BUDGET SCRUTINY

Top three challenges for delivering within Portfolio budget for 2026/27

Councillor Mark Lowry (Cabinet member for Finance)

1. CHALLENGE 1 – STAFFING BUDGETS ACROSS THE FINANCE SERVICE

The first area of risk and challenge concerns **staffing budgets across the Finance Service** (including the Accountancy (Finance), Revenues and Benefits and Procurement functions). It is increasingly difficult to recruit and retain suitably qualified and experienced staff in these specialist areas, which are all operating under increasing pressure in a competitive labour market. This leads to pressure to fund higher, market-level salaries to attract permanent candidates, or the use of agency / interim staff which is more costly. Balancing the need for sufficient staff with appropriate capabilities, skills and experience against the funding available is difficult. We continue to deliver efficiency savings each year through better use of technology and training and upskilling staff to improve productivity and have ongoing recruitment for key positions.

1.a. MITIGATIONS FOR CHALLENGE 1 - STAFFING BUDGETS ACROSS THE FINANCE SERVICE

Ongoing recruitment through national campaigns that highlight the benefits of working in Plymouth is the principle mitigation to avoid the use of agency / interim appointments as far as possible. Staffing budgets are closely monitored, and we have an ongoing drive to innovate and improve the use of technology to support productivity.

2. CHALLENGE 2 – TREASURY MANAGEMENT BUDGET

The **Treasury Management budget** (with a gross value of £56m in 2026/27) represents an area of relatively high risk and challenge in every year and this is particularly so in 2026/27. The Treasury Management budget is exposed to interest rate movements, which are more difficult to forecast in the current year as a result of uncertainty and risk globally and in the UK economy. In this uncertain context, the council will be undertaking a relatively high level of re-financing and borrowing to finance the Capital Programme and a growing Dedicated Schools Grant deficit.

2.a. MITIGATIONS FOR CHALLENGE 2 – TREASURY MANAGEMENT BUDGET

The Council's Treasury Management Strategy sets out the framework for managing risk in the Treasury Management budget. The Council receives specialist advice on the management of risk in its borrowing and investment activities from Arlingclose, complementing a small team of specialist officers who work within the Accountancy team. Senior officer and Cabinet oversight is provided by an internal Treasury Management Board, chaired by the Cabinet Member for Finance and attended by the Chair of the Audit and Governance Committee.

3. CHALLENGE 3 - PROPERTY REGENERATION PORTFOLIO (PRF) INCOME

The **Property Regeneration Portfolio (PRF) income** budget represents a final area of challenge and risk. This portfolio of assets supports employment and economic growth in the City and also delivers a valuable income stream for the council, through rental income with a net value (after financing costs) of £12.5m annually. The sustainability of this income stream could be impacted by tenant default, which in turn is more likely in adverse economic conditions. A further risk is the impact of forthcoming

regulations to increase the minimum Energy Performance Certificate (EPC) standards for rental buildings – the timing and nature of this change is uncertain.

3.a. MITIGATIONS FOR CHALLENGE 3 - PROPERTY REGENERATION PORTFOLIO (PRF) INCOME

The Council holds specific earmarked reserves to mitigate against the risk of tenant default and voids, with a 'sinking fund' arrangement recycling a proportion of rental income into capital reserves to fund essential capital investment, where this is required to ensure the long-term sustainability of individual PRF assets. The financial risks of holding the portfolio are monitored by a specialist team of professional commercial surveyors, overseen by a Performance Review Board comprising senior finance and land and property staff, chaired by the Cabinet Member for Finance.