

# Cabinet



Date of meeting:	10 July 2024
Title of Report:	<b>Medium Term Financial Forecast 2024/25 – 2028/29</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	David Northey (Service Director for Finance)
Contact Email:	<a href="mailto:David.northey@plymouth.gov.uk">David.northey@plymouth.gov.uk</a>
Your Reference:	DJN/Fin2024 MTFF
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

Under the Council's Financial Regulations, the Responsible Financial Officer (Section 151 officer) is required to report the medium-term budget prospects. Cabinet is asked to consider the Medium Term Financial Forecast for the period 2024/25 to 2028/29.

The Medium Term Financial Forecast (MTFF) reflects the latest funding projections and sets out the forecasted budget shortfall in each year. The Forecast does not set out projected savings over the plan period or how the gaps will be closed. All savings required for the period will be incorporated into the Medium Term Financial Strategy (MTFS) and Medium Term Financial Plan (MTFP) to be presented to Council.

This report outlines the current resources, income and expenditure assumptions for the period 2024/25 to 2028/29. It builds on the Outturn position recorded for 2023/24 and acknowledges that the Final Settlement 2024/25 was again a one-year settlement.

An appendix is included setting out the key resources and additional spend requirements.

## Recommendations and Reasons

1. Note the Medium Term Financial Forecast 2024/25 – 2028/29;
2. Note the Capital Programme including the Capital Financing Requirements;

*Reason: It is a statutory requirement to provide an outturn report and is provisional as it is subject to external audit.*

3. Note a revised Medium Term Financial Strategy will be presented to Cabinet and recommended to City Council.

## Alternative options considered and rejected

None – our Financial Regulations require us to produce regular monitoring of our finance resources.



**Sign off:**

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Originating Senior Leadership Team member: David Northey, Service Director for Finance

Please confirm the Strategic Director(s) has agreed the report? Yes  
Date agreed: 14/05/2024

Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance)  
Date approved: 29/05/2024

## Plymouth City Council

### Medium Term Financial Forecast 2024/25 – 2028/29

#### I. Introduction

- I.1 Local authority forecasting is by its very nature difficult to complete with absolute certainty since there are so many variables that need to be considered and assessed.
- I.2 This forecast will set out a summary of the key assumptions that been incorporated to drive all applicable aspects of the financial planning process.
- I.3 It needs to be acknowledged that the Final Settlement 2024/25 was again a one-year settlement. There were a few exceptions, with indications of possible future specific grants, but these too have been known to change during the current financial year.
- I.4 This MTFF covers a 5 year period from 2024/25 to 2028/29, recognising that the 2024/25 financial year is already set as an approved budget, whilst latter years are provided for illustrative purposes only. With a forecast in place, we can ensure the MTFF and 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.
- I.5 Plymouth City Council continues to deal with many of the same financial challenges as most other upper tier Authorities across the country. Most local authorities are experiencing increasing demand for key priority social care services which is placing a strain on available resources.
- I.6 The costs associated with maintaining reasonable quality in the delivery of our services and local environment for residents, businesses and visitors continues to be very challenging. Over two thirds of the Council's net budget is spent on providing support for our most vulnerable, such as Adults and Children's social care, but we must not overlook pressures within Street Services around waste collection, as well as the enduring need for highway maintenance.
- I.7 Cost and demand pressures continue to impact Council Services. The Children's Services Directorate ended the 2023/24 financial year with additional net costs of £11.629m, which related to specialist residential placements for vulnerable children and SEND School Transport. Community Connections, within the People Directorate, reported additional pressures that year of £2.298m directly relating to provision of emergency accommodation for homeless families. Adults Social Care had pressures on care package budgets of £6.430m although this was partially offset by short term grant funding. Social Care, Homelessness and SEND Transport are all consistently appearing as pressures areas in Council budgets across the country.

## 2. Corporate Plan

- 2.1 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 MTFS is framed by the Council’s Corporate Plan and how we will achieve the vision.
- 2.2 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.
- 2.3 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.
- 2.4 This will be achieved through continuing to collaborate 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:**

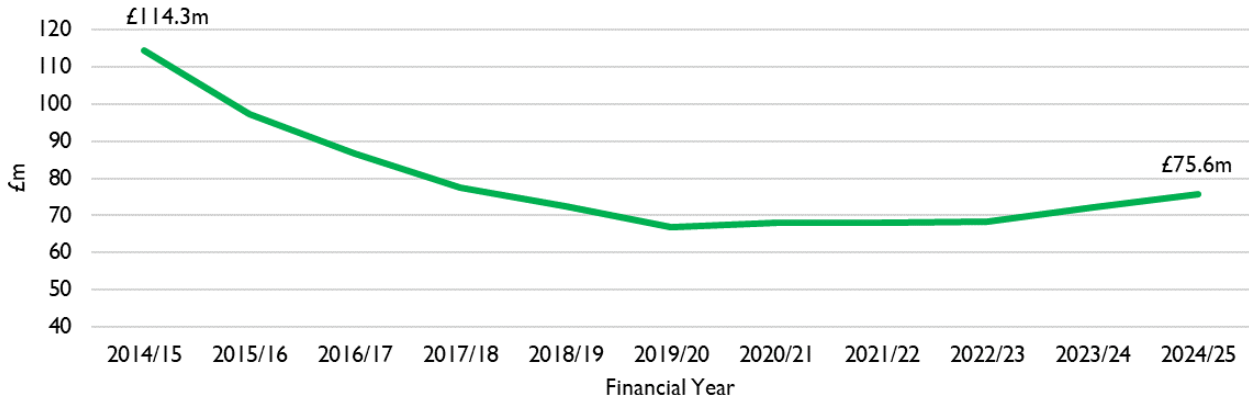
- Providing quality public services
- Trusting and engaging our communities
- Focusing on prevention and early intervention
- Spending money wisely
- Empowering and engaging our staff
- Being a strong voice for Plymouth

[www.plymouth.gov.uk/ourplan](http://www.plymouth.gov.uk/ourplan)

## 3. Settlement Funding Assessment

- 3.1 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 several years to 2019/20, and hence the amount of Revenue Support Grant distributed to local authorities. For 2024/25 there has been an inflationary increase in the SFA, with real- terms additional resources announced in the 2023 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.
- 3.2 The chart below shows the settlement funding assessment for Plymouth City Council since 2014/15.

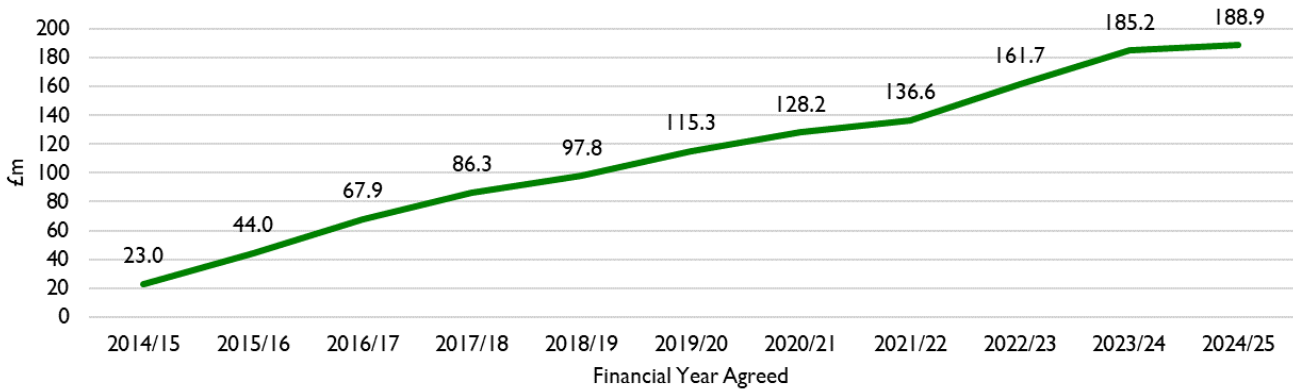
Plymouth City Council - Settlement Funding Assessment  
2014/15 to 2024/25



### 4.0 Savings

4.1 In response to the reducing Government funding, plus additional expenditure pressures, the council has agreed a cumulative total of £188.9m savings in the period 2014/15 to 2024/25. 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 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.

Plymouth City Council - Cumulative Savings  
2014/15 to 2024/25



### 5.0 Financing the Council

#### Financial Planning Assumptions

The Medium Term Financial Forecast 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 is 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.

**Table 3 Key Funding Assumptions**

2024/25	Item	2025/26	2026/27	2027/28	2028/29
£1,840.70	Increase in Core Council Tax Charge	2.99%	2.99%	2.99%	2.99%
£35.06	Increase in Adult Social Care Precept	1.00%	1.00%	1.00%	1.00%
75,389	C. Tax Base (No. of Band D equivalents)	76,598	77,085	77,573	78,060
49.9p	Increase in Small Business Rates Multiplier	3.30%	1.60%	1.40%	1.40%
£12.328m	Increase in Revenue Support Grant	3.30%	1.60%	1.40%	1.40%
£16.191m	Increase in Top Up Grant	0.57%	0.02%	0.66%	0.66%

### Key Financial Planning Considerations

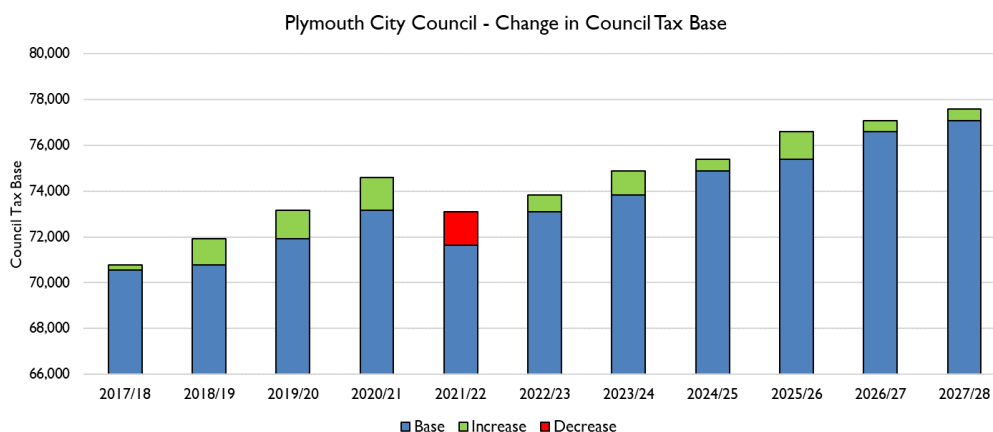
- Continuing Revenue Support Grant (RSG) with annual inflation uplift.
- The cap on Council Tax increases, reflecting Central Government's direction of the confirmed 2.99% for 2024/25.
- The forecast assumes there will be a further 1% Adult Social Care precept in 2025/26 with 1% modelled for future years.
- 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 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.

## 6.0 Council Resources

### Council Tax and Adult Social Care Precept

- 6.1. 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 2024/25 without the need for a local referendum. These increases were applied. The Autumn Statement 2023 was silent on the threshold for the core and continuation of the Adult Social Care Precept, however when set the Government will assume 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 £0.350m in 2025/26.
- 6.2. The Council Tax base assumed for each financial year is detailed in the table below. 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 assumed collection rate continues at 97.5%, which is considered both

realistic and prudent due to the current economic climate.



- 6.3. 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.

### Council Tax Income - Assumed

	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
Council Tax - General	136.13	145.52	152.36	159.03	166.41
Council Tax - Adult Social Care Precept	2.64	1.40	1.47	1.54	1.62
Collection Fund Surplus	0.71				
<b>Total Council Tax Income</b>	<b>139.48</b>	<b>146.92</b>	<b>153.83</b>	<b>160.57</b>	<b>168.03</b>

### Business Rates

- 6.4. Under the Government's funding arrangements for Local Authorities the Business Rates 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.
- 6.5. From 2025/26 onwards there continues to be uncertainty over what the Government will do in terms of introducing a Business Rates reset, developing the Business Rates Retention Scheme and the potential to remove the ring fence on Public Health Grant potentially including it as part of the retention scheme. Other considerations and implications include the Health and Social Care White Paper and the delays to social care reform proposals. In the absence of any other information, it is assumed that the same level of funding will be embedded into whatever the new system will be in the future. The MTFS will be updated as soon as any more detailed information becomes available.
- 6.6. A key assumption is that the Devon-wide Business Rates Pool continues into future years covered by the MTFF, however there is still uncertainty as to whether Rate Pools will remain, particularly if there is a fundamental review of the rating system.
- 6.7. The MTFF is modelled assuming gains from the pool continue and are included in 2025/26 at £2.250m, then £2m with £1.750m assumed in 2027/28 and 2028/29.



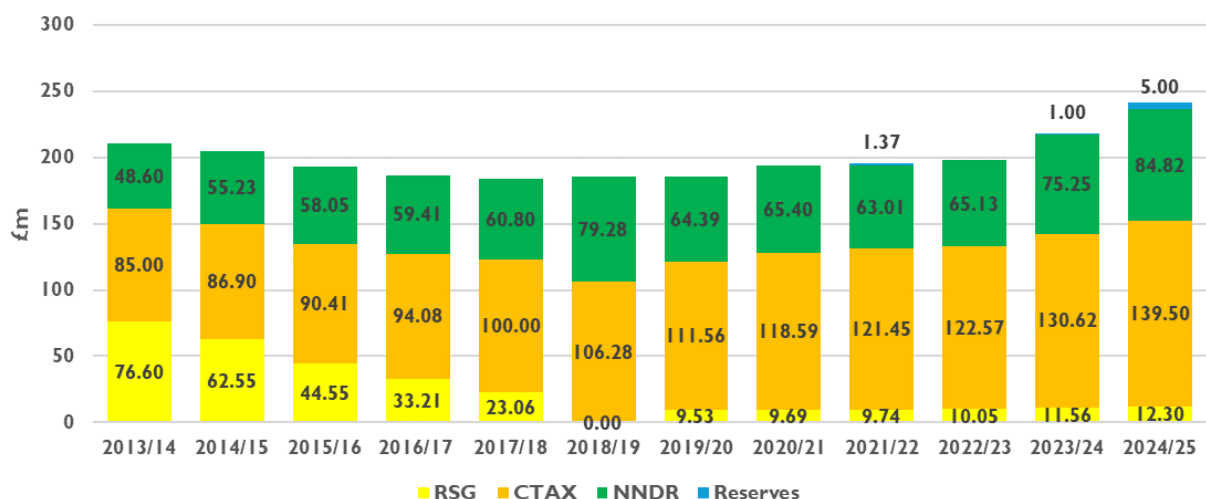
## Revenue Support Grant (RSG)

- 6.8. 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.
- 6.9. 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 2024/25 this is now £12.328m. an increase from the previous year's allocation £11.562m. The MTFE assumes inflationary uplifts in RSG for 2025/26 onwards based on the assumed increase in the business rates multiplier.
- 6.10. Feeding the Core Resources into the financial model gives the following assumed resources available. Although the resources increase from the 2024/25 base of £241.622m to an assumed £268.086m in 2028/29, most of the increase is from local income.

**Table 3 Core Resources**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
RSG	(12.328)	(12.702)	(13.464)	(14.002)	(14.562)
Council Tax	(139.479)	(146.922)	(153.831)	(160.571)	(168.026)
Business Rates	(84.815)	(85.120)	(85.273)	(85.382)	(85.4986)
Reserves	(5.000)	-	-	-	-
<b>Core Resources</b>	<b>(241.622)</b>	<b>(244.744)</b>	<b>(252.568)</b>	<b>(259.955)</b>	<b>(268.086)</b>

**Plymouth City Council - Core Resources**



In summary, the overall core resources have increased from £210.2m in 2013/14 to a revised £241.6m in 2024/25, an increase of £31.4m. However, this can be analysed as a reduction in RSG from £76.6m to £12.3m (a reduction of £64.3m); an increase in Business Rates from £48.6m to £84.82m (an increase of £36.22m); and the largest increase is in the Council Tax income with an increase of £54.5m (from £85m to £139.5m).

## 7.0 Government Grants

### New Homes Bonus (NHB)

- 7.1 The allocation for New Homes Bonus payment in 2024/25 is £0.043m. 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.

### Services Grant

- 7.2 The Government continued the grant to 2024/25 and Plymouth's allocation is £0.407m, a reduction of £1.952m (83%) from the previous year. We have assumed this continues at this level for the duration of the MTF period.

### Social Care Grant

- 7.3 The Council also receives a Social Care Grant. The additional payment is £6.806m in 2024/25 increasing the grant from £21.702m to a revised £28.508m. No additional allocation was confirmed in the Settlement for future years, but we have assumed modest growth of £3.500m in 2025/26 and an additional £2m per year thereafter.
- 7.4 The Settlement was again silent on additional funding for the pressures within Children's Social Care, although, in line with last year's allocation, we are again advised this grant encompasses both Adult and Children's.

### Adult Social Care Market Sustainability Grant

- 7.5 Plymouth City Council has been allocated £5.618m from the Government's Adult Social Care Market Sustainability Grant for 2024/25. This is a ring-fenced grant intended for Local Authorities to make tangible improvements to Adult Social Care, and to address discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector. This is an increase of £0.659m from 2023/24 but includes the rolled in Market Sustainability Workforce Grant of £1.953m. The assumption is this will remain at this level.

### Adult Social Care Discharge Fund

- 7.6 The Adult Social Care Discharge Fund introduced in 2023/24 has continued into 2024/25 with a £3.022m grant allocation for Plymouth, to form part of Better Care Fund plans, and is aimed at reducing delayed transfers of care. In 2023/24 the allocation was £1.813m. The assumption is this will remain at this level.

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

- 7.7 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.
- 7.8 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 2024/25 allocation is £24.720m.

- 7.9 The Improved Better Care Fund (iBCF) 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.

The 2024/25 allocation is £12.933m.

### Public Health Grant

- 7.10 The Public Health Grant is another key source of income and is used to improve the health of the population, particularly to tackle large differences in health outcomes that we see between local areas. The grant allocation for 2024/25 is £16.737m. The funding is ring-fenced and does not have an impact on the budget resources as set out in this report.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Public Health Grant allocations	15.330	14.925	15.322	15.504	15.940	16.460	16.737

- 7.11 This Government Grant supports the Council’s Public Health responsibilities. Grant conditions apply including responsibilities for 0-5 children services.

- 7.12 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.

### Housing Benefit Subsidy

- 7.13 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

- 7.14 The largest specific grant that the Council receives is the Dedicated Schools Grant (DSG) which is a net £81m for 2024/25 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.

- 7.15 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. The provisional outturn 2023/24 for the Dedicated Schools Grant is an overspend of approximately £5m, which when added to the brought forward surplus from 2022/23 leaves a deficit balance of £4m. The deficit relates to increasing costs for independent sector provision for high needs pupils.

### Pupil Premium

- 7.16 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.

## 8.0 Income Collection

- 8.1 The MTFF assumptions are based on achieving the collection targets as set out. Bad debt provisions are kept under regular review by the Section 151 Officer.
- 8.2 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 Rent:	97.5
Sundry Debt	97.5

## 9.0 Right sizing the Budget

- 9.1 Additional costs accepted within the MTFF 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) to incorporate future year funding allocations.
- 9.2 The additional costs and adjustments within the 2025/26 to 2028/29 MTFF 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. These estimates are based on pre-2023/24 Outturn and will need further analysis and updates to feed into the September 2024 Medium Term Financial Strategy.
- 9.3 Pay awards have been significantly increased over recent years. 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.
- 9.4 To balance the additional funding required to balance the 2024/25 Budget, we took a one-off drawdown from usable reserves. This is reflected in the 2025/26 forecast as a reduction to the core spend.
- 9.5 To assist in the delivery of major items within the Children's Directorate for 2024/25 savings plans, we used the mechanism of drawing down a sum of £1.448m of capital receipts. This needs to be adjusted in the 2025/26 allocations to reflect it was a one-year only sum of money.

- 9.6 We have previously “borrowed” funds from our accumulated Section 106 Monies Fund. To ensure the budget is adjusted for this, the £2.7m needs to be added back into the base costs. It is proposed that this is smoothed over a period of three financial years to ease the pressure.
- 9.7 The Medium Term Financial Strategy 2023/24 - 2027/28 approved in September stated our intention to work 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 3.6% of the Council’s net revenue budget. By 2027/28 this would need to be £13.4m, an increase of £4.7m to equate to 5%, which is about the average for Unitary Councils.
- 9.8 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). 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.
- 9.9 For our own workforce, the Council pays the Foundation Living Wage.
- 9.10 The 2024/25 Budget included a net adjustment of £0.4m to the Minimum Revenue Provision (MRP) as a one-year only adjustment to the Capital Financing Strategy. This needs to be reversed in 2025/26.
- 9.11 The 2024/25 Budget included a one-year only adjustment (release) from the Adult Social Care provision for bad debt. This needs to be reversed in 2025/26.

Table 4 Sensitivity to 1% Change

<b>SENSITIVITY TO 1% CHANGE IN INFLATION ASSUMPTIONS</b>		<b>£m</b>
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

## Other Costs pressures

- 9.12 There are continuing demand pressures in both adults and children’s social care. We are seeing no reduction in demand or cost pressures in both homelessness and bed and breakfast accommodation or in delivering our statutory responsibility to provide home to school transport for our most vulnerable children.
- 9.13 Additional allocations have been made in this forecast but remain a risk, given the Council’s comparatively low levels of financial reserves. Each allocation is based on existing cost and volume analysis and carries its own risks due to the continuing changing economic conditions.
- 9.14 We are awaiting the confirmation of our request for a Capitalisation Direction to adjust the 2019/20 accounts. The 2024/25 Budget was set on this request to DLUHC. The receipt of an “In Principle” letter has provided assurance to the Section 151 Officer that we can proceed, but there remains a risk if the Capitalisation Direction is not received.
- 9.15 There is no additional budget allocation for the homelessness and bed and breakfast services. This reflects the investment of over £10m in the purchase of properties within the city to provide emergency accommodation.
- 9.16 Utilities have been a significant additional cost in recent years. However, through office rationalisation, carbon reduction investment and recent falling prices, we have modelled a reduction from the additional £4m allocated in the 2023/24 budget in our MTFE going forward.

- 9.17 There is an allowance of £1m in 2025/26 to cover anticipated increased ICT costs, mainly following the revision to the initial 10-year contract award for the provision of services from DELT. The original contract saw inflationary increases remaining with the provider.
- 9.18 In addition to the allowance within Adult Social Care to support the anticipated increase in the National Living Wage, the includes an allocation of a further £3.5m to cover both inflationary increases on the cost of packages of care and additional demand.
- 9.19 Within the Children's Directorate there is an allocation of £3m to offset cost increases which cannot be expected to be covered by the service.
- 9.20 These increases are partially offset by a forecasted increase in the Social Care Grant of £3.5m in 2025/26 followed by an assumed £2m increase for the following years. The level of Social Care Grant for 2024/25 is £25.833, an increase of £4.13m from 2023/24. This increase is not confirmed by central government, but we have seen increases each year. In the absence of any further information on future levels of funding the MTFF assumes that this will continue to increase.
- 9.21 The Children's Directorate is also working very hard to mitigate the increasing cost of meeting the Council's statutory requirements for home to school transport that meets children's needs as cost effectively as possible. The Service is currently considering a range of options, including more opportunity for children to be trained and supported to travel independently to school, enhanced mileage rates for parents, increased use of personal budgets and options appraisals to increase mini-bus travel. Whilst work continues, this forecast includes an uplift of £0.750m in 2025/26.
- 9.22 Both cost and demand for SEND services continues to increase. There is an indicative increase of £0.750m to cover these pressures.
- 9.23 The government has introduced new statutory requirements for the collection of households' waste. Although new grant funding is expected, the early indications suggest there will be a shortfall between the funding received and the cost of the new service requirements. An additional £0.500m has been allocated at this stage.
- 9.24 Significant investment will be required to achieve the Council's 2030 net zero target. A Climate Emergency Investment Fund was created in 2022/23 and projects continue to come forward for approval. This forecast allocates an additional £0.250m from the revenue budget to supplement monies already in the base revenue budget to support capital investment.
- 9.25 The Council must ensure sufficient funding is available to meet the requirements of the agreed projects within its Treasury Management Strategy, which is updated annually to reflect projects as they are developed for delivery. The Treasury Management Strategy is an integral component of our financial governance. The forecast includes a £7.2m uplift to the budget.
- 9.26 These additional cost pressures total over £12m in 2025/26 as set out in Appendix I.

## 10.0 Capital Budget

- 10.1 Planned capital expenditure and the associated financing is detailed within the budget report noted by Council in March 2024. Amendments to the budget are approved by Council on a quarterly basis. The programme has been reviewed and re-profiled in light of the economic environment (increasing inflation and interest rates) and changing priorities.

The March report amended the Capital Programme for the period 2023/24 to 2027/28 to £398.2m.

**Five-Year Capital Programme by Directorate**

Directorate	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Children's Services	3.540	0.304	0.130	-	-	3.974
People	8.764	21.506	9.030	0.220	-	39.520
Place - Economic Development	22.994	50.562	33.427	26.232	10.415	143.630
Place - Strategic Planning & Infrastructure	36.503	79.843	13.142	3.291	0.622	133.401
Place - Street Services	28.081	19.462	1.768	0.105	0.044	49.460
Customer & Corporate Services	4.718	5.166	2.206	-	-	12.090
Office for Director of Public Health	11.580	4.440	0.105	-	-	16.125
<b>Total</b>	<b>116.180</b>	<b>181.283</b>	<b>59.808</b>	<b>29.848</b>	<b>11.081</b>	<b>398.200</b>
Finance by:	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	4.306	3.587	1.414	0.245	0.611	10.163
Grant Funding	53.783	74.934	2.136	0.023	0.022	130.898
Corporate Funded borrowing	30.211	54.820	15.023	0.478	0.043	100.575
Service dept. supported borrowing	23.809	44.283	38.826	25.987	10.373	143.278
Developer contributions	2.859	3.526	2.323	3.071	0.032	11.811
Other Contributions	1.212	0.133	0.086	0.044	-	1.475
<b>Total</b>	<b>116.180</b>	<b>181.283</b>	<b>59.808</b>	<b>29.848</b>	<b>11.081</b>	<b>398.200</b>

- 10.2 Officers will remain proactive at securing external grant funding wherever possible 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.
- 10.3 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.
- 10.4 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 before 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 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 2024/25 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 £268m; 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 include the accounting valuation of the pension fund. 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.

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 2023/24 financial year.**



Reserves	31 March 2023 £m	31 March 2024 £m
General Fund Balance (Working Balance)	8.743	8.743
Earmarked General Fund Reserves	45.552	43.571
Capital Receipts Reserve	17.207	14.339
Capital Grants and Contributions Unapplied	38.688	39.855
<b>Total Usable Reserves</b>	<b>110.190</b>	<b>106.508</b>
<b>Total Unusable Reserves</b>	<b>320.791</b>	<b>365.306</b>
<b>Total Reserves</b>	<b>430.981</b>	<b>471.814</b>

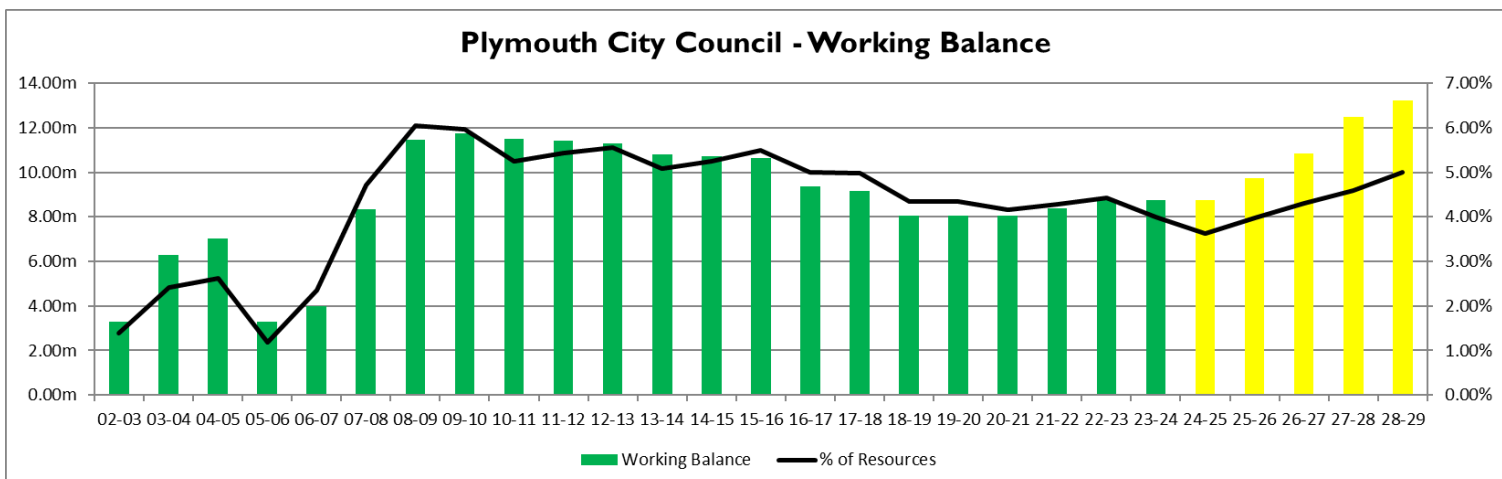
Reserve use and retention is an important part of the medium term financial strategy.

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 MTF5 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 MTF5 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.

**Plymouth City Council - Working Balance**



### Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP (Minimum Revenue Provision) are charged to revenue. This net annual charge less investment income is known as financing costs; this is compared to the net revenue stream and presented as a percentage in table below. The 2023/24 percentage matches that of the previous year.

	2022/23 actual £m	2023/24 actual £m	2024/25 forecast £m
Financing costs (£m)	34.384	38.590	45.877
Proportion of Net Revenue	17.4%	17.8%	19.4%

It is now a requirement of the CIPFA Prudential Code that this percentage is reported on a quarterly basis. The Prudential Code sets out the method of calculation, which is 17.8% of net revenue to service our borrowing for 2023/24.

Excluding the amount of borrowing charges associated with Service Borrowing, including the Property Regeneration Fund, which is borrowing to create income, the ratio is still high, with an actual for 2023/24 of 9.77%. This compares to 5.6% in 2019/20 and reflects the higher cost of borrowing.

	2019/20	2022/23	2023/24	2024/25
Finance % excluding Service Borrowing	5.57%	9.23%	9.77%	11.51%

### Treasury Management Borrowing

External borrowing taken out by the Council increased by £97m to a total £649.5m, this is reflecting in an increasing proportion of financing costs. The table below shows a breakdown across external borrowing sources with average rates. The main source of increased borrowing has been through the Public Works Loan Board (PWLB) in latter period of financial year.

	2022/23 £m	2023/24 £m	Current Av. Rate
Short Term	75.0	85.0	1.58%
PWLB	395.5	482.5	3.32%
LOBO	64.0	64.0	4.34%
Long Term	18.0	18.0	4.37%
TOTAL	552.5	649.5	3.23%

### Appendix I.

Provisional Gap	2025/26	2026/27	2027/28	2028/29
<b>Additional Core Resources £m</b>				
Revenue Support Grant	(0.374)	(0.762)	(0.539)	(0.560)
Council Tax	(7.443)	(6.908)	(6.740)	(7.455)
Business Rates	(0.305)	(0.153)	(0.109)	(0.116)
<b>Total Additional Core Resources £m</b>	<b>(8.122)</b>	<b>(7.823)</b>	<b>(7.388)</b>	<b>(8.131)</b>
<b>Right Sizing the Budget</b>				
Salary and Pension inflation	4.000	4.120	4.244	4.371

Reverse one off drawdown of Reserves	5.000	-	-	-
Flexible use of Capital Receipts one-off	1.448	-	-	-
Repay S106 monies	0.900	0.980	0.900	-
Replenish Working Balance	1.000	-	-	-
National Living Wage	4.660	3.000	3.000	3.000
Minimum Revenue Provision (MRP) one-off	0.400	-	-	-
Adult Social Care Bad Debt one-off	0.500	-	-	-
<b>Total Right Sizing the Budget £m</b>	<b>17.908</b>	<b>8.100</b>	<b>8.144</b>	<b>7.371</b>
<b>Other Costs/Adjustments</b>				
Climate Fund – Revenue borrowing	0.250	0.250	-	-
Social Care Grant	(3.500)	(2.000)	(2.000)	(2.000)
ASC Demand Growth	3.543	3.781	4.035	4.000
Children’s Demand Growth	3.000	3.000	3.000	3.000
SEND Home to School Transport / SEND	1.500			
Environmental Bill	0.500			
Treasury Management Costs	7.200			
ICT	1.000			
Energy Costs	(1.000)			
<b>Total Other Costs £m</b>	<b>12.493</b>	<b>5.031</b>	<b>5.035</b>	<b>5.000</b>
<b>TOTAL Provisional Gap £m</b>	<b>17.279</b>	<b>5.308</b>	<b>5.791</b>	<b>4.240</b>