



Oversight and Governance

Chief Executive's Department
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Published 09 January 2026

CABINET – SUPPLEMENT PACK

Monday 12 January 2026
2.00 pm
Council House, Plymouth

Members:

Councillor Evans OBE, Chair
Councillor Laing, Vice Chair
Councillors Aspinall, Briars-Delve, Cresswell, Haydon, Lowry, Penberthy, Stephens and Taylor.

Please find additional information enclosed in relation to item 6.

Cabinet – Supplement Pack

6. Draft Budget Report 2026/27:

(Pages 1 - 44)

Cabinet



Date of meeting:	12 January 2026
Title of Report:	Draft Budget Report 2026/27
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Interim Service Director for Finance)
Author:	David Northey, Interim Service Director for Finance (Section 151 Officer) Helen Slater, Assistant Head of Finance
Contact Email:	Helen.Slater@plymouth.gov.uk
Your Reference:	Budget202627/Jan2026
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Under the Council's Constitution, Cabinet is required to recommend an annual Budget Report and Council Tax Resolution to Full Council. This report sets out the latest information available to enable Cabinet to consider recommendations in respect of the Draft Budget to be presented to the Budget Scrutiny Committee.

At the time of writing, we have included the information contained in the Provisional Local Government Settlement announced in December 2025. Full details of the Final Settlement will be included in subsequent reports

Recommendations and Reasons

That Cabinet:

1. Notes this report and acknowledges that it is subject to change in line with any Final Settlement adjustments and further changes required as proposals are developed.
2. Endorses the recommended 5-year Capital Programme £319.725m.
3. Agrees to present the draft budget report to the Budget Scrutiny Select Committee for consideration when full savings proposals highlighted in this report have been further developed.

Reason: To ensure Cabinet support for the budget proposals prior to further development of the final Revenue and Capital Budget for 2026/27.

Alternative options considered and rejected

- I. Not to bring forward proposals in respect of the 2026/27 Budget – rejected on the basis that there is a legal requirement for the Council to agree a balanced budget, and seeking support for further development of the recommended proposals will enable this to happen.

This report builds on the Council's Medium-Term Financial Strategy (MTFS) presented to Council in November 2025. In accordance with our Financial Regulations, we are required to produce regular reports on our financial resources.

Relevance to the Corporate Plan and/or the Plymouth Plan

This report is fundamentally linked to delivering the priorities set out in the Council's Corporate Plan. Allocating limited resources to key priorities will help maximise benefits for the residents of Plymouth.

Implications for the Medium-Term Financial Plan and Resource Implications:

The resource implications are set out in the body of the report.

Financial Risks

The Council is a complex service organisation with a gross revenue expenditure budget exceeding £670m and faces financial risks due to the ongoing demand pressures in adult social care and children's social care, homelessness accommodation, providing home-to-school transport for our most vulnerable children, and the cost of financing the Dedicated School Grant deficit.

The Council is under a legal obligation to set a balanced budget for each municipal year, and the Council's Section 151 Officer is required to produce a statement as part of the budget documentation giving their view on the robustness of the proposed budget. This statement will be included in the final budget report to Full Council.

The Provisional Settlement reflects the sector's request for more certainty over future funding envelopes. For the first time in over a decade we have visibility and certainty of our core resources for the coming year 2026/27 plus a further two years. It brings additional funding however given the scale of the future demand the modelling for future years shows it will still be a challenge for the Council. It is imperative that the Council increases its already strong focus on prevention, intervention, transformation and long-term financial sustainability. This needs to include reducing the base running costs and adopting a policy to grow the reserves year on year.

The Draft Budget 2026/27 assumes an increase in both the base Council Tax and the Adult Social Care precept, in line with the policy set out in the Autumn Statement 2025 and the Local Government Settlement in December 2025. No decision has yet been made on any changes to the Council Tax charge for 2026/27; this decision is reserved for Full Council.

Legal Implications

The Council has a legal obligation under Section 31A of the Local Government Finance Act 1992, as amended by the Localism Act 2011, to set a balanced budget for the forthcoming financial year. Cabinet must ensure that the proposed budget enables the Council to meet its statutory functions and that the estimates included are both reasonable and based on sound assumptions. Failure to set a lawful budget by the statutory deadline may expose the authority to legal challenge and intervention by the Secretary of State.

Under Section 151 of the Local Government Act 1972, the Council's Chief Finance Officer must provide assurance that the budget is deliverable and that adequate reserves are maintained. Cabinet is required to have due regard to the Section 151 Officer's advice, including on the adequacy of reserves and the robustness of estimates. Disregarding such professional advice without reasonable justification may increase the risk of a successful legal challenge.

In formulating their budget proposals, Cabinet must give due regard to the Public Sector Equality Duty to ensure that any budget savings measures do not unduly impact on those with protected characteristics and must also ensure that any budget savings proposals which result in changes to services are subject to statutory and where relevant non-statutory consultation. Any consultation must be undertaken in a timely manner to enable due regard to be given the results of the consultation prior to any final decisions being taken.

Carbon Footprint (Environmental) Implications:

There are no direct impacts arising from this report. As the recommendations relate to the Council's revenue and capital budget in its entirety, the scope of the decision covers all Council activities. There will be carbon footprint implications associated with the activities financed by the budget, both positive and negative, but these can only be effectively assessed on a case-by-case basis. The Council's commitments to the net zero agenda, as with any other strategic priority, will always operate within the financial context in which the Council is working.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

The increasing costs of demand-led services outpacing the growth in revenue resources across the public sector has been identified as a key risk within our Strategic Risk Register. As proposals are developed, officers will produce, where relevant, a risk register specific to each proposal to inform decision-making. This register will include identified risks and proposed mitigations and will be reported as part of the decision-making process.

In addition, as proposals are further developed, officers will assess and report on equalities impacts and associated mitigations as part of the process.

An Equalities Impact Assessment will accompany the final Budget Report.

Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
1	Relative Needs Formulae and Fair Funding Assessment Calculation (per MHCLG)							
2	Additional Costs/Budget Adjustments							
3	Management and Cabinet Savings							
4	Draft 2026/27 Directorate Budgets							
5	Revised Capital Programme							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)																												
	<p><i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i></p>																												
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Sign off:

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Originating Senior Leadership Team member: David Northey, Interim S151 Officer

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 09/01/2026

Cabinet Member approval: Agreed verbally Cabinet Member for Finance Cllr Lowry & David Northey

Date approved: 09/01/2026

I. Introduction

- 1.1. This report provides the latest position on the Council's budget for 2026/27. The Council continues to operate in a challenging financial environment, where statutory service demands are rising and funding levels, although now confirmed for three years, remain lower than the impact of rising demand. Like many other local authorities, the Council faces another year of financial risk as significant demand and cost pressures in Adult Social Care, Children's Social Care, Homelessness, and SEND continue to grow.
- 1.2. The Provisional Settlement sets out funding allocations for 2026/27 - 2028/29 and reflects the outcome of the Fairing Funding Review 2.0 and the impact on funding for Plymouth. The report will set out the impact of funding review in more detail.
- 1.3. The Council's administration remains ambitious in its vision for the city and is committed to prioritising services for children, vulnerable adults, the provision of affordable housing, and support for those affected by homelessness. It is acutely aware of the ongoing financial pressures and economic challenges facing households across Plymouth.
- 1.4. The budget includes adjustments to correct previous one-off allocations and account for council-wide costs and directorate growth, offset by additional resources and savings identified across all directorates. The detail is set out in the report.
- 1.5. This draft budget allocates additional growth to demand-led directorates to protect the most vulnerable people in the city. The key areas of focus are:
 - **Children's Directorate** – Children's Social Care placements and SEND, where increased numbers of pupils with Education Health and Care Plans, impact both Home-to-School Transport budgets and the Council's costs for financing the DSG deficit.
 - **Adults, Health and Communities Directorate** – Adult Social Care packages and homelessness provision, including the use of nightly paid temporary accommodation
- 1.6. The report sets out additional budget allocations to these two Directorates totalling £25.778m:
 - Children social care and placement costs £9.479m
 - SEND Home to School Transport £2.094m
 - Adult Social Care additional costs £11.175m
 - Homelessness prevention £0.797m
 - Short Breaks £0.623m
 - Dedicated School Grant deficit funding £1.610m
- 1.7. The 2026/27 budget assumes new management savings totalling £10.543m; Invest to Save projects saving £4.333m and cabinet proposals yet to be finalised of up to £2.500m. Together, these have the potential to total £17.376m.
- 1.8. A one-off Treasury Management action is being considered to change underlying financing arrangements for our debt and financial investment portfolios. This could provide additional one-off revenue funding for 2026/27 of up to £9.700m.
- 1.9. The Council will engage with MHCLG via the Settlement Consultation around the Fair Funding Review. In addition, the Leader and Cabinet Members are lobbying politicians to ensure Plymouth's funding is both maximised and equitable.

1.10. This draft budget consolidates our current priorities to address both the existing and forecasted financial gaps, enabling Strategic Directors to implement innovative approaches to service delivery.

2. Background

2.1. The Council will set the budget for the 2026/27 financial year at Full Council. At this meeting, the Council Tax rate for 2026/27 will also be determined.

2.2. Budget setting has been highly challenging this year, driven by significant changes to the Government's approach to Fair Funding and rolling specific grant funding into core resources plus reform to the business rates allocations. All of this whilst experiencing continuing escalating demand for services and rising costs.

2.3. The Council provides a wide range of over 300 services that touch every aspect of life in Plymouth. These include essential functions such as household waste and recycling collections, safeguarding vulnerable children, and maintaining libraries. The Council also plays a key role in shaping the city's future through planning decisions, attracting investment and creating jobs, and supporting local businesses. In addition, it delivers leisure and cultural facilities, manages parking, maintains roads and pavements, and cares for Plymouth's parks and green spaces, ensuring they remain accessible and welcoming for all residents.

2.4. The rising demand and cost of providing services is not unique to Plymouth. The Council is taking a proactive approach to managing them. Targeted action is being taken by the Council in the areas where demand is growing the fastest. Areas being targeted are the "big four" of Adult Social Care, Children's placements, increasing SEND (Special Education Needs and Disabilities) costs, where the budget deficit is growing putting additional borrowing costs into the revenue budget, and increasing temporary accommodation to address Homelessness.

2.5. All Council directorates have worked collaboratively to support the budget-setting process, with many teams adapting how they operate to meet the challenges ahead. While there is a continued focus on supporting and strengthening the city, the scope for change is limited by statutory responsibilities that require the delivery of essential services. These include, for example, safeguarding and supporting vulnerable children and adults.

2.6. Despite the financial challenges, the Council remains committed to delivering the fundamentals that matter most to residents: well-maintained roads and cleaner, greener streets; sustainable transport options; and more homes for social rent and affordable ownership. We are also focused on driving green investment, creating jobs, developing skills, and improving education, while ensuring the safety and wellbeing of children, adults, and communities. This budget builds on the Medium-Term Financial Strategy, providing a robust framework to achieve these priorities and continue supporting Plymouth's people and economy.

Budget Engagement

2.7. A public engagement to support the 2026/27 budget setting process took place between 10 November and 14 December 2025. An online questionnaire was developed which asked respondents for their view on which one of the following priorities the Council should focus on in the coming year:

- Working with the Police to tackle crime and anti-social behaviour.
- Fewer potholes, cleaner, greener streets and transport.
- Build more homes - for social rent and affordable ownership.

- Green investment, jobs, skills and better education.
- Working with the NHS to provide better access to health, care and dentistry.
- Keeping children, adults and communities safe.

2.8. The engagement was promoted through local media and the Council's own communication channels, including a website banner, a newsroom feature, social media posts, e-newsletters, targeted promotion to local businesses, and a press release. Internally, the questionnaire was also shared via the Staff News bulletin.

2.9. Over 300 online questionnaires were completed, and a face-to-face event took place on 07 January 2026 with the business sector, facilitated through the Plymouth Growth Board.

2.10. The themes arising from the engagement will be considered as part of the final budget proposals and will be made available to the Budget Scrutiny Committee.

3. Provisional Local Government Finance Settlement

3.1. On 17 December 2025, Alison McGovern MP, Minister of State for Local Government and Homelessness, issued a Written Ministerial Statement to Parliament and laid before it the provisional local government finance settlement for 2026/27. This forms part of an indicative multi-year settlement extending to 2028/29 and is largely based on the Fair Funding Review (FFR), originally initiated in 2016 and revived as version 2.0 under the current administration.

3.2. This is the first settlement in over a decade to provide indicative funding allocations for multiple years, covering 2026/27 to 2028/29. However, the process remains annual, and figures for future years are subject to confirmation in their respective settlements. The 2026/27 settlement applies for one year only but includes illustrative amounts for 2027/28 and 2028/29. All figures are informed by the 2024 Autumn Budget and Spending Review, the 2025 Budget announcements, and the Policy Statement issued on 20 November.

3.3. This settlement represents the most significant redistribution of funding within the sector in at least 25 years. Changes also include a full business rates baseline reset, the first since the Business Rates Retention Scheme was introduced in 2013/14, major revisions to all Relative Needs Formulas (RNFs), and the consolidation of numerous grants into either the Settlement Funding Assessment or one of four consolidated grants.

Outcome for Plymouth

- The government's measure of Core Spending Power shows an increase of £15.9m, or a 5% increase on their calculation of the 2025/26 baseline
- Of this approximately £9.2m relates to estimated Council Tax increases (3%)
- This leaves a £6.7m increase through Revenue Support Grant, Business Rates and the Recovery Grant Guarantee. (Fair Funding Assessment).
- To maintain the 5% increase promised to Upper Tier authorities who were in receipt of the Recovery Grant, Plymouth will be receiving £0.525m via the 'Recovery Grant Guarantee'
- The increase of £15.9m quoted for 2026/27 should also be viewed against the forecast increased budgetary requirement for statutory services including Social Care, Homelessness and SEND of £26m.

Table 1: 2026/27 Core Spending Power - Plymouth

Plymouth					
Illustrative Core Spending Power of Local Government:					
	2024-25 £ millions	2025-26 £ millions	2026-27 £ millions	2027-28 £ millions	2028-29 £ millions
Fair Funding Allocation¹	0.0	0.0	161.0	164.9	168.9
of which: Baseline Funding Level	0.0	0.0	75.9	77.7	79.2
of which: Revenue Support Grant ²	0.0	0.0	69.1	87.2	89.7
of which: Local Authority Better Care Grant ³	0.0	0.0	16.0	-	-
Legacy Funding Assessment	144.9	152.6	0.0	0.0	0.0
of which: Legacy Business Rates ⁴	81.3	82.5	0.0	0.0	0.0
of which: Legacy Grant Funding ⁵	50.7	54.2	0.0	0.0	0.0
of which: Local Authority Better Care Grant	12.9	16.0	0.0	0.0	0.0
Council tax requirement^{6,7}	138.8	147.9	157.1	166.9	177.3
Homelessness, Rough Sleeping and Domestic Abuse^{8,9}	3.3	4.6	3.8	3.7	3.8
Families First Partnership¹⁰	1.4	2.9	4.0	4.0	3.4
Total Transitional Protections¹¹	0.0	0.0	0.0	0.0	0.0
of which: 95% income protection	0.0	0.0	0.0	0.0	0.0
of which: 100% income protection	0.0	0.0	0.0	0.0	0.0
of which: Fire and Rescue Real-terms floor	0.0	0.0	0.0	0.0	0.0
Grants rolled in to Revenue Support Grant¹²	2.1	2.5	0.0	0.0	0.0
Recovery Grant	0.0	6.6	6.6	6.6	6.6
Recovery Grant Guarantee¹³	0.0	0.0	0.5	0.0	0.0
Mayoral Capacity Fund	0.0	0.0	0.0	0.0	0.0
Core Spending Power	290.4	317.2	333.0	346.1	359.9
Core Spending Power year-on-year change (£ millions)	26.7	15.9	13.0	13.9	
Core Spending Power year-on-year change (%)	9.2%	5.0%	3.9%	4.0%	
Core Spending Power change since 2024 (£ millions)	26.7	42.6	55.6	69.5	
Core Spending Power change since 2024 (%)	9.2%	14.7%	19.1%	23.9%	
Core Spending Power change since 2025 (%)		5.0%	9.1%	13.5%	

3.4. There are significant changes to most of the existing elements of core funding, further details of these changes are within the relevant sections of the report below.

Other Settlement messages

Local Government Reform

3.5. The settlement confirms MHCLG's (Ministry of Housing, Communities and Local Government) approach to distributing funding to newly established authorities. Where local government reorganisation does not involve splitting existing authorities, the new authority will receive all resources of its predecessor councils. In cases where an authority is divided, local areas must agree how resources will be allocated, following MHCLG guidance and subject to final approval. The agreed split will remain in place until the next Fair Funding Review or similar exercise, consistent with recent practice.

Monitoring Adult Social Care Spending

3.6. As outlined in the Fair Funding Review 2.0 consultation and policy statement, the Department of Health and Social Care will introduce 'notional' adult social care funding amounts for local authorities, setting expectations for the minimum level of spending on adult social care. While MHCLG has confirmed this will not be a formal ringfence, it is intended as a mechanism to maintain oversight following funding simplification and the removal of previous ringfencing.

4. Core Resources

- 4.1. The funding framework for 2026/27 has changed significantly, making direct comparisons with previous years and historic funding levels challenging. Key developments include the incorporation (“roll-in”) of several major grant streams into the Revenue Support Grant (RSG), alongside further consolidation of funding outside the RSG as part of MHCLG’s simplification agenda.
- 4.2. In addition, substantial changes to Business Rates have been confirmed, which may appear inconsistent with prior-year assumptions. Where possible, this report will present comparative information in a clear and accessible way to support understanding.

Table 2: Core Resources per MTFP 2026/27 to 2029/30

MTFP 2026/27 to 2029/30	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m
Revenue Support Grant	(69.133)	(87.219)	(89.652)	(91.445)
Local Authority Better Care Grant	(15.955)	-	-	-
Recovery Grant Guarantee	(0.525)	-	-	-
Council Tax	(156.541)	(164.300)	(173.040)	(182.243)
Business Rates	(75.921)	(77.662)	(79.229)	(80.814)
Total Core Resources	(318.075)	(329.181)	(341.921)	(354.502)

5. Fair Funding Assessment (formally Settlement Funding Assessment)

- 5.1. MHCLG has published the provisional outcome of the Fair Funding Review, setting the underlying figures for the Fair Funding Assessment (FFA), formerly known as the Settlement Funding Assessment.
- 5.2. This redistributes 2025/26 totals between the Baseline Funding Level (BFL) and Revenue Support Grant (RSG).
- 5.3. Nationally, approximately £32 billion is allocated through Fair Funding Review 2.0, rising by around £1 billion in 2026/27 through standard BFL indexation, additional adult social care resources, and a small uplift to RSG.
- 5.4. How the Fair Funding Allocation is determined:
 - a) Plymouth’s total funding requirement is calculated using various needs-based formulae, resulting in a Needs Allocation of £313.1m
 - b) A notional level of council tax Plymouth can raise is deducted as a Resource Adjustment of £151.2m
 - c) This leaves £161m to be distributed via the Fair Funding Allocation, around 0.5% of the national total.
- 5.5. A breakdown of the Relative Needs Formulae and calculations used to derive the Fair Funding Allocation are included at Appendix I.

Fair Funding Assessment Split

- 5.6. Funding through the Fair Funding Assessment (FFA) is divided into two streams:
 - a) **Business Rates Retention** (Baseline Funding Level/BFL)
 - b) **Revenue Support Grant** (RSG), including the Local Authority Better Care Grant top-slice

5.7. The split between BFL and RSG, along with updated top-up and tariff amounts, reflects MHCLG's latest analysis of the impact of the business rates revaluation, the business rates reset, and the introduction of new business rates multipliers.

5.8. The table below compares the original 2025/26 figures with a revised 2025/26 baseline. Please note that changes to the baseline do not represent additional funding; they result from rolling in several existing grant streams. Further details on these grants are provided in the relevant sections of this report.

Table 3: Fair Funding Assessment Comparison

Fair Funding Assessment Comparison	Notional				
	Original 2025/26	Change to Baseline	Revised 2025/26	2026/27 Provisional	Increase
	£m	£m	£m	£m	£m
Revenue Support Grant	(12.662)	(55.343)	(68.005)	(69.133)	(1.128)
Local Authority Better Care Grant	(15.955)	-	(15.955)	(15.955)	-
Baseline Funding Level (Business Rates)	(63.974)	(7.165)	(71.139)	(75.921)	(4.782)
Total Fair Funding Assessment	(92.591)	(62.508)	(155.099)	(161.009)	(5.910)

5.9. Each authority's initial allocation is based on 2028/29 figures, with 45.9% assigned to the Business Rates Baseline Funding Level (BFL) and 54.1% to Revenue Support Grant (RSG), reflecting MHCLG's estimate of collectible business rates in 2026/27 as a share of the overall Fair Funding Review total.

5.10. To manage the three-year transition from 2025/26 to 2028/29, RSG will vary under the transition scheme, while BFL remains unchanged for this purpose. Both BFL and RSG will then grow annually through business rates indexation and additional Spending Review resources.

5.11. The table below sets out the Fair Funding Assessment across the settlement period, with 2029/30 uplifted in line with CPI assumptions.

Table 4: Fair Funding Assessment (Multi-Year)

MTFP 2026/27 to 2029/30	2026/27	2027/28	2028/29	2029/30
	Core Resources	£m	£m	£m
Revenue Support Grant	(69.133)	(87.219)	(89.652)	(91.445)
Local Authority Better Care Grant	(15.955)	-	-	-
Business Rates	(75.921)	(77.662)	(79.229)	(80.814)
Fair Funding Assessment Total	(161.009)	(164.881)	(168.881)	(172.259)

Business Rates Income

5.12. For 2026/27, the business rates taxbase has been revalued, and a full reset of the Business Rates Retention Scheme will take place. Authorities' Business Rates Baselines will be set using expected collections for 2026/27, based on the provisional 2026 revaluation list. This reset incorporates £2.38 billion of business rates growth previously retained locally into national totals, which are redistributed under Fair Funding Review 2.0. Transitional arrangements ensure 2025/26 positions reflect estimated retained growth.

- 5.13. A new banded levy applies to all authorities: 10% on the first 10% growth above baseline, 30% on the next 90%, and 45% beyond 200% of baseline. This approach increases growth incentives for districts while limiting gains for top-up authorities.
- 5.14. The Business Rates Baseline Funding Level has been used as a proxy for business rates income in Core Resource modelling for the Medium-Term Financial Plan (MTFP). The final figure for the Budget will be determined by the NNDRI return in January and updated in the Final Budget report, alongside any changes from the final settlement.
- 5.15. Most business rates funding previously outside the Settlement Funding Assessment, such as compensatory grants for caps on multiplier indexation, is now included in the Fair Funding Assessment, so further adjustments should be minimal. However, as this is the first year under significant changes, some variation may occur.
- 5.16. Business Rates Baseline Funding Levels are subject to a 100% safety net in 2026/27, meaning the FFA provides a guaranteed minimum for the year, with potential for additional income from growth.

Business Rates Pooling

- 5.17. Due to the full reset of the Business Rates Retention Scheme and changes to levy and safety net calculations, business rate pools were not expected to form for 2026/27, as the risks outweighed potential benefits. The Devon Business Rates Pool submitted an application as a precautionary measure but has since requested its designation be withdrawn following the provisional settlement. The impact on Core Resources for 2026/27 is a reduction of over £2.7m.

6. Council Tax

- 6.1. The 2026/27 Provisional Local Government Finance Settlement confirms that local authorities may increase core Council Tax by up to 2.99%, alongside an additional increase of up to 2% for the Adult Social Care precept. These provisions have been reflected in the government's funding assumptions and incorporated into the Medium-Term Financial Strategy for future financial years.
- 6.2. Council Tax income is not affected by Fair Funding changes.
- 6.3. In exceptional cases, councils may apply to raise council tax further, provided residents do not already pay above the national average.
- 6.4. The Council Tax Base report for 2026/27 will be presented to Full Council for approval in January 2026. The provisional tax base is 76,887 Band D equivalent properties, representing an increase of 330 compared to 2025/26. The assumed collection rate remains at 97.5%, which is considered both realistic and prudent. Additional income from Empty Homes and Second Homes premiums has also been factored into the tax base calculation.

Graph 1: Council Tax Base History (note decrease in 2021/22 relates to technical adjustment for Covid funding)

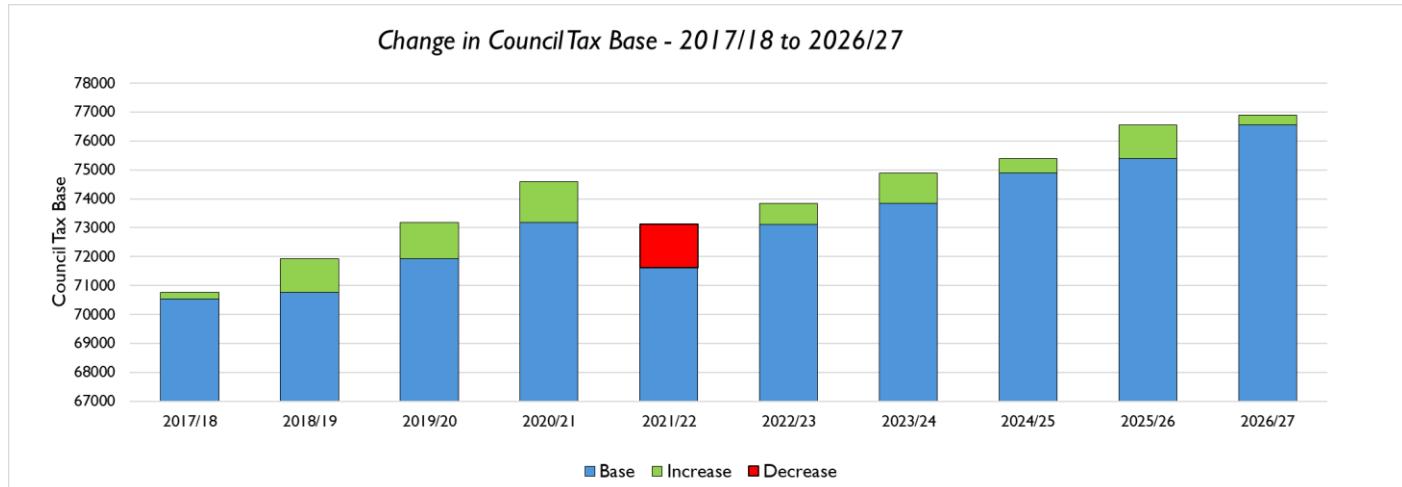


Table 5: Council Tax Income Assumptions

Council Tax Income	2025/26 Budget £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Previous year total	138.768	147.950	156.002	164.300	173.040
Increase in base assumptions	2.150	0.637	0.489	0.516	0.541
Revised base	140.918	148.588	156.491	164.816	173.581
Council Tax increase (2.99%) on revised base	4.213	4.443	4.679	4.928	5.190
ASC precept (2%) on revised based	2.818	2.972	3.130	3.296	3.472
Council Tax total	147.950	156.002	164.300	173.040	182.243
Collection Fund Surplus Mid-Year Estimate	1.500	0.539	-	-	-

Council Tax Discounts and Premiums

6.5. As a result of the Levelling Up and Regeneration Act 2023, local authorities were given enhanced powers to apply council tax premiums on certain types of properties. From April 2024, councils could apply the empty homes premium on dwellings that have been unoccupied and substantially unfurnished for one year, reducing the previous qualifying period of two years. Additionally, from April 2025, councils could introduce a new discretionary council tax premium of up to 100% on second homes. Plymouth has implemented both premiums.

6.6. Tax base growth from both the empty homes and second homes premiums was incorporated into the MTFS from 2025/26 onwards, and the revised Council Tax Base for 2026/27 now includes actual levels.

Council Tax Support Scheme

6.7. Local authorities have a statutory duty to implement and administer a local Council Tax Support Scheme (CTSS), which provides financial assistance to low-income households, both in and out of work, to help meet their Council Tax obligations. The scheme currently supports approximately 22,000 local residents, nearly 70% of whom are of working age. Any owner-occupier or tenant aged 18 or over who is legally responsible for paying Council Tax may apply for assistance. The level of support awarded is determined by the household's income and individual circumstances.

6.8. The Government prescribes the rules for calculating Council Tax support for applicants who have reached state pension age. Under these regulations, eligible pension-age claimants may receive up to 100% support against their Council Tax liability. For working-age residents, Plymouth City Council operates an income-banded scheme, under which the maximum support available is capped at 80% of the Council Tax charge. This approach ensures targeted assistance while maintaining the financial sustainability of the scheme.

6.9. The table below shows the level of Council Tax forgone due to the application of the Council Tax Support Scheme. No amendments to the scheme are planned for 2026/27.

Table 6: Council Tax Forgone – Council Tax Support Scheme

Council Tax Support Scheme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Total Council Support (Council Tax forgone)	18.935	20.181	21.535	22.145	21.650

Council Tax Administration Consultation

6.10. The Government's consultation on modernising council tax administration (June–September 2025) proposed reforms aimed at making billing, collection, and enforcement fairer and more supportive. Key proposals include slowing enforcement processes, capping charges, and signposting residents to support services. The consultation also explored measures to improve fairness and structure, such as simplifying property band challenges, updating discount eligibility, and introducing 12 monthly instalments as standard.

6.11. Further proposals seek to enhance transparency and efficiency through digital systems, data integration, and deferred payment options. At this stage, no impact on 2026/27 council tax income modelling is anticipated, as the reforms have not yet been confirmed.

7. Recovery Grant

7.1. The 2025/26 Recovery Grant will continue, with a Recovery Grant Guarantee uplift for Upper Tier Local Authorities previously in receipt of the grant. This uplift is intended to increase these authorities' core spending power by approximately 5%, 6%, and 7% across the three years of the settlement (equivalent to around 5% + 1% + 1%). For Plymouth, the settlement allocates £0.525m through this funding stream in 2026/27, with no funding in subsequent years.

7.2. However, the calculation of the 5% increase for Plymouth understates business rates income for 2025/26 by excluding the pooling gain that would have been allocated via the Devon Business Rates Pool. For levy-paying authorities, this gain is reflected by removing the pre-pooling levy payable from the baseline. As Plymouth is not levy-paying, no adjustment is made to the baseline to reflect the pooling gain.

7.3. Additionally, the Council Tax income assumed for 2026/27 is overstated. MHCLG uses an assumption for tax base growth based on the average growth between 2021/22 and 2025/26, which includes significant one-off uplifts from second home and empty home premia. MHCLG calculates Plymouth's tax base growth for 2026/27 as 880, compared to an actual increase of 330.

7.4. The pooling gain was budgeted at £2.750m for 2026/27, and Council Tax income is overstated by approximately £1.2m. If both elements accurately reflected Plymouth's funding position, Plymouth should receive an additional £4m through the Recovery Grant Guarantee to maintain the promised 5% uplift.

8. Changes to Treatment of Specific Grants

- 8.1. A key principle of the Fair Funding Review is the simplification of local government funding. The Local Government Finance Policy Statement confirmed which grants will be consolidated into the Fair Funding Assessment and which will be streamlined into four 'high-value' consolidated grants.
- 8.2. As a result of this funding simplification, the number of specific grants included within Core Spending Power has significantly reduced.

Adult Social Care Funding

- 8.3. All adult social care funding included in 2025/26 Core Spending Power has been redistributed through the Fair Funding Review. Better Care Fund allocations have been top-sliced from social care authorities' Fair Funding Assessments and provided as a separate Section 31 grant. Nationally, additional funding for adult social care has been incorporated into the Revenue Support Grant, amounting to £150m in 2026/27, £250m in 2027/28, and £500m in 2028/29. This will be distributed using the new relative needs formula introduced by the Fair Funding Review, without any council tax adjustment.
- 8.4. The Department of Health and Social Care will shortly publish 'notional' adult social care amounts to set expectations for how much council funding should be allocated to this service.
- 8.5. It should be noted that this approach to redistributing Social Care Grants significantly disadvantages Plymouth, as the city now receives a lower share of this funding.
- 8.6. A significant number of other grants have also been 'rolled-in' and redistributed through the Fair Funding Assessment. The table below lists these and their 2025/26 values.

Table 7: Rolled-In Grants 2026/27

Specific Grants 'Rolled In' and Redistributed under Fair Funding	Original 2025/26 £m
Social Care Grant	(33.789)
Market Sustainability and Improvement Fund	(5.618)
Employer NI contributions grant	(2.063)
Temporary Accommodation Element of Homelessness Prevention Grant	(1.110)
Children and Families Grant	(0.836)
War Pensions Disregard Grant	(0.372)
Virtual School Head (Children w a Social Worker and Children in Kinship Care)	(0.126)
Awaab's Law New Burdens	(0.001)
Biodiversity Net Gain Planning Requirement Grant	(0.027)
Enforcement of Location and Volume Price Promotions Restrictions Grant	(0.001)
Enforcement of OOH Calorie Labelling Regulations Grant	(0.001)
LGF Data Review New Burdens	(0.001)
Deprivation of Liberty Safeguards within LRCV	(0.028)
Business Rates - Compensation for under-indexation of Multiplier	(12.676)
Specific Grant 'Rolled In' but top-sliced at existing level	
Local Authority Better Care Grant	(15.955)
Total	(72.605)

- 8.7. The Fair Funding Review introduces four new consolidated, ringfenced grants that combine similar funding streams across government. These grants will operate over the three-year

multi-year Settlement, with details on allocations, distribution, and conditions provided at the provisional Settlement.

New Consolidated Grant: Homelessness, Rough Sleeping and Domestic Abuse Grant

Table 8: Homelessness, Rough Sleeping and Domestic Abuse Grant

Consolidated Grants Comparison	2025/26			
	Baseline £m	2026/27 £m	2027/28 £m	2028/29 £m
Homelessness, Rough Sleeping and Domestic Abuse Grant	(4.648)	(3.839)	(3.737)	(3.820)
Change: (Increase)/Decrease		0.809	0.102	(0.083)
<i>Of which:</i>				
Domestic Abuse safe accommodation new burdens	(0.766)	(0.796)	(0.796)	(0.796)
Rest of grant ('Homelessness and Rough Sleeping')	(3.882)	(3.043)	(2.941)	(3.024)
<i>Made up of:</i>				
Homelessness prevention grant - prevention, staffing and relief share	(1.066)			
Rough Sleeping Prevention and Recovery Grant	(2.580)			
Rough Sleeping Accommodation Programme	(0.254)			

- 8.8. The Homelessness, Rough Sleeping and Domestic Abuse Grant will form part of Core Spending Power and combines funding for homelessness prevention and staffing, rough sleeping prevention and accommodation, and safe accommodation for domestic abuse victims. Funding will be distributed using formulas designed to target prevention, relief, and recovery.
- 8.9. In 2026/27, this consolidated grant is worth £794m nationally. At baseline in 2025/26, it brings together existing resources, including the Domestic Abuse Safe Accommodation new burdens element of the Homelessness Prevention Grant, the Rough Sleeping Prevention and Recovery Grant, and the Rough Sleeping Accommodation Programme.
- 8.10. For Plymouth, the settlement indicates that, using 2025/26 comparators, this funding stream reduces by £0.809m in 2026/27.

New Consolidated Grant: Children, Families and Youth Grant

Table 9: Children, Families and Youth Grant

Consolidated Grants Comparison	2025/26			
	Baseline £m	2026/27 £m	2027/28 £m	2028/29 £m
Children, Families and Youth Grant	(3.982)	(5.049)	(5.008)	(4.429)
Change: (Increase)/Decrease		(1.067)	0.041	0.579
<i>Of which:</i>				
Holiday Activity and Food ringfence (outside core spending power)	(1.010)	(1.008)	(0.967)	(0.967)
Pupil Premium Plus post-16 (outside core spending power)	(0.073)	(0.073)	(0.073)	(0.073)
'Family First Partnership' (within core spending power)	(2.898)	(3.968)	(3.968)	(3.389)
<i>Made up of:</i>				
Children's social care prevention grant	(1.527)			
Supporting Families ('Family Help') element of the Children and Families Grant	(1.372)			

- 8.11. This new consolidated grant sits both inside and outside Core Spending Power. The Children, Families and Youth Grant brings together funding streams to support social care reform, family support, and childcare initiatives. It includes resources for children's social care prevention, partnership programmes, and transformation projects, alongside new investment. The grant also covers the Holiday Activities and Food programme, including capacity for school-age childcare, wraparound care, and free breakfast clubs. Additionally, it provides funding for post-16 support through the Pupil Premium Plus.

8.12. In 2026/27, the grant totals £823m nationally, combining existing resources such as the Children's Social Care Prevention Grant and the Supporting Families element of the Children Families Grant. The distribution mechanism is changing significantly: the full grant will be allocated using the new children and young people's services relative needs formula introduced through the Fair Funding Review.

8.13. Each element will remain subject to its own conditions, effectively making the grant a branding of three separate grants. For Plymouth, the settlement indicates that, using 2025/26 comparators, this funding stream increases by £1.067m in 2026/27.

New Consolidated Grant: Crisis and Resilience Fund

Table 10: Crisis and Resilience Fund

Consolidated Grants Comparison	2025/26			
	Baseline £m	2026/27 £m	2027/28 £m	2028/29 £m
Crisis and Resilience Fund	(4.468)	(4.202)	(4.200)	(4.087)
Change: (Increase)/Decrease		0.266	0.002	0.113
Predecessors:				
Household Support Fund	(4.045)			
Discretionary Housing Payments	(0.423)			

8.14. The Crisis and Resilience Fund will merge existing grants into a single funding stream to help local authorities provide preventative support and assist people facing financial hardship. It will replace the Household Support Fund and Discretionary Housing Payments, which end in March 2026, and will not form part of Core Spending Power.

8.15. This grant combines the 2025/26 Discretionary Housing Payment (£93m nationally) and Household Support Fund (£742m nationally) under a single banner. However, draft grant conditions differentiate between the Housing and Crisis Payment elements rather than applying fully integrated conditions across the grant as a whole.

8.16. For Plymouth, the settlement indicates that, using 2025/26 comparators, this funding stream decreases by £0.266m in 2026/27.

New Consolidated Grant: Public Health Grant

Table 11: Public Health Grant

Consolidated Grants Comparison	2025/26			
	Baseline £m	2026/27 £m	2027/28 £m	2028/29 £m
Consolidated Public Health Grant	(21.581)	(21.878)	(22.097)	(22.328)
		(0.297)	(0.218)	(0.232)
<i>Of which:</i>				
Smoking cessation ringfence			(1.061)	(1.067)
Drugs and alcohol ringfence			(7.309)	(7.246)
General public health ringfence			(13.508)	(13.783)
<i>Predecessors:</i>				
Public health grant		(18.089)		
Local stop smoking services and support grant (LSSSG)		(0.417)		
Share of national £50m Swap to Stop scheme funding		n/a		
Drug and Alcohol Treatment and Recovery Improvement Grant (DATRIG)		(2.929)		
Individual Placement Support (IPS)		(0.147)		

8.17. The Public Health Grant will combine existing public health funding with additional streams focused on drug and alcohol treatment and recovery, local stop smoking services, individual placement and support, and the Swap to Stop scheme.

8.18. This consolidated grant brings together:

- The main Public Health Grant
- Drug and Alcohol Treatment and Recovery Improvement Grant (DATRIG)
- Individual Placement Support (IPS)
- Local Stop Smoking Services Support Grant (LSSSG)
- Funding previously used for the Swap to Stop scheme (not held locally)

8.19. Local authorities will be required to meet the general public health grant conditions, as well as specific conditions for the individual funding elements listed above. Spending on the three main components, drug and alcohol, smoking cessation, and 'core' public health, must be treated separately, with any underspends carried forward in their own ring-fenced reserve.

8.20. For Plymouth, the settlement indicates that, using 2025/26 comparators, this funding stream increases by £0.297m in 2026/27.

9. Other Streams of Grant Funding

Dedicated Schools Grant

9.1. The Dedicated Schools Grant (DSG) is a ring-fenced grant provided to local authorities by the Department for Education (DfE) to fund expenditure on schools, early years provision, and children and young people with high needs.

9.2. The DSG is divided into four distinct blocks, each serving a specific purpose:

- Schools Block – Funds mainstream education in primary and secondary schools (Reception to Year 11).
- High Needs Block – Supports children and young people aged 0–25 with special educational needs and disabilities (SEND). This includes funding for special schools, alternative provision, support within mainstream schools and units, and further education (post-16).
- Early Years Block – Funds free early education entitlements for children aged 0–5, including the universal 15 hours for all 3- and 4-year-olds and the additional 15/30-hour entitlement for children of working parents (from 9 months).

d) Central School Services Block (CSSB) – Funds statutory duties carried out by local authorities, such as school admissions, asset management, and support services, as well as some historic commitments.

9.3. On 18 December 2026, the Department for Education published final DSG allocations for 2026/27 based on October 2025 pupil numbers.

9.4. The table below shows Plymouth's DSG allocation for 2026/27 compared to 2025/26.

Table 12: DSG 2026/27

Dedicated Schools Grant 2026/27	2025/26 Schools Block Pupil numbers	2025/26 Baseline £m	2026/27 Schools Block Pupil numbers	2026/27 Allocation £m	Increase/ (Decrease) £m
Schools Block	34,389	225.438	33,730	225.248	(0.189)
High Needs Block		55.382		55.382	0.000
Central Schools Services Block		2.716		2.725	0.009
Early Years Block		38.196		44.267	6.072
Total		321.731		327.623	5.891

High Needs Funding 2026/27

- The Department for Education (DfE) has announced that it will suspend the High Needs National Funding Formula (NFF) for 2026/27. This formula has been used to determine local authorities' High Needs Block allocations for the past eight years. Allocations for 2026/27 will be based on 2025/26 funding levels, with adjustments to include grants previously paid outside the High Needs Block.
- The DfE acknowledges significant divergence between NFF allocations and actual spending across local authorities and has committed to review the High Needs funding system to ensure it aligns with the reformed SEND framework, which is due to be published in early 2026.
- The Government has stated that the general direction of SEND reform is towards creating a more inclusive mainstream environment for children and young people with SEND, including expanding the number of SEN units and resourced provision (RP). The DfE is progressing a range of reforms to support this shift.

9.5. Plymouth faces significant pressures in SEND provision, consistent with national trends. Nationally, Education, Health and Care Plans (EHCPs) have increased by 140% over the past decade (from 240,183 in 2015 to 575,973 in 2023/24), and councils are forecast to carry a £5 billion SEND deficit by March 2026. Over half are already in DfE intervention programmes such as Safety Valve and Delivering Better Value.

9.6. Locally, Plymouth's special schools and academies are at capacity, driving reliance on costly out-of-area placements. The Council awaits the SEND White Paper (expected January 2026), which should set out long-term reforms focused on improving outcomes rather than reducing support or altering entitlements without robust alternatives.

9.7. Government plans to strengthen mainstream SEND provision could improve outcomes and reduce costs, but require a clear strategy and evidence base. In the meantime, councils can exclude DSG deficits from balance sheets under a statutory override extended to March 2028, providing short-term flexibility while awaiting reform.

9.8. Plymouth forecasts an in-year High Needs Block pressure of £35.250m for 2025/26, adding to an £18.498m brought-forward deficit, totalling £54.261m. Without intervention, EHCP demand will continue to rise. Mitigation focuses on expanding local provision, reducing reliance on independent placements, and curbing new EHCP applications

9.9. DSG deficits remain a major liability. If the statutory override ends in 2028 without a funding solution, costs could fall on core budgets, threatening financial sustainability.

9.10. In Budget 2025, Central Government stated:

A. *“Future funding implications will be managed within the overall government DEL envelope, such that the government would not expect local authorities to need to fund future special educational needs costs from general funds once the statutory override ends at the end of 2027-28. The government will set out further details on its plans to support local authorities with historic and accruing deficits and conditions for accessing such support through the upcoming Local Government Finance Settlement.”*

9.11. At the provisional settlement, it was reiterated that:

a) *“We will provide further detail on our plans to support local authorities with historic and accruing deficits and conditions for accessing such support later in the Settlement process.”*

9.12. If further announcements are made at the Final Settlement, they may alter figures included in the draft budget for SEND deficit financing pressures

Table 13: DSG Deficit financing costs

Step Up in Treasury Management Costs for DSG Deficits	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
DSG Deficit Interest only	1.609	2.026	1.662	(0.347)
DSG Deficit MRP	-	-	8.418	-

Housing Benefit Subsidy

9.13. For 2026/27, Plymouth City Council is forecast to receive circa £45m in Housing Benefit Subsidy Grant. This grant is provided by the Department for Work and Pensions (DWP) to reimburse local authorities for the cost of Housing Benefit payments made to eligible claimants. Most payments attract 100% subsidy; however, there has been a notable increase in claims related to Supported Accommodation provided by non-Registered Providers, which do not qualify for full subsidy. Depending on the claimant's vulnerability, these cases receive either 60% or 0% subsidy above the rent officer-determined amount, resulting in an estimated funding gap of approximately £0.750m in 2025/26.

9.14. Additionally, Housing Benefit overpayments typically attract only a 40% subsidy from DWP, although the Council can invoice claimants for the full amount. This has contributed to a growing level of outstanding debt, which currently exceeds £8m. In response, the Council is actively engaging with Registered Providers to maximise subsidy entitlement and has allocated additional resources to strengthen debt recovery processes.

Better Care Fund (BCF)

9.15. The BCF was introduced in 2015 with the intention of supporting people to live healthy, independent and dignified lives, through joining up health, social care and housing services. This vision is underpinned by 2 core objectives, to 1) enable people to stay well, safe and independent at home for longer; and 2) provide people with the right care, at the right place, at the right time

9.16. Integrated Care Boards (ICBs) and Local Government are required to agree a joint BCF plan, owned by the health and wellbeing board (HWB), and governed by an agreement under section 75 of the NHS Act (2006). This continues to provide an important framework in bringing local NHS services and Local Government together to tackle pressures faced across the health and social care system.

9.17. At the Provisional Settlement MHCLG stated:

a) *“The 10 Year Health Plan announced reform to the BCF to focus on integrated services, and the Department for Health and Social Care (DHSC) will shortly set out further detail on our approach to reform. Where this involves any changes to NHS and local authority minimum contributions to pooled funding, we will not introduce those changes before 2027-28.”*

Extended Producer Responsibility

9.18. A new income stream was introduced in 2025/26 from fees paid by packaging producers, the Extended Producer Responsibility for Packaging (pEPR) scheme. This income will cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. MHCLG have confirmed the allocation for Plymouth for 2026/27 is £6.946m

10. Actual Impact of Core Resourcing changes

10.1. Although MHCLG reports an increase in Plymouth’s Core Spending Power of £15.958m between 2025/26 and 2026/27, the actual increase in available resources is a net £6.220m

10.2. This variance reflects several factors:

- The one-off use of reserves required to balance the 2025/26 budget.
- The exclusion of the 2025/26 Business Rates pooling gain from MHCLG’s calculation.
- An overstatement of Council Tax income within MHCLG’s figures.

Table 14: CSP Reconciliation

	£m
MHCLG estimate of Council Tax increase	(9.194)
Increase in Business Rates and Revenue Support Grant	(6.764)
Total Increase per Core Spending Power (CSP)	(15.958)
Loss from NDR pooling gain	2.750
Reduction to reflect actual Council Tax requirement	1.141
Revised CSP	(12.067)
Reverse reserves used to balance 2025/26 (One Off)	4.722
Reverse Council Tax Surplus (One Off)	1.026
Additional Resources	(6.220)

II. Costs

Right-sizing the Budget

II.1. Some assumptions built into last year's approved budget now require ongoing resources. These include allocations for salary-related cost increases and the reversal of one-off savings or temporary expenditure from previous periods. In addition, there are corporate requirements that are not attributable to individual directorates and must be managed centrally

Table 15: "Right-sizing the budget" adjustments

Right -sizing budget adjustments	£m
Salary Related Costs - pay award 2.5% reduction to pensions rates (2.8% estimate)	0.567
Treasury Management / MRP (Minimum Revenue Requirement)	1.852
Additional Extended Producer Responsibility Grant	(1.020)
Other rolled in grants	1.393
Reduction in grant funding Homelessness, Rough Sleepers and Domestic Abuse	0.839
Families First Partnership - additional grant	(1.070)
Reprofile Energy from Waste profit share income	1.300
Other one-off reversals	1.458
Community Equipment Service contract variation	0.660
Total	5.979

Salary Related Costs

II.2. The NJC Pay Award for 2025/26 was confirmed at 3.2% across all scale points, creating an additional cost of £0.186m above the budgeted 3% uplift. This variance has been incorporated into budget assumptions for 2026/27, with a further 2.5% pay award modelled for 2026/27.

II.3. Employer pension contribution rates for the LGPS are expected to reduce from 19% in 2025/26 to 16% from April 2026. This change is estimated to deliver a £2.387m reduction in pension budget requirements and will also lower the assumptions linked to pay award uplifts.

II.4. The net figure for these two budget adjustments is £0.567m.

Treasury Management

II.5. Revenue impact modelling for borrowing incorporates all known costs, including fixed charges from existing long-term borrowing, the cost of refinancing maturing long-term debt, and a range of interest rate scenarios for both Public Works Loan Board (PWLB) and short-term borrowing with other local authorities. The modelling also profiles the costs of funding the capital programme and includes assumptions for interest receivable from investments.

II.6. This also includes the reversal of one-off use of £0.634m Minimum Revenue Provision in 2025/26.

Grant and income movements

II.7. As previously noted in this report, additional grant funding through the Extended Producer Responsibility Grant has been confirmed for 2026/27 at £1.020m

II.8. Under the Fair Funding review, funding simplification requires adjustments to prevent double counting of rolled-in grants. The adjustment of £1.393m relates to further grants announced in the Policy Statement, which are being consolidated and redistributed as part of Core Resources.

11.9. The newly consolidated Homelessness Grant and the Children's and Families Grant are not allocated via Core Resources; however, their allocations have changed compared to the baseline grants that have been combined. For Plymouth, this results in a reduction of £0.809m for the Homelessness Grant and an increase of £1.070m for the Children's and Families Grant.

11.10. In addition, due to scheduled maintenance downtime, the Energy from Waste profit share income target of £1.300m has been removed from the 2026/27 budget. It is anticipated that this income will be partially reinstated in 2027/28.

Reversal of one-off savings in 2025/26

11.11. To balance the 2025/26 budget, several streams of one-off funding and savings were utilised. These measures are not recurring and therefore require adjustment in the 2026/27 budget. The adjustment figure is net of the one-off budget provision that was no longer required for the Mayoral Referendum.

Other growth

11.12. During 2025/26, the provider for the Community Equipment Service entered administration. To ensure continuity of service for clients, a new provider was appointed at a higher cost. However, it is anticipated that part of this additional expenditure will be offset through funding from the Better Care Grant.

12. Demand-Led Pressures

12.1. In addition to the pressures already outlined, the Council must address a range of demand-led cost pressures within services where expenditure is driven by levels of need. These costs can fluctuate due to demographic changes, policy developments, or external factors.

12.2. The proposed budget incorporates assumptions for increased demand across these services, informed by detailed cost and volume analysis. This analysis draws on current demand data, historic trends, and forward-looking forecasts of service requirements. These assumptions are critical to ensuring the Council can plan for long-term financial sustainability while maintaining statutory service delivery standards.

Table 16: Demand-led budget pressures

Adults, Health and Communities Directorate	£m
Adult Social Care (NLW & Inflation)	4.352
Adult Social Care Demand and Contract Inflation	6.823
Homelessness demand and inflation	0.797
Total	11.972

Children's Directorate	£m
SEND – Dedicated Schools Grant deficit financing cost	1.610
Children's Social Care Demand & Inflation	9.479
Home to School Transport	2.094
Short Breaks demand	0.623
Total	13.806

Demand Led Total	25.778
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12.3. Plymouth is not unique in facing significant budgetary pressures across key service areas, including social care, homelessness, and Special Educational Needs and Disabilities (SEND). These challenges are being experienced by councils nationwide, driven by rising demand, increasing complexity of need, and constrained funding levels.

ASC Fee Uplifts: National Living Wage

12.4. The Council remains committed to passing on the additional costs associated with increases to the National Living Wage (NLW) to Adult Social Care providers. The NLW rate announced for April 2026 is £12.71 per hour, an uplift of 4.1% from current £12.21 per hour.

ASC Fee Uplifts: Inflationary Uplifts to Care Providers

12.5. Decisions on fee uplifts for Adult Social Care providers take into account both National Living Wage increases and wider inflationary pressures. For modelling purposes, it is assumed that around 70% of care costs relate to staffing, with the remaining 30% covering non-staff costs. This split enables a more accurate assessment of the financial impact of wage and inflation changes on provider fees.

ASC – Demand

12.6. Separating inflationary pressures from those arising due to increased demand and complexity of need provides greater transparency in understanding overall budget requirements.

12.7. As of the latest data, 3,969 adults are in the care of Plymouth City Council. Within the modelled budget increase, significant cost pressures arise from growth in client numbers, higher average hours of care per person, and increased 'cost complexity'. This reflects rising care needs that drive costs beyond standard fee uplifts, including more intensive support packages and specialist interventions.

12.8. The Directorate continues to implement a programme of work to understand, manage, and control costs across Adult Social Care. This includes exploring innovative service delivery

models, improving operational efficiency, and identifying opportunities for transformation. The aim is to ensure resources are used effectively while maintaining high standards of care.

- 12.9. At the core of this approach is a commitment to safeguarding the wellbeing of vulnerable adults. The Directorate prioritises personalised and appropriate care, ensuring individuals receive the support they need in a way that is financially sustainable and aligned with statutory responsibilities.

Homelessness

- 12.10. Demand for temporary accommodation continues to be a significant driver of budgetary pressure, influenced by a range of factors including evictions from the private rented sector, the ongoing cost-of-living crisis, and a shortage of affordable housing. The limited availability of suitable long-term housing options means individuals and families are remaining in temporary placements for extended periods. These placements are often high-cost and not always appropriate for the needs of those being housed. In addition, councils are experiencing rising caseloads due to expanded statutory duties, with many individuals presenting with complex needs such as mental health challenges, domestic abuse, or substance misuse, which further increases service demand and cost.
- 12.11. The increase to the budget requirement in the proposed 2026/27 budget reflects current levels of demand and known service interventions. It also incorporates assumptions for inflationary increases in the rates paid for nightly accommodation. The service continues to implement targeted measures to reduce costs where possible, but the sustained growth in the number of eligible households presents an ongoing challenge.

Children's Social Care – Inflation and Demand

- 12.12. Children's Social Care in Plymouth continues to face financial pressures due to rising demand and increasing placement costs. The number of children in residential care has exceeded planned levels, with some placements costing over £10,000 per week, significantly above budget. Unregistered placements, often requiring intensive staffing such as 2:1 or 4:1 agency support, are also higher than expected. While some cases receive partial funding from Health partners, the overall financial impact remains substantial and requires close monitoring.
- 12.13. On a positive note, the number of children placed with Independent Fostering Agencies (IFAs) has reduced, delivering cost savings. This has been supported by growth in the Council's in-house fostering provision, which is more sustainable and cost-effective. However, overall placement patterns have shifted away from fostering towards more expensive residential care, reflecting a national shortage of foster carers.
- 12.14. The proposed 2026/27 budget reflects current demand levels and includes assumptions for future growth based on historical trends, service data, and anticipated changes in need. These figures represent only part of the picture, as the Directorate is progressing strategic workstreams to reduce demand and improve efficiency. Initiatives focus on earlier intervention, service transformation, and promoting sustainable models of care. The aim is to manage financial pressures while safeguarding vulnerable children and young people, ensuring resources are targeted effectively without compromising quality or safety.

Home to School Transport

- 12.15. Pressures on the High Needs and SEND budgets are directly affecting the revenue-funded Home to School Transport service. The Council has a statutory duty to provide transport for pupils with Education, Health and Care Plans (EHCs), subject to assessment. Rising numbers

of pupils with EHCPs, combined with a shortage of special school places within the city, have increased reliance on independent sector placements located further away. This is driving up both the volume and cost of transport provision.

12.16. The proposed 2026/27 budget includes projected growth in specialist placements and an annual inflationary uplift to reflect rising costs from transport providers. The service continues to implement targeted route planning and efficiency measures to manage costs; however, the growing number of eligible pupils remains an ongoing challenge.

SEND – Financing the DSG Deficit

12.17. As highlighted earlier in this report, rising demand is placing pressure on the High Needs Block of the Dedicated Schools Grant (DSG). While councils are currently permitted to exclude DSG deficits from their main balance sheets under a temporary accounting provision known as the “statutory override,” this measure has only been extended until March 2028.

12.18. The revenue impact of borrowing costs required to fund this unfunded expenditure is included in the MTFS and flagged as a future financial pressure. This ensures transparency around the long-term implications of the deficit and provides for the continuation of associated financing beyond the statutory override period.

13. Other Essential Budget Growth

13.1. £1.406m of other budgetary growth is included in the draft 2026/27 budget. This includes £0.250m funding for Food Waste in line with Environmental Act requirements, £0.485m of increased IT costs through inflationary uplifts and higher licensing charges and £0.192m to adjust for lost income following the closure of the Guildhall.

14. Invest to Save Projects

Table 17: Invest to Save Projects

Children's Directorate	£m
No Wrong Door	(1.961)
Recruit own Therapist and In-House Therapy Team	(1.854)
Invest to Save Residential Homes	(0.518)
Total	(4.333)

14.1. The Children's Directorate has proposed a series of invest-to-save initiatives aimed at reducing future budget pressures. These include:

- ‘No Wrong Door’ Project – providing short-term respite solutions for adolescents on the edge of care and their families.
- Therapies Project – delivering in-house therapeutic services and targeted specialist fostering support.

14.2. Both projects are expected to reduce future demand on services and are recommended for funding through capital receipt flexibilities due to their transformative nature.

14.3. In addition, the planned introduction of four new Local Authority residential children's homes by 2027/28 is forecast to deliver an initial net saving of £0.518 million in 2026/27.

15. Management Action Savings Proposals

15.1. Directorates have identified £10.553m of additional savings plans, a summary of the total per Directorate is below.

Table 18: Savings by Directorate

Directorate	Savings £m
Adults	(4.254)
Children's	(2.431)
Growth	(0.735)
ODPH	(0.891)
Chief Executive	(0.083)
Customer and Corporate	(2.159)
Total	(10.553)

15.2. Appendix 3 provides a breakdown of the detail of these proposals.

16. The Council's Reserves

16.1. The Council has established several specific reserves and provisions to support the planning and management of known and anticipated future revenue costs. These reserves play a key role in ensuring financial resilience and enabling the Council to respond to emerging pressures in a controlled and sustainable manner.

16.2. The appropriateness and use of these reserves are reviewed regularly throughout the financial year, with a formal review of all specific reserves undertaken annually as part of the year-end accounting closedown process. This ensures that reserves remain aligned with strategic priorities and are used effectively to support the Council's financial strategy.

16.3. As previously noted, the Council's financial strategy includes a commitment to replenish usable reserves, which have been drawn upon in recent years to support the balancing of budgets and address in-year financial pressures. The final budget submission for Full Council will include a revised Reserves Strategy covering the period of the Medium-Term Financial Plan.

Unusable Reserves

16.4. The Council holds several unusable reserves on its Balance Sheet, which cannot be used to support day-to-day spending. These reserves are maintained to comply with statutory requirements and proper accounting practices. Although they do not affect the Council's cash position, they are essential for presenting a true and fair view of its financial standing in accordance with accounting standards.

16.5. Further details on the purpose of the largest of these reserves are provided below.

Table 19: Unusable Reserves Breakdown at end of 2024/25

Analysis of Reserves	31 March 2025
Unusable Reserves:	£m
Revaluation Reserve	378.263
Capital Adjustment Account	125.980
Financial Instruments Adjustments Account	(23.572)
Pensions Reserve	(75.575)
Collection Fund Adjustment Account	(1.047)
Accumulating Compensated Absences Adjustment Account	(3.369)
Deferred Capital Receipts	0.316
Pooled Investment Fund Adjustment Account	(1.560)
DSG Deficit Account	(18.498)
Total Unusable Reserves	380.938

Revaluation Reserve

16.6. The Revaluation Reserve records the gain from increases in the value of the Council's Property, Plant, and Equipment since its creation on 1 April 2007. The balance decreases when assets with accumulated gains are revalued downward or impaired, used in service provision and consumed through depreciation, or disposed of and the gains are realized. Any gains prior to 1 April 2007 are included in the Capital Adjustment Account.

Capital Adjustment Account

16.7. The Capital Adjustment Account records the timing differences between accounting for the consumption of non-current assets and financing their acquisition, construction, or enhancement under statutory provisions. It is debited for costs such as depreciation, impairment losses, and amortisation charged to the CIES, and credited for amounts set aside by the Council to finance these costs. The account also holds accumulated gains and losses on investment properties, gains on donated assets yet to be consumed, and revaluation gains on Property, Plant, and Equipment prior to 1 April 2007, before the creation of the Revaluation Reserve

Financial Instruments Adjustments Account

16.8. The Financial Instrument Adjustment Account manages timing differences in accounting for income and expenditure on certain financial instruments under statutory rules. It is mainly used to handle premiums and discounts from early loan redemptions. For example, in 2024/25, two LOBO loans totalling £10m were repaid without penalty. Premiums and discounts are initially recorded in the Comprehensive Income and Expenditure Statement but reversed to this account in the Movement in Reserves Statement, then gradually charged back to the General Fund over the remaining term of the redeemed loans to spread the impact on taxpayers.

Pensions Reserve

16.9. The Pensions Reserve records timing differences between accounting for post-employment benefits and funding them under statutory rules. The Council recognises pension costs in the CIES as benefits are earned, adjusting for inflation, assumptions, and investment returns, while statutory arrangements require funding through employer contributions or direct payments over time. The debit balance reflects the shortfall between earned benefits and resources set aside, but statutory provisions ensure funding will be in place when benefits are paid.

Dedicated Schools Grant Deficit Account

16.10. The Dedicated Schools Grant (DSG) Adjustment Account holds accumulated deficits on the schools budget, which cannot be charged to the General Fund under statutory regulations. For 2024/25, the centrally held DSG elements were overspent by £14.245m, mainly due to rising SEND placement costs, adding to a prior deficit of £4.253m. This results in a total carried-forward overspend of £18.498m, which must be recovered from future DSG funding in line with Government guidance. DSG deficits are held in this unusable reserve, separate from the General Fund, under the statutory override extended to 2027/28.

16.11. Plymouth forecasts an in-year High Needs Block pressure of £35.250m for 2025/26, adding to an £18.498m brought-forward deficit, totalling £54.261m.

Usable Reserves

16.12. The Council also holds a number of Usable Reserves, which can be applied to support service delivery, subject to maintaining a prudent level of reserves and complying with statutory restrictions on their use. These reserves provide flexibility in managing financial pressures and supporting strategic priorities. For example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt and, subject to Council approval, may also be used to finance transformation projects.

16.13. Regular review and careful management of usable reserves are essential to ensure they remain aligned with the Council's financial strategy and are available to support both planned investment and unforeseen pressures. Their use is governed by financial regulations and forms a key part of the Council's approach to maintaining financial sustainability.

Table 20: Usable Reserves Breakdown at end of 2024/25

Reserves Analysis	31 March 2025
	£m
General Fund Balance (Working Balance)	11.862
Earmarked General Fund Reserves	60.784
Capital Receipts Reserve	15.792
Capital Grants and Contributions Unapplied	37.823
Total Usable Reserves	126.261
Total Unusable Reserves	380.938
Total Reserves	507.199

17. General Fund Balance (Working Balance)

17.1. The Council's Working Balance is a core revenue reserve held to mitigate significant business risks and unforeseen financial pressures. The target minimum level for the Working Balance was historically set at 5% of the net revenue budget.

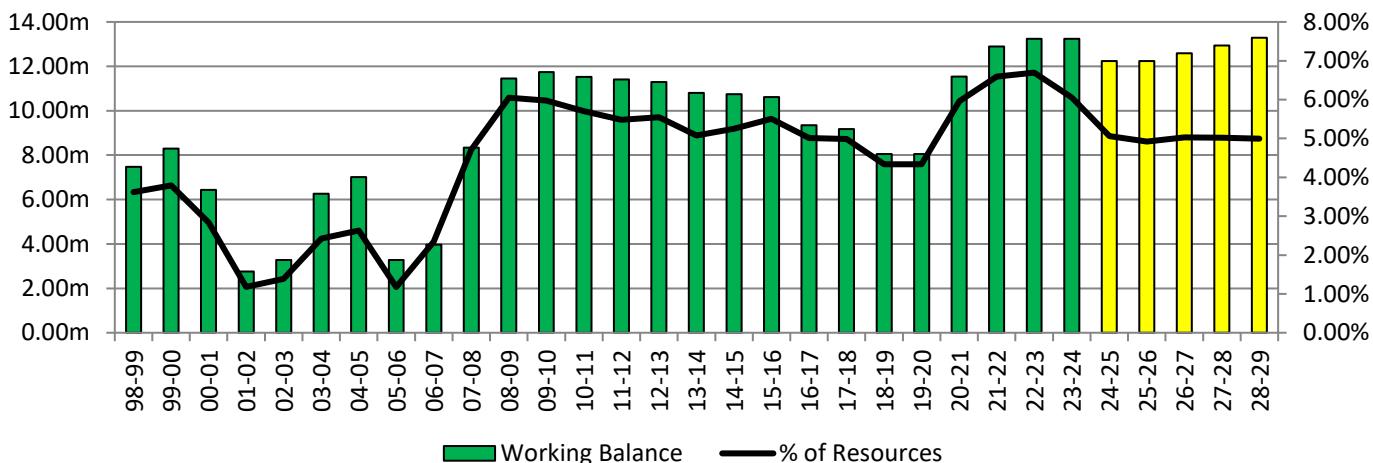
17.2. Adjustments in 2024/25 increased the Working Balance to £11.862m, representing 4.9% of the net revenue budget for that year.

17.3. The current in year 2025/26 overspend is showing as £5.823m which represents 2% of the £253m net revenue budget, but it would consume around half of the available General Fund reserve.

17.4. Building reserves is extremely challenging. The graph below illustrates that it has taken decades to reach the 5% target for General Fund reserves as a proportion of the total budget.

17.5. Ongoing budgetary pressures from statutory services leave very limited capacity to replenish reserves, which are essential for financial resilience. This challenge becomes even greater when reserves are needed to cover in-year pressures.

Graph 2: Working Balance Levels – prior to SFA changes



17.6. The historic 5% target will need to be reviewed in light of the Fair Funding changes. In particular, the roll-in of a significant level of specific grants into Core Resources, rather than including them within service revenue budgets, significantly increases the reported net revenue budget. While this adjustment does not affect the overall level of financing, it does alter the basis of reporting. The provisional net revenue budget for 2026/27 is now £318.175m (from £253.418m), meaning the current working balance would represent just 3.7% of the new total.

17.7. One option for consideration is to maintain a 3.7% target throughout the three-year Fair Funding transition period, then gradually increase this to 5% over the following five years. Estimated annual increases required for a 3.7% interim target would be £0.427m in 2027/28, £0.484m in 2028/29, and potentially £0.657m in 2029/30.

17.8. This approach will be further developed and confirmed in a revised Reserves Strategy, which will be developed over the coming weeks alongside an updated MTFP, to be issued with the 2026/27 Budget.

18. Earmarked General Fund Reserves

18.1. Earmarked reserves are set aside to provide financing for future expenditure plans and policy initiatives. The main earmarked reserves and their purposes are outlined below:

a) *Education Carry Forwards:*

- ◆ These reserves are held on behalf of various educational establishments operating under devolved budget arrangements. Surpluses or deficits generated by these establishments are carried forward to the following financial year, ensuring continuity and financial stability for individual schools and educational settings.

b) *School Budget Share:*

- ◆ This reserve represents unspent balances at year-end against schools' delegated budgets. As at 31 March 2025, the balance relating to the school budget share was £2.691m (compared to £3.149m at 31 March 2024). These funds are retained to support future school expenditure and to manage fluctuations in funding or costs.

c) *Collection Fund Reserve:*

- ◆ The Collection Fund Reserve is used to smooth the impact of fluctuations in grant funding for Business Rates and Council Tax across multiple financial years. This helps to manage volatility and provides greater certainty for budget planning.

d) *Interest Rate Swap Reserve:*

- ◆ This reserve holds gains arising from fair value movements in interest rate swaps. As these swaps approach maturity, the gains will reverse over time.

19. Flexible Use of Capital Receipts

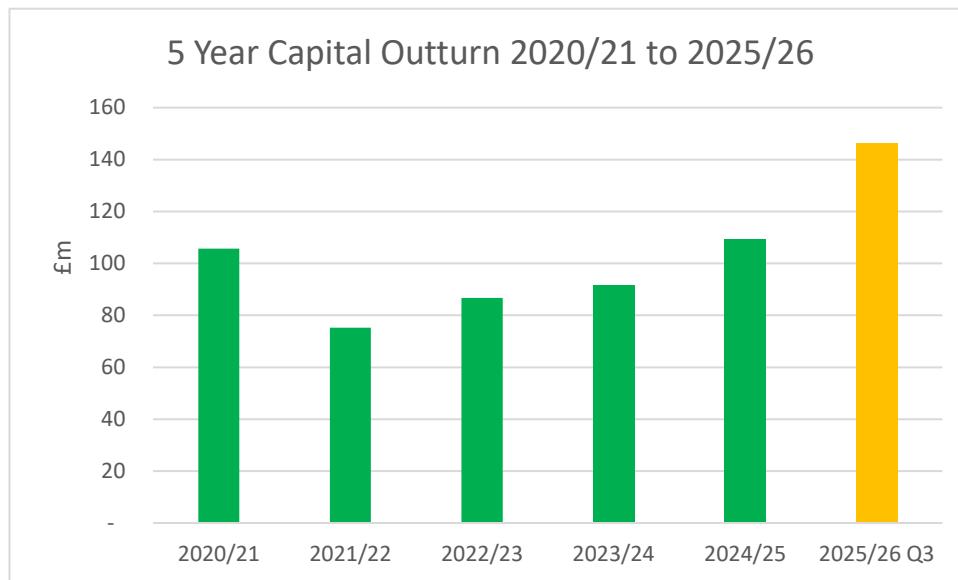
- 19.1. A Flexible Use of Capital Receipts Strategy was submitted to Council as part of the 2025/26 budget process. Flexible use supports Local Authorities to deliver more efficient and sustainable services by allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of transformation projects.
- 19.2. The Government have agreed that this flexible use can continue through financial year 2026/27.
- 19.3. In line with the existing Flexible Use of Capital Receipts Policy approved in 2018, the Council wishes to employ capital receipts as part of this budget proposal in 2026/27. The February report will include a recommendation asking Council to endorse this approach.
- 19.4. Currently the draft budget for 2026/27 includes an assumption that an additional £2.748m of transformative expenditure will be funded via capital receipt flexibilities.

Section 2 - Capital Budget

- 20.1. This section of the report sets out the draft capital budget, with the details included as Appendix 5 to this report.
- 20.2. The Plymouth Plan is the principal driver for the capital programme. Accordingly, the programme includes proposals to support new homes across the area, create new jobs, and to continue a major investment programme in modernising infrastructure, including transport, schools, public realm and green spaces.
- 20.3. This investment is assisting Plymouth in becoming the key economic driver for the far Southwest; it will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment supports growth within the local economy and is generating additional business rates, Council Tax, and Community Infrastructure Levy (CIL).
- 20.4. The Council continues to take a strategic approach to the Capital Programme, ensuring that sufficient funding is available to meet the requirements of the programme through its Capital and Treasury Management strategies. Cabinet will be asked to review a Capital Strategy and a Treasury Management Strategy at its meeting in February, following consideration of draft strategy documents by the Audit and Governance Committee at its meeting in January 2026. The Treasury Management and Capital Strategies will be finalised and formally adopted, alongside an updated capital budget, as part of the overall 2026/27 budget set by the City Council meeting.
- 20.5. This section provides Cabinet with an update on the developing capital budget at a draft stage ahead of the final stages of the budget setting process. During 2025/26 the Council has continued to utilise new capital governance processes with mandates for future projects and business cases being firstly considered by the Capital Programme Officer Group (CPOG) and then onto Capital Programme Board (CPB) to be endorsed for the future capital programme. CPOG and CPB have recently undertaken a full review of the Capital Programme, resulting in recommendations to re-profile or remove schemes. Cabinet is asked to approve the revised capital programme £319.725m.
- 20.6. The revised capital programme maintains a high level of investment to meet the objectives of the Plymouth Plan, whilst re-aligning capital budgets to more realistic, updated timescales, and reducing the council's overall borrowing projections to lower, more affordable levels.
- 20.7. Nonetheless, the Capital Programme will continue to deliver across a greater scale than in previous years through investment in a wide range of projects including Armada Way, the regeneration of the Civic Centre, completion of the Woolwell to The George major transport scheme, the delivery of infrastructure for the Plymouth and South Devon Freeport and the ongoing Sustainable Transport Programme. Much of this growth in our programme of investment has been supported by external grant funding secured from a range of government sources. The graph below shows how annual expenditure has changed over the past five years, together with the latest forecast for expenditure during the current financial year.

Capital Expenditure 2020/21 – 2025/26

Graph 3: 5 Year Capital Outturn 2020/21 to 2025/26



20.8. The table below shows the breakdown of the revised five-year Capital Programme forecast across the Directorates as at 31 December 2025. A full breakdown of the Capital Programme is available in Appendix 5.

Table 21: Five-Year Approved Capital Programme by Directorate

Directorate	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m
Children's Services	3.719	0.935	0.410	-	-	5.064
Adults, Health and Communities	15.421	9.968	1.904	-	-	27.293
Growth - Economic Development	38.067	32.403	34.920	8.160	0.266	113.816
Growth - Strategic Planning & Infrastructure	62.362	59.639	11.527	1.933	0.275	135.736
Growth - Street Services	20.295	8.551	0.222	0.212	0.247	29.527
Customer & Corporate Services	5.168	2.442	0.100	0.101	-	7.811
Office for Director of Public Health	0.478	-	-	-	-	0.478
Total	145.510	113.938	49.083	10.406	0.788	319.725
Finance by:	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	10.872	4.163	1.189	1.762	0.266	18.252
Grant Funding	79.616	47.935	16.275	0.193	0.296	144.315
Corporate Funded borrowing	35.026	19.032	17.373	5.188	-	76.619
Service dept. supported borrowing	16.266	32.634	13.312	3.161	0.226	65.599
Developer contributions	1.136	10.159	0.934	0.102	-	12.331
Other Contributions	2.594	0.015	-	-	-	2.609
Total	145.510	113.938	49.083	10.406	0.788	319.725

20.9. There are two programmes of work currently going through the capital governance process to be approved onto the five-year capital programme in the near future. These are both multi-year programmes for the council's core infrastructure – our highways network, corporate buildings and foreshore assets. As part of developing a more strategic approach to the capital programme, supporting good asset management, longer term approvals have been developed to fund:

- ◆ Improvements to the Council's Corporate Estate planned between 2026 and 2029 totalling £7.250m. If approved, this programme would be financed by corporate borrowing.
- ◆ Structural works and improvements to Highways and Transport infrastructure from 2026 to 2030, totalling £55.672m. If approved, this programme would be financed by a combination of internal and external resources including Department for Transport (DfT) Highway Maintenance funding of £22.933m, DfT Local Transport Grant (formerly known as Integrated Transport Block funding) of £13.409m, and Corporate Borrowing of £19.208m.

20.10. The breakdown of the revised five-year Programme by outcome is shown below.

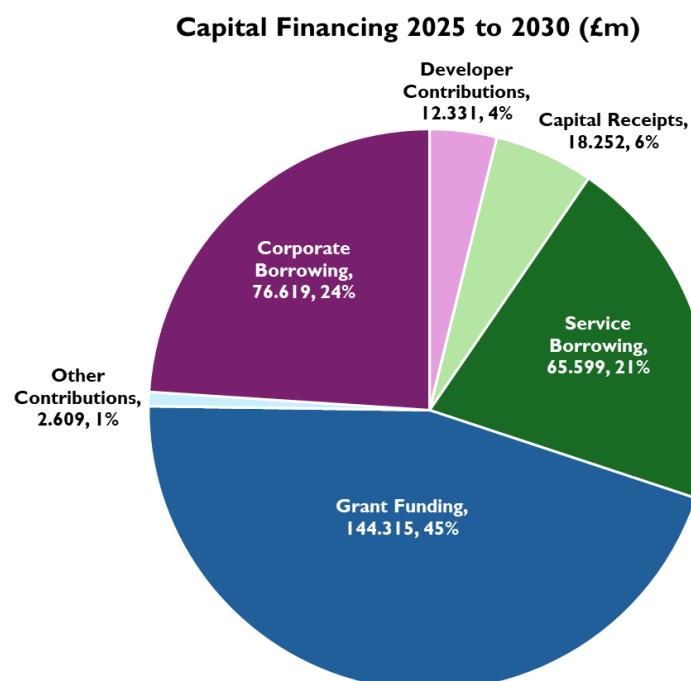
Table 22: Five-Year Approved Capital Programme by Outcome

Primary Outcome of Projects	£m
Delivering a Net Zero Plymouth	64.187
Delivering a sustainable City Centre and Waterfront	74.861
Delivering a sustainable Derriford / Northern Corridor	31.166
Delivering a sustainable Eastern Corridor	24.483
Delivering sustainable homes for the city	31.035
Delivering essential City infrastructure / Improving neighbourhoods	12.112
Improving neighbourhoods, community infrastructure	10.670
Ensuring sufficient good quality school places	2.592
Delivering a sustainable economy	44.411
Connecting the City	0.590
Transforming Services	23.618
Total	319.725

Funding of the Capital Programme

20.11. The Council works hard to ensure a significant proportion of the funding for the Programme comes from external sources – grants from other organisations, government departments and agencies fund approximately 45% of our investment programme. Capital receipts fund c. 6% of the programme, with contributions including S106 and CIL constituting c. 5%. This leaves 44% of the programme being financed from internal resources through corporate and service borrowing. A breakdown of the funding sources for the 5-year programme is shown in the chart below.

Graph 4: Capital Financing 2025-2030 (£m)



20.12. The Council takes an organised and proactive approach to identifying, bidding for, and then securing external grants, which reduces the pressure on the revenue budget. To ensure the capital programme remains sustainable in the long term, officers continue to regularly monitor the level of borrowing.

Conclusion / S151 Officer's Note:

21.1. This report sets out a draft balanced budget. It includes all the information afforded to us from the Provisional Local Government Settlement, and there will be changes to reflect any final government adjustments.

21.2. To reach this position, Cabinet Members and Senior Officers have reflected the increases in both demand and cost of vital services and presented deliverable savings.

21.3. The draft 2026/27 budget proposals include reliance on one-off funding totalling £15.091m. MTFP modelling for 2027/28 shows an increase in Core Resources of only £11m prior to these adjustments, highlighting the ongoing financial challenge. It is imperative that all proposed savings are delivered in 2026/27; plans are implemented to reduce the overall cost base of running the Council; all savings are sustainable and on-going, and a Reserves Policy clearly sets out the plan to replenish and more importantly increase the general financial reserves.

Table 23: *Impact of 2026/27 One-Offs*

Impact of 2026/27 One-Offs for 2027/28	£m
Treasury Management Activity	9.700
One-Off Savings Plans	2.643
One-Off Flexible Use of Capital Receipts	2.748
Total One-Offs	15.091

21.4. The report is also premised on a Council Tax increase of two-point nine nine percent (2.99%) and an Adult Social Care Precept increase of two percent (2%). These increases will need to be formally recommended by Cabinet to Full Council for a decision at the meeting 24 February 2025.

21.5. It will be another difficult financial year for the Council, but Cabinet and officers are aware of the challenges and will continue to closely monitor the finances during 2025/26.

21.6. Financial risks have been highlighted in the relevant sections of this report. It is important to consider the impact the Provisional Settlement has on one of the four main areas of financial strain. The report highlights the growing demand for temporary accommodation within the homelessness service, yet our allocation of the new consolidated Homelessness, Rough Sleeping and Domestic Abuse Grant has been reduced from the current £4.648m to the lower £3.839m. This is a reduction of £0.809m (17%).

21.7. We are awaiting the publication of the Government's White Paper on its proposals to support local authorities with the year-on-year increases to the Dedicated School Grant (DSG) deficit. Although the deficit is currently held outside of the revenue budget, it is having an impact through the cost of borrowing to finance the gap. The final budget submission to Full Council will contain more detail on this area.

21.8. Throughout 2025/26 both Officers and Cabinet have continued their review of the Capital Programme. The Capital section of this report reflects the result of the revision to £319m. Although the reductions were not all reliant on borrowing, they have had a favourable impact on the overall borrowing cost exposure.

21.9. Included as part of the £15m one-off resources is a call on the flexible use of Capital Receipts totalling £2.748m. It is imperative that the initiatives funded in the manner are successful in generating the associated savings.

21.10. This draft budget is built on over £27m of proposed savings. Management must ensure these are delivered during the year and are not swapped out for further one-off solutions.

21.11. The reliance on one-off funding is not sustainable. To offset the £15m used to balance this budget, Senior Officers:

- Will be using the consultation period afforded local authorities to comment on the Draft Settlement, highlighting the impact of the loss of the Business Rates Pool gains and the assumption on its council tax base income. These two actions could result in additional funding of between zero and £4m.
- Will analyse the financial impact of the anticipated White Paper on SEND provision. The Paper is expected for mid-January, and any impacts will be factored into the final budget to be presented to Full Council in February.
- Will prepare a Cabinet Report detailing the Council's Transformation Programme, setting out in detail the work streams and savings covering the period of this budget and MTFP.
- The Transformation Programme Service Delivery work stream will include a project for delivery of a new Target Operating Model and cost base for the Council.

Appendix I - Relative Needs Formulae and Fair Funding Assessment Calculation (per MHCLG)

Plymouth

E1101

Relative Need Formula (RNF)	Unweighted need shares ¹		
	2026/27	2027/28	2028/29
Adult Social Care RNF	0.482963%	0.482070%	0.481245%
Children and Young People's Services RNF	0.465168%	0.465168%	0.465168%
Foundation Formula (Upper Tier)	0.446101%	0.445286%	0.444394%
Foundation Formula (Lower Tier)	0.456269%	0.455462%	0.454571%
Fire & Rescue RNF	0.000000%	0.000000%	0.000000%
Home to School Transport Service RNF	0.270734%	0.270734%	0.270734%
Highways Maintenance RNF	0.453179%	0.453179%	0.453179%
Temporary Accommodation RNF	0.156585%	0.156585%	0.156585%

Relative Need Formula (RNF)	Weighted need shares ²		
	2026/27	2027/28	2028/29
Adult Social Care RNF	0.179848%	0.179516%	0.179209%
Children and Young People's Services RNF	0.106630%	0.106630%	0.106630%
Foundation Formula (Upper Tier)	0.069349%	0.069222%	0.069083%
Foundation Formula (Lower Tier)	0.054992%	0.054895%	0.054788%
Fire & Rescue RNF	0.000000%	0.000000%	0.000000%
Home to School Transport Service RNF	0.008435%	0.008435%	0.008435%
Highways Maintenance RNF	0.013527%	0.013527%	0.013527%
Temporary Accommodation RNF	0.002719%	0.002719%	0.002719%
Overall Relative Need Share	0.435500%	0.434944%	0.4343906%

Fair Funding Share Calculator ³	2026/27	2027/28	2028/29
Quantum available for redistribution (£m)	32,170.0	33,117.4	32,823.6
Notional Council Tax rate (£)	2,063	2,164	2,269
Total notional Council Tax (£m)	39,729.4	41,674.5	43,696.6
Need Allocation (£m)	313.1	325.3	332.4
Resource Adjustment (£m)	151.2	158.6	166.3
Isles of Scilly adjustment (£m) ⁴	5.3	5.4	5.5
Fair Funding Share	0.503260111%	0.503289383%	0.505959892%

2026/2027-2028/2029 Fair Funding Allocation

Please select a local authority from the green drop-down menu

Plymouth

E1101

2025			
Row 1	Total Redistributable Funding	154.7 £m	Sum of Data Columns E:Z , minus Data Column AA
Row 2	England Level Total Redistributable Funding	31550.3 £m	Sum of Sum of Data Columns E:Z , minus Data Column AA
Row 3	Legacy Funding Share	0.00490	Row 1 divided by Row 2
2026			
Row 4	Fair Funding Share	0.00506	As stated in Fair Funding Share calculator
Row 5	Phased Share	0.00496	1/3 *Row 4 + 2/3 * Row 3
Row 6	England level total redistributable funding	32175.3 £m	As described in Local Government Finance Report 2026/2027
Row 7	England level Total redistributable Baseline Funding Level		As described in Local Government Finance Report 2026/2027
Row 8	Quantum	15005.3 £m	
Row 9	Revenue Support Grant Funding distributed via Adult Social Care RNF	0.7 £m	£150million *Data Column AF
Row 10	Revenue Support Grant funding for Local Services	0.455 £m	£90 million * Row 4
Row 11	Local Authority Better Care Grant	16.0 £m	Data column AM
Row 12	Baseline Funding Level	75.9 £m	(Row 4 * Row 7) + Data column AH
Row 13	Fair Funding Allocation	161.0 £m	(Row 5 * (Row 6))+ Row 8 + Row 9 + Data Column AJ + Data Column AP + Data Column AQ
	Revenue Support Grant	69.1 £m	Row 12 - Row 11 - Row 10

Appendix 2 - Additional Costs/Budget Adjustments

Table A: Right-sizing budget adjustments

Right -sizing budget adjustments	2026/27 £m
Salary Costs - pay award (2.5%) / reduction to pensions rates (2.8% estimate)	0.567
Treasury Management / Minimum Revenue Provision	1.852
Additional Extended Producer Responsibility Grant	(1.020)
Other rolled in grants	1.393
Reduction in grant funding Homelessness, Rough Sleepers and Domestic Abuse	0.839
Families First Partnership - additional grant	(1.070)
Loss Energy from Waste profit share income	1.300
Other one-off reversals	1.458
Community Equipment Service contract variation	0.660
Total	5.979

Table B: Demand Led

Directorate	Demand Led Growth Description	2026/27 £m
Adults, Health & Communities	Adult Social Care (NLW & Inflation)	4.352
	Adult Social Care Demand	6.823
	Homelessness Demand	0.797
Children's	SEND - DSG deficit financing cost	1.610
	Children's Social Care Inflation & Demand	9.479
	Home to School Transport Demand	2.094
	Short Breaks additional Demand	0.623
Total		25.778

Table C: Other Essential Growth

Directorate	Essential Growth Description	2026/27 £m
Customer and Corporate	ICT Inflation - IT and Print and Doc	0.485
	Guildhall/other budget adjustments	0.671
Growth	Environmental Act (Food Waste)	0.250
Total		1.406

Appendix 3 – Management and Cabinet Savings Proposals

Adults, Health and Communities Directorate	£m
Better Care Fund contribution to Community Equipment Service	(0.330)
Review of vacancies within Directorate	(0.400)
Additional targeted review of health contributions within care packages	(0.421)
Targeted reviews; Identifying cohorts to more quickly review clients, targeting high-cost packages whilst ensuring 30-day target is met.	(0.400)
Prevention - Improved delivery of reablement through the front door to prevent more intensive long-term care	(1.000)
Fee uplift review	(0.686)
Grant Maximisation - Community Connections	(0.300)
Bad Debt Provision review and reduction - Adult Social Care	(0.100)
Contract savings - continuation and review of plans formulated and agreed in 2025/26	(0.617)
Total	(4.254)

Children's Directorate	£m
Social Work Academy cross funded by On Course South West	(0.036)
Careers Plymouth income generation	(0.050)
Removal of recruitment & retention payments	(0.149)
Removal of Non-Statutory Spend	(0.024)
Reduction PAUSE contract	(0.200)
Reduction in Adopt South West Contract for 26/27	(0.172)
Targeted health contributions within placement costs	(1.800)
Total	(2.431)

Directorate	Description	£m
Growth	Review of Property Regeneration income target	(0.585)
	Reduction in annual Bad Debt Provision top up	(0.050)
Total		(0.635)

Directorate	Description	£m
ODPH	Leisure Services - Reduction in Life Centre electricity costs	(0.150)
	Environmental Health & Licensing review	(0.031)
	Public Health Grant maximisation	(0.700)
Total		(0.881)

Customer and Corporate Directorate and Chief Executive	£m
IT - Delt dividend	(0.500)
Maximise Housing Benefit Subsidy	(0.500)
Facilities Management - Utilities savings	(0.400)
Review of Support Services including finance, HR etc	(0.606)
Governance/Elections Review	(0.102)
School Library surplus / income	(0.053)
Service Borrowing reduction	(0.098)
Chief Executive savings proposals	(0.083)
Total	(2.342)

Cabinet Savings Proposals	£m
Various Cabinet Savings Proposals – to be confirmed	(2.500)
Total	(2.500)

Appendix 4 - Draft 2026/27 Directorate Budgets

Directorate	2025/26 Budget £m	Additional Costs/ Adjustments	Savings/ Additional Income	Draft 2026/27 Budget £m
Adults	119.434	13.441	(4.254)	128.621
Children's	91.921	12.736	(6.764)	97.893
Growth	30.660	2.909	(0.635)	32.934
ODPH	3.889	0.000	(0.908)	2.981
Chief Executive	1.684	0.000	(0.083)	1.601
Customer and Corporate	44.120	1.221	(2.259)	43.082
Corporate Items*	(38.290)	3.016	(12.200)	(47.474)
Rolled-In Specific Grants	0.000	58.437	0.000	58.437
Total	253.418	91.760	(27.103)	318.075

*Note: includes Cabinet Savings Proposals

Appendix 5 - Revised Capital Programme

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26	2026-27	2027-28	2028-29	2029-30	TOTAL	Capital Receipts	Corporate Borrowing	Service & External Borrowing	Grants	Contribns.	S106 / CIL	Revenue	Total Funding
	Latest Forecast £m	PROGRAMME 2025-30 £m												
Children's Services - Residential Homes	1.282	0.300	0.410	-	-	1.992	-	-	1.992	-	-	-	-	1.992
Children's Services - other social care	0.157	0.291	-	-	-	0.448	-	-	0.390	-	-	0.058	-	0.448
Children's Services - SEND sufficiency	1.545	0.205	-	-	-	1.750	-	-	-	1.750	-	-	-	1.750
Children's Services - other education / early years	0.735	0.139	-	-	-	0.874	-	0.009	-	0.858	0.002	-	0.005	0.874
TOTAL CHILDREN'S SERVICES	3.719	0.935	0.410	-	-	5.064	-	0.009	2.382	2.608	0.002	0.058	0.005	5.064
Adults & Community Services - Meadow View	6.442	3.909	1.904	-	-	12.255	0.790	0.469	10.996	-	-	-	-	12.255
Adults & Community Services - The Royal Building	0.048	-	-	-	-	0.048	-	-	0.048	-	-	-	-	0.048
Adults & Community Services - Family Hubs / Youth & Community centres	1.602	-	-	-	-	1.602	-	1.508	-	0.080	-	-	-	0.014
Adults & Community Services - Disabled Facilities	4.496	0.300	-	-	-	4.796	-	-	-	4.396	0.400	-	-	4.796
Adults & Community Services - Dispersed Temporary Housing Programme	-	5.000	-	-	-	5.000	-	-	-	5.000	-	-	-	5.000
Adults & Community Services - Other housing/ homelessness	2.683	0.123	-	-	-	2.806	-	-	0.490	2.316	-	-	-	2.806
Adults & Community Services - Eclipse project	0.150	0.636	-	-	-	0.786	-	-	0.786	-	-	-	-	0.786
TOTAL ADULTS & COMMUNITY SERVICES	15.421	9.968	1.904	-	-	27.293	0.790	1.977	12.320	11.792	0.400	-	0.014	27.293
Public Health - the Park Crematorium	0.247	-	-	-	-	0.247	-	0.247	-	-	-	-	-	0.247
Public Health - Foulson Park and other leisure	0.231	-	-	-	-	0.231	-	0.176	-	0.055	-	-	-	0.231
TOTAL PUBLIC HEALTH	0.478	-	-	-	-	0.478	-	0.423	-	0.055	-	-	-	0.478
Customers & Communities - ICT Device Replacement	0.858	0.070	0.100	0.101	-	1.129	-	1.129	-	-	-	-	-	1.129
Customers & Communities - i-Trent	0.273	-	-	-	-	0.273	-	0.273	-	-	-	-	-	0.273
Customers & Communities - Delt 'Lights on' infrastructure	0.280	0.418	-	-	-	0.698	-	0.698	-	-	-	-	-	0.698
Customers & Communities - Other ICT	0.983	1.302	-	-	-	2.285	-	0.398	1.887	-	-	-	-	2.285
Customers & Communities - FM Asset Management & Maintenance	2.433	0.608	-	-	-	3.041	-	3.041	-	-	-	-	-	3.041
Customers & Communities - Public Toilets	0.139	0.044	-	-	-	0.183	-	0.158	-	-	-	-	0.025	0.183
Customers & Communities - Accommodation Strategy	0.202	-	-	-	-	0.202	-	0.034	0.168	-	-	-	-	0.202
TOTAL CUSTOMERS AND COMMUNITIES	5.168	2.442	0.100	0.101	-	7.811	-	5.731	2.055	-	-	-	0.025	7.811

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
Growth (Economic Dev.) - Freeport programme	14.268	4.304	4.012	-	-	22.584	-	-	4.013	18.571	-	-	-	22.584
Growth (Economic Dev.) - Civic Centre	5.575	9.357	23.525	7.904	-	46.361	-	16.757	2.971	26.633	-	-	-	46.361
Growth (Economic Dev.) - Guildhall	3.724	-	-	-	-	3.724	-	1.309	0.193	2.222	-	-	-	3.724
Growth (Economic Dev.) - West End redevelopment	0.876	2.519	-	-	-	3.395	-	0.486	2.492	0.417	-	-	-	3.395
Growth (Economic Dev.) - Railway Station redevelopment	0.063	0.018	0.155	0.096	0.258	0.590	-	0.590	-	-	-	-	-	0.590
Growth (Economic Dev.) - PRF Embankment Road	0.030	6.931	6.961	-	-	13.922	-	-	13.922	-	-	-	-	13.922
Growth (Economic Dev.) - other PRF schemes	3.629	2.854	-	-	-	6.483	-	-	5.302	1.181	-	-	-	6.483
Growth (Economic Dev.) - National Marine Park	7.982	4.218	0.249	0.152	-	12.601	-	4.168	-	7.933	0.500	-	-	12.601
Growth (Economic Dev.) - other regeneration schemes	1.289	2.173	-	-	-	3.462	-	2.467	0.015	0.980	-	-	-	3.462
Growth (Economic Dev.) - Investment Fund & UKSPF	0.446	0.029	0.018	0.008	0.008	0.509	0.290	-	-	0.219	-	-	-	0.509
Growth (Economic Dev.) - Mount Edgecumbe	0.185	-	-	-	-	0.185	0.166	-	-	0.014	0.005	-	-	0.185
TOTAL GROWTH (ECONOMIC DEV.)	38.067	32.403	34.920	8.160	0.266	113.816	0.456	25.777	28.908	58.170	0.505	-	-	113.816
Growth (Highways) - Highways Structural Maintenance	0.548	0.500	-	-	-	1.048	-	1.048	-	-	-	-	-	1.048
Growth (Highways) - Highways Carraigeway & Footway Maintenance	6.480	-	-	-	-	6.480	-	1.972	-	4.493	0.015	-	-	6.480
Growth (Highways) - Signals, Lighting & Other Highways Maintenance	3.991	2.000	-	-	-	5.991	-	4.551	0.630	0.558	0.115	0.137	-	5.991
Growth (Highways) - Safety & Other Minor Highways schemes	0.550	0.581	-	-	-	1.131	-	0.816	-	0.271	-	0.044	-	1.131
Growth (Highways) - Living Streets	0.164	0.139	-	-	-	0.303	-	0.303	-	-	-	-	-	0.303
Growth (Highways) - Highway CCTV	0.077	-	-	-	-	0.077	-	0.061	-	0.016	-	-	-	0.077
Growth (Highways) - Parking	0.272	-	-	-	-	0.272	-	-	0.264	-	-	0.008	-	0.272
TOTAL GROWTH (HIGHWAYS)	12.082	3.220	-	-	-	15.302	-	8.751	0.894	5.338	0.130	0.189	-	15.302
Growth (Waste & Environment) - Food Waste	2.211	0.077	0.008	-	-	2.296	-	-	0.354	1.942	-	-	-	2.296
Growth (Waste & Environment) - Vehicle, Container & Plant replacement	2.753	3.673	0.190	0.191	0.226	7.033	0.033	0.381	6.565	-	-	-	0.054	7.033
Growth (Waste & Environment) - Chelston Meadow maintenance / upgrade	0.245	-	-	-	-	0.245	-	0.245	-	-	-	-	-	0.245
Growth (Waste & Environment) - Plymouth & South Devon Comm. Forest	1.309	-	-	-	-	1.309	-	-	-	1.290	0.019	-	-	1.309
Growth (Waste & Environment) - Ocean City Biodiversity Loan	0.150	0.350	-	-	-	0.500	-	0.500	-	-	-	-	-	0.500
Growth (Waste & Environment) - Other Nature & Trees (incl. VIMS)	0.521	0.222	0.024	0.021	0.021	0.809	-	0.065	0.022	0.493	-	0.229	-	0.809
Growth (Waste & Environment) - Derriford Park Improvements	0.407	0.419	-	-	-	0.826	-	-	-	0.382	-	0.444	-	0.826
Growth (Waste & Environment) - Central Park Improvements	0.521	-	-	-	-	0.521	-	0.389	-	0.027	-	0.159	-	0.521
Growth (Waste & Environment) - other Parks, Pitches & Play Equipment	0.096	0.590	-	-	-	0.686	0.268	0.020	-	0.150	0.007	0.241	-	0.686
TOTAL GROWTH (WASTE & ENVIRONMENT)	8.213	5.331	0.222	0.212	0.247	14.225	0.301	1.600	6.941	4.230	0.026	1.073	0.054	14.225
TOTAL GROWTH (STREET SERVICES)	20.295	8.551	0.222	0.212	0.247	29.527	0.301	10.351	7.835	9.568	0.156	1.262	0.054	29.527