

Plymouth City Council

MEDIUM TERM FINANCIAL STRATEGY

2023/24 – 2027/28

CITY VISION: Britain's Ocean City

One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone

Plymouth
Britain's Ocean City





Councillor Tudor Evans OBE
Leader of Plymouth City Council

“As part of our Manifesto commitment we made the following priorities. These cover the things that are important to the residents of Plymouth; working with the Police to tackle crime and anti-social behaviour; fewer potholes, cleaner, greener streets and transport; building more homes for both 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. This MTFS will provide the financial framework to deliver our commitments and our work to ease the cost of living crisis for the people of Plymouth”



Councillor Mark Lowry
Cabinet Member for Finance

“The financial outlook will continue to be tough due to the ongoing reductions of financial support from Government and the impact of national issues outside of our control, including inflation. However despite these challenges we will ensure we deliver on our promise of building a better Plymouth as we maximise the limited resources to provide value for money across all services. This Strategy is key in setting out our financial assumptions as we set about bringing stability to the City’s finances whilst maintaining our ambitions. The Capital Programme remains a cornerstone of our financial strategy despite the impact of the current high interest rates”



Tracey Lee
Chief Executive of
Plymouth City Council

“The Medium Term Financial Strategy shows how our commitment to service improvements link to the City; people’s jobs, homes, health and how we will pay for the services we provide. Local Authority finances are not getting any easier, with reduced funding and increased costs, and we are not alone in facing these challenges. We must work hard to overcome these pressures whilst continuing to provide over 300 core services ”



David Northey
Service Director for Finance (Section 151
Officer) - Interim

“To ensure we meet the needs of Plymouth residents for high quality services despite the difficult financial environment, we need a strong, robust Medium Term Financial Strategy. By providing a financial framework within which financial stability can be both achieved and sustained, this will enable the Council’s strategic priorities and services to be delivered.”

Contents

| | |
|--|-----------|
| Introduction, including Financial Principles and Objectives | 4 |
| Corporate Plan | 5 |
| National Context | 6 |
| Autumn Statement 2022 | 7 |
| Local Economy | 8 |
| Local Financial Forecast | 9 |
| Financing the Council | 13 |
| Right Sizing the Budget | 16 |
| Capital Budget and Programme | 18 |
| Balances and Earmarked Reserves | 19 |
| Financial Outlook and Medium Term Financial Forecast | 21 |
| Closing the financial gap and Medium Term Financial Plan | 23 |
| Conclusion | 24 |

Introduction

The Medium Term Financial Strategy (MTFS) links the revenue budget, capital programme, treasury management strategy and capital strategy. It provides the strategic framework to achieve long term financial sustainability for the Council, taking into account known and anticipated pressures together with local and national and international issues which impact on finances. The Strategy helps the Council to respond to internal and external influences, including rising costs and additional demand. It is a key document of our financial and service planning and runs in parallel with the annual budget setting process.

The MTFS enables integrated service and financial planning over the medium term. It provides the framework within which decisions relating to future service delivery can be made. It does not replace the detailed annual budget which will continue to be reviewed over the period and the Council is required to set the level of council tax on an annual basis.

The 2023/24 local government finance settlement was for 1 year only, however the accompanying policy statement published in December 2022 outlined the core principles to be applied for 2024/25, providing some degree of certainty over government funding for that year, with no indication on the quantum of funding thereafter. For 2024/25, the core council tax referendum principles will continue the same as 2023/24 and the referendum limit for increases to council tax will remain at 3% per year. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. Any changes to the local government finance system, including the re-setting of business rates baselines and any change to the proportion of locally retained rates, have been deferred to beyond the life of this parliament. In addition, the adult social care charging reforms have been delayed for 2 years and the funding that had been set aside for this has been repurposed. Any decisions on the funding to be made available for implementing the reforms have also been deferred to the next parliament. It remains to be seen whether such funding will be sufficient to meet the costs. The high levels of inflation and energy prices, increased interest rates and major demand pressures being felt across adults and children's social care plus the continuing homelessness demand remain key factors in the sustainability of local government finance.

This MTFS covers a 5 year period from 2023/24 to 2027/28, recognising that the 2023/24 financial year is already set as an approved budget, whilst latter years are provided for illustrative purposes only. It is prepared in the context of continuing one year financial settlements from central government, as the long-awaited review of funding is still outstanding. With a strategy in place, we can ensure the annual budgets are prepared in line with the Plymouth priorities, whilst identifying sustainable, alternative and increased sources of income. This is particularly important during the current period when the Council continues to face the twin challenges of reducing resources and increasing demand for services, as well as significant external pressures

Financial Principles

1. The Council will achieve a balanced budget each year, and managers must contain their expenditure within their approved budget.
2. Services will be charged for under the Council's agreed Fees and Charges Policy, with annual increases for inflation.
3. Provision for pay inflation will be made centrally and allocated to service budgets when agreed.
4. Specific grants will be included in service budgets. Any later reduction in a grant must be absorbed by the service budget, except in exceptional circumstances.
5. In-year savings will be reported separately as part of the finance monitoring cycle. Savings will be deducted from service budgets in the year of implementation.
6. Service departments are expected to meet the capital financing costs of projects. Corporate or cross cutting schemes may be funded centrally.

- ICT expenditure is financed by service departments. Corporate or cross cutting schemes will be funded centrally.

Financial Objectives

- Ensure the Council sets a balanced and sustainable budget
- Generate the maximum possible funding towards delivering the priorities as set out in the Corporate Plan
- Ensure that the Council manages and monitors its financial resources effectively so that spending commitments do not exceed the resources available in each service area; where ring-fenced government funding is reduced, the service area takes action to reduce expenditure accordingly
- Prioritise capital projects based on the delivery of measurable outcomes whilst being aware of the revenue impact of borrowing costs; ensuring projects are considered in the context of delivering against the Corporate Plan.
- Council Tax will be set in accordance with central government limits.
- Maximise current income opportunities whilst continuing to maximise savings and explore new income and savings opportunities
- Work towards the ambition of a general fund revenue (working) balance of at least 5% of net expenditure to protect the long term financial health and viability of the council

Corporate Plan

The vision for our city remains for Plymouth to be one of Europe’s most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone. The MTF5 is framed by the council’s Corporate Plan and how we will achieve the vision.

Tackling crime and anti-social behaviour, filling in potholes, creating cleaner streets, building new homes, green investment, jobs and skills and better access to healthcare and dentistry are front and centre of the administration’s vision for Plymouth’s future.

At the heart of the plan is the council’s ambition to make Plymouth a fairer, greener city where everyone does their bit, making Plymouth a great place to grow-up and grow old, whilst minimising the impact of the cost of living crisis.

This will be achieved through continuing to work with partners across the city and using evidence and our experience to make intelligent decisions. The plan outlines six priorities and the things both the council and others in the city are doing to achieve them. There is a strong recognition of the importance of the work of other organisations the council works with in delivering a city where people age well, where older residents are supported and empowered to live life to the fullest.

OUR PLAN
BUILD A BETTER PLYMOUTH

CITY VISION: Britain's Ocean City
One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone

OUR MISSION: Making Plymouth a fairer, greener city, where everyone does their bit

WE BELIEVE IN:

- DEMOCRACY** Because we listen and hear what people want
- RESPONSIBILITY** Because we care about the impact of our decisions and actions
- FAIRNESS** Because we want to address inequality and inequity in our city
- CO-OPERATION** Because we achieve more together than we would alone

WE WILL:

- Make Plymouth a great place to grow up and grow old
- Minimise the impact of the cost of living crisis

OUR PRIORITIES:

- 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

DOING THIS BY:

- Providing quality public services
- Trusting and engaging our communities
- Focusing on prevention and early intervention
- Spending money wisely
- Empowering and engaging our staff
- Being a strong voice for Plymouth

www.plymouth.gov.uk/ourplan

National Context

This MTFS is set within the context of national economic and public expenditure plans and takes into account the national legislation setting out the Council's ability to borrow and to raise income from Council Tax and other sources.

Cost of Living

The Institute for Government describes the 'cost of living crisis' as the fall in 'real' disposable incomes (that is, adjusted for inflation and after taxes and benefits) that the UK has experienced since late 2021.

Since inflation peaked at 11.1% in October 2022 the rate has been gradually coming down, although it spiked up a little in February 2023. The latest forecasts from the Bank of England and the Office for Budget Responsibility both expect inflation to fall sharply this year, but the latest forecast from the Bank implies it will not return to the 2% target until 2024.

Cost pressures have been apparent since mid-2021, driven by a range of issues from depleted gas supplies in Europe to semiconductor shortages in Asia. Impacts from both the pandemic and Brexit increased prices, but the main contribution to higher prices has been the Russian invasion of Ukraine. The biggest impact has been on gas prices, as Russia has dramatically reduced gas sales in particular to Europe.

Although the cost of living crisis affects all residents, it is expected that more deprived households are experiencing the biggest impact on their family budgets. As the cost of living increases, disposable income reduces and more households start to face serious choices around heating, eating and debt. Even when inflation falls, we are left with a gap between income and outgoings which will leave many people in the city with little or no disposable income potentially for years to come. Plymouth City Council has convened a working group to consider what the issues are that people face, what is already in place to support them, and what more needs to happen.

Reform of local Government funding

In July 2016 the Government began a fundamental review of how local authorities are funded. Two consultation papers were issued on Fair Funding and 100% Business Rates Retention (BRR). These were to be two of the biggest changes to local Government finance in decades. The purpose of fair funding was to design a fairer, transparent and less complex methodology for allocating resources to local government and BRR was to meet the government's commitment to allow local government to retain 100% of business rates collected locally. The changes proposed would inevitably have a significant impact on the Council's budgets, but as at the time of writing these proposals have not been implemented.

Working together to grow the wider economy

Heart of the South West LEP (Local Enterprise Partnership): Somerset Council is the Accountable Body, and following the Government's announcement in August 2023 that it will cease to sponsor or fund Local Enterprise Partnerships from April 2024, we are seeking clarity on a number of issues. The technical guidance provided makes a clear statement that Government expects any reserves or assets built up using public funds should remain within the public domain (i.e., transferred to the relevant local authority) where there are no existing arrangements. It also set out a clear timeline for LEPs and their Accountable Body to agree the transfer of assets by March 2024.

We are now working closely with Devon and Torbay colleagues on the Devon Devolution Deal to understand and agree the financial implications for the future.

Plymouth City Council continues to play the key role of administrator of the Devon Business Rates Pool.

Plymouth and South Devon Freepport



The Plymouth and South Devon Freepport will supercharge the South West economy by building on our region's unique national capabilities in marine, defence and space technology. Our outstanding location means the Freepport is prime for growing marine autonomy, renewables and innovative businesses. The Plymouth and South Devon Freepport will attract new investment and provide supply chain opportunities, embedding our commitment to tackle climate change, deliver clean growth and marine decarbonisation. We will provide innovation, investment and infrastructure to build a more resilient, sustainable, and productive economy and upskill the local workforce for the high quality future proof jobs the Freepport will bring.

Autumn Statement 2022

The government published the Autumn Statement 2022 on 17 November 2022, setting out spending plans for the 2 year period 2023/24 to 2024/25 and guidelines for the medium term. The key points relevant to local government were:

Adult Social Care:

- Additional grant funding of £1 billion for 2023/24 and £1.7 billion the year after.
- The implementation of the Dilnot Adult Social Care reforms has been delayed for 2 years. Funding set aside for these reforms in 2023/24 and 2024/25 will be paid to local authorities (£1.3 billion in 2023/24 and £1.9 billion in 2024/25).
- NHS budget to be increased for the next two years by £3.3 billion in each year.

The Government will implement a skills reform programme. This will be coupled with an increase of the school's budget with an additional £2.3 billion to be invested per annum for the next two years.

There will be no cuts to the funding allocations announced in the Spending Review 2021. Growth in spending from 2025/26 will increase at 1% per year.

Departmental budgets have been adjusted to remove compensation for the Health and Social Care Levy (no longer going ahead from April 2023).

Councils will be given the power to increase core council tax by up to 3% without the need for a local referendum. Local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year (a combined maximum increase of up to 5% per annum).

£1 billion investment to continue the Household Support Fund for an extra year.

Government had been consulting on a rent cap for housing. The Statement set this cap at 7% for 2023/24

Local Economy

Plymouth is ‘Britain’s Ocean City’ and the largest urban area southwest of Bristol, with a population of 264,700, and 115,000 jobs, making it a key location for growth. The city has an annual total Gross Value Added (GVA) of £5.44bn (2021), an increase from £5.03bn in 2020. Following years of sustained output and growth Plymouth’s productivity gap with the national average was narrowing up until 2018. However, the impact of the Covid-19 pandemic has widened this gap and the city’s productivity has still yet to return to pre-pandemic levels. Plymouth’s GVA per hour worked now stands at the equivalent to 81.5 per cent of the UK average (2021). Plymouth has three significant economic strengths to draw on to address this low productivity and help grow the economy: marine and defence industries, particularly marine autonomy applications; health technologies and immersive digital technology. These represent the city’s high potential opportunities to work with Government to attract significant inward investment, and to build global trade and research links that deliver higher value jobs for the city, and the wider region. They are the city’s future priority growth areas and the labour market and business environment is being developed to capitalise on these.

Key city economic data:

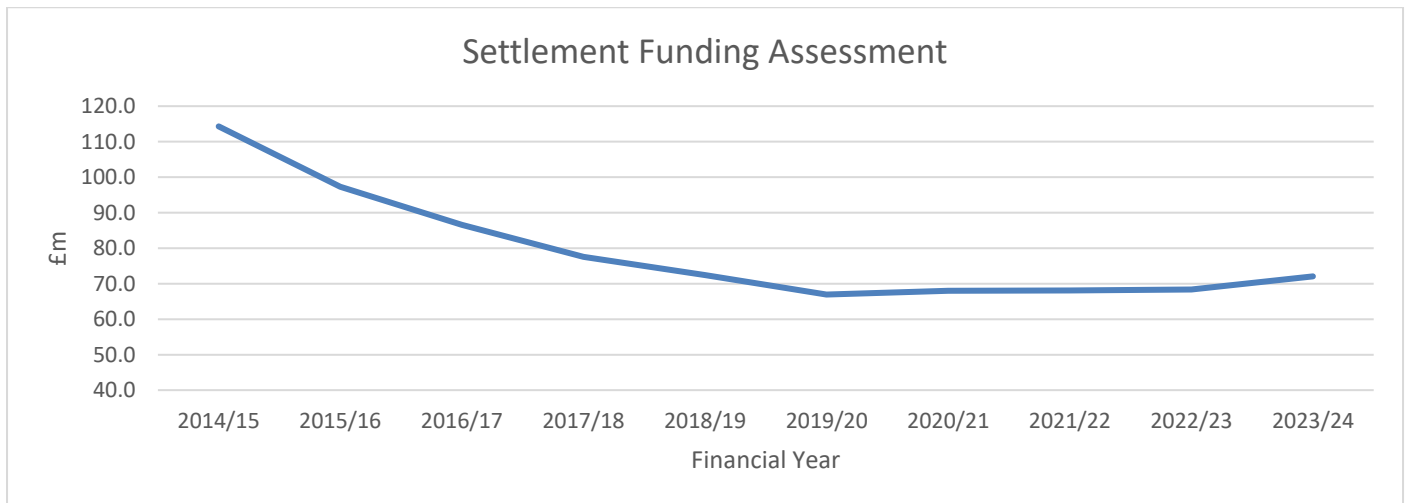
- Plymouth’s annual total GVA is £5.44 billion (2021).
- 115,200 jobs in 2021.
- 169,653 people in the city are of working age population (64.1 per cent) which is higher than both the England and South West averages (Census 2021).
- Plymouth has a slightly lower employment rate than nationally (73.6 per cent compared to 75.6 per cent in 2022). However the estimate of the city’s unemployment rate remains lower than the national average and is now below the pre-pandemic level seen in March 2020 (3.3 per cent compared to 3.7 per cent nationally).
- Wages in the city are lower than nationally with Plymouth workers receiving £553.40 per week compared to over £642.20 (full-time workers by place of residence, 2022).
- In 2022, the maximum wages of the lowest paid 20 per cent of workers saw a significant increase of 22 per cent to £286.20 per week while the highest paid 80 per cent of workers saw an increase of 4.6 per cent to £682.20 per week. As a result the wage gap shrunk from 2021 to 2022.
- Census 2021 data shows that nearly half of all Plymouth residents (16+) have a Level 3 qualification or above (49.2 per cent) broadly in line with the South West and England (51.6 per cent and 50.8 per cent respectively). Currently 17.3 per cent of Plymouth residents hold no qualifications compared to England 18.1 per cent. This is significantly lower than the number of Plymouth residents with no qualifications in 2011 (22.3 per cent compared to 22.4 per cent in England, Census 2011).
- Plymouth has more apprentices (7.2 per cent) than both England (5.3 per cent) and the South West (6.0 per cent).

Local Financial Forecast

Settlement Funding Assessment

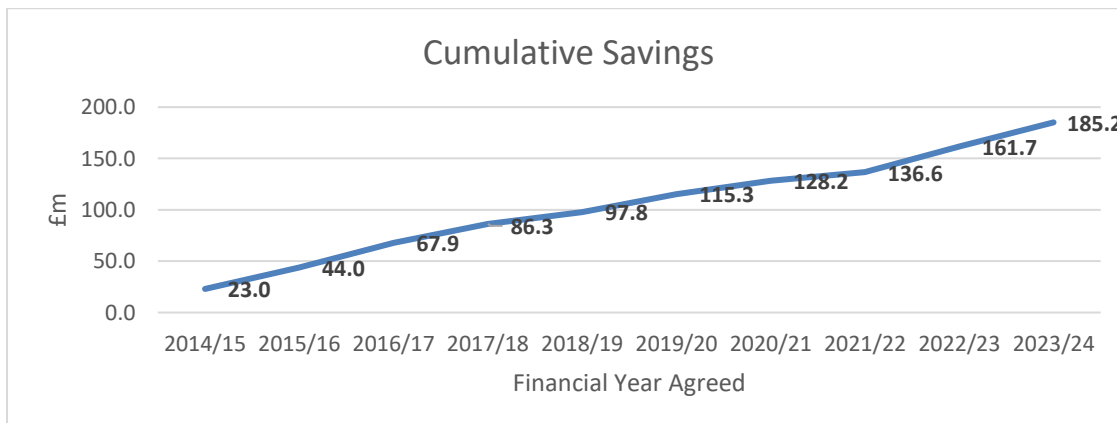
The settlement funding assessment is the Government's measure of funding required by a local authority to meet net revenue expenditure after allowing for income generated from council tax. It is used to distribute revenue support grant to local authorities. In line with the Government's plans in the previous decade to reduce public sector spending, the settlement funding assessment was reduced over a number of years to 2019/20, and hence the amount of revenue support grant distributed to local authorities. For 2023/24 there has been an inflationary increase in the SFA, with real-terms additional resources announced in the 2022 Autumn Statement being allocated via specific grants rather than being applied to the SFA. The inflationary uplifts applied since 2020/21 don't go very far in restoring the reductions made in previous years.

The chart below shows the settlement funding assessment for Plymouth City Council since 2014/15.



Savings

In response to the reducing Government funding, plus additional expenditure pressures, the council has agreed a cumulative total of £185.2m savings in the period 2014/15 to 2023/24.



It is becoming more and more difficult to sustain this level of savings required to balance the annual budgets. We are facing increasing cost pressures reflecting general inflation and the cost of living crisis, plus increasing demand on our statutory services including in particular but not exclusively adult and children's social care plus homelessness. We will continue to make savings from delivery efficiencies and grant and income maximisation, to protect the delivery of essential services.

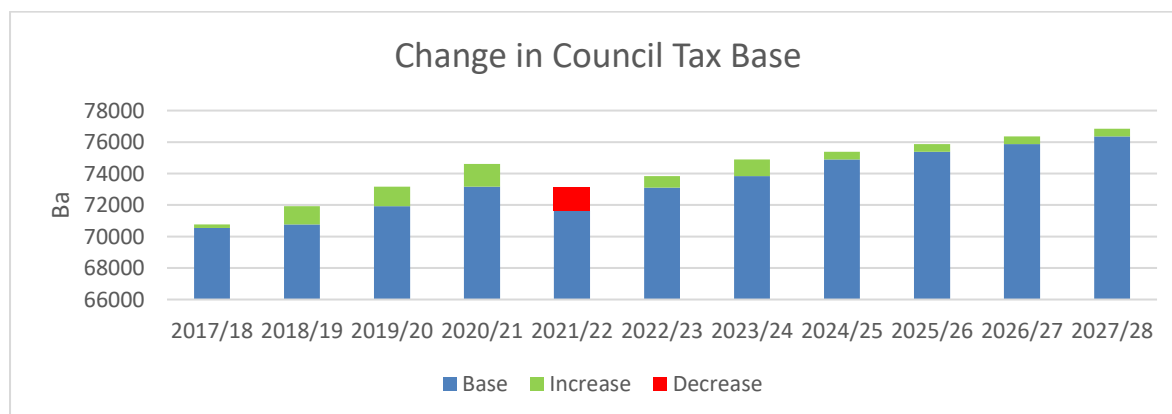
Council Resources

Council Tax and Adult Social Care Precept

In the local government finance settlement local authorities were given the ability to apply an increase in core council tax of up to 3% and an increase in the adult social care precept of up to 2% for 2023/24 without the need for a local referendum. These increases were applied in 2023/24. The Autumn Statement 2022 stated that the 3% core and 2% adult social care precept increases would also be available in 2024/25. The Government have assumed we will maximise this when referencing Council's Core Spending Power. For Plymouth, every quarter percent (0.25%) increase in the Council Tax would yield an additional £0.330m in 2024/25.

The council tax base that has been assumed for each financial year is detailed in Table I. The tax base for future years includes assumptions about growth in the number of residential properties and the impact of the cost of living crisis on the number of local council tax support claimants (LCTS). The 2021/22 tax base assumed an increase in the number of LCTS claimants due to the pandemic, however this was not as severe as anticipated, hence there was a 'bounce back' effect in 2022/23.

The Full Council meeting in January 2023 approved the Council Tax Base report for 2023/24. It set the number of Band D equivalent properties at 74,891, an increase of 1,061 on 2022/23. The rise in the tax base for 2023/24 primarily reflects the increase in the number of properties within the City, offset by an increase in the number of residents claiming Council Tax Support. The assumed collection rate continues at 97.5%; this is realistic and prudent due to the current economic climate.



Council Tax Income

| | 2023/24 Budget £m | 2024/25 Forecast £m | 2025/26 Forecast £m | 2026/27 Forecast £m | 2027/28 Forecast £m |
|---|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Council Tax - General | 128.13 | 136.33 | 142.74 | 148.03 | 153.03 |
| Council Tax - Adult Social Care Precept | 2.50 | 2.64 | 1.40 | 1.45 | 1.50 |
| Total Council Tax Income | 130.63 | 138.98 | 144.14 | 149.48 | 154.53 |

Council Tax Discounts and Premiums

Changes contained in the Levelling Up and Regeneration Bill are currently making its way through Parliament. The Bill sets out changes impacting on council tax collection in relation to second homes and long term empty dwellings. The Bill proposes to allow billing authorities to reduce the period before which a premium can be charged for empty homes and introduces the ability to charge a premium for properties which are furnished but not occupied as a primary residence.

The Levelling Up and Regeneration Bill has been brought forward with the intention to address geographical disparities between different parts of the UK. The specific provisions around council tax are primarily aimed at allowing councils to raise additional revenue and to acknowledge the impact that second and empty homes can have on some communities, with a view that especially in the case of empty properties this would incentivise property owners to bring those properties back into use at the earliest opportunity.

At present an empty homes premium can only be charged in respect of dwellings which are unoccupied and substantially unfurnished. This term is not defined by legislation and instead use must be made of case law. Dwellings which are no one's sole or main residence and furnished are classed as second homes. The Levelling Up and Regeneration Bill will introduce powers for billing authorities to apply a premium to dwellings which have no resident and are "substantially furnished". The maximum council tax charge in these cases would be a standard 100% plus a further 100% premium, resulting in a total council tax charge of 200%.

The Bill was due to be approved before 31 March 2023 which, allowing for the twelve month lead-in time, would have allowed the Council to implement the new charges from April 2024. Given the delay in parliament, the earliest implementation would now be April 2025. It is forecast this additional charge would see an additional £1m of council tax income each year. No provision has been made in this MTFS but the position will be kept under review.

Business Rates

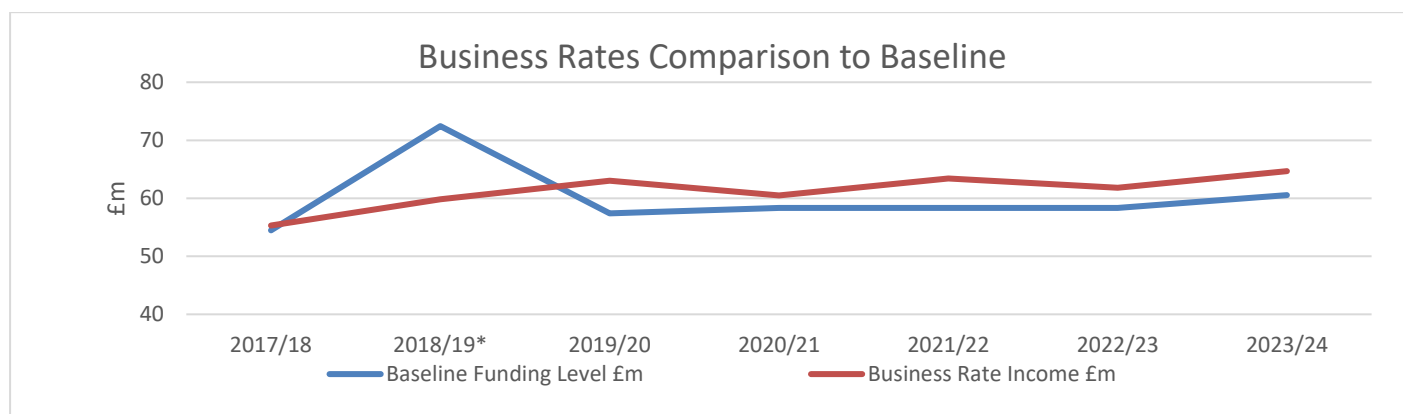
Under the Government's funding arrangements for local authorities the business rate retention scheme means councils retain a proportion of their business rates, including growth, which is currently 49% of receipts. Authorities also take the risk of reductions in business rates during times of recession, although there are 'safety net' arrangements in place to protect against very large reductions. Local authorities are compensated by way of S31 grant for reductions to business rates arising from changes in Government policy since the retention scheme was introduced e.g. additional reliefs and a lower uplift or freezing of the business rates multiplier.

The final calculation of resources from Business Rates is determined by the completion of the Government return NNDRI (National Non Domestic Rates). The timing of this report sits outside of the budget setting timetable, and 2023/24 was particularly difficult to predict due to the uncertainty of inflation on the multiplier, the impact of the three-year business rates revaluation exercise and the first year without the complexities of Covid grant payments to business rate payers.

Business Rates Comparison to Baseline

| | 2017/18 | 2018/19* | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---------------------------|---------|----------|---------|---------|---------|---------|---------|
| Baseline Funding Level £m | 54.477 | 72.436 | 57.400 | 58.335 | 58.335 | 58.335 | 60.518 |
| Business Rate Income £m | 55.308 | 59.801 | 63.011 | 60.467 | 63.435 | 61.839 | 64.677 |

* 2018/19 was the 100% Business Rates Pilot year



Government Grants

Revenue Support Grant (RSG)

Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the local government finance settlement.

In past years, RSG has been a major source of funding for the Council however since the austerity measures in the previous decade were introduced this grant has been reduced drastically. In comparison to 2013/14 which is the first year of a straight comparison, with the introduction of rates retention, the authority’s RSG was £76.6m In 2023/24 this is now £11.562m. The increase from the previous year’s allocation £10.045m includes rolled in grants totaling £0.497m. Excluding this the increase represents a CPI increase of 10.1% (£1.020m). The MTFs assumes inflationary uplifts in RSG for 2024/25 onwards based on the assumed increase in the business rates multiplier.

New Homes Bonus (NHB)

The allocation for New Homes Bonus payment in 2023/24 is £0.022m. It reflects the Government changes which is now simply a one-year retrospective payment and it should be noted this allocation settlement is for one year only and there is still no indication of what the replacement will be.

Public Health Grant

The Public Health grant is another key source of income and is used to improve the health of the population, and in particular to tackle large differences in health outcomes that we see between local areas.

| | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Public Health Grant allocations | 15.735 | 15.330 | 14.925 | 15.322 | 15.504 | 15.940 | 16.460 |

This Government Grant supports the Council’s public health responsibilities. Grant conditions apply including responsibilities for 0-5 children services.

Grant funds may only be spent on activities whose main purpose is to improve the public health of our local population. This includes some specific requirements around health improvement, sexual health, drug and alcohol services, children and young people’s PH services, NHS Health checks and health protection, as well as providing healthcare public health advice to support the commissioning of health and wellbeing services.

Financing the Council

Financial Planning Assumptions

The Medium Term Financial Strategy is based on the national and local economic context and local strategic direction. This table below sets out the Council's key funding assumptions, with percentages indicating the year-on-year changes. The resultant impact on the resources are set out in a later table.

A key assumption is that the Devon-wide Business Rates Pool continues into future years covered by the MTFs, however there is still uncertainty as to whether Rate Pools will remain, particularly if there is a fundamental review of the rating system. This would generate an additional £1m of business rates each year.

This MTFs works towards restoring a minimum 5% Working Balance. This reserve was steadily built up over the years and stood at £9.4 million as at March 2017. It currently stands at £8.7m. This equates to approximately 4.0% of the Council's net revenue budget. By 2027/28 this would need to be £11.8m, an increase of £2.9m to equate to 5%, which is about the average for Unitary Councils.

Key Funding Assumptions

| 2023/24 | Item | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-----------|---|---------|---------|---------|---------|
| £1,719.81 | Increase in Core Council Tax Charge | 2.99% | 1.99% | 1.99% | 1.99% |
| £33.40 | Increase in Adult Social Care Precept | 2.00% | 1.00% | 1.00% | 1.00% |
| 74,891 | C. Tax Base (No. of Band D equivalents) | 75,386 | 75,873 | 76,361 | 76,848 |
| 49.9p | Increase in Small Business Rates Multiplier | 5.41% | 0.57% | 0.02% | 0.66% |
| £11.562m | Increase in Revenue Support Grant* | 5.41% | 0.57% | 0.02% | 0.66% |
| £15.077m | Increase in Top Up Grant | 5.41% | 0.57% | 0.02% | 0.66% |
| £1.685m | Reduction in New Homes Bonus | -99% | -100% | 0% | 0% |

Key Financial Planning Considerations

- Continuing one-year Revenue Support Grant settlement, with annual inflation uplift.
- The cap on council tax increases, reflecting central Government's direction of the confirmed 2.99% for 2024/25, will revert to 1.99%.
- The forecast, reflecting central Government's direction, assumes there will be a further 2% Adult Social Care precept in 2024/25 with 1% modelled for future years. The final decision on core Council Tax and ASC Precept changes will require Full Council approval as part of the annual budgets.
- Uncertainty to future funding due to the delay in 100% Business Rates Retention. Assumption is the current system remains, with assumed annual inflation uplift.
- Reductions in other Government grant funding without matching reductions and responsibility for related services provision.
- Uncertainty about any future Fair Funding Review.
- A continuing range of increasing costs in order to meet the demands on the Council and maintain key services, particularly in Adult Social Care, Children's Social Care and Homelessness.
- Increased costs of meeting new initiatives.
- General inflation relating to external spend and contracts have not been accounted for on the understanding that smarter procurement practices will continue to contain significantly increased spending.

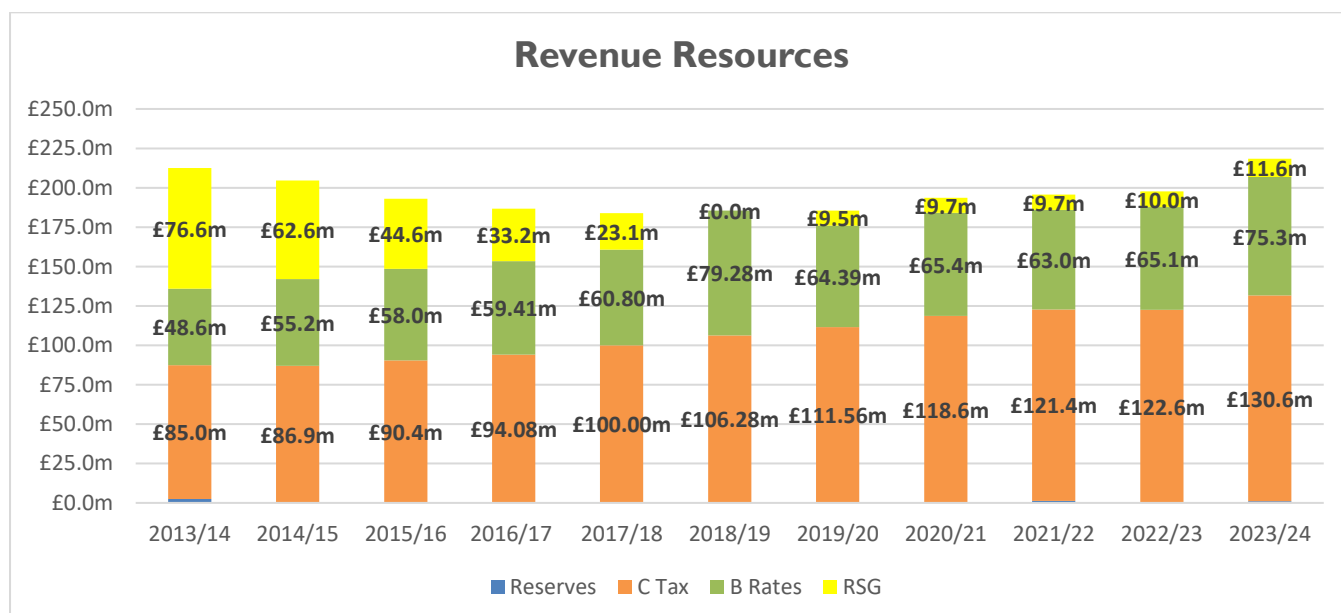
Revenue Resources

Plymouth City Council, in line with all other Local Authorities, continues to face diminishing resources and increasing demand and costs. Council Tax assumptions reflect a steadily increasing tax base, and the levying of an additional 2.99% Council Tax increase in 2023/24 plus an additional 2% Adult Social Care precept, reflecting Government policy. The Business Rates forecast assumes a full growth dividend. It is expected that Devon Business Rates pooling gains will continue.

It is very clear that the strategy since the start of the austerity period in 2010/11 for local government, has been to shift the funding resources from national to local sources. A comparison between 2013/14 key resources, when the current funding system was introduced, and 2023/24 shows the movement.

| Resource | 2013/14 | 2023/24 | 2013/14 | 2023/24 |
|----------------|---------|---------|---------|---------|
| RSG | £76.6m | £11.6m | 36.0% | 5.3% |
| Business Rates | £48.6m | £75.3m | 40.0% | 34.5% |
| Council Tax | £85.0m | £130.5m | 22.9% | 59.8% |
| Reserves | £2.4m | £1.0m | 1.1% | 0.4% |
| Total | £212.6m | £218.4m | 100% | 100% |

The scale of the funding reductions is the financial challenge facing the Council over the next four years. Although the core central funding from the Revenue Support Grant is increasing in line with inflation, this is not enough to cover the growing cost pressures. This MTFS has the expectation this will continue in the medium term, although it is likely to move towards zero in the longer term.



Treatment of Specific Grant Funding

Housing Benefit Subsidy

Normal housing benefit payments are subsidised at 100%. Housing Benefit Subsidy Grant is estimated to be £58m for 2024/25, down from the high of £79m in 2018/19. However overpayments attract only a 40% subsidy rate.

Dedicated Schools Grant

The largest specific grant that the Council receives is the Dedicated Schools Grant (DSG) which is a net £81m for 2023/24 and £260m gross including monies allocated for academies. The funding is spent either directly by Schools, (Primary, Secondary and Special), through their formula allocations, or by the authority on their behalf. The Schools Forum, (a representative group of Head Teachers and relevant stakeholders), are consulted on the local authority's formula distribution and the amounts administered centrally.

Any over or under spends on the DSG are carried forward to the following financial year with a neutral impact on the Council's general fund. However, accumulated school balances do form part of the Council's overall reserves and provisions.

Pupil Premium

In addition to the Dedicated Schools Grant the Council also receives additional schools funding through the Pupil Premium. This allocates additional funding to schools that have pupils who are eligible for free school meals; looked after by the City Council; have parents who are currently serving in the armed forces.

Better Care Fund (BCF) and Improved Better Care Fund (iBCF)

Since 2015, the BCF has been crucial in supporting people to live healthy, independent and dignified lives, through joining up health, social care and housing services seamlessly around the person. 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

The BCF achieves this by requiring integrated care boards (ICBs) and local government to agree a joint 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 and drive better outcomes for people. 94% of local areas agreed that joint working had improved as a result of the BCF in 2021 to 2022.

The Improved Better Care Fund was first announced in the 2015 Spending Review. This is paid as a Specific Grant to us as the local authority with a condition that it is pooled into the existing local BCF plan with the Clinical Commissioning Group (CCG). This is additional funding for the provision of adult social care and this is therefore not an on-going revenue stream and cannot be subsumed into "business as usual" to close the funding gap for adult social care. There are clear ministerial guidelines on the areas this money can be used for and Plymouth City Council, working in partnership with key stakeholders such as NHS Devon will ensure the funds are invested in transforming the social care system and reducing delayed transfers of care.

Income Collection

The 2023/24 revenue budget and MTFS assumptions are based on achieving the collection targets as set out. Bad debt provisions are kept under regular review by the Section 151 Officer.

These collection rates have been achieved through the Covid-19 and subsequent financial years. They will be kept under monthly review.

| Type of debt | Target % |
|------------------|----------|
| Council Tax | 97.5 |
| Business Rates | 97.5 |
| Commercial Rents | 97.5 |
| Sundry Debt | 97.5 |

Right-sizing the Budget

Additional costs accepted within the MTFS are exceptional in nature with the inherent assumption that spending departments will absorb the increased cost of service demand and inflation through proactive management action and efficiencies through “business as usual” operations. A clear business case must be approved through the Corporate Management Team (CMT) in order to incorporate future year funding allocations.

Utilities have been a significant additional cost in recent years. However, through office rationalisation, carbon reduction investment and recent falling prices, we have been able to reduce the additional 2023/24 budget allocation in our MTFS going forward. The additional costs and adjustments within the 2023/24 to 2027/28 MTFS are detailed below. These are additional costs which are kept under constant review as part of on-going budget monitoring, but are seen as required to meet budget requirements.

| Additional Costs – right-sizing the budget | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---------------|---------------|---------------|---------------|
| Salary and Pension inflation | 4.000 | 3.090 | 3.183 | 3.278 |
| Schools PFI (Private Finance Initiative) | 0.181 | (0.014) | - | - |
| Revenue costs arising from capital investment | 1.171 | 0.364 | (0.183) | - |
| Repay S106 monies | 0.590 | - | - | - |
| Replenish Working Balance | 0.750 | - | - | - |
| National Living Wage | 2.648 | 3.027 | 3.230 | 3.446 |
| One-off 2023/24 Budget allocations - reverse | 1.495 | | | |
| Total | 10.835 | 6.467 | 6.230 | 6.724 |

Salary and Pension Inflation

Pay awards have been significantly increased over recent years, including a prolonged period of uncertainty for 2023/24 which is still to be settled. A one per cent increase in our payroll roughly equates to circa £1m added revenue spend within our base budget. Looking forward, we have assumed a three per cent award for each year, although with inflation expected to reduce, the later years could be settled at below this mark. No additional funding has been allocated towards our pension deficit following the buy-out in 2019/20.

Schools PFI (Private Finance Initiative)

A Private Finance Initiative (PFI) is a long-term contract between a private party and a government entity (in this case Plymouth City Council) where the private sector designs, builds, finances and operates a public asset and related services. In a PFI contract the private party bears the risks associated with construction and maintenance and management responsibility, and remuneration is linked to performance. The additional £0.181m, reducing by fourteen thousand in 2025/26 will ensure the overall resources match the total costs of the project.

Revenue costs arising from capital investment

£1.171m has been included in 2024/25 for the revenue costs arising from capital investment decisions in previous years. Included as an example is the reinstatement of an additional £0.250m to finance £2m of Climate Fund resources. Borrowing costs associated with investment projects such as this follow the “Invest to save” principle and are expected to be repaid by the project. For some specific projects, there will be the potential need for gap funding of projects in the short term that will provide longer term benefits through potential increased council tax and NNDR. There will be other cases where investment is required, such as Transport projects, Schools and Health and Safety, where there is no financial payback. The loan repayments will be funded corporately. The cost of replacing our current stock of ICT equipment, covering desktop and laptop equipment and printers etc. will fall on revenue resources rather than the capital programme.

Repay S106 monies

Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as S106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. In previous years, in order to bridge the budget funding gap, monies have been borrowed from the rolling S106 reserve, with a clear indication to repay in full when practicable. The MTFs includes an allocation to the base budget of £0.590m in 2024/25. This will stay in the base for five years, totalling an allocation of £2.950m and be withdrawn from 2028/29 when the original drawdown has been fully replenished.

Replenish Working Balance

The required additional contribution starting in 2024/25 and running for four years will see the Working Balance restored to the sector average 5% of the annual net budget. This commitment was made as part of the 2023/24 budget setting process.

National Living Wage

The council is committed to passing on to our adult and children’s social care providers the additional cost of the annual review, and increase, of the National Living Wage (NLW). There was a larger than expected rise from April 2023 to £10.42/hr. The latest modelling suggest a 4.6% increase to £10.90 from April 2024. This increasing cost is shown separately in our additional costs analysis but in reality is a key driver in the increasing costs of providing our adult social care packages and services.

For our own workforce, the Council pays the Foundation Living Wage which is also currently projected to be £10.90 from April 2024.

One-off 2023/24 Budget allocations - reverse

To balance the 2023/24, a number of one-off adjustments (savings) were made. In order to right-size the base budget going forward, these need to be added back in 2024/25. This sum of £1.495m includes

reinstatement of £1m for the Minimum Revenue Requirement (MRP) “holiday” in 2023/24 and one-off savings, mainly held within the Place Directorate.

| SENSITIVITY TO 1% CHANGE IN INFLATION ASSUMPTIONS | £m |
|--|-----------|
| Pay Award | 1.000 |
| National Living Wage | 0.575 |
| Interest Rate changes to borrow £1m | 0.010 |
| General Contract Inflation (excluding Social Care contracts) | 0.100 |

Capital Budget and Programme

Planned capital expenditure and the associated financing is detailed within the budget report approved by Council in February 2023. Amendments to the budget are approved by Council on a quarterly basis, with a full updated programme being prepared for approval by Council in February 2024. The programme has been reviewed and re-profiled in light of the economic environment (increasing inflation and interest rates) and changing priorities.

At the end of quarter one (June 2023) the amended Capital Programme for the period 2023/24 to 2027/28 stands at £556.722m. This includes approved projects £338.052m plus future funding assumptions £218.670m. The £338.052m consists of three main components; grant funding received from other organisations, but mainly government departments £100.080m (29.6%); borrowing funded by departments £121.594m (35.7%) and borrowing funded from corporate resources £94.528m (28%). The remaining 7.3% comes from funds released by the sale of assets, known as capital receipts £10.094m and contributions from other organisations, mainly developers £11.756m.

Officers will remain proactive at securing external grant funding wherever possible in order to continue to deliver significant, ambitious capital investment in the city. The budget will be continually updated as further details of funding are made available.

Projects seeking to fund proposals from service borrowing will be required to meet the principle of “Invest to save”. Business cases will evidence that a loan to fund capital spend can be repaid from the net revenue benefits achieved from the investment, as evidenced in a discounted cash flow.

We remain committed to a significant capital investment programme. The Council will engage with partners in major regeneration of the city, not only contributing towards improvements, but also to sustain local work opportunities, for example, the construction industry. We will ensure that we maximise the outcomes and revenue savings generated through capital investment. For example, we will grow businesses in the city and build more houses to generate business rate income, and Council tax.

Key Financial Strategies

Treasury Management

The Treasury Management practices, principles and schedules are in place to ensure the Council’s Treasury Management Policy Strategy is adhered to and that working practices are in place to meet the approved strategy. It is reviewed annually and affects the Council’s budget in terms of borrowing costs and investment returns. The Treasury Management Strategy sets the authorised limits and operational boundaries within which investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives.

We maintain regular engagement with our Treasury Management advisors, Arlingclose, and constantly seek their advice on our strategic direction and key operational decisions.

Full Council will receive reports on its treasury and investment management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and

an annual report after its close, in the form prescribed in its treasury management practices and investment management practices.

Borrowing Limits

The Council must have regard to the Prudential Code when setting its Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax and Council rent levels is acceptable.

Minimum Revenue Provision (MRP) Policy

The Council is required to put aside cash each year from its revenue budget to provide for the repayment of loans taken out to finance capitalised expenditure. The Government's Capital Financing Regulations place the duty for an authority to make an amount of Minimum Revenue Provision which it considers to be "prudent". The prudent provision is to ensure that debt is repaid over a period reasonably in line with that over which the assets provides benefits.

Flexible use of Capital Receipts

A Flexible Use of Capital Receipts Strategy was submitted to Council as part of the 2023/24 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.

The Councils Reserves

The Council has created a number of specific reserves and provisions in order to plan in advance for known and anticipated future revenue costs. We will regularly review the appropriateness and use of these reserves throughout each financial year. As a minimum, all specific reserves will be reviewed on an annual basis in as part of the end of year accounting closedown.

Unusable Reserves

The Council holds a number of unusable reserves in the Balance sheet. Some are required to be held for statutory reasons and some are needed to comply with proper accountancy practice. The largest balance is the Asset Revaluation Reserve at £295m; the revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. Unusable reserves also includes the accounting valuation of the pension fund. The large movement between the last two years from a negative balance of £24m to the March 2023 positive balance of £322m is largely explained by the change in the pension valuation from an accounting deficit of £383m to the revised £37m. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

Usable Reserves

The Council also holds a number of Usable Reserves which are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt, or with Council approval to finance transformation projects).

Main reserves held at the end of the 2022/23 financial year.

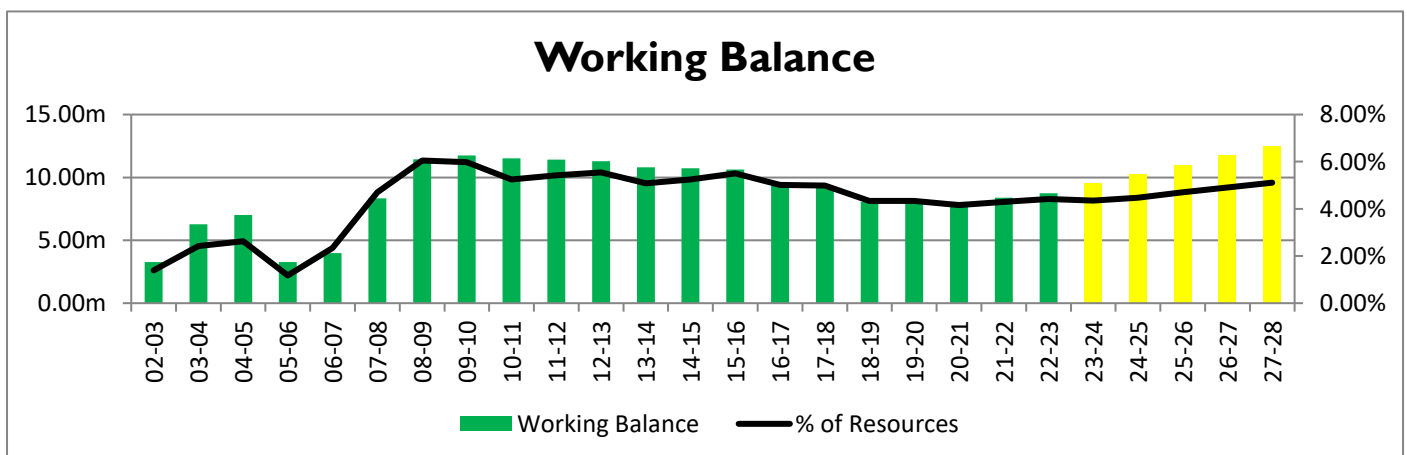
| Reserves | 31 March 2022 £m | 31 March 2023 £m |
|--|---------------------|---------------------|
| General Fund Balance (Working Balance) | 8.743 | 8.743 |
| Earmarked General Fund Reserves | 79.750 | 43.469 |
| Capital Receipts Reserve | 16.982 | 17.207 |
| Capital Grants and Contributions Unapplied | 18.669 | 45.874 |
| Total Usable Reserves | 124.144 | 115.293 |
| Total Unusable Reserves | (24.136) | 322.115 |
| Total Reserves | 100.008 | 437.408 |

Reserve use and retention is an important part of the medium term financial strategy.

A brief description of the purpose of each of our significant reserves and provisions is as follows:

General Fund Balance (Working Balance)

The Council's Working Balance is the revenue reserve that is put aside to cover any significant business risks that might arise. As previously stated, this MTFS works towards restoring a minimum 5% Working Balance. Given the significant constraints that will be placed on public sector spending for the foreseeable future, the Council's reserves should be adequate to cover potential risks. Plymouth has significantly improved its approach to risk management over recent years. Our strategic and operational risk registers are comprehensive and are regularly reported to, discussed and challenged by senior officers and members. Given the size of the financial challenges in this MTFS it is even more appropriate that we are working to restore our working balance. The green shaded areas are actuals; the yellow are forecast balances.

**Earmarked General Fund Reserves**

Provide financing for future expenditure plans and policy initiatives. The main earmarked reserves and their purpose are as follows:

Education Carry Forwards – A number of reserves are held on behalf of several educational establishments which operate under devolved budgets, whereby any surpluses or deficits are carried forward to the following financial year.

School Budget Share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2023 balance relating to the School budget share was £3.662m (31 March 2022: £2.926m).

PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View Campus in equal instalments over the course of the contract. Credits received in excess of costs are carried forward in a reserve to meet future expenditure, thus smoothing expenditure and income over the term of the contract.

Collection Fund Reserve – The Collection Fund Reserve holds balances to 'smooth' the impact and movement of COVID-19 grant funding for Business Rates and Council Tax across multiple financial years.

Financing and Investment Income and Expenditure

This contains corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties.

Financial outlook for 2024/25 and after

The 2023/24 local government finance settlement was for 1 year only, however the accompanying policy statement published in December 2022 outlined the core principles to be applied for 2024/25, providing some degree of certainty over government funding for that year.

The 2022 Autumn Statement outlined local government resources for 2023/24 and 2024/25, with no indication on the quantum of funding thereafter. Any changes to the local government finance system, including the re-setting of business rates baselines and any change to the proportion of locally retained rates, have been deferred to beyond the life of this parliament. In addition, the adult social care charging reforms have been delayed for 2 years and the funding that had been set aside for this has been repurposed. Any decisions on the funding to be made available for implementing the reforms have also been deferred to the next parliament. It remains to be seen whether such funding will be sufficient to meet the costs.

The high levels of inflation and energy prices, increased interest rates and major demand pressures being felt across adults and children's social care remain key factors in the sustainability of local government finance.

Medium Term Financial Forecast

The Council's current forecast financial position is detailed below and includes the implications of the local government finance settlement. It will be reviewed each year of budget setting to reflect any new pressures, changes in funding assumptions and any revision to the Council's Corporate Plan.

The forecasted resources and right-sizing additional costs and adjustments are set out in the report.

In addition we need to take into account the following demand-led cost pressures, currently under review. These are the current known pressures and other areas of pressure in the defined areas and other potential areas may materialise and we need to monitor closely going forward, taking particular account of the impact of any emerging pressures in 2023/24 on the assumptions for 2024/25.

Adult Social Care – Modelling of the current increases in both demand and costs indicate the requirement for a further allocation of £5.047m in 2024/25 with further allocations as set out in the table. Homelessness – we are experiencing increasing demand and increasing costs, with households in Bed & Breakfast as at March 2023 totaling 222, an increase from the previous year’s high of 151, with a further 35 families in B&B.

Emergency accommodation is an expensive but necessary option. This is projected to require an additional £3.287m in 2024/25 to provide adequate budget going forward. Children’s Social Care - £3m reflecting increased costs and demand pressures. Home 2 School Transport - we are experiencing additional cost every year for Home to School transport. Despite putting an additional £1m into the 23/24 budget, we are still estimating nearly £1m overspend in 23/24 due to increase in costs and volume. Increases in fuel costs, lack of mini bus/taxi drivers and an increase in pupils attending independent

| Pressure | 2024/25 | 2025/26 |
|--|---------------|--------------|
| Adult Social Care | 5.047 | 3.543 |
| Homelessness | 3.287 | |
| Children’s social care | 3.000 | |
| Home 2 School Transport | 1.000 | |
| SEND (DSG amendment) | 0.500 | |
| | | |
| Energy – Corporate Estate (reduce costs) | (2.000) | (2.000) |
| Sub Total | 10.834 | 1.543 |

special schools outside the county are contributing to the increase. The SEND service is experiencing increasing costs particularly in the 0-25 team and administration. £0.5m will correct the budget. These additional cost have been offset by a £2m reduction to the budget allocation for the corporate estate’s energy costs. The 2023/24 budget included an additional £4m uplift to the budget; with prices starting to come down and predictions of further reductions the MTFs reduces this uplift over the following two years.

Feeding these into our financial model together with the right-sizing adjustments and revised resources gives us the following position.

| | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| RSG | (11.562) | (12.188) | (12.257) | (12.259) | (12.340) |
| Council Tax | (130.625) | (138.979) | (144.138) | (149.480) | (154.525) |
| Business Rates | (75.253) | (77.728) | (77.406) | (77.409) | (77.516) |
| Reserves | (1.000) | - | - | - | - |
| Core Resources | (218.440) | (228.894) | (233.801) | (239.149) | (244.381) |

| | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Expenditure b/forward | 218.440 | 218.440 | 240.109 | 248.119 | 258.130 |
| Add Right-sizing costs / adjustments | - | 10.835 | 6.467 | 6.230 | 6.724 |
| Add Demand-led pressures | - | 10.834 | 1.543 | 3.781 | 4.035 |
| Total Net Expenditure | 218.440 | 240.109 | 248.119 | 258.130 | 268.889 |
| Forecast shortfall | - | 11.215 | 14.318 | 18.981 | 24.580 |

| Forecast Shortfall | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Brought Forward shortfall | - | - | 11.215 | 14.318 | 18.981 |
| In Year shortfall | - | 11.215 | 3.103 | 4.664 | 5.526 |
| Total | - | 11.215 | 14.318 | 18.981 | 24.508 |

The table above sets out the current overall position, which shows the Council is required to achieve annual savings of around £4m from 2025/26 after achieving savings of £11.2m in 2024/25. This is still a significant budget shortfall to address over the medium term and no uncommitted reserves available to help with this. Cost pressures, particularly within demand-led services, that were already being faced by the Council have been exacerbated by high levels of inflation, increased pay costs and high energy prices. The MTFS already includes additional funding for 2024/25 announced in the November 2022 Autumn Statement, so there is no expectation of further new government funding in that or later years.

Work will continue to reduce and mitigate both the right-sizing additional pressures and the demand-led service area pressures detailed above to address the budget gap.

Closing the financial gap and Medium Term Financial Plan

The MTFS highlights a budget shortfall of £11.2m in 2023/24 rising, without mitigations to £24.5m by 2027.28. Local Government is changing rapidly as traditional sources of funding are reducing and the demand for our services is increasing. We know we cannot continue to deliver services in the same way we have done in the past and our transformation portfolio is taking a pioneering and ambitious approach to addressing these challenges while seeking to improve outcomes for Plymouth citizens.

This means providing services in new ways, joining up with partners wherever possible, investing in ways of doing things more efficiently, making the most of our assets, raising income by taking a more commercial approach and a focus and clarity on our organisational purpose.

Our current areas of focus to close the forecast financial gap, after a robust challenge of all of the additional cost pressures and resource assumptions, are:

In the Children's Directorate we will focus on:

- meeting the needs of children and young people in our care in less expensive residential settings and with foster carers and family and friends where children can live safely in Plymouth and closer to their school and community
- supporting children, young people and families through locality based early help services that meet their needs without the need for statutory social work intervention and helping partners to provide help and support for families at the earliest point of need at the lowest point of intervention
- meeting the Council's statutory requirements for home to school transport that meets children's needs as cost effectively as possible

The Place Directorate will continue to prioritise growth and ensure the delivery of frontline services to meet the needs of residents across the city by maximising income. In addressing year-on-year budgetary pressures, all income streams and potential grants will be sought to reduce the continual pressures on revenue budgets, with further work building on past successes in relation to efficiency and commercialisation initiatives to the overall benefit of council revenue.

In the People Directorate, the Community Connections department is continuing to work on reducing demand for homelessness services through early intervention and prevention including ensuring assessment processes are robust. Work is also on-going to increase access to alternative provision to help reduce reliance on high cost nightly paid accommodation and supporting delivery of increased affordable provision to support move on from temporary accommodation.

The Adult Social Care and Strategic Commissioning department are working closely with system partners increasing the focus on improving access to health care and outcomes for those leaving hospital. Also working to increase the system's intermediate care capacity and capability to manage higher demands and complexity more effectively, improving people's independence and reducing long term needs; and supporting our care markets and voluntary organisations to develop the range of skills and services required to meet these higher demands and complexities.

Transformation Portfolio and Corporate Support Services, as well as playing a key role in supporting the demand-led services with financial, legal, procurement and HR expertise, will be reviewing their own operating models.

The HR and OD Service has been working with the Corporate and Senior Leadership teams to prioritise the critical areas of work which will support the organization to work much more efficiently with the resources it has, including ensuring that our culture is developed to achieve a 'one team approach' to ensure we deliver vital services to our communities and residents whilst building the people management capability to manage performance ensuring that everyone is clear about what is expected of them and the priorities we must deliver over the next 3 years. The HR and OD emphasis will also be on reducing the demand for HR heavy case work support by coaching and mentoring managers to be confident to deal with performance issues proactively and at the earliest opportunity. We will refocus our learning and development on our critical skills gaps ensuring that we maximize the apprenticeship levy funding to upskills and bring new talent into the organization.

The Transformation department will also be supporting the other services, whilst focusing on two prime projects. "New Ways of Working" is focused on the council's accommodation rationalisation and delivery of the financial savings from the exit of both Windsor House and Midland House. It is important to complete this work in order not to create a bigger shortfall in our budget. "One Council" will focus on Intelligent Automation, the website upgrade and Cyber Security.

Conclusion

The financial risks facing the Council in the medium term are assessed within the MTFs. This includes assessing the risks around Government funding and other income streams of the Council, the subsequent budget shortfalls that the Council would then face and overall local and national economic factors which can affect the financial stability of the Council. The cost of living crisis, including energy costs, has increased the level of risk faced by the Council, both in the cost pressures faced and the economic impact on income streams. In setting the annual budget and the MTFs the Council will ensure potential risks are assessed and actively managed so that their impact is minimised or can be contained within Contingencies, Balances or Earmarked Reserves as is necessary. In year, the Council will monitor its revenue and capital budgets on a monthly basis and report to Cabinet on a quarterly basis.

The key factors that could have a material effect on the financial position of the Council include:

- Wider economic changes and government policy and funding reforms
- Unmanaged service pressures; increases in demand and unachieved savings targets
- General inflation assumptions
- Impact of National Living Wage
- Projected income levels from fees & charges
- The level of contingencies and reserves in any one period
- Treasury Management and interest rate changes

The MTFS highlights the budget shortfalls from 2024/25 onwards and the need to take action to ensure the Council can continue to be financially sustainable over the medium term. The current forecast position is extremely challenging, with additional budgetary pressures, particularly in children's social care, adult social care and homelessness all growing faster than the funding available.

The Council continues to improve its financial and governance arrangements. Financial Management has improved, performance management has improved, scrutiny has developed and an independent audit and governance committee is operating well.

The Council's medium term strategy focuses on joining up the individual elements to ensure effective, integrated monitoring and management of:

- Corporate Plan and Priorities
- Benchmarking spend and key performance indicator information
- Revenue budget and spending linked to priorities
- Delivery against revenue delivery plans
- Delivery of the capital programme

The cost of living crisis that is being experienced nationally has only made the cost pressures being felt in 2023/24 more acute. At this stage, savings have not been identified to help offset the future pressures. With reserves having been depleted to balance the 2022/23 Outturn and little opportunity to replenish in the short term, we will require robust challenge of the additional pressures before accepting them into future budgets plus urgent action will need to be taken to find solutions for addressing the future years' budget shortfalls. An MTFS does not replace the annual budget setting process; it supplements and sets out a future view of risks and opportunities. The final say on key elements, including any changes to the Council Tax, including the Adult Social Care precept, rests with Full Council at the February budget meetings each year.



Medium Term Financial Strategy

Published by:

Plymouth City Council
Ballard House
West Hoe Road
Plymouth PL1 3BJ

Email david.northey@plymouth.gov.uk

www.plymouth.gov.uk