

Date of meeting:	24 February 2025
Title of Report:	Revenue and Capital Budget 2025/26
Lead Member:	Councillor Tudor Evans OBE (Leader)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	David Northey, Section 151 Officer Helen Slater, Assistant Head of Finance Wendy Eldridge, Lead Accountancy Manager Capital and Treasury
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Your Reference:	Fin/Bud/2025/26
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Under the Council's Constitution, the Council is required to set a balanced Revenue and Capital Budget and set the Council Tax for each financial year. This report:

- Provides the context for budget setting, both in terms of the Council's strategic objectives for the city and the local government landscape nationally
- Sets out the Service Director for Finance's (Section 151 Officer) budget robustness statement as required by law
- Summarises financial risks, including the implications of a possible Exceptional Financial Support Capitalisation Direction from the Ministry of Housing, Communities and Local Government (MHCLG)
- Sets out revenue budget planning assumptions in respect of income, approved savings plans and resource requirements for 2025/26
- Sets out the Capital budget, Capital Financing Strategy and the Treasury Management Strategy for 2025/26
- Sets out the Medium Term Financial Plan for the period 2025/26 – 2029/30
- Seeks approval of Council Tax levels for 2025/26, including an Adult Social Care Precept

Recommendations and Reasons

The City Council is recommended:

- I. To note that this proposed budget has been based on the Letter of Assurance received in February 2024 from MHCLG (DLUHC as was), in reference to the accounting treatment of the Council's pension arrears in 2019/20.

2. To approve the proposed net revenue budget requirement for 2025/26 of £253.418m including the sum of £0.410m from the Working Balance to cover the cost of the referendum for a directly elected Mayor resulting from the receipt of a petition to that effect.
3. To approve Council Tax levels for 2025/26 as detailed at Appendix 1
4. To note that the precept to the Council issued by the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area, has been confirmed
5. To note that the Devon and Somerset Fire and Rescue Authority precept has been confirmed for 2025/26
6. To note the Financial Risks as set out in Appendix 7
7. To note the section from the Council's Section 151 Officer (Chief Finance Officer) on the robustness of the budget estimates and the adequacy of the level of reserves.
8. To note the Capital budget of £395.864m for 2024/25 to 2028/29
9. To approve the Capital Financing Strategy 2025/26 as detailed in Appendix 10
10. To approve the Treasury Management Strategy 2025/26 (incorporating the Non-Treasury Management Strategy and the Minimum Revenue Provision Statement) as detailed in Appendix 11
11. To approve adjustments to the Minimum Revenue Provision as set out in the Minimum Revenue Provision Statement within Appendix 11
12. To approve the use of flexible capital receipts as set out in Appendix 8 to a maximum of £2.088m
13. To delegate responsibility for any technical accounting changes which may arise after the Budget to the Section 151 Officer in consultation with the Portfolio Holder for Finance.
14. To approve the Medium Term Financial Plan for the period 2025/26 to 2029/30 as set out in Appendix 12
15. To approve the Tamar Bridge & Torpoint Ferry Joint Committee 2025/26 Revenue Budget and Capital Programme and the 2025/26 draft Business Plan, as referenced in Appendix 15.

Reason:

Setting a balanced budget is a statutory requirement. The obligation to make a lawful budget each year is shared equally by each individual Member, discharged through Council. Options for achieving a balanced budget have been considered in the preparation of the proposed budget set out in this report.

Alternative options considered and rejected

1. Not to bring forward proposals in respect of the 2025/26 Budget – rejected on the basis that the Council must agree a balanced budget before the start of the next Financial Year.
2. To propose an alternative budget which takes account of no Capitalisation Direction. As discussions are on-going with MHCLG and close to a conclusion, it is not felt necessary to undertake this at present. If a Capitalisation Direction is not forthcoming, an alternative budget will be developed with the Cabinet and proposed to the Full Council as required. At that stage, it is likely that the S151 Officer would propose the issue of a S114 Report.
3. Alternative approaches to the Council's proposed Treasury Management Strategy are set out in section 8 of Appendix 11.

Relevance to the Corporate Plan and/or the Plymouth Plan

The development and approval of the annual budget and the Medium Term Financial Plan (MTFP) is fundamentally linked to delivering the priorities within the Council's Corporate Plan.

Implications for the Medium Term Financial Plan and Resource Implications:

The implications of the 2025/26 budget have been incorporated in the revised Medium Term Financial Plan presented as part of this report.

Financial Risks

The Council is a complex service organisation with a gross revenue expenditure budget exceeding £650m. In preparing this budget it was essential that careful consideration was given to all factors to ensure they are, once approved, both robust and deliverable within the overall budget allocations that are available. The scale of the financial challenges facing the Council is very clear.

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. We must also consider the impact of the 2024/25 forecast overspend. Additional allocations have been made in this budget but remain a risk, given the Council's comparatively low levels of financial reserves. Each savings proposal carries its own risks, but the additional savings are minimal with mitigations in place. These will be closely monitored during the financial year.

The 2025/26 Budget as set out cannot balance without the Capitalisation Direction, known as Exceptional Financial Support, requested from MHCLG. The receipt of an "In Principle" letter has provided assurance to the Section 151 Officer that this budget can proceed, but there remains a risk if the Capitalisation Direction is not received.

The Capital Programme is subject to a full analysis and prioritisation to ensure its affordability within the financial envelope available. Council is recommended to approve the programme as it currently stands.

This report includes the Council's Section 151 Officer's statement giving their view as to the robustness of the proposed budget.

Carbon Footprint (Environmental) Implications:

No impacts directly arising from this report. As the recommendations of this report relate to the overall revenue and capital budget, the scope of the decision covers all its activities. There will be carbon footprint implications arising from the activities financed by the budget, negative or positive, but these can only be effectively assessed on a case-by-case basis. The Council's commitments to the net zero agenda, as for any other agenda, will always sit within the financial context it is working within, but by taking a three-year perspective, the Net Zero Action Plan enables the Council to take a medium-term view which will assist with financial planning.

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

Rising costs and demand out stripping increasing revenue resources across the public sector has been identified as a key risk within our Strategic Risk register. Officers will produce where relevant a risk register relating to the above areas specific to each proposal to inform decision making. The register will include mitigations of identified risks where necessary, and this will be reported as part of the decision-making process. As proposals are further developed, officers will assess, and report equalities impacts and mitigations as part of the process.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
1	Council Tax Resolution 2025/26							

2	Equality Impact Assessment							
3	Additional cost pressures and adjustments							
4	Savings Proposals 2025/26							
5	Resources 2025/26							
6	Indicative 2025/26 Directorate Budgets							
7	Financial Risks							
8	Flexible Use of Capital Receipts Strategy 2025/26							
9	Budget Engagement 2025-26 Report							
10	Capital Finance Strategy 2025/26							
11	Treasury Management Strategy 2025/26							
12	MTFP 2025/26 to 2029/30							
13	Cabinet Response to Budget Scrutiny Recommendations 2025/26							
14	Final Local Government Final Settlement – Update							
15	Tamar Bridge & Torpoint Ferry Budget 2025/26							

Background papers:

*Add rows as required to box below

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

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7
Draft Budget Report (Scrutiny Board) 2025/26							
Month 9 2024/25 Finance Monitoring Report							

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: 31/01/25

Cabinet Member approval: Councillor Mark Lowry (*Cabinet Member for Finance*)

Date approved: 18/02/2025

PROPOSED REVENUE AND CAPITAL BUDGET 2025/26

Introduction

Our budget plans for 2025/26 reflect that the Council's administration is ambitious in its vision and objectives for the city and is committed to ensuring that services to children and vulnerable adults, the provision of affordable housing and helping those affected by homelessness continue to be key priorities. This budget does not include reductions to critical services and does not introduce any new charges for services. It does ensure there is adequate funding to repair potholes and to the grass cutting service, both ensuring a better living environment for the city. There is also extra funding for additional resources in the Street Scene department.

Like all councils, we have continued to see big increases in our costs and rising demand for our homelessness and social care services for the elderly, vulnerable adults, and children. We spend around 83% of our total revenue budget on these vital services, meaning recommending a proposed budget for the next financial year has been very challenging.

As well as social care, key components taken into consideration for the financial year 2025/26 are the increasing demand and costs of providing home to school transport for SEND children, and the on-going high cost of borrowing.

The Capital Programme section of this report sets out in detail the funding assumptions for the next five years. Particular attention is drawn to the percentage of funding sourced from corporate borrowing (i.e. funded from central resources), which stands at 16.8% (19.87% including PFI schemes). The affordability of the Capital Programme and future funding assumptions are under regular review. Continuing high interest rates against the borrowing requirement to finance the current programme will create a revenue pressure in 2026/27 and future years if immediate action is not taken to limit borrowing. An additional £7.200m of funding has been included within Corporate Items to cover known pressures.

Controlled borrowing leverages investment from Central Government and other partners, some major capital grant contributions would not be possible without matching commitment from the Council. For example, borrowing related to the Property Regeneration Fund (PRF) total £210m, provides additional employment, generates on-going business rates income, and a return on investment in excess of current bank interest returns. In 2025/26 the Economic Development department will generate £29.8m income from the PRF, a £9m increase since 2020.

Borrowing is required for much-needed projects and assets within the City including the Life Centre, The Box, the new Crematorium and maintaining our Highways. In addition, services have brought forward business cases that demonstrate a sound rationale for borrowing for projects that make a return for the council (either through additional income or cost savings) once the cost of borrowing has been repaid.

There is growth included totalling £52.111m as set out in Appendix 3 offset by £16.796m of additional core resources, £19.551m of additional grant funding (Appendix 5) plus a further £15.764m (Appendix 4) of savings and adjustments.

Setting the budget does not mean the work is over as financial pressures will continue to provide a challenge, and we will need to deliver our savings plans that are being put in place. The Council will need to continue to transform how it operates to reduce costs. For example, major changes have

taken place this year in how the Council uses its estate with the move out of Windsor House and Midland House plus the use of Crownhill Court. We will continue to reduce the number of office buildings we operate, while also continuing to maximise opportunities to increase efficiency by better use of technology.

Section 151 Officer's Budget Robustness Statement

Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Service Director for Finance) to formally report to Council as part of the tax setting report their view on

- *the minimum level of reserves available to the general fund and*
- *on the robustness of estimates used on the budget setting process.*

The Council is required to take these views into account when setting the Council Tax at its meeting on 24 February 2025.

My recommendations are conditional upon:

- a) The Council continuing to report and respond as required to the impact of the on-going demand and cost pressures across all services.*
- b) The Council approving the updated Medium Term Financial Plan for 2025/26 to 2029/30.*
- c) A recognition in the medium-term planning approach that the level of reserves and corporate risk assessment need to be regularly reviewed with a level of reserves which provides adequate cover for most identified risks during the planning period. It must be noted that the level of reserves held by the Council could still leave exposure to any exceptional risks.*
- d) Cabinet Members and all officers led by the Chief Executive must not exceed their budget allocations for 2025/26 and work to maximise income and savings to enable the Council to replenish its usable reserves.*
- e) It is neither sustainable nor prudent to finance ongoing spending from one-off reserves. Where there is a draw-down on reserves, as in 2025/26 which causes the level of reserves to be temporarily reduced, that this is replenished as part of a revised Medium Term Financial Plan.*
- g) That the Council has arrangements and resources in place to consider and assess value for money across the delivery of all its services and operations in preparation for future years' budgets.*

The Finance Settlement for 2025/26 is again a 'one year only' funding envelope although there is a commitment to introducing a minimum three-year settlement from 2026/27.

The continuing major increasing cost and demand pressure trends for adult and children social care is of particular and growing concern and it is important in both areas that the relevant management teams ensure these budgets are demand managed effectively to ensure the Council's future financial sustainability.

The recent significant increase in the cost of homelessness will also need careful monitoring over the medium term to ensure the budgets are maintained and that all alternatives are being explored to reduce the cost of homelessness.

A key component taken into consideration for the financial year 2025/26 is the on-going high cost of borrowing for capital expenditure. The Capital Programme section of this report sets out in detail the funding assumptions

for the next five years.

The affordability of the Capital Programme and future funding assumptions are under continuing review. An additional £7.200m of funding has been included within Corporate Items to cover known pressures.

The Council has requested Exceptional Financial Support (EFS) from MHCLG in the form of a Capitalisation Direction. There is an outstanding issue over a transaction made in October 2019 which has been reported regularly to the Audit and Governance Committee and relates to a transaction we made to significantly reduce the cost of our pension deficit. An 'in-principle' letter was received from the Minister on 27 February 2024 stating they were minded to approve a capitalisation direction. This letter provides the S151 Officer with the confidence to proceed with the proposed Budget as set out in this report.

This is still an in-principle decision and the letter does not constitute a capitalisation direction. If there is an unforeseen issue and we do not receive the support as required, at that stage further options would need to be considered. This would include an alternative budget.

In considering the robustness of any estimates, the following criteria need to be considered: -

- The reasonableness of the underlying budget assumptions.
- Reasonableness of provisions and plans to meet liabilities.
- Extent to which known trends and pressures have been provided for.
- Achievability of changes built into the budget.
- Attainability of income targets.
- Alignment of resources with the Council service and organisational priorities,
- A review of the major risks associated with the budget, as set out in Appendix 7.
- The maintenance of un-earmarked reserves at a sufficient level to make a reasonable level of provision to mitigate unforeseen and extra-ordinary risks.
- The strength of the financial management and reporting arrangements.

In coming to a view as to the robustness of the 2025/26 budget, the Section 151 Officer has taken account of the following: -

- The 2024/25 Base Budget
- Adjusting the base to remove one-off in-year items of funding, expenditure, and savings
- The 2024/25 finance monitoring position, including mitigations and additional budget allocations where required
- A process of rigorous review of all previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council. The Cabinet have also been actively involved in reviewing all options for income generation and cost savings.
- Both the Cabinet and the Corporate Management Team undertake monthly reviews of the financial performance of the Council and decisions are taken throughout the year as required which provides a sound financial framework.
- The Management Scrutiny Committee are advised at each meeting of the financial management of the Council's resources.
- The Audit and Governance Committee plays a proactive role, supported by the Council's auditors in overseeing Risk, Treasury Management and Governance arrangements driving the Council's financial management arrangements.
- Budget Scrutiny undertook a two-day budget scrutiny in January 2025.
- Full Council receive a quarterly report on the Capital Programme and approve all

amendments.

- We are reducing demand for our social services through prevention and innovation.
- Senior Officers and Cabinet have worked closely to identify savings for 2025/26 and a review of all proposed plans provide reasonable assurance that detailed, feasible plans exist, and that sufficient resources are available to undertake the change activities required and deliver the savings.
- Senior officers have identified continuing cost pressures and the general uncertainty around the ongoing inflation and cost of living crisis is acknowledged.
- Cabinet has received advice that the opportunities to maximise the yield of Council Tax and the Adult Social Care Precept are in the Council's immediate and long-term interests from a financial viewpoint. In the event Council chooses not to implement the full increases and to maintain a balanced Budget, compensating adjustments in expenditure and savings plans will need to be agreed as part of such a decision by Council.
- In addition to specific directorate risks, the collection of Council Tax and generation of Business Rates are two key factors which need to be closely monitored during the financial year.
- A review of the Council's Working Balance and other unallocated reserves for emergencies and unplanned events.

Financial Risks – General Observations

It is important to note that 2024/25 has been and continues to be a challenging year in achieving a balanced financial position by the end of March 2025. The quarter three (December 2024) monitoring shows a predicted overspend of £1.842m.

The main risk to the Council's budget is the major impact of the risks arising from an increasing demand for our services including children's and adult's social care and increases in the costs of providing them. Additional allocations have been made in this budget but there remains a risk.

Service demands have increased in all directorates especially in Children's directorate and in the Adults, Health and Communities directorate. Central government has in part recognised the pressure that the sector is under because of the current economic climate, with growth in our social care grant allocation, and the introduction of a new "Recovery Fund" grant.

Looking at the current position for 2024/25 highlights:

The Children's Directorate is reporting a forecast spend of £86.470m, an overspend of £11.039m (an additional 15%) on the budget allocation of £75.431m. This reflects higher demand and costs for placements with increased supported living numbers and new residential and bespoke placements. It also includes the Special Educational Needs and Disability (SEND), Home to School Transport and Short Breaks pressures totalling £1.665m. In addition, £3.446m of savings in this area will not be achieved.

The Adults, Health and Communities Directorate is forecasting an overspend of £2.468m against an allocated budget of £108.921m. This is comprised of a Strategic Commissioning overspend of £2.033m and a Community Connections overspend of £0.435m, reflecting pressures within emergency accommodation and homelessness. This is a national issue, with rising demand and falling supply.

The financial implications from the Care Act, adult social care and other welfare reform changes have been delayed but there is no clarity on when or if further national policy changes in these areas will be introduced in the future. If they are implemented without appropriate levels of additional government funding, then this could have a major impact on the Council's future financial sustainability.

The 2024/25 budget position must be balanced by 31 March 2025 and there will be more overspends and

savings between now and then. The current pressures have been partly offset by over £9.562m of budget savings identified corporately plus the release of £3.913m of contingency budgets.

To mitigate and manage risks, a full review is underway to fully understand the drivers of the financial pressures and to look at short, medium and long-term remediations including the approval at Cabinet to invest up to £15m to enable the purchase of properties to provide appropriate supported temporary accommodation for homeless households as an alternative to bed and breakfast and other high cost nightly paid accommodation.

The Council retains an ambitious capital programme which has in previous years contributed to the stabilisation of the council tax base and the business rates base. Whilst the programme is strongly supported through external grants, it is significantly reliant on prudential borrowing. Extra provision for increased costs has been included in the budget for 2025/26 but the Council cannot afford to extend beyond the borrowing envelope (as set out in the Treasury Management Strategy) without putting pressure on balances and/or other service budgets. The agreed programme will still require budget uplifts in future years which must be seen alongside other service demand pressures, and which must lead to a process of prioritisation.

A comprehensive review of reserves and balances has been undertaken, and these are presently at the minimum required to cover risks if the Council remains within the proposed budget. However, it should be noted that an overspend of 1% (c. £2.5m) would reduce general balances by over 20% unless alternatively funded. The Section 151 Officer has provided a full five-year Medium Term Financial Plan (MTFP) for consideration which includes a proposed allocation of £0.500m each year.

Our external auditors have previously advised the Audit and Governance Committee that “our level of General Fund reserves, at some £8 million, is insufficient to maintain financial sustainability”. The S151 officer has acknowledged this, and this balance has increased in the last three years to over £12m.

Confirmation is required that the Council will revisit its Reserves Strategy and build up its reserves as part of the five-year Medium Term Financial Plan. There are adequate levels of usable reserves to support this proposed budget for 2025/26.

The Council's financial controls are set out in the Council's Financial Regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate, corporate and Cabinet level and to Scrutiny Committees. Given the scale of financial challenges and the number of actions that need to be implemented to ensure the budget is on track, Cabinet will continue to monitor financial performance monthly with quarterly capital reports being provided to Full Council. The Scrutiny Management Board will also be in receipt of the latest available monitoring position.

There is a risk that, despite the confirmation from Government that the 2026/27 Local Government Finance Settlement will be multi-year they have also made the commitment to funding redistribution from 2026/27 with an up-to-date assessment of need and local resources. There is uncertainty as to the impact for this Council. There is also uncertainty surrounding the financial implications arising from the Government's drive for Devolution and Local Government Reform, and locally driven push for a democratically elected Mayor.

In the context of the above, the Section 151 Officer considers the proposed budget - which has been developed following input and reviews with Directors, officers and Members (including Cabinet and Budget Scrutiny), as sound and that the level of reserves are adequate for the next financial year given a clear understanding of the following: -

- The present level of un-earmarked reserves is regarded as adequate in the current circumstances and that additional resources will be set aside as and when they become available to provide additional flexibility in addressing the risks identified in this report

- *Both the Revenue Budget and Capital Programme have been formulated having regard to several factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures.*
- *The savings plans have been formulated having regard to Council priorities and assessed against an agreed set of impact criteria and equality assessments*
- *The proposed additional 5% increase to Fees and Charges are implemented from April 2025.*
- *Budget monitoring and scrutiny arrangements are in place which include arrangements for reporting with any remedial action required supported by a clear action plan*
- *The budget contains several challenging targets and other actions which will be subject to specific monitoring by the Council's Corporate Management Team, and as such, are at this time considered reasonable and achievable.*
- *It should be noted that services subject to demand outside of the Council's control are at risk of not achieving the savings or overspending resource budgets and that accordingly a level of prioritisation will be required at directorate level to constrain expenditure within budget totals*
- *The MTFP indicates a further budget shortfall in 2026/27, and it is important that work begins early to identify means of addressing this position. The attainment of savings targets in respect of this Budget will need to be closely monitored in detail at Directorate, CMT and Cabinet level in the year ahead, with new proposals worked up for implementation when ready.*
- *There is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by Members and Senior Management alike.*

On the basis of the above and taking into account the risks and mitigations as set out, the Section 151 Officer is able to recommend this budget to Full Council for approval.

Background

- I.1 This report builds upon the material presented in the January Draft Budget report to Cabinet and recommends the proposed Revenue and Capital Budget to Council on 24 February 2025. The report structure is:
- Section 1: Build a Better Plymouth
 - Section 2: Revenue Budget
 - Section 3: Capital Budget
- I.2 Together with all authorities the Council is facing another year of uncertainty and financial risk. This will be another very challenging budget year as, like all local authorities, the Council is facing continuing growing pressures on resources as demand for services rises and costs increase, including the continuing additional demand pressures and costs in both adults' and children's social care.
- I.3 The Council is also experiencing the impact of increasing costs and demand within the homelessness department and the provision of emergency bed and breakfast placements, together with additional demand and costs for the statutory provision of home to school transport for children with SEND (Special Education Needs and Disabilities).
- I.4 A key component taken into consideration for the financial year 2025/26 is the on-going high cost of borrowing. The Capital Programme section of this report sets out in detail the funding assumptions for the next five years.
- I.5 On 27 February 2024, the Leader received a letter from the Minister for Local Government stating the Secretary of State was minded to approve a Capitalisation Direction in relation to our accounting treatment for a transaction in 2019/20. This letter satisfies the S151 Officer that the proposed revenue and capital budget as set out can be set lawfully.
- I.6 The Capitalisation Direction, once granted, will allow the relaxation of accounting guidance, and enable the revenue costs of the 2019/20 transaction to be treated as a capital transaction. If it is not granted, the Council will be required to account for the full value of the 2019 transaction to be expensed as part of the 2025/26 revenue budget. At this point, an alternative budget would be required, and the S151 officer would be required to consider issuing a S114 Report.

Local Government Finance Settlement

- 2.1 On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon MP, released a written statement to Parliament on the provisional local government finance settlement 2025/26. The Final Finance Settlement (Settlement) was published 3 February 2025, and is reflected in the proposed budget.
- 2.2 This is again a settlement for one year only and based on the 2024 Autumn Budget. However, the government also published a consultation paper on Local Authority Funding Reform, with more detail expected as part of the Spring Fiscal Announcement.
- 2.3 The main ***national headlines*** are:
- As previously announced, the **Council Tax** referendum limit will be 2.99% for local authorities, with an additional 2% social care precept where applicable. The provisional settlement confirmed that districts will be allowed to apply the higher of the referendum limit or £5.

- The September CPI figure of 1.7% has been applied to increase the local government funding amount within the **business rates** retention scheme and **Revenue Support Grant**.

There are also specific grant allocations, with the national figures being:

- (Increased Funding) Social Care Grant which has increased by £880m to £5.924m which is £200m more than previously announced in the Government's Policy Statement.
- (Increased Funding) Domestic Abuse Safe Accommodation Grant which has increased by £30m to £160m.
- The introduction of a new Recovery Fund of £600m.
- The introduction of a new Children's Social Care Prevention Grant of £270m.
- There was no change to the allocation for the renamed Local Authority Better Care Fund/ Discharge Fund. The total funding for these two grants remains at £2.640m, but they are now being shown as a single grant.
- There was no change to the ASC Market Sustainability and Improvement Fund, remaining at £1.050m.
- There was no change to the New Homes Bonus (NHB) remaining at £290m.
- The recently introduced Services Grant has been discontinued, removing last year's £87m.

2.4 The impact of these specific grant allocations for **Plymouth** are:

- Increased Funding: Social Care Grant – The grant has increased by £5.281m to £33.789m. As a social care grant, this covers both adults' and children's services.
- Improved Better Care Fund – renamed to Local Authority Better Care Fund. The funding increases to £15.955m but now includes the rolled-in ASC Discharge Fund of £3.022m.
- ASC Market Sustainability and Improvement Fund. This has not been increased and remains at £5.618m.
- ASC Discharge Fund – deleted and rolled into Local Authority Better Care Fund
- New Homes Bonus for Plymouth has decreased from £43,000 to a revised £32,000.
- Services Grant. As expected, has now been discontinued. Last year this was £407,000.
- The new Recovery Grant is described as a one-off grant of £6.592m
- The new Children's Social Care Prevention Grant which is a ringfenced grant of £1.527m. Please note this was updated after Final Settlement – Appendix 14.

- 2.5 The table below sets out the movement in specific grant allocations from 2024/25 to 2025/26, with a net increase of £13.489m. The table shows (increases) and decreases.

	2024/25	2025/26	Movement
	£m	£m	£m
Social Care Grant	(28.508)	(33.789)	(5.281)
Business Rates Multiplier	(14.948)	(15.202)	(0.254)
Revenue Support Grant (RSG)	(12.328)	(12.662)	(0.334)
Grant rolled into RSG	(0.081)	0.000	0.081
Recovery Grant (new)	0.000	(6.592)	(6.592)
New Homes Bonus	(0.043)	(0.032)	0.011
Children's Social Care Prevention Grant (new)	0.000	(1.527)	(1.527)
Market Sustainability Improvement Fund	(5.618)	(5.618)	0.000
ASC Discharge	(3.022)	0.000	3.022
Local Authority Better Care Fund	(12.933)	(15.955)	(3.022)
Services Grant	(0.407)	0.000	0.407
Total	(77.888)	(91.377)	(13.489)

- 2.6 On 3rd February Local Authority allocations for the National Insurance Contributions Grant were announced (these are the amounts provided in compensation for National Insurance increases). The confirmed amount for Plymouth is £2.063m, which is £0.237m less than the total impact for PCC direct employees. The total allocation nationally is £502m.
- 2.7 A new income stream from fees paid by packaging producers has been introduced, the Extended Producer Responsibility for Packaging (pEPR) scheme. This income will cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. MHCLG have confirmed that this is not ringfenced funding and the allocation for Plymouth for 2025/26 is £5.926m.

Budget Scrutiny Review

- 3.1 The Scrutiny Committee undertook two full days of Budget Scrutiny in January 2025.
- 3.2 The Committee focused much of their time on the greatest areas of risk facing the Council in Children's Services, Education, Adult Social Care and Health, and homelessness.
- 3.3 The 19 recommendations and Cabinet responses are detailed in Appendix 13.

Budget Engagement

- 4.1 The Council's annual budget engagement was launched in November 2024 and ran for three weeks. It received 257 online responses from a wide range of people. In addition, an engagement with business representatives is due to take place in the coming weeks.

- 4.2 The Council's Corporate Plan sets out eight key priorities. The questionnaire asked respondents to select one priority from these that the Council should focus on in the coming year, and to also provide their level of agreement on six statements regarding managing the Council's budget. Overall, there was a good response to this engagement with some considered comments, however it is a small proportion of the population, and the results are not representative, but they do provide an indication of people's priorities and level of support

Results – Council Priorities:

- 4.3 The top two priorities selected most often as those the Council should focus on over the next 12 months:
- Working with the NHS to provide better access to health, care and dentistry (72 respondents or 28%)
 - Fewer potholes, cleaner, greener streets and transport (51 respondents or 20%)

Results – Managing our Budget:

- 4.4 Just over 86% of respondents agreed or strongly agreed that 'the Council should protect local services where possible by delivering these in different and/or more efficient ways' and 'the Council should lobby central government for more funding and a fairer share for Plymouth'
- 4.5 Just over half of respondents agreed or strongly agreed that 'the Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation' (52%) and 'the Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99%' (51%).
- 4.6 Just under 57% of respondents agreed or strongly agreed that 'the Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2% precept the Government allows to be added to Council Tax for this purpose'
- 4.7 44% of respondents agreed or strongly agreed that 'the Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using 'green' energy sources wherever possible'
- 4.8 A full report and analysis are included in Appendix 9 to this report.

Flexible Use of Capital Receipts

- 5.1 To assist in the delivery of major items within the savings plans, it is proposed to use the mechanism of drawing down a maximum of £2.088m of capital receipts. This will be allocated to the appropriate Directorates. More details are within the Flexible Capital Receipts Strategy at Appendix 8.

Section I Build a Better Plymouth

- 6.1 The Council adopted a revised Corporate Plan in June 2023. The plan reflects the administration's ambition for the city and the Council, takes account of the progress that the Council has made in recent years and address the new challenges that we face. The Council retained and re-endorsed the City Vision: to be one of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone, and revised the Council's mission to better reflect how the Council contributes to the City Vision, with emphasis on fairness, environmental sustainability and co-operation. The Council's adopted values were also revised to fully reflect our expectations of ourselves and each other, and provide a basis on which the Council can be held to account by its citizens.
- 6.2 The Council's administration is ambitious in its vision and objectives for the city and is committed to ensuring that services to children, vulnerable adults and the provision of affordable housing and helping those affected by homelessness continue to be key priorities. It is keenly aware of the impact of the current cost of living crisis on the people of Plymouth. This budget does not have reductions to critical services and does not include the introduction of any new charges for services. It does ensure there is adequate funding to repair potholes and consolidates last year's additional funding to the grass cutting service, both ensuring a better living environment for the city
- 6.3 The Cabinet identified six priority areas for delivery through the Corporate Plan, and highlighted the importance of retaining a focus in all of the Council's activities on Plymouth being a great place to grow up and grow old, and on minimising the impact of the cost of living crisis. The Council's Corporate Plan priorities are:
- 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
- 6.4 The Council's business planning and performance management frameworks are the mechanism that drives delivery of the above priorities, and resource allocation is geared to ensure that delivery plans against the priorities are sustainable, alongside the Council's wider range of statutory and discretionary services.

Section 2 – Revenue Budget

Core Resources

Council Tax

- 7.1 The Council Tax base for 2025/26 has been calculated at 76,557 properties, an increase of 1,168 on 2024/25. The Council Tax Base report was approved at Full Council 27 January 2025.
- 7.2 The rise in the tax base for 2025/26 primarily reflects additional income via the Empty Homes and Second Homes Premium. The assumed collection rate continues at 97.5%; this is realistic and prudent due to the current economic climate.
- 7.3 Income from Council Tax (and Business Rates) is held in a ringfenced collection fund account, from which authorities draw the budgeted level of income in each year irrespective of actual income collected. Any shortfall or increase on income collected compared to that budgeted level results in a collection fund deficit or surplus, which can be accounted for in the amount of income the Council can budget for in the following year.
- 7.4 An assumption for surplus within the Collection Fund of £1.500m has been included in 2025/26.
- 7.5 The Settlement confirmed the Council Tax referendum limit at 2.99% (i.e. this is the highest level of increase permissible without a referendum) and an Adult Social Care precept (ASC) of 2.00%. For Plymouth, every quarter percent (0.25%) increase in the Council Tax would yield an additional £0.350m.
- 7.6 As part of developing the 2025/26 budget, Cabinet have agreed to recommend to Council the adoption of a 2.99% increase for Council Tax and a 2.00% level of ASC precept to present a balanced budget. These increases if approved would provide an additional £4.213m in Council Tax and £2.818m Adult Social Care precept; a total of £7.032m. The Government have assumed we will maximise this when referencing Council's Core Spending Power.
- 7.7 The final decision on these matters will be taken at Full Council 24 February 2025. If approved, the additional Council Tax requirement for 2025/26 totals £9.182m.

Council Tax Premiums

- 8.1 The Levelling Up and Regeneration Act received Royal Assent in October 2023. This introduced changes impacting Council Tax relating to second homes and long-term empty dwellings. The Act allows billing authorities to reduce the period before which a premium can be charged for empty homes and introduces the ability to charge a premium for properties which are furnished but not occupied as a primary residence, known as second homes.
- 8.2 The changes to second homes allow billing after twelve months rather than the current twenty four and were enacted from April 2024.
- 8.3 The changes to second homes required a full year's notice to homeowners and will be implemented from April 2025.
- 8.4 Full Council approved these changes at the meeting 29 January 2024. The estimated impact for 2025/26 is £1.3m and has been included in the 2025/26 Council tax base.

Business Rates

- 9.1 As in previous years, the multiplier for the calculation of Business Rates has been set at 0%, but with a Section 31 Grant to compensate for the resultant impact.
- 9.2 The final calculation of resources from Business Rates is determined by the completion of the Government return NNDRI (National Non Domestic Rates). The outcome will now be confirmed with our external advisors. Estimates are required to be made in advance of the completion of the NNDRI.
- 9.3 The growth in the business rates base, reflecting the additional number of business premises in the city, and an estimated surplus, results in an increase to Business Rates income of £2.729m

Business Rates Pool

- 10.1 Plymouth City Council continues to play the key role of administrator of the Devon Business Rates Pool. Working with the other business pool members and our external advisors, we are again forecasting growth in our business rates income and have included £2.750m of additional resources for 2025/26.

Revenue Support Grant (RSG)

- 11.1 The Settlement announced a RSG of £12.662m. This is an increase of £0.334m on the current £12.328m and represents a CPI increase of 1.7%, and includes the rolling in of existing grants totalling £0.129m.

Specific Grants**New Homes Bonus (NHB)**

- 12.1 The allocation for New Homes Bonus payment in 2025/26 is £0.033m. This is a reduction of £0.011m on the existing 2024/25 figure of £0.044m

Recovery Fund

- 13.1 This is new un-ringfenced, one-off funding directed at Local Authorities with high deprivation and low Council Tax bases. The allocation for 2025/26 is £6.592m for Plymouth.

Children's Social Care Prevention Grant

- 14.1 This is also a new funding stream for 2025/26, the allocation for Plymouth is £1.527m. This funding comes with conditions around usage to focus on preventative activities within Children Social Care. and is to enable the Council to deliver the Government's National Reforms for Children's Social Care.

Services Grant

- 15.1 As expected, the Government has ceased the Services Grant in 2025/26 resulting in pressure on the budget of £0.407m.

Social Care Grant

- 16.1 The Council also receives a Social Care Grant to support Adult and Children's Social Care Budgets. The additional funding is £5.281m in 2025/26 increasing the grant from £28.508m to a revised £33.789m.

Adult Social Care Market Sustainability Improvement Fund

17.1 The Market Sustainability Improvement Fund has been maintained at £5.618m for 2025/26, which is the same figure as 2024/25. This funding supports the Adult Social Care Directorate to adequately fund the Care Market, although it doesn't provide any additional funding to support new pressures in 2025/26.

Local Authority Better Care Fund/ Adult Social Care Discharge Fund

18.1 The Improved Better Care Fund has been renamed as the 'Local Authority Better Care Fund' for 2025/26, the allocation totals £15.995m, and includes £3.022m for the rolled in Adult Social Care Discharge Fund. Together, these figures are unchanged from 2024/25 and no inflationary uplifts have been applied.

Public Health Grant

19.1 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 for 2024/25 is £16.876m and the grant for 2025/26 has recently been confirmed as £17.943m, an increase of £1.067m. The funding is ring-fenced and does not have an impact on the budget resources as set out in this report.

Extended Producer Responsibility

20.1 A new income stream from fees paid by packaging producers, the Extended Producer Responsibility for Packaging (pEPR) scheme. This income will cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. MHCLG have confirmed that this is not ringfenced funding and the allocation for Plymouth for 2025/26 is £5.926m

Homelessness Prevention Grant

21.1 The Homelessness Prevention Grant has been increased by £0.724m from £1.453m in 2024/25 to £2.177m in 2025/26. This funding is allocated to the service and, under the grant conditions, 49% is required to be ringfenced for prevention

Resources (Funding)

22.1 The total core resources available, incorporating the Settlement, and with a Council Tax increase and an Adult Social Care precept, are set out in the table below.

22.2 A detailed schedule of the movements in resources are set out in Appendix 5.

Unringfenced Resources	Budget	Proposed Budget	
	2024/25 £m	2025/26 £m	Movement £m
Council Tax	(139.479)	(149.450)	(9.971)*
Business Rates	(84.815)	(86.584)	(1.769)
RSG	(12.328)	(12.662)	(0.334)
Reserves	(5.000)	(4.312)	0.688

Working Balance Drawdown for Elected Mayor Referendum		(0.410)	(0.410)
Total Resources	(241.622)	(253.418)	(11.796)
*this includes total of £7.032m for 2% ASC Precept and 2.99% Council Tax Increase			

22.3 If Council do not approve the proposed increase to the Council Tax and precept, a drawdown of £7.032m from un-earmarked reserves will be required. This will leave the already low reserves in a weaker position and result in the income being lost in 2025/26 and all future years.

Additional Costs

23.1 The additional budget costs for 2025/26 are set out in Appendix 3 and include cost and volume increases for Adults' and Children's Services; increased allocation for Homelessness; and cover the Council's commitment to the National Living Wage for our adult social care providers, and ensuring they receive the necessary funding. The National Living Wage additional costs reflect the increase from the current £11.44 to the revised £12.21 from April 2025.

23.2 Included in the 2025/26 Budget is a reversal of a previous year's top-up of the Minimum Revenue Provision (MRP) in the sum of £0.400m. This was seen as a one-off re-balancing of the MRP reserve and the £0.400m needs to be reinstated to the base budget going forward.

23.3 The proposed budget includes an allocation of £4.000m to consolidate the staff remuneration costs from the 2024/25 and assumed 2025/26 increases.

23.4 An additional £7.200m is included in the 2025/26 budget to cover the cost of corporate borrowing recognising the slippage in delivery of approved projects, additional cost pressures from construction costs and the increased cost of borrowing. The Capital Programme is subject to a full project-by-project review to ensure the overall cost of financing the programme is contained within the revised budget allocation.

23.5 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, of £0.220m

23.6 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. £0.650m is included in the budget to reflect this.

23.7 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.

23.8 The current grant revenue funding levels for the introduction of food waste are likely to be less than we require to introduce the service in April 2026. £0.500m additional revenue funding spread over two years is the minimum level of funding we require to deliver across the range of statutory waste services.

- 23.9 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.
- 23.10 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.
- 23.11 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.
- 23.12 The Facilities Management budget is showing a pressure of £2.500m at Month 9 2024/25, due to growing repairs and maintenance costs. In addition to this, external consultants have carried out a review of the Facilities Management function within Plymouth City Council which has identified an urgent need to add additional resource to facilitate improvements required across the corporate estate. To reflect this £0.675m has been added to the 2025/26 budget to implement the required structure and £1.500m to right-size the repairs and maintenance budgets.
- 23.13 Within the Growth Directorate, Street Services includes one of 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 £0.500m over two years will ensure that the service has the required resources to deliver these vital services for the people of Plymouth.
- 23.14 Within the Adults, Health and Communities Directorate, the additional cost and volume of adult social care packages has been allocated an increase of £7.711m. The increase to the National Living Wage (NLW) requires an additional allocation of £4.395m.
- 23.15 Also, within the Adults, Health and Communities Directorate, the homelessness budget is experiencing increasing demand and costs. An additional £0.724m of Homelessness Prevention Grant has been allocated to the Service.
- 23.16 The Children, Young People and Families service is experiencing increased placement costs and demand has led to Service needing to use more residential children's homes 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. Additional budget has been allocated to met demand from these placements pressures of £16.284m.
- 23.17 Increasing numbers of pupils with EHCPs (Education, Health and Care Plans), lack of special school placements within the City and more pupils in Independent Sector provision has led to pressures on the Home to School Transport budget, through increasing numbers and more expensive routes being needed. Additional budget has been allocated to support these demand pressures of £2.059m

23.18 The growing number of EHCPs has led to significant additional workload within the SEND service, one off funding has been allocated of £0.770m to provide additional resource to the service.

Savings Plans

- 24.1 Savings plans totalling £9.658m have been included in this budget. These are set out in detail in Appendix 4.
- 24.2 £3.142m of savings plans have been identified by the Children's Services to reflect transformative plans underway and to mitigate the full budget allocations for the service.
- 24.3 £2.733m of savings plans have been included in the budget for the Adults, Health and Communities directorate, including planned work on a revised Target Operating Model and contract savings.
- 24.4 Savings targets of £0.800m have been allocated to Corporate budgets associated with Treasury Management savings.
- 24.5 Details of the savings identified by the Growth (£2.195m), Chief Executive (£0.301m) and Customer and Corporate Directorates (£0.594m) are included in Appendix 4.
- 24.6 Management actions and budget adjustments within Chief Executive and Customer and Corporate Directorates totalling (£1.514m) are also included in this budget.
- 24.7 The additional income below has also been included in the 2025/26 Budget:
- 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 to provide additional capacity to address timelines and increased volume. The details are set out earlier in the report.
 - There is also a further drawdown of up to £1.318m of Flexible Capital Receipts included in this budget. More details can be found in Appendix 8.
 - Income assumptions also include the utilisation of Commercial reserves (£0.225m) and ceasing corporate budget requirements (£0.360m)
 - Additional Minimum Revenue Provision overpayment of (£0.634m) available for release in 2025/26 – more details are shown in Appendix 11.
- 24.8 Savings Target of £9.658m, budget adjustments of £1.498m and additional income of £4.607m, as set out above total £15.887m. Additional grant funding of £19.562m brings the total savings and income included in the budget to £35.325m.

Conclusion

- 25.1 This report sets out a balanced budget after the application of a Council Tax and precept increase which is proposed to be approved at Full Council.
- 25.2 This Budget incorporates the impact of the Provisional Settlement.
- 25.3 Cabinet have therefore recommended to Council to approve a budget position that will require it to adopt:
- A Council Tax increase of two point nine nine percent (2.99%)
 - An Adult Social Care Precept increase of two percent (2.00%)

Section 114 Report

- 26.1 A report under Section 114 of the Local Government Finance Act 1988 is issued by the authority's Chief Finance Officer (Section 151 Officer). In law they are the most senior financial advisor to the wider Council's leadership on its financial plans and have the power and responsibility to legally suspend spending for a period if they judge the Council does not have a balanced budget or the imminent prospect of one.
- 26.2 It means that no new expenditure is permitted, apart from that funding statutory services. Any spending that is not essential or which can be postponed should not take place and essential spend will be monitored. Councillors have 21 days from the issue of a Section 114 report to discuss the implications at a Full Council meeting.
- 26.3 In addition, the Government can intervene on the running of a Council's services. Precedent shows intervention by Commissioners or an Intervention Board. These are individuals with expertise and vast experience in local government and ultimately, they have the power to direct the Council's day-to-day running, including all expenditure and budgetary decisions.
- 26.4 The Leader has received an 'in-principle' letter setting out the current position of the request for a Capitalisation Direction. The Council has been actively engaged with MHCLG, and following CiPFA guidance and LGA advice, and receipt of the letter, the Section 151 Officer is not proposing to issue a Section 114 report at this stage.

Medium Term Financial Plan (MTFP)

- 27.1 As part of developing the 2025/26 Budget, future years have been considered and modelled.
- 27.2 For the purposes of modelling only, Council Tax has been assumed at the current referendum threshold limits. It must be noted there are ongoing forecast shortfalls in resources and anticipated continuing costs and volume demands. The Council is already considering means of achieving balance in those years.
- 27.3 Moving forward the MTFP will be closely monitored to take account of proposals emerging from Government policy and Council initiatives as they become available to mitigate the shortfall. Further analysis of the full impact of the 2025/26 additional costs and savings, plus estimates of grant funding is ongoing. This will include the revised treasury management costs

to fund the capital programme, both current and future. An updated MTFP is included at Appendix 12.

Tamar Bridge and Torpoint Ferry

- 27.4 The Tamar Bridge and Torpoint Ferry (TBTF) are operated, maintained and improved jointly by Cornwall Council and Plymouth City Council on a 'user pays' principle, being funded from toll income using powers derived from the Tamar Bridge Act. The finances are effectively ring-fenced, and it is operated as a self-financing business
- 27.5 The TBTF Joint Committee met on 6 December 2024 and recommended to the Councils of the parent authorities via the Cabinet of the Parent Authorities that the 2025/26 revenue budget and capital programme and the draft 2025/26 business plan be approved (see Appendix 15) This Council's budget is prepared on the basis of a net nil impact in relation to this. However, an appropriate recommendation has been included to address the recommendations of the Joint Committee.

Equality & Diversity

- 28.1 Plymouth City Council is committed to equality and diversity and to ensuring that the decisions we take promote equality. To help inform the development of the Council's budget and to ensure that we give 'due regard' to equality during this process, we are considering the equality implications of our budget decisions. A completed equality impact assessment is provided in Appendix 2.
- 28.2 Alongside the overarching budget EIA (Equality Impact Assessment), separate assessments will be completed on individual decisions as they go through the decision-making cycle.

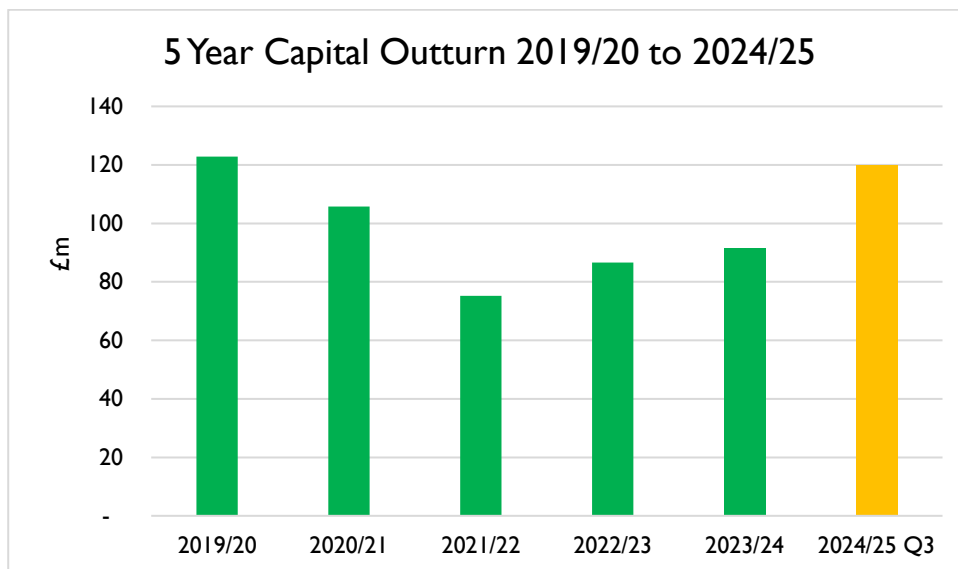
Section 3 - Capital Budget

- 29.1 This section of the report sets out the draft capital budget, with further detail on the profile broken down by themes included as Appendix A below this section.
- 29.2 The Plymouth Plan is the principal driver for the capital programme. Accordingly, the programme includes proposals to support new homes across the area, create new jobs, and to continue a major investment programme in modernising infrastructure including transport, schools, public realm and green spaces.
- 29.3 This investment is assisting Plymouth in becoming the key economic driver for the far Southwest; it will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment supports growth within the local economy, and is generating additional business rates, Council Tax, and Community Infrastructure Levy (CIL).
- 29.4 The Council continues to take a strategic approach to the Capital Programme, having established ten outcomes aligned to the Plymouth Plan and the Plymouth and South West Devon Joint Local Plan; together with the investment and business planning programmes of other organisations to maximise delivery in the city and surrounding areas.
- 29.5 The Council must ensure sufficient funding is available to meet the requirements of the agreed programme through its Capital and Treasury Management strategies, which are updated annually to reflect the capital programme as new projects are developed and agreed for delivery. Draft Treasury Management and Capital strategy documents were reviewed by the Audit and Governance Committee in November 2024; this Committee will review the updated treasury management position again ahead of the final adoption of the Treasury Management and Capital strategies as part of the 2025/26 budget set by the City Council meeting in February 2025. The final proposed Treasury Management and Capital Strategy documents for 2025/26 are included as Appendix 11 and Appendix 10 of this report.
- 29.6 During 2024/25 the Council have introduced new capital governance processes with mandates for future projects and business cases being firstly considered by Capital Programme Officer Group (CPOG) and then onto Capital Programme Board (CPB) to be endorsed for the future capital programme.
- 29.7 Changes to the Bank of England interest rate and other macro-economic factors impact on the cost of borrowing externally through Public Loans Work Board and other short term borrowing arrangements. With support from the Council's appointed treasury management advisors, borrowing costs are monitored on an ongoing basis; the Council also monitors compliance with a range of indicators set using the Prudential Code to ensure the capital programme remains affordable. With increasing pressure on the total revenue resources available to the council arising from an increasing demand for statutory services (particularly social care) and an uncertain economic outlook, reviewing the affordability of the capital programme on an ongoing basis will be increasingly important through 2025. If necessary, the capital programme presented here may need to be reviewed to ensure it remains affordable.
- 29.8 The impact of potential inflationary pressures on costs already assumed in the capital programme presents a further risk; rising inflation could have a significant impact on what can be delivered within affordable funding constraints. Furthermore, the Council faces the risks of

supply chain issues, insufficient supply of materials, increasing labour costs and skills shortages. However, a range of mitigations and responses to manage these inflationary risks are available to the Council, dependant on the detail and stage of scheme delivery – for example, sourcing additional external funding or containing cost pressures by re-engineering project scope or deliverables.

29.9 The capital programme consists of the approved capital projects the Council intends to deliver over a five-year period. As at 31 December 2024 the total value of the proposed programme is £395.864m. The programme has continued to grow in size in recent years through some notable projects including Armada Way, the Purchasing Temporary Homes Programme, investment to support the Plymouth and South Devon Freeport, the Woolwell to The George transport scheme and the Zero Emission Bus Regional Areas (ZEBRA) scheme. Much of this growth in our programme of investment has been supported by external grant funding secured from a range of government sources. The graph below shows how annual expenditure has changed over the past five years, together with the latest forecast for expenditure during the current financial year.

Capital Expenditure 2019/20 – 2024/25



30.1 The capital programme includes the following major projects:

- Woolwell to The George - £27.138m
- Plymouth Rail Station – £28.178m
- Property and Regeneration Fund – £54.363m
- Transforming Cities Fund Projects - £16.987m
- Purchasing Temporary Homes Programme – £14.995m
- Chelson Meadow Solar Farm – £15.953m
- Zero Emission Bus Regional Areas - £12.281m
- Plymouth and South Devon Freeport - £15.098m
- Armada Way Delivery - £29.893m
- Highway maintenance, drainage and essential engineering - £17.370m

30.2 The table below shows the breakdown of the current five-year Capital Programme forecast across the Directorates as at 31 December 2024. A full breakdown of the Capital Programme is set out in Appendix A below this section.

Five-Year Capital Programme by Directorate

Directorate	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Children's Services	1.716	1.991	-	-	-	3.707
Adults, Health and Communities	16.809	20.935	3.617	0.164	-	41.525
Growth - Economic Development	30.810	48.482	42.181	16.575	12.427	150.475
Growth - Strategic Planning & Infrastructure	40.963	65.375	28.090	8.280	0.275	142.983
Growth - Street Services	18.673	20.359	0.372	0.241	0.212	39.857
Customer & Corporate Services	4.548	4.903	0.728	0.280	0.100	10.559
Office for Director of Public Health	6.488	0.270	-	-	-	6.758
Total	120.007	162.315	74.988	25.540	13.014	395.864
Finance by:	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	2.002	3.048	9.379	0.180	2.008	16.617
Grant Funding	70.477	63.094	0.741	3.269	0.193	137.774
Corporate Funded borrowing	23.108	39.638	27.198	3.666	0.378	93.988
Service dept. supported borrowing	21.117	43.423	36.655	18.080	10.334	129.609
Developer contributions	1.705	11.430	1.015	0.082	0.101	14.333
Other Contributions	1.598	1.682	-	0.263	-	3.543
Total	120.007	162.315	74.988	25.540	13.014	395.864

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

Five-Year Capital Programme by Outcome

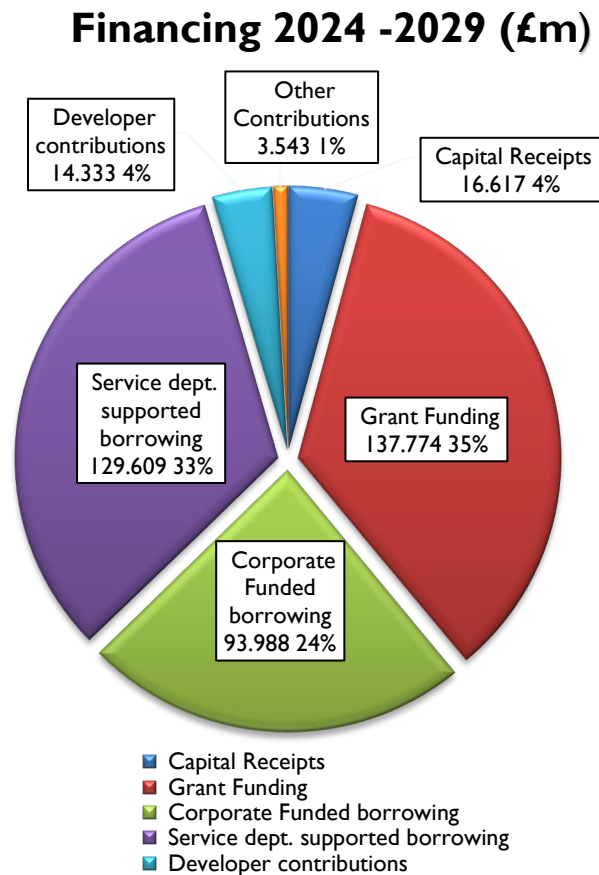
Primary Outcome of Projects	£m
Delivering a Net Zero Plymouth	65.935
Delivering a sustainable City Centre and Waterfront	47.716
Delivering a sustainable Derriford / Northern Corridor	40.752
Delivering a sustainable Eastern Corridor	7.867
Delivering sustainable homes for the city	30.164
Delivering essential City infrastructure / Improving neighbourhoods	37.625
Ensuring sufficient good quality school places	1.462
Delivering a sustainable economy	97.318
Connecting the City	28.183
Commercialisation of services (including property)	38.842
Total	395.864

32.1 The Council will endeavour to ensure a significant proportion of the funding for the Programme comes from external sources – grants from other organisations and Government departments and agencies fund 35% of the 5 year programme. Capital receipts make up about 4% of the programme with S106 contributions and CIL constituting about 3%. Every effort is

being made to secure funding from grant programmes and other external sources. With 57% of programme being financed from internal resources through corporate and service borrowing there is ongoing review of the programme to ensure the financing remains affordable.

Funding of the Capital Programme

33.1 Financing the 2024/25 to 2028/29 capital programme totals £395.864m a breakdown of the funding sources is shown in chart below and includes the funding source as a percentage of overall financing.



Prudential Code

34.1 The Prudential Code for capital finance in local authorities 2021 edition was published in December 2021, with changes to the previous guidance primarily, in respect of commercial investments and associated risks. The key change is a local authority must not borrow to invest primarily for financial return. Investment is permissible for projects that are for regeneration purposes within a local authority area. These changes involve additional financial implications for the revenue account and all projects have been reviewed accordingly.

34.2 Commercial property and development activities in the Council operate under robust and effective governance arrangements which are detailed within the Non-Treasury Investment Strategy in Appendix II of this report. The Council has a small team of experienced in-house chartered surveyors including staff recruited specifically for the Property and Regeneration Fund who have extensive experience in property fund management obtained in the private sector.

34.3 The Capital Strategy gives an overview of how the associated risks are managed and the implications for future financial sustainability. The Capital Strategy and Treasury Management Strategy are attached as Appendix 10 and Appendix 11. These reports were approved by the Audit and Governance Committee on 12 November 2024; they have been updated to reflect the latest position and guidance and will be reviewed again at the Audit and Governance Committee prior to consideration by the City Council.

Climate Emergency Investment Fund

35.1 Significant investment will be required to achieve the 2030 net zero target. A Climate Emergency Investment Fund was created in 2022/23 and projects continue to come forward for approval. A further £0.250m revenue resources have been incorporated within the 2025/26 revenue budget to fund the financing of these schemes.

Conclusion

36.1 The Capital Programme sets out a scheme of investment with all financial implications included in the revenue budget. This investment is supporting the growth agenda, within the city, including regeneration and contributing to the local economy and creation of jobs. On 10 February 2025, Cabinet approved the Capital Programme for adoption by Council on 24 February 2025.

Appendix A - Capital Programme

Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Total
Delivering a Net Zero Plymouth	£m	£m	£m	£m	£m	£m
Plymouth Sound National Marine Park	5.764	5.591	0.409	0.418	0.274	12.456
Civic Centre District Energy - Phase 2	0.110	1.067	0.350	1.423	-	2.950
Civic Centre District Heating Grant	-	-	-	0.050	0.275	0.325
Chelson Meadow Solar Farm	0.030	4.765	8.212	2.946	-	15.953
Local Electric Vehicle Infrastructure (LEVI)	-	1.400	0.600	0.415	-	2.415
Heat Decarb Phase B.1 Harewood House	0.073	0.385	-	-	-	0.458
Heat Sourcing in Corporate Buildings (Big 4 + Next 7 Decarbonisation)	0.284	0.195	-	-	-	0.479
Home Energy - Eco Homes pot	-	0.251	-	-	-	0.251
Social Housing Decarbonisation Wave 2.1	1.100	-	-	0.335	-	1.435
Home Upgrade Grant HUG Phase 2	0.865	-	-	2.488	-	3.353
Eastern Corridor SCN Colesdown Hill Underbridge	0.338	2.274	0.050	-	-	2.662
Zero Emission Bus Regional Areas	2.214	10.067	-	-	-	12.281
Billacombe Footbridge	-	-	-	0.590	-	0.590
Transforming Cities Fund Tranche 2 Grant	1.596	-	-	-	-	1.596
TCF T2 Royal Parade Bus Infrastructure	3.371	-	-	-	-	3.371
TCF T2 St Budeaux Station Interchange	0.954	-	-	-	-	0.954
TCF T2 Mobility Hubs	1.987	-	-	-	-	1.987
Fleet Decarbonisation Programme (Climate Emergency Fund)	-	0.380	-	-	-	0.380
Container Provision	0.227	0.304	0.190	0.190	0.190	1.101
Various Projects under £0.200m	0.460	0.446	-	0.032	-	0.938
Total Delivering a Net Zero Plymouth	19.373	27.125	9.811	8.887	0.739	65.935
Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Total
Delivering a sustainable City Centre and Waterfront	£m	£m	£m	£m	£m	£m
City Centre Public Realm Old Town St/ New George St	5.296	-	-	-	-	5.296
Armada Way	0.212	-	-	-	-	0.212
Armada Way Delivery	9.523	10.370	10.000	-	-	29.893
Royal Parade	-	0.425	-	-	-	0.425
Brickfields	0.148	0.698	-	-	-	0.846
Future High Streets Fund - Civic Centre	0.800	2.498	-	-	-	3.298
Future High Streets Fund - Guildhall	2.558	1.336	-	-	-	3.894
3-19 Raleigh St & 91-95 New George St	0.031	0.220	-	-	-	0.251
Colin Campbell Court Demolitions	0.094	0.500	-	-	-	0.594
Plymouth Community Diagnostic Centre	0.062	0.450	-	-	-	0.512

Toys 'R Us	0.002	1.268	-	-	-	1.270
Various Projects under £0.200m	0.987	0.238	-	-	-	1.225
Total Delivering a sustainable City Centre and Waterfront	19.713	18.003	10.000	-	-	47.716
Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Toal
Delivering a sustainable Derriford / Northern Corridor	£m	£m	£m	£m	£m	£m
Forder Valley Link Road	0.148	1.431	0.200	-	-	1.779
Forder Valley Interchange	0.012	0.340	0.025	-	-	0.377
Charlton Road	0.192	1.846	-	-	-	2.038
Woolwell to The George	8.170	19.367	8.653	-	-	36.190
Morlaix Drive Access Improvements	0.287	0.045	-	-	-	0.332
Various Projects under £0.200m	0.022	0.014	-	-	-	0.036
Total Delivering a sustainable Derriford / Northern Corridor	8.831	23.043	8.878	-	-	40.752
Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Toal
Delivering a sustainable Eastern Corridor	£m	£m	£m	£m	£m	£m
Plymouth Major Road Network	0.746	5.672	-	-	-	6.418
A38 Manadon Interchange (LLM)	1.027	-	-	-	-	1.027
E Corridor Junction Improvements	0.041	0.225	-	-	-	0.266
Various Projects under £0.200m	0.122	0.034	-	-	-	0.156
Total Delivering a sustainable Eastern Corridor	1.936	5.931	-	-	-	7.867
Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Toal
Delivering sustainable homes	£m	£m	£m	£m	£m	£m
Re-provision of Vines and Colwill Lodge	0.328	11.229	0.842	0.164	-	12.563
P3 Coombe Way, Kings Tamerton	-	0.210	-	-	-	0.210
PCH Partnership Agreement	-	0.742	-	-	-	0.742
Livewest Partnership Agreement	-	0.550	-	-	-	0.550
Healy Place, Morice Town Dev.	-	0.274	-	-	-	0.274
P3 Stoggy Lane	0.073	0.427	-	-	-	0.500
Broadland Gardens (Development)	0.489	-	-	-	-	0.489
Asbestos Claims by PCH	0.650	0.356	-	-	-	1.006
Bath Street	0.070	0.882	-	-	-	0.952
Extra Care Housing Support Millbay	-	0.450	-	-	-	0.450
Eclipse Project	0.055	0.527	0.275	-	-	0.857
Coombe Way, Kings Tamerton LRF & S106	-	0.930	-	-	-	0.930
Disabled Facilities (incl Care & Repair works)	3.657	0.366	-	-	-	4.023
Efford Youth & Community Centre	1.004	-	-	-	-	1.004

Honicknowle Youth & Community Centre	1.082	0.003	-	-	-	1.085
Frederick Street Centre	0.938	0.379	-	-	-	1.317
Brickfields	1.718	0.270	-	-	-	1.988
Various Projects under £0.200m	0.081	1.143	-	-	-	1.224
Total Delivering sustainable homes	10.145	18.738	1.117	0.164	-	30.164
Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Total
Delivering essential city infrastructure / Improving Neighbourhoods	£m	£m	£m	£m	£m	£m
The Royal Building	5.454	1.246	1.500	-	-	8.200
Dispersed Temporary Housing Programme	-	5.795	1.00	-	-	6.795
Laira Bridge Cycle Path	0.399	-	-	-	-	0.399
Deteriorated Street Lighting Columns Replacement	1.300	1.527	-	-	-	2.827
Traffic signal replacement	0.050	0.191	-	-	-	0.241
Car Parks - Capital Maintenance	0.245	-	-	-	-	0.245
Carriageway Permanent Repairs	0.612	-	-	-	-	0.612
Carriageway Resurfacing	1.464	-	-	-	-	1.464
Carriageway Lining	0.091	0.140	-	-	-	0.231
Carriageway Skid Resistance	0.539	-	-	-	-	0.539
Carriageway Surface Dressing	0.826	1.085	-	-	-	1.911
Carriageway Pothole Initiative	0.604	-	-	-	-	0.604
Footway Permanent Repair	0.624	-	-	-	-	0.624
Footway Resurfacing	0.853	0.100	-	-	-	0.953
Kerb Replacements	0.097	0.140	-	-	-	0.237
Capitalised drainage schemes	0.325	-	-	-	-	0.325
Vehicle Restraint System	0.215	-	-	-	-	0.215
Street Furniture Replacements	0.169	0.050	-	-	-	0.219
Embankment Road Safety Scheme	0.005	0.215	-	-	-	0.220
Cremyll Ferry Slipway	0.550	-	-	-	-	0.550
Minor Structure Repairs (Reactive)	0.203	-	-	-	-	0.203
Minor Structure Repairs (Preventative)	0.204	0.103	-	-	-	0.307
Accessible Temporary Homes	2.450	-	-	-	-	2.450
PATH: Single People Accommodation	0.700	-	-	-	-	0.700
PATH: Temporary Accommodation Loan	0.560	0.940	-	-	-	1.500
Young Devon: Single People Accommodation	0.297	-	-	-	-	0.297
Young Devon project	0.210	-	-	-	-	0.210
Development of Children's Homes (Project A)	0.600	1.400	-	-	-	2.000
Plymouth Life Centre - Gym Refurbishment	0.487	-	-	-	-	0.487
Various Projects under £0.200m	1.375	0.685	-	-	-	2.060
Total Delivering essential city infrastructure / Improving Neighbourhoods	21.508	13.617	2.500	-	-	37.625

Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Toal
Ensuring sufficient good quality school places	£m	£m	£m	£m	£m	£m
Early Years Capital Expansion Programme	0.435	-	-	-	-	0.435
Various Projects under £0.200m	0.616	0.411	-	-	-	1.027
Total Ensuring sufficient good quality school places	1.051	0.411	-	-	-	1.462
Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Toal
Delivering a sustainable economy	£m	£m	£m	£m	£m	£m
Plymouth & South Devon Freeport	6.492	8.606	-	-	-	15.098
Property Regeneration Fund	11.053	14.768	33.454	13.534	-	72.809
Oceansgate Phase 3.1 - Innovation Area	0.982	6.572	-	-	-	7.554
Inclusive Economy Fund	0.172	0.063	0.025	0.016	0.008	0.284
Oceansgate Remediation/separation works	0.061	0.385	0.372	-	-	0.818
39 Tavistock Place	0.236	0.075	-	-	-	0.311
UKSPF: Nudge Community Builders	0.206	-	-	-	-	0.206
Various Projects under £0.200m	0.238	-	-	-	-	0.238
Total Delivering a sustainable economy	19.440	30.469	33.851	13.550	0.008	97.318
Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Toal
Connecting the City	£m	£m	£m	£m	£m	£m
Plymouth Railway Station	1.015	4.496	7.922	2.606	12.144	28.183
Total Connecting the City	1.015	4.496	7.922	2.606	12.144	28.183
Details	2024-25 Latest Forecast	2025-26 Latest Forecast	2026-27 Latest Forecast	2027-28 Latest Forecast	2028-29 Latest Forecast	Toal
Transforming Services	£m	£m	£m	£m	£m	£m
MOVA Tavistock Road - Upgraded Traffic Signals	-	0.167	-	-	-	0.167
Signal Optimisation	0.197	0.150	-	-	-	0.347
Street lighting Energy Savings	0.276	0.250	-	-	-	0.526
CMS Street Lighting (Challenge Fund)	0.647	1.580	-	-	-	2.227
Car Parks - Replacement Payment System	0.040	0.225	-	-	-	0.265
Replacement of Hire Vehicles	1.026	1.078	-	-	-	2.104
Street Scene & Waste Vehicles	0.598	4.233	-	-	-	4.831
Food waste collection service vehicles and containers	-	2.212	0.077	0.008	-	2.297
Visual Impact Mitigation Scheme (VIMS)	0.038	0.200	-	-	-	0.238
Derriford Community Park	0.620	0.502	0.046	-	-	1.168

Central Park Improvements	0.715	-	-	-	-	0.715
Bond Street Playing fields (Southway Community Football Facility)	0.045	0.245	-	-	-	0.290
Plan for Trees	0.284	0.052	0.033	0.020	-	0.389
PNG P2 Nature based solutions for Climate Change	0.168	0.034	0.023	0.023	0.020	0.268
Ply & S.Devon Community Forest	3.195	4.118	-	-	-	7.313
Ocean City Biodiversity - Ply Habitat Bank Loan	0.150	0.350	-	-	-	0.500
Mount Edgcumbe English Garden House	0.326	-	-	-	-	0.326
Delt Lights-on Infrastructure	0.250	0.260	0.430	-	-	0.940
Transformation/Modernisation Technology Projects	0.072	0.769	-	-	-	0.841
Continuation of Transformation/Modernisation Projects	0.025	0.711	-	-	-	0.736
Device Replacement Scheme	0.350	0.430	0.280	0.280	0.101	1.441
Alloy Phase 2	-	0.238	-	-	-	0.238
Replacement of CoreHR for iTrent	0.958	-	-	-	-	0.958
Theatre Royal Roof Repairs	0.100	0.189	-	-	-	0.289
Asset Lifecycle Maintenance Contingency	-	1.702	-	-	-	1.702
Burrington Way - Annex Building Drake Hill Court	0.557	-	-	-	-	0.557
Bereavement Infrastructure	4.219	-	-	-	-	4.219
Various Projects under £0.200m	2.139	0.787	0.020	0.002	0.002	2.950
Total Transforming Services	16.995	20.482	0.909	0.333	0.123	38.842
Total	120.007	162.315	74.988	25.540	13.014	395.864

Appendix I - Council Tax Resolution

To note that the Office of the Police and Crime Commissioner for Devon and Cornwall and The Isles of Scilly has issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area, reflecting a 4.99% or £13.70 increase for 2025/26 for a band D property.

To note that the Devon and Somerset Fire and Rescue Authority precepts have been confirmed reflecting a £5.00 or 5.02% increase for 2025/26.

To note a contribution of £4,722,000 from reserves to balance the 2025/26 Council budget.

To use the Council Tax base for 2025/26 as 76,557 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; calculate that the Council Tax requirement for the Councils own purposes for 2025/26 is £147,950,064.

To agree that the following amounts are calculated for the year 2025/26 in accordance with Sections 31 to 36 of the Act:

- a) £656,646,637 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act (Gross Expenditure and Transfers to Reserves).
- b) £508,697,172 being the aggregate of the amounts which the council estimates for the items set out in Section 31A (3) of the Act (Gross Income and Transfers from Reserves).
- c) £147,949,465 being the amount by which the aggregate at 9.5(a) above exceeds the aggregate amount at 9.5(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as it's council Tax requirement for the year. (Item R in the formula in section 31B of the Act).
- d) £1,932.54 being the amount at 1.4(c) above (Item R), all divided by Item T (1.3 above), calculated by the council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

Plymouth City Council

Band	A	B	C	D	E	F	G	H
2024/25	£1,227.13	£1,431.65	£1,636.17	£1,840.69	£2,249.73	£2,658.77	£3,067.82	£3,681.38
2025/26 - Council Tax 2.99%	£36.69	£42.81	£48.92	£55.04	£67.27	£79.51	£91.73	£110.08
2025/26 Adult Social Care Precept 2.00%	£24.54	£28.63	£32.72	£36.81	£44.99	£53.17	£61.35	£73.62
Total	£1,288.36	£1,503.09	£1,717.81	£1,932.54	£2,361.99	£2,791.45	£3,220.90	£3,865.08

Police

Band	A	B	C	D	E	F	G	H
2024/25	£183.00	£213.50	£244.00	£274.50	£335.50	£396.50	£457.50	£549.00
2025/26 - Council Tax 4.99% (Band D)	£9.13	£10.66	£12.18	£13.70	£16.74	£19.79	£22.83	£27.40
Total	£192.13	£224.16	£256.18	£288.20	£352.24	£416.29	£480.33	£576.40
Increase Per Week	£0.18	£0.21	£0.23	£0.26	£0.32	£0.38	£0.44	£0.53


Fire

Band	A	B	C	D	E	F	G	H
2024/25	£66.45	£77.53	£88.60	£99.68	£121.83	£143.98	£166.13	£199.36
2025/26 - Council Tax £5.00 (Band D)	£3.34	£3.89	£4.45	£5.00	£6.11	£7.22	£8.34	£10.00
Total	£69.79	£81.42	£93.05	£104.68	£127.94	£151.20	£174.47	£209.36
Increase Per Week	£0.06	£0.07	£0.09	£0.10	£0.12	£0.14	£0.16	£0.19

Band	A	B	C	D	E	F	G	H
2024/25	£1,476.58	£1,722.68	£1,968.77	£2,214.87	£2,707.06	£3,199.25	£3,691.45	£4,429.74
2025/26	£1,550.28	£1,808.67	£2,067.04	£2,325.42	£2,842.17	£3,358.94	£3,875.70	£4,650.84

Appendix 2 - Equality Impact Assessment

EQUALITY IMPACT ASSESSMENT – BUDGET 2025/26**SECTION ONE: INFORMATION ABOUT THE PROPOSAL**

Author(s): The person completing the EIA template.	Kevin McKenzie Harry Tredinnick	Department and service:	Policy and Intelligence Finance	Date of assessment:	24/01/2025
Lead Officer: Head of Service, Service Director, or Strategic Director.	David Northey, Service Director for Finance	Signature:		Approval date:	24/01/2025
Overview:	<p>Scope of this Equality Impact Assessment</p> <p>This EIA has been completed on the Budget for 2025/26. It assesses the impact of the proposed increase in Council Tax and increases to overall directorate budgets, on communities of identity sharing protected characteristics under the Equality Act.</p> <p>Whilst it is not a statutory requirement, it will also consider the impact of these proposals on people sharing the characteristic, 'care experienced' which was adopted by the Council as a local protected characteristic in March 2023, low-income families and others who are especially exposed to cost of living increases.</p> <p>This EIA does not cover departmental savings proposals, or other decisions that may be taken as part of the budget setting process. Savings proposals will be developed independently by Departmental Management Teams and will be subject to the council's normal decision-making process. This will ensure that an Equality Impact Assessment is undertaken to support any savings proposal that will require an Executive Decision to implement.</p> <p>Where proposals were implemented in 2024/25 to provide an ongoing saving, we will review the EIAs that were conducted at that time to confirm that any mitigations we proposed continue to be appropriate and effective.</p>				

Context

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

The 2025/26 Budget assumes an increase in both the base Council Tax and the Adult Social Care precept in line with the policy set out in the Autumn Budget 2024 and the Local Government Settlement in December 2024. No decision has been made on any changes to the council tax charge for 2025/26; this is reserved for a decision of Full Council in February.

The 2025/26 Budget assumes new savings totaling £9.765m as set out in the 2025/26 Budget report.

Public engagement to support the 2025/26 Budget setting process ran for 3 weeks from November 2024 and closed on the 18th December 2024. A simple questionnaire was developed to help identify which priorities respondents felt the Council should be focussing on over the next year and to generate ideas to help the Council balance the books for 2025. The questionnaire was available online through Plymouth City Council's consultation portal and hard copies were made available upon request. The results of this engagement have been analysed and are included where relevant in this EIA.

This EIA will be kept under active review throughout the budget setting process and will not be finalised until the 2025/26 budget setting process is completed.

Impact of budget proposals on low income families

In the Autumn Budget 2024 the Chancellor announced:

An increase to Employers National Insurance contributions rates and thresholds

Increases to the National Living Wage

Extended Household Support Fund

State Pension and Working Age Benefits increases

The 2019 Index of Multiple Deprivation highlighted that of the 317 local authority districts in England, Plymouth is ranked as the 64th most deprived. For those people in some of the city's most deprived wards, the rising cost of living places them in an increasingly uncertain financial position which will only worsen inequality in the city.

Low-income families and other financially vulnerable groups are disproportionately affected by cuts in front line council services. There are continuing demand pressures in both Adult Social Care and Children's Social Care services and we are facing increasing demand and cost pressures around both homelessness and bed and breakfast accommodation, and around our statutory responsibility to provide home to school transport for our most vulnerable children. This budget does not have reductions to critical services. Increases to fees and charges are made in line with our Fees and Charges policy which was subject to a full EIA when it was introduced.

	<p>Whilst the impact of Council Tax increases cannot be fully mitigated, Plymouth City Council operates a Council Tax Support Scheme which limits the amount eligible recipients have to pay to up to 20 per cent. In addition, an exceptional hardship policy exists to support those most in financial need.</p> <p>We will analyse the current council tax support caseload to assess whether there may be an indirect impact on one or more groups with protected characteristics as a result of the proposed council tax rises.</p>
Decision required:	Council will need to set a balanced budget for 2025/26 in February 2025.

SECTION TWO: EQUALITY IMPACT ASSESSMENT SCREENING TOOL

<p>Potential external impacts:</p> <p>Does the proposal have the potential to negatively impact service users, communities or residents with protected characteristics?</p>	Yes	✓	No	
<p>Potential internal impacts:</p> <p>Does the proposal have the potential to negatively impact Plymouth City Council employees?</p>	Yes	✓	No	
<p>Is a full Equality Impact Assessment required? (if you have answered yes to either of the questions above then a full impact assessment is required and you must complete section three)</p>	Yes	✓	No	
<p>If you do not agree that a full equality impact assessment is required, please set out your justification for why not.</p>	N/A			

SECTION THREE: FULL EQUALITY IMPACT ASSESSMENT

Protected characteristics (Equality Act, 2010)	Evidence and information (e.g. data and consultation feedback)	Adverse impact	Mitigation activities	Timescale and responsible department
Age	<p>Plymouth</p> <ul style="list-style-type: none"> • 16.4 per cent of people in Plymouth are children aged under 15. • 65.1 per cent are adults aged 15 to 64. • 18.5 percent are adults aged 65 and over. • 2.4 percent of the resident population are 85 and over. <p>South West</p> <ul style="list-style-type: none"> • 15.9 per cent of people are aged 0 to 14, 61.8 per cent are aged 15 to 64. • 22.3 per cent are aged 65 and over. <p>England</p> <ul style="list-style-type: none"> • 17.4 per cent of people are aged 0 to 14. • 64.2 per cent of people are aged 15 to 64. • 18.4 per cent of people are aged 65 and over. <p>(2021 Census)</p>	<p>Older people are disproportionately impacted by reductions in Adult Social Care provision.</p> <p>Children and younger people are disproportionately impacted by reductions in Children's Social Care and Home and School Transport.</p>	<p>The additional cost and volume of adult social care packages has been allocated a budget increase of £7.711m</p> <p>A further £4.395m is allocated to cover National Living Wage increases.</p> <p>The budget assumes the full 2% Adult Social Care precept allowed by Government which will provide an additional £2.818m</p> <p>The additional cost and volume of placements for Children's Social Care provision is anticipated to require a budget increase of £16.284m</p> <p>The budget makes an additional allocation of £2.059m to support Home to School Transport, and £0.770m to SEND.</p>	<p>People Directorate and Children's Services to assess the impact of related stretch savings targets as noted above.</p>

<p>Care experienced individuals</p> <p>(Note that as per the Independent Review of Children's Social Care recommendations, Plymouth City Council is treating care experience as though it is a protected characteristic).</p>	<p>It is estimated that 26 per cent of the homeless population in the UK have care experience. In Plymouth there are currently 7 per cent of care leavers open to the service (6 per cent aged 18-20 and 12 per cent of those aged 21+) who are in unsuitable accommodation.</p> <p>The Care Review reported that 41 per cent of 19-21 year old care leavers are not in education, employment or training (NEET) compared to 12 per cent of all other young people in the same age group.</p> <p>In Plymouth there are currently 50 per cent of care leavers aged 18-21 Not in Education Training or Employment (54 per cent of all those care leavers aged 18-24 who are open to the service).</p> <p>There are currently 195 care leavers aged 18 to 20 (statutory service) and 58 aged 21 to 24 (extended offer). There are more care leavers aged 21 to 24 who could return for support from services if they wished to.</p>	<p>Care experienced individuals may be disproportionately affected by cuts to the homelessness budget.</p>	<p>The budget allocates and additional £0.724m to relieve pressure on the budget from households in bed and breakfast accommodation.</p> <p>We will reduce costs by securing better, cheaper placements and accommodation through increased capacity in our brokerage and commissioning services and by using innovative tools such as Care Cubed.</p>	<p>Children's Services Directorate to assess the impact of the savings target of £3.142m to offset some of this additional cost.</p>
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Disability	<p>9.4 per cent of residents in Plymouth have their activities limited ‘a lot’ because of a physical or mental health problem.</p> <p>12.2 per cent of residents in Plymouth have their activities limited ‘a little’ because of a physical or mental health problem (2021 Census)</p>	<p>Disabled people are disproportionately impacted by reductions in Adult Social Care provision.</p> <p>Disabled Children and younger people are disproportionately impacted by reductions in Children’s Social Care.</p> <p>Disabled Children and younger people are particularly vulnerable to cuts in Home and School Transport.</p>	Mitigations as previously noted above.	People Directorate and Children’s Services to assess the impact of related stretch savings targets as noted above.
Gender reassignment	<p>0.5 per cent of residents in Plymouth have a gender identity that is different from their sex registered at birth. 0.1 per cent of residents identify as a trans man, 0.1 per cent identify as non-binary and, 0.1 per cent identify as a trans women (2021 Census).</p>	No adverse impact identifiable from measures proposed in the budget.	N/A	Departments to assess proposals to deliver stretch savings targets and departmental budget savings for impact.
Marriage and civil partnership	<p>40.1 per cent of residents have never married and never registered a civil partnership. 10 per cent are divorced, 6 percent are widowed, with 2.5 per cent are separated but still married.</p> <p>0.49 per cent of residents are, or were, married or in a civil partnerships of the same sex. 0.06 per cent of residents are in a civil partnerships with the opposite sex (2021 Census).</p>	No adverse impact identifiable from measures proposed in the budget.	N/A	Departments to assess proposals to deliver stretch savings targets and departmental budget savings for impact.

Pregnancy and maternity	The total fertility rate (TFR) for England was 1.62 children per woman in 2021. The total fertility rate (TFR) for Plymouth in 2021 was 1.5.	No adverse impact identifiable from measures proposed in the budget.	N/A	Departments to assess proposals to deliver stretch savings targets and departmental budget savings for impact.
Race	<p>In 2021, 94.9 per cent of Plymouth's population identified their ethnicity as White, 2.3 per cent as Asian and 1.1 per cent as Black (2021 Census)</p> <p>People with a mixed ethnic background comprised 1.8 per cent of the population. 1 per cent of the population use a different term to describe their ethnicity (2021 Census)</p> <p>92.7 per cent of residents speak English as their main language. 2021 Census data shows that after English, Polish, Romanian, Chinese, Portuguese, and Arabic are the most spoken languages in Plymouth (2021 Census).</p>	Refugees, Unaccompanied Asylum Seeking Children and victims of Modern Slavery may be may be disproportionately affected by cuts to the homelessness budget and children's social care budget.	Mitigations as previously noted above.	People Directorate and Children's Services to assess the impact of related stretch savings targets as noted above.
Religion or belief	<p>48.9 per cent of the Plymouth population stated they had no religion. 42.5 per cent of the population identified as Christian (2021 Census).</p> <p>Those who identified as Muslim account for 1.3 per cent of Plymouth's population while Hindu, Buddhist, Jewish or Sikh combined totalled less than 1 per cent (2021 Census).</p>	No adverse impact identifiable from measures proposed in the budget.	N/A	Departments to assess proposals to deliver stretch savings targets and departmental budget savings for impact.

Sex	51 per cent of our population are women and 49 per cent are men (2021 Census).	Women are disproportionately over- represented amongst the over 75 population and may therefore be disproportionately affected by cuts in the Adult Social Care budget as noted for older people above.	As noted for older people above.	Departments to assess proposals to deliver stretch savings targets and departmental budget savings for impact.
Sexual orientation	88.95 per cent of residents aged 16 years and over in Plymouth describe their sexual orientation as straight or heterosexual. 2.06 per cent describe their sexuality as bisexual, 1.97 per cent of people describe their sexual orientation as gay or lesbian. 0.42 per cent of residents describe their sexual orientation using a different term (2021 Census).	No adverse impact identifiable from measures proposed in the budget.	N/A	Departments to assess proposals to deliver stretch savings targets and departmental budget savings for impact.

SECTION FOUR: HUMAN RIGHTS IMPLICATIONS

Human Rights	Implications	Mitigation Actions	Timescale and responsible department
	<p>Article 8 provides that everyone has the right to respect for his private and family life, his home and his correspondence.</p> <p>The first protocol, article 2 provides that no person shall be denied the right to an education.</p>	<p>We will need to exercise due care that any proposals to meet stretch savings targets around homelessness, bed and breakfast accommodation and home to school transport are consistent with Article 8 and article 2 of the first protocol.</p>	<p>Executive Office, Legal Team</p>

SECTION FIVE: OUR EQUALITY OBJECTIVES

Equality objectives	Implications	Mitigation Actions	Timescale and responsible department
<p>Work together in partnership to:</p> <ul style="list-style-type: none"> - Promote equality, diversity and inclusion facilitate community cohesion - Support people with different backgrounds and lived experiences to get on well together 	<p>While there are no direct implications as a result of the 2025/26 proposed budget, all future savings proposals will be carefully considered with detailed business cases outlining impacts on the local community and the people of Plymouth.</p>	<p>To carefully review each saving proposal business case with CMT.</p>	<p>Throughout the 2025/26 financial year and 2026/27 budget setting process.</p>
<p>Give specific consideration to care experienced people to improve their life outcomes, including access to training, employment and housing.</p>	<p>This is not applicable for this report</p>	<p>This is not applicable for this report</p>	<p>This is not applicable for this report</p>
<p>Build and develop a diverse workforce that represents the community and citizens it serves.</p>	<p>The 2025/26 proposed budget does not reduce any existing training budgets with Plymouth City Council.</p>	<p>To ensure all training budgets are maintained to allow our diverse workforce to achieve their full potential.</p>	<p>HR to continue to work with departments throughout the 2025/26 financial year</p>
<p>Support diverse communities to feel confident to report crime and anti-social behaviour, including hate crime and hate incidents, and work with partners to ensure Plymouth is a city where everybody feels safe and welcome.</p>	<p>This is not applicable for this report</p>	<p>This is not applicable for this report</p>	<p>This is not applicable for this report</p>

Appendix 3 - Additional cost pressures and adjustments

Cost Pressures and Adjustments	2025/26
Additional Costs Right Sizing the Budget	£m
Salary Related Costs	4.237
Reversal one-off Minimum Revenue Provision	0.400
Reversal one-off Adult Social Care Bad Debt Provision	0.500
Replenish Section 106 contributions	0.900
Right sizing Public Health grant budget allocations	0.529
Sub Total	6.566
Demand Led Pressures	£m
Adult Social Care – National Living Wage impact	4.395
Adult Social Care – volume and inflationary increases	7.711
Children’s Social Care – increased numbers of higher cost placements	16.284
SEND Home to School Transport – increasing numbers and costs of routes	2.059
SEND 0-25 Team – increased EHCPs requires additional staffing, one off	0.770
Homelessness	0.724
Sub Total	31.943
Other Pressures Identified	£m
Funding the Capital Programme	7.200
Audit Additional Costs	0.220
ICT Additional Costs	0.650
Income Recovery Structure	0.212
Environment Act	0.250
Street Services Restructure	0.425
Plymouth Active Leisure National Living Wage and NI	0.141
Windsor House running costs	0.076
Foster Carer Additional Allowance	0.226
Climate Fund contribution to capital	0.250
Extended Producer Responsibility	0.066
Facilities Management - Structure	0.645
Facilities Management – Repairs and Maintenance	1.500
Use of Flexible Capital Receipts	1.318
Purple Flag Accreditation	0.003
VE and VJ Day Celebrations	0.010
Elected Mayor Referendum	0.410
Sub Total	13.602
TOTAL Cost Pressures and Adjustments	52.111

Appendix 4 - Savings Proposals 2025/26

2025/26 Savings Summary	2025/26 £m
Corporate Items	(0.800)
Adults Health and Communities	(2.733)
Children's Directorate	(3.142)
Growth Directorate	(2.195)
Chief Executive	(0.194)
Customer and Corporate	(0.594)
Total Directorate Savings	(9.658)
Additional Income	(4.607)
Budget Adjustments/Management Actions	(1.499)
Total Savings and Income	(15.764)

Corporate Items – Savings/Income	2025/26 (£m)
Debt Reschedule and Treasury Management target	(0.800)
Total	(0.800)

Chief Executive –Savings/Income	2025/26 (£m)
Budget Adjustments – Elections/Comms	(0.119)
Chief Executive - Management Actions	(0.205)
Savings – Legal	(0.194)
Total	(0.518)

Adult Social Care – Savings/Income	2025/26 (£m)
ASC Target Operating Model	(1.008)
Staffing - Hold Vacancies	(0.400)
Banding/Health Contributions Review	(0.500)
Contract Reductions:	
Sheltered Housing	(0.029)
Social Inclusion	(0.182)
Family Hubs	(0.268)
Alarms	(0.070)
Other (Floating Support, CERS)	(0.176)
Livewell Payments Review	(0.100)
Total	(2.733)

Children's – Savings/Income	2025/26 (£m)
Re-modelling and implementation of the Integrated Front Door	(0.312)
Align capacity in the MASH to deliver a new operating model	(0.264)
Out of Hours redesign	(0.267)
Reduction in Capital Borrowing	(0.160)
Life Story Worker	(0.033)
EPS - Careers South West	(0.096)
Placement related Delivery Plans	(2.010)

Total	(3.142)
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Growth – Savings/Income	2025/26 (£m)
SP&I action plan	(0.050)
One-off contribution from A386 leased space SP&I Park & Ride reserve	(0.100)
Review of Property Regeneration income target ongoing	(0.400)
One-off review of Property Regeneration income target	(0.300)
Box income generation	(0.100)
One-off contribution from ED Bad Debt Provision	(0.100)
One-off Oceansgate reserve rationalisation	(0.450)
RingGo - bring Plymouth in line with other Citiesf	(0.200)
Inflationary increases to parking permits (6%)	(0.080)
Remove the 1-hour charge introduced in Mayflower House Court long stay car park	(0.050)
Review of On-street/Off-street parking	(0.365)
Total	(2.195)

Customer and Corporate –Savings/Income	2025/26 (£m)
Customer and Corporate – Budget Adjustments	(1.174)
Customer and Corporate - Savings	
Identify units/areas not being charged Business Rates	(0.100)
Reduce bank charges budget within transactions centre	(0.080)
Work with providers to ensure PCC can claim maximum subsidy	(0.066)
Apprenticeships – collection of savings on posts	(0.174)
IChoose to purchase annual leave	(0.120)
Improved marketing of AVC-Wise	(0.020)
Salary Sacrifice – Electric Vehicles	(0.010)
Ad Hoc income generation and savings across libraries	(0.024)
Total	(1.768)

Appendix 5 - Resources 2025/26

Resources and Adjustments	2025/26
Core Resources	£m
RSG	(12.662)
Council Tax	(149.450)
Business Rates	(86.584)
Reserves	(4.312)
Drawdown from Working Balance for Elected Mayor Referendum	(0.410)
Total Core Resources	(253.418)
Additional Grant Funding	£m
Recovery Fund	(6.592)
Children's Prevention Grant	(1.527)
Extended Producer Responsibility	(5.926)
Social Care Grant	(5.281)
Services Grant ceasing	0.407
Rolled in Grants/New Homes Bonus	0.092
Homelessness Prevention Grant	(0.724)
Total Additional Grant Funding	(19.551)
Savings/Other Income	£m
Directorate Savings Proposals	(9.658)
Budget Adjustments/Management Actions	(1.499)
Other Additional Income	(4.607)
Total Savings/Income	(35.315)

Appendix 6 - Indicative 2025/26 Directorate Budgets

Directorate	2024/25	2025/26		
	Adjusted Net Budget £m	Cost Increases and Adjustments £m	Savings / Income £m	Net Budget £m
Children's Directorate	75.431	19.339	(3.142)	91.628
Corporate Items (see breakdown below)	(25.309)*	15.215	(22.935)	(33.029)
Customer and Corporate Services	36.250	3.227	(1.768)	37.709
Chief Executive's Office	7.154		(0.518)	6.636
Adults, Health and Communities	108.921	12.830	(3.457)	118.294
Growth Directorate	31.472	0.830	(3.495)	28.807
Public Health	2.703	0.670		3.373
Total	236.622	52.085	(35.289)	253.418

* this includes adjustment for impact of one-off reserves 2024/25

Corporate Items Breakdown	2024/25	2025/26		
	Net Budget £m	Cost Increases and Adjustments £m	Savings / Income £m	Net Budget £m
Treasury Management				
Interest Receivable	(4.355)		(0.188)	(4.542)
Interest Payable	24.311	2.333	(0.800)	25.864
Impact of reserves drawdown	(5.000)	5.000		
Minimum Revenue Provision	19.850	1.497	(0.634)	20.713
<ul style="list-style-type: none"> Financing Costs total £42.460m for 2025/26 16.8% of proposed 2025/26 Net Revenue Budget and increase from the 2024/25 figure of 15.3% Including interest on PFI scheme's interest and MRP the Financing Costs are 19.87% of the Net Revenue Budget increase from the 2024/25 figure of 17.18% 				

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Internal Recharges for Borrowing	(18.650)		(1.030)	(19.680)
Other Debt Management Costs/Income	1.268		(0.012)	1.256
Corporate Items				
Corporate Grants/Funding	(45.717)		(20.271)	(65.988)
Other Corporate Budgets	2.963	6.385		9.348
Total Corporate Items	(25.309)	15.215	(22.935)	(33.029)

Appendix 7 – Financial Risks

Risk	Impact & Probability		Impact & Probability			
	Risk before Mitigation		Management Corrective Action	Risk after Mitigation		
	I	P		I	P	
<p>Pension deficit transaction October 2019</p> <p>There remains a risk that</p> <p>1) the outcome is not as requested and</p> <p>2) the subsequent budget required leaves us financially vulnerable</p>	5	3	<p>Receipt of an In Principle letter 27 February 2024 allows us to proceed with the budget as proposed</p> <p>Good progress is being made towards the Capitalisation Direction with on-going positive dialogue with MHCLG colleagues however we still await an outcome</p>	1	1	
<p>Without a Capitalisation Direction from MHCLG there will be a requirement to expense the pension deficit in 2025/26. Immediate impact on the proposed budget which will no longer support the transaction.</p>	5	5	<p>Alternative budget will be required and presented to Cabinet and Council for approval.</p> <p>Drawdown of all usable reserves and release of Working Balance</p> <p>A balanced but unsustainable budget – subsequent issue of SI 14 Report.</p>	5	5	
<p>The financial implications arising from the Governments drive for Devolution and the Local Government Reform.</p>	5	5	<p>A project team, led by the Chief Executive is now in place with financial support.</p> <p>Full costings and financial implications are being modelled</p> <p>Contingency funds have been identified to cover short term budgetary demands</p>	4	4	
<p>The financial implications arising from the call for a referendum on an elected local Mayor for</p>	3	4	<p>Contingency funds will have to be identified to cover short term budgetary demands</p>	3	4	

Plymouth and any resultant election					
<p>The Council's expenditure exceeds the resources available to meet the expenditure within the Medium-Term Financial Plan period.</p> <p>Continuing high wage inflation</p> <p>Slower than projected reduction in the current interest rates</p> <p>Ongoing impact of the recent significant inflationary pressures.</p> <p>Key risks include:</p> <ul style="list-style-type: none"> Continuing high costs and demand in social care for adults and children Continuing high demand for Bed & Breakfast / homelessness provision Home to School transport costs 	5	5	<p>System of monthly financial reporting to Department Management Teams (DMT), Corporate Management Team (CMT), and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee. In addition, the Council has introduced a system of detailed monitoring of the delivery of savings targets so that a view is published monthly in Cabinet reports.</p> <p>The governance system of the Council - as unpacked in the Annual Governance Statement comprise a rigorous system of financial control.</p> <p>Although the rate of inflation has reduced the increasing levels of cost will have a major impact across the Council's financial plans</p> <p>Plans are in place to cover these areas, but the risk remains of continuing demand out stripping the increasing provision measures such as housing provision and PCC owned children's accommodation. For school transport, a route-optimisation exercise has been carried out, but further classroom spaces are required to reduce the need to transport children.</p>	4	4
<p>Assumptions on the continuation of 2025/26 specific grants.</p> <ul style="list-style-type: none"> Children's Social Care Prevention Grant Recovery Fund 	4	4	<p>Discussions with external advisors and Treasurer Societies indicate a consensus of continuation. A risk remains until confirmed by MHCLG colleagues</p>	4	3

<ul style="list-style-type: none"> NI funding 					
<p>The Council's income targets and savings are not met putting pressure on resources and directorate budgets.</p> <p>Council Tax collection falls below rate set at 97.5%</p> <p>Business failure leads to reduced rates income.</p> <p>Increased fees and charges result in reduced demand e.g. car parking.</p> <p>Savings targets not met putting pressure on directorate budgets</p>	4	4	<p>The Council holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and implement potential savings opportunities.</p> <p>The 2025/26 uplift to fees and charges is confirmed at 5% plus rounding where required.</p> <p>Further technical adjustments to the method of providing debt repayment should result in the income targets being achieved.</p> <p>The provision of additional resource within the debt collection team will provide more timely interventions.</p>	4	3
<p>Slippage within transformation programme including housing provision within Community Connections; school sufficiency programme; accommodation within children's directorate</p>	5	4	<p>Project teams are in place with robust monitoring.</p> <p>Monthly progress reporting as part of wider finance monitoring</p> <p>Monthly updates at relevant boards</p>	4	3
<p>Treasury Management (TM)</p> <p>The capital cost of borrowing continues with no, or slower than anticipated medium-term reduction in interest rate.</p> <p>Cost of borrowing prohibits future investments opportunities and limits current project profile.</p>	5	5	<p>Full review of existing Capital programme has been undertaken by the PFH for Finance, Chief Executive and S151 Officer. On-going reviews are in place.</p> <p>Regular TM meetings with external advisors to understand the impact of high interest rates on prevailing approved project.</p> <p>Revised capital governance implemented during 2024/25</p>	4	3

<p>2024/25 Overspends continue:</p> <p>Service demands increased within the Children's Directorate.</p> <p>2024/25 Month 9 monitoring report shows an overspend of £9.374m on the children's social care budget.</p> <p>SEND, Home to School transport and Short Breaks is reported a forecasted overspend of £1.665m</p> <p>Customer and Corporate Services is a reporting an overspend of £2.779m</p> <p>Adults, Health and Communities Directorate is reporting £2.033m pressure for Adult Social Care and a further £0.435m for additional costs due to the demand for temporary accommodation</p>	5	5	<p>Mitigations include:</p> <p>Monthly Housing tasks force and</p> <p>Monthly Children's Services Transition Board and review transition action plans and costs.</p> <p>Use of Capital Receipts to finance transformative activity within Children's Directorate.</p> <p>Planned review of back office to support costs within Customer and Corporate services to drive new ways of working and incorporate the use of AI.</p> <p>Ongoing dialogues with the Integrated Care Board (ICB) to further improve social care provision and manage costs.</p>	5	3
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Appendix 8 - Flexible Use of Capital Receipts Strategy 2025/26

BACKGROUND

Capital receipts can only be used for specific purposes as set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) Regulations 2003, under Section 11 of the Local Government Act 2003.

The use of capital receipts to fund revenue expenditure is not allowed by the Regulations.

In the Spending Review 2015 the Chancellor announced that Local Authorities would be permitted to spend up to 100% of their capital receipts on the revenue costs of transformation projects, to support delivery of more efficient and sustainable services.

In March 2016 a Direction was issued given Local Authorities greater freedoms to use capital receipts to finance revenue expenditure, up until 2018/19. This has since been extended multiple times.

In the 2025/26 Settlement Policy Statement the Government announced:

We will extend the flexible use of capital receipts to 2030. Since 2016, this direction has allowed local authorities to use the proceeds from asset sales to fund the revenue costs of projects that result in ongoing cost savings or improved efficiency. The government will also remove the restriction with respect to redundancy costs, imposed from April 2022, that limits the use of the flexibility to statutory redundancy costs only. This will support authorities in taking forward transformation and invest-to-save projects.

PROPOSED INVESTMENTS 2025/26

The Council will use the powers under the Government's Statutory Guidance on the Flexible Use of Capital Receipts to fund up to £2.088m of qualifying transformation expenditure as set out in the table below.

Funding will continue to be dependent on the production of robust business cases, that demonstrate transformational savings. Projects identified in the Strategy can still be financed from other sources and inclusion in the strategy does not constitute a commitment to fund from capital receipts.

Project	Planned Use of Capital Receipts	Expected Savings
Creating an Excellent One Children's Service Portfolio (Achieving Excellence 3 Year Plan)	£0.818m	Supports delivery of £3.142m savings target for Children's Services in 2025/26
SEND 0-25 Team	£0.770m	Short term investment to lead to long term resourcing savings and rationalisation of EHCP process, will have knock-on savings into Home to School Transport and High Needs Block
Redundancy Costs - General	Up to £0.500m	To cover any redundancy costs as a result of 2025/26 savings plans – allowable under new guidelines

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This strategy is based on prudent assumptions for future capital receipts. Decisions for use of capital receipts will be made in consideration of the overall revenue and capital financing requirements.

IMPACT ON PRUDENTIAL INDICATORS

The Council will have due regard to the requirements to the Prudential Code and the impact on the prudential indicators.

The capital receipts proposed to be used as part of this strategy are already built into the Council's current capital programme for this purpose and therefore have not been factored into the Council's Capital Financing Requirement (CFR) so the utilisation of these receipts for capital receipts flexibility will have no impact of the Council's Prudential Indicators, as set out in the Council's Capital Strategy.

The prudential indicators show that this strategy is affordable and will not affect the Council's operational boundary and authorised borrowing limit, given the low values.

Appendix 9 - Budget Engagement 2025-26 Report

INTRODUCTION

A public engagement to support the 2025-26 budget setting process took place between 28 November and 18 December 2024. An online questionnaire was developed which asked respondents for their view on which one of the following priorities the Council should focus on in the coming year:

- Working with the Police to tackle crime and anti-social behaviour.
- Fewer potholes, cleaner, greener streets and transport.
- Build more homes - for social rent and affordable ownership.
- Green investment, jobs, skills and better education.
- Working with the NHS to provide better access to health, care and dentistry.
- Keeping children, adults and communities safe.
- Making Plymouth a great place to grow up and grow old.
- Minimising the impact of the cost-of-living crisis.

The questionnaire also asked respondents to provide their level of agreement on five statements in regard to managing the Council's budget. The statements were designed to test public opinion on a range of activity that could be considered by the Council to balance the budget for the 2025-26 fiscal year.

257 online questionnaires were completed and entered for analysis. Two emails were received separately with comments (these were included in the overall analysis). In addition, a face-to-face event took place on 23 January 2025 with the business sector, through the Devon and Plymouth Chamber of Commerce.

The results of all engagement activity will be considered by the Council's Cabinet and will also be submitted as part of the budget scrutiny process undertaken by Plymouth City Council Members in January 2025.

METHODOLOGY AND COMMUNICATION

A simple questionnaire was developed to help identify which priorities respondents felt the Council should be focussing on over the next year and to generate ideas to help the Council balance the books for 2025. All percentages cited in this report are rounded to the nearest whole percentage point.

The questionnaire was available online through Plymouth City Council's consultation portal and hard copies were made available upon request.

An engagement with business representatives took place on 23 January 2025.

A communications plan was developed which set out the required materials, branding and opportunities for advertising and promoting the engagement.

The engagement exercise was promoted through a news release and the Council's website, social media channels and email bulletins for residents.

The engagement featured on the home page of the Council's website and a budget web page provided more information and a link to the questionnaire.

Social media posts were shared by community leaders and councillors and engagement was amplified by shares with community Facebook groups.

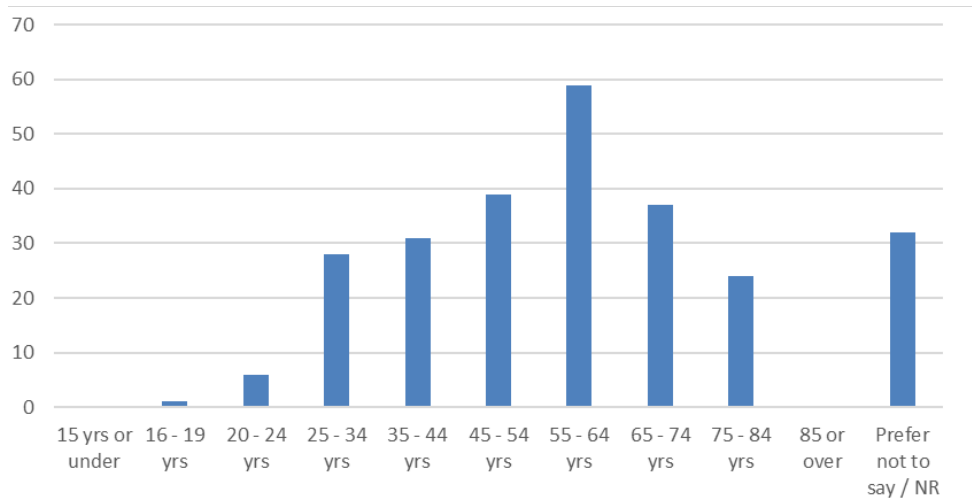
There were regular reminders on social media and through email bulletins.

SECTION I - WHO RESPONDED?

This section provides an overview of how many people responded and the demographics of those respondents.

The following demographic information has been compiled from the total number of questionnaires analysed (257). This information has been used to identify the views of different groups of people where possible throughout this report.

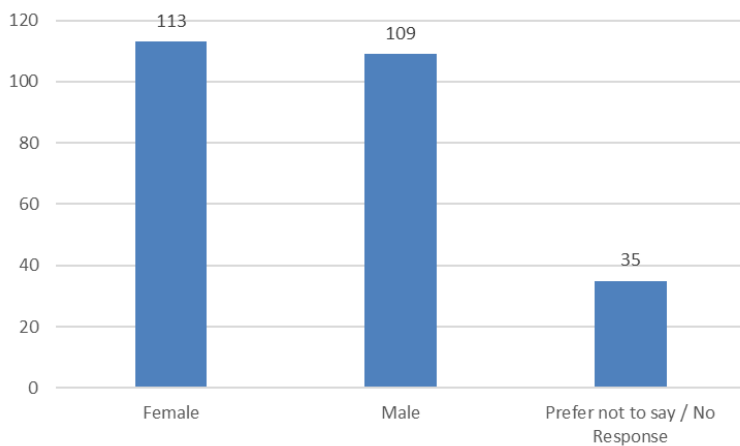
Chart 1: Respondent by age



Base: 257

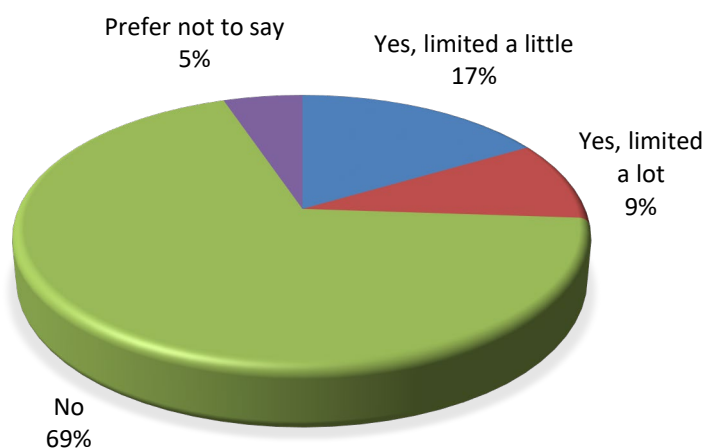
The age group with the highest number of respondents was the 55 – 64 age group (59, 23%). This was followed by those aged between 45 and 54 (39, 15%) and those aged between 65 and 74 (37, 14%). There was a lower level of response from respondents aged 75 and over and those aged 24 or under.

Chart 2: Respondent by sex



Base: 257

Responses were evenly split between male respondents (109) and female respondents (113). The majority of respondents indicated that their gender identity was the same as the sex that they registered with at birth.

Chart 3: Respondent by health and disability

Base: 257

Most respondents indicated that they did not have any limitations due to a health condition or disability (145, 56%). 21 per cent of respondents (55) did indicate that they were 'limited a little' or 'limited a lot'.

The majority of respondents identified their ethnicity as 'White' (191, 74%). The engagement received a small number of responses from other ethnic groups (7 in total).

Three quarters of respondents stated that they had not previously served in the armed forces, regular or reserves (192, 75%), however 31 respondents stated that they had (12%).

When asked about experience of the care system, the majority of respondents indicated that they had not had care experience (196, 76%), whilst 29 (11%) said that they had.

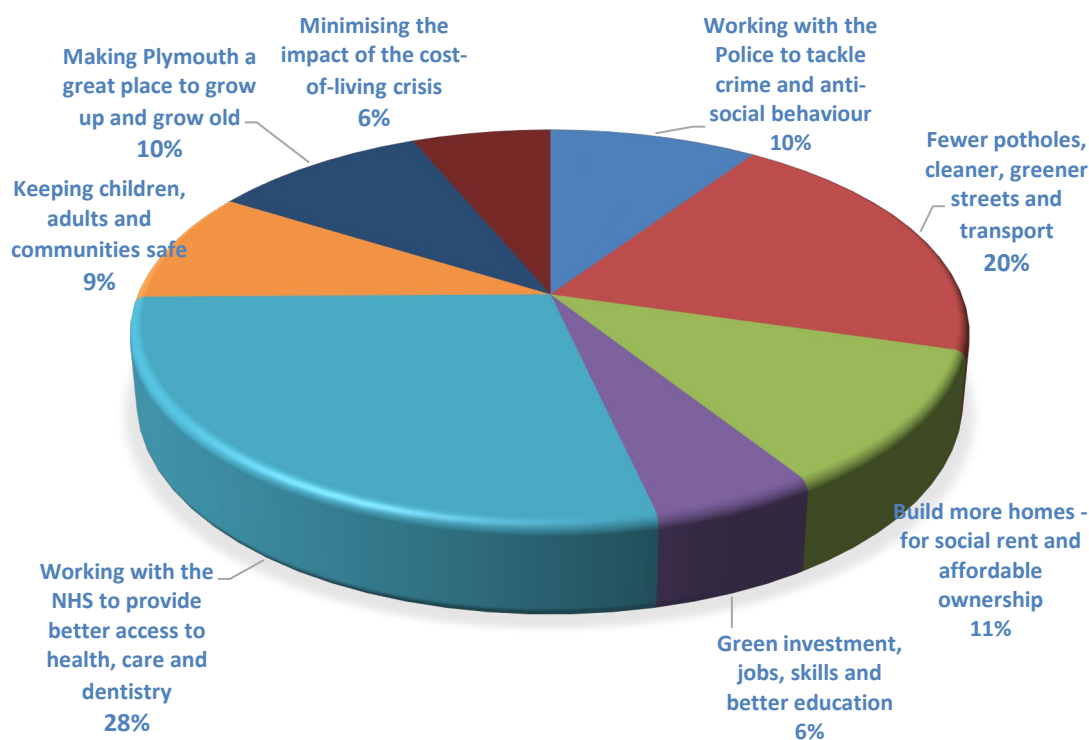
SECTION 2 – YOUR PRIORITIES

The questionnaire asked respondents to select one priority that the Council should focus on in the coming year - the Council's priorities are:

- 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.
- Making Plymouth a great place to grow up and grow old.
- Minimising the impact of the cost-of-living crisis.

255 people responded to this question. The results show that 72 (28%) respondents selected '**working with the NHS to provide better access to health, care and dentistry**' as the top priority that they would like the council to focus on in the next 12 months.

This was followed by '**fewer potholes, cleaner, greener streets and transport**', selected by 51 respondents (20%).

Chart 4: Top priorities

Comments relating to Council's priorities

Within this section of the engagement, respondents were asked to comment on why this priority was important to them.

Out of the 255 respondents who answered this question, 173 provided a written comment. These free text responses were analysed thematically, for the most part the free text space was used by respondents to verify their selected priorities and add context, e.g. comments relating to better public transport, filling potholes, enhanced parking enforcement or no more parking charge increases, city cleanliness, access to green space and the issue with lack of NHS dentistry.

48 comments related to 'Working with the NHS to provide better access to health, care and dentistry'. Access to dental services, particularly NHS services, was the most commented upon. Several respondents felt that focusing on health as a priority would have a positive impact on other areas and help to reduce demand on other services.

26 comments related to building more homes – for social rent and affordable home ownership. Several responses referred to the the affordability of housing and the lack of social housing available. A few respondents mentioned that having the security of a home was important and that providing adequate, affordable housing had a benefit on some of the other priorities mentioned such as health.

32 comments related to 'Fewer potholes, cleaner, greener streets and transport'. Several comments related to the state of disrepair of the roads and the number of potholes. A few respondents mentioned the look of the city, using words such as dirty, tatty and neglected.

Less than 20 comments were received for the other five priorities and no themes emerged for any of these.

Further analysis of priorities

When split by different categories, the number of responses is small so any differences should be treated with caution.

Age: Respondents aged 55 to 64 were more likely to select building more homes as a priority than respondents in other age groups.

Sex: Female respondents selected 'working with the NHS to provide better access to health, care and dentistry' as a top priority for the Council to address (30). Female respondents also chose 'Build more homes' (17) and 'Keeping children, adults and communities safe' (17) as well as 'Fewer potholes' (16) as their priorities. Males selected 'Fewer Potholes' (28) and 'Working with the NHS' (27) as top priorities followed by 'Working with the Police to tackle crime and antisocial behaviour' (14).

Veterans: Respondents who indicated that they had served in the armed forces either as a regular or reserve selected 'working with the NHS to provide better access to health, care and dentistry' as a priority they want the Council to focus on over the next 12 months.

Disability and health: Respondents who indicated that they were limited a lot or limited a little with a disability or health condition selected 'working with the NHS to provide better access to health, care and dentistry' as a top priority for the Council to address – this was also selected most frequently by those who were not limited with a disability or health condition.

Care experience: The number of respondents who selected that they had care experience was low and responses were spread fairly evenly across all priorities.

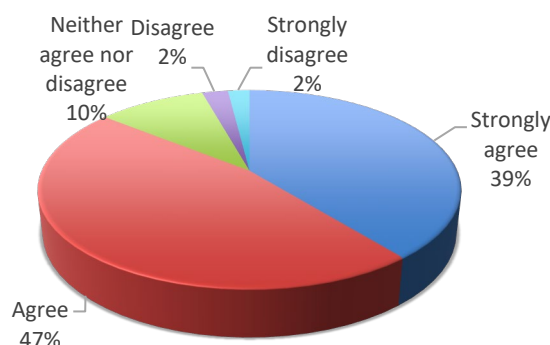
SECTION 3 – MANAGING OUR BUDGET

Section 3 of this engagement asked respondents to indicate the extent to which they agreed or disagreed with a series of statements:

The Council should protect local services where possible by delivering these in different and/or more efficient ways.

This question generated 255 responses, of which 86 per cent of respondents (217) agreed or strongly agreed that the Council should protect local services where possible by delivering these in different and/or more efficient ways (39 per cent strongly agreed with this statement). 4 per cent disagreed or strongly disagreed. 10 per cent of respondents neither agreed nor disagreed with the statement.

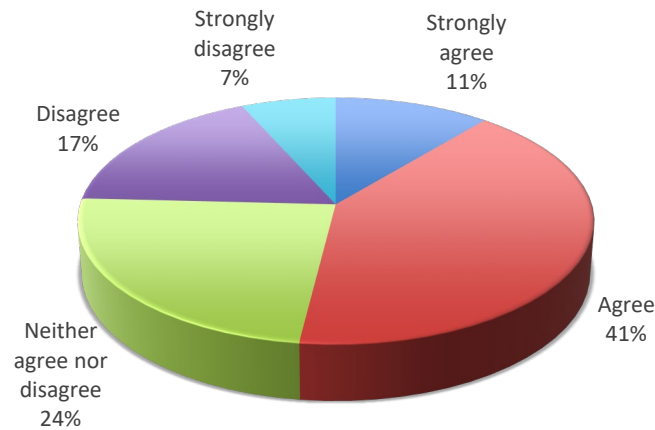
Chart 5. Question 3a



The Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation.

This question generated 252 responses, of which just over half, 52 per cent (131) agreed or strongly agreed that the Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation. 24 per cent (61) disagreed or strongly disagreed. 60 respondents neither agreed nor disagreed with the statement.

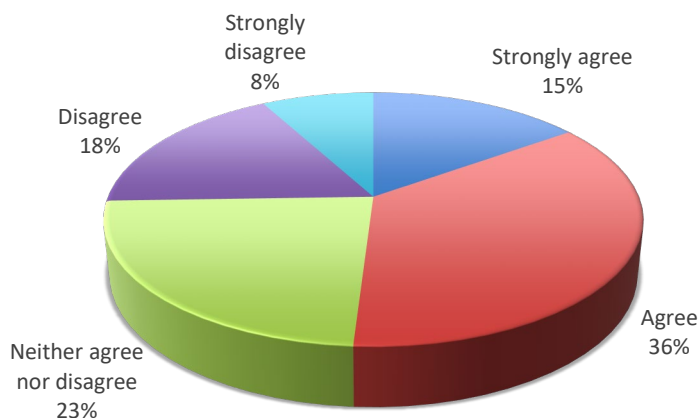
Chart 6. Question 3b



The Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99%.

This question generated 251 responses, of which just over half (51%, 128) agreed or strongly agreed that the Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99 per cent. 25 per cent (64) disagreed or strongly disagreed with this statement. 59 respondents neither agreed nor disagreed with the statement.

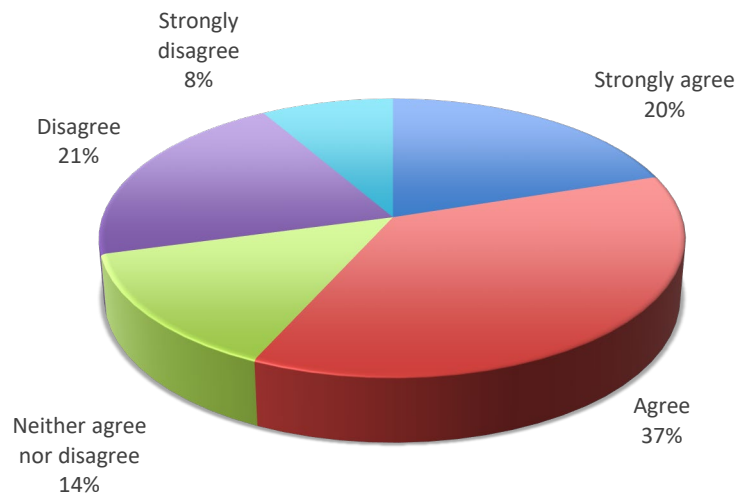
Chart 7. Question 3c



The Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2% precept the Government allows to be added to Council Tax for this purpose.

This question generated 250 responses, of which 56.8 per cent (142) agreed or strongly agreed that the Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2 per cent precept the Government allows to be added to Council Tax for this purpose. 29 per cent (126) disagreed or strongly disagreed with this statement. 78 respondents neither agreed nor disagreed with the statement.

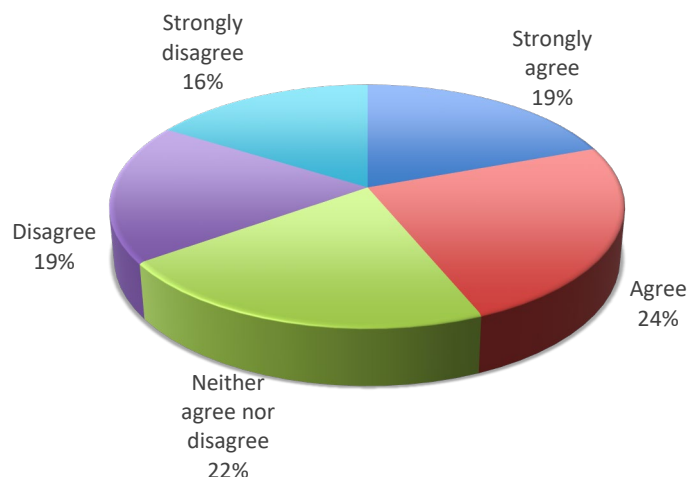
Chart 8. Question 3d



The Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using 'green' energy sources wherever possible.

This question generated 247 responses, of which 44 per cent (108) agreed or strongly agreed that the Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using 'green' energy sources wherever possible. 35 per cent (86) disagreed or strongly disagreed with this statement. 55 respondents neither agreed nor disagreed with the statement.

Chart 8. Question 3e



Further analysis of statements

Analysis was carried out to identify whether there were any differences in views between respondents with different protected characteristics in relation to each of the statements.

NB: these results are not statistically significant and in some cases the numbers of respondents is very low within the different protected characteristics. The results are only indicative of different views.

The Council should protect local services where possible by delivering these in different and/or more efficient ways.

Slightly more females agreed or strongly agreed than males with this statement. More respondents in the age groups of 55 and over agreed or strongly agreed with the statement.

The Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation.

There were no discernible differences in views between respondents with different protected characteristics in relation to this statement.

The Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99%.

There were no discernible differences in views between respondents with different protected characteristics in relation to this statement.

The Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2% precept the Government allows to be added to Council Tax for this purpose.

Slightly more females agreed or strongly agreed than males and slightly more males disagreed or strongly disagreed than females. More respondents in the age groups of 55 and over agreed or strongly agreed with the statement.

The Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using 'green' energy sources wherever possible.

More respondents in the age groups of 54 and under agreed or strongly agreed with the statement.

SECTION 4 – FURTHER COMMENTS

This final section asked respondents if they had any further suggestions about ways in which the Council could save money or raise revenue.

141 (45 percent) entered a written response to this question. Of these, four themes emerged.

- 114 (81 per cent) focused their comments on “better efficiency”
- 12 (9 per cent) on “investment and long term planning”
- 9 (6 per cent) “asking or lobbying the Government for more funding”
- 6 (4 per cent) on “volunteering”

Of the 114 “efficiency” comments, respondents suggested that the Council:

- make better use of Council assets

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- increase charges that are within the Council's control
- endeavour to increase productivity, especially in relation to staff
- focus on the enforcement of contracts
- reduce the spending focus on Net Zero and the green agenda

Appendix 10 - Capital Finance Strategy 2025/26

1. INTRODUCTION AND CONTEXT

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes-technical areas.

Decisions made this year on capital and treasury management will have financial consequences for Plymouth City Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

The strategy will provide an overarching policy framework for the Council's capital programme and planning and will form part of a suite of strategies which provide a holistic view of the Council's financial planning framework. This document should be considered in conjunction with the Medium-Term Financial Strategy and Treasury Management Strategy.

2. GOVERNANCE OF THE COUNCIL'S CAPITAL PROGRAMME

Plymouth City Council have developed a set of procedures and operational guidance (the Capital Handbook) to strengthen capital governance. The Capital Handbook details how capital projects are approved and added into the capital programme.

All proposed capital projects are considered by a senior officer group (the Capital Programme Officer Group) before being considered by the Capital Programme Board, a senior Member and Officer group including the Chief Executive, the Section 151 Officer, the Leader of the Council and the Cabinet Member for Finance.

Capital projects with a value of up to £0.200m are approved under delegation by the Section 151 Officer; projects with a value above £0.200m must be endorsed by the Capital Programme Board prior to a decision approved in accordance with the Council's constitutional executive decision-making process.

Each proposed new capital project will need to demonstrate how it meets the objectives of the City Council, through a business case presented for approval explaining the outcomes achieved by the project and how the scheme will address Corporate Plan priorities. The business case will also set out:

- A project description and option analysis
- Project risks, outcomes and benefits
- Public consultation proposals (where applicable) and feedback
- Legal and procurement implications
- Equalities Impact Assessment and Climate Impact Assessment
- Financial implications for Capital including funding and spend profile
- VAT and Revenue implications including further costs if relating to a corporate property.

Due diligence is carried out on all new proposals to determine whether the scheme is deemed suitable and affordable. If accepted and supported, all new projects with a value over £0.200 are published as an Executive Decision.

The Capital Financing Strategy is agreed annually alongside the Capital Programme as part of the annual budget setting process. Variations to the Capital Programme or in-year additions (subject to delegation), will be agreed by Cabinet through the quarterly Capital Programme monitoring process.

3. CAPITAL PLAN

The Capital Plan is the collective term which includes two key elements - the Capital Programme as approved by the Leader or S151 Officer, and the Capital Pipeline which refers to possible future funding that may be available for future projects yet to be approved.

The Capital Programme is the list of schemes which have a confirmed funding source and have been approved for capital investment following consideration of a robust, evidence-based business case.

The Capital Pipeline includes projects where funding has not been secured and / or where a business case has not been developed. The affordability of the council's potential Capital Pipeline is kept under review by the Council's Capital Programme Officer Group, with reference to the limits set through the Council's Treasury Management Strategy and capital financing budget estimates.

4. CAPITAL EXPENDITURE AND FINANCING

Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. All capital expenditure must be financed, either from external sources (e.g. government grants and other contributions), the Council's own resources (revenue funding, reserves and capital receipts) or debt (borrowing or leasing).

In 2025/26, the Authority is planning capital expenditure of £162.315m (as summarised in Table I below) which also includes full five year programme broken down by Directorate and financing source. Table I sets out the Capital Programme (agreed as at 31 December 2024) which forms part of the 2025/26 budget setting report which will be considered by the City Council on 24th February 2025. The table also sets out the planned financing of the expenditure.

Table I. Five Year Capital Programme by Directorate

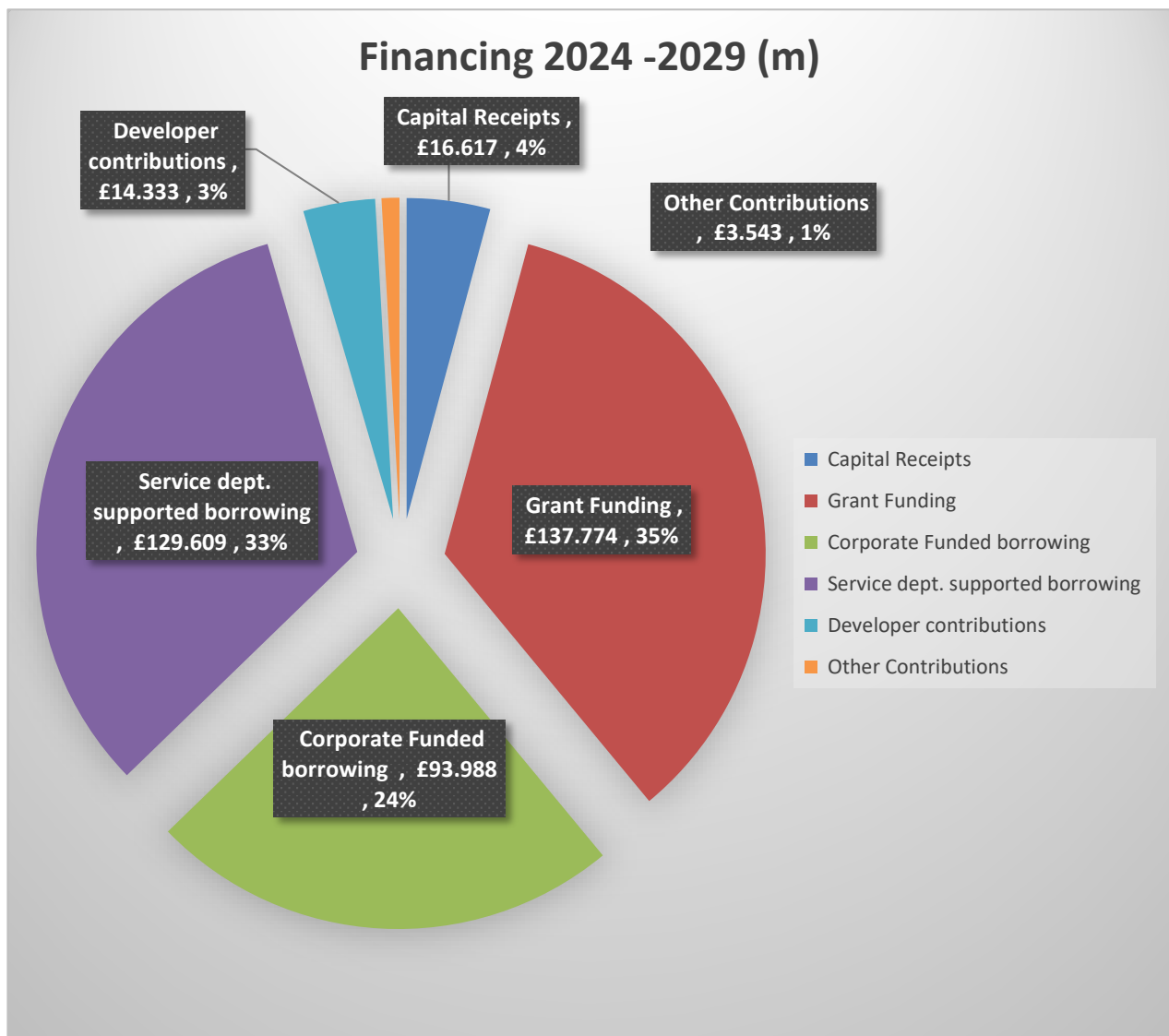
Directorate	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Children's Services	1.716	1.991	-	-	-	3.707
Adults, Health and Communities	16.809	20.935	3.617	0.164	-	41.525
Growth - Economic Development	30.810	48.482	42.181	16.575	12.427	150.475
Growth - Strategic Planning & Infrastructure	40.963	65.375	28.090	8.280	0.275	142.983
Growth - Street Services	18.673	20.359	0.372	0.241	0.212	39.857
Customer & Corporate Services	4.548	4.903	0.728	0.280	0.100	10.559
Office for Director of Public Health	6.488	0.270	-	-	-	6.758
Total	120.007	162.315	74.988	25.540	13.014	395.864
Finance by:	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	2.002	3.048	9.379	0.180	2.008	16.617
Grant Funding	70.477	63.094	0.741	3.269	0.193	137.774
Corporate Funded borrowing	23.108	39.638	27.198	3.666	0.378	93.988
Service dept. supported borrowing	21.117	43.423	36.655	18.080	10.334	129.609
Developer contributions	1.705	11.430	1.015	0.082	0.101	14.333
Other Contributions	1.598	1.682	-	0.263	-	3.543
Total	120.007	162.315	74.988	25.540	13.014	395.864

Note that the table does not reflect the full implications of adopting recent changes to accounting standard IFRS16 which changes the accounting treatment of leases. These changes will not have implications for the affordability of the Council's Capital Programme.

Capital expenditure is financed by a range of sources which may either be ringfenced for a particular purpose or un-ringfenced (available for general use). The source of financing is always identified and approved at the point of approving a capital project. The Capital Programme is currently financed by:

- Capital Receipts.
- Grants and contributions.
- S106 and Community Infrastructure Levy (CIL).
- Revenue Contribution to Capital Outlay (RCCO).
- Borrowing – both borrowing funded corporately, or (where schemes deliver a saving or a new income stream for the Council) borrowing that is offset against the project and repaid by the appropriate service (known at Plymouth City Council as 'Service Borrowing'). Service Borrowing requires the continued delivery of efficiency savings and / or income as a result of capital investment, and (as shown in the chart below) forms a significant proportion of the capital programme funding across the next 5 years.

A further analysis of the financing of the Council's 5 year capital programme is presented below.



Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP) / loans fund repayments. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. MRP, loans fund repayments and the use of capital receipts planned by the council are set out in Table 2 below:

Table 2: Replacement of prior years' debt finance

	2023/24 actual £m	2024/25 forecast £m	2025/26 forecast £m	2026/27 forecast £m	2027/28 forecast £m
Minimum revenue provision (MRP)	22.676	23.350	24.600	25.850	27.100
Loans fund repayments	0.451	0.489	0.501	0.512	0.516
Capital receipts	0.305	1.500	0.500	0.500	0.500
TOTAL	23.432	25.339	25.601	26.862	28.116

The Council's full minimum revenue provision statement is included as part of the Treasury Management Strategy which forms Appendix 11 of this budget setting report.

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). The CFR increases with new debt-financed capital expenditure and reduces with MRP, loans fund repayments and capital receipts used to replace debt. The CFR is expected to increase by £65.385m during 2025/26. Further details on the Capital Financing Requirement and associated Treasury Management Policies and procedures are set out in the Council's Treasury Management Strategy in Appendix 11.

The Council will review its capital programme and associated financing requirements and borrowing limits if there is a significant change in the balance of costs and income forecast in the Council's rolling Medium-Term Financial Plan. This Capital Strategy has been developed in conjunction with a Medium-Term Financial Plan for the period 2025-28. There is a high degree of confidence that assumptions on costs and income made for the first year of this period are robust; as such the Council can be confident that the revenue consequences of the Capital Programme set out in this document for 2025/26 are affordable. However, looking forward to 2026/27 there are significant uncertainties over the level of demand for statutory services (and associated cost pressures), as well as levels of income in what will be the first year following a significant review of local government funding.

5. ASSET MANAGEMENT

To ensure that capital assets continue to be of long-term use, the Council maintains asset management strategies and policies for different categories of asset. The Highways Asset Management Strategy and Property Asset Management Strategy are published documents. The Property Asset Management Strategy will be reviewed during 2025/26, and any implications for the council's Capital Strategy and Capital Programme will be fed into the 2026/27 budget setting process.

6. ASSET DISPOSALS

When a capital asset is no longer needed, it may be sold so that the proceeds (known as capital receipts), can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts “flexibly” on service transformation projects up until and including 2029/30. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £8.788m of capital receipts in the coming financial year as set out in Table 3 below:

Table 3: Capital receipts receivable

	2023/24 actual £m	2024/25 forecast £m	2025/26 forecast £m	2026/27 forecast £m	2027/28 forecast £m
Asset sales	0.147	2.408	6.555	8.716	0.000
Loans etc repaid	4.080	2.402	2.233	1.990	1.973
TOTAL	4.267	4.810	8.788	10.706	1.973

7. TREASURY MANAGEMENT

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. Plymouth City Council typically holds excess cash in the short-term as revenue income is received before it is spent, but is required to borrow in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

As at 31st December 202 Authority currently has £665m borrowing at an average interest rate of 3.23% and £77.6m treasury investments at an average rate of 5.49%. The Treasury Management Strategy document (included as Appendix 11 of the Council’s 2025/26 budget report) sets out a range of contextual information, projected levels of borrowing, and a framework of limits and indicators which will govern the Council’s borrowing and Treasury Management activities during the 2025/26 financial year. The key, statutory Prudential Indicators are set out in Table 4 below for ease of reference, further information and detail is found in the Treasury Management Strategy.

Table 4: Prudential Indicators: Authorised Limit and Operational Boundary for debt

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Authorised limit – borrowing	750.225	838.286	1,007.139	1,033.886
Authorised limit – PFI and leases	219.000	217.000	215.000	213.000
Authorised limit – total external debt	969.225	1,055.286	1,222.139	1,246.886
Operational boundary – borrowing	700.225	788.286	957.139	986.886
Operational boundary – PFI and leases	219.000	217.000	215.000	213.000
Operational boundary – total debt	919.225	1,005.286	1,172.139	1,196.886

8. NON-TREASURY INVESTMENT: THE PROPERTY AND REGENERATION FUND

Plymouth City Council manages a portfolio of assets known as the Property and Regeneration Fund (PRF). The strategic objectives of the PRF portfolio are to deliver regeneration, economic and employment growth with associated income benefits in the Plymouth functional economic area. The Council has invested in direct developments and forward funding opportunities to promote regeneration, safeguarding and create new jobs as well as encouraging economic growth. The Property and Regeneration Fund helps deliver the Council's 'Plymouth Plan' and assists in the redevelopment of brown field sites in the Plymouth area where it can be difficult to attract external investment. Any regenerated areas encourage other private companies to invest in the locality as well as attracting external investment from inward investment by companies moving into the area.

The Property and Regeneration Fund (previously known as the Asset Investment Fund) has approved investment of over £250 million in commercial property. The principle objective of this investment is to drive economic growth and regeneration, however there are associated long-term income generation benefits (via rental revenues) which support the wider financial position of the Council.

The PRF portfolio forms the Council's principle "Non-Treasury" investment, and the detailed strategy, governance and risk management framework for the portfolio is set out in the Council's Non-Treasury Investment Strategy, along with further information on investment appraisal procedures, key financial indicators, and the capability and skills of staff and professional advisors involved in managing the assets. The Non-Treasury Investment Strategy is included as part of Appendix 11 in the 2025/26 budget report.

The Property and Regeneration Fund portfolio, alongside historic ('legacy') commercial property investments, form an important part of the Council's overall Capital Strategy. Currently the approach is to continue to operate these assets and develop the portfolio for the economic benefit of Plymouth and the surrounding area, and to generate income which repays associated capital investment and provides a return over and above financing costs. However, this position will be kept under review as part of the Council's evolving Medium Term Financial Strategy and Capital Strategy as the portfolio also provides a potential source of capital receipts, which could be used to repay borrowing and / or finance investment.

9. REVENUE BUDGET IMPLICATIONS, AFFORDABILITY AND RISK

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. Table 5 below sets out the forecast financing costs for the current and next two financial years, together

with the percentage of forecast revenue resources represented by these forecast financing costs in each financial year. This is a key indicator of affordability for the Council's capital expenditure plans.

Table 5: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual (£m)	2024/25 forecast* (£m)	2025/26 budget (£m)	2026/27 budget (£m)
Financing costs	34.820	41.519*	50.262	53.887
Proportion of net revenue stream	16.01%	17.18%	19.87%	21.09%

* The increase in financing costs in 2025/26 is subject to outcome of capitalisation direction and currently excludes the impact from a change in the accounting for leases that does not represent additional cost to the authority

The Council considers all financial decisions from a prudent perspective; this includes the assessment of the affordability of all capital investments. At the point of approval of a scheme, both the funding implications and any ongoing revenue implications are evaluated to enable informed decisions to be made. As much of the capital programme is funded by borrowing, assumptions and decisions on the cost and affordability of the Council's borrowing are linked to the Public Works Loan Board (PWLB) interest rates, prudential indicators and the approved borrowing strategy as set out in the Treasury Management Strategy 2025/26.

Risks are assessed continually from both an operational and financial perspective. In carrying out due diligence, potential project risks are identified, and relevant mitigation measures documented prior to approval. All risks are then managed in line with the Council's risk management policy which includes documenting risks on a risk register, assigning owners, and the regular review of risks. Subject to careful consideration, the Council may consider investing in a higher risk initiative should there be a significant direct gain to the Council's resources or enable more effective delivery of its statutory duties.

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Service Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable based on a clear five-year capital programme. However, as noted above the affordability of capital financing will be reviewed as the Council's Medium Term Financial Plans evolve; in addition, budget assumptions around interest rates have risk which will be reviewed regularly and may lead to a wider review of the capital programme to ensure it remains affordable.

Appendix II - Treasury Management Strategy 2025/26

Treasury Management Strategy 2025/26

FORWARD

Councillor Mark Lowry Cabinet Member for Finance

This strategy sets out a framework of controls that provides assurance for the way the City Council manages its investments and borrowing.

It demonstrates Plymouth City Council's commitment to sound management and control of the Council's cash and investments and forms a key strand of the Medium-Term Financial Strategy and Budget. In doing so, the strategy provides a strong foundation which underpins the Council's ambitious investments in the future of Plymouth.

David Northey Service Director for Finance (S151 Officer)

The Treasury Management Strategy sets out a framework within which the Council's treasury management requirements and risks can be managed successfully.

The uncertain outlook for financial markets and the world economy impacts upon borrowing and investment rates of interest. This Strategy will help support the council in responding to this volatility in the short to medium term.

The strategy will ensure that Plymouth City Council stays within the limits prescribed under CIPFA's Prudential Code for Capital Finance and complies with other areas of national guidance relating to Treasury Management and related activity.

CONTENTS -

Section 1: Introduction, overview and context

1. Introduction
2. Overview: Investments and Borrowing - facts at a glance
3. Economic context – economic outlook and interest rate forecast
4. Local context - Plymouth City Council's capital financing requirements

Section 2: Treasury Management Strategy – Borrowing & Investments

5. Borrowing Strategy and borrowing limits
6. Investment Strategy and associated policies
7. Treasury Management Performance Indicators (*including Prudential Indicators*)
8. Alternative approaches considered
9. Other Treasury Management considerations

Section 3: Non-Treasury Investments & MRP Statement

10. Non-Treasury Investment Strategy
11. Minimum Revenue Provision Statement

Appendix A – Economic and Interest Rate Forecast

Appendix B - Existing Investment and Debt Portfolio Position

Appendix C – Provisional 2025/26 Treasury Management budget

SECTION I: INTRODUCTION, OVERVIEW & CONTEXT

I. Introduction

Treasury management is the management of the Council’s cash flows, borrowing and investments, and the associated risks. The City Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council’s prudent financial management. Treasury risk management at Plymouth City Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the City Council to approve a treasury management strategy before the start of each financial year. This Appendix fulfils the Council’s legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The document also sets out Plymouth City Council’s Non-Treasury Investment Strategy, a requirement of statutory guidance on Local Government Investments. Finally, the document sets out Plymouth City Council’s statement of policy on the Minimum Revenue Provision for approval by the City Council, fulfilling the Council’s legal obligation under statutory guidance issued under the Local Government Act 2003.

2. Overview – Investment & Borrowing strategies at a glance

INVESTMENTS – KEY FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns (a target rate of 5% has been set for 2025/26)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles
- To balance risk against return

Sources of Market Intelligence & Advice

- Bank of England reports.
- Market advice, credit ratings and other information from the Council’s advisers Arlingclose.

Statutory Performance Framework <i>Rules that guide us</i>	Investment policy <ul style="list-style-type: none"> • Sterling only • Can use UK Government, Local Authority or a body of ‘high credit quality’ (defined as organisations and securities having a credit rating of [A-] or higher and domiciled in UK)
	Investment and Counterparty Limits <ul style="list-style-type: none"> • Unlimited UK Government & Money Market Funds • £25m any single local authority, government entity or secured investment. • £10m per Bank (unsecured) • £20m unrated corporates • £60m Strategic Pooled Funds • £10m Real estate investment Further information on counterparties is set out in section 6.4 below.
Approach	Hierarchy of objectives – Security first, then Liquidity and then Yield. Risk Assessment and credit ratings - We monitor credit ratings daily so any new investments will be made using the latest credit information. Market intelligence

Choices made within the framework

from our advisors may give warnings before credit warning changes e.g., credit default swaps information.

BORROWING – KEY FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To minimise the cost of borrowing (a target rate of 4.5% has been set for 2025/26)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

Sources of Market Intelligence & Advice

- Bank of England reports
- Market outlook, debt restructuring advice and technical support from the Council's advisers Arlingclose.

Statutory and Performance Framework

Rules that guide us

Borrowing requirements – key assumptions and limits for 2025/26

- **£162m** assumed Capital Expenditure in 2025/26
- **£1051m** total Capital Finance Requirement (underlying need to borrow)
- **£788m** assumed total debt (financing) required in 2025/26
- **£1005m** the Operational Boundary (practical ceiling set on borrowing)
- **£1055m** the Authorised Limit (absolute maximum debt approved)

Key Prudential & Treasury Management Indicators

- **19.87%** Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget)
- **90%** Limit on Fixed Interest Rate exposure
- **30%** Limit on Variable Interest Rate exposure
- Upper and Lower limits are set for different durations to provide a framework for the Council's maturity structure of borrowing, to mitigate the risk of over-exposure to refinancing risks – see page 20 for further details.

Minimum Revenue Provision (MRP) Policy

- Annuity Method used – see page 29 for further details.
- PFI/Leases can be charged on an annuity method over the life of the asset.
- Option for capital receipts to be used towards repaying debt.

Approach

Choices made within the framework

Balanced objectives - The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. In addition, the Council seeks to ensure a minimum level of short-term borrowing is held to maximise the benefit from a hedging arrangement.

Strategy - the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates anticipated to be lower than long-term rates for much of 2025/26, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

LOBOs - with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years.

Debt Restructuring - the council will reschedule or restructure debt if it reduces cost or risk, in consultation with our appointed advisors Arlingclose. The council uses a present value calculation (based on current rates) to assess value of debt restructuring options that could result in a discount or premium being receivable / payable.

3. Context – economic background and interest rate outlook

Specialist advisers Arlingclose support the Council with borrowing and investment advice. This section summarises Arlingclose's assessment of the economy and interest outlook in the coming months and years. Further detail is set out in Appendix A.

Economic background as at January 2025:

The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.

Interest Rate Forecast:

The Authority's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates through 2025, taking Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 5%, and that new long-term loans will be borrowed at an average rate of 4.5%.

4. Context – the Council’s Capital Financing Requirements

On 31st December 2024, Plymouth City Council held £664.5m of borrowing and £77.6m of treasury investments (this is set out in further detail at Appendix B). Forecast changes in these sums will be driven by changes to the Council’s total capital financing requirement, driven in turn by the Council’s capital programme. In line with the Plymouth Plan – a long-term strategy for the City, the Council has a large programme of investment to support economic growth and health and wellbeing in Plymouth. The financial impact of this investment programme is analysed in the tables below.

4.1. Estimates of Capital Expenditure

The Council’s planned capital expenditure and financing forecast as at December 2024 is summarised in the table below. The forecast incorporates reprofiling assumptions for current and future years based on a trend analysis using actual information from previous years.

This is how we will fund the investment needed to deliver the Plymouth Plan in each year of the MTFP period

Capital Expenditure and Financing	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
Forecast of in-year Capital Expenditure (General Fund only)	120.007	162.315	74.988	25.540
Total Expenditure	120.007	162.315	74.988	25.540
Capital Receipts	2.002	3.048	9.379	0.180
Grants and Contributions	72.182	74.523	1.756	3.351
Revenue	1.598	1.683	0.000	0.263
Borrowing	44.225	83.061	63.853	21.746
Leasing and PFI	0.000	0.000	0.000	0.00
Total Financing	120.007	162.315	74.988	25.540

4.2. Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council’s underlying need to borrow for a capital purpose. The underlying need to borrow considers the borrowing required to finance historic capital investment as well as new borrowing required to finance forecast investment over the MTFP period. It also includes financing attributable to PFI & finance leases, including assumed additional financing resulting from accounting changes required under the introduction of IFRS16.

This is the total past and planned capital expenditure we need to finance.

Capital Financing Requirement	31 Mar 24 Actual £m	31 Mar 25 Forecast £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m
Forecast CFR (General Fund only)	866.405	986.460	1051.845	1192.790
Total CFR	866.405	986.460	1051.845	1192.790

The Council has an increasing CFR, which is forecast to rise by £326.385 over the next three years because of capital programme investment and changes to the accounting treatment required under IFRS16, offset by minimum repayment provision for debt incorporated with medium term financial planning. Work is ongoing to assess the impact of this accounting change and the figures in the table above are an estimate only.

4.3. Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

This is how much we expect to borrow over the next three years

Debt	31 Mar 24 Actual £m	31 Mar 25 Forecast £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m
Borrowing	655.532	700.225	788.286	957.139
PFI liabilities & Finance Leases*	118.500	219.000	217.000	215.000
Total Debt	774.032	919.225	1,005.286	1,172.139

* A provision has been made for changes to accounting requirements arising from the introduction of the new accounting standard IFRS 16, which requires operating leases to be brought onto the balance sheet as a debt liability with effect from 1 April 2024. Work is ongoing to assess the impact of this accounting change on reported CFR and MRP policy and the figures in the table above are an estimate at this stage.

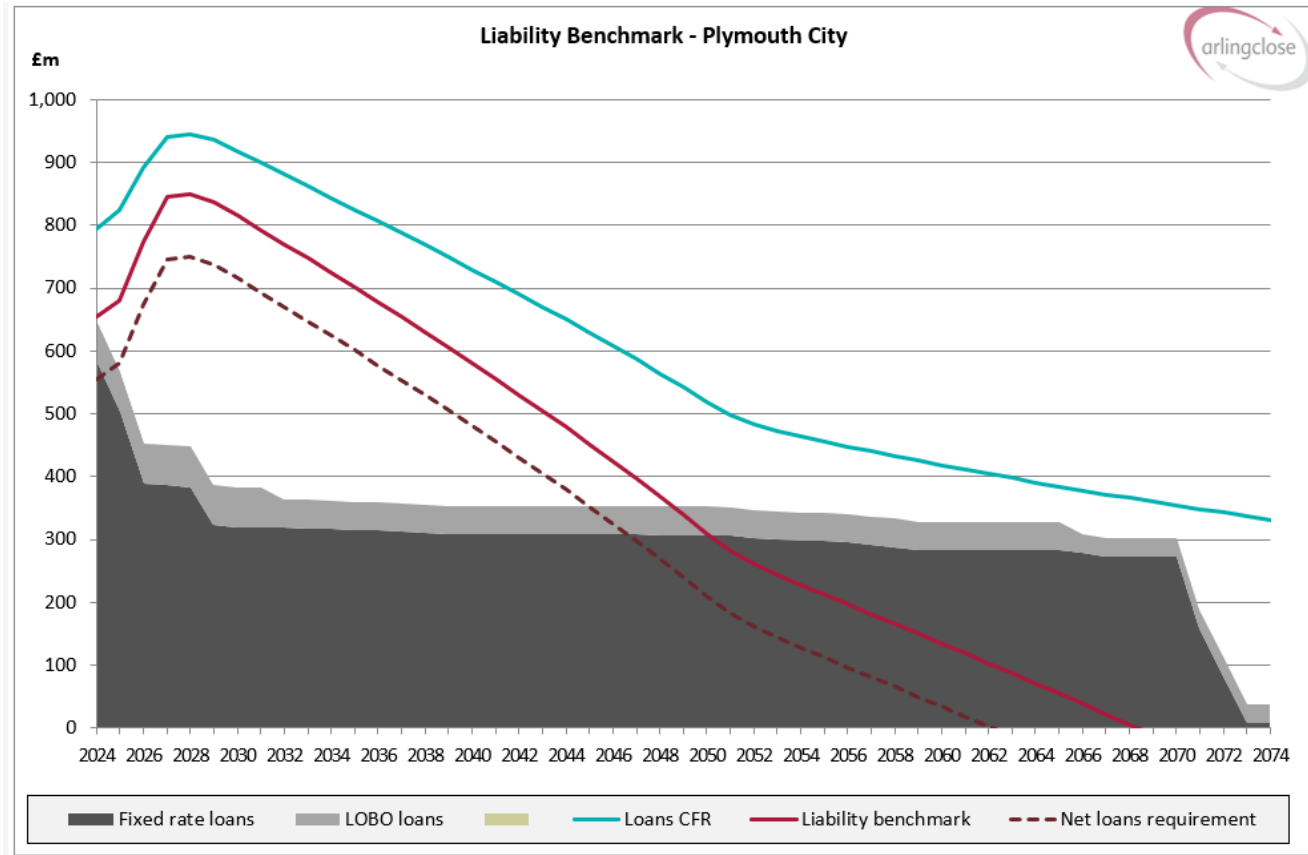
CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during the period 2025 to 2027.

4.4. Liability benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Following on from the medium-term forecasts in the tables above, the long-term liability benchmark assumes capital expenditure funded by borrowing across 5-year capital programme of £323.597m, minimum revenue provision on new capital expenditure based on a 20 or 25 year asset life (as appropriate) and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing. The liability benchmark calculations used in the chart below exclude financing relating to IFRS16 lease arrangements, which are assumed be financed from the revenue account. As the full implications from changes arising through the introduction of IFRS 16 become clearer, the liability benchmark position set out here will be reviewed.

The liability benchmark chart demonstrates that the Council is likely to be a long-term borrower. On a current forecast of investment needs, the maturity structure of existing debt remains below the cumulative amount of external borrowing forecast for a long-term period, which will require the council to borrow more funds to meet its borrowing needs over an estimated 20 year period.



SECTION 2: TREASURY MANAGEMENT STRATEGY

5. Borrowing Strategy & Borrowing Limits

As at 31st December 2024, Plymouth City Council held £664.5m of loans, an increase of £9m from March 31st 2024, as part of its strategy for funding previous years' capital programmes. Table 4.3 above show that the Council expects to borrow up to £788m by the end of the 2025/26 financial year. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed authorised limits agreed by the City Council, as set out in this report.

5.1. Borrowing strategy

The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest and fixing borrowing to obtain certainty of costs. The flexibility to renegotiate loans or to reschedule debt should the Council's long-term plans change is a secondary objective.

Given the context of increasing demand for statutory services and a challenging outlook for public finances and local government funding, Plymouth City Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators (set out in section 7 below).

By doing so, the City Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The Council has taken the opportunity to refinance some of its short-term borrowing with long term fixed rate borrowing from PVLB. This has reduced the Council's short-term borrowing and therefore reduced the interest rate risk (risk of interest rates rising).

The Council will continue to review its portfolio of borrowing and may refinance its debt dependant on the market conditions. The benefits of short-term borrowing will continue to be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Short term borrowing may be a cheaper option, but it could leave the Council exposed to refinancing risk, a combination of interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council). Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk to reduce the overall long-term costs of the loan portfolio. The Council will only borrow from approved sources (set out in section 5.3 below). In its budget assumptions for 2025/26, the Council has assumed that new long-term loans will cost an average rate of **4.5%**.

5.2. Borrowing Limits: Maximum Total Debt

We are required to set borrowing limits by law. Limits are set at affordable levels, with sufficient scope to fund our forecast capital programme.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment, or to finance internal borrowing. The current strategy is not to borrow to the full underlying CFR, and to use working capital and reserves to offset an element of borrowing need.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* sets a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.

The Council expects to hold borrowing up to £788m in 2025/26. The total borrowing must not exceed an **authorised limit** set by the Council of £1055m, which includes estimated long-term liabilities of £217m, plus an allowance for short term cashflow borrowing requirements. This authorised limit is subject to review once the full impact of IFRS16 is known; although IFRS16 will be fully implemented for the Statement of Accounts for 2024/25, further work is required to understand the full implications of this new accounting standard for borrowing limits in 2025/26. Further detail on the authorised limit and other Prudential Indicators are set out in section 6 below.

In addition to the IFRS review, the Council will also review the appropriateness and affordability of its capital programme and associated financing requirements and borrowing limits if there is a significant change in the balance of costs and income forecast in the Council's rolling Medium-Term Financial Plan. This Treasury Management Strategy has been developed in conjunction with a Medium-Term Financial Plan for the period 2025-28. There is a high degree of confidence that assumptions on costs and income made for the first year of this period are robust; as such the Council can be confident that the revenue consequences of borrowing limits set out in this document for 2025/26 are affordable. However, looking forward to 2026/27 there are significant uncertainties over the level of demand for statutory services (and associated cost pressures), as well as levels of income in what will be the first year following a significant review of local government funding.

5.3. Sources of borrowing

The approved sources of long-term and short-term borrowing are set out in the table below.

These are the lenders we are able to use.

Sources of Borrowing

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Devon Local Government Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues and short term borrowing
- Any other counterparty that is recommended by the Council's TM advisors
- Capital Grant funders offering loans (eg SALIX)
- A Plymouth City Council bond or similar local financial instruments.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

The Council continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

The Council has specific strategic issues to consider for some forms of borrowing, and our strategy for a selection of certain financing options is set out here.

5.3.1. Lender's Option Borrower's Option loans (LOBOs)

The Council holds LOBO agreements, which were entered into under different market conditions. Where appropriate we will replace them with lower cost loans.

The Council holds £54m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Lender's Options to the value of £10m were called during 2024/25, and the Council took the option to repay these loans. Future opportunities to repay any LOBO obligations will be considered on a case-by-case basis, and the Council will take the option to repay LOBO loans when it can be demonstrated to be cost effective.

5.3.2. Municipal Bond Agency loans

The Municipal Bonds Agency may offer an alternative for short term borrowing

The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any proposal for Plymouth City Council to borrow from the Municipal Bond Agency will be the subject of a separate report to full Council, and would require the agreement of the City Council.

5.3.3. Short-term and Variable Rate loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. To address some of the interest rate risk the Council has entered into a rate swap arrangement with Santander PLC which covers the risk on any differential between the Sterling Overnight Index Average (SONIA) and a set interest rate. The twenty-year arrangement was entered into on 1 April 2020 and since July 2022 this has generated a financial benefit to the Council.

Other financial instruments may be used to manage interest rate or other risks in line with the Council's policy on the use of Financial Derivatives (see section 9.1 below).

5.4. Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

6. Investment strategy and associated policies

6.1. Treasury Management Investment Strategy and Objectives

This section sets out how we invest any surplus funds for cash management, and to manage short term interest rate risks

The Council invests its money for three broad purposes:

- because it has surplus cash from its day-to-day activities, for example when income is received in advance of expenditure, or to mitigate medium term interest rate risks (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to regenerate areas within the City of Plymouth or immediate surrounding economic area to encourage private investment and to create or retain local jobs (known in Plymouth City Council as **'Property Regeneration Fund' investments**).

This section focusses on the first category. Section 10 below focuses on the second and third of these categories and meets the requirements of statutory guidance issued in January 2018.

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds grants received in advance of future expenditure, and levels of reserves in order to manage risk. These activities, plus the timing of borrowing decisions, lead to a cash surplus which will be invested in accordance with the strategy and policies set out in this document. The balance of treasury investments is expected to fluctuate between £20m and £60m during the financial year 2025/26.

The CIPFA Code requires Plymouth City Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the City Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Plymouth City Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing, as set out in paragraph 6.2 below.

As demonstrated by the liability benchmark (see section 4.4 above), the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The majority of the cash held by the council for working capital purposes is currently invested in short-term money market funds which offer lower rates but allow for immediate withdrawal.

The Council holds investments in diversified managed funds (defined as 'strategic pooled funds' in table 6.2 below) which offer a higher yielding alternative to short-term money market funds. The CIPFA Code no longer permits local authorities to both borrow and invest long-term for cash flow management, however, decisions to invest in these funds were taken some time ago under a different policy framework. The CIPFA Code does permit long-term investments to be held for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by

investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to a strategic pooled fund portfolio. Accordingly, the Council's historic portfolio of strategic pooled funds will be retained to diversify risk into different sectors and to manage medium term interest rate risk. The Council currently holds £55m across a number of such funds (CCLA Property Fund, CCLA Better World Cautious Fund, Schroder's Income Maximiser and Fidelity Enhanced Income Fund); these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange. Their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

In its budget assumptions for 2025/26, the Council has assumed that investments will return at an average rate of **5.0%**.

6.2. Environmental, social and governance investment policy

Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

6.3. Treasury Management Investment business models and strategic pooled funds

Under the new IFRS 9 accounting standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost. The Government have recently consulted on potential changes to guidance on the accounting treatment for certain strategic pooled fund investments and the outcome of this process may affect the council's general fund. The position will be reviewed as and when any changes to guidance are announced and the council's approach to pooled investments may change as a result.

6.4. Security Risk and Counter Party policies

6.4.1. Sector guidance, approved counterparties and investment limits

**These are the limits we use for making individual investments.
They are based on advice from Arlingclose.**

The Council may invest its surplus funds with any of the counterparty types in table 6.2 below, subject to the limits shown.

Table 6.2: Investment limits	Time Limit	Counterparty Limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£25m	Unlimited
Secured investments *	3 years	£25m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited
Building Societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	3 years	£5m	£10m
Money Market Funds *	n/a	£12m	Unlimited
Strategic pooled funds	n/a	£25m	£60m
Real estate investments trusts	n/a	£5m	£10m
Loans and investments to unrated corporates	n/a	£5m	£20m
Other investments, unrated investments in equity, quasi-equity, debt or otherwise	n/a	£5m	£20m

* See paragraph 6.2.4.1 below for specific credit risk management procedures applying to these sectors.

When considering investment limits in the table above, the Council's treasury management team will also refer to the credit ratings of the individual organisations to make the final assessment, in consultation with the Council's professional advisors where appropriate. Limits will also be placed on fund managers, investments in brokers' nominee accounts and industry sectors as set out in the further guidance below. The Council does not invest in non-Sterling currencies, though may make sterling investments in banks domiciled outside the UK. The Council's treasury management team will also refer to the detailed sector guidance set out below for specific sectors.

UK Government:

These are sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Local authorities and other government entities:

These are loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

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Secured investments:

These are investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Investments in banks and building societies (unsecured), including operational bank accounts:

These are investments in accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than AAA- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances should be kept below £10m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Investments in registered providers (unsecured):

These are loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds:

These are pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds:

These are bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. Strategic pooled funds allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. As noted in section 6.1 above, the Council currently holds £55m across a number of such funds.

Real estate investment trusts:

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Other investments:

This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

6.4.2. Risk assessment and credit ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating

6.4.2.1. Sector-specific credit rating policies

Treasury investments in the sectors marked with an asterisk in table 6.2 above will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

6.4.2.2. Other considerations on the security of investments

When assessing the security risk of investments, the Council's treasury management team will also consider the following factors:

- For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.
- The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations

of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

6.4.3. Reputational considerations

The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation. This reputational risk will be taken into account when making investment decisions.

6.5. Liquidity Management

Plymouth City Council uses a purpose-built excel cash flow forecasting tool to determine the maximum periods for which funds may prudently be committed. The forecast is compiled on a prudent basis highlighting when borrowing needs to be secured to minimise the risk of the Council being forced into unplanned borrowing under unfavourable terms to meet its financial commitments. Limits on longer term investments are set with reference to the Council's medium-term financial plan and cashflow forecast.

The City Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

7. Treasury Management and Prudential Indicators

7.1. 2025/26 Prudential Indicators

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

7.1.1. Operational Boundary for External Debt

This indicator provides some flexibility to allow borrowing for day-to-day cashflow requirements.

The operational boundary is based on the Council's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt.

Operational Boundary	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	700.225	788.286	957.139	983.886
Other long-term liabilities	219.000	217.000	215.000	213.000
Total Debt	919.225	1,005.286	1,172.139	1,196.886

7.1.2. Authorised Limit for External Debt

This is the absolute maximum of debt approved by the City Council

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 and represents the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the operational boundary for more unusual cash movements.

Authorised Limit	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	750.225	838.286	1007.139	1033.886
Other long-term liabilities	219.000	217.000	215.000	213.000
Total Debt	969.225	1055.286	1222.139	1246.886

7.1.3. Ratio of Financing Costs to Net Revenue Stream

This measure demonstrates that our proposed borrowing is affordable.

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
General Fund	17.18%	19.87%	21.09%	22.33%

7.1.4. Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* in April 2002. It fully complies with the Code's recommendations.

7.2. Other Treasury Management Indicators

In addition to the statutory Prudential Code indicators set out in section 7.1 above, the Council measures and manages its exposures to treasury management risks using the following non-statutory indicators.

7.2.1. Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A

7.2.2. Liquidity

The Council does not keep large amounts of cash in call accounts so that it reduces the cost of carrying excess cash. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities.

7.2.3. Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2024/25	2025/26	2026/27	2027/28
Upper limit on fixed interest rate exposure	90%	80%	90%	90%
Upper limit on variable interest rate exposure	20%	30%	35%	30%

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

7.2.4. Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing for different time periods will be:

Time period	Upper	Lower
Under 12 months	50%	35%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and above	50%	45%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

7.2.5. Principal Sums Invested for Periods Longer than 365 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2024/25	2025/26	2026/27
Limit on principal invested beyond one year	£10m	£10m	£10m

8. Alternative approaches considered

Government guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain

9. Other Treasury Management policies and considerations

There are a number of additional items that the Council is obliged by CIPFA and government guidance to include in its Treasury Management Strategy; these and other matters considered appropriate are set out in this section.

9.1. Policy on the use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). Other than the interest rate swap arrangement detailed in section 5.3.3 above, the Council has no further plans to make use of derivative instruments at the present time.

However, the Council does not discount the possible use of these in the future dependent on the existence of appropriate operating conditions, the acquisition and analysis of specialist advice and consultation with appropriate stakeholders. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk

calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit.

This approach is in line with the CIPFA Code, which encourages the Council to seek external advice and to consider such advice before entering into financial derivatives to ensure that it fully understands the implications.

9.2. Markets in Financial Instruments Directive

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

9.3. Policy on Investment of Money Borrowed in Advance of Need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money for the Council's Treasury Management activities within the year. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be less than one year, although the Council is not required to link particular loans with particular items of expenditure.

9.4. Skills, staff development and professional advice

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director of Finance is a qualified accountant with over 25 years' experience. Within the accountancy and treasury management function, the Council employs staff with professional finance qualifications and supports junior staff to study towards relevant qualifications.

The training and development needs of the Council's treasury management staff are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

9.5. Treasury Management Practices, Principles and Schedules guidance

A Treasury Management Practices, Principles and Schedules document is reviewed and revised annually, and forms the operational guidance for the Council's Treasury Management function. It is subservient to this Treasury Management Strategy and sets out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Audit Committee is required to approve the Treasury Management Practices, Principles and Schedules document each year under authority delegated by the City Council.

SECTION 3: NON-TREASURY INVESTMENTS & MINIMUM REVENUE PROVISION STATEMENT

10. Non-Treasury Management Investment Strategy

10.1. Introduction and scope

Local Authorities invest money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**).
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

10.1.1. Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is largely used to offset the need to borrow for capital investment, or invested to support treasury management activities. The balance of treasury management investments is expected to fluctuate between £40m and £60m during the 2025/26 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Full details of the Council’s policies and its plan for 2025/26 for treasury management investments are covered in Sections 1 and 2 above.

10.1.2. Service Investments

Plymouth City Council supports local public services and economic growth through making loan investments. Further details on these Non-Treasury Management investments are set out in section 10.2 below. The Council does not expect to make any new investments in shares for the purpose of supporting local public services or promoting local economic growth during 2025/26, however section 10.3 below sets out some considerations as a guide for potential shareholder investments that the Council may wish to consider to further its organisational public service objectives.

The Council has interests in a number of companies established as wholly-owned or joint venture vehicles for the delivery of various activities that support Plymouth City Council's objectives; from time to time the Council may establish new Companies or Joint Venture structures for particular purposes. Whilst loans or financial investments in these companies would be considered to fall within the scope of this strategy, non-financial interests (e.g. control exercised through service contracts or board positions, contributions of leasehold or freehold property interests, licences or rights to use assets, or other contributions in kind) are not considered to be Non-Treasury Investments and therefore fall outside of the scope of this document. The Council discloses its interests in companies through its group accounts in accordance with sector accounting guidance; company interests are governed through the specific contractual terms applicable to each individual arrangement and through a wider 'family of companies' governance structure within the Council.

10.1.3. The Property and Regeneration Fund

At Plymouth City Council, no new investments are entered into for the sole purpose of earning investment income – where the Council has surplus funds over and above working capital needs, these are used to offset debt financing requirements through 'internal' borrowing. However, property investments are made to regenerate areas within the City or immediate economic area to encourage private investment and to create or retain jobs – a portfolio of property known at the City Council as the Property and Regeneration Fund (PRF). These investments generate a yield and (for affordability purposes and to manage financial risks), PRF investments are appraised on a commercial basis as well as for regeneration, economic development and place-shaping value. As such, the Property and Regeneration Fund is considered to fall within the scope of this Non-Treasury Investment Strategy, even though the primary purpose of the portfolio is not to earn investment income. Further detail on the Property and Regeneration Fund is set out in section 10.4 below.

10.2. Service Investments - Loans

The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities, registered social housing providers or other organisations to support local public services and / or public service objectives. For example, the Council has given a loan to Plymouth Community Energy to support the construction of the solar energy farm at Ernesettle, which in turn supports the Council's Climate Emergency Strategy objectives.

The vast majority of such loan investments are low value; however, taking a proportionate approach commensurate with the value of any loan the Council will ensure that an appropriate due diligence exercise is undertaken and adequate security is in place. All loans are agreed by the Section 151 Officer and will be subject to close, regular monitoring. Long-term loans are treated as capital expenditure for accounting purposes, where the applicable criteria are met.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Where appropriate and proportionate, the Council will take security against assets to mitigate the risk of default.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

The Council assesses and mitigates the risk of loss before entering into and whilst holding service loans by:

1. reviewing the financial statements of the organisation and reviewing the organisation's business plans and future projections and future cash flows;
2. assessing what security is available to secure the loan and if necessary carry out a professional valuation of any property;
3. using external advisors to provide professional information such as due diligence requirements;
4. the loan agreements are reviewed by our legal team to ensure that they are legally compliant and includes any safeguards for the Council;
5. if an organisation has a credit rating we will carry out a credit check to assess risk;
6. taking a proportionate approach, the rate of interest charged on any loan will reflect the risk of the project and potential for default;
7. subsidy control rules are taken into account before a loan can be considered.

10.2.1. Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are appraised and risk-assessed through a similar process to service loans.

10.3. Service Investment - shares

The Council may make financial investments through the purchase of shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth. The Council does not currently hold any material shareholding investments, but should an opportunity arise to support Plymouth City Council's objectives through an investment in shareholdings the guidance in this paragraph will apply.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The individual and absolute level of financial investment made in shareholdings should be considered with regard to this security risk, with limits set with reference to the Council's level of available general reserves. All financial shareholding investments should be agreed by the Section 151 Officer and should be subject to close, regular monitoring.

Risk assessment: The Council would assess the risk of loss before entering into and whilst holding shares by reviewing the history of the organisation; its financial statements and its share values. The Council will also look at business plans, future cash flows and any other market information that may affect the organisation.

Liquidity: The Council covers its liquidity for working capital and cash flow by holding cash in its Money Market Fund and being able to borrow short term loans from other local authorities. Shares of this type should not be considered to be a suitable investment for managing liquidity risk and should be appraised accordingly, with regard to the Council's liquid Treasury Management investments and cashflow forecast.

10.4. Property and Regeneration Fund

From 1 April 2021 the Council ceased to invest in commercial property where the investment decision was based on a primary objective of generating income. Since this date, the Council has only invested in property where the main purposes of such investment are to regenerate areas of the City, encourage private investment and / or to create or retain local jobs. Some legacy commercial property assets have been retained within a broader portfolio where these assets were purchased prior to April 2021, and where best value would not have been obtained by a disposal of the asset in the period following April 2021. These legacy commercial property assets are kept under review as a potential source of capital financing.

Over time, a portfolio of property investments has developed, known within the City Council as the Property and Regeneration Fund. This portfolio provides a modest return to the council which can help to support local public services. However, the primary objective of the portfolio is to support place-shaping and economic development objectives. The table below sets out the net yield achieved in the last full financial year, and forecast for 2025/26. The Council uses an internal mechanism (known internally as 'Service Borrowing') to recover repayment and financing costs (including a provision for MRP) from the gross income; provision is also made for contributions to reserves held to mitigate the risk of voids and to provide a fund for capital investment. In this way, Property and Regeneration Fund assets are funded by rental income - borrowing is not directly taken out against each property but is managed through our Treasury Management function. The net income set out in the table below is the sum after these deductions.

Property and Regeneration Fund	Actual 2023/24	Estimate 2024/25	Forecast 2025/26
Total net income	£3.258m	£3.283m	£3.382m

10.4.1. Security

In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its development / acquisition cost including taxes and transaction costs. A fair value assessment of the Council's Property and Regeneration property portfolio is undertaken regularly. Adverse market conditions have impacted on the valuation of non-residential property, with a downturn in the market driven by higher interest rates, post-COVID social trends and broader economic circumstances. The Council's Property and Regeneration portfolio is held to provide long-term financial and non-financial benefits for the City Council and the wider community and as such, the Council anticipates that it will continue to hold assets where fair value has reduced below development / acquisition costs until market conditions recover and valuations improve. The Council mitigates against longer term impairments to this portfolio by setting aside funds for future capital investment, and regular reviews of lease agreements.

The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out the evaluation process described in paragraph 10.4.4 below.

10.4.2. Liquidity

Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. As noted above, national market factors

for the commercial property sector may mean that the Council would not recover its investment value of property investment is sold during a downturn period. Accordingly, the council considers the Property Regeneration Fund to be a long-term investment and makes alternative arrangements to cover its short and medium-term cash requirements. Because borrowing for Property and Regeneration Fund assets is financed through the income generated by the asset (through the council's internal Service Borrowing mechanism), the first call on any proceeds of sale would be to repay any outstanding service borrowing due, rather than to provide working capital.

10.4.3. Proportionality – reliance on net revenue

The Council uses the surplus generated by Property Regeneration Fund to provide services for the city and to achieve a balanced revenue budget. The table below shows the extent to which the Council's revenue budget is dependent on achieving the expected net profit from investments over 2025/26 financial year. It shows that the Council is not over-reliant on this income stream in the context of its overall resources.

	2025/26 Forecast
Net total revenue resources (estimate)	£253.418m
Net Investment income	£3.382m
Proportion	1.33%

10.4.4. Investment Evaluation Process for the Property and Regeneration Fund

Prior to any acquisition or development of a Property and Regeneration fund asset, the Council conducts a due diligence and appraisal evaluation processes, following the steps set out below:

1. Proposed development opportunities are reviewed by the Council's Land and Property team (in consultation with officers from the Economic Development team) in areas of the City which require redevelopment or regeneration of brown and green field sites or areas where the Council want to stimulate inward private investment and to create or retain local jobs. A report on development opportunities is prepared by suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.
2. Prospective developments are evaluated against a set of key criteria. An assessment is produced, highlighting matters such as tenant covenant strength, lease length and location, and economic development value in a transparent and consistent format, to support clear scrutiny and decisions.
3. The assessment provides a basis for scoring and weighting risk and benefits, to support the analysis of potential development / acquisition and qualify overall suitability for inclusion in the portfolio. The score is not an absolute threshold but helps to guide decisions.
4. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice to support the evaluation and internal reporting process.
5. Since tenant default is a significant threat to the performance of the property investment financial checks are made on any proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.
6. With all the additional information a detailed model is produced. The model is tailored for each prospective development, by including items such as future demand, yield, cash flows; rental movement,

optimal holding periods for the property and data to support the regeneration and job creation to cover the cost modelling. Provision is made within financial modelling for capital investment and an allowance for voids.

7. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms. At this stage, two key activities are commissioned
 - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, is produced to inform potential acquisition cost. This valuation is used as a baseline for fair value assessments.
 - A Building Survey report is produced, as part of the proposed development, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.
8. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Land and Property on whether to proceed. Acquisitions are subject to the governance process set out in section 10.4.5 below as well as the Council's standard internal control framework.
9. The Head of Land and Property Projects receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

10.4.5. Property and Regeneration Fund Governance

Clear, robust and transparent governance is critical to making sound decisions (with an appropriate level of due diligence and scrutiny) and meeting statutory guidance. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly to changes in the market. For example, if there is a commercial company failure in the city the Council would need to be able to respond quickly to help retain local jobs and look for alternative purchasers.

The Council's power to acquire or dispose of land is vested, under delegation, in the Head of Land and Property and where the land is purchased through the Property and Regeneration Fund a proposal is presented to the Officers and Members with a recommended for authorisation by the relevant Leader, Legal and the Section 151 Officer. The Property and Regeneration Fund is governed by an internal joint officer and member board, which regularly reviews the performance of the portfolio.

10.4.6. Skills, staff development and professional advice

The Council employs professionally qualified and experienced staff in senior positions with responsibility for valuations, acquisitions and disposals and investment appraisals relating to the Property Regeneration Fund. Within the council's land and property function, the Council employs staff with professional surveying qualifications; the Head of Land and Property is a RICS chartered surveyor. The development needs of staff in the Land and Property function are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses and other professional development opportunities.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Head of Land and Property and the land and property team receive regular updates on market activity, trends, forecasts and occupier activity from RICS firms, as well as knowledge from in-house surveyors, all of which is used to support decisions relating to the portfolio.

11. Annual Minimum Revenue Provision Statement 2025/26

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP, but does not preclude the use of other appropriate methods. Plymouth City Council's Minimum Revenue Position statement is set out in this section, and complies with the most recent (April 2024) guidance.

11.1. Minimum Revenue Position Policy

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition. Plymouth City Council adopts the following approach in calculating MRP:

- The MRP payment is funded from revenue with an option that part or all of the payment could be funded from capital receipts to repay debt. MRP will commence in the financial year following the asset coming into use or after purchase.
- For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or before that date, MRP will be charged on an annuity basis over 50 years, incorporating an "Adjustment A" calculated in accordance with the guidance.
- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation (including the council's Capitalisation Direction) or direction will be charged over 20 years.
- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.
- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

- For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

11.2. Overpayments

In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to draw down £0.634m of this in 2025/26.

MRP Overpayments	£m
Actual balance 31.03.2024	1.034
Approved drawdown 2024/25	(0.400)
Expected balance 31.03.2025	0.634
Planned drawdown 2025/26	(0.634)
Forecast balance 31.03.2026	0.000

A reconciliation of prior year MRP provisions has identified an overpayment in 2017/18 for £0.654m which has been included in table above (this was omitted from the equivalent table set out in the MRP statement for 2024/25).

11.3. Capital receipts

Proceeds from the sale of capital assets are classed as capital receipts, and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.

The capital receipt proceeds of sale from legacy investment properties, assets held within the Property and Regeneration Fund, and other applicable assets will be used to repay the outstanding Service Borrowing finance for that property before any balance of capital receipts is available for repay debt or to finance other capital projects.

Appendix A - Arlingclose Economic and Interest Rate Forecast December 2024

Underlying assumptions:

- As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.
- The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.
- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.
- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.

US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

Forecast:

- In line with our forecast, Bank Rate was held at 4.75% in December.
- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

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	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.90	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.34	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.05	4.05	4.05
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.56	4.55	4.45	4.30	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	5.05	5.00	4.90	4.80	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.52	4.70	4.60	4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Appendix B - Existing Investment and Debt Portfolio Position

	31 Dec 2024 Actual Portfolio £m	31 Dec 2024 Average Rate %
PWLB – Fixed Rate	507.5	3.41
Short-term borrowing	85.0	1.18
LOBO Loans	54.0	4.40
Long Term Borrowing	18.0	4.37
Total borrowing	664.5	3.23
Short-term Money Market funds	23.3	4.81
Other Pooled Funds	53.9	5.76
Cash and cash equivalents	0.4	1.76
Total investments	77.6	5.49
Net borrowing	586.9	

Appendix C – Provisional Treasury Management Budget 2025/26

Position at 31 December 2024	2024/25 Budget	2024/25 Latest Forecast	Forecast variance	2025/26 Provisional Budget
	£m	£m	£m	£m
Interest Payable	24.331			
LOBO and other long term loans		3.461		2.919
PWLB (Public Works Loan Board)		16.006		19.886
Temporary loans		1.607		0.923
Other Interest and charges		1.735		2.136
Recharge to Departments for Unsupported Borrowing	(18.650)	(18.083)		(19.680)
Total Interest Payable	5.681	4.726	(0.955)	6.184
Interest Receivable	(4.354)			
Pool Funds		(3.190)		(2.611)
Money Market Fund		(1.968)		(1.500)
Other Interest		(0.320)		(0.431)
Total Interest Receivable	(4.354)	(5.478)	(1.124)	(4.542)
Other Payments	0.564	0.840		0.552
Debt Management	0.160	0.160		0.160
Amortised Premiums	0.544	0.544		0.544
Total Other Charges	1.268	1.544	0.276	1.256
Minimum Revenue Provision	19.850	16.275	(3.574)	20.713
TOTAL	22.445	17.067	(5.378)	23.611

The budget assumes that the council will achieve savings of c.£0.300m through debt restructuring during the course of the year. Based on a prudent forecast (calculated with reference to average profiles from previous years) that delays in capital programme delivery timescales will reduce Treasury Management borrowing costs and the Minimum Revenue Provision charge by c.£0.500m.

Treasury Management Strategy 2025-26

Published by:

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Plymouth City Council
MEDIUM TERM FINANCIAL PLAN
2025/26 – 2029/30



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

Contents

Introduction and Financial Principles
Financial Objectives
Corporate Plan
Autumn Budget 2024
Settlement Funding Assessment
Savings
Council Resources
Government Grants
Financing the Council
Medium Term Financial Forecast
The Council's Reserves
Financial outlook for 2025/26
Capital Budget and Programme
Key Financial Strategies
Transformation of Service Delivery
Our Approach to Balancing the Books
Conclusion

Introduction

This Medium Term Financial Plan builds on and updates the The Medium-Term Financial Strategy (MTFS) 2024/25 – 2028/29 approved by Full Council at its meeting in September 2024. It has amalgamated the details of funding as set out in the Provisional Financial Settlement published December 2024 and the proposed Budget 2025/26.

It 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 Plan will assist 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.

The 2025/26 local government finance settlement was again for one year only, and it has set out that the next settlement scheduled for December 2025 will be a return to multi-year settlements and also introduce funding reforms built on the principle of fairer funding.

For 2025/26, the core council tax referendum principles are confirmed to continue at a maximum of 3% per year. In addition, local authorities with social care responsibilities have been 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.

This MTFP covers a 5-year period from 2025/26 to 2029/30, recognising that the 2025/26 financial year is subject to approval as a proposed budget. At this stage, later years are again based on assumptions, with 2028/29 and 2029/30 provided for illustrative purposes only. With a strategy and now this Plan 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 now sees increases to core resources still being outstripped by increasing demand for services, as well as significant external pressures.

Financial Principles

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

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

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

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.

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.

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

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

Financial Objectives

Ensure the Council sets a balanced and sustainable budget

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

Ensure that the Council manages and monitors its financial resources effectively so that spending commitments do not exceed the resources available in each service area; where ring-fenced government funding is reduced, the service area takes action to reduce expenditure accordingly

Prioritise capital projects based on the delivery of measurable outcomes whilst being aware of the revenue impact of borrowing costs; ensuring projects are considered in the context of delivering against the Corporate Plan.

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

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

Work towards the ambition of a general fund revenue (working) balance of at least 5% of net expenditure to protect the long-term financial health and viability of the council

Local Economy

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 strengths 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).

Corporate Plan

The vision for our city remains for Plymouth to be one of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone. The MTF5 is framed by the council's Corporate Plan and how we will achieve the vision. Tackling crime and anti-social behaviour, filling in potholes, creating cleaner streets, building new homes, green investment, jobs and skills and better access to healthcare and dentistry are front and centre of the administration's vision for Plymouth's future. At the heart of the plan is the council's ambition to make Plymouth a fairer, greener city where everyone does their bit, making Plymouth a great place to grow-up and grow old, whilst minimising the impact of the cost of living crisis. This will be achieved through continuing to work with partners across the city and using evidence and our experience to make intelligent decisions. The plan outlines six priorities and the things both the council and others in the city are doing to achieve them. There is a strong recognition of the importance of the work of other organisations the council works with in delivering a city where people age well, where older residents are supported and empowered to live life to the fullest.

OUR PLAN
BUILD A BETTER PLYMOUTH

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

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

WE BELIEVE IN:

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

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

OUR PRIORITIES:

- Working with the Police to tackle crime and anti-social behaviour
- Fewer potholes, cleaner, greener streets and transport
- Build more homes - for social rent and affordable ownership
- Green investment, jobs, skills and better education
- Working with the NHS to provide better access to health, care and dentistry
- Keeping children, adults and communities safe

DOING THIS BY:

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

www.plymouth.gov.uk/ourplan

Provisional Local Government Finance Settlement December 2024

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon MP, released a written statement to Parliament on the provisional local government finance settlement 2025/26. The Final Finance Settlement (Settlement) is expected to be published in early February 2025.

This is again a settlement for one year only and based on the 2024 Autumn Budget. However, the government also published a consultation paper on Local Authority Funding Reform, with more detail expected as part of the Spring Fiscal Announcement.

The main **national headlines** are:

- As previously announced, the **Council Tax** referendum limit will be 2.99% for local authorities, with an additional 2% social care precept where applicable. The provisional settlement confirmed that districts will be allowed to apply the higher of the referendum limit or £5.
- The September CPI figure of 1.7% has been applied to increase the local government funding amount within the **business rates** retention scheme and **Revenue Support Grant**.

There are also specific grant allocations, with the national figures being:

- (Increased Funding) Social Care Grant which has increased by £880m to £5.924m which is £200m more than previously announced in the Government's Policy Statement.
- (Increased Funding) Domestic Abuse Safe Accommodation Grant which has increased by £30m to £160m.
- The introduction of a new one-off Recovery Fund of £600m.
- The introduction of a new Children's Social Care Prevention Grant of £270m*
- There was no change to the allocation for the renamed Local Authority Better Care Fund/ Discharge Fund. The total funding for these two grants remains at £2.640m, but they are now being shown as a single grant.
- There was no change to the ASC Market Sustainability and Improvement Fund, remaining at £1.050m.
- There was no change to the New Homes Bonus (NHB) remaining at £290m.
- The recently introduced Services Grant has been discontinued, removing last year's £87m.

4. The impact of these specific grant allocations for **Plymouth** are:

- Increased Funding: Social Care Grant – The grant has increased by £5.281m to £33.789m. As a social care grant, this covers both adults' and children's services.
- Improved Better Care Fund – renamed to Local Authority Better Care Fund. The funding increases to £15.955m but now includes the rolled-in ASC Discharge Fund of £3.022m.
- ASC Market Sustainability and Improvement Fund. This remains at £5.618m.
- New Homes Bonus for Plymouth has decreased from £43,000 to a revised £32,000.
- Services Grant. As expected, has now been discontinued. Last year this was £407,000.
- The new Recovery Grant £6.592m
- The new Children's Social Care Prevention Grant which is a ringfenced grant of £1.527m*

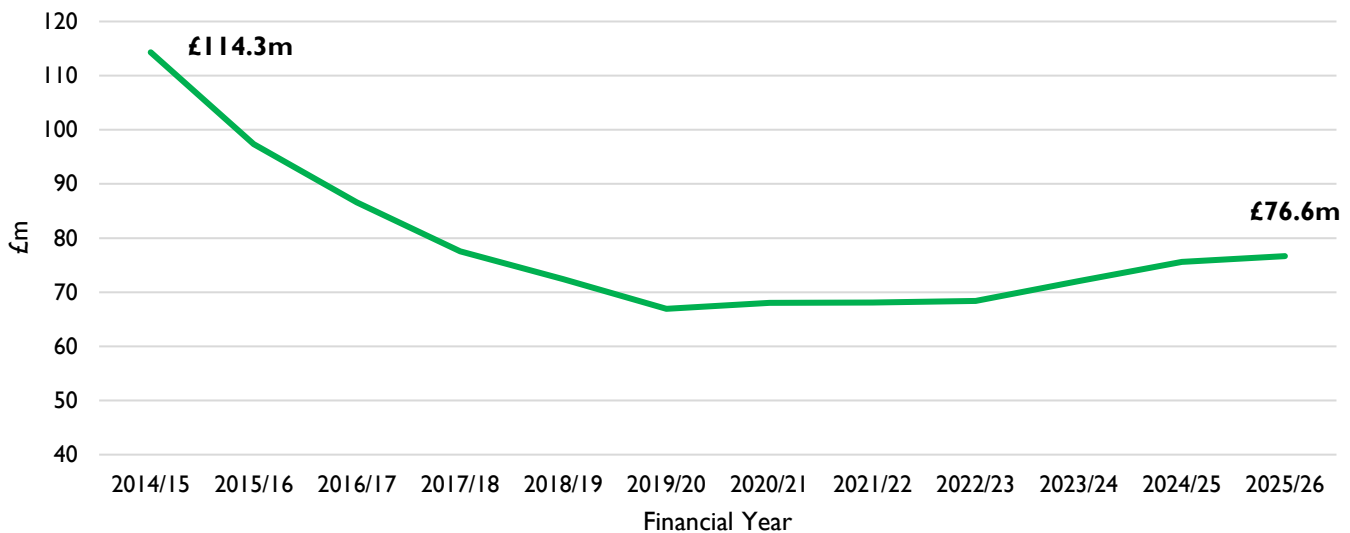
*Updated to reflect the Final Settlement

Settlement Funding Assessment

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.

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

Plymouth City Council - Settlement Funding Assessment 2014/15 to 2025/26

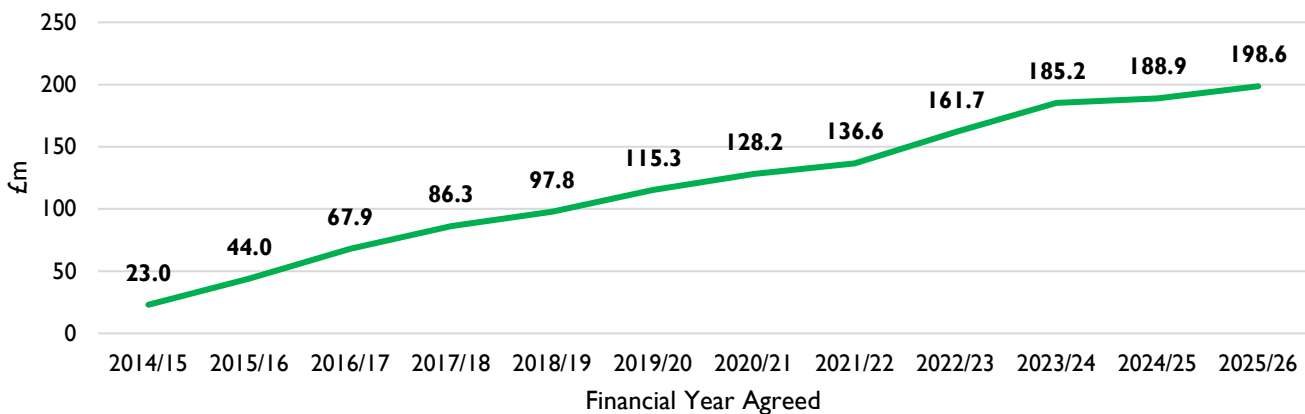


Savings

In order to meet growing cost pressures with reducing funding from Central Government, the Council has agreed a cumulative total of £198.6m in savings from 2014/15 to 2025/26.

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.

Plymouth City Council - Cumulative Savings 2014/15 to 2025/26



Council Resources

Council Tax and Adult Social Care Precept

In the 2025/26 Local Government Finance Settlement, Local Authorities were given the ability to continue 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 Cabinet has proposed the Full Council agree to apply these increases.

For 2026/27 and subsequent years, an assumption of 2.99% Council Tax plus 2% Adult Social Care precept has been modelled.

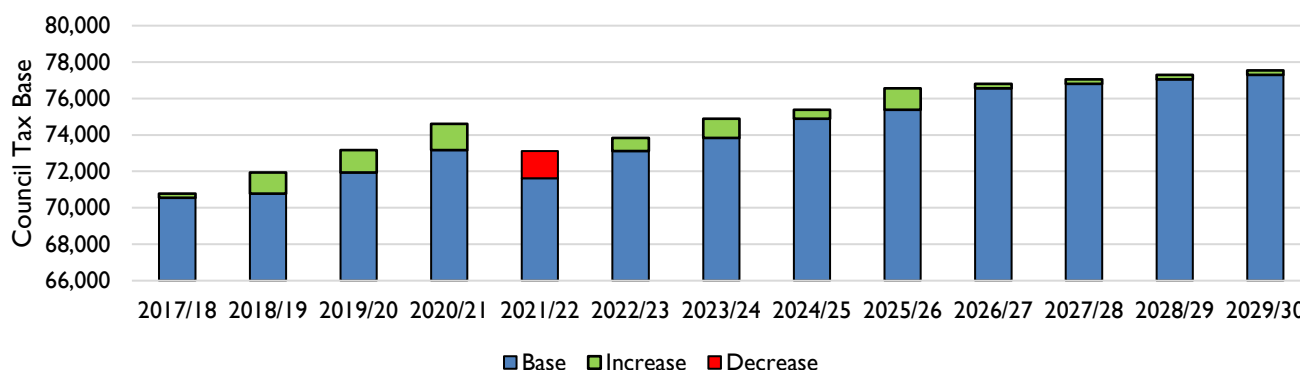
The Council Tax base that has been assumed for each financial year is shown below. The tax base for future years includes assumptions about growth in the number of residential properties and any impact of the Local Council Tax Support Scheme.

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

The Full Council meeting in January 2025 approved the Council Tax Base report for 2025/26. It set the number of Band D equivalent properties at 76,557. The assumed collection rate continues at 97.5%; this is realistic and prudent due to the current economic climate.

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.

Plymouth City Council - Change in Council Tax Base



Council Tax Income

	2025/26 Budget £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Total Council Tax Income	149.450	155.852	164.149	172.886	182.086

Council Tax Discounts and Premiums

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

Council Tax Support Scheme

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.

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.

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

Business Rates

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.

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

From 2026/27 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.

Business Rates Pool

There is confirmation that the Business Rates Pool will continue in 2025/26, however there is still uncertainty as to whether Pools will remain in future years, particularly if there is a fundamental review of the rating system. The MTFP is modelled assuming gains from the Pool continue and are included in 2025/26 at £2.750m, then £2.5m per annum.

Revenue Support Grant (RSG)

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

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.

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 2025/26 this is now confirmed as £12.662m.

Government Grants

Public Health Grant

The Public Health Grant is another key source of income although it sits outside of the key resources of the council. It 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 £16.876m. The funding is ring-fenced and does not have an impact on the budget resources as set out in this report. The 2025/26 allocation has been announced as £17.943m, an increase of £1.067m (6.33%). The MTFP assumes the value will increase each year in line with the September CPI figures.

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

Public Health Grant	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Public Health Grant allocations	17.943	18.248	18.558	18.874	19.195

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.

Treatment of Specific Grant Funding

Housing Benefit Subsidy

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. The 2025/26 grant has not been confirmed at the date of publication of this report.

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.

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. Work is currently in progress to ensure we engage with registered providers to maximise the grant allowance, and we have also allocated additional resources to manage the outstanding debt.

Dedicated Schools Grant

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 £297m 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 2025/26 allocation has been confirmed as £313m gross.

	2024/25 Baseline £m	2025/26 Allocation £m	Increase/ (Decrease) £m
Schools Block	219.268	218.961	(0.307)
High Needs Block	48.224	52.144	3,920
Central Schools Services Block	2.533	2.578*	0.045
Early Years Block	27.154	39.075	11.921
Total	297.179	312.758	15.579

- Central Schools Services Block includes £0.227m protection funding to cover historic commitments - to be confirmed .

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 £17m, which when added to the brought forward deficit from 2023/24 leaves a deficit balance of £21.9m. 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.

Pupil Premium

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

Social Care Grant

The Council also receives a Social Care Grant. The additional payment is £5.281m in 2025/26 increasing the grant to a revised £33.789m. No additional allocation was confirmed in the Settlement for future years, but we have assumed modest growth of an additional £2m per year in future years.

Children's Social Care Prevention Grant

This new grant has been introduced and is ring-fenced to children's services, with specific spend requirements which must be signed off by the Section 151 Officer and reported to the Minister. Our allocation is £1.527m.

Adult Social Care Market Sustainability Grant

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;

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workforce pressures; and to promote technological innovation in the sector. This grant remains for 2025/26 but with no increase in allocation.

Adult Social Care Discharge Fund

The Adult Social Care Discharge Fund introduced in 2023/24 has been discontinued and rolled into the Local Authority Better Care Fund.

Better Care Fund (BCF)

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

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.

Local Authority Better Care Fund (LABCF)

Previously named The Improved Better Care Fund, this grant 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. It now includes the Adult Social Care Discharge Fund.

New Homes Bonus (NHB)

Although expected to be deleted, it has been continued for 2025/26 and our allocation is £32,000.

Recovery Grant

This is a new grant for 2025/26, introduced in response to additional, unfunded burdens put upon local authority budgets. For the financial year the allocation is £6.592m.

Financing the Council

Financial Planning Assumptions

The Medium-Term Financial Plan 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.

Key Funding Assumptions

Item	2025/26	2026/27	2027/28	2028/29	2029/30
Increase in Core Council Tax Charge	2.99%	2.99%	2.99%	2.99%	2.99%
Increase in Adult Social Care Precept	2.00%	2.00%	2.00%	2.00%	2.00%
C. Tax Base (No. of Band D equivalents)	76,557	77,057	77,545	78,032	78,432
Increase in Small Business Rates Multiplier	1.70%	1.60%	1.70%	1.70%	1.70%
Increase in Revenue Support Grant	1.70%	1.60%	1.70%	1.70%	1.70%

Key Financial Planning Assumptions

- A continuation of the Revenue Support Grant settlement for 2025/26, with annual inflation uplift.
- Multi-year settlements to commence from 2026/27 (this model assumes continuation of current parameters)
- Threshold for Council Tax increases will continue at 2.99%
- A further 2% Adult Social Care precept in 2025/26 and 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.
- 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 MTFP assumption is the current system remains, with annual inflationary uplifts.
- Current levels of grant funding continue, including Adult Social Care Grants and Recovery Grant.
- Uncertainty remains about any future Fair Funding Review.
- A continuing range of increasing costs in order to meet the demands on the Council and maintain key services, particularly in Adult Social Care, Children's Social Care and Homelessness.
- Increased costs of meeting new initiatives.
- General inflation relating to external spend and contracts have not been accounted for on the understanding that smarter procurement practices will continue to contain significantly increased spending.
- The result of the local government devolution and reorganisation will have an impact on funding, but no changes have been factored into this Plan.

Income Collection

The 2025/26 revenue budget and MTFP 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.

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

Medium Term Financial Forecast

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.

Sensitivity to 1% Change

SENSITIVITY TO 1% CHANGE IN INFLATION ASSUMPTIONS	£m
Pay Award	1.100
National Living Wage	0.600
Interest Rate changes to borrow £1m	0.010
General Contract Inflation (excluding Social Care contracts)	0.100

Right-sizing the Budget

Additional costs accepted within the MTFP 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.

Some of the assumptions incorporated into the previous MTFP and included in the proposed budget 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.

Demand-Led Pressures

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

- Children's Social Care and Adult Social Care cost increases and additional volume
- SEND Home to School Transport provision recognising both cost and volume increases
- Homelessness and emergency Bed and Breakfast costs and number of applicants

Other Pressures Identified

There are other budgetary pressures included in the MTFP, most notably the cost of funding the Capital Programme. Costs identified as part of the 2025/26 budget setting process include additional ICT costs; the revenue costs required to implement the Environment Act; the full year additional costs of the revised Street Services structure; and a further uplift of the revenue contribution to the Client Emergency Investment Fund.

With all additional budget allocations, an uplift to the base budget will remain in the costs until no longer required.

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 in excess of £330m; 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 forecast at the end of the 2024/25 financial year

Reserves	31 March 2024 £m	% total reserves	Estimate 31 March 2025 £m	% of total reserves
General Fund Balance (Working Balance)	13.238	2.41%	13.238	2.53%
Earmarked General Fund Reserves	70.986	12.91%	42.986	8.22%
Capital Receipts Reserve	14.339	2.61%	15.713	3.00%
Capital Grants and Contributions Unapplied	39.855	7.25%	39.855	7.62%
Total Usable Reserves	138.418	25.18%	111.792	21.37%
Total Unusable Reserves	411.404	74.82%	411.404	78.63%
Total Reserves	549.822		523.196	

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)

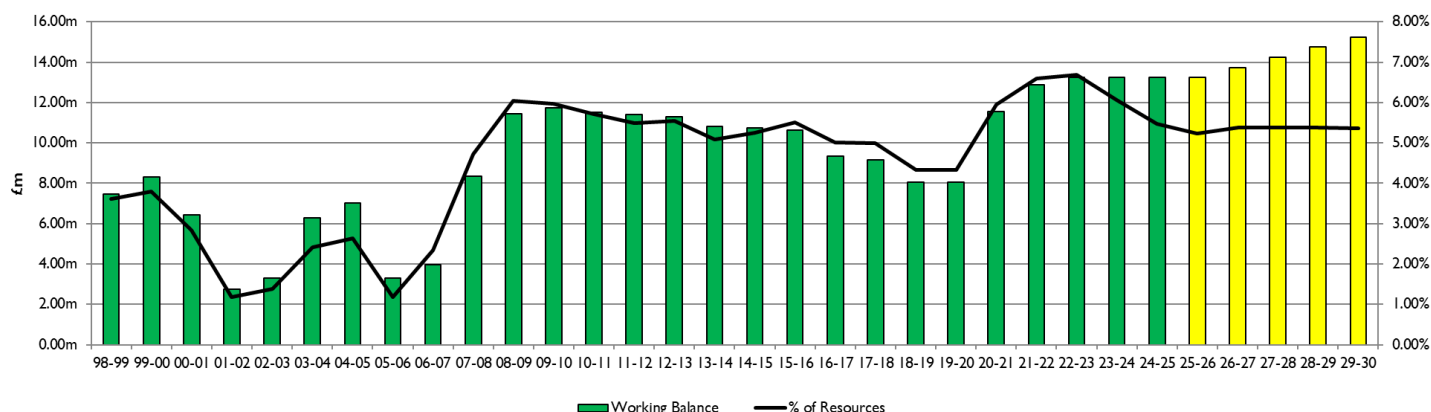
The Council's Working Balance is the revenue reserve that is put aside to cover any significant business risks that might arise. The S151 Officer has set a minimum level for the Working Balance as 5% of the net revenue budget.

In 2024/25 it was 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 5.48% of the 2024/25 net budget. Contributions of £0.500m per annum have been included as part of the MTFP and will ensure that a 5% level is maintained through to the end of the MTFP period in 2029/30.

It is proposed that £0.410m is taken from the Working Balance in 2025/26 should a referendum for an Elected Mayor be required.

Plymouth City Council - Working Balance



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 forecast 31 March 2025 balance relating to the school budget share is £1.500m (31 March 2024: £3.149m).

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 2025/26 Settlement has promised multi-year settlements but commencing in 2026/27, and probably for a maximum of three years. As stated, the local government finance settlement for 2025/26 is for 1 year only.

We have been promised the introduction of a revised formula for the allocation of grant funding and 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 continuing 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 MTFP are assumptions around additional income expected, the largest one being an uplift of £3.500m to Social Care Grant funding which has been confirmed for 2025/26 onwards. This has been assumed to increase by a further £2m in 2026/27.

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, and this is assumed to continue for the period of the MTFP period.

Directorate Savings for 2025/26 can be summarised as:

2025/26 Savings Summary	2025/26 £m
Corporate Items	(0.800)
Adults Health and Communities	(2.733)
Children's Directorate	(3.142)
Growth Directorate	(2.195)
Chief Executive	(0.194)
Customer and Corporate	(0.594)
Total	(9.658)

The table below sets out the current budget gap for 2026/27 of £9.997m, cumulatively £28.436m by 2029/30.

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 MTFP gap. Additional savings opportunities will also be worked up as we replace one-off savings with sustainable plans.

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

MTFP 2025/26 to 2029/30					
Core Resources	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue Support Grant	(12.662)	(12.915)	(13.174)	(13.437)	(13.706)
Council Tax	(149.450)	(155.852)	(164.149)	(172.886)	(182.086)
Business Rates	(86.584)	(86.786)	(87.254)	(87.949)	(88.656)
Reserves	(4.312)	0.000	0.000	0.000	0.000
Drawdown from Working Balance for Elected Mayor Referendum	(0.410)	0.000	0.000	0.000	0.000
Total Core Resources	(253.418)	(255.553)	(264.577)	(274.272)	(284.448)

brought forward budget requirement	236.622	253.418	255.553	264.577	274.272
Right Sizing Budget					
Salary Costs	4.224	4.080	4.162	4.245	4.330
National Living Wage	4.395	4.000	4.080	4.162	4.245
Replenish Reserves		0.500	0.500	0.500	0.500
Treasury Management	7.200	2.416			
Other Right Sizing Adjustments	2.329		0.900	0.210	

Demand-Led Pressures					
Adult Social Care	7.711	4.000	4.000	4.000	4.000
Children's Social Care	16.284	0.216	4.500	4.500	4.500
Home to School Transport	2.059				
Homelessness	0.724				
SEND	0.770				

Other Pressures Identified	6.425	3.767			
Additional Grant Funding	(19.562)	(2.000)	(2.000)	(2.000)	(2.000)
Savings/Other Income Adjustments	(15.763)	(4.437)			

Total Additional Costs/Savings	16.796	12.042	16.142	15.617	15.575
Total Budget Requirement	253.418	265.550	271.695	280.194	289.847
Total Core Resources	(253.418)	(255.553)	(264.577)	(274.272)	(284.448)
Indicative Gap	0.000	9.997	7.118	5.922	5.399
Cumulative Gap	0.000	9.997	17.115	23.037	28.436

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.

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	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£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 2025/26 budget process. Flexible use supports Local Authorities to deliver more efficient and sustainable services by allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of transformation projects.

Closing our financial gap through transformation

The MTFP reflects the balanced budget position for 2025/26 rising, without mitigations to a cumulative £28.436m shortfall by 2029/30.

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 – our journey so far

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 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.

We also had a **corporate programme** designed to improve customer services with user led digital services and a focus on "getting it right for customers, first time" saving around £1m pa. The programme also focussed on improving skills retention and staff engagement through modernisation of our approach to people management and organisational development and 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.

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:

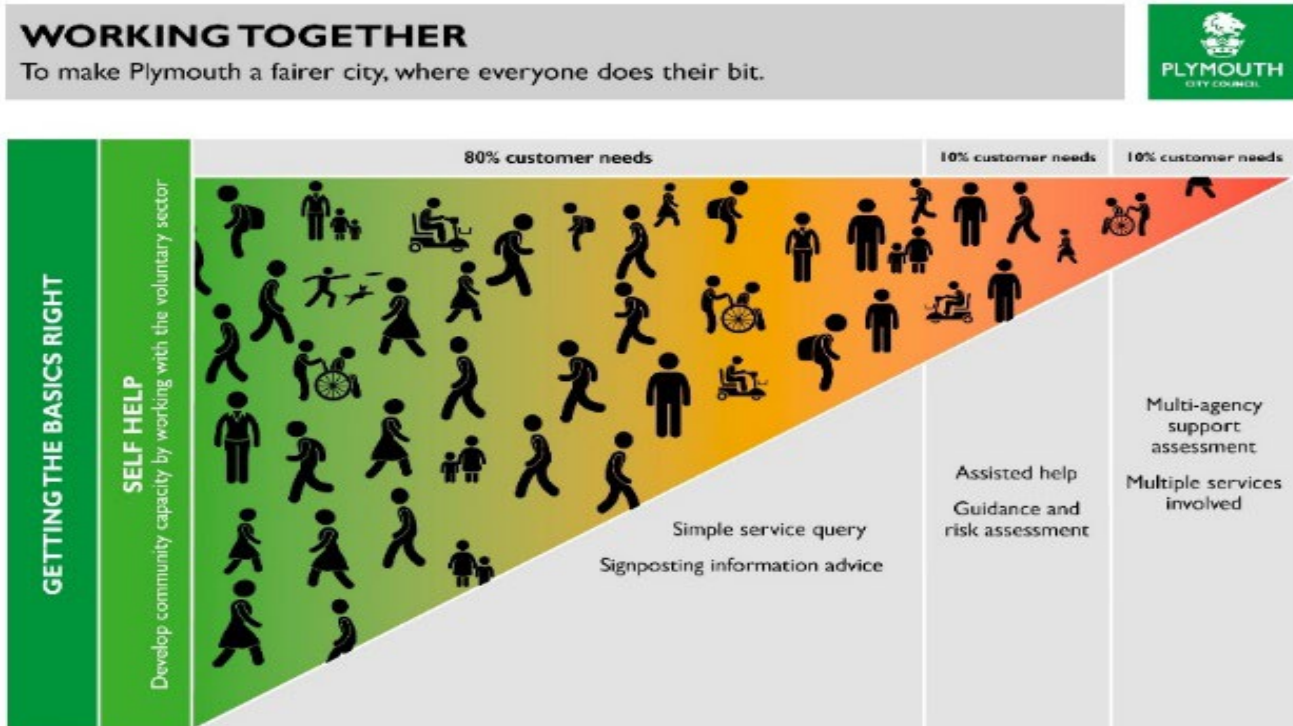
- **Accommodation Rationalisation:** Exiting two major office buildings, which is anticipated to save £900,000 annually and generate capital receipts between £1 million and £2 million.
- **Technology Investment:** We are investing in automation and Artificial Intelligence to enhance decision-making and 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 Organisation (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 Response to future 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. Through our operating model, we will strengthen our foundations and adapt 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 organisation 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 organisational 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.

Our Approach to Balancing the Books

Our financial approach centres on strategic revenue maximisation, cost optimisation, and demand management. This includes maximising 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 communities.

Looking to the future

Plymouth City Council is on a solid path toward sustainable growth and service excellence. By focusing on organisational 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.

Transformation Programmes of work

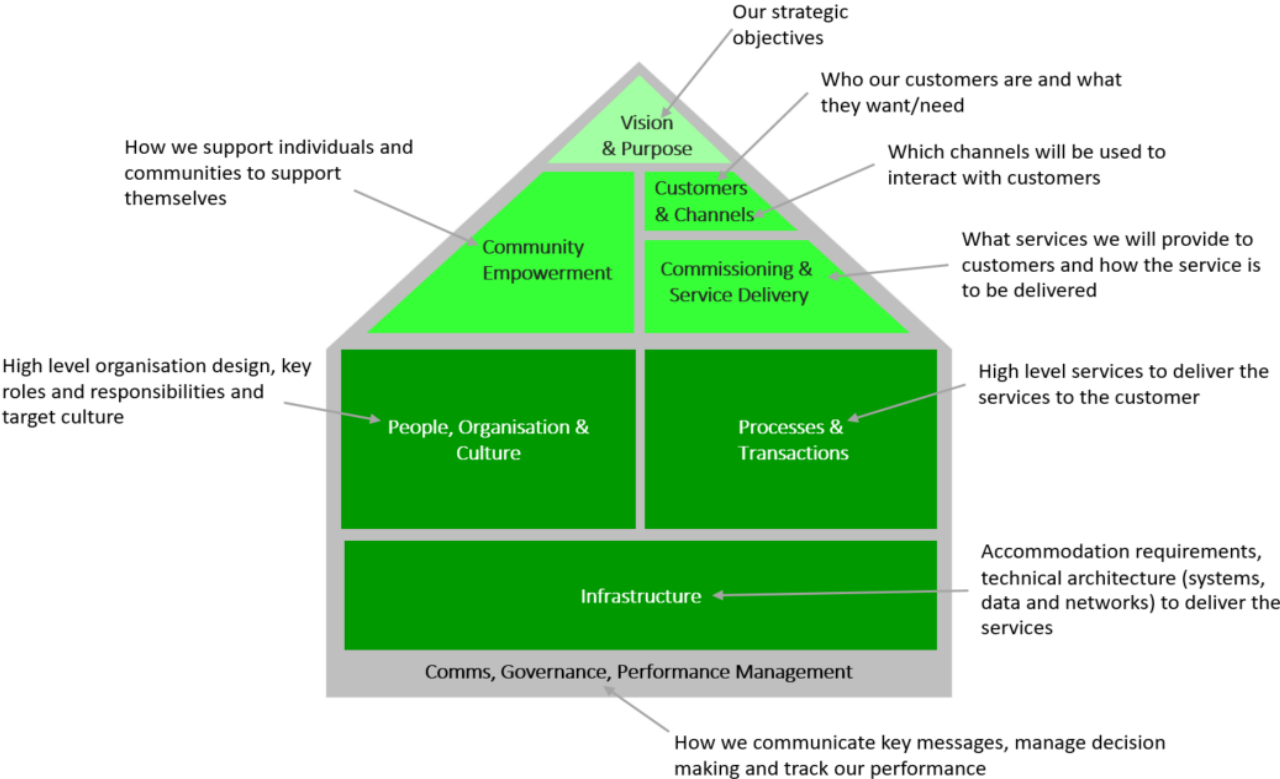
Prevention and early intervention	Reducing demand and costs	Driving efficiencies	Growth and municipal enterprise
<p>A Prevention-First Strategy:</p> <p>This is central to our transformation efforts. By focusing on early identification and intervention, leveraging AI and data insights, and building resilience through community partnerships, we will fundamentally shift how services are designed and delivered.</p> <p>We are now building a prevention programme focussing on children’s social care, homelessness and adult services.</p>	<p>Homelessness:</p> <p>We will invest £15m in our property portfolio to reduce reliance on costly temporary solutions e.g. B&Bs.</p>	<p>Transforming the way that we work:</p> <p>We are reducing accommodation needs, modernising assets, and creating shared spaces. Flexible work, public access, and reduced accommodation costs are essential drivers, aligning with our carbon neutrality goals by 2030.</p> <p>Exiting two major office buildings, which is anticipated to save £900,000 annually and generate capital receipts between £1 million and £2 million.</p>	<p>Fees and charges:</p> <p>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.</p>
	<p>SEND:</p> <p>Through our SEND Sufficiency Plan we will expand and reconfigure our special educational</p>	<p>Procurement:</p> <p>We will embed category management for driving efficiencies and savings in procurement.</p>	<p>Programme for growth:</p> <p>In order to promote the growth of houses and businesses within the city centre, to generate additional Council Tax and Business Rates, we will</p>

	<p>estate, reduce reliance on costly independent placements, and strengthen mainstream schools' capacity to serve complex needs.</p>	<p>To support this shift, we are exploring an upgrade to our procurement systems, including the integration of advanced contract management functionality. This will streamline processes, improve transparency, and enhance oversight of supplier performance</p>	<p>continue our programme of regeneration. This includes Armada Way, the City Centre project, working to bring 10,000 new homes to the city centre, and working with health partners on the new Community Diagnostic Centre.</p>
	<p>Children's residential placements:</p> <p>Through our "Family Homes for Plymouth Children" programme we will become a direct provider of residential care for children. This includes creating a new hub for short residential breaks for children with complex health needs and disabilities and new residential care options within the city.</p>		<p>Property regeneration fund:</p> <p>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.</p>
	<p>Adult social care provision:</p> <p>We are responding</p>		

	<p>proactively to shifting demand and regulatory expectations, ensuring services adapt to meet these evolving needs.</p> <p>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.</p>		
	<p>Home to school transport:</p> <p>We are optimising routes, increasing minibus capacity, promoting independent travel training, and revising policies for efficiency.</p>		

Enabling and facilitating change

There are a number of key enablers that will be underpinning the transformation work that we deliver, enhancing our capacity and capabilities.



Specific programmes of work include:

People Plan:

We will review and replace our current strategy to ensure we continue to have a skilled and dedicated workforce. We know we need to do what we can to provide an attractive and stimulating working environment, so that we both retain and develop key skills and bring in new staff as part of strategic workforce planning.

Assets:

Our Asset Management Strategy will be refreshed in 2025/26, as we continue to rationalise our estate. To date, we have disposed of 197 assets, generating £25.4 million.

IT / Data / AI:

We will establish Data, Insight, and AI as a dedicated function designed to harness the power of data and emerging technologies to drive innovation and support our Prevention-First agenda. We are focusing on strengthening cross-departmental collaboration, introducing AI-driven tools to streamline workflows, and equipping our teams with the skills necessary to adapt to the changing demands of public service delivery.

Community engagement and empowerment

Through stronger partnerships with our residents, local organisations and community groups, we will enable and facilitate communities to take an active role in shaping their futures. A key focus on prevention and early intervention programmes and initiatives such as financial literacy programmes, employment and skills support, the thrive programme, and health and wellbeing hubs, we will build stronger and more resilient communities. This will support us in tackling inequality and reducing long-term need for council services.

Medium Term Financial Forecast

MTFP 2025/26 to 2029/30					
Core Resources	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue Support Grant	(12.662)	(12.915)	(13.174)	(13.437)	(13.706)
Council Tax	(149.450)	(155.852)	(164.149)	(172.886)	(182.086)
Business Rates	(86.584)	(86.786)	(87.254)	(87.949)	(88.656)
Reserves	(4.312)	0.000	0.000	0.000	0.000
Drawdown from Working Balance for Elected Mayor Referendum	(0.410)	0.000	0.000	0.000	0.000
Total Core Resources	(253.418)	(255.553)	(264.577)	(274.272)	(284.448)

brought forward budget requirement	236.622	253.418	255.553	264.577	274.272
Right Sizing Budget					
Salary Costs	4.224	4.080	4.162	4.245	4.330
National Living Wage	4.395	4.000	4.080	4.162	4.245
Replenish Reserves		0.500	0.500	0.500	0.500
Treasury Management	7.200	2.416			
Other Right Sizing Adjustments	2.329		0.900	0.210	

Demand-Led Pressures					
Adult Social Care	7.711	4.000	4.000	4.000	4.000
Children's Social Care	16.284	0.216	4.500	4.500	4.500
Home to School Transport	2.059				
Homelessness	0.724				
SEND	0.770				

Other Pressures Identified	6.425	3.767			
Additional Grant Funding	(19.562)	(2.000)	(2.000)	(2.000)	(2.000)
Savings/Other Income Adjustments	(15.763)	(4.437)			

Total Additional Costs/Savings	16.796	12.042	16.142	15.617	15.575
Total Budget Requirement	253.418	265.550	271.695	280.194	289.847
Total Core Resources	(253.418)	(255.553)	(264.577)	(274.272)	(284.448)
Indicative Gap	0.000	9.997	7.118	5.922	5.399
Cumulative Gap	0.000	9.997	17.115	23.037	28.436

Salary Related Costs

The Pay Award for 2024/25 was 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 was calculated as £4.300m with the additional budget requirement added in for 2025/26.

An assumption for a 3% increase has been included in 2025/26 and future years.

The Chancellor's Budget announced an increase to Employers National Insurance from April 2025. The 1.2% increase together with the revised earnings bands have resulted in direct costs for the Council of £2.3m. Central Government has not confirmed the level of financial support, a methodology note has been published, but individual authority allocations will not be published until the final settlement.

Based on the proposed methodology we estimate a shortfall in funding for Plymouth of £0.224m.

We also assume this funding will be ongoing in future year Settlements.

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 £4.395m, assumptions for similar budget growth are included in future years. For our own workforce, the Council pays the Foundation Living Wage which is confirmed as £12.60 from April 2025.

Replenish Reserves

A comprehensive review of reserves and balances has been undertaken, and these are presently at the minimum required to cover risks if the Council remains within the proposed budget. However, it should be noted that an overspend of 1% (c. £2.5m) would reduce general balances by over 20% unless alternatively funded. The Section 151 Officer has provided a full five-year Medium Term Financial Plan (MTFP) for consideration which includes a proposed allocation of £0.500m each year.

Treasury Management

An additional £7.200m was included in the 2025/26 budget to cover the cost of corporate borrowing recognising the slippage in delivery of approved projects, additional cost pressures from construction costs and the increased cost of borrowing. The Capital Programme is subject to a full project-by-project review to ensure the overall cost of financing the programme is contained within the revised budget allocation.

Additional budget of £2.416m has been included for 2026/27 in the MTFS.

Demand-Led Pressures

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 80% of the Council's net budget is spent on providing support for our most vulnerable including Adult Social Care, Children's Social Care, Homelessness and SEND (including School Transport).

Conclusion

The financial risks facing the Council in the medium term are assessed within the MTFP. 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 MTFP 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 was again only for one year. Changes to the local government finance system have been deferred until 2026/27 at the earliest. 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 MTFP 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 MTFP, 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 MTFP highlights the budget shortfalls from 2026/27 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 plan focuses on joining up the individual elements to ensure effective, integrated monitoring and management of:

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

The MTFP sets out the actions and plans in place to balance the future funding gaps, but not the associated savings. A full transformation plan will be presented to Cabinet in March 2025, which will set out forecast savings.



Medium Term Financial Plan

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Appendix 13 – Cabinet Response to Budget Scrutiny Recommendations 2025/26

	Recommendation	Cabinet Response
1.	That the Section 151 Officer undertakes a comprehensive review of the working balance threshold using CIPFA best practice guidance and comparisons against the Council's statistical neighbours to determine if 5% remains appropriate given current risks.	Agreed
2.	Subject to the advice of the Section 151 Officer, Cabinet prepares a detailed plan to rebuild the reserves within two years to provide an adequate buffer against financial risks whilst implementing a clear strategy to reduce the Council's reliance upon use of one-off resources and reserves	Partially Agreed , subject to the findings from Recommendation 1. the required timescale might need to be over the period covered by the Medium Term Financial Plan rather than two years.
3.	That Cabinet updates the comprehensive Medium Term Financial Strategy when multi-year funding settlements are agreed, and submits to scrutiny for consideration before the council take a final decision	Agreed. There is a commitment to refresh the Medium Term Financial Strategy on an on-going annual cycle. All future strategies will reflect multi-year settlement information.
4.	That all significant capital schemes have a detailed risk assessment of the impact of further interest rate changes on scheme viability before proceeding	Agreed. As the Scrutiny Board are aware, there have been refinements to the approval and monitoring of all capital projects during 2024/25 These include improved business case requirements to include risk registers. Fluctuations in interest rates and their impact are considered, but this can be further strengthened to reflect this recommendation
5.	That Cabinet consider a Council Tax Discount scheme for Service Personnel who are deployed more than six months, in a similar fashion to Single Person Discount	Agreed , Cabinet will consider but subject to further information from the Board on requested criteria. Any amendments will result in an additional financial burden and will be subject to public consultation
6.	That 6 monthly updates are provided to the relevant scrutiny committee on delivery of planned savings within homelessness services, where £0.724m additional funding has been required	Agreed - It's important to note that the recent increase in the homelessness budget is directly attributable to additional grant

		support provided by the new Labour government. This funding is specifically allocated to help address the impact of the national housing crisis within our community.
7.	That planned work to bring together asset management plans is considered at a future meeting of the Scrutiny Management Board and that an asset register is provided for this purpose	Agreed.
8.	The Council should develop a comprehensive communications strategy to inform residents who are not digitally enabled about face-to-face services. This information, including service locations and operating hours, should be distributed through non-digital channels, with primary distribution through the annual Council Tax bill.	Partially agreed – We will prioritise the support for residents who are unable to access online services based on clear eligibility criteria. We will continue to target communications to those residents are not digitally enabled, however as our offer is not universal this information will not be included in Council Tax bills.
9.	That Cabinet consider what additional funding may be available to commemorate Victory in Europe and Victory over Japan day,	Agreed.
10.	That clear communication should be in place to ensure that residents are aware that direct cremations are available at the Park Crematorium.	Agreed.
11.	That Cabinet review the effectiveness and sustainability of demand management approaches within Adult Social Care given the £12m of additional costs identified.	Agreed.
12.	That the relevant Cabinet member is recommended to work with DELT shared services to ensure that internet connectivity is consistent across the PCC estate, particularly in libraries to enable residents to gain access to online services.	Agreed. This work is underway, and a report will be shared with the relevant Cabinet member.
13.	The Health and Adult Social Care Scrutiny Committee undertakes a review of the work undertaken in the Dental Health Taskforce.	Agreed Cabinet is aware that the Scrutiny Function may request items for review. The Cabinet member will provide a report on progress when invited to do so, although it must be understood that the council is not

		responsible for dental provision in the city.
14.	The committee welcomes the additional funding to process Education, Health and Care Plan (EHCP) and that a regular update on progress against this backlog is provided to the Children Young People and Families Scrutiny Panel.	Agreed.
15.	That Cabinet review the funding model for SEND transport to determine a sustainable long term solution, including consideration of independent travel training programmes where appropriate.	Agreed. The council has already developed independent travel training programmes, and the relevant Cabinet member will provide a report on this issue to the relevant panel when requested.
16.	Write to the Government requesting a review of criteria in relation to home to school transport, such a review should consider whether receipt of a Motability vehicle or higher rate mobility component of Disability Living Allowance (DLA) or Personal Independent Payments (PIP) can be included in the Local Authority assessment of transport needs.	Agreed.
17.	That Cabinet review the effectiveness and sustainability of demand management approaches within Children's Services given the £19m of additional costs identified and further accelerates the use of council assets in the approach to reduce demand on high cost placements.	Agreed.
18.	That the Cabinet Member for Education, Skills and Apprenticeships establishes a robust monitoring framework to oversee the SEND capital programme ensuring clear accountability for project milestones and progress. This should form regular reports to the Children Young People and Families Scrutiny Committee.	Agreed.
19.	That the Leader to write to Government to request that notification of the Public Health Grant is received before the 31 December 2025 to enable adequate planning in the new year's budget.	Agreed, subject to public health funding being not being included in the settlement. The Government have announced their intention to reform local authority funding ahead of the 2026/27 Settlement and the Cabinet will review this recommendation again if Public Health funding is not included in any changes.

Appendix 14 – Final Local Government Finance Settlement Update

The Final Local Government Finance Settlement 2025/26 was announced on 3 February 2025.

Funding Stream	Original Estimate £m	Confirmed £m	Variance £m
National Insurance Contributions Grant	(2.076)	(2.063)	0.013
Children’s Social Care Prevention Grant	(1.415)	(1.527)	(0.112)

- Authority allocations for the National Insurance Contributions Grant were announced (these are the amounts provided in compensation for National Insurance increases). The confirmed amount for Plymouth is £2.063m, which is £0.237m less than the total impact for PCC direct employees, and £0.013m less than initial estimates. This is now reflected in the proposed 2025/26 budget.
- Allocations and a grant determination letter for the Children’s Social Care Prevention Grant have been announced. Plymouth has received an uplift to this new stream of grant funding which was expected. The original amount included in the draft budget was £1.415m, the revised allocation announced was £1.527m, an increase of £0.112m. This is now reflected in the proposed 2025/26 budget.
- Nationally, £60 million has been confirmed for long-term improvements over the next year, including empowering mayoral areas leading devolution, and fixing the local audit system to ensure transparency. Further details of this funding will be made available in due course.
- The government agreed small additional Council Tax increases for six councils who have requested Exceptional Financial Support – a number of other councils did not get any such support, and these 6 authorities did not receive the level of increase they asked for. For the 2025 to 2026 Settlement, bespoke additional council tax referendum principles will apply for Windsor and Maidenhead Borough Council (+4%), Birmingham City Council (+2.5%), Bradford Council (+5%), Newham Council (+4%), Somerset Council (+2.5%) and Trafford Council (+2.5%).

Appendix 15 – Tamar Bridge and Torpoint Ferry 2025/26

A: Briefing Report -

Tamar Bridge and Torpoint Ferry 2025/26 Revenue Budget and Capital Programme

Introduction

- 1.1 The Tamar Bridge and Torpoint Ferry are operated, maintained and improved jointly by Plymouth City Council and Cornwall Council on a 'user pays' principle, being funded by toll income using powers derived from the Tamar Bridge Act. The finances of the joint undertaking are effectively ring-fenced by the Act, and it is operated in normal times as a self-financing business.
- 1.2 The existing governance requires that both parent authorities agree an annual Budget to facilitate the undertakings as part of the operational delivery remit. As a part of the governance process the Cabinet are required to recommend the report to Full Council for their approval.
- 1.3 The budget for 2025/26 will meet the requirements of the Councils, in that it is balanced and affordable, even though traffic levels have remained below pre-Covid levels and are currently running at approximately 90% at both crossings, which is line with the 90% level incorporated in the financial model.
- 1.4 Appendices 1- 4 of the TBTF JC Report, 2025/26 contain Revenue and Capital Programme and the Annual Business Plan.

2712. Future Finance Forecast

- 2.1 Action has been taken in terms of a proposed 15% toll revision, to ensure the identified deficit in last year's TBTF report to the Cabinet January 2024 has been addressed. Whilst the issue is currently with the Secretary of State for Transport, for a decision, it is intended to implement the increase at earliest opportunity, should, as expected, the decision be approved. The SoS is required to inform the Councils of the decision before the end of March 2025, although it is hoped the decision will be communicated much sooner than that. The table below provides a forecast of the reserve balance assuming the toll revision is granted.

	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast reserve balance at 31st March	(£0.977m)	(£1.573m)	(£1.312m)	(£1.038m)	(£1.420m)

- 2.2 The Tamar Bridge Act 1957 sets out the default process to be followed if deficits arise, namely that the parent authorities, Cornwall Council and Plymouth City Council cover that deficit for possible subsequent recovery at some later stage when the undertaking returns to a surplus position.
- 2.3 A 15% toll increase was proposed by the TBTF JC in December 2023 and both Councils ratified the proposal to progress the request to the SoS for Transport, if agreed by the SoS it will be implemented at the earliest opportunity.
- 2.4 The Joint Chairmen of TBTFJC and Portfolio Holders of both authorities continued to lobby government to;
- a) Have the ability to apply RPI locally, which will require Primary Legislation and is currently being progressed with local MPs.
 - b) Seek a long-term package of financial support for Tamar Bridge, although this request has been without success to date.
- 2.5 The introduction of Tamar 2050, in February 2024 to provide a more robust agenda for the future aspirations regarding the crossings may provide more traction regarding Government support in the future.
- 2.6 TBTF Joint Committee Resolutions can be found in the draft minutes of the meeting on 6 December 2024 which are attached at Appendix C.

B: 2025/26 Revenue Budget and Capital Programme

Report to:	Tamar Bridge & Torpoint Ferry Joint Committee	
Date:	6 December 2024	
Title:	2025/26 Revenue Budget and Capital Programme	
Portfolio Area:	Cornwall Council: Transport Plymouth City Council: Transport	
Divisions Affected:	All	
Local Member(s) briefed:	NA	
Relevant Scrutiny Committee: NA		
Authors, Roles and Contact Details:	Vicky Fraser, Service Director Connectivity & Environment Vicky.Fraser@cornwall.gov.uk Philip Robinson, Service Director for Street Services, Plymouth City Council Philip.robinson@plymouth.gov.uk Andrew Vallance, Governance and Finance Manager andrew.vallance@tamarcrossings.org.uk Julia Harvey, Service Accountant Julia.1.Harvey@cornwall.gov.uk	
Approval and clearance obtained:		Y / N
Date next steps can be taken		6 December 2024
For Cabinet and delegated executive decisions only		
Key decision? (≥£500k in value or significant effect on communities in two or more electoral divisions)		N
Published in advance on Cabinet Work Programme?		N
Urgency Procedure(s) used if 'N' to Work Programme		N

Recommendations to the Councils of the Parent Authorities via the Cabinet of the Parent Authorities:

1. That the 2025/26 revenue budget and capital programme and the draft 2025/26 business plan, as set out in appendices 1-4 to this report, be approved; and
2. The longer-term forecast to 2028/29 is noted.

Executive Summary

- 1.1 This report sets out for consideration and approval, the proposed revenue budget for the Joint Committee for 2025/26 and indicative figures for the subsequent three years 2026/27, 2027/28 and 2028/29, together with the proposed capital programme.
- 1.2 The forecast reserve position on 31 March 2025 is £0.977m. Indicatively, future years shows that the reserve position increases to £1.573m by the end of 2025/26, then decreases annually before it starts to increase in 2028/29 to £1.420m.

	2024/25	2025/26	2026/27	2027/28	2028/29
Reserve balance on 31st March	(£0.977m)	(£1.573m)	(£1.312m)	(£1.038m)	(£1.420m)

2 Purpose of Report and key information

- 2.1 The Tamar Bridge and Torpoint Ferries (TBTF) are operated, maintained, and improved jointly by Plymouth City Council and Cornwall Council on a ‘user pays’ principle, being funded by toll income using powers derived from the Tamar Bridge Acts.
- 2.2 In developing the budgets for 2025/26 to 2028/29 set out within appendix 1, the following inflationary and interest assumptions have been used:
- 2.3

Rates	2025/26	2026/27	2027/28	2028/29
Inflation CPI	2.60%	2.30%	2.10%	2.10%
Inflation RPI	3.50%	3.30%	3.10%	2.90%
Pay Inflation	3.00%	2.00%	2.00%	2.00%

Interest (Receivable)	3.00%	2.40%	2.20%	2.00%
Interest (Payable) existing borrowing	4.65%	4.65%	4.65%	4.65%
Interest (Payable) new borrowing	5.99%	4.99%	4.79%	4.69%

2.4 The second interest rate payable line above reflects any new capital loans agreed. It should be noted that the rate will only be fixed when loans are taken out and future rates are subject to movement in the general market. Loans that predate April 2019 will continue to be calculated using Cornwall's consolidated rate of interest at the time the loan was entered into.

2.5 The proposed budget is set out in Appendix 1. The variations between the latest 2024/25 forecast and the proposed 2025/26 budget are listed on page 5 of Appendix 1. The 2026/27 to 2028/29 estimates are only indicative.

2.4.1 The **Corporate** revenue budget (which includes income and corporate expenditure headings) currently shows a favourable movement of £2.492m on overall income and an adverse movement of £0.057m on expenditure. The significant movements from the previous year are:

- Full year impact of the increase in tolls (assumed approval is received for implementation in February 2025) of £2.446m.
- An increase in the volume of tags being purchased of £0.033m, related to an increase in Tag users and the more active approach to replacing lost or damaged tags.
- Bank charges has seen an increase of £0.030m arising from additional card processing charges related to the increase in the tolls.

2.4.2 The **Bridge's** revenue budget makes provision for the ongoing maintenance and operations of the bridge and its infrastructure in line with current engineering practices. The movement from the previous year shows an adverse movement of £0.152m. Then main changes from the previous year are:

- Staffing including agency is showing an increase of £0.171m due to forecast national pay awards and NI rate increases.
- R&M Bridge and Infrastructure has decreased by £0.149m, reflecting planned maintenance tasks for the year.

- Bridge and gantry inspections has been increased by £0.064m to reflect the newly procured contract cost.
- Toll cash handling and collection is showing an increase of £0.055m due to inflation rises.
- The other budget lines have had inflationary increases applied.

2.4.3 The **Ferry's** revenue budget makes provision for the ongoing maintenance and operation of the ferries and their associated infrastructure in line with current engineering practices. The movement from the previous year shows an increase in costs of £0.348m. The main changes from the previous year are:

- Staffing including agency staff is showing an increase of £0.290m due to the forecast national pay award and NI rate increases.
- Marine oil has increased by £0.016m as provision for movement in market prices.
- R&M Boat Maintenance increased by £0.020m for inflationary increases.
- The other budget lines have had inflationary increases applied.

2.4.4 The **Learning Centre** costs have increased by £0.058m, mainly due to an addition to the budget of £0.050m for the cyclical update and replacement of public displays.

2.4.5 Minimum Revenue Provision (MRP) and Interest repayments have been increased by £0.189m and £0.352m respectively, to reflect the current capital programme and indicative future scheme expenditure for 2025/26 as detailed below.

2.6 The proposed Capital Programme is shown in Appendix 2. Officers have undertaken work to assess the current and future capital programme and the revised estimated costs for 2025/26 is £12.310m.

2.6.1 The details of this are as follows:

- Bridge structural fire protection upgrade £3.350m moved from the current financial year
- Ferry decarbonisation £2.800m (if grant funding can be secured, the funding for this will be updated and less borrowing will be required)
- Main Cable remedial works brought back into the programme (from 2023/24) £1.824m

- Ferry Refit final year of three-year programme £1.800m
- Ferry Traffic Control Systems £0.950m moved from the current financial year
- Bridge protective coating second year £0.700m
- Bridge Access improvement works £0.231m brought back into the programme from 2023/24.
- Ferry Gantry Tower Replacement £0.225m
- Torpoint Office and Workshop Refurbishment £0.200m (this represents additional expenditure compared to the existing programme)
- Rocker/Pendle remedial works £0.128m
- Supplementary Cable Works £0.102m

2.5.2 One additional scheme has also been added to the programme of work:

- Ferry Refit cycle from 2028/2031, the first year being 2028/29 at an addition of £1.800m

2.6 **Reserves** – the reserve position on 31st March 2025 (Appendix 3) is forecasted to be £0.977m. The forecast for 2025/26 end of year reserve position then increases to £1.573m however, from 2026/27 the reserve level reduces for two years and then increases again in 2028/29 to a forecast balance of £1.420m. The increase in 2028/29 is due to the assumption that this will be the first year RPI could be added to tolls, subject to achieving the necessary change to legislation.

2.7 The joint Committee receives a quarterly update on its financial position to provide assurance that the finances of the undertaking are being managed appropriately and that any significant issues are highlighted, and necessary action is taken to address them. This quarter's update, presented to the 6 December 2024 meeting also provides for a fully revised budget position.

2.8 The Terms of Reference for the Undertaking requires that an Annual Business Plan accompanies the budgets for approval by Full Councils. The 2025/26 Draft Business Plan attached as Appendix 4, continues the approach of providing a single year plan to reflect the ongoing work on longer term strategies following receipt of reports following the consultant's review and the development of Tamar 2050.

3 Benefits for Customers/Residents

3.1 Appropriate management of finances and budget monitoring ensures that appropriate resources is available for the operation, maintenance and improvement of the

crossings which form key elements of the local transport network which is essential to the sustainable economic and social development of the region for the benefit of residents.

4 Relevant Previous Decisions

- 4.1 Approved budget for 2024/25 at Tamar Bridge and Torpoint Ferry Joint Committee of 12 January 2024 (TBTF/53)

<https://democracy.cornwall.gov.uk/documents/s174577/24%2025%20Revenue%20Budget%20and%20Capital%20Programme%20Setting.pdf>

On recommendation of Cornwall Council Cabinet meeting of 7 February 2024 (CAB/336)

<https://democracy.cornwall.gov.uk/documents/s175320/Tamar%20Bridge%20Torpoint%20Ferry%20%20Future%20Financing%20and%20202425%20Revenue%20Budget%20and%20Capital%20Programme%20-%20.pdf>

Approved budget for 2024/25 at Cornwall Council meeting of 20 February 2024 (CC/469)

<https://democracy.cornwall.gov.uk/documents/s175592/TBTF%20Future%20Financing%20and%202024%2025%20Revenue%20Budget%20and%20Capital%20Programme.pdf>

- 4.2 On recommendation of Plymouth City Council Cabinet meeting of 12 February 2024

<https://democracy.plymouth.gov.uk/documents/s144248/TBTF%20PCC%20Cab%20Report%20Revenue%20Capital%20Financing%20Jan24.pdf>

- 4.3 Approved budget for 2024/25 at City Council meeting of 8 March 2024

<https://democracy.plymouth.gov.uk/documents/s144764/TBTF%20PCC%20FC%20Report%20Revenue%20Capital%20Financing%20Mar24%20V3%20002.pdf>

5 Consultation and Engagement

- 5.1 Not applicable

6 Financial Implications of the proposed course of action/decision

- 6.1 Financial implications are detailed within Section 2 of this report. Whilst this report only seeks approval of the 2025/26 revenue budget and capital programme, the

forecast over the 4 year period includes assumptions and best estimates at the time of preparation. The forecast assumes that tolls will increase from February 2025, which relies on central Government approval.

- 6.2 There continues to be a risk that central Government do not agree the toll revision and the cash toll (and corresponding Tag toll) cannot be increased from February 2025. If this occurs then the Joint Committee will need to consider other levers available to it which could be implemented such that the overall budgeted income level is met or alternative budget proposals are brought forward in year, such that the overall surplus or deficit does not result in a negative reserve balance at the end of the financial year.

7 Legal/Governance Implications of the proposed course of action/decision

- 7.1 The Joint Committee is being asked to make recommendations to the Full Councils of both parent authorities via the Cabinets of both parent authorities. Cornwall Council's Cabinet will consider this at its meeting on 12 February 2025 and Cornwall Council's Full Council will consider this at its meeting on 25 February 2025. Plymouth City Council's Cabinet will consider this at its meeting on 10 February 2025 and Plymouth City Council's Full Council will consider this at its meeting on 24 February 2025.

8 Risk Implications of the proposed course of action/decision

- 8.1 There are no implications associated with this report.

9 Cornwall Development and Decision Wheel

- 9.1 Not applicable

10 Options available

- 10.1 To recommend to the Full Council of each Parent Authority via the Cabinet of each Parent Authority that it approves the proposed revenue estimate for 2025/26, capital programme and draft business plan as set out in Appendices 1 – 4. This is the preferred option for the reasons set out in this report.
- 10.2 To not recommend to the Full Council of each Parent Authority via the Cabinet of each Parent Authority that it approves the proposed revenue budget for 2025/26, capital programme and draft business plan as set out in Appendices 1 – 4. This is not the preferred option as a revenue budget, capital programme and business plan must be set.

11 Supporting Information (Appendices)

Appendix 1: Revenue Estimates for 2025/26 through to 2028/29

Appendix 2: Capital Programme 2025/26 to 2028/29

Appendix 3: Statement of Estimated Reserves 2025/26 to 2028/29

Appendix 4: Annual Business Plan 2025/26

12 Background Papers

12.1 None

13 Approval and clearance

All reports:

Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date
Governance/Legal (Required for all reports)	Lia Musto-Shinton	27.11.2024
Finance (Required for all reports)	Geraldine Baker	27/11/2024
Cornwall Development and Decision Wheel (where required)		
Service Director (Required for all reports)	Vicky Fraser	27.11.2024
Strategic Director (If required)	Phil Mason	28.11.2024

Draft reports process checklist for Cabinet/individual decisions report:

Complete the checklist below while you are drafting your Cabinet or individual decision report. It will be removed before publication.

Process checklist	Completed
Communications team informed	Yes/No
Portfolio Holder briefed	Yes/No
Strategic Director briefed	Yes/No
Service Director sign off	Yes/No
Data protection issues considered	Yes/No
If exempt information, public (part 1) report also drafted. (Cabinet/Scrutiny)	Yes/No

If not on Cabinet Work Programme, Scrutiny offered the opportunity to consider the report	Yes/No
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For Appendix 1,2,3,4 please open TBTF Joint Committee Public Pack (below) and refer to the pages noted against each Appendix.

Appendix 1 Revenue Estimates for 2025 through to 2028/29 Page 51 - 56

Appendix 2 Pages Capital Programme 57 – 58

Appendix 3 Statement of Estimated Reserves Pages 59 – 60

Appendix 4 Annual Business Plan - Pages 61 - 75

[https://democracy.cornwall.gov.uk/documents/g13452/Public reports pack 06th-Dec-2024 10.00 Tamar Bridge and Torpoint Ferry Joint Committee.pdf?T=10](https://democracy.cornwall.gov.uk/documents/g13452/Public%20reports%20pack%2006th-Dec-2024%2010.00%20Tamar%20Bridge%20and%20Torpoint%20Ferry%20Joint%20Committee.pdf?T=10)