increased package costs as a result of increased complexity of need)
- 3.1.2. It is anticipated that there will be additional Joint Funding income above budgeted levels, correlating to increased package costs, which will offset part of the Care Package expenditure pressures.
- 3.1.3. The Directorate's Budget Containment Group has been mobilised for 2025/26 and activity has commenced; the function of the group is to focus on emerging high-risk areas, assigning task groups to identify actions to be taken to contain spend, such as focused package reviews. Work identified includes focus on review and analysis of Domiciliary Care, Residential Care fees levels and pipeline demand, timescales and planning in increase client in Direct Payments and a focus on the Short-Term Residential clients to identify any barriers to long term care. This targeted activity is expected to contain the pressures currently identified in Care Package budgets

- 3.2. Underlying risks to the Adult Social Care Budget include potential increased demand within Care Package budgets, out of line with our forecasts; a further risk is the outcome of the CQC inspection, which may make recommendations that could have an impact on budgets.
- 3.3. The delivery plan target for 2025/26 is £2.733m, of this £1.225m has already been achieved, and all plans are currently expected to be achieved in year.
- 3.4. Within Community Connections, there has been an observed increase in the number of clients accessing Temporary Accommodation in the lead-up to the implementation of the Renters Reform Bill in Autumn 2025. A detailed analysis will be conducted at Month 4 to determine whether this trend represents a temporary fluctuation and to assess its financial impact for the current and future financial years.

4. CHILDREN'S DIRECTORATE

Table 4: Children's Directorate – total reported pressure

Children's Directorate	Variance £m
Children, Young People and Families Department	0.418
Education, Participation and Skills Department	-
Children's Central Spine	0.697
Total	1.115

Table 4a: Children's Directorate – CYPF Forecast

Children, Young People and Families Department		Variance £m	RAG (mitigations)
Pressure:	Looked After Children – Placements	0.418	
	Agency staffing costs	0.623	
	Potential shortfall on vacancy savings targets	0.238	
	Delivery plan pressure & additional savings targets	2.182	
Mitigation:	Vacancy savings targets achieved	(0.795)	Green
	FHFPC Workstream, Reunification & Reconnect Partnership working to identify Children transitioning into alternative placement	(1.714)	Green
	Structure redesign to align with National Reforms	(0.534)	Green
Total		0.418	

- 4.1. The CYPF service is reporting a pressure of £0.418m at Month 3
- 4.1.1. £0.418m pressure on Children's Social Care placements due to an increase in Independent Sector Placements, with Residential Placements at 64 (2 above budget) and Unregistered Placements at 9 (also 2 above budget).
- 4.1.2. There are also pressures flagged within staffing, primarily down to agency staff and vacancy savings targets, however these costs are mitigated through the planned exit dates of agency staff through Quarter 2
- 4.2. The service has identified a cohort of children who are currently placed within a Residential or Supported Living setting where transitioning to an alternative placement setting is considered appropriate for the child, such as fostering or reunification. This will always be the correct move for the child which also generates a recordable saving – it is this saving which is being earmarked towards the delivery plan total.

- 4.2.1. This stream of work is called “Steps” and is monitored monthly at the Family Homes for Plymouth Children board – we are also working with external partners such as Reconnect to help the Authority achieve its targets.
- 4.2.2. There are currently enough Children identified with suitable transition plans to achieve the remaining £1.714m balance, however it is essential to point out that delays are likely - as seen in previous financial years. Delays in Children stepping forward is not down to our practice, rather external factors having detrimental impact on our ability to place children into new placements. An example of this is placement availability – our children will be ready to move on, however if there are no placement offers from external agencies then transition will be delayed, reducing the amount of savings available.
- 4.3. Remaining mitigations are related to Staffing and the ongoing redesign of the CYPF structure. The new structure should align with the National Reform - Families First concept. Current proposals offset all agency pressure as well as achieving Budget Gap savings allocated in 2024/25. It is also essential to note here that delays in recruitment of permanent Social Workers will likely see the service require agency staff in statutory roles, again impacting the department’s ability to generate savings.

Table 4b: Children’s Directorate – EPS Forecast

Education, Participation and Skills Department		Variance £m	RAG (mitigations)
Pressure:	Savings delivery plan pressure	0.303	
Mitigation:	Service redesign	(0.203)	Amber
	Additional savings from Skills	(0.100)	Amber
Total		-	

- 4.4. The Education, Participation and Skills service has recently identified delivery plans of £0.303m to offset the current budget gap. A high-level action plan has been developed but it is still in the early stages and further work is required to establish more in-depth plans and work streams that can achieve these savings. Activity in recent days has already identified additional savings in school improvement. Over the next quarter, the service will be refining their delivery plans and working closely with finance to ensure it is achievable within the year.

Table 4c: Children’s Directorate – Central Spine Forecast

Children’s Central Spine		Variance £m	RAG (mitigations)
Pressure:	Short breaks cost pressures	1.318	
	Potential shortfall on vacancy savings targets	0.024	
Mitigation:	Short breaks Q1 savings identified	(0.446)	Green
	Delay in Home-to-School forecast increases	(0.188)	Amber
	Admission team savings	(0.011)	Amber
Total		0.697	

- 4.5. Some Children’s budgets have now been combined into the ‘Central Spine’, including Short Breaks, Admissions and School Transport.
- 4.5.1. There is a forecast pressure within Short Breaks due to demand, however this has been mitigated through £0.446m of savings identified, leaving a net pressure of £0.872m. The service is now tasked with identifying methods to mitigate this residual pressure.

- 4.5.2. School Transport budgets are currently forecast to make a saving of £0.188m, this is due to the delay in the forecast increase in numbers of EHCPs, which has a direct impact to SEND Home to School Transport demand.

5. GROWTH DIRECTORATE

Table 5: Growth Directorate Forecast

Growth Directorate		Variance £m	RAG (mitigations)
Pressure:	Street Scene and Waste operational pressures	0.631	Red
	Other delivery pressures within Street Services	1.370	
Mitigation:	Planned management actions	(2.001)	
Total		-	

- 5.1. The Growth Directorate are working towards a balanced revenue budget position for 2025-26. This includes containing pressures predominantly from Street Services both in terms of increasing cost base and realising income targets which in the current climate are challenging. The development of these savings plans will require the specific engagement of the recently appointed Interim Director of Street Services.
- 5.2. The Directorate had in-year savings targets for 2025/26 of £3.495m, to date £1.560m has been achieved, with £1.935m still in progress. In particular, the Directorate are reviewing the projected £1.300m income from the Energy from Waste profit share which is likely to be reduced.

6. OFFICE OF THE DIRECTOR OF PUBLIC HEALTH

Table 6: Office of the Director of Public Health Forecast

Office of the Director of Public Health		Variance £m	RAG (mitigations)
Pressure:	Contract overhead recharge in relation to Coroners arrangements	0.063	Green
	Targetted vacancy savings	0.104	
Mitigation:	Leisure Management efficiencies & planned contract savings	(0.231)	
Total		(0.064)	

- 6.1. Overall the Public Health Directorate is reporting forecast spend of £3.702m against a budget of £3.766m, resulting in a saving at Month 3 of £0.064m.
- 6.2. Within Public Protection Services and Bereavement there are various small pressures being reported as a result of vacancy savings targets, which is being offset by savings on energy costs within Leisure Management.
- 6.3. Underlying risks within the Directorate include the volatility of cremation income within the Bereavement budget, which may deviate from the forecast, and levels of fees and charges income within Public Protection Services.

7. CHIEF EXECUTIVE'S OFFICE

Table 7: Chief Executive's Office Forecast

Chief Executive's Office		Variance £m	RAG (mitigations)
Pressure:	Delivery of planned savings	0.125	Amber
	Staffing pressures	0.020	
Mitigation:	Vacancy savings targets achieved	(0.145)	
Total		-	

7.1. The Chief Executive Office is reporting a nil variance at Month 3, noting pressures from brought forward savings targets not expected to be achieved being offset by savings on vacancies held.

7.2. Costs associated with Local Government Reorganisation are currently in line with expectations but continue to be closely monitored.

8. CUSTOMER AND CORPORATE SERVICES DIRECTORATE

Table 8: Customer and Corporate Services Directorate Forecast

Customer & Corporate Services		Variance £m	RAG (mitigations)
Pressure:	Forecasted survey spends within Hard FM	0.500	Green
	Guildhall Closure until Jan 26	0.140	
	Potential shortfall on vacancy savings targets	0.388	
	Savings plan pressures	0.810	
Mitigation:	Vacancy savings targets achieved	(0.281)	
Total		1.557	

8.1. The Customer and Corporate Services Directorate is reporting a pressure of £1.557m at Month 3.

- 8.1.1. Within Hard FM there is an estimated £0.500m of unbudgeted surveys required to ascertain the condition of the Corporate Estate.
- 8.1.2. In Soft FM budgets there is an estimated £0.140m impact, due to reduced income as a result of the extended closure of the Guildhall
- 8.1.3. A £0.388m pressure is being forecasted across the directorate relating to unachievable vacancy savings targets due to service demand within Finance and Legal not allowing vacancies to be held.
- 8.1.4. Savings Plans within HR & OD, Departmental Management and ICT totaling £0.810m are unlikely to be achieved. These relate to the capitalisation of staff IT costs, council wide increase of apprenticeships and contact centre savings. The directorate will be working over the coming months to develop business plans to mitigate these pressures.
- 8.1.5. There are £0.281m of vacancy savings within Libraries and Business Support which partly mitigating the above pressures.

8.2. There is a risk of potential additional Transformation costs incurred prior to being capitalised that may have an impact on revenue budgets.

9. CORPORATE ITEMS

Table 9: Corporate Items Forecast

Corporate Items	Variance £m	RAG (mitigations)
Pressure: Schools PFI Contract	0.239	Green
Mitigation: Additional Support Service Recharge recoverable from funded posts	(0.239)	
Total	-	

Table 10: Progress against savings targets – Treasury Management

Treasury Management Savings Targets	Target per Budget £m	Achieved £m	In Progress £m	RAG Rating
Treasury Management Debt rescheduling	0.300	0.300	-	Green
Treasury Management Efficiencies	0.500	0.441	0.059	Amber
Treasury Management MRP adjustment for prior year overpayments	0.634	0.634	-	Green
Total	1.434	1.375	0.059	

- 9.1. There is currently no monitoring variance to report within Corporate Items. This area holds budgets relating to Treasury Management and centrally held grant funding and central expenditure budgets.
- 9.2. Within Treasury Management, borrowing costs remain managed to budget. Of the £1.434m savings targets identified in 2025/26, £1.375m has been achieved.
- 9.3. Within Other Corporate Items, there is a pressure arising from the Schools PFI contract, this is expected to be mitigated by additional income from Support Service Recharges (Corporate Overheads) chargeable to funded posts.
- 9.4. After the end of the period the nationally agreed NJC pay award was confirmed. Provision in the budget allows for a 3% uplift, therefore the confirmation of a 3.2% increase will be reported as a financial pressure of approximately £0.230m from Month 4.

10. CORE RESOURCES

Table 11: Core Resources Forecast

Core Resources	Budget £m	Forecast £m	Variance £m
Revenue Support Grant	(12.662)	(12.662)	-
Council Tax	(149.450)	(149.450)	-
Business Rates	(86.584)	(86.584)	-
Reserves	(4.722)	(4.722)	-
Total	(253.418)	(253.418)	-

- 10.1. At Month 3 there are currently no variances forecast against Core Resources which fund the net revenue budget.

II. SAVINGS BUDGETS

Table 12: Summary of progress against savings targets

Savings Progress	Achieved	In Progress	Not achievable	Total
Corporate items	(0.741)	(0.059)	-	(0.800)
Adult Health & Communities	(1.225)	(1.508)	-	(2.733)
Children's Directorate	(0.613)	(2.529)	-	(3.142)
Growth Directorate	(1.560)	(0.635)	-	(2.195)
Chief Executive	(0.099)	(0.419)	-	(0.518)
Customer & Corporate	(0.499)	(1.095)	-	(1.594)
Total	(4.737)	(6.245)	-	(10.982)

II.1. A summary of the progress achieved against additional savings targets built into Directorate budgets for 2025/26 is set out above. Any pressure in relation to the achievability of these targets is addressed in the relevant Directorate section set out in this report.

12. CAPITAL

12.1. 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.

12.2. Table 13 reflects the change in 5-year programme scope and movement through new approvals and variations since last reported at outturn 2024/25

Table 13: 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 16 for breakdown	56.272
Variations – April to June 2025	(18.059)
Total Revised Capital Budget for Approval (2025/26 -2029/30)	351.063

12.3. A breakdown of the current approved Capital Budget by directorate and by funding is shown in Table 14 below.

Table 14: 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 15: 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

- 12.4.** 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. Based on historic 5-year trend of actual expenditure compared to outturn based on actual spend at end of June, an outturn forecast closer to £130m has been calculated.
- 12.5.** Of the 5-year programme, £87.217m is forecast to be funded from corporate borrowing which equates to 24.84% of the programme. 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 16: Capital approvals Q1 including funding

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

Glossary		Glossary	
AHC	Adults, Health and Communities	RF	Ring Fenced
CS	Children's Services	URF	Unringfenced
SPI	Strategic Planning & Infrastructure	CB	Corporate Borrowing
SS	Street Services	SB	Service Borrowing
ED	Economic Development	Cap Rec	Capital Receipts
PH	Public Health	Cont	External Contribution
CCO	Customer & Corporate		

Capital Programme 2025/26 monitoring

- 12.6.** 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 borrowing.
- 12.7.** Together with new approvals programmed for 2025/26, and variations, this produces a latest forecast for 2025/26 totalling £178.813m. Finance officers continue to work with Project Officers reviewing forecasts to ensure any necessary reprofiling is reported.
- 12.8.** Post completion of Month 3 monitoring, further meetings have been held with Project Officers which have resulted in additional re-profiling of £4.4m of the capital programme into later years which will be included within Month 4 (July) monitoring position.

12.9. Table 17 below includes a breakdown by directorate of actual cash spend as at 30 June 2025 shown as a value and percentage against latest forecast (overall, 9.19%). This low figure reflects outstanding accruals processed in 2024/25 accounts which are yet to be matched off with actual invoice payments, and is a comparable percentage to Q1 2024/25 (9.03%).

Table 17: 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	Spend as a % of Latest Forecast
Children's Services	4.474	0.197	4.40%
Adults, Health and Communities	15.412	2.234	14.49%
Growth - Economic Development	60.620	4.520	7.46%
Growth - Strategic Planning & Infrastructure	79.106	6.184	7.82%
Growth - Street Services	15.482	2.525	16.31%
Customer & Corporate Services	3.185	0.651	20.44%
Office for Director of Public Health	0.536	0.120	22.40%
Total	178.813	16.431	9.19%

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

13 Prudential Indicators Q1 2025/26

13.1 The Authority measures and manages its capital expenditure, borrowing and commercial and service investments with reference to the following indicators. It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Table 18: Capital Financing Requirement

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

Capital Financing Requirement: The Authority's cumulative 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 actual CFR is calculated on an annual basis.

13.2 Gross Debt and the Capital Financing Requirement

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.

Table 19: 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	

- 13.2.1 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.
- 13.2.2 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.

13.3. Debt and the Authorised Limit and Operational Boundary:

- 13.3.1 The Authority 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.
- 13.3.2 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.
- 13.3.3 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 20: Debt and Authorised Limit/Operational Boundary

	Max. debt Q1 2025/26 £m	Debt at Q1 2025/26 £m	Authorised Limit £m	Operational Boundary £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	

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.

13.4 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. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 21: Proportion of Financing Costs to Net Revenue Stream

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

13.4.1 The increase in financing costs 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 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.

13.4.2 It is important to note that (in line with guidance) we have measured total financing costs against the core (net) revenue streams for the authority. However, a large proportion of the financing costs relate to borrowing for investments – known as ‘service borrowing’ - which generate non-core income streams, mainly rents through the authority’s Property Regeneration Fund (PRF) property portfolio. This makes the financing costs more affordable for the Council, providing that risks relating to the income streams are well-managed.

13.4.3 Short-term borrowing with other local authorities is currently being secured at 4.25% to 4.30% with comparable 1-year PWLB at 4.5% as at 30 June 2025.

13.5 Net Income from Commercial and Service Investments to Net Revenue Stream

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 indicated below.

Table 22: 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%

13.5.1 As detailed in 13.4.2 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 £231.3m. The PRF has regenerated areas of the city, encouraged private investment and created or retained employment in the city.