

MEDIUM TERM FINANCIAL STRATEGY

City Council
MEDIUM-TERM FINANCIAL STRATEGY
2025/26 – 2029/30



PREFACE

Plymouth is entering a period of significant opportunity and transformation. With a strong foundation of strategic planning, financial governance, and a clear commitment to delivering for our residents, the city is positioned to navigate the challenges ahead and seek to maximise the opportunities on the horizon.

This Medium-Term Financial Strategy (MTFS) sets the backdrop for how Plymouth City Council will need to manage its resources over the next five years to deliver over 300 core services, support inclusive growth, and build towards long-term financial resilience. It provides a clear and coherent framework for decision-making, setting financial planning in the context of the Council's Corporate Plan and the Plymouth Plan, aiming to focus priorities to reflect the needs and aspirations of our communities.

The Strategy is published at a time when the national funding landscape is undergoing major reform. The Government's Fair Funding 2.0 consultation - a comprehensive review of local authority finance - aims to create a simpler, fairer, and more transparent system that better reflects local need. While the proposals offer progress, early modelling suggests that Plymouth will continue to face challenges, particularly due to the city's relatively low council tax base. Nonetheless, the introduction of multi-year settlements provides greater certainty and enables more strategic financial planning.

The MTFS acknowledges the pressures facing the Council, including rising demand in adult and children's social care, homelessness, and SEND provision. It also recognises the growing impact of financing the Dedicated Schools Grant (DSG) deficit. These challenges are not unique to Plymouth, but the Council is taking a proactive and ambitious approach to managing them.

At the heart of our strategy is a bold and proactive commitment to prevention – the critically needed approach to reshaping how we respond to rising demand across our services. The financial pressures we face require more than short-term fixes. Transformation in the context of prevention is not just a programme; it is a whole-system commitment to embed prevention at the heart of everything we do.

This approach builds on the work already underway across the Council. Our transformation journey is one of adaptation, learning, and development, shaped by increasing demand, ambitious goals, and the realities of reduced funding. Our business plans and savings initiatives are not simply about cost reduction - they are about shifting our cost base and laying the foundations for future delivery. The City Help & Support programme exemplifies this shift. It aims to bring together cross-functional teams to deliver outcomes that reduce reliance on high-cost, crisis-driven services.

The MTFS also sets out how we will strengthen our financial resilience. We are replenishing reserves, maintaining income collection, and embedding robust financial modelling across the organisation. Our Capital Programme supports regeneration and growth, with a focus on delivering measurable outcomes and ensuring value for money. We continue to take a prudent approach to borrowing, guided by the principles of the Prudential Code and supported by independent advice.

Looking ahead, Plymouth is well-placed to benefit from longer-term national investment programmes. The city's designation as a National Defence Growth Area and its inclusion in the New Towns programme

present significant opportunities to support housing delivery, infrastructure investment, and economic growth. These developments align with our strategic ambitions and will be integrated into our financial and service planning as further details emerge. The MTFS ensures that the Council is financially prepared to make the most of these opportunities - by maintaining flexibility, aligning resources, and planning for the long term.

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Plymouth City Council

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I Introduction

The Medium-Term Financial Plan (MTFP) is a key document that integrates the Council's revenue budget, capital programme, treasury management strategy, and capital strategy. It enables the Council to plan its finances over a five-year horizon, ensuring the sustainable delivery of services while aligning financial resources with strategic priorities. By extending the focus beyond the annual budget cycle, the MTFP supports the anticipation of future financial risks and the development of mitigation strategies, thereby strengthening financial resilience in the face of uncertainty. It also enables the Council to respond effectively to both internal and external influences, including rising costs and increasing demand for services.

As a cornerstone of the Council's financial and service planning framework, this document - the Medium Term Financial Strategy (MTFS or 'the Strategy') - is a first stage of the annual budget-setting process. It outlines the key drivers that will inform the 2026/27 budget and sets the foundation of the next MTFP, promotes transparency and accountability, ensures compliance with statutory requirements, and demonstrates sound financial governance. The Strategy provides a clear and coherent foundation for decision-making, helping to safeguard the Council's financial sustainability over the medium-term.

This Strategy is prepared during a period of uncertainty within the local authority financial landscape. While the principles and assumptions underpinning the Strategy will be set out within this document, further clarity regarding funding arrangements for future years is not expected until the publication of the Local Government Finance Policy Statement in November 2025. More definitive confirmation of funding allocations is anticipated with the Provisional Local Government Finance Settlement in December 2025.

This year marks a significant shift in the local government funding landscape, with the introduction of a multi-year financial settlement for the first time in over a decade. This welcome development provides greater certainty for medium-term planning and enables a more strategic approach to resource allocation and service delivery. While the settlement brings additional funding, early modelling suggests it may not fully address the scale of demand pressures facing local authorities. This reinforces the importance of maintaining a strong focus on prevention, transformation, and long-term financial sustainability.

The outcomes of the Fair Funding 2.0 consultation and the anticipated reform of the Business Rates Retention Scheme are expected to significantly reshape how councils are funded. These changes, while potentially beneficial in the long term, introduce a period of transition that will require careful financial planning. In addition, the Council is managing a growing deficit within the Dedicated Schools Grant. Although this deficit is currently excluded from the Council's financial position through a statutory override, it nonetheless impacts the revenue budget through increased borrowing costs required to fund the associated expenditure.

The Council has been required to draw on its usable reserves and provisions to balance budgets and mitigate in-year financial pressures. While this approach has been necessary, continued reliance on reserves risks undermining the Council's long-term financial resilience and stability.

As the Council looks ahead to ensure long-term financial sustainability, it is driving forward its transformation programme, centered on a 'Prevention First' approach. This represents a more cross-cutting and transformative method of managing demand and avoiding costs, supporting the Council's ambition to deliver services more effectively and efficiently in the face of ongoing financial pressures.

Further detail on each of these areas will be set out within the Strategy to provide context, clarity, and transparency for decision-makers and stakeholders.

This MTFS covers the five-year period from 2025/26 to 2029/30. It acknowledges that the 2025/26 financial year has already been approved as part of the Council's annual budget, while the projections for the latter

years are provided for illustrative purposes to support strategic planning. The Strategy is set within a context of ongoing funding uncertainty and increasing demand for services across the Council.

By establishing a clear financial framework, the MTFS ensures that annual budgets are developed in alignment with Plymouth's strategic priorities, while also identifying appropriate mitigations for the financial risks outlined. Further detail on the assumptions, risks, and planning principles underpinning each year of the Strategy will be set out within the document to support transparency and informed decision-making.

Strategic Financial Principles

- The Council will maintain a balanced budget each financial year. Budget managers are responsible for ensuring that expenditure remains within their approved allocations.
- Services will be charged in accordance with the Council's Fees and Charges Policy, with annual adjustments made to reflect inflation.
- Provision for pay inflation will be held centrally and allocated to service budgets once agreed.
- Specific, ringfenced grants will be incorporated into service budgets. Any subsequent reduction in grant funding must be managed within the service's existing budget, except in exceptional circumstances.
- Whilst these principles will be maintained, transitional measures may need to be considered in light of Fair Funding 2.0 and future funding allocations, particularly given the anticipated consolidation of multiple existing grant schemes.
- In-year savings will be reported separately as part of the financial monitoring cycle and will be removed from service budgets in the year they are delivered.
- Capital financing costs for service-led projects will be met by the relevant service departments where these projects generate savings or additional revenue to offset financing costs. Other projects that meet corporate priorities or deliver essential maintenance may be funded centrally.
- ICT and vehicle expenditure will be funded by service departments, with corporate or cross-cutting ICT schemes supported through central funding.
- Corporate overheads will be charged against revenue funding streams in accordance with the Council's internal charging framework

Strategic Financial Objectives

- Ensure the Council sets a balanced and sustainable budget each year.
- Maximise funding opportunities to support the delivery of statutory services and wider priorities outlined in the Corporate Plan
- Ensure the Council manages and monitors its financial resources effectively, so that spending commitments remain within available resources in each service area. Where ring-fenced government funding is reduced, the relevant service must take appropriate action to reduce expenditure.
- Prioritise capital investment based on the delivery of measurable outcomes, with full consideration of the revenue implications of borrowing. All capital projects will be assessed in the context of their contribution to Corporate Plan objective
- Set Council Tax levels in accordance with central government limits
- Ensure full recovery of overheads from grants
- Optimise current income streams and continue to identify new opportunities for income generation and efficiency savings
- Work towards maintaining a General Fund working balance of at least 5% of net revenue expenditure, to safeguard the long-term financial health and viability of the Council.

- This objective will be reviewed in light of the Fair Funding 2.0 and future funding allocations, as the anticipated consolidation of specific grants into the Settlement Funding Assessment is expected to significantly alter the level of net revenue budget.

2 Local Economy

Plymouth, known as ‘Britain’s Ocean City’, is the largest urban area in the South West outside Bristol, with a population of approximately 272,100 and an economy valued at £7.27bn, supporting 117,000 jobs. Despite high employment rates, the city faces challenges with low productivity, Gross Value Added (GVA) stands at 81.1% of the UK average, and average wages remain below the national level. Improving productivity is therefore central to enhancing prosperity for all residents, particularly by supporting higher-value sectors where Plymouth has a natural advantage.

The city’s distinctive assets 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, the associated Plymouth Science Park, and the newly established National Marine Park. Fostering strong communities and a clear sense of place is essential to creating a vibrant, attractive city in which to live, work, study, visit, and invest.

Plymouth has recently been named one of five key national defence growth areas in the UK Defence Industrial Strategy, supported by a £250m UK-wide investment. This builds on the city’s designation as the national centre for marine autonomy and the Government’s 10-year, £4.4bn investment in HMNB Devonport. Together, these developments present a significant opportunity to drive sustainable, long-term growth for Plymouth and the wider region.

Key city economic data

- *Gross Value Added (GVA)*: Plymouth’s annual GVA was £7.27bn in 2023.
- *Employment*: There were 117,000 jobs in the city in 2023.
- *Working Age Population*: Approximately 174,700 residents (64%) are of working age, a proportion higher than both the England and South West averages (2024 estimates)
- *Employment Rate*: Plymouth’s employment rate in 2024 was 74.5%, slightly below the national average of 75.6%. However, unemployment rates indicate the city is effectively at full employment.
- *UC/JSA Claimants*: In August 2025, the claimant rate was 3.4%, lower than the national average of 4.1%. Plymouth’s claimant rate has remained below the national average since April 2020, when it was higher (Plymouth: 5.6% England: 5.0%).
- *Wages*: Average weekly earnings for Plymouth workers were £655.30, compared to £729.80 nationally (full-time workers by place of residence, 2024).
- *Wage Distribution*: In 2024, the lowest paid 20% of full-time workers saw a 3.9% increase in maximum weekly wages to £496.80, while the highest paid 20% saw a 2% increase to £885.50. The wage gap for full-time workers narrowed between 2023 and 2024. For all workers, the lowest paid 20% increased to £330.50, while the highest paid 20% decreased by 0.4% to £807.00, further narrowing the wage gap.
- *Qualifications*: In 2024, 34.8% of working-age residents were qualified to RQF4+ (degree level or above), compared to 47.2% nationally. The proportion with no qualifications was 9.6%, higher than the national average of 6.8%.
- *Apprenticeships*: A higher proportion of Key Stage 4 leavers (Year 11, age 16) in Plymouth move into apprenticeships (approximately 9%) compared to the national average of 3% (2022/23)

2.1 The Plymouth Plan

The Plymouth Plan is an ambitious and forward-thinking strategy that sets out a shared vision for the city’s future through to 2034. It brings together a range of strategic planning processes into a single, cohesive framework, guiding Plymouth’s long-term development and growth.

The plan outlines how the city will strengthen its economy, meet future transport and housing needs, and improve outcomes for children and young people, particularly by tackling the root causes of child poverty. It also sets a bold aspiration for Plymouth to become a healthier, more prosperous city, enriched by a vibrant arts and cultural scene.

Crucially, the Plymouth Plan defines the city’s spatial strategy, incorporating the Plymouth-specific elements of the Plymouth and South West Devon Joint Local Plan, ensuring that future development is sustainable, inclusive, and aligned with the city’s wider ambitions.

More details around the Plymouth Plan can be found here: <https://www.plymouth.gov.uk/plymouth-plan>

WHAT WE WANT TO ACHIEVE...

HEALTHY CITY

People live in happy, healthy, safe and aspiring communities

GROWING CITY

A city which has used its strengths to deliver quality and sustainable growth

INTERNATIONAL CITY

Plymouth is internationally renowned as Britain's Ocean City and is the UK's premier marine city, famous for its waterfront, and being home to the UK's first National Marine Park

REGIONAL CITY

Plymouth will be fulfilling its role as a regional city and a major economic driver for the Heart of the South West

2.2 Corporate Plan

The vision for Plymouth remains clear: to be one of Europe's most vibrant waterfront cities, where everyone enjoys an outstanding quality of life. The MTFS is shaped by the Council's Corporate Plan, which sets out how this vision will be delivered.

The administration's priorities reflect the issues that matter most to residents, tackling crime and anti-social behaviour, repairing roads, creating cleaner streets, building new homes, investing in green infrastructure, supporting jobs and skills, and improving access to healthcare and dentistry. At the heart of the plan is a commitment to making Plymouth a fairer, greener city, one where everyone contributes to a thriving community, and where people can grow up and grow old with dignity and opportunity, despite the ongoing pressures of the cost-of-living crisis.

Achieving this ambition requires strong partnerships across the city and a commitment to evidence-led decision-making. The Corporate Plan sets out six strategic priorities and highlights the contributions of both the Council and its partners in delivering them. There is a clear recognition of the vital role played by other organisations in supporting residents to age well and live fulfilling lives.



3 Fair Funding Review 2.0

On 20 June 2025, the Secretary of State for Housing, Communities and Local Government announced the launch of the Fair Funding Review 2.0 consultation, which ran until 15 August 2025. The review sets out proposals to reform the way local authorities in England are funded through the Local Government Finance Settlement from 2026/27 onwards. Its aim is to create a simpler, fairer, and more transparent system that better reflects local needs, costs, and revenue-raising capacity.

Key proposals include:

- Updated funding formulae based on relative need and local resources.
- Consolidation of over 300 grants into fewer core funding streams, including new grants for homelessness, public health, crisis resilience, and children's services.
- Inclusion of existing social care grants (e.g. Social Care Grant, Better Care Fund, Market Sustainability Fund) within the Settlement Funding Assessment.
- Phased transition arrangements, including a three-year settlement and potential funding floor to protect councils from cash losses.
- Full reset of the Business Rates Retention system in 2026/27, with revised safety net and levy mechanisms.
- Review of fees and charges framework, with potential for greater local flexibility.
- Extension of the DSG Statutory Override to 2027/28, alongside SEND system reform.

Plymouth, with a relatively low council tax base and high levels of need, particularly in adult social care, children's services, and temporary accommodation, has historically been disadvantaged under the current system. The proposed reforms aim to address these disparities by redistributing funding more equitably.

While technical details were provided, no provisional allocations were published. Internal and external analysis is ongoing to assess the potential impact on Plymouth's future funding.

Further clarity on the impact of the Fair Funding 2.0 proposals is expected in the Local Policy Statement, due in November 2025. However, confirmation of individual local authority allocations will not be available until the Provisional Local Government Finance Settlement, anticipated in December 2025.

To enable preparation of the MTFs, it has been necessary to make assumptions about the level of additional funding expected from changes to allocations under Fair Funding 2.0.

Modelling indicates that the transition to the new funding formula is projected to result in a £6.7m increase to Plymouth's baseline funding over the three-year settlement period. This is supplemented by a further £4.3m allocated through the announcement made in the June 2025 Spending Review, resulting in a total modelled increase of £11.0m

To help rebalance the impact of these demographic pressures and address the cost burden faced by the city, we have urged MHCLG to place greater emphasis on deprivation within the funding formula. Increasing the weighting for deprivation would help mitigate the effects of slower population growth and ensure that funding is more effectively targeted to areas with the highest levels of relative need.

Last year we welcomed an additional £7.0m of funding via the Recovery Grant. Recognised as more than a one-off funding measure, the Recovery Grant represented a transitional step toward the revised funding formula. While there is an expectation that this year the funding will be continued by 'rolling-in' to the RSG, we have advocated for the continuation of the Recovery Grant as a distinct funding stream within the settlement, with its existing distribution methodology preserved. This is essential to ensure that funding remains responsive to local need and that councils are supported in managing the ongoing financial challenges they face.

The adoption of a 'notional' rate of Council Tax to achieve full equalisation has provided support to Plymouth, given the city's relatively weaker tax base. Analysis indicates that, considered in isolation, this change has resulted in a relative gain of £27.4m in settlement allocation for Plymouth.

In addition, Plymouth has urged the Government to fund transition arrangements through a separate allocation, rather than offsetting these costs by delaying gains for authorities identified as requiring increased support under the proposed Fair Funding 2.0 reforms.

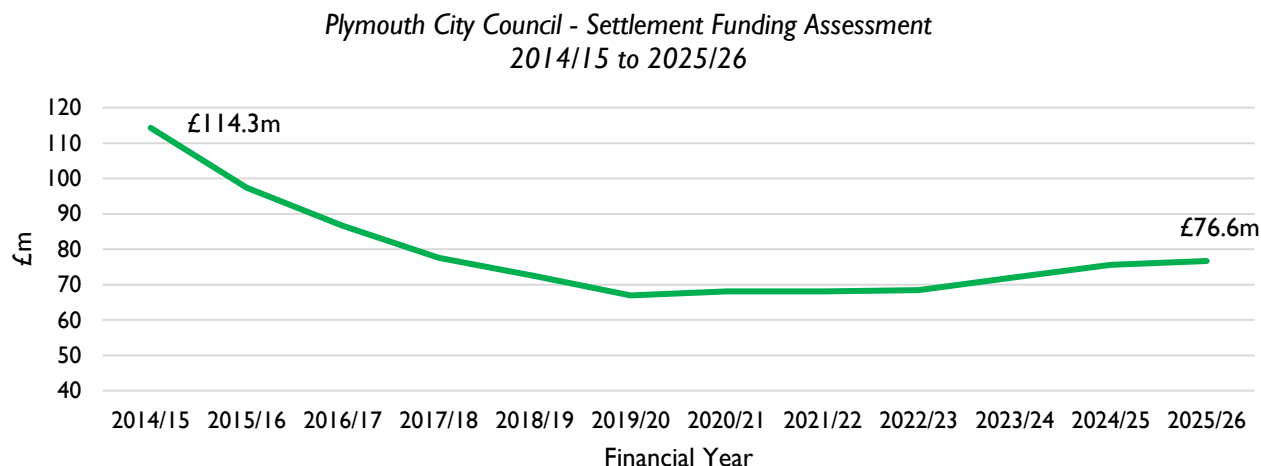
4 Settlement Funding Assessment

The Settlement Funding Assessment (SFA) is the Government's measure of core funding required by a Local Authority to meet its net revenue expenditure after accounting for income generated from Council Tax. The Settlement Funding Assessment consists of the local share of business rates, and Revenue Support Grant. It has been used to distribute Revenue Support Grant (RSG) to Local Authorities. SFA was reduced over a number of years including the amount of RSG. Inflationary uplifts have been applied since 2020/21, but these uplifts have not restored reductions made in previous years and leave Local Authorities vulnerable to

inflationary and demand pressures. In 2025/26 the increase to RSG was 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.

Graph 1: Plymouth SFA 2014/15 to 2025/26



4.1 Fair Funding 2.0 Impact

Looking ahead, the expected roll-in of several large specific grants into the SFA from 2026/27, and other changes as a result of Fair Funding, will significantly alter its structure. As a result, year-on-year comparisons with earlier periods will become increasingly difficult, limiting its usefulness as a consistent funding benchmark over time.

Table 1: Specific grants expected to be rolled in to SFA

Specific Grants	£m
Market Sustainability and Improvement Fund	5.618
Social Care Grant	33.789
New Homes Bonus (ceasing)	0.030
Local Better Care Grant	15.955
Temporary Accommodation element of HPG	0.979
Recovery Grant	6.592
Employer NIC compensation grant	2.063
Total	65.027

The baseline funding modelled for comparison under the Fair Funding 2.0 now stands at £161.38m for Plymouth City Council. This figure differs significantly from the way the SFA is presented for 2025/26. Crucially, this is not additional funding, the increase reflects the anticipated roll-in of specific grants that were previously held and reported separately.

Table 2: Revised SFA under Fair Funding 2.0

Revised Settlement Funding Assessment	2026/27	2027/28	2028/29	Total Increase
	£m	£m	£m	£m
New Settlement Funding Assessment	161.380	166.200	169.053	
Modelled increase via FFR 2.0	2.715	1.776	2.240	6.732
Modelled additional funding via Spending Review	2.105	1.076	1.093	4.274
Total New SFA	166.200	169.053	172.386	11.006
% increase against baseline SFA	2.99%	1.72%	1.97%	6.82%

5 Council Core Resources

5.1 Council Tax

In the 2025/26 Local Government Finance Settlement, local authorities were permitted to apply an increase in core Council Tax of up to 2.99%, alongside an additional 2% increase for the Adult Social Care precept. Plymouth City Council agreed to apply both of these increases in full.

For the purposes of the MTFS, it is assumed that these limits will continue to be applied into 2026/27 and future years, and that Council Tax will be increased up to the maximum permitted level. However, this assumption remains subject to annual approval by Full Council each February as part of the formal budget-setting process.

For Plymouth, a 0.25% increase in Council Tax is estimated to generate an additional £0.352m in 2026/27. This figure supports financial planning and sensitivity analysis within the MTFS.

Assumptions made in 2025/26 also reflect the impact of Empty Homes and Second Homes premiums, which were introduced in 2024/25 and 2025/26 respectively. These premiums are now embedded within the Council Tax base calculation and are considered permanent features of the funding framework.

The Council Tax Base report for 2025/26 was approved by Full Council in January 2025. It set the number of Band D equivalent properties at 76,557, an increase of 1,168 compared to 2024/25. This growth is largely attributable to the inclusion of assumptions around the application of premiums. The collection rate remains at 97.5%, which is considered both realistic and prudent given the prevailing economic conditions.

The Council Tax base assumed for each financial year is shown in the table below. Future years incorporate estimates of residential property growth and the impact of the Local Council Tax Support Scheme. These projections are informed by historic trends, anticipated future developments, and the expected proportion of properties falling within Band D equivalency.

The notional Council Tax figures used within the Fair Funding 2.0 to estimate the level of resources required by Plymouth are not reflective of the actual Council Tax income that should be included in the MTFS. These figures are used for comparative and modelling purposes at a national level and do not align with the statutory processes that govern local budget setting.

Council Tax income should continue to be modelled in accordance with established statutory procedures. This includes the formal calculation of the Council Tax Base and the determination of the Council Tax

Requirement, both of which are approved annually by Full Council as part of the budget-setting process. Maintaining this approach ensures consistency, transparency, and compliance with legal requirements.

Table 3: Council Tax Income 2025/26 – 2029/30

Council Tax Income	2025/26 Budget £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Previous year Council Tax total	138.768	147.950	155.824	164.115	172.843
Increase in base assumptions	2.150	0.468	0.491	0.513	0.541
Revised base	140.918	148.418	156.315	164.628	173.384
Council Tax increase (2.99%) on revised base	4.213	4.438	4.674	4.922	5.184
ASC precept (2%) on revised based	2.818	2.968	3.126	3.293	3.468
Council Tax total	147.950	155.824	164.115	172.843	182.036

5.2 Council Tax Discounts and Premiums

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

Tax base growth from both the empty homes and second homes premiums has been incorporated into the MTFS from 2025/26 onwards. These assumptions reflect the anticipated impact of the new powers on council tax income and housing availability.

5.3 Council Tax Support Scheme

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

The Government prescribes the rules for calculating Council Tax support for applicants who have reached state pension age. Under these regulations, eligible pension-age claimants may receive up to 100% support against their Council Tax liability. For working-age residents, Plymouth City Council operates an Income-Banded scheme, under which the maximum support available is capped at 80% of the Council Tax charge. This approach ensures targeted support while maintaining financial sustainability within the scheme. The table below shows the level of council tax forgone due to the application of the Council Tax Support Scheme.

Table 4: Council Tax Forgone – Council Tax Support Scheme

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

Whilst no amendments to the Council Tax Support Scheme are planned for 2026/27, this will remain under review and consultation in respect of futures years may be considered as we progress and finalise the MTFP.

5.4 Council Tax Administration Consultation

The "Modernising and improving the administration of council tax" consultation was announced and published on 20 June 2025 by MHCLG. The consultation ran from 20 June to 12 September 2025 and sought views on a range of proposals aimed at improving how council tax is billed, collected, and enforced, as well as modernising the support available within the system.

The Government's consultation seeks to reform council tax enforcement by making debt collection more proportionate and supportive. Current practices allow councils to demand full annual payment shortly after a missed instalment, possibly then escalating quickly to court action. Proposed changes aim to slow this process, cap additional charges, and require councils to signpost residents to support services, reducing the financial and emotional strain on vulnerable households.

The consultation also explores modernising the structure and fairness of council tax. This includes simplifying the process for challenging outdated property banding and updating eligibility criteria for discounts such as those for carers and apprentices. Additionally, the Government proposes changing the default payment schedule from 10 to 12 monthly instalments to support household budgeting.

Further proposals focus on improving transparency and efficiency in council tax administration. Councils are encouraged to adopt digital systems, integrate data with HMRC and DWP, streamline billing processes, and consider deferred payment options in certain circumstances. These reforms aim to make the system more responsive, equitable, and financially sustainable.

At present, no changes are required to the modelling of Council Tax income within the MTFS as a result of the proposals outlined. While the consultation includes a range of potential reforms, such as changes to enforcement, payment structures, and liability, none have yet been confirmed or legislated in a way that would impact current financial planning assumptions.

5.5 Business Rates

Under the Government's current funding framework for local authorities, the Business Rates Retention Scheme enables councils to retain a proportion of their business rates income, including any growth. At present, this retention stands at 49% of total receipts. While this arrangement allows authorities to benefit from growth, it also exposes them to the risk of reductions in business rates income during economic downturns. To mitigate extreme losses, a 'safety net' mechanism is in place.

Table 5: Business Rates Income 2025/26 to 2028/29

Business Rates - Net Rates Calculation	2025/26 Budget £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Rateable Value	241.725	241.725	241.725	241.725	241.725
Gross Rates (after application of multipliers)	129.786	131.324	132.887	134.477	136.094
Net Rates Payable (after reliefs and transitional arrangements)	90.189	91.021	91.866	92.726	93.601
PCC Share	49%	49%	49%	49%	49%
Business Rates Income	44.193	44.600	45.014	45.436	45.864
Other Adjustments (incl. Top Up and multiplier compensation)	38.641	39.186	39.740	40.013	40.292
Surplus/(Deficit) to be charged to the General Fund	1.000	0.500	0.000	0.000	0.000
Plus Pooling Gains / Losses	2.750	2.500	2.500	2.500	2.500
Total Business Rates Income	86.584	86.786	87.254	87.949	88.656

Additionally, local authorities are compensated via Section 31 grants for reductions in business rates income resulting from Government policy changes introduced since the scheme's inception, such as the implementation of additional reliefs or the freezing of the business rates multiplier.

The final determination of business rates resources is based on the completion of the Government's NNDR I return (National Non-Domestic Rates). As the timing of this return falls outside the budget-setting cycle, assumptions must be made during the budget preparation process.

Looking ahead to 2026/27 and beyond, there is uncertainty surrounding the potential impact of a reset of the business rates retention system and the associated transitional arrangements. The Government has announced several changes to take effect from 2026/27:

- **Revaluation 2026:** The Valuation Office Agency is preparing a new rating list to be implemented from 1 April 2026. This will update property valuations and alter business rates bills. However, the Government has indicated that the revaluation will be revenue-neutral for local authorities, likely achieved through adjustments to Top-Up or Tariff payments, as in previous revaluations.
- **New Business Rates Multipliers:** As announced in Budget 2024, the Government intends to introduce differentiated multipliers, including reduced rates for the Retail, Hospitality, and Leisure sectors, alongside a higher multiplier to fund these reductions. This change is also expected to be revenue-neutral for local government, potentially managed in a similar manner to revaluations.
- **Business Rates Reset:** The original design of the retention scheme included a reset mechanism. Each authority has a Baseline Funding Level (BFL) and a Business Rates Baseline (BRB), both of which are inflated annually by the multiplier. Changes in the tax base, such as shifts between small and standard multipliers or changes in reliefs, result in growth or decline. A reset would revise both the BFL and BRB, redistributing growth from areas where it has occurred to those where the Government wishes to allocate additional funding.

It is important to note that the methodology for the reset has not yet been published, nor is it clear whether transitional arrangements will be applied. The final figures will also be subject to the outcome of the Fair Funding 2.0.

Given the level of uncertainty in this area, current modelling assumptions for business rates income remain aligned with previous forecasting approaches. These assumptions are consistent with models produced by external advisors.

A specific area requiring close attention is the future of the Devon Business Rates Pool. The MTFs currently assumes continued gains from the Pool, with £2.750m included for 2025/26 and £2.500m assumed in subsequent years. Should pooling arrangements be discontinued under the new system, this would represent a financial risk.

The table below shows pooling gain levels for the past three years. The assumption for 2025/26 is informed both by these trends and by analysis by our external advisors provided in October 2024.

Table 6: Devon Business Rates Pooling Gains

Devon Business Rates Pooling Gains 2023/24 - 2025/26	2022/23 Actual £m	2023/24 Actual £m	2024/25 Actual £m	2025/26 Forecast £m
Plymouth	1.957	2.262	2.455	2.750
Increase £	-	0.305	0.193	0.295
Increase %	-	15.60%	8.50%	12.00%

6 Government Grants

6.1 Revenue Support Grant (RSG)

Revenue Support Grant is a central government funding stream provided to local authorities to support revenue expenditure across any service area. The level of grant allocated to each authority is determined through the Local Government Finance Settlement.

Under the emerging proposals for the Fair Funding 2.0, the structure and composition of RSG may change significantly compared to previous years. Specific grants that have historically been allocated separately may be consolidated into the RSG, and any additional funding due to Plymouth under the revised formula could also be incorporated into this grant. However, it is also possible that such changes could be implemented through adjustments to the Business Rates element of the SFA instead.

This approach presents challenges for year-on-year comparisons, as the integration of previously distinct funding streams may obscure historical trends and make it more difficult to track changes in individual allocations over time.

6.2 Dedicated Schools Grant

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

The DSG is divided into four distinct blocks, each serving a specific purpose;

- Schools Block – Funds the provision of mainstream education in primary and secondary schools (from reception to year 11).
- High Needs Block – Supports children and young people aged 0 – 25 with special education needs and disabilities (SEND). This includes funding for special schools, alternative provision, support within mainstream schools / support units and further education (post 16).
- Early Years Block – Funds the various free early education entitlements for children aged 0-5. This includes the universal 15 hours for all 3 & 4-year-olds and the additional 15/30-hour entitlement for children of working parents (from 9 months).
- Central School Services Block (CSSB) – Funds statutory duties carried out by local authorities, such as school admissions, asset management, support services as well as some historic commitments.

Table 7: Plymouth's DSG Allocation 2025/26

Dedicated Schools Grant Blocks	2025/26 Allocation (£m)	2025/26 Forecast (£m)	Variance (£m)
Schools Block (before academy recoupment)	218.961	218.961	-
High Needs Block	52.210	86.826	34.616
Central Schools Services Block	2.536	2.536	-
Early Years Block	38.441	39.075	0.634
Total DSG allocation (Gross)	312.148	347.398	35.250

Plymouth is experiencing pressures consistent with national trends in SEND provision. Population growth, improved identification of needs, and a post-COVID increase in mental health and speech and language issues have significantly driven up demand. The 2014 SEND Code of Practice expanded eligibility and support up to age 25, but has not been matched by sufficient funding, contributing to wider system pressures, including increased demand for school transport.

Nationally, the number of Education Health and Care Plans (EHCPs) has risen by 140% over the past decade, from 240,183 in 2015 to 575,973 in 2023/24 and local authorities are forecast to carry a cumulative £5bn SEND deficit by March 2026. Over half are now engaged in Department for Education intervention programmes such as Safety Valve and Delivering Better Value in SEND.

Locally, Plymouth's maintained special schools and academies are at full capacity, resulting in greater reliance on high-cost independent placements outside the area.

The Council awaits the publication of the SEND White Paper, expected in January 2026, which is anticipated to set out long-term, systemic reforms to address the challenges outlined above. It is important that any reforms are underpinned by a clear and coherent vision for improving outcomes for children with SEND, rather than simply reducing support or altering legal entitlements without offering robust alternatives. Any such changes must be carefully considered to avoid unintended consequences for the children who currently benefit from existing support.

The Government has indicated an intention to strengthen core SEND provision within mainstream schools. In principle, this could lead to improved outcomes at a lower long-term cost. However, realising this ambition will require a well-planned strategy to build capacity and a commitment to developing the evidence base for what works in supporting children with SEND.

Councils are currently permitted to exclude DSG deficits from their main balance sheets under a temporary accounting provision known as the "statutory override," which has been extended until March 2028. This measure provides short-term financial flexibility while local authorities await further clarity on in the national SEND reforms.

Plymouth has experienced pressures on the High Needs Block in recent years, and for 2025/26 is forecasting an in-year pressure of £35.250m. This added to the brought forward deficit balance of £18.498m brings a forecast estimated deficit balance of £53.748m at the end of 2025/26.

Without intervention, demand for EHCPs is expected to continue rising. Mitigation strategies focus on reducing reliance on independent specialist providers by increasing support in mainstream schools and expanding local specialist school provision. The most ambitious scenario combines these measures with a substantial reduction in new EHCP applications.

DSG High Needs Block deficits represent a growing financial liability that must eventually be addressed. If the override is not extended beyond March 2028 or if no long-term funding solution is provided, these deficits could fall back onto councils' core budgets, severely impacting their financial sustainability.

This is not considered to be likely at this point, and the assumption for this strategy is that the override will continue for the term of the MTFS. However, the revenue impact of borrowing costs required to fund this un-funded expenditure is included and flagged in the MTFS for future years, with an estimated cost of financing the deficit in 2026/27 of £2.774m.

Table 8: DSG Deficit financing costs

DSG Deficit	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
Initial estimated DSG deficit for TM modelling	53.748	75.860	131.600	202.520
SEND - DSG deficit financing cost (step up)	0.450	2.774	2.369	3.014

6.3 Public Health Grant

The Public Health Grant is a ring-fenced allocation provided by the Department of Health and Social Care to local authorities in England to support the delivery of public health responsibilities. It funds a wide range of preventative services aimed at improving population health and reducing health inequalities. These include sexual health services, drug and alcohol treatment, smoking cessation, children's health services, and broader health promotion initiatives.

Although Plymouth has received a significant increase in its Public Health Grant allocation between 2024/25 and 2025/26, the funding continues to face real-terms pressures driven by rising demand, inflationary costs, and historically inequitable distribution. Planning assumptions for future years currently forecast an annual increase of 1%.

Table 9: Public Health Grant Allocations

Public Health Grant	2024/25 Actual £m	2025/26 Actual £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Public Health Grant Allocations and Estimates	16.737	18.089	18.270	18.453	18.637	18.823

As part of the Fair Funding 2.0 consultation, it states that the Public Health Grant will be consolidated alongside other service-specific grants to create a wider Public Health grant, delivered as a separate grant within the Local Government Finance Settlement in 2026-27.

6.4 Housing Benefit Subsidy

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

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

6.5 Social Care Grants

In 2025/26, three grants within the Local Government Finance Settlement provide targeted funding to support adult social care services: the Market Sustainability and Improvement Fund (£5.618m), the Local Authority Better Care Fund (£15.955m), and the Social Care Grant (£33.789m), the latter of which supports both adult and children's social care. These grants are intended to help local authorities address key pressures in the care system, including increasing provider fee rates, expanding and retaining the social care

workforce, reducing waiting times for care, improving hospital discharge performance, and promoting integrated working between councils and the NHS.

Table 10: Social Care Grants

Social Care Grants	2025/26 Allocations £m
ASC - Market Sustainability and Improvement Fund	5.618
Social Care Grant	33.789
ASC - Local Better Care Grant	15.955
Total	55.362

As noted earlier in this document, our assumptions around Fair Funding 2.0 include the anticipated integration of specific grants into the SFA. These grants, previously allocated through separate methodologies, are now expected to be rolled into the RSG. Analysis indicates this change could result in a adverse financial impact for Plymouth, estimated at £12.8m, due to the loss of targeted funding that previously reflected local need more accurately.

Included within the existing Social Care grants was a partial equalisation mechanism against the social care precept. Under the proposed changes, when these grants are rolled into the SFA, equalisation would instead be applied on a needs-share basis. This change would remove the current equalisation effect, resulting in a funding loss of an estimated £12.4m, as the new formula does not compensate for Plymouth's relative inability to raise funds locally.

7 Financing the Council

The MTFs 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.

Table 11: Key Assumptions

2025/26	Item	2026/27	2027/28	2028/29	2029/30
£1,932.55	Increase in Core Council Tax Charge	2.99%	2.99%	2.99%	2.99%
36.81	Increase in Adult Social Care Precept	2.00%	2.00%	2.00%	2.00%
76,557	C. Tax Base (No. of Band D equivalents)	76,799	77,041	77,282	77,524
-	Collection Rate	97.50%	97.50%	97.50%	97.50%
49.9p	Increase in Small Business Rates Multiplier	1.70%	1.70%	1.70%	1.70%

Table 12: Core Resources Sensitivity Analysis

Sensitivity Analysis – Core Resources		2025/26	2026/27	2027/28	2028/29	2029/30
		£m	£m	£m	£m	£m
Council Tax						
Current Assumption:						
Core Council Tax Increase (to current referendum limit)		2.99%	2.99%	2.99%	2.99%	2.99%
ASC Precept Council Tax Increase (to current referendum limit)		2.00%	2.00%	2.00%	2.00%	2.00%
Sensitivity Analysis:						
Lost Council Tax if reduced:	-0.5%	(0.704)	(0.742)	(0.782)	(0.823)	(0.867)
	-1.0%	(1.409)	(1.484)	(1.563)	(1.646)	(1.734)
	-2.0%	(2.818)	(2.968)	(3.126)	(3.292)	(3.468)
Current Assumption:						
Growth in Council Tax Base (prior to adjs)		248	248	248	248	248
Sensitivity Analysis:						
Lost Council Tax if reduced:	-50	(0.094)	(0.099)	(0.104)	(0.109)	(0.114)
	-100	(0.188)	(0.199)	(0.208)	(0.218)	(0.228)
Additional Council Tax if increased:	+25	0.047	0.049	0.052	0.055	0.057
	+75	0.141	0.148	0.156	0.164	0.172
Current Assumption:						
Collection Rate		97.50%	97.50%	97.50%	97.50%	97.50%
Sensitivity Analysis:						
Reduction in income assumption if reduced:	-0.5%	(0.750)	(0.791)	(0.833)	(0.877)	(0.924)
	-1.0%	(1.502)	(1.581)	(1.666)	(1.754)	(1.848)
Business Rates						
Current Assumption:						
Inflation Multiplier Assumption		1.70%	1.70%	1.70%	1.70%	1.70%
Addl Business Rates if increased:	0.50%	0.406	0.410	0.415	0.419	0.422
	1.00%	0.811	0.821	0.830	0.837	0.844

7.1 Key Financial Planning Assumptions

Revenue Support Grant is expected to undergo significant reform under Fair Funding 2.0. Assumptions regarding future increases have been incorporated into the MTFs, based on analysis of the current proposals. However, the future structure of the Settlement Funding Assessment remains uncertain. It is possible that the RSG may subsume certain specific grants in future allocations; for the purposes of current modelling, these elements are presented separately for clarity.

Table 13: Potential Revenue Support Grant

MTFP 2025/26 to 2029/30	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Revenue Support Grant	(12.662)	(12.662)	(17.482)	(20.335)	(23.668)
Addn. Revenue Support Grant (from modelling)		(4.820)	(2.852)	(3.333)	
Inflationary Assumption - post-transition					(0.473)
Specific Grants Rolled in to Core Resources		(65.027)	(65.027)	(65.027)	(65.027)
Potential New Revenue Support Grant	(12.662)	(82.509)	(85.362)	(88.695)	(89.168)
< 3-year settlement period>					

- Multi-year settlements to commence from 2026/27.
- Threshold for Council Tax increases will continue at 2.99% and a further 2% Adult Social Care precept modelled for all 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 around the future of the Business Rates Retention Scheme, and other expected changes impacting on the Business Rates element of Core Resources. Modelling informed by support from external advisors currently maintains the status quo.
- Planning reflects expected increased costs in demand-led services; Children's Social Care, Adults Social Care, SEND and Homelessness
- Interest rate assumption for Treasury Management Forecasting: PWLB 4.5% all future years, Short Term Borrowing 4.00% 2026/27, 3.75% 2027/28 and 2028/29. Increasing the assumption for Short Term borrowing to 4.00% in all future years increases borrowing costs by approximately £0.480m annually.
- The MTFS has been prepared on the basis of the Letter of Assurance received from the Ministry of Housing, Communities & Local Government (MHCLG, previously Department for Levelling Up, Housing and Communities) in February 2024, regarding the accounting treatment of the Council's pension arrears from 2019/20. Engagement with MHCLG has been continuing and the working assumption remains that a Capitalisation Direction will be granted from 2025/26, with the associated MRP charges commencing from 2026/27.
- The MTFS does not include any assumptions regarding future changes in funding or expenditure arising from Local Government Reorganisation, as there are currently no known implications.

7.2 Income Collection

The 2026/27 revenue budget and MTFS assumptions are based on achieving the collection targets as set out. These targets and levels of bad debt provisions are kept under regular review by the Section 151 Officer.

Table 14: Debt collection rates 2024/25

Type of debt	Actual 2024/25 %	Target %
Council Tax	96.4	97.5
Business Rates	98.7	97.5
Sundry Debt	96.3	97.5

7.3 Right-sizing the Budget

Only material cost pressures have been explicitly detailed in the MTFS on the basis that service departments will generally manage increased demand and inflationary impacts through proactive measures and operational efficiencies within their existing budgets. Any future funding allocations must be supported by a robust business case and approved by as part of the final budget setting process.

Some assumptions from the previous MTFS, which were reflected in last year's approved budget, now require ongoing resources. These include provisions for salary-related cost increases and the reversal of one-off savings or expenditure allocations from prior years. In addition, there are corporate commitments that are not attributable to individual directorates and must be accounted for centrally.

Table 15: “Right-sizing the budget” adjustments

Additional Costs – right-sizing the budget	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m
Salary related costs	3.630	3.733	3.845	3.960
Treasury Management: add'n net borrowing costs	2.726	2.931	4.986	-
RCCO/s106 swap phased reduction	-	0.980	0.900	0.210
Replenish Reserves	0.543	0.548	0.554	0.559
Total	6.898	8.192	10.284	4.729

7.4 Salary Related Costs

The NJC Pay Award for 2025/26 has been confirmed as a 3.2% increase across all scale points, resulting in an additional cost of £0.186m above the budgeted 3% uplift. This variance has been reflected in the MTFS assumptions for 2026/27, with a further 3% pay award modelled for all subsequent years.

At present, there are no other known changes to salary costs. However, any announcements made in the Autumn Budget will be reviewed and incorporated into future iterations of the MTFS as appropriate

7.5 RCCO/s106 swap phased reduction

Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as S106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. In previous years, in order to bridge the budget funding gap, monies have been borrowed from s106, and adjustments will be made over 3 years from 2027/28 to rebalance this budget.

7.6 Replenish reserves

To balance prior year budgets and manage in-year financial pressures, the Council has drawn on reserves where necessary. The MTFS now includes a commitment to replenish reserves annually by 1% of the total value of usable reserves. Strengthening reserves enhances the Council's financial resilience, enabling it to better manage unforeseen risks and funding volatility. Reserves also support medium-term financial planning, provide flexibility to invest in transformation and service redesign, and help smooth budget pressures without immediate service reductions. Maintaining adequate reserves ensures compliance with statutory requirements and supports corporate priorities that may not sit within individual directorate budgets.

7.7 Treasury Management

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

As outlined in section 6.2 above, this year's modelling identifies, for the first time, a separate revenue impact arising from the requirement to fund DSG deficits – reflecting the growing scale and significance of the pressure, and ensuring it is managed transparently and effectively.

7.8 One-off 'roll-in' of Specific Grant Funding

As outlined earlier in the report, proposals under Fair Funding 2.0 include the integration of several large specific grants, primarily Social Care Grants, into the SFA. As these grants will become part of the Council's 'Core Resources', a one-off budget adjustment is required to remove the associated income lines from the Directorate budgets where they are currently held. This adjustment is net neutral, as core funding will increase by an equivalent amount.

The relevant grants are listed below. It should be noted that while the New Homes Bonus is included in the table, it is ceasing permanently; however, the associated income budget must still be removed. The Recovery Grant was received as a one-off in 2025/26 and, although not yet confirmed for inclusion in the SFA, current modelling assumes it will be rolled in.

Table 16: Specific Grants 'roll-in'

Specific Grants	£m	Existing Budget Area
Market Sustainability and Improvement Fund	5.618	ASC/Corporate
Social Care Grant	33.789	ASC/Corporate
New Homes Bonus (ceasing)	0.030	Growth
Local Better Care Grant	15.955	ASC/Corporate
Temporary Accommodation element of HPG	0.979	Community Connections
Recovery Grant	6.592	Corporate
Employer NIC compensation grant	2.063	Corporate
Total	65.027	

8 Demand-Led Pressures

In addition to the pressures already outlined, the Council must consider a range of demand-led cost pressures relating to services where expenditure is driven by levels of need, which can fluctuate due to demographic changes, policy shifts, or external factors.

The MTFS includes assumptions for increased budget requirements within these demand-led services, informed by detailed cost and volume analysis. This analysis draws on current demand data, historic trends, and forecasts of future service needs. These assumptions are critical to ensure the Council can plan effectively for future financial sustainability while maintaining service delivery standards.

Table 17: Demand-led budget pressures

	2026/27	2027/28	2028/29	2029/30
Budget Pressure	£m	£m	£m	£m
Adult Social Care Fee Uplifts (NLW & Inflation)	5.473	5.010	4.866	4.425
Adult Social Care Demand	5.701	3.655	3.669	3.655
Homelessness	1.130	0.506	0.207	0.207
Children's Social Care	6.193	4.869	5.252	5.669
Home to School Transport	2.601	3.003	2.746	2.698
SEND - DSG deficit financing cost	2.774	2.369	3.014	-
Total	23.872	19.412	19.754	16.654

Plymouth is not alone in facing significant budgetary pressures across key service areas such as social care, homelessness, and Special Educational Needs and Disabilities (SEND). These challenges are being experienced by councils across the country, driven by rising demand, increasing complexity of need, and constrained levels of funding.

Further detail is provided later in this document regarding the Council's new Prevention First Strategy, which will be delivered through the City Help and Support programme. This strategic approach is designed to reduce demand on high-cost services over the longer term by focusing on early intervention, targeted support, and improved access to preventative services.

The strategy represents a fundamental shift in how the Council responds to need, aiming to address issues before they escalate into crisis. By embedding prevention at the heart of service delivery, the Council seeks to reduce reliance on temporary accommodation, statutory social care interventions, and other reactive services, ultimately supporting better outcomes for residents and improving financial sustainability.

8.1 ASC Fee Uplifts: National Living Wage

The Council remains committed to passing on the additional costs associated with increases to the National Living Wage (NLW) to Adult Social Care providers. The NLW rate announced for April 2025 is £12.21 per hour. For 2026/27, the current modelled rate, based on projections from the Low Pay Commission, is £12.80 per hour.

While the NLW rate for April 2026 has not yet been confirmed, the MTFS will be updated to reflect any changes once announced. For modelling purposes, future NLW assumptions are based on recent trends and guidance from the Low Pay Commission, although final rates will be determined by Central Government.

Table 18: National Living Wage Assumptions

Adult Social Care - NLW (Fee Uplift)	2025/26	2026/27	2027/28	2028/29	2029/30
NLW Assumption Rate £/hour	£12.21	£12.80	£13.42	£14.00	£14.50

To illustrate the financial impact of National Living Wage (NLW) increases, a 20 pence rise in the hourly rate would result in an additional budget requirement of approximately £1.327m. This highlights the sensitivity of Adult Social Care commissioning costs to even modest changes in wage rates.

8.2 ASC Fee Uplifts: Inflationary Uplifts to Care Providers

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

Table 19: ASC Inflationary Assumptions

Adult Social Care - Inflation (Fee Uplift)	2026/27	2027/28	2028/29	2029/30
Inflation assumption %	1.93%	2.00%	2.00%	2.00%
Application to Fees - Staffing 30%	0.58%	0.60%	0.60%	0.60%

To illustrate the sensitivity of these assumptions, a 2% increase in inflation applied to the non-staff cost element would require an additional £0.694m in funding. This highlights the importance of maintaining robust modelling to ensure provider sustainability and continued service delivery in the face of rising costs.

8.3 ASC – Demand

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

As of the latest data, 3,907 adults are in the care of Plymouth City Council. Within the modelled budget increase, there are significant cost pressure from the growth in client numbers and average hours of care provided per person as well as increased 'cost complexity', reflecting rising care needs driving higher costs outside of standard fee rate uplifts. This includes more intensive support packages and specialist interventions required to meet individual needs.

The Directorate maintains an ongoing programme of work focused on understanding, managing, and controlling costs across Adult Social Care services. This includes exploring innovative approaches to service delivery, improving operational efficiency, and identifying opportunities for transformation. The aim is to ensure that resources are used effectively while maintaining high standards of care.

At the heart of this work is a commitment to safeguarding the wellbeing of vulnerable adults. The Directorate continues to prioritise the delivery of appropriate and personalised care, ensuring that individuals receive the support they need in a way that is both financially sustainable and aligned with statutory responsibilities.

8.4 Homelessness

Demand for temporary accommodation continues to be a significant driver of budgetary pressure, influenced by a range of factors including evictions from the private rented sector, the ongoing cost-of-living crisis, and a shortage of affordable housing. The limited availability of suitable long-term housing options means individuals and families are remaining in temporary placements for extended periods. These placements are often high-cost and not always appropriate for the needs of those being housed. In addition, councils are experiencing rising caseloads due to expanded statutory duties, with many individuals presenting with complex needs such as mental health challenges, domestic abuse, or substance misuse, which further increases service demand and cost.

Financial modelling within the MTFS reflects current levels of demand and known service interventions. It also incorporates assumptions for inflationary increases in the rates paid for nightly accommodation. The service continues to implement targeted measures to reduce costs where possible, but the sustained growth in the number of eligible households presents an ongoing challenge.

8.5 Children's Social Care – Inflation and Demand

Children's Social Care in Plymouth continues to experience financial pressures due to rising demand and increasing placement costs. The number of children in residential care has exceeded planned levels, and some placements are now costing over £10,000 per week, significantly higher than budgeted. Unregistered placements, which often require intensive staffing arrangements such as 2:1 or 4:1 agency support, are also above expected levels. While some of these cases receive partial funding from Health partners, the overall financial impact remains considerable and requires close monitoring.

Positively, there has been a reduction in the number of children placed with Independent Fostering Agencies (IFAs), resulting in cost savings. This has been matched by growth in the Council's in-house fostering provision, which is more sustainable and cost-effective. However, overall there has been a shift away from fostering towards more expensive residential placements, reflecting a national shortage of foster carers and associated changes in placement patterns.

The cost and volume modelling within the MTFS reflects current levels of demand and includes assumptions for future growth. These projections are based on historical trends, service data, and anticipated changes in

need. However, it is important to note that these figures represent only one part of the picture. Alongside this modelling, the Directorate is actively progressing a number of strategic workstreams aimed at reducing demand and improving service efficiency.

These initiatives focus on transforming how services are delivered, identifying earlier interventions, and promoting more sustainable models of care. The overarching goal is to manage financial pressures while continuing to safeguard and support vulnerable children and young people. This approach ensures that resources are targeted effectively, and that the right support is provided at the right time, without compromising on quality or safety.

8.6 SEND – Financing the DSG Deficit

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

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

8.7 Home to School Transport

Pressures on the High Needs and SEND budgets are directly impacting the revenue-funded Home to School Transport service. The Council has a statutory duty to provide transport for pupils with Education, Health and Care Plans (EHCPs), subject to assessment. Increasing numbers of pupils with EHCPs, combined with a shortage of places in special schools within the city, have led to greater reliance on independent sector placements located further away. This is driving up both the volume and cost of transport provision.

Modelling within the MTFS reflects projected growth in specialist placements and includes an annual inflationary uplift of 3% to account for rising costs from transport providers. The service continues to implement targeted route planning and efficiency measures to manage costs. However, the growing number of eligible pupils presents an ongoing challenge.

9 The Council's Reserves

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

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

As previously noted, the Council's financial strategy includes a commitment to replenish usable reserves, which have been drawn upon in recent years to support the balancing of budgets and address in-year financial pressures.

9.1 Unusable Reserves

The Council holds a number of unusable reserves on its Balance Sheet, which are not available to support day-to-day spending. These reserves are maintained either to comply with statutory requirements or to reflect proper accounting practice. The largest of these is the Asset Revaluation Reserve, currently valued at £378.263m. This reserve records gains arising from increases in the value of the Council's Property, Plant and Equipment and ensures that asset revaluations are accounted for separately from usable resources.

Other unusable reserves include the Pensions Reserve, which reflects the accounting valuation of the Council's pension liabilities. This reserve absorbs timing differences between the recognition of post-employment benefits in the accounts and the actual funding of those benefits in line with statutory provisions. While these reserves do not impact the Council's cash position, they are essential for presenting a true and fair view of the Council's financial standing in accordance with accounting standards.

Table 20: Unusable Reserves

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

9.2 Usable Reserves

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

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

Table 21: Reserve held at end of 2024/25

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

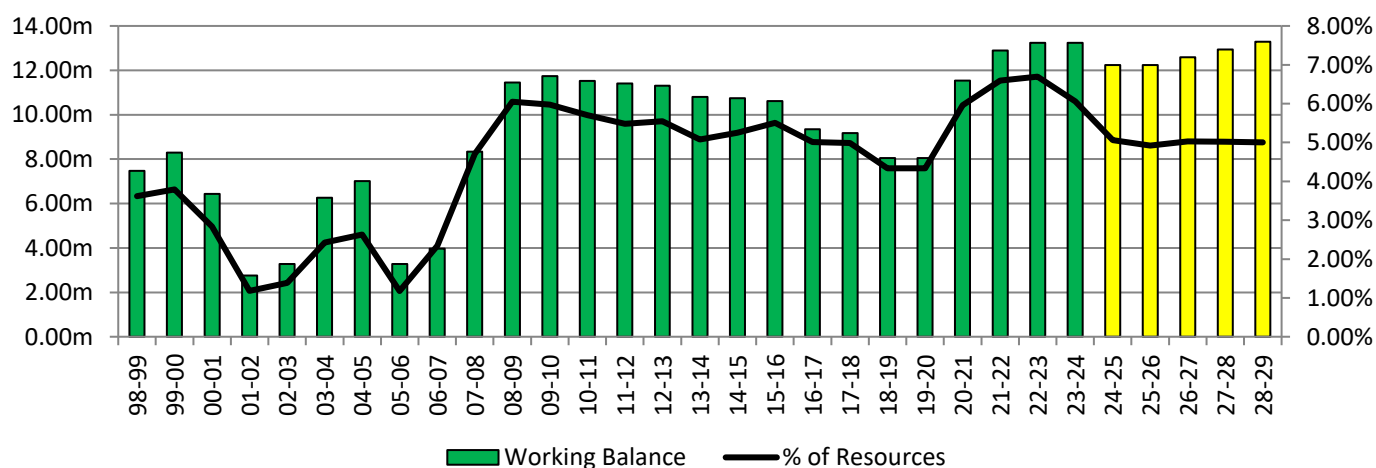
9.3 General Fund Balance (Working Balance)

The Council's Working Balance is a core revenue reserve held to mitigate significant business risks and unforeseen financial pressures. The target minimum level for the Working Balance is set at 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 (MRP), to the Working Balance. This followed the reclassification of a transaction previously treated as capital, which was restated as revenue, thereby releasing the associated provision.

As a result, £3.494m was retrospectively added to the Working Balance for 2020/21, and a further £1.000m for 2021/22. These adjustments increased the Working Balance to £11.862m by the end of 2024/25, representing 4.9% of the net revenue budget for that year.

Graph 2: Working Balance Levels – prior to SFA changes



However, the 5% target will need to be reviewed if the proposed changes under the Fair Funding 2.0 are implemented. In particular, the roll-in of £65.027m of specific grants into the SFA, rather than including them within service revenue budgets, would significantly increase the reported net revenue budget. While this adjustment does not affect the overall level of financing, it does alter the basis of reporting. Current modelling indicates that the SFA could rise to approximately £323.404m (from £253.418m), meaning the current working balance would represent just 3.7% of the new total.

One option for consideration is to maintain a 3.7% target throughout the three-year Fair Funding 2.0 transition period, then gradually increase this to 5% over the following five years. Estimated annual increases

required for a 3.7% interim target would be £0.427m in 2027/28, £0.484m in 2028/29, and potentially £0.657m in 2029/30.

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

9.4 Earmarked General Fund Reserves

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

- **Education Carry Forwards:**

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

- **School Budget Share:**

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

- **Collection Fund Reserve:**

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

- **Interest Rate Swap Reserve:**

This reserve holds gains arising from fair value movements in interest rate swaps. As these swaps approach maturity, the gains will reverse over time. Our current policy is to hold this reserve so that it is not available to finance revenue expenditure whilst the Council continues to hold interest rate swaps, but is instead held to manage the accounting impact of these financial instruments.

10 Capital Budget and Programme

Planned capital expenditure and its associated financing are set out in the budget report approved by Council in February 2025. Any amendments to the capital programme are subject to quarterly approval by Council, ensuring ongoing oversight and alignment with strategic priorities. A fully updated capital programme will be prepared for Council approval in February 2026. In the interim, the programme will be regularly reviewed and re-profiled to reflect changes in inflation, interest rates, and emerging service priorities.

At the end of the first quarter of 2025/26, the amended Capital Programme for the five-year period to 2029/30 stands at £351.063m.

Funding for the Capital Programme is comprised of four main sources:

- Grant funding from external organisations, primarily government departments, totalling £121.848m (34.7%)

- Service-funded borrowing, where departments fund the cost of borrowing, amounting to £106.495m (30.3%)
- Corporate-funded borrowing, supported by central resources, contributing £87.217m (24.8%)
- Other funding sources, including:
 - Capital receipts from the sale of assets: £20.813m (5.9%)
 - Third-party contributions, mainly from developers: £14.690m (4.3%)

Together, these sources ensure a balanced and sustainable approach to financing the Council's capital investment.

The Council remains committed to a carefully managed capital investment programme. We will continue to work with partners to support the city's regeneration, contributing to improvements and supporting local employment opportunities, such as in the construction sector. However, we recognise the need to balance ambition with financial sustainability and will ensure that all capital investments are subject to robust appraisal and risk assessment. Our focus will be on maximising outcomes and delivering revenue savings wherever possible, for example, by supporting business growth and new housing to increase business rates and Council Tax income, while remaining responsive to changing economic conditions and emerging risks.

Table 22: Capital Programme 2025/26 to 2029/30 by Directorate

Directorate	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	
Children's Services	4.474	0.075	-	-	-	4.549
Adults, Health and Communities	15.412	11.038	1.903	-	-	28.353
Growth - Economic Development	60.619	57.765	33.025	12.427	0.008	163.844
Growth - Strategic Planning & Infrastructure	79.105	30.764	6.216	9.225	0.275	125.585
Growth - Street Services	15.482	6.403	0.242	0.212	0.247	22.586
Customer & Corporate Services	3.185	2.044	0.28	0.101	-	5.61
Office for Director of Public Health	0.536	-	-	-	-	0.536
Total	178.813	108.089	41.666	21.965	0.530	351.063

Table 23: Capital Programme Financing – 2025/26 to 2029/30

Financed by:	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	
Capital receipts	11.106	3.914	1.196	4.589	0.008	20.813
Grant funding	80.149	28.817	12.394	0.193	0.295	121.848
Corporate funded borrowing	44.936	25.992	10.965	5.324	-	87.217
Service dept. supported borrowing	38.012	40.667	16.095	11.494	0.227	106.495
Developer contributions	2.477	8.686	1.016	0.102	-	12.281
Other Contributions	2.133	0.013	-	0.263	-	2.409
Total	178.813	108.089	41.666	21.965	0.530	351.063

Officers will continue to take a proactive approach to securing external grant funding wherever possible, supporting the delivery of significant and ambitious capital investment in the city. The capital budget will be updated regularly as further details of funding become available, ensuring that investment decisions remain responsive to changing circumstances.

All projects seeking funding through service borrowing must adhere to the principle of 'Invest to Save'. Business cases will be required to demonstrate, through robust financial modelling and discounted cash flow analysis, that any borrowing can be repaid from the net revenue benefits generated by the investment. This approach ensures that borrowing is only undertaken where there is clear evidence of affordability and value for money, and that risks to the Council's financial position are carefully managed.

11 Key Financial Strategies

11.1 Treasury Management

The Council's Treasury Management practices, principles, and schedules are designed to ensure full compliance with the approved Treasury Management Policy and Strategy. These working practices are reviewed annually and underpin the Council's approach to managing borrowing costs and investment returns, both of which have a direct impact on the Council's budget. The Treasury Management Strategy sets out the authorised limits and operational boundaries within which all investment and borrowing decisions are made, ensuring that risks are identified, monitored, and managed appropriately. Effective treasury management is essential to supporting the Council's business and service objectives, while safeguarding its financial position.

There is regular engagement with the Council's Treasury Management advisors, Arlingclose, whose independent advice is sought on both strategic direction and key operational decisions. This external scrutiny helps ensure that the Council's approach remains prudent and responsive to changing market conditions.

Full Council receives regular reports on Treasury and Investment Management policies, practices, and activities. As a minimum, this includes an annual strategy and plan before the start of the year, a mid-year review, and an annual report after year-end. This robust reporting framework ensures transparency, accountability, and ongoing oversight of treasury activities

11.2 Borrowing Limits

The Council must have full regard to the Prudential Code when setting its Authorised Borrowing Limit. The Prudential Code, published by CIPFA, establishes a framework of self-regulation for local authority capital financing, ensuring that borrowing and investment decisions are affordable, prudent, and sustainable. In setting the Authorised Borrowing Limit, the Council considers current and future capital financing requirements, revenue implications, and the risks associated with changes in interest rates and economic conditions.

This approach ensures that the Council's borrowing remains within safe and manageable limits, and that all decisions are subject to robust scrutiny and regular review. The Authorised Borrowing Limit is reviewed annually as part of the Treasury Management Strategy, and may be revised in-year if circumstances require, to ensure ongoing compliance with the Prudential Code and to safeguard the Council's financial resilience.

11.3 Minimum Revenue Provision (MRP) Policy

The Council is required to set aside funding each year from its revenue budget to provide for the repayment of loans used to finance capital expenditure. This is governed by the Government's Capital Financing Regulations, which place a statutory duty on local authorities to make a Minimum Revenue Provision (MRP) that is considered 'prudent'.

A prudent MRP ensures that debt is repaid over a period that is reasonably aligned with the useful life of the assets funded by the borrowing. This approach supports long-term financial sustainability by avoiding undue pressure on future budgets and ensuring that the cost of capital investment is fairly spread across the generations that benefit from it. The Council reviews its MRP policy annually as part of the Treasury Management Strategy, taking into account changes in regulation, asset life, and financial risk.

11.4 Flexible use of Capital Receipts

A Flexible Use of Capital Receipts Strategy was submitted to Council as part of the 2025/26 budget process. This strategy enables the Council to support more efficient and sustainable service delivery by allowing up to 100% of eligible fixed asset receipts (excluding Right to Buy receipts) to be used to fund the revenue costs of transformation projects, rather than being restricted solely to new capital investment.

The use of this flexibility is subject to strict government guidance and local governance arrangements, ensuring that any application of capital receipts is carefully assessed for value for money and long-term financial sustainability. All proposals for the flexible use of capital receipts are subject to robust business case approval and regular monitoring, to ensure that the Council's financial position remains secure and that transformation projects deliver the intended benefits.

12 Financial outlook for 2026/27 and after

There remains uncertainty as we prepare for 2026/27 and update our assumptions for the MTFS period.

As previously reported, the proposed changes arising from the Fair Funding 2.0 have been analysed, and the current working assumption is for an increase in funding through the SFA. This position could change materially should the proposals regarding the incorporation of specific grants be amended.

Similarly, changes to the Business Rates Retention Scheme have yet to be confirmed. In line with external advice, the MTFS currently assumes a continuation of the existing arrangements.

It is confirmed that 2026/27 will be the first year of a multi-year settlement. While the practical implications of this approach are yet to be fully understood, it is anticipated that a multi-year settlement will provide greater certainty and support more effective financial planning and decision-making.

This uncertainty is compounded by the continuing and escalating demand pressures across key service areas, including adult social care, homelessness, and SEND. These challenges are further intensified by inflationary cost increases, elevated interest rates, and the ongoing impact of the cost-of-living crisis.

The table below sets out the current overall position for 2026/27 onwards, which shows the Council is still required to achieve savings of £13.657m to be able to balance the 2026/27 budget. This savings target has been accepted across the organisation, and all directorates are actively working on proposals to address this requirement.

Table 24: Summary Medium-Term Financial Strategy

MTFP 2025/26 to 2029/30	2026/27 original	2026/27	2027/28	2028/29	2029/30
Core Resources	£m	£m	£m	£m	£m
Total Core Resources	(322.990)	(325.119)	(336.731)	(349.487)	(359.861)
brought forward budget requirement (rebased)	318.445	318.445	325.119	336.731	349.487
Demand-Led Pressures	8.216	23.872	19.412	19.754	16.654
Adult Social Care Fee Uplifts (NLW & Inflation)	4.000	5.473	5.010	4.866	4.425
Adult Social Care Demand	4.000	5.701	3.655	3.669	3.655
Homelessness	-	1.130	0.506	0.207	0.207
Children's Social Care	0.216	6.193	4.869	5.252	5.669
Home to School Transport	-	2.601	3.003	2.746	2.698
SEND - DSG deficit financing cost	-	2.774	2.369	3.014	-
Required Budget Adjustments	6.996	6.898	8.192	10.284	4.729
Salary Costs - Pay Award	4.080	3.630	3.733	3.845	3.960
Treasury Management	2.416	2.726	2.931	4.986	-
RCCO Swap phased reduction - to nil by 2029/30	-	-	0.980	0.900	0.210
Replenish Reserves	0.500	0.543	0.548	0.554	0.559
Savings	(4.437)	(17.523)	-	-	-
Other Growth Asks	3.767	7.084	-	-	-
Total Additional Costs/Savings	14.542	20.332	27.604	30.039	21.383
Total Budget Requirement	332.987	338.777	352.723	366.769	370.870
Total Core Resources	(322.990)	(325.119)	(336.731)	(349.487)	(359.861)
Indicative Gap	9.997	13.657	15.993	17.282	11.010
Cumulative Gap	9.997	13.657	29.650	46.932	57.942

12.1 Core Resources

The key assumptions underpinning Core Resources are set out within this document.

These include assumptions based on analysis of the Fair Funding 2.0 proposals; however, no confirmation of individual allocations has been received at this stage.

Table 25: Core Resources 2025/26 – 2029/30

MTFP 2025/26 to 2029/30	2025/26	2026/27	2027/28	2028/29	2029/30
Core Resources	£m	£m	£m	£m	£m
Revenue Support Grant	(12.662)	(12.662)	(17.482)	(20.335)	(23.668)
Addn. Revenue Support Grant (from modelling)	-	(4.820)	(2.852)	(3.333)	(0.473)
Council Tax	(149.450)	(155.824)	(164.115)	(172.843)	(182.036)
Business Rates	(86.584)	(86.786)	(87.254)	(87.949)	(88.656)
Reserves	(4.722)	-	-	-	-
Specific Grants Rolled in to Core Resources	-	(65.027)	(65.027)	(65.027)	(65.027)
Total Core Resources	(253.418)	(325.119)	(336.731)	(349.487)	(359.860)

12.2 Additional Income

In previous years, the modelling included separate assumptions for increases to social care grant funding. As these grants are now incorporated within core resources, no separate assumptions for increases have been made.

The planned use of capital receipts to fund transformation projects will be detailed in the Flexible Use of Capital Receipts Statement for 2026/27, which will accompany the budget paper.

12.3 Savings Proposals

Directorates have been developing evidenced savings proposals for 2026/27 to support the budget and will continue this work throughout the year as part of the budget-setting process. These proposals build on the work undertaken for the 2025/26 budget, with further targeted savings required to help close the gap between projected income and the additional budgetary growth needed to meet service demands. The total figures assumed for savings within the MTFS are shown in the table shown below.

Table 26: Summary of savings proposals included with MTFS

Savings	2026/27 £m
Operating Models / staffing changes	(4.785)
Consolidate existing vacancies	(0.145)
Partner contributions / contract management	(1.775)
Demand management	(7.809)
Budget adjustments	0.487
Fees and Charges / additional income	(2.696)
One-off reserves	(0.800)
Total	(17.523)

13 Closing the financial gap and Medium-Term Financial Strategy

The MTFS identifies a budget shortfall in 2026/27, which is projected to increase over the remainder of the strategy period. Plymouth has a strong track record of taking an ambitious and forward-thinking approach to managing financial challenges. However, with the potential for the Fair Funding 2.0 to deliver less additional benefit than initially anticipated, and with demand pressures continuing across key services, it is important to take a longer-term view.

Given that funding is not increasing at the same pace as demand, the Council will need to explore sustainable approaches to managing and reducing demand over time. This will require close collaboration with partners and a continued focus on improving outcomes for the people of Plymouth.

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.

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.

13.1 Prevention First Approach

Plymouth City Council is taking a bold and proactive stance in reshaping how we respond to rising demand across our services. The financial pressures we face - particularly in children's and adult social care, temporary accommodation, and SEND provision - require more than short-term fixes. They demand a fundamental shift in how we operate. Our "Prevention First" approach is not just a programme; it is a commitment to embed prevention at the heart of everything we do. It recognises that early intervention, smarter service design, and targeted support are essential to reversing the trajectory of demand and securing long-term financial sustainability.

This approach builds on the work already underway across the Council. Our transformation journey is one of adaptation, learning, and development, shaped by increasing demand, ambitious goals, and the realities of reduced funding. Our business plans and savings initiatives are not simply about cost reduction, they are about shifting our cost base and laying the foundations for future delivery. At the service level, we are driving efficiency, reducing waste, and seek to increase income generation. At the same time, we are investing in the organisational capabilities needed to enable transformation, including new data and insight tools, digital platforms, and integrated working models.

While the Fair Funding Review is expected to deliver additional resources, early modelling suggests it will not be sufficient to fully address the scale of demand pressures we face. This reinforces the need for the council to adopt a long-term, strategic approach to managing demand on statutory services, ensuring that every intervention is targeted, preventative, and financially sustainable. Delivery against these challenges requires a clear alignment of near-term actions with longer-term pathways towards systemic change. The City Help & Support programme exemplifies this shift, bringing together cross-functional teams to deliver outcomes that reduce reliance on high-cost, crisis-driven services. By understanding the key drivers for

change and connecting operational delivery with strategic ambition, our Prevention First approach will enable a more sustainable financial future.

1

Reducing Placement Costs

Targeted action is being taken now in areas where demand is growing fastest. In Adult Social Care, transformation programmes are expanding reablement, community outreach, and exploring technology-enabled care to reduce long-term dependency and promote independence. Alongside this, we are strengthening sufficiency planning for children's placements, expanding SEND provision, and increasing temporary accommodation to address homelessness.

2

Enabling Our Organisation To Change

We are investing in the tools and capabilities that enable smarter working - particularly in data, insight, and digital and AI-enabled infrastructure. This transformation is helping us to make better decisions, improve customer experience, and embed a culture of continuous improvement across the organisation, ensuring we are fit for the future.

3

City Help & Support Programme

This programme is the cornerstone of our prevention-first strategy. It brings together multi-disciplinary teams to deliver early help and targeted support, reducing the need for costly statutory interventions. By rebalancing resources and focusing on long-term outcomes, the programme is helping to reshape how we deliver services and achieve lasting financial benefits.

4

Service-Level Delivery

We are improving operational efficiency across all directorates by streamlining processes, reducing duplication, and ensuring services are delivered right first time. Commercial opportunities are being explored to maximise income, while business plans are focused on reshaping the cost base to support long-term sustainability.

13.2 Reducing Placement Costs

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

- **Children's Homes – Residential and Short Breaks:** The “Family Homes for Plymouth Children” program envisions Plymouth City Council as a direct provider of residential care for children. The proposal includes three core elements:
 - A hub for short residential breaks for children with complex health needs and disabilities.
 - Residential care options with a “circuit break” component for children in care.
 - Dedicated residential services for children with complex emotional and behavioural needs, developed in partnership with the ICB.
- **Homelessness Provision:** Demand remains high, but our emphasis on early intervention and “front door” prevention has helped manage some pressures. We delivered 27 new units in 2024/25 and anticipate delivering an additional 114 units in 2025/26. We are also exploring partnerships with organisations such as BCHA and PCH to increase available temporary accommodations.
- **Adult Social Care Provision:** The new Meadow View facility, expected summer 2026, will expand day and respite services, reducing the need for high-cost out-of-area placements. Additionally, our Housing Needs Assessment has identified ways to support people who may provide Adult Social Care services within the community.
- **Children's SEND Provision:** Plymouth has seen a 9.6% increase in children with an Education, Health, and Care Plan (EHCP) since 2022/23, reflecting a national trend. With the SEND Sufficiency Plan approved in September 2024, we aim to expand and reconfigure our special educational estate, reduce reliance on costly independent placements, and strengthen mainstream schools' capacity to serve specialist needs and improve inclusion, in line with national reforms and the revised Ofsted framework. Key next steps include deploying the project team to assessing site viability, and establish timelines for feasibility and procurement. The site viability will consider meeting children's high level and complex needs, through specialist provision as satellites along mainstream schools, resourced provision for children who may need additional support alongside mainstream education and targeted support to ensure children's needs are met at the earliest opportunity to avoid costly intervention at a later stage.

13.3 Enabling Our Organisation to Change

The Council's transformation efforts are designed to create a leaner, more agile organisation that operates efficiently. Day to day efforts across our Directorate teams are focussed on delivery of services, realisation of business plans and in-year achieving savings initiatives – driving efficiency, reducing waste through getting the basics right, and first time, and reducing costs.

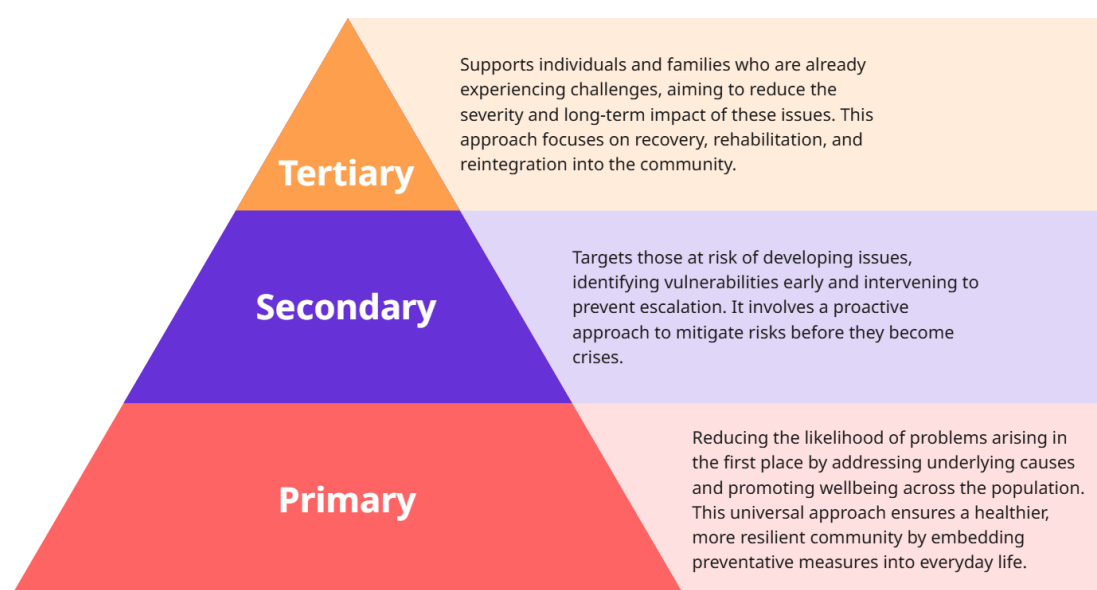
Organisational effectiveness is a critical driver of Plymouth City Council's success, ensuring that our operations deliver maximum impact. High-performing organisations consistently evaluate their operational efficiency, workforce performance, and leadership approaches. To support and challenge our continuous improvement journey, we have prioritised a series of strategic enabling initiatives designed to strengthen our capacity and enhance organisational capability:

- **Engagement:** A new approach to better understand our communities' needs and aspirations to better shape our services
- **Asset Management:** development of a new strategy to deliver a shared view of our asset portfolio enabling us to improve, identify opportunities to rationalise, divest and release.
- **Data, Insight & AI:** establishing a professional, organisation-wide capability delivering services that are evidence-based, allowing us to ‘work smarter’ and to achieve better outcomes for our residents

- **Digital & Customer Experience:** adopting a customer-first approach to service delivery, underpinned by smart use of digital and automated solutions, enabling us to better understand and meet customer needs consistently across all services.
- **Growth and Municipal Enterprise:** leveraging property and regeneration to ensure we support our wider delivery by seeking commercial revenue maximisation, particularly seeking new innovative ways to deliver increased income.

13.4 City Help & Support Programme

The City Help and Support programme is the transformational cornerstone of the Council's financial strategy, designed to deliver change that suppresses demand on expensive, crisis-driven statutory services. This is not a theoretical exercise, but a strategic investment in a new operating model. The programme will implement a tiered prevention framework to fundamentally rebalance resources away from late-stage interventions and towards early help. This will be delivered through a portfolio of cross-cutting prevention projects, alongside a specific workstream aiming to build capacity at the community level.



The programme's success hinges on a set of core enablers that will transform how the Council operates. A key pillar is the establishment of a new Data, Insight, and AI service to create a 'Single Citizen View'. This will provide rich, real-time intelligence, enabling staff to identify and support vulnerable residents before their needs escalate into crisis. Work focussed on localities will drive a shift from siloed departments to integrated, multi-disciplinary teams working directly in communities. This will be supported by a focus on asset management to ensure that community hubs and other physical assets are strategically aligned with the prevention-first approach.

Financially, the programme is built on the objective of achieving a significant, long-term reduction in overall expenditure through cost avoidance. This will be realised by reducing the reliance on high-cost placements and temporary accommodation for children in care and homeless individuals. The reinvestment of these savings will be a continuous cycle, with funds directed back into the preventative initiatives that demonstrate a clear return on investment.

Investment Objectives

	To improve the effectiveness of public services by shifting the Council's approach to early intervention and prevention.
	To improve the economy and efficiency of public services through cost reduction by reducing demand on high-cost services by 2030.
	To improve individual and community outcomes by increasing resilience and social capacity within local communities over a 10-year period.
	To improve staff efficiency and satisfaction by enabling cross-functional working, skills development, and the use of data and AI.
	To increase the effectiveness of service delivery by establishing new collaborative partnerships and empowering communities to lead on prevention by 2030.

The programme is working at pace, with the first projects expected to be implemented prior to the start of the 2026/27 financial period to deliver initial benefits in the first forecast year of the MFTS. We anticipate that more complex projects will be delivered throughout the MTFs period. We will front-load delivery to realise benefits that can then be reinvested in future prevention initiatives in the second half of the MTFs.

Projects currently in train include:

- *Single Citizen View*: A data platform to provide a holistic view of resident needs.
- *Predictive Analytics*: Tools for homelessness and school exclusion prevention.
- *Digital Information, Advice and Guidance*: Enabling self-help through accessible digital content.
- *Technology Enabled Care*: A proactive model to reduce the cost of domiciliary care.
- *Domestic Abuse*: Workforce development and specialists embedded within Children and Family Services.
- *Commissioning for Prevention*: Ensuring the Council's spending is aligned with the Prevention-First approach.
- *Localities Model*: Delivering structural and cultural change to embed multi-disciplinary teams and empower communities.
- *Single View of Communities*: Shared understanding of the intractable issues to focus on.

This framework is a brave, long-term commitment to systemic change. It requires a cultural shift away from reactive mindsets, supported by clear governance and a robust monitoring and evaluation framework. By focusing on these concrete deliverables, the City Help and Support programme provides a clear, actionable plan to address the Council's financial picture and build a more resilient Plymouth.

Work is currently underway to finalise the key programme aims for City Help & Support. As part of this work, an assessment of financial outcomes will be derived for inclusion as part of the MTFP to be published alongside the 2026/27 budget. These financial outcomes will detail targeted savings to be achieved as a result of the work undertaken to suppress demand, offsetting in part the increasing pressure seen in the outer years of the MTFP period up to 2030/31.

13.5 Looking to the future

Plymouth City Council is on a path toward sustainable growth and service excellence. By focusing on organisational effectiveness, transformative strategies, financial stability, demand management, and continuous improvement, we are facing into the challenges in the near-term. With a plan in development and working with key internal stakeholders to develop in full as part of the 2026/27 budget setting and MTFP process, our commitment remains firm: to serve Plymouth's residents with efficiency, transparency, and resilience, building a city where everyone has the opportunity to thrive.

14 Conclusion

The Council's medium-term financial risks are comprehensively assessed within the MTFS. This includes a thorough evaluation of uncertainties related to Government funding, other key income streams, potential budget shortfalls, and both local and national economic factors that may impact the Council's financial stability.

In setting both the annual budget and the MTFS, the Council is committed to rigorously identifying, assessing, and actively managing potential risks. Where appropriate, these risks will be mitigated through the use of Contingencies, Balances, or Earmarked Reserves to ensure their impact is minimised and financial resilience is maintained. Throughout the year, the Council will closely monitor its revenue and capital budgets on a monthly basis, with formal reports provided to Cabinet on a quarterly schedule.

It is important to recognise that the revised forecast represents the Council's best estimate of its future financial position. However, there remain a number of risks associated with these projections:

- *Financial:* The forecasts for future years are underpinned by a range of assumptions. The further into the future these projections extend, the greater the risk that underlying assumptions may prove inaccurate, potentially impacting the Council's financial planning.
- *Political:* The impact and uncertainties around Fair Funding 2.0, Business Rates Reform and SEND reform are set out clearly in this document. As further details are released, or any other changes are announced, the impact will be analysed and added to our medium-term planning.
- *Treasury Management:* The MTFS is predicated on the assumption of a relatively stable global financial environment. Any significant changes to this context could have a major impact on the Council's financial position, particularly in relation to the cost of borrowing.
- *Capacity and Skills:* Delivering the transformation required to achieve long-term financial sustainability, as set out in the MTFS, will demand additional capacity and new skillsets. The Council is committed to ensuring that projects are not compromised by resource constraints and will take steps to secure the necessary expertise as required.

The MTFS outlines projected budget shortfalls from 2026/27 onwards and emphasises the need for proactive planning to support the Council's financial sustainability over the medium-term. The current forecast presents a challenging outlook, with increasing budgetary pressures, particularly in children's social care, adult social care, and homelessness, growing at a faster rate than available funding.

The Council continues to strengthen its financial and governance arrangements. Improvements have been made in financial management and performance monitoring, scrutiny processes have been enhanced, and the independent Audit and Governance Committee is functioning effectively. These developments provide a solid foundation for managing future challenges and supporting informed decision-making.

The Council's medium-term strategy is focused on integrating key elements to enable effective and coordinated monitoring and management of:

- The Corporate Plan and its priorities
- Benchmarking of expenditure and key performance indicators
- Revenue budgets and spending aligned to priorities
- Progress against revenue delivery plans
- Delivery of the capital programme

At present, specific savings to offset future pressures have not yet been identified. With reserves having been used to balance recent years' outturns, there is limited opportunity to replenish these reserves in the short term.

It will remain essential to robustly challenge any additional budget pressures before incorporating them into future budgets. At the same time, urgent action is required to identify solutions for addressing projected budget shortfalls in the coming years.

To close the financial gap for 2026/27, the Council must identify the necessary savings and efficiencies ahead of the Full Council Budget meeting in February 2026. Full clarity on grant allocations will not be available until the Provisional Settlement is announced in December. During the period leading up to February, the budget will be presented to the Scrutiny Management Board and senior officers, and Cabinet will continue to work towards the February deadline.

The MTFS is designed to supplement, not replace, the annual budget-setting process by providing a forward-looking view of risks and opportunities. Final decisions on key elements will be made by Full Council at the annual budget meeting each February.

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