

# CAPITAL MONITORING REPORT

Month 6 (September 2025)



## I. CAPITAL

- I.1.** The Capital Programme as at 30 September 2025 incorporates movements since the quarter 1 position as at 30 June 2025, with the 5-year Capital budget 2025-2030 currently forecast at £372.311m.
- I.2.** Table 1 reflects the change in 5-year programme scope with movement through new approvals and variations since reported as at 30 June 2025.

*Table 1: Capital Programme Changes*

Description	£m
Capital Programme as at 30 June 2025 for 5 year period 2025 - 2030	351.063
New Approvals – see table 4 for breakdown	24.838
Variations	(3.590)
<b>Total Revised Capital Budget (2025/26 -2029/30)</b>	<b>372.311</b>

- I.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	3.501	1.376	-	-	-	<b>4.877</b>
Adults, Health and Communities	13.581	12.964	1.903	-	-	<b>28.448</b>
Growth - Economic Development	49.985	60.393	38.995	10.678	1.917	<b>161.968</b>
Growth - Strategic Planning & Infrastructure	66.688	58.944	10.795	2.856	0.275	<b>139.558</b>
Growth - Street Services	21.960	6.554	0.222	0.212	0.247	<b>29.195</b>
Customer & Corporate Services	5.070	2.516	0.100	0.101	-	<b>7.787</b>
Office for Director of Public Health	0.478	-	-	-	-	<b>0.478</b>
<b>Total</b>	<b>161.263</b>	<b>142.747</b>	<b>52.015</b>	<b>13.847</b>	<b>2.439</b>	<b>372.311</b>

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	10.518	4.345	1.196	2.840	1.917	20.816
Grant Funding	83.922	42.194	13.744	0.193	0.296	140.349
Corporate Funded borrowing	41.942	33.537	10.225	0.377	-	86.081
Service dept. supported borrowing	20.243	53.927	25.916	10.335	0.226	110.647
Developer contributions	2.454	8.729	0.934	0.102	-	12.219
Other Contributions	2.184	0.015	-	-	-	2.199
<b>Total</b>	<b>161.263</b>	<b>142.747</b>	<b>52.015</b>	<b>13.847</b>	<b>2.439</b>	<b>372.311</b>

**1.4.** Of the 5-year programme valued at £372.311m, 76.88% is forecast to be funded from grants, contributions and service-supported 'invest-to-save' borrowing, with the remaining 23.12% (£86.081m) 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 Quarter 2 including funding

Service /Directorate	Governance	New Approvals	5 Year Programme Approvals £m	
CCO	Exec Dec	Life Centre Fire and PA System Replacement	0.382	URF Corp Borrowing
CCO	Exec Dec	FM Consolidated Capital Programme of Works	2.000	URF Corp Borrowing
SPI	Exec Dec	The Warm Homes: Local Grant	2.571	RF Grant
SPI	Exec Dec	Plymouth Major Road Network	12.809	RF Grant/ URF Grant
CS	Exec Dec	Longcause Office Conversion (Phase 1)	0.208	URF Grant
SS	Exec Dec	Street Furniture Replacements	0.120	URF Corp Borrowing
SS	Exec Dec	Highway Capital Investment Programme	6.482	URF Grant/URF Corp Borrowing
Various	S151	Various Approvals up to £200k	0.266	Various
<b>Total Capital Approvals</b>			<b>24.838</b>	

Financing of New Approvals in Q2	£m	
External Grants, S106 contributions, Cap Receipts	20.402	82.1%
PCC financing (all borrowing and revenue)	4.436	17.9%
<b>Total</b>	<b>24.838</b>	

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	Unring Fenced
CB	Corporate Borrowing
SB	Service Borrowing
Cap Rec	Capital Receipts
Cont	External Contribution

Capital Programme 2025/26 monitoring

- I.5. The 2025/26 forecast has decreased by £17.550m, from £178.813m to £161.263m. This reduction is primarily due to £29.109m of planned spending being deferred to later years, partially offset by £12.030m of new approvals expected to be spent this financial year, along with a minor programme adjustment removing £0.471m.
- I.6. Table 5 below includes a breakdown by directorate of actual cash spend as at 30 September 2025 shown as a value and percentage against latest forecast (overall 31.37%), with the percentage to Month 6 2024/25 (23.40%) reflecting tighter forecasting in 2025/26.
- I.7. Approval is sought for a virement of £425,452 to consolidate the Royal Parade project budget, currently split across two separate cost codes. The Royal Parade initiative was initially approved as part of the Better Place Public Realm programme within the Capital Programme. Subsequently, the Transforming Cities Fund was also added to the Capital Programme, which included a separate allocation for Royal Parade focused on Sustainable Transport delivery. Both elements are now being delivered concurrently by the same project team. To streamline project management and reporting, it is proposed that the two budget lines be merged under a single project entry within the Capital Programme.

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

Directorate	Latest Forecast 2025/26	Actual Spend as at 30 September 2025	Spend as a % of Latest Forecast
	£m	£m	%
Children's Services	3.501	0.481	13.73%
Adults, Health and Communities	13.581	4.847	35.69%
Growth - Economic Development	49.985	10.542	21.09%
Growth - Strategic Planning & Infrastructure	66.688	26.263	39.38%
Growth - Street Services	21.960	6.324	28.80%
Customer & Corporate Services	5.070	1.778	35.06%
Office for Director of Public Health	0.478	0.350	73.16%
Total	161.263	50.584	31.37%

- I.8. 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.

## 2 Prudential Indicators Q2 2025/26

- 2.1** 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 6: Capital Financing Requirement

Capital Financing Requirement	2024/25 actual £m	2025/26 forecast £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
General Fund services	869.516	911.197	975.882	986.747	970.978

*Capital Financing Requirement: The Authority's cumulative outstanding amount of underlying debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision / loans fund repayments and whenever capital receipts used to replace debt. The actual CFR is calculated on an annual basis.*

*CFR represents the total amount of capital expenditure that has not yet been financed by capital receipts, grants, or contributions. CFR is not the same as the actual amount of borrowing (loans) held by the authority. Instead, it is an accounting measure that shows the cumulative value of capital expenditure that has been financed by borrowing or other temporary means. It is a way of tracking the long-term impact of capital decisions on the authority's balance sheet.*

### Gross Debt and the Capital Financing Requirement

- 2.2** 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 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	Q2 2025/26 actual £m
Debt (borrowing)	702.532	780.500	922.600	1021.900	1085.300	757.532
PFI & Leases	92.828	88.978	86.478	83.978	81.478	91.478
Gross debt (incl PFI & Leases)	795.360	869.478	1009.078	1105.878	1166.778	849.010
Forecast borrowing for working capital / DSG deficit requirement	18.498	30.000	75.860	131.600	202.520	
<b>Total debt less DSG deficit</b>	<b>684.034</b>	<b>750.500</b>	<b>846.740</b>	<b>890.300</b>	<b>882.780</b>	
Capital Financing Requirement	869.516	911.197	975.882	986.747	970.978	

- 2.3** 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 (DSG). The DSG deficit is treated as a short-term, working capital financing issue because we expect that government will establish a policy framework, guidance and funding to support Local Authorities to reduce and eliminate deficits before the statutory override ends in March 2028. Notwithstanding this expectation, we have included a provisional forecast for DSG deficit borrowing for the 2028/29 financial year, taking a prudent approach whilst we await government announcements on SEND reform. The net working capital requirement in 2025/26 is anticipated to be lower than the forecast cumulative DSG deficit.

- 2.4** 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.

### Debt and the Authorised Limit and Operational Boundary:

- 2.5** 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.
- 2.6** 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.
- 2.7** 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: Debt and Authorised Limit/Operational Boundary

	Max. debt Q2 2025/26 £m	Debt at Q2 2025/26 £m	Authorised Limit £m	Operational Boundary £m	Complied? Yes/No
Borrowing	800.532	757.532	788.286	838.286	Yes
PFI and Finance Leases	92.828	91.478	217.000	217.000	Yes
<b>Total debt</b>	<b>893.360</b>	<b>849.010</b>	<b>1005.286</b>	<b>1055.286</b>	

*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.*

### Proportion of Financing Costs to Net Revenue Stream

- 2.8** 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 9: 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	49.913	57.156	64.660
Proportion of net revenue stream - all financing costs	18.38%	19.73%	22.37%	24.44%
- financing costs exc. Service Borrowing	10.73%	11.98%	14.35%	16.16%

Element of financing costs due to DSG deficit (£m)	n/a	0.450	3.224	5.593
% impact of DSG deficit financing	n/a	0.18%	1.27%	2.12%

- 2.9** 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 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.
- 2.10** 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. This being the case, we have also shown a comparative ratio of financing costs / net revenue stream % figure that excludes service borrowing from the cost of borrowing, which we consider to be a more accurate view of the affordability of debt financing. The impact of DSG deficit financing is shown for information – the % impact is included within the overall % figures for reference.
- 2.11** From 2026/27, the Fair Funding Review will impact general government grants significantly by ‘rolling in’ grant funding streams that have previously been excluded from the Net Revenue Stream – this will have the impact of reducing the proportion of net revenue required for financing costs. At this stage, to ensure comparability with figures published in our 2025/26 Treasury Management Strategy, the anticipated impact of the Fair Funding Review on our net revenue stream has not been included within forward projections for 2026/27 and 2027/28.
- 2.12** Short-term borrowing with other local authorities is currently being secured at 4.25% to 4.65% with comparable 1-year PWLB at 4.58% as at 30 September 2025.

#### **Net Income from Commercial and Service Investments to Net Revenue Stream**

- 2.13** 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 10: Net Income from Commercial and Service Investments to Net Revenue Stream*

	<b>2024/25 actual £m</b>	<b>2025/26 forecast £m</b>	<b>2026/27 budget £m</b>	<b>2027/28 budget £m</b>
Total net income from service & commercial investments (£m)	(11.281)	(12.092)	(12.303)	(13.016)
Proportion of net revenue stream	4.77%	4.78%	4.81%	4.92%

- 2.14** 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 £236.3m. The PRF has regenerated areas of the city, encouraged private investment and created or retained employment in the city. Again, forecasts of net revenue stream in future years currently exclude anticipated changes arising from the Fair Funding Review, to ensure comparability with the indicator set in our Treasury Management Strategy for 2025/26.
- 2.15** This is a useful performance indicator for assessing the council’s dependency on ‘non-core’ income; showing that the council is not overly reliant on commercial investments (which could be a risk to financial stability).