

**Oversight and Governance**

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Published 21 November 2025

CABINET – SUPPLEMENT PACK

Monday 24 November 2025
7.30 pm
Council House, Plymouth

Members:

Councillor Evans OBE, Chair

Councillor Laing, Vice Chair

Councillors Aspinall, Briars-Delve, Dann, Haydon, Lowry, Penberthy, Cresswell and Stephens.

Members are invited to attend the above meeting to consider the items of business overleaf.

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Tracey Lee

Chief Executive

Cabinet

- 6. Plymouth City Council's Local Government Reorganisation Proposal for Devon (Pages 1 - 10)**

Additional Financial Tables

These documents contain supplementary information requested during the scrutiny review of the proposal. Please note that this material is intended to form part of the appendices and will be integrated into the main appendices before the proposal finalised for submission to Government.

It is presented here in two parts – an analysis of financial risk, and further detail of assumptions and methodology used in the financial modelling.

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The extract below will be incorporated into Appendix I (Finance) as a new section 5 within that Appendix.

5. Analysis of Financial Risk

Local authorities within Devon and elsewhere face a number of financial risks – the issues of escalating demands in social care and SEND services are well documented. Local authorities in all areas that are undergoing Local Government Reorganisation will face a further set of risks. We have identified the key financial risks, alongside mitigation plans, in the table below. These risks will be common to any proposal for Local Government Reorganisation in Devon and are not specific to Plymouth’s proposals. The mitigations shown will be incorporated into detailed transition planning.

Risk to new authorities	Risk description	Risk mitigation
New councils inherit unaffordable contractual commitments	Unexpected construction or service contract commitments inherited by new authorities may create budgetary pressures.	Early and ongoing engagement across predecessor councils to ensure councils work together to maintain balanced budgets and consult on significant new contractual commitments. Section 24 directions during implementation period.
Sub-optimal or poor value asset acquisitions and disposals	Assets acquisitions create unaffordable debt for new councils; assets are disposed of by predecessor councils for less than best value.	Early and ongoing engagement between predecessor councils as noted above. Section 24 directions during implementation period.
New councils inherit unsustainable budget positions.	Current authorities may utilise one-off reserves to fund ongoing expenditure or may not be able to deliver planned savings or contain costs within budget. This would leave new authorities inheriting an unbalanced budget position.	Early and ongoing engagement between predecessor councils to ensure councils commit to maintaining balanced budget positions in the run up to reorganisation. Provision of adequate reserves and contingencies within initial budget setting for new councils.

Risk to new authorities	Risk description	Risk mitigation
Cumulative Dedicated Schools Grant (DSG) deficit	Within the wider risk around budgets, there is an acute risk in Devon regarding the level of DSG deficit that, on current trends, would be inherited by new councils. The statutory override ends on 31st March 2028, the day before new councils would be created, and this is therefore considered a significant risk.	Projected levels of DSG deficit in Devon are likely to be unmanageable locally without support from central government. Engagement with government to agree a solution will be key to ensuring viability of new councils in relation to this acute issue.
Depletion of reserves	Predecessor councils utilising reserves to fund transition costs or to balance the budget could leave inadequate levels of reserves for new councils.	Early and ongoing engagement between predecessor councils to ensure councils commit to maintaining balanced budget positions and adequate levels of reserves.
Transition costs are higher than estimated.	The cost for separating services previously delivered by a top tier authority may be higher than anticipated, in particular due to higher IT or redundancy costs.	Contingencies are built in to estimates and should be funded within financial plans. Implementation plans could be adjusted, e.g. by phasing or the use of shared service agreements to defer / spread transition costs.
Estimated savings are not achievable.	The savings estimated are based on historic costs and a high level, desktop analysis. They may not materialise as expected, which could impact on the financial sustainability of new councils.	Implementation executives, continuing and shadow authorities will need to review savings assumptions and revise if necessary, as more information becomes available; establishing benefits tracking systems to ensure that the projected savings are closely monitored and delivered will be key to realising financial benefits. Financial plans and budgets should take a zero-based approach, improving the accuracy of initial estimates.

Risk to new authorities	Risk description	Risk mitigation
Legacy debts and liabilities may create disproportionate, unaffordable capital financing pressures.	We anticipate that, generally, debt liabilities would be apportioned to new councils on an equitable basis; however, there is risk that for specific debt-financed assets this general approach could lead to 'stranded' debt liabilities, disassociated from income streams or assets.	Conduct review of assets and liabilities ahead of transition. Early and ongoing engagement between predecessor councils to ensure potential 'stranded debt' issues are identified and resolved at an early stage.

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Further details of assumptions and methodology

The table below sets out further detail, as requested by the Scrutiny Management Board, on the assumptions used to estimate fixed and variable costs, which form the basis of calculations used in financial modelling to estimate savings and to assess viability. This table will be included as a new Annex 3 to Appendix I (Finance) and will be referred to in section 2 of that appendix.

Service Area	Assumptions used to estimate fixed and variable cost elements
Education - DSG funded services	The vast majority of cost in this area is variable and has been apportioned across new proposed authorities using population under 19 as a cost driver. Based on analysis of Plymouth's existing fixed cost base, we have assumed that 0.5% of current costs are fixed.
Education - other services	The majority of cost in this area is considered to be variable and has been apportioned on the basis of Population under 19. 3% of current costs are assumed to be fixed.
Highways and Transport	This service area includes functions such as parking, traffic management and transport strategy which are assumed to have relatively higher fixed costs, as well as highways maintenance and public transport functions which are assumed to have relatively low fixed costs. Different assumptions have been used for different areas, taking a granular approach - overall the fixed cost proportion assumed is 12%. Robust road length data was not available at parish level, and so population per authority has been used to apportion variable costs.
Children's Social Care	Based on a review of fixed costs at Plymouth City Council, fixed costs for Children's Social care functions have been calculated for individual service components (resulting in an overall assumption that 3% of costs are fixed). Actual anonymised client data, collected at MSOA level through a survey of social care functions by consultants Newton, has been used to apportion costs across new proposed authority areas (a three year average has been calculated for a range of activity data, selected to correlate with each RA cost category).
Adults Social Care	As with Children's Social Care, fixed costs for Adult Social Care functions have been calculated for individual service components based on a review of fixed costs at Plymouth City Council. This has resulted in a calculation that assumes 2% of costs are fixed overall. Again, anonymised client data, collected at MSOA level through a survey of social care functions by consultants Newton, has been used to apportion costs across new proposed authority areas. A three year average has been calculated for a range of activity data, selected to correlate with each RA cost category.
Public Health, Bereavement & Coroners	The majority of services in this area are funded by public health grant, with the coroners and bereavement functions funded by core spending power and fees and charges respectively. Fixed costs have been estimated for each element, and income has been treated as fully variable; across the category 13% of costs are assumed to be fixed (though this varies across different RA categories - the coroners service

Service Area	Assumptions used to estimate fixed and variable cost elements
	is devon-wide and so has been treated as a wholly variable cost). Variable costs have been apportioned based on population.
General fund housing & housing benefits	This area includes services such as homelessness, which have high variable costs, as well as housing benefits administration, with relatively high fixed costs of operation. Overall our calculations and assumptions assume around a third of costs in this area are fixed (mainly relating to housing benefits administration and policy / regulation and systems costs). Variable costs have been apportioned using total population as the cost driver.
Culture, sports and community services	This area is made up of a number of distinct, mainly lower-tier services that are assumed to have relatively high levels of fixed cost currently (overall, around 10%) due to the number of discrete operations in different district and unitary councils. Library services are mainly operated on a shared service basis (with the exception of Plymouth) - we have assumed this model will continue and so library services are treated as a wholly variable cost. For all functions, population has been used as a cost driver.
Economic and community development	The majority of costs in this area relate to revenue-funded economic development policy and programme functions, currently distributed across all 11 councils in Devon. We have assumed that around 35% of current costs are fixed overall - relating to policy and strategy development, external engagement with government and business communities, and service management. Variable costs have been apportioned using total population. Capitalised programme costs are not included in the analysis, and income generated (mainly through rents and some revenue grants) has been treated as wholly variable.
Planning and regulatory services	These functions are currently distributed across all 11 councils in Devon and include a wide range of specialist regulatory functions as well as planning policy and development functions. Because of the highly disaggregated, specialist nature of work we have assumed a relatively high (43% overall) level of fixed costs across the function as a whole - though within this overall figure there is some variation (development control, for example, is assumed to have a higher proportion of variable costs). Trading standards is operated on a shared service basis across Devon and Somerset; we have assumed that this approach will not change and so these costs are treated as wholly variable. Again, all costs have been apportioned using total population as the cost driver.
Waste & Environmental services	Based on a review of fixed costs at Plymouth City Council, fixed costs for these services (mainly waste collection and waste disposal, but also environment & climate functions) have been assumed to form 12% of overall costs. Total population has been used to apportion costs across new proposed council areas.
Corporate services, levies & trading services	Current costs for Corporate Services are assumed to be largely fixed - we have taken a granular approach with different assumptions across different functions (with some functions - e.g. ICT and HR - having relatively higher variable costs associated with the number of users / staff). Overall, around three-quarters of current costs in this area are

Service Area	Assumptions used to estimate fixed and variable cost elements
	assumed to be fixed. Variable elements of current cost have been apportioned across new proposed council areas using total population.
Capital financing, interest and investment income	These costs have been treated as wholly variable and, at this stage, are apportioned across new proposed council areas using total population.

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