Plymouth City Council
MEDIUM TERM FINANCIAL STRATEGY
2024/25 – 2028/29

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

"The change of national Government marks a watershed moment for the local authority sector, with a firm commitment to multi-year financial settlements. There is also a will to reform the funding allocations and to make it fairer. Fairer in terms of recognising deprivation means more costs, and therefore needs more funding. The children's social care sector is also being highlighted as an area needing reform, which is something I have long campaigned for. This MTFS builds on our commitment to get the basics right and deliver 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 strategy shows we are making progress and delivering on our promises."

Councillor Mark Lowry
Cabinet Member for Finance

"The financial outlook continues to be tough due to the impact of national issues outside of our control, however, we will ensure we deliver on our promise of building a better Plymouth as we maximise the available resources to provide value for money across all services. This Strategy is a key document as we continue 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. We are delivering on so many fronts; we are building a better Plymouth"

Tracey Lee
Chief Executive of Plymouth City Council

"This Medium Term Financial Strategy reflects our commitment to the people of Plymouth to continue to provide over 300 core services within a tight financial envelope. We have had to work hard over many years to produce long term, sustainable savings solutions to overcome the reducing resources and increasing demand pressures. Wea re not alone in facing these challenges and we will continue to transform our service delivery to improve the customer experience."

David Northey
Service Director for Finance (Section 151 Officer)

"We have to recognise we are working in a difficult financial environment, and it is therefore even more imperative to have 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. This Strategy sets out the issues, but more importantly sets out our financial plans to improve our service delivery "

Contents

1. Introduction

1.1. 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, considering 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 supplements the annual budget setting process.

1.2. The 2024/25 local government finance settlement was again for one year only; it has been trailed that the 2025/26 settlement will also be a single-year allocation. The new Government has made a commitment to return to multi-year settlements from 2026/27 and to introducing funding reforms built on the principle of fairer funding. For 2025/26, the core council tax referendum principles are expected to continue 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. The continuing increased interest rate costs and major demand pressures being felt across adults and children's social care plus an increasing homelessness demand remain key factors in the sustainability of local government finance.

1.3. This MTFS 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. 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

2. Financial Principles

2.1. The Council will achieve a balanced budget each year, and managers must contain their expenditure within their approved budget.

2.2. Services will be charged for under the Council's agreed Fees and Charges Policy, with annual increases for inflation.

2.3. Provision for pay inflation will be made centrally and allocated to service budgets when agreed.

2.4. 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.

2.5. 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.

2.6. Service departments are expected to meet the capital financing costs of projects. Corporate or cross cutting schemes may be funded centrally.

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

3. Financial Objectives

3.1. Ensure the Council sets a balanced and sustainable budget

3.2. Generate the maximum possible funding towards delivering the priorities as set out in the Corporate Plan

3.3. 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

3.4. 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.

3.5. Council Tax will be set in accordance with central government limits.

3.6. Maximise current income opportunities whilst continuing to maximise savings and explore new income and savings opportunities

3.7. 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

4. Local Economy

4.1. Plymouth is 'Britain's Ocean City' and the largest urban area southwest of Bristol with a population of 268,700 and an economy worth £6.97bn supporting 116,000 jobs. However, Plymouth has low productivity with GVA at 83.1 per cent of the UK average, high employment rates and lower wages than nationally. Growing Plymouth's productivity is the foundation for improving prosperity for all residents, through supporting higher value sectors where the city has a natural advantage. Plymouth needs to build on its industrial strengthens in advanced manufacturing and engineering, marine technology and the defence-related nuclear sectors to improve this productivity performance. There are also opportunities for wider growth in linked sectors for example floating offshore renewables in the Celtic Array. The city must grow a prosperous economy in an inclusive and sustainable way that reduces inequality, promotes social inclusion, improves well-being and helps to drive a green economic revolution. For Plymouth, this means developing the city's blue economy and focusing on the progression within marine focused industries. Plymouth also needs to build on its distinctive assets which include; the largest naval base in western Europe; a successful manufacturing and engineering sector; a vibrant creative and cultural sector; one of only 16 critical care teaching hospitals in the UK and the associated Plymouth Science Park as well as the newly created National Marine Park. Supporting strong communities and a sense of place is essential to the cultivation of a vibrant and attractive city to live, work, study, visit and attract investment.

Key city economic data:

- Plymouth's annual total GVA is £6.97 billion (2022).
- 116,000 jobs in 2022.
- 169,400 people in the city are of working age population (64 per cent) which is higher than both the England and South West averages (2021).
- Plymouth has a slightly lower employment rate than nationally (73.0 per cent compared to 75.4 per cent in 2024). However the estimate of the city's unemployment rate remains lower than the national average (3.1 per cent compared to 3.7 per cent nationally).

- UC / JSA claimants' rate in Plymouth in September 2024 was 3.5 per cent which is lower than the national average for Great Britain (4.3 per cent). Plymouth's claimant count rate has remained lower than the national average since August 2021 when it was higher (Plymouth: 6.6% UK: 6.5%).
- Wages in the city are lower than nationally with Plymouth workers receiving £620.50 per week compared to over £682.60 (full-time workers by place of residence, 2023).
- 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. However, in 2023, the maximum wages of the lowest paid 20 per cent of workers saw a slight increase of 4.09 per cent to £292.40 per week while the highest paid 80 per cent of workers saw an increase of 18.12 per cent to £837.20 per week. As a result the wage gap increased from 2022 to 2023.
- In 2023, 33.4 per cent of working-age residents were NVQ4+ qualified compared to 47.3 per cent nationally. The percentage of working-age residents with no qualifications is also lower 9.4 per cent compared to 6.5 per cent nationally.
- In Plymouth, more Key Stage 4 leavers (Year 11 or 16 year olds) move into apprenticeships (8 per cent) compared to 3 per cent in England (2021).

5. Corporate Plan

5.1. 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. 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.

6. Autumn Budget 2024

6.1. On 30 October 2024, the Chancellor presented their 2024 Autumn Budget and Spending Review to the House of Commons, alongside the publication of the Office for Budget Responsibility's new set of Economic and Fiscal Outlook forecasts. The Budget responded to the Office for Budget Responsibility (OBR) forecasts and set out the medium term path for public finances, accompanied by a one-year Spending Review covering departmental settlements for 2025/26. A further stage of the Spending Review will conclude in late spring 2025, most likely covering at least two more financial years.

6.2. There will be a real terms increase in core local government spending power of around 3.2% in 2025/26, including at least £1.3 billion of new grant funding, of which at least £600 million will be new grant funding to support social care.

6.3. An estimate for the allocations based on current allocation methodology are a £3.5m share of the £600m social funding and a £4m share of the £700m 'unringfenced' funding. However, the government is committed to reforming the approach to funding allocations by redistributing funding to ensure that it reflects an up- to-date assessment of need and local revenues. Therefore, existing methods of grant allocations will no longer be relevant.

6.4. Local authorities are expected to receive around £1.1 billion of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025, and local roads maintenance funding will be increased to £1.6 billion 2025/26.

6.5. The government will provide over £250 million to continue testing children's social care reforms, including new funding to pilot a Kinship Allowance and to create thousands of new foster placements.

6.6. The Shared Prosperity Fund will continue for a further year and be worth £900 million, in advance of wider funding reforms.

6.7. The Government will provide £233 million of additional spending in 2025/26 to prevent homelessness. This suggests the Homelessness Prevention Grant continuing for another year. An initial estimate is that funding for Plymouth could be approximately £1m.

6.8. There will be an £86 million increase to the Disabled Facilities Grant in 2025/26. An initial estimate is that funding for Plymouth could be approximately £0.400m.

6.9. Increasing funding for the core schools' budget by £2.3 billion, increasing per pupil funding in real terms. £1 billion of this funding will go towards supporting the special educational needs and disabilities (SEND) system. An estimate of Plymouth's share of £2.3 billion is approximately £10m. The estimated deficit on High Needs block at the end of 2024/25 is £20m.

For Business rates the following was announced:

- 40% business rates relief for retail, hospitality and leisure businesses, up to a total relief of £110,000 per business, in 2025/26
- freezing the small business multiplier in 2025/26, with a full CPI increase to the standard multiplier
- an intention to introduce new, permanently lower multipliers for retail, hospitality and leisure properties with a rateable value under £500,000, funded by a new higher multiplier on all properties with a rateable value of £500,000 and above

Employer's National Insurance contributions will increase from 13.8% to 15.0% from April 2025, with a reduction to the per-employee threshold at which employers become liable to pay National Insurance to

£5,000. This is an estimated impact of approximately £1.8m for directly employed PCC employees, however it has been announced this will be covered by additional funding. The impact of these increases may need to be passed on to indirect employees, for example Care Providers, without any additional funding announced.

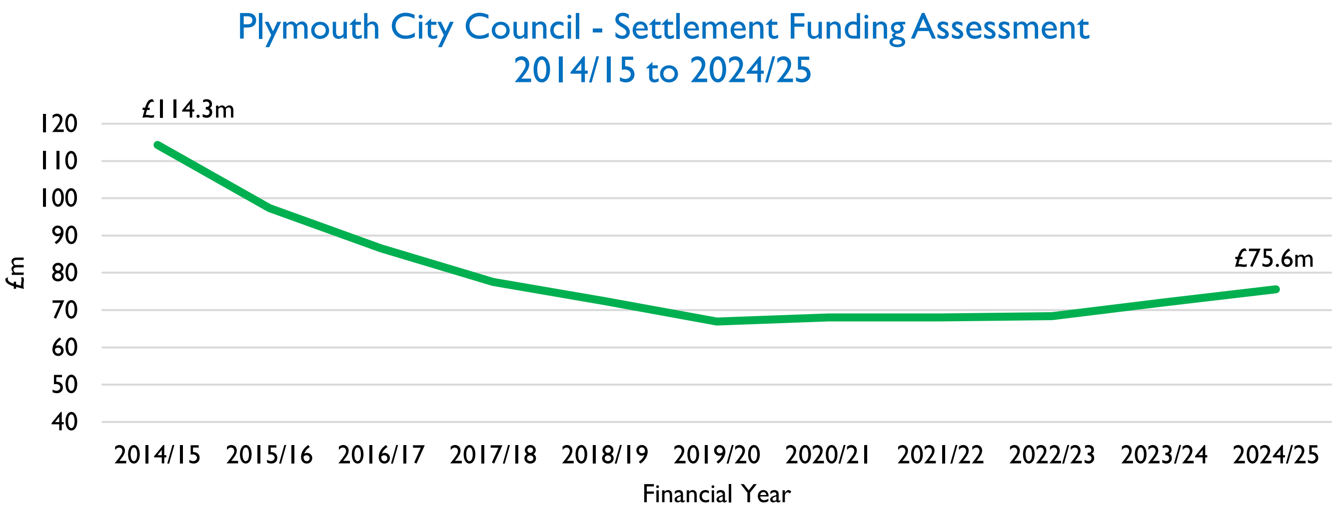
The Government is increasing the National Living Wage by 6.7%, or to £12.21 per hour, from April 2025. In addition, the national minimum wage for 18-20 year olds will be set at £10.00 an hour from April 2025 (a 16.3% increase). This increase will need to be passed on to Care Providers at an estimated costs of £4.3m for Plymouth.

There is a significant amount of uncertainty still with these announcements, and whether any additional funding, or cuts to existing grants will be announced. More information will be included in the Local Government Finance Policy Statement expected late November, with the provisional Settlement late December.

7. Settlement Funding Assessment

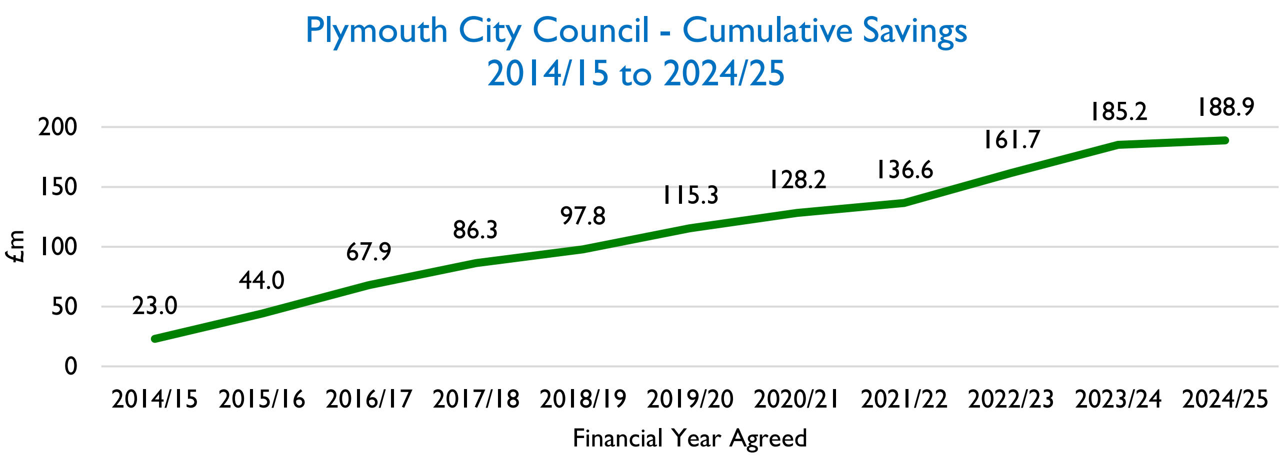
7.1. The Settlement Funding Assessment (SFA) is the Government's measure of funding required by a Local Authority to meet net revenue expenditure after allowing for income generated from Council Tax. The Settlement Funding Assessment consists of the local share of business rates, and Revenue Support Grant It is used to distribute Revenue Support Grant (RSG) to Local Authorities. In line with the previous Government's plans to reduce public sector spending, the SFA was reduced over a number of years including the amount of RSG. Inflationary uplifts have been applied since 2020/21 but don't restore reductions made in previous years and leaves Local Authorities vulnerable to inflationary swings. In 2024/25 there was an inflationary increase in the SFA of 6.7%, in 2025/26 the increase will be 1.7% as based on the September 2024 CPI rate.

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



8. Savings

8.1. In order to meet growing cost pressures with reducing funding from Central Government, the Council has agreed a cumulative total of £188.9m in savings from 2014/15 to 2024/25



8.2. It has become increasingly difficult to find savings as Services respond to increasing demand pressures and growing costs. Whilst the Council continues to maximise grant funding and other income opportunities, further savings are limited when staffing is already at minimum levels and the Service is responding to an increasing level of need.

9. Council Resources

9.1. Council Tax and Adult Social Care Precept

9.1.1. In the 2024/25 Local Government Finance Settlement, Local Authorities were given the ability to apply an increase in core Council Tax of up to 2.99% and an increase in the Adult Social Care precept of up to 2%, the Council agreed to apply these increases.

9.1.2. There is now confirmation that these levels will continue in 2025/26, and this has been incorporated within government funding models and included for the 2025/26 financial year in the MTFS.

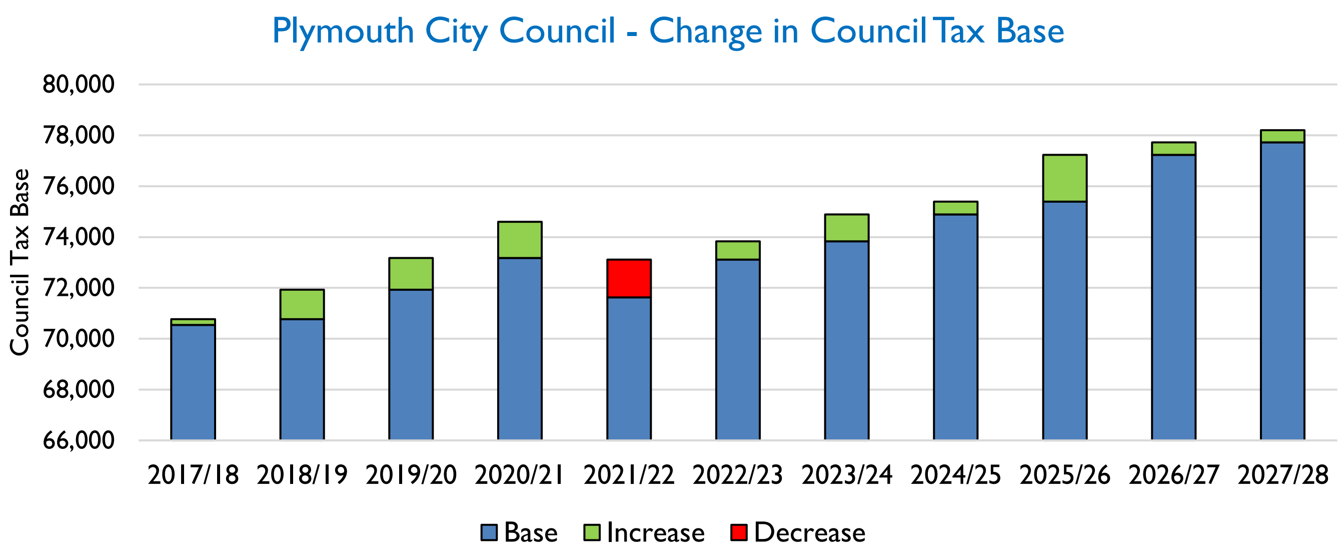
9.1.3. For 2026/27 and subsequent years, an assumption of 1.99% Council Tax plus 1% Adult Social Care precept has been modelled. For Plymouth, every quarter percent (0.25%) increase in the Council Tax would yield an additional £0.355m in 2025/26.

9.1.4. The Council Tax base that has been assumed for each financial year is shown below. The tax base for future years includes assumptions about growth in the number of residential properties and any impact of the Local Council Tax Support Scheme.

9.1.5. In 2025/26 assumptions have been made for the Empty Homes and Second Homes premiums applied in 2024/25 and 2025/26 respectively.

9.1.6. The Full Council meeting in January 2024 approved the Council Tax Base report for 2024/25. It set the number of Band D equivalent properties at 75,389, an increase of 498 on 2023/24. The assumed collection rate continues at 97.5%; this is realistic and prudent due to the current economic climate.

9.1.7. As a note, the 2021/22 Base number is showing as Red – a decrease. This was a technical adjustment in the calculation in line with the Government's revised funding during the Covid-19 Pandemic. The Base was restated in 2022/23 as shown below.



9.2. Council Tax Income

	2024/25 Budget £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
General	136.125	146.411	154.686	161.869	169.375
Adult Social Care Precept	2.643	2.843	1.502	1.572	1.645
Additional collection fund surplus	0.711	1.291	0.392	-	-
Total Council Tax Income	**139.479**	**150.546**	**156.580**	**163.440**	**171.020**

9.3. Council Tax Discounts and Premiums

9.3.1. As a result of the Levelling Up and Regeneration Act 2023 Councils can now apply empty homes premium on dwellings unoccupied for one year, rather than two. Councils also have the power to introduce a new discretionary council tax premium of up to 100% on second homes. 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%.

9.3.2. The changes to the empty homes' premium will come into effect from April 2024 and as Councils must make a determination at least one year in advance of introducing a second homes premium, this will come in from April 2025.

9.3.3. Assumptions for tax base growth for both these premiums have been included in the MTFS from 2025/26.

9.4. Council Tax Support Scheme

9.4.1. There is a statutory responsibility to implement and administer a local Council Tax Support Scheme (CTSS). Council Tax Support provides low-income households, both in and out of work, with help to pay their Council Tax. Any owner-occupier or tenant aged 18 or over who is legally responsible for the Council Tax can make a claim for Council Tax Support. The level of Council Tax Support is based on the income and circumstances of the household.

9.4.2. The Government has set the rules we must use to calculate Council Tax Support for applicants who have reached state pension age. The maximum support available is 100% of the Council Tax charge for the property. For working age people, Plymouth City Council has an Income-Banded scheme, where the maximum support will remain at 80% of the charge.

9.4.3. It is worth noting that just under 20% of all households in Plymouth are now in receipt of this support.

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Total Council Support	16.971	16.981	18.935	20.181	21.535	22.145

9.5. Business Rates

9.5.1. 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.

9.5.2. The final calculation of resources from Business Rates is determined by the completion of the Government return NNDR1 (National Non-Domestic Rates). The timing of this report sits outside of the budget setting timetable, so assumptions are required to be made as part of budget setting.

9.5.3. 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.

9.5.4. There is confirmation that the Business Rates Pool will continue in 2025/26, however there is still uncertainty as to whether Rate Pools will remain in future years, particularly if there is a fundamental review of the rating system.

9.5.5. The MTFS is modelled assuming gains from the Pool continue and are included in 2025/26 at £2.750m, then £2m with £1.750m assumed in 2027/28 and 2028/29.

9.5.6. There were several key announcements in the Chancellor's Budget, aimed at creating a fairer system for businesses. These are set out in the previous section' commentary on the

Chancellor's Budget. Local Authorities are assured there will be full compensation for the reduced income in the form of Section 31 Grants.

10. Government Grants

10.1. Revenue Support Grant (RSG)

10.1.1. 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.

10.1.2. Several years ago, RSG was a major source of funding for the Council however since the austerity measures were introduced this grant has reduced drastically.

10.1.3. 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, with an expected increase of only 1.7% in 2025/26 to £12.538.

10.2. Public Health Grant

10.2.1. 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. There has been no announcement of future grant allocations, and the MTFS assumes the value will increase each year in line with the September CPI figures.

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

	2024/25 £m	2025/26 £m	2026/27 £m	20227/28 £m	2028/29 £m
Public Health Grant allocations	16.737	17.022	18.043	18.765	19.515

10.2.3. 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.

11. Treatment of Specific Grant Funding

11.1. Housing Benefit Subsidy

11.1.1. Most housing benefit payments are subsidised at 100%. Housing Benefit Subsidy Grant is £58m for 2024/25, down from the high of £79m in 2018/19.

11.1.2. There has been an increase in housing benefit claims which do not attract full subsidy relating to Supported Accommodation at non-Registered Providers, these provisions receive either 60% or 0% subsidy above the rent officer amount depending on the vulnerability of the claimant. This gap in subsidy is estimated to be £1.7m in 24/25.

11.1.3. Overpayments of Housing Benefit in most cases attract only a 40% subsidy rate from DWP, PCC are also able to invoice clients 100% of the overpayment amount. This however leads to outstanding debtors which currently total over £8m.

11.2. Dedicated Schools Grant

11.2.1. The Dedicated Schools Grant (DSG) is a ring-fenced specific grant, provided outside the local government finance settlement. It must be used in support of schools' budget for the purposes defined in The School and Early Years Finance and Childcare Regulations 2024. The net DSG the Council received for 2024/25 is £91m and £282m 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.

11.2.2. 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 due to the statutory override legislation (currently in place until March 2026). However, accumulated school balances do form part of the Council's overall reserves and provisions. The provisional outturn 2024/25 for the Dedicated Schools Grant is an overspend of approximately £15m, which when added to the brought forward deficit from 2023/24 leaves a deficit balance of £20m. The deficit relates to increasing costs for independent sector provision for high needs pupils. Local Authorities with an overall deficit on its DSG account must be able to present a plan to the Department for Education for managing their future DSG spend. The Council are working on a DSG Management Plan which encompasses all areas of the DSG projected until the year 2030.

11.3. Pupil Premium

11.3.1. 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 or have parents who are currently serving in the armed forces.

11.4. Social Care Grant

11.4.1. The Council also receives a Social Care Grant. The additional payment is £4.131m in 2024/25 increasing the grant from £21.702m to a revised £25.833m. No additional allocation was confirmed in the Settlement for future years, but we assumed modest growth of £3.500m in 2025/26 and an additional £2m per year thereafter. The Chancellor's Budget confirmed a total sector allocation of £600m for 2025/26, which has been estimated to cover this assumed growth.

11.4.2. The announcement 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.

11.5. Adult Social Care Market Sustainability Grant

11.5.1. 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 for 2025/26 and future years.

11.6. Adult Social Care Discharge Fund

11.6.1. The Adult Social Care Discharge Fund introduced in 2023/24 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. The assumption is this will remain at this level.

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

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

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

11.7.3. The Improved Better Care Fund was first announced in the 2015 Spending Review. This is paid as a Specific Grant to the Local Authority with a condition that it is pooled into the existing local BCF plan with the ICB. 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.

12. Financing the Council

12.1. Financial Planning Assumptions

12.1.1. 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.

12.2. 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	2.00%	1.00%	1.00%	1.00%
75,389	C. Tax Base (No. of Band D equivalents)	77,232	77,719	78,207	78,694
49.9p	Increase in Small Business Rates Multiplier	1.70%	1.60%	1.70%	1.70%
£12.328m	Increase in Revenue Support Grant	1.70%	1.60%	1.70%	1.70%

12.3. Key Financial Planning Assumptions

12.3.1. Continuing one-year Revenue Support Grant settlement for 2025/26, with annual inflation uplift.

12.3.2. Multi-year settlements to commence from 2026/27; this model assumes continuation of current parameters

12.3.3. Threshold for Council Tax increases will continue at 2.99%

12.3.4. A further 2% 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 budget setting.

12.3.5. Uncertainty to future funding continues due to the continuation of a one-year settlement for 2025/26. The Government has trailed planned reform for all aspects of local government funding, including rates retention. The MTFS assumption is the current system remains, with annual inflationary uplifts.

12.3.6. Currently levels of grant funding continue, including Adult Social Care Grants, with an increase in 2025/26 to reflect the confirmation of growth set out in the Chancellor's Budget.

12.3.7. Uncertainty remains about any future Fair Funding Review.

12.3.8. 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.

12.3.9. Increased costs of meeting new initiatives.

12.3.10. 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.

12.4. Income Collection

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

12.4.1. The 2025/26 revenue budget and MTFS assumptions are based on achieving the collection targets as set out. These targets and levels of bad debt provisions are kept under regular review by the Section 151 Officer.

13. Medium Term Financial Forecast

13.1. The Council's current forecast financial position is detailed below and includes assumptions around 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.

13.2. Sensitivity to 1% Change

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

13.3. Right-sizing the Budget

13.3.1. 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.

13.3.2. Some of the assumptions incorporated into the previous MTFS and included in the approved budget for the previous year, require additional resources going forward. These include an allocation for salary related cost increases and reversing any one-off savings or spend allocations from previous periods. There are also corporate requirements which do not fall to any individual directorate.

Additional Costs – right-sizing the budget	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Salary related costs (including redundancy reserve)	5.000	4.120	4.244	4.371
Reverse S106 savings	0.900	0.980	0.900	
National Living Wage	4.427	3.530	3.000	

Reversal Prior Year MRP adjustment	0.400			
Reversal Prior Year ASC Bad Debt adjustment	0.500			
Reversal Prior Year Public Health support to ASC	0.750			
Services Grant (remaining allocation withdrawn)	0.407			
Total	**12.384**	**8.630**	**8.144**	**4.371**

13.4. Salary Related Costs (including Redundancy Reserve)

13.4.1. The Pay Award for 2024/25 has recently been announced as a flat increase of £1,290 for scale point 43 and below and 2.5% for scale points above this, including Chief Officers. The full impact is still to be calculated but is estimated to be approximately £4.5m, with the additional budget requirement added in for 2025/26.

13.4.2. The Chancellor's Budget announced an increase to Employers National Insurance from April 2025. The 1.2% increase together with the revised earnings bands would result in an increased cost of approximately £1.8m. We have been assured that this additional cost will be fully offset by additional grant funding, and therefore no allowance has been included in the MTFS. The savings proposed covering the MTFS period may necessitate departmental restructures. It is prudent to set aside an amount to cover any resulting redundancy costs, and a sum of £0.5m has been allocated as a one-off in 2025/26.

13.5. Reverse S106 Savings

13.5.1. 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 s106, adjustments will be made over the next 3 years to rebalance this budget.

National Living Wage

The council is committed to passing on to our Adult Social Care providers the additional cost of increases to the National Living Wage (NLW). The Chancellor confirmed from April 2025 an increase to £12.21 per hour. This increasing cost is shown separately in our additional costs analysis but is a key driver in the increasing costs of providing our Adult Social Care packages and services. For 2025/26 this requires £4.427m. There is no growth shown in 2028/29 on the assumption the NLW will have been consolidated into pay increase awards as a government strategy. For our own workforce, the Council pays the Foundation Living Wage which is confirmed as £12.60 from April 2025.

Reversal Prior Year MRP / Bad Debt adjustment

A one-off adjustment to the Minimum Revenue Provision of £0.400m was included in the 2024/25 budget, this is being reversed out in 2025/26 to replenish the Provision.

A one-off adjustment to the ASC Bad Debt Provision of £0.500m was included in the 2024/25 budget, this is being reversed out in 2025/26 to replenish the Provision.

Reversal Prior Year Public Health contribution to Adult Social Care

A one-off adjustment to the Public Health reserve of £0.750m was included in the 2024/25 budget, this is being reversed out in 2025/26.

Services Grant (remaining allocation removed)

There has been no confirmation of the continuation of the relatively newly introduced grant. This takes the revised allocation to zero. Confirmation will be advised as part of the provisional Settlement in December.

Demand-Led Pressures

In addition, we need to consider the following demand-led cost pressures, currently under review.

Within the MTFS the following assumptions have been made for increased budget requirements within demand-led services. Figures are based on cost and volume analysis based on data held on current demand levels, historic trends and forecasts for future need.

**Education, Health and Care Plans (EHCP)*

Budget Pressure	2025/26 £m	2026/27£m	2027/28£m	2028/2£m
Adult Social Care – volume and inflationary increases	5.135	2.453	4.035	3.000
Children's Social Care – increased numbers of higher cost placements	4.612	3.000	3.000	3.000
SEND Home to School Transport – increasing numbers and costs of routes	0.742	1.158		
SEND 0-25 Team – increased EHCPs* requires additional staffing, one off	0.770	(0.770)		
Total	**11.259**	**5.841**	**7.035**	**6.000**

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.

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.

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. The Quarter 2 position for 2024/25 shows an overspend of £7.055m. This needs to be addressed in future year allocations.

The Quarter 2 forecast within Community Connections, within the Adults, health and Communities Directorate, is reporting additional pressures of £1.630m for 2024/25 with £0.380m directly relating to provision of emergency accommodation for homeless families. Adults Social Care had pressures on care package budgets of £1.250m.

Social Care, Homelessness and SEND Transport are all consistently appearing as pressures areas in Council budgets across the country.

Within Adult Social Care, we pass on funding for inflationary increases to Care providers through care package fee uplifts and the Service is also seeing increasing numbers of clients in higher cost packages, outside of banded fee rates, due to increasing complexity of need.

Revised modelling on client income assumptions has also been included within the 2025/26 budget requirement, to more accurately reflect income levels than current budgeted levels.

The Children's social care service is experiencing increased placement costs and demand has led to Service needing to use more unregistered placements to meet more complex needs, these placements are at much higher cost than alternatives, plus increased numbers of children placed outside of the City results in increased average weekly costs of placements.

Increasing numbers of pupils with EHCPs, lack of special school placements within the City and more pupils in Independent Sector provision has lead to pressures on the Home to School Transport budget, through increasing numbers and more expensive routes being needed.

The growth on the 0-25 team will allow the service to meet the trajectory for improving statutory timelines and clear the backlog of claims. This will improve the pace at which plans can be drafted and rebuild confidence with all partners to ensure children & young people have access to the appropriate support.

Other Pressures Identified

Details of other budgetary pressures included in the MTFS are shown below.

There are only pressures identified for the next two years as each of these pressures is an uplift to the base budget and remain in the costs until no longer required.

Other Pressures Identified	2025/26 £m	2026/27 £m
Funding the Capital Programme	7.200	2.416
Audit Additional Costs	0.220	
ICT Additional Costs	0.650	0.049
Income Recovery Team	0.212	
Environment Bill	0.250	0.250
Street Services Restructure	0.375	0.125
Bereavement Additional Costs	0.483	
Windsor House	0.076	
Capital Receipt Reversal 26-27		0.770
Foster Carer Additional Allowance	0.225	

Climate Fund	0.250	0.250
Total	**9.941**	**3.860**

The largest of these is Treasury Management; growth of £7.200m has been factored into the MTFS since 2024/25 to allow for assumed borrowing costs to fund the current Capital Programme. £5.000m of this was funded by one-off reserves in 2024/25. There are a series of assumptions behind the calculation, resulting in a series of reprofiling of the programme and sensitivity to interest rate levels.

The audit fees are set nationally by the Public Sector Audit Authority (PSAA). In the period leading up to and including the Covid pandemic, fees were kept relatively low. The new fees advised for 2025/26, and future years include a resetting of the costs, requiring a large increase in allocation.

The cost increases within ICT have been hard to avoid, as inflation is a factor influencing the entire market, cyber security is seen as a vital insurance to protect the systems and data our services and residents rely upon, and licencing is a requirement for staff working with technology. Whilst the Council continues to increase the number of staff requiring systems access these costs will continue to rise.

Income Recovery Team have been allocated £0.212m to fund the additional resources in place from 2024/25. They have proven to be successful in increasing our collection of both business rates and council tax, with the additional income included in the resource models.

The current grant revenue funding levels for the introduction of food waste are not explicit or clear but are likely to be less that we require to introduce the service in April 2026. Both transitional (pre roll out) and ongoing (post roll out) revenue is expected and based on the Capital grant we anticipate this could only cover 60% of the required costs. Moreover, we already know that the capital funding is less than we require and costs for equipment (vehicles and containers) are escalating as demand increases. This will require further service borrowing. Moreover, our general growth profile will show a steady increase in housing stock during the coming years and therefore greater operational costs in relation to waste collection and disposal. £500k additional revenue funding spread over two years is the minimum level of funding we require to deliver across the range of statutory waste services.

Within the Growth Directorate, Street Services includes the Council's most visible and high-profile services, namely Street Scene and Waste. The department delivers a range of highly valued frontline services, including street cleansing; grounds maintenance; domestic and commercial waste collection and operates two Household Waste and Recycling Centres (Chelson Meadow and Weston Mill). In addition, it contract manages the materials Waste Recycling Facility at Chelson Meadow. It is important that we get the basics right, which means repairing damaged roads, keeping the streets and gardens clean and tidy and dealing with waste. This allocation of £0.5m over two years will ensure that the service has the required resources to deliver these vital services for the people of Plymouth.

The Bereavement Service requires an additional allocation to cover increased running costs and the higher cost of utilities. It should be noted, although these additional costs are shown here, the service is also setting savings targets to cover these costs.

Windsor House has been repurposed with an anchor tenant from January 2025, with plans for the tenant to occupy the whole building within two years. The Growth Directorate has taken ownership of the building, under the umbrella of the Property Regeneration Fund. There is a residue cost of £0.076m which will be funded corporately.

Capital Receipt Reversal repays the monies used as a one-off funding for Children's Services 0-25 ECHP team, as described earlier in this report.

As part of our improved offer to Foster Carers, at the July 2024 Cabinet it was agreed to implement an allowance equal to their own council tax liability for Plymouth City Council Foster Carers from April 2024. This will include arrangements for those living outside of Plymouth to reclaim their payments.

There is a long-standing commitment to our Net Zero ambitions, which includes allocating an additional £0.250m each year to finance borrowing costs for capital projects. This arrangement was agreed to level out once the funding reached an annual £1m. Hence the MTFS includes the last two instalments.

The Council's Reserves

The Council has created several specific reserves and provisions to plan for known and anticipated future revenue costs. We 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 several 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 £329.710m; 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.

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 2023/24 financial year

Reserves	31 March 2023 £m	31 March 2024 £m
General Fund Balance (Working Balance)	13.238	13.238
Earmarked General Fund Reserves	43.469	44.286
Capital Receipts Reserve	17.207	14.339
Capital Grants and Contributions Unapplied	45.874	39.855
Total Usable Reserves	**119.788**	**111.718**
Total Unusable Reserves	**322.115**	**319.474**
Total Reserves	**441.903**	**431.192**

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

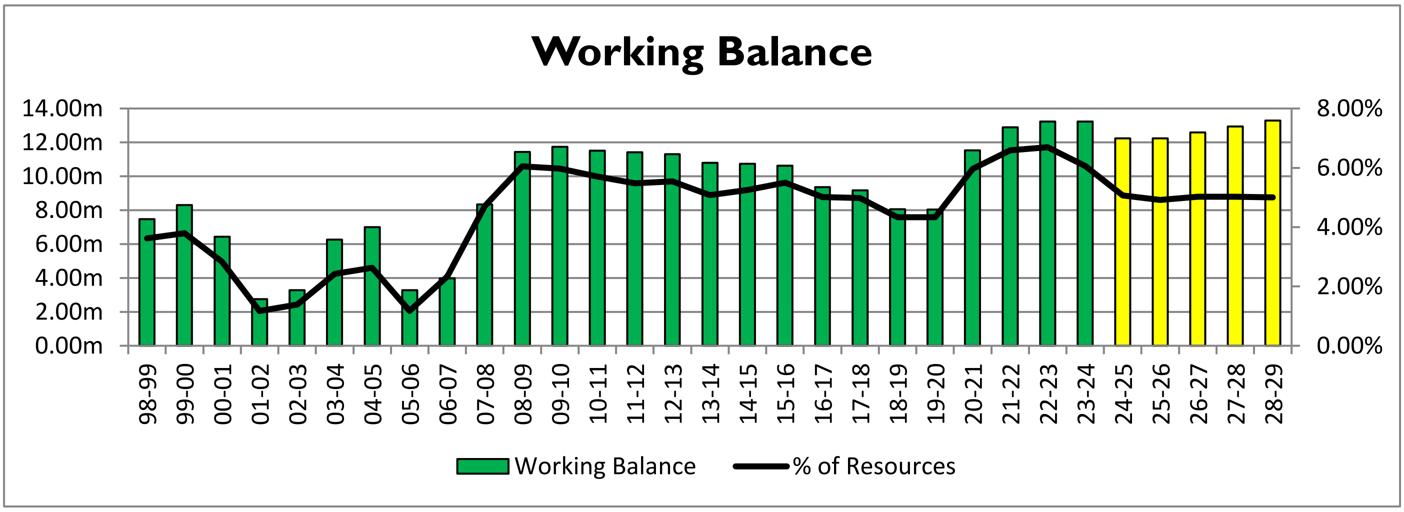
A brief description of the purpose of each of our significant reserves and provisions is as follows:

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. The minimum level for the Working Balance has been agreed as 5% of the net revenue budget.

In 2024/25 it has been possible to retrospectively apply additional funding no longer required within the Minimum Revenue Provision to the Working Balance. A transaction previously treated as capital has been restated as a revenue transaction, so the provision is no longer needed.

£3.494m has been added to the Working Balance for 2020/21 and further £1.000m in 2021/22 bringing the Working Balance at the end of 2023/24 to £13.238m which is 5.05% of the 2024/25 net budget and will ensure that a 5% level is maintained through to the end of the MTFS period in 2028/29.



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 2024 balance relating to the school budget share was £3.149m (31 March 2023: £3.662m).

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

Interest Rate Swap Reserve – The Interest Rate Swap Reserve holds gains from fair value movements in interest rate swaps. These gains will reverse over time as the swaps near maturity and are therefore not used to finance revenue expenditure

Financial outlook for 2025/26 and after

The 2024/25 Budget has promised multi-year settlements but commencing in 2026/27, and probably for a maximum of two years. Meaning the local government finance settlement for 2025/26 will be for 1 year only.

We have been promised the introduction of a revised formula for the allocation of grant funding, possibly for the 2025/26 allocations. We have further been promised a full review of all the grant allocations and funding for adults, children's social care and homelessness amongst other areas. 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 2026/27.

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.

Savings/Additional Income

Directorates have been working on evidenced savings proposals for 2025/26 and 2026/27 to support budgets and will continue to do so during this year as part of budget setting.

Also, within the MTFS are assumptions around additional income expected, the largest one being an assumed uplift of £3.500m to Social Care Grant funding. This has been confirmed for 2025/26 onwards. This has been assumed to increase by a further £2m in 2026/27.

There is an additional assumption of a further £1.508m for adult social care during 2025/26.

Having reached the ten-year anniversary of the Energy from Waste plant, the contract now provides for the receipt of an annual dividend. This is based on energy prices and the volumes of waste processed, but for 2025/26 the benefit is £1.3m. This is assumed to continue for the period of the MTFS period.

In 2025/25 there is also the drawdown of £0.770m of capital receipts to fund the 0-25 team within the Children's Directorate. The details are set out in detail earlier in the report.

The total figures assumed for savings and income within the MTFS are shown in the table below.

Savings	2025/26 £m	2026/27 £m
Additional Income Assumptions	(7.078)	(2.000)
Directorate Savings Plans	(10.751)	(3.313)
Total	**(17.829)**	**(5.313)**

Directorate Savings for 2025/26 can be summarized as:

Savings	2025/26 £m
Operating Models / staffing changes	(1.920)
Consolidate existing vacancies	(0.917)
Partner contributions / contract management	(1.379)
Demand management	(0.312)
Budget adjustments	(3.421)
Fees and Charges / additional income	(2.152)
One-off reserves	(0.650)
Total	**(10.751)**

The table below sets out the current overall position for 2025/26 onwards, which shows the Council is still required to achieve annual savings of £3.086m in 2025/26 and cumulatively £9.876m in 2026/27.

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. Additional savings opportunities will also be worked up as we prepare for the preparation of a balanced 2025/26 Budget in February 2025.

Feeding these savings and income assumptions into our financial model together with revised resources assumptions gives the following position.

Resources	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
RSG	(12.328)	(12.538)	(13.290)	(13.821)	(14.374)
Council Tax	(139.479)	(150.546)	(156.580)	(163.440)	(171.020)
Business Rates	(84.815)	(85.488)	(85.273)	(85.351)	(86.045)

Reserves	(5.000)	-	-	-	-
Core Resources	**(241.622)**	**(248.571)**	**(255.144)**	**(262.613)**	**(271.440)**
Base Budget b/forward		236.622	252.377	265.020	278.199
Add Right-sizing costs / adjustments		12.384	8.630	8.144	4.371
Add Demand-led pressures		11.259	5.841	7.035	6.000
Other pressures		9.941	3.860		
Savings/Income identified		(17.829)	(5.688)	(2.000)	
Total Net Expenditure	**241.622**	**252.377**	**265.020**	**278.199**	**288.570**
(Surplus) / Deficit	**0.000**	**3.806**	**9.876**	**15.586**	**17.130**

Capital Budget and Programme

Planned capital expenditure and the associated financing is detailed within the budget report approved by Council in March 2024. 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 2025. The programme will be reviewed and re-profiled in light of inflationary, interest rate and priority changes.

At the end of quarter 2 (September) 2024/25 the amended Capital Programme for the period 2024/25 to 2028/29 stands at £372.669. Funding for the Capital Programme consists of three main components; grant funding received from other organisations, but mainly government departments £122.570m (32.9%); borrowing funded by departments £124.014m (33.3%) and borrowing funded from corporate resources £91.918m (25.4%). The remaining 8.4% comes from funds released by the sale of assets, known as capital receipts £16.549m and contributions from other organisations, mainly developers £17.618m.

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.

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Children's Services	0.735	0.114				**0.848**
Adults, Health and Communities	28.120	11.922	0.842	0.164		**41.048**
Growth - Economic Development	34.082	32.181	42.215	16.715	12.582	**137.775**
Growth - Strategic Planning & Infrastructure	61.444	49.298	28.915	0.672	0.275	**140.605**
Growth - Street Services	24.860	11.835	0.295	0.234	0.212	**37.435**
Customer and Corporate	3.465	4.093	0.728	0.280	0.101	**8.667**
Office for Director of Public Health	6.221	0.070				**6.291**

Total	158.927	109.513	72.995	18.065	13.170	372.669
Financed by:	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Capital Receipts	3.230	1.763	9.368	0.180	2.008	**16.549**
Grant Funding	87.765	34.565	0.023	0.023	0.193	**122.570**
Corporately Funded Borrowing	32.621	35.352	22.539	0.860	0.545	**91.918**
Service Supported Borrowing	28.800	33.872	34.100	16.920	10.322	**124.014**
Developer Contributions	3.968	3.129	6.921	0.082	0.102	**14.202**
Other Contributions	2.542	0.831	0.043			**3.416**
Total	**158.927**	**109.513**	**72.995**	**18.065**	**13.170**	**372.669**

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.

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.

There is regular engagement with the Council's Treasury Management advisors, Arlingclose, and their advice is sought on 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 funding 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 provide 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.

Closing the financial gap and Medium-Term Financial Strategy

The MTFS highlights a budget shortfall of £3.806m in 2025/26 rising, without mitigations to £22.731m by 2028/29.

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 set out below.

Transformation of Service Delivery

The combination of growth in demand, ambitious plans and reduction in grant funding for Councils has required us to respond strategically to deliver services over the last 12 years.

Our first wave of change in our transformation covered:

In 2014 we **integrated social care** with our CIC community health services provider and set up joint commissioning arrangements and an innovative s75 arrangement with the CCG (now ICB). These arrangements created both savings and a streamlined service provision for patients and clients.
Our **Growth and Municipal Enterprise** strand concentrated on increasing the council's income through maximising the New Homes Bonus (NHB), increasing the commercialisation of place-based services including the introduction of an asset investment fund with the twin aims of rejuvenating the city and increasing business rates income. In the first four years this produced an additional income of £13.6m.

Corporate programme:

- Improving customer services with user led digital services and a focus on "getting it right for customers, first time" saving around £1m pa.

- Improving skills retention and staff engagement though modernisation of our approach to people management and organisational development.
- Saving money by reducing our accommodation - exit of the Civic Centre (investment of £6m to achieve cost avoidance of £69m - refurbish the office space).

Our second wave of Transformational change covered:

New ways of working - exploiting collaboration tools to work more efficiently including hybrid working – allowing the Council to maintain delivery during lockdown.

Creating a **'one council' approach** - delivering business support and transactional services under a single organisation structure to focus on economies of scale and innovation – saving £1.8m.

Optimising our assets - continued programmes to streamline, simplify and share technology, rationalising our corporate estate and further developing our family of companies.

Delt Shared Services Ltd was founded in 2014 by Plymouth City Council and NHS Devon to run IT services for both partners. Since its creation Delt has grown from revenues of around £9m pa to revenues of over £25m pa, and employment in Delt has grown from a headcount of 95 to around 250 currently. Delt has also broadened the range of services it provides from IT to payroll, printing, facilities management, procurement and finance, to public sector clients in Plymouth and the wider Southwest.

We have also undertaken end to end reviews of services, such as Street Services to maximise efficiency and to help create new income streams generating a gross benefit of over £1.5m pa through commercial offers for waste services.

Our current Transformation portfolio:

Focus on services where there is the biggest demand

- Ensuring Plymouth responds to the changes in client demand and regulatory expectation for Adult Social Care services.

- Implementing plans to continue to keep children safe in the city and manage demand to balance the budget for these services.

- Creating greater capacity in the city and reducing dependency on temporary (B&B) accommodation by investing £15m in a property portfolio which will drive £1m savings pa and avoid a further £1m of increasing costs pa.

The way we work

- Further accommodation rationalisation – exit of two major office buildings saving £900k pa holding costs and likely capital receipts of between £1m and £2m.

- Investing in technology (specifically robotic process automation) to drive efficiencies and aid decision making through turning data into intelligence.

- Community empowerment – working with our communities more closely to ensure some of the most difficult social issues are addressed.

- Through innovation and modernisation of our services to deliver our target operating model, in the period from 2014/15 to 2023/24 we have delivered cumulative savings of £185.2m, of which the 2023/24 savings were £23.4m.

Alongside the large transformation programmes, the Council has also delivered efficiencies from smaller change initiatives delivered across the organisation. These changes have created savings and many other commercial opportunities. The combined effects of the transformation and smaller initiatives has helped avoid having to make further cuts to essential services.

We have streamlined our senior management structure, driving out a £0.960m saving in 2013/14 through a major restructure of our management layers and spans of control, with a further reduction of £0.200m in 2023/24. We are the leanest we have ever been and will constantly keep our structures under review to determine the best way of delivering services.

More recently the Council has embarked on two new commercial ventures, The Plymouth and South Devon Freeport Company, which is a partnership between the public and private sector established in 2022 following our successful bid to host one of the eight English freeports, and the Plymouth Sound National Marine Park Charitable Incorporated Organisation (CIO), established to create the country's first National Marine Park.

Our Response to the Challenges

Plymouth City Council is committed to continuous improvement as we look to the future. The challenges ahead remain substantial, but we are determined to meet them head-on. Through our new three-year Organisational Effectiveness Plan, we are building on our successes to become more resilient, efficient, and impactful. By strengthening our foundations and adapting to new pressures, we aim to set a course that will see us through the next three years with both stability and ambition.

Organisational Effectiveness

Organisational effectiveness is fundamental to Plymouth City Council's success, ensuring our operations are as efficient and impactful as possible. A successful organization continually questions its operational efficiency, employee performance, and leadership styles. Throughout the past year, we have invested in improvements across recruitment, procurement, data presentation and analysis, management development programs, and critical services, especially within Children's Services.

The true test of our organizational strength came with our response to Operation Foster - the major Keyham bomb incident - while maintaining our core activities. The Council rose to the occasion, demonstrating agility, resilience, and commitment. Moving into 2025-26, our focus on effectiveness remains unwavering. We will expand management and leadership programs, introduce a new People Strategy, streamline technology use, and launch an updated customer services strategy. These initiatives, aligned with our corporate plan, will simplify work for our staff and improve service access for our residents.

Changing and Transforming the Council

The Council's transformation journey is one of adaptation, learning, and development, driven by increasing demand, ambitious goals, and the realities of reduced funding. Over the last 12 years, we have strategically redefined our approach to delivering services, continually refining our operations to make the most of available resources.

Our transformation efforts have focused on key areas like integrating social care, increasing income through the commercialization of place-based services, and developing a "right-first time" customer service program. To empower our staff, we have implemented new collaborative work models, including hybrid working, and restructured our business support functions. These changes alone have saved £1.8 million by optimizing our asset base and simplifying technology. We also consolidated our corporate estate and expanded our family of companies.

As we look forward, we are driven by our core priorities: focusing on customer needs, empowering communities, ensuring financial stability, delivering services that inspire confidence and trust, and reducing our carbon footprint. Our operating model reflects a pragmatic approach, recognizing that the Council can no longer do everything and prioritizing services where there is the greatest demand:

- **Adult Social Care**: Responding proactively to shifting demand and regulatory expectations, ensuring services adapt to meet these evolving needs.
- **Children's Services**: Implementing robust plans to safeguard children across Plymouth while carefully managing budgets in light of increasing demand.
- **Temporary Accommodation**: Investing £15 million in a property portfolio to create greater capacity and reduce reliance on costly temporary solutions like B&Bs. This investment will drive an estimated £1 million in annual savings and prevent a further £1 million in increasing costs.

Continuing to Transform the Way We Work

The Council's transformation efforts are designed to create a leaner, more agile organisation that operates efficiently. Key initiatives include:

- **Accommodation Rationalisation**: Exiting two major office buildings, which is anticipated to save £900,000 annually and generate capital receipts between £1 million and £2 million.
- **Technology Investment**: We are investing in automation and Artificial Intelligence to enhance decision-making and turn data into actionable insights.
- **Community Empowerment**: Collaborating closely with our communities to address some of the most challenging social issues, empowering residents to take a more active role in solutions.
- **Innovation and Modernisation**: Since 2014/15, our transformative approach has delivered cumulative savings of £185.2 million, including £23.4 million in 2023/24 alone.

Smaller change initiatives have also delivered efficiencies and commercial opportunities, allowing us to avoid further cuts to essential services. A significant change in our senior management structure in 2013/14 generated £960,000 in savings, with an additional £200,000 reduction in 2023/24. We remain committed to a lean structure that supports service delivery.

Recent commercial ventures include the Plymouth and South Devon Freeport Company, a public-private partnership established in 2022 after our successful bid to host one of England's eight freeports. Another major initiative is the Plymouth Sound National Marine Park, established as a Charitable Incorporated

Organization (CIO) to create the UK's first National Marine Park. Our goal is to continue enhancing our data insights to improve both service quality and strategic planning.

Our Approach to Balancing the Books

Our financial approach centres on strategic revenue maximization, cost optimization, and demand management. This includes maximizing income within Children's Social Care, Short Breaks, and Adult Social Care by strengthening joint funding strategies and conducting a comprehensive review of the Better Care Fund. By taking a proactive approach, we aim to better balance the costs and services required to support our community.

Demand Management

The Council is focused on managing demand for services in areas of high need, while seeking to provide long-term, sustainable support.

- **Homelessness Provision**: Demand remains high, but our emphasis on early intervention and "front door" prevention has helped manage some pressures. We delivered 27 new units in 2024/25 and anticipate delivering an additional 114 units in 2025/26. We are also exploring partnerships with organizations such as BCHA and PCH to increase available temporary accommodations.
- **Adult Social Care Provision**: The new Colwill and The Vine facilities, expected in May 2026, will expand day and respite services, reducing the need for high-cost out-of-area placements. Additionally, our Housing Needs Assessment has identified ways to support people who may provide Adult Social Care services within the community.
- **Children's SEND Provision**: Plymouth has seen a 9.6% increase in children with an Education, Health, and Care Plan (EHCP) since 2022/23, reflecting a national trend. With the SEND Sufficiency Plan approved in September 2024, we aim to expand and reconfigure our special educational estate, reduce reliance on costly independent placements, and strengthen mainstream schools' capacity to serve complex needs. Key next steps include forming a project team, assessing site viability, and establishing timelines for feasibility and procurement.

Children's Homes – Residential and Short Breaks

The "Family Homes for Plymouth Children" program envisions Plymouth City Council as a direct provider of residential care for children. The proposal includes three core elements:

1. A hub for short residential breaks for children with complex health needs and disabilities.
2. Residential care options with a "circuit break" component for children in care.
3. Dedicated residential services for children with complex emotional and behavioural needs, developed in partnership with the ICB.

Income Generation – Growth and Municipal Enterprise

Our strategy for growth and municipal enterprise involves leveraging property and regeneration to support revenue generation and economic development.

- **Property and Regeneration Fund (PRF)**: Since 2016, the PRF has invested £205 million across 27 property assets, generating a net income of £21 million after costs. This investment has created approximately 215,000 sq. ft. of Grade-A employment space, supporting over 650 full-time jobs.

Business rates generated by these developments also add value, though they are not included in the PRF's net income figures.

- **Fees and Charges**: Each year, we adjust over 600 fees and charges in line with CPI and inflation. For 2025/26, we have set a minimum uplift of 5% across services, from building control applications to library fees, contributing essential revenue to departmental budgets. Parking fees are similarly reviewed, with CPI-linked increases included in budget calculations.

Driving Efficiencies

Efficient operations are a priority, ensuring that we maximize resources while preserving service quality.

- **Home to School Transport**: Rising EHCP demand and limited city-based SEND provisions have stressed transport budgets. We are optimizing routes, increasing minibus capacity, promoting independent travel training, and revising policies for efficiency.
- **Adult Social Care Contracts**: Through contract reviews, we have identified potential reductions for 2025-27, applying a cost/benefit lens to ensure sustainable service delivery without compromising quality.

Enablers of Change

The Council's transformation is underpinned by initiatives that enhance our capacity and capabilities.

- **The Way We Work**: This program focuses on reducing accommodation needs, modernizing assets, and creating shared spaces. Flexible work, public access, and reduced accommodation costs are essential drivers, aligning with our carbon neutrality goals by 2030.
- **Asset Management Plan**: The Council's Asset Management Plan will be refreshed in 2025/26, as we continue to rationalize our estate. To date, we have disposed of 197 assets, generating £25.4 million. Recent examples include vacating Midland House (saving £150,000 annually) and transferring Windsor House to the PRF, reducing costs by £600,000 annually.
- **IT and Digital Investment Strategy**: The 2025-27 IT Strategy aims to secure reliable systems, support hybrid working, and enhance public services. Recognizing rising cybersecurity risks, we have fortified protections to maintain service continuity, while focusing on value, security, and innovation. Key strategy principles include standardization, simplification, shared practices, and, where beneficial, income generation.

Looking to the future

Plymouth City Council is on a solid path toward sustainable growth and service excellence. By focusing on organizational effectiveness, transformative strategies, financial stability, demand management, and continuous improvement, we are well-equipped to navigate the next three years. With a robust plan in place, our commitment remains firm: to serve Plymouth's residents with efficiency, transparency, and resilience, building a city where everyone has the opportunity to thrive.

Conclusion

Plymouth City Council is on a solid path toward sustainable growth and service excellence. By focusing on organizational effectiveness, transformative strategies, financial stability, demand management, and continuous improvement, we are well-equipped to navigate the next three years. With a robust plan in place, our commitment remains firm: to serve Plymouth's residents with efficiency, transparency, and resilience, building a city where everyone has the opportunity to thrive

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.

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 monthly and report to Cabinet on a quarterly basis.

It is important to note that the revised forecast represents the best estimate of the forecast position moving forward. However, there are risks associated with these revised forecasts. The main risks are:

- **Financial** – most of the future years' forecast and model is based on a series of assumptions, the further into the future you look the higher the risk that these assumptions are inaccurate.
- **Political** – The 2025/26 local government finance settlement will be only for 1 year. Changes to the local government finance system have been deferred until 2025 at the earliest, with a Spring Finance Event scheduled. The Chancellor has indicated wide ranging reforms to key funding areas, including adult and children's social care. The impact of any positive or negative change to our future funding because of any such changes and sufficiency of funding for any social care reforms will need to be considered in due course.
- **Treasury Management** – the MTFS is based on a reasonably stable global financial position going forward. If the assumptions change it may have a major impact on the financial position of the council particularly around the cost of borrowing.
- **Capacity and skills –** transforming the way we work and our approach to long-term financial solutions, as set out in the MTFS, will require additional capacity and different skills to be employed. We will ensure projects are not compromised by ensuring the required resources are available as required.

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

At this stage, savings have not been identified to help offset future pressures. With reserves having been depleted to balance recent financial years' outturns there is little opportunity to replenish in the short term.

We will continue to have 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.

We must find the required savings and identify efficiencies to close the 2025/26 financial gap ahead of the Full Council Budget meeting in February 2025. We will not have full clarity of grant allocations until the December Provisional Settlement. In the period from now until February, the MTFS will be presented to the Scrutiny Board in December and senior officers and the Cabinet will continue to work towards the February deadline.

An MTFS does not replace the annual budget setting process; it supplements and sets out a future view of risks and opportunities. The final decision on key elements, including any changes to the Council Tax, including the Adult Social Care precept, rests with the Full Council at the February budget meetings each year.

Medium Term Financial Strategy

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