

PROPOSED REVENUE AND CAPITAL BUDGET 2026/27

I. Introduction

- I.1. The Council continues to operate within a highly challenging financial environment; however, the proposed 2026/27 budget sets out an ambitious and growth focused plan for Plymouth. It builds on more than 15 years of sustained investment and reflects the administration's commitment to realising the city's long-term economic potential. The budget is designed to drive economic growth, raise living standards and reduce long-term demand for Council services. Central to this approach are priorities such as job creation, skills development, improved housing and tackling poverty, each recognised as essential to improving the health and wellbeing of our residents -focused plan for Plymouth.
- I.2. The administration is acutely aware that the most significant challenge facing the organisation is the continued rise in statutory service demand, set against funding levels which, although now confirmed for the next three years, remain insufficient to match the scale of that demand. As with many local authorities, the Council faces another year of financial risk, driven by substantial and growing pressures in Adult Social Care, Children's Social Care, Homelessness services and SEND provision.
- I.3. Despite these pressures, the budget does not include any reductions to critical services. It ensures sufficient resources are in place to maintain essential citywide functions, including the repair of potholes and the delivery of the grass cutting programme. Together, these investments support a cleaner, safer and more attractive environment for residents, contribute to the city's overall quality of place and help maintain the standards expected of core frontline services.
- I.4. Budget growth of £24.899m has been allocated to support statutory services, including Adult Social Care, Children's Social Care, Homelessness and SEND. These areas represent the core of the Council's statutory responsibilities and collectively account for around 72% of the total revenue budget. This reflects the scale of demand across the system and the need to prioritise resources where they will have the greatest impact.
- I.5. It should also be noted that the net revenue budget for 2026/27 has changed significantly due to revisions in the way certain funding streams are accounted for. Consequently, percentage shares of the budget attributed to individual services may appear lower when compared with previous years, even though underlying demand and expenditure pressures remain substantial.
- I.6. The proposed budget incorporates the impact of the Fair Funding Review 2.0, including the redistribution of resources arising from revised needs share calculations. In addition, the Council has now received the long requested multiyear settlement, providing greater certainty over the medium-term financial planning period. Further detail on the changes to the funding landscape for 2026/27 and future years is set out within the main body of the report.
- I.7. The Capital Programme section of this report sets out in detail the funding assumptions for the next five years. Particular attention is drawn to the proportion of the Programme funded through corporate borrowing, which continues to represent a significant component of the overall financing strategy. The affordability of the Capital Programme has been reviewed, with a new policy framework set through the Capital Strategy, included in this report at Appendix II. The Capital Programme will remain under close and regular review to ensure that capital investment decisions remain both prudent and sustainable.

- I.8. Controlled and responsible borrowing remains a key enabler of investment in the city. It enables the Council to unlock substantial external funding from Government and other partners, with many major capital grant programmes requiring either match funding or a clear demonstration of local financial commitment. Borrowing associated with the Property Regeneration Fund (PRF) continues to generate significant economic benefits, including increased employment opportunities, sustained business rates growth, and financial returns that outperform standard investment benchmarks.
- I.9. Borrowing is also required to deliver essential capital projects and to maintain key Council-owned assets across the city. This includes investment in facilities such as the Life Centre, The Box, the new Crematorium, and ongoing improvements to the highway network. Service areas continue to develop and bring forward business cases that demonstrate a strong financial rationale for borrowing, with projects expected to generate additional income or deliver long-term cost reductions sufficient to meet the associated financing costs. These cases form a critical part of ensuring that capital investment remains both justified and affordable in the long term.
- I.10. Setting the budget does not mark the end of the financial challenge; significant pressures will continue throughout 2026/27 and beyond and delivering the agreed savings plans will be essential to maintaining a balanced position. The Council will need to sustain its focus on delivering savings at pace, closely monitoring performance and ensuring corrective actions are taken where required.
- I.11. At the same time, the organisation must continue to transform how it operates to reduce costs on a sustainable basis. This includes reshaping services, modernising processes, maximising the use of technology, and ensuring that our operating model is financially efficient while still meeting statutory requirements. Ongoing transformation will be critical to strengthening long-term financial resilience and ensuring that resources can continue to be directed to priority services.

2. Section 151 Officer's Budget Robustness Statement

Section 25 of the Local Government Act 2003 places a statutory duty on the Section 151 Officer (Service Director for Finance) to provide, as part of the Council Tax setting process, an independent assessment of:

- *the minimum level of reserves required for the General Fund, and*
- *the robustness of the estimates used in the budget-setting process.*

The Council is legally required to have regard to this advice when determining the 2026/27 Council Tax at its meeting on 23 February 2026.

On 10 October 2025, the Service Director for Finance received a letter from the Deputy Director for Local Government Finance Stewardship confirming the Secretary of State's approval of the Council's application for a capitalisation direction relating to the accounting treatment of a 2019/20 transaction. The approval took immediate effect for the 2025/26 financial year. The capitalisation has now been fully applied and does not create any further financial impact on the 2026/27 budget or future years.

My professional recommendations, made in accordance with this statutory duty, are conditional upon the following:

- a) Continued monitoring and timely response to the ongoing cost and demand pressures across all Council services, ensuring appropriate mitigation actions are implemented where required.*
- b) Approval of the updated Medium Term Financial Plan (MTFP) for 2026/27 to 2030/31, which provides the financial framework required to support sustainable decision-making.*
- c) Recognition within medium term financial planning that reserves and the Council's corporate risk assessment require regular review. The level of reserves must provide adequate coverage for the majority of identified risks throughout the planning period. However, it should be noted that even with prudent reserve levels, the Council remains exposed to exceptional or unforeseen risks.*
- d) Strict adherence by Cabinet Members and all officers, led by the Chief Executive, to approved budget allocations for 2026/27, together with a sustained focus on maximising income and delivering savings to support the replenishment of usable reserves.*
- e) Acceptance that the use of one-off resources to support ongoing expenditure is neither sustainable nor prudent. The Medium Term Financial Plan includes provision for replenishment of reserves in future years.*
- g) Ensuring the Council has the capacity and governance arrangements to assess and secure value for money across all services and operations, informing both the current budget and future years' financial planning.*

In providing this opinion, I must highlight that the continuing and significant increases in cost and demand within adult social care and children's social care remain areas of serious concern. Effective demand management and strong financial controls in these areas are essential to safeguarding the Council's financial sustainability in both the short and medium term.

A significant factor influencing the financial position for 2026/27 is the ongoing cost of borrowing associated with capital investment. The Capital Strategy section of this report provides a detailed overview of the funding assumptions and planned expenditure over the next five years.

The affordability of the Capital Programme, alongside future funding assumptions, will be closely monitored through the policy framework set in the Capital Strategy. In response to the sustained pressure from borrowing costs, the Council has already taken steps to reprofile elements of the Programme to ensure it remains financially sustainable and aligned with the authority's overall risk management approach.

In assessing the robustness of the estimates included in the 2026/27 Budget, the Section 151 Officer has considered a range of criteria that collectively underpin the financial integrity of the Council's budget-setting process. These criteria include:

- The reasonableness of the underlying budget assumptions, including demand projections, inflationary impacts, and demographic and operational changes.*
- The adequacy and appropriateness of provisions and the robustness of plans to meet known and potential liabilities.*
- The extent to which known trends and pressures have been recognised, including unavoidable cost increases, service demand pressures, and external market conditions.*
- The deliverability of changes and savings incorporated into the budget, ensuring that proposals are realistic, achievable, and supported by clear implementation plans.*
- The attainability of income targets, including fees, charges, grants and local taxation assumptions.*

- The alignment of resource allocations with the Council's service priorities and organisational aims, ensuring consistency with approved strategies and statutory duties.
- A comprehensive assessment of major risks associated with the budget, as detailed in Appendix 5.
- The maintenance of un-earmarked reserves at an appropriate level, ensuring that the Council retains sufficient contingency to respond to unforeseen and extraordinary events.
- The strength of the Council's financial management, control, and reporting arrangements, including governance frameworks, monitoring processes and compliance with professional codes.

In forming a professional view on the robustness of the 2026/27 Budget, the Section 151 Officer has taken account of the following:

- The 2025/26 Base Budget, including its relevance and suitability as a starting point for forward financial planning.
- Adjustments to remove one-off funding, expenditure and savings applied in 2025/26 to ensure the 2026/27 position reflects a sustainable, recurring budget base.
- The 2025/26 in-year finance monitoring position, incorporating mitigations and necessary budget adjustments identified through regular monitoring.
- A rigorous review of all historic and current spending patterns, examining base budgets, service pressures, and the realism of new investment requirements. This review involved senior financial and operational managers across the Council, supported by Cabinet consideration of a full range of income-generation and cost-saving options.
- Monthly financial performance reviews undertaken by both Cabinet and the Corporate Management Team, which provide continuous oversight and a sound governance framework for in-year financial management.
- Regular reporting to the Management Scrutiny Committee, ensuring transparency and accountability in the stewardship of the Council's financial resources.
- Oversight by the Audit and Governance Committee, supported by internal and external auditors, covering risk management, treasury management and the wider governance environment underpinning the Council's financial arrangements.
- Budget Scrutiny's three-day review in January 2026, providing additional challenge and assurance on the robustness and deliverability of the proposed budget.
- Quarterly Capital Programme reporting to Full Council, ensuring elected Members maintain oversight of capital expenditure, financing and programme adjustments.
- Ongoing activity to reduce demand within social care services through prevention and innovation, supporting future financial sustainability.
- Close joint working between Senior Officers and Cabinet to identify 2026/27 savings proposals, with assurance that detailed and deliverable plans are in place, supported by the necessary capacity and resources to achieve the required changes.
- Identification of continuing cost pressures and recognition of the uncertainty arising from external economic factors, including inflation and market conditions.
- Advice provided to Cabinet on maximising Council Tax and Adult Social Care Precept flexibilities, recognising the financial implications of any decision not to apply the available increases. Should Council choose not to implement the full uplift, compensatory adjustments to expenditure or savings plans will be required to maintain a balanced budget.
- The critical importance of monitoring Council Tax collection and Business Rates income, both of which are key determinants of the Council's overall financial resilience.
- A review of the Council's Working Balance and other unallocated reserves, ensuring adequate provision for emergencies, unplanned events and financial shocks.
- Plans for the Transformation Programme, including prevention focused strategies and a revised Target Operating Model

Financial Risks – General Observations

It is important to highlight that 2025/26 remains a highly challenging financial year, with significant pressures to be managed in order to achieve a balanced outturn position by 31 March 2026. Quarter 3 (December 2025) monitoring is currently forecasting an overspend of £4.874m, reflecting the ongoing volatility across several demand-led services.

The most significant risk to the Council's financial position continues to arise from increasing demand for key services, most notably within Children's Social Care, Adult Social Care, and wider statutory services, combined with rising costs associated with delivering these services. Although additional allocations have been built into the 2026/27 Budget to address these growing pressures, a residual level of risk remains and will require continued close monitoring.

Service demand has increased across all directorates, the scale and persistence of these pressures mirror the national challenges facing local government, where demographic change, market fragility and inflationary pressures continue to drive substantial cost increases.

The in-year financial position for 2025/26 highlights significant pressures across the Council's major demand-led services:

The Children's Directorate is forecasting expenditure of £97.825m, representing an overspend of £5.982m (6.5%) against its approved budget of £91.843m. This position reflects sustained increases in demand and the rising cost of placements, including higher numbers of supported living arrangements, new residential and bespoke placements, continued growth in Special Educational Needs and Disability (SEND) services, and escalating pressures within Home to School Transport and Short Breaks provision.

The Adults, Health and Communities Directorate is forecasting an overspend of £3.916m (3.3%) against an allocated budget of £119.512m. This comprises an Adult Social Care overspend of £3.307m, driven by increasing complexity and cost of care packages, and a Community Connections overspend of £0.609m, reflecting continued pressures in emergency accommodation and homelessness services.

These pressures align with the national challenges facing the so-called "big four" demand-led budgets: Adult Social Care, Children's Social Care, Homelessness and SEND.

Local authorities across the country are experiencing similar trends, driven by demand growth, market fragility and insufficient national funding solutions. The outcome of national SEND reforms and decisions relating to Dedicated Schools Grant deficits remain uncertain, creating further risk to financial sustainability. In addition, long-term stability of both the Adult Social Care and Children's Placements markets will require substantial reform if they are to remain viable and affordable.

The Council must deliver a balanced outturn position by 31 March 2026. Between now and year-end, both additional overspends and further savings may materialise as forecasts continue to be refined. The current pressures have been partially mitigated by £6.455m of corporate savings already identified and applied during the year, though further action will be necessary. Expenditure controls and spend freezes have been put in place for the last quarter of the year. However, it is anticipated that there will be a requirement to drawdown on working balances at the end of the financial year to cover overspends.

To mitigate and manage the significant risks within the Council's financial position, a comprehensive Transformation Programme is being developed, and a paper will be submitted to Cabinet in March 2026. This programme places a strong emphasis on prevention and innovation, with the strategic aim of reducing demand, lowering long-term costs, and reshaping the organisation into a financially sustainable authority capable of delivering its statutory functions in the years ahead. Its success will be critical in addressing the systemic pressures identified across key service areas.

The Council continues to maintain an ambitious Capital Programme, which in previous years has supported the stabilisation and growth of both the Council Tax base and the Business Rates base. While the Programme benefits from substantial external grant funding, it remains heavily dependent on prudential borrowing.

The Council cannot afford to exceed the borrowing envelope set out within the Capital Strategy without materially increasing pressure on reserves and/or service budgets. Even within the approved borrowing limits, the agreed Capital Programme will require ongoing revenue budget uplifts in future years to meet financing costs. These future commitments must be considered alongside the wider and rising demand pressures across services, necessitating a clear and robust process of prioritisation to ensure that capital investment remains affordable and aligned with strategic need.

A comprehensive review of the Council's reserves and balances has been undertaken. Current levels are assessed as being at the minimum required to provide adequate cover against identified risks, provided the Council delivers the 2026/27 Budget as proposed. It is important to note, however, that a 1% overspend (approximately £2.5m) would reduce the Council's General Fund Balance by over 20%, unless alternative funding sources were identified. This highlights the sensitivity of the Council's financial resilience to relatively small variations in cost or income.

The Section 151 Officer has set out a full five-year Medium Term Financial Plan (MTFP) which includes a proposed annual contribution of over £0.300m from 2027/28 onwards to support the rebuilding of reserves and to strengthen the Council's financial position over the medium term.

The Council's external auditors have previously advised the Audit and Governance Committee that the former level of General Fund reserves, around £8 million, was "insufficient to maintain financial sustainability." The Section 151 Officer has acknowledged this, and the balance has increased over the last three years to just under £12 million, representing progress in improving financial resilience. Nonetheless, these reserves remain low compared with the scale of the Council's risk exposure and demand-led pressures.

It is therefore essential that the Council formally reaffirms its commitment to revisiting the Reserves Strategy, ensuring that the planned trajectory for rebuilding reserves over the next five years is delivered. This must remain a central component of the MTFP and be monitored closely through regular financial reporting.

Table 1 – Forecast Usable Reserves 2026/27 (Extract)

Forecast 'Usable' Reserves 2025/26	Brought Forward March 2026	Used 2026/27	Carry Forward March 2027
	£m	£m	£m
Working Balance	(11.862)	4.874	(6.988)
Rate Swap	(28.318)	-	(28.318)
Earmarked Reserves	(8.624)	2.752	(5.872)
Capital Receipts Reserve	(15.792)	3.618	(12.174)
Total	(64.596)	11.244	(53.352)

There are, however, adequate levels of usable reserves to support the proposed 2026/27 Budget, assuming that the Council remains within the approved spending and savings envelope. Continued discipline in budget management, coupled with the strengthening of reserves, will be critical to supporting the Council's medium-term financial sustainability.

The Council's financial management and control framework is underpinned by its Financial Regulations, which set out clear requirements for financial governance, accountability and decision-making across the organisation. These Regulations provide a strong foundation of assurance regarding the robustness of the Council's financial controls and the effectiveness of its risk, compliance and stewardship arrangements.

The Council also operates a well-established and comprehensive financial reporting framework, with regular monitoring at Directorate, Corporate, Cabinet and Scrutiny Committee levels. Given the scale of financial challenges faced in 2026/27 and the number of actions required to ensure delivery of the approved budget, Cabinet will continue to receive monthly financial performance reports, enabling timely intervention where required. In addition, quarterly Capital Programme monitoring will continue to be reported to Full Council, ensuring continued oversight of the Council's borrowing, investment and capital delivery commitments. The Scrutiny Management Board will also remain sighted on the most up-to-date revenue and capital monitoring information, providing an additional layer of governance and challenge.

Whilst the outcome of the Fair Funding redistribution is now known and incorporated into the Council's financial planning, and the multi-year local government settlement provides a greater degree of stability to support more effective medium-term strategic planning, annual funding allocations remain subject to change and therefore do not fully remove financial uncertainty. In addition, there continues to be uncertainty regarding the timing, scope and financial implications of Local Government Reorganisation (LGR). As the outcomes and associated impacts are currently unknown, no assumptions relating to LGR have been included within the current Medium Term Financial Plan. The Council will need to keep this position under close review as national policy direction develops and local arrangements become clearer.

In the context of the matters set out above, the Section 151 Officer considers the proposed 2026/27 Budget, developed through detailed engagement and review with Directors, Officers and Members, including Cabinet and Budget Scrutiny, to be sound, and the level of reserves to be adequate for the next financial year, subject to a clear understanding of the following:

- The continued development of a Transformation Programme with a strong emphasis on prevention, aimed at reducing pressure on demand led services and reshaping the organisation into a financially sustainable authority over the longer term.
- The current level of un-earmarked reserves is considered adequate in the circumstances, on the basis that additional resources will be set aside when available to increase flexibility in managing the risks identified in this report.
- Both the Revenue Budget and the Capital Programme have been formulated with explicit consideration of key financial factors, including funding availability, identified risks and uncertainties, inflationary pressures, demographic change and service demand.
- Savings proposals have been developed in alignment with Council priorities and have been subject to an agreed set of impact criteria and equality assessments to ensure deliverability and fairness.
- Proposed increases to Fees and Charges will be implemented from April 2026, supporting the achievement of income targets and the wider sustainability of the budget.
- Robust budget monitoring and scrutiny arrangements are in place, supported by appropriate reporting mechanisms and clear action planning for any required remedial measures.
- While the budget contains several challenging targets, these have been subject to detailed review by the Corporate Management Team and are considered, at this stage, reasonable and achievable, with specific monitoring arrangements in place.
- Services facing externally-driven demand pressures may remain at risk of not achieving planned savings or may experience overspends. In such cases, prioritisation at directorate level will be essential to ensure expenditure is contained within approved budget totals.
- The Medium-Term Financial Plan identifies a further budget gap in 2027/28, and early work will be required to develop proposals to address this position. The delivery of the 2026/27 savings

programme will therefore need to be closely monitored at Directorate, CMT and Cabinet levels throughout the year, with new proposals progressed as they become ready.

- *There is a shared and clear understanding of the statutory duties of the Council's Chief Financial Officer, and the implications of these duties, should they need to be exercised, are recognised by both Members and Senior Management.*

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

3. Background

- 3.1. This report builds on the material presented in the January Draft Budget report to Cabinet and Budget Scrutiny and sets out the proposed Revenue and Capital Budget for consideration by Council on 23 February 2026. At that meeting, Full Council will agree the budget for the 2026/27 financial year and determine the Council Tax rate for 2026/27.
- 3.2. Budget setting has been particularly challenging this year due to significant changes in the Government's approach to Fair Funding, the consolidation of several specific grants into core funding, and reforms to business rates allocations. These changes come alongside continued growth in service demand and rising costs.
- 3.3. The Council provides a wide range of over 300 services that touch every aspect of life in Plymouth. These include essential functions such as household waste and recycling collections, safeguarding vulnerable children, and maintaining libraries. The Council also plays a key role in shaping the city's future through planning decisions, attracting investment, creating jobs, and supporting local businesses. In addition, it delivers leisure and cultural facilities, manages parking, maintains roads and pavements, and cares for Plymouth's parks and green spaces, ensuring they remain accessible and welcoming for all residents.
- 3.4. The rising demand for and cost of providing services is a national issue, and Plymouth is not unique in facing these pressures. The Council is taking a proactive approach to managing them, with targeted action in the areas where demand is increasing most rapidly. This includes the "big four": Adult Social Care, Children's placements, rising SEND (Special Educational Needs and Disabilities) costs, and increased demand for temporary accommodation linked to Homelessness.
- 3.5. All Council directorates have worked collaboratively to support the budget-setting process, with many teams adapting how they operate to meet the challenges ahead. While there is a continued focus on supporting and strengthening the city, the scope for change is limited by statutory responsibilities that require the delivery of essential services. These include, for example, safeguarding and supporting vulnerable children and adults.
- 3.6. Despite the financial challenges, the Council remains committed to delivering the fundamentals that matter most to residents: well-maintained roads and cleaner, greener streets; sustainable transport options; and more homes for social rent and affordable ownership. We are also focused on driving green investment, creating jobs, developing skills, and improving education, while ensuring the safety and wellbeing of children, adults, and communities. This budget builds on the Medium-Term Financial Strategy, providing a robust framework to achieve these priorities and continue supporting Plymouth's people and economy.

- 3.7. The proposed budget allocates additional growth to demand-led directorates to protect the most vulnerable people in the city. The key areas of focus are:

Children's Directorate: addressing pressures in Children's Social Care placements and SEND, where rising numbers of pupils with Education, Health and Care Plans are increasing costs for Home-to-School Transport and adding to the Council's financing requirements for the DSG deficit.

Adults, Health and Communities Directorate: meeting increased demand for Adult Social Care packages and homelessness support, including the growing use of nightly paid temporary accommodation.

- 3.8. The report sets out additional budget allocations to these two Directorates totalling £24.899m:

➤ Children's Social Care and Placement costs	£9.479m
➤ SEND Home to School Transport	£2.094m
➤ Adult Social Care additional costs	£11.175m
➤ Homelessness Prevention	£0.797m
➤ Short Breaks	£0.623m
➤ Dedicated School Grant deficit funding	£0.731m

- 3.9. The 2026/27 budget assumes new management savings totalling £10.543m; Invest to Save projects saving £4.333m and Cabinet savings proposals of £2.267m. Together, these total £17.143m.
- 3.10. This draft budget consolidates our current priorities to address both the existing and forecasted financial gaps, enabling Strategic Directors to implement innovative approaches to service delivery.
- 3.11. The Council has engaged with MHCLG via the Settlement Consultation around the Fair Funding Review. In addition, the Leader and Cabinet Members have lobbied politicians to ensure Plymouth's funding is both maximised and equitable.

4. Final Local Government Finance Settlement

- 4.1. On 9 February 2026 the details of the Final Local Government Finance Settlement for 2026/27 were published. This forms part of an indicative multi-year settlement extending to 2028/29 and is largely based on the Fair Funding Review (FFR), originally initiated in 2016 and revived as version 2.0 under the current administration.
- 4.2. This is the first settlement in over a decade to provide indicative funding allocations for multiple years, covering 2026/27 to 2028/29. However, the process remains annual, and figures for future years are subject to confirmation in their respective settlements. All figures are informed by the 2024 Autumn Budget and Spending Review, the 2025 Budget announcements, the Policy Statement issued on 20 November and the consultation response to the Provisional Settlement.
- 4.3. This settlement represents the most significant redistribution of funding within the sector in at least 25 years. Changes also include a full business rates baseline reset, the first since the

Business Rates Retention Scheme was introduced in 2013/14, major revisions to all Relative Needs Formulas (RNFs), and the consolidation of numerous grants into either the Settlement Funding Assessment or one of four consolidated grants.

4.4. Movements from the Provisional Settlement to the Final Settlement are set out in Appendix 4.

Outcome for Plymouth

- The government's measure of Core Spending Power shows an increase of £19.8m, or a 6.2% increase on the 2025/26 baseline
- Of this approximately £9.2m relates to estimated Council Tax increases (46%)
- This leaves a £10.6m increase through Revenue Support Grant, Business Rates, Recovery Grant Guarantee (Fair Funding Assessment) and new Consolidated Grants.
- To maintain adequate funding for Upper Tier authorities who were in receipt of the Recovery Grant, Plymouth will be receiving £4.871m via the 'Recovery Grant Guarantee'
- The increase for 2026/27 should also be viewed against the forecast increased budgetary requirement for statutory services including Social Care, Homelessness and SEND of £25m.

Table 2: 2026/27 Core Spending Power - Plymouth

CORE SPENDING POWER					
Please select authority					
Plymouth					
Illustrative Core Spending Power of Local Government:					
	2024-25	2025-26	2026-27	2027-28	2028-29
	£ millions	£ millions	£ millions	£ millions	£ millions
Fair Funding Allocation¹	0.0	0.0	162.1	165.4	168.9
of which: Baseline Funding Level	0.0	0.0	75.9	77.7	79.2
of which: Revenue Support Grant ²	0.0	0.0	70.3	87.8	89.7
of which: Local Authority Better Care Grant ³	0.0	0.0	16.0	-	-
Legacy Funding Assessment	146.0	154.2	0.0	0.0	0.0
of which: Legacy Business Rates ⁴	83.0	84.1	0.0	0.0	0.0
of which: Legacy Grant Funding ⁵	50.0	54.2	0.0	0.0	0.0
of which: Local Authority Better Care Grant	12.9	16.0	0.0	0.0	0.0
Council tax requirement^{6,7}	138.8	147.9	157.1	166.9	177.3
Homelessness, Rough Sleeping and Domestic Abuse^{8,9}	3.3	4.6	4.0	3.8	3.9
Families First Partnership¹⁰	1.4	2.9	4.0	4.0	3.4
Total Transitional Protections¹¹	0.0	0.0	0.0	0.0	0.0
of which: 95% income protection	0.0	0.0	0.0	0.0	0.0
of which: 100% income protection	0.0	0.0	0.0	0.0	0.0
of which: Fire and Rescue real-terms floor	0.0	0.0	0.0	0.0	0.0
Grants rolled in to Revenue Support Grant¹²	2.1	2.5	0.0	0.0	0.0
Total Recovery Grant Allocation	0.0	6.6	11.5	11.5	13.3
of which: Recovery Grant	0.0	6.6	6.6	6.6	6.6
of which: Recovery Grant Guarantee ¹³	0.0	0.0	1.1	0.0	0.0
of which: Recovery Grant Uplift ¹³	0.0	0.0	3.7	4.9	6.7
Adjustment Support Grant	0.0	0.0	0.0	0.0	0.0
Mayoral Capacity Fund	0.0	0.0	0.0	0.0	0.0
Core Spending Power	291.5	318.8	338.7	351.6	366.7
Core Spending Power year-on-year change (£ millions)		27.3	19.8	13.0	15.1
Core Spending Power year-on-year change (%)		9.4%	6.2%	3.8%	4.3%
Core Spending Power change since 2024 (£ millions)		27.3	47.1	60.1	75.2
Core Spending Power change since 2024 (%)		9.4%	16.2%	20.6%	25.8%
Core Spending Power change since 2025 (%)			6.2%	10.3%	15.0%

- 4.5. There are significant changes to most of the existing elements of core funding, further details of these changes are within the relevant sections of the report below.

SEND Deficits

- 4.6. At the Final Settlement MHCLG announced support for local authorities with DSG deficits. The first phase will focus on historic deficits accumulated up to the end of 2025/26. All local authorities with a SEND deficit will be eligible in 2026/27 to receive a High Needs Stability Grant covering 90% of their High Needs-related DSG deficit to that point, although deficits on other DSG blocks such as Early Years will be excluded from this calculation. Our initial estimate for Plymouth is that this will be worth £47m.
- 4.7. The High Needs Stability Grant will be paid in Autumn 2026, subject to each authority submitting and receiving approval for a local SEND reform plan, with all payments due to be made in the 2026/27 financial year. These reform plans must be developed collaboratively by local area partnerships, including schools, health, early years settings and post-16 providers and should set out a clear pathway towards an inclusive system aligned with the wider national vision for SEND reform.
- 4.8. Further support for deficits arising in 2026/27 and 2027/28 will be confirmed before the statutory override ends on 1 April 2028, with the Government indicating that it will continue to take an “appropriate and proportionate” approach, though not an unlimited one. Our financial planning assumes a repeat of the approach announced for the 2025/26 balances in subsequent years.
- 4.9. From 2028/29, SEND spending will fall within the overall government budget, meaning local authorities will no longer be expected to fund future SEND costs from their general funds once the statutory override ends. While councils can currently keep DSG deficits off their main balance sheets through the statutory override, this will end on 31 March 2028. Local authorities will therefore need to plan how they will meet the cost of any remaining deficit from 2028/29 onwards.
- 4.10. This announcement has allowed us to reduce the level of DSG deficit financing costs assumed in 2026/27 onwards.

Table 3 – Change in DSG Deficit Financing Assumptions

DSG Deficit Borrowing Step-Up	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	
Original (Provisional Settlement)	1.610	2.026	2.009	-	
Revised (Final Settlement)	0.731	0.366	0.647	(2.264)	Total
Change	(0.879)	(1.660)	(1.362)	(2.264)	(6.165)

Other messages at Provisional Settlement

Local Government Reform

- 4.11. The settlement confirms MHCLG's (Ministry of Housing, Communities and Local Government) approach to distributing funding to newly established authorities. Where local government reorganisation does not involve splitting existing authorities, the new authority will receive all resources of its predecessor councils. In cases where an authority is divided, local areas must agree how resources will be allocated, following MHCLG guidance and subject to final approval. The agreed split will remain in place until the next Fair Funding Review or similar exercise, consistent with recent practice.

Monitoring Adult Social Care Spending

- 4.12. As outlined in the Fair Funding Review 2.0 consultation and policy statement, the Department of Health and Social Care will introduce 'notional' adult social care funding amounts for local authorities, setting expectations for the minimum level of spending on adult social care. While MHCLG has confirmed this will not be a formal ringfence, it is intended as a mechanism to maintain oversight following funding simplification and the removal of previous ringfencing.

Budget Scrutiny Review

- 4.13. The Scrutiny Committee undertook two full days of Budget Scrutiny in January 2026, supplemented by an additional dedicated session to ensure the Chief Executive was included in the process.
- 4.14. During these sessions, the Committee focused primarily on the areas presenting the greatest risk to the Council, including Children's Services, Education, Adult Social Care and Health, and Homelessness. The Committee also explored the Council's areas of ambition and planned growth, recognising the importance of aligning investment with long-term priorities.
- 4.15. The Committee's recommendations and the corresponding Cabinet responses are set out in the Cabinet Response to Budget Scrutiny Recommendations report (Appendix 3)

5. Budget Engagement

- 5.1. The Council's annual budget engagement was launched in November 2025 and ran for five weeks. It received 336 online responses from a wide range of people. In addition, an engagement with business representatives took place on 07 January 2026.
- 5.2. The Council's Corporate Plan sets out six key priorities. The questionnaire asked respondents to select one priority from these that the Council should focus on in the coming year, and to also provide their level of agreement on five statements regarding managing the Council's budget. Respondents were also asked to what extent they agreed or disagreed with the actions the Council is taking to address the budget pressure.
- 5.3. Overall, there was a good response to this engagement with some considered comments, however it is a small proportion of the population, and the results are not representative, but they do provide an indication of people's priorities and level of support.
- 5.4. Consultation requirements arising from any of the individual savings proposals will be undertaken prior to final decisions being taken.

Results – Council Priorities:

- 5.5. The top two priorities selected most often as those the Council should focus on over the next 12 months:
- Working with the NHS to provide better access to health, care and dentistry (86 respondents or 26%)
 - Fewer potholes, cleaner, greener streets and transport (73 respondents or 22%)

Results – Managing our Budget:

- 5.6. The majority (89%) of respondents agreed or strongly agreed that ‘the Council should protect local services where possible by delivering these in different and/or more efficient ways.
- 5.7. Just under half of respondents agreed or strongly agreed that ‘the Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation’ (48%) and ‘the Council should avoid cutting services by following the Government’s assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99%’ (47%).
- 5.8. Just under half (47%) of respondents agreed or strongly agreed that ‘the Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2% precept the Government allows to be added to Council Tax for this purpose’.
- 5.9. 41% of respondents agreed or strongly agreed that ‘the Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using ‘green’ energy sources wherever possible’.
- 5.10. 64.5% of respondents agreed or strongly agreed with the actions the Council is taking to address the budget pressure. These include putting a ‘prevention first’ approach at the heart of everything we do in order to reverse the trajectory of rising demand and secure long-term financial sustainability.
- 5.11. A full report and analysis are included in Appendix 8 to this report.

Flexible Use of Capital Receipts

- 5.12. To support the delivery of major elements within the savings plans, it is proposed that the Council makes use of the flexibility to draw down up to £3.618m of capital receipts. These receipts will be allocated to the relevant Directorates to enable the implementation of agreed transformation and cost-reduction initiatives. Further detail is set out within the Flexible Use of Capital Receipts Strategy at Appendix 9.

Section I – Revenue Budget

6. Core Resources

- 6.1. The funding framework for 2026/27 has changed significantly, making direct comparisons with previous years and historic funding levels challenging. Key developments include the incorporation (“roll-in”) of several major grant streams into the Revenue Support Grant

(RSG), alongside further consolidation of funding outside the RSG as part of MHCLG's simplification agenda.

- 6.2. In addition, substantial changes to Business Rates have been confirmed, which may appear inconsistent with prior-year assumptions. Where possible, this report will present comparative information in a clear and accessible way to support understanding.

Table 4: Core Resources per MTFP 2026/27 to 2030/31

MTFP 2026/27 to 2030/31 Core Resources	Multi-Year Settlement Period			Post- Settlement Estimates	
	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Revenue Support Grant	(70.255)	(87.786)	(89.652)	(91.445)	(93.274)
Local Authority Better Care Grant	(15.955)	-	-	-	-
Recovery Grant Guarantee (incl uplift)	(4.871)	(4.872)	(6.698)	(6.698)	(6.698)
Council Tax	(156.541)	(165.300)	(173.540)	(182.743)	(192.431)
Business Rates	(75.921)	(77.662)	(79.229)	(80.814)	(82.430)
Reserves	(2.752)	-	-	-	-
Total Core Resources	(326.295)	(335.620)	(349.119)	(361.700)	(374.833)

7. Fair Funding Assessment (formally Settlement Funding Assessment)

- 7.1. MHCLG has published the provisional outcome of the Fair Funding Review, setting the underlying figures for the Fair Funding Assessment (FFA), formerly known as the Settlement Funding Assessment.
- 7.2. This redistributes 2025/26 totals between the Baseline Funding Level (BFL) and Revenue Support Grant (RSG).
- 7.3. Nationally, approximately £32 billion is allocated through Fair Funding Review 2.0, rising by around £1 billion in 2026/27 through standard BFL indexation, additional adult social care resources, and a small uplift to RSG.
- 7.4. How the Fair Funding Allocation is determined:
- Plymouth's total funding requirement is calculated using various needs-based formulae, resulting in a Needs Allocation of £313.1m
 - A notional level of council tax Plymouth can raise is deducted as a Resource Adjustment of £151.2m
 - This leaves £161m to be distributed via the Fair Funding Allocation, around 0.5% of the national total.

Fair Funding Assessment Split

- 7.5. Funding through the Fair Funding Assessment (FFA) is divided into two streams:
- Business Rates Retention (Baseline Funding Level/BFL)
 - Revenue Support Grant (RSG), including the Local Authority Better Care Grant top-slice

- 7.6. The split between BFL and RSG, along with updated top-up and tariff amounts, reflects MHCLG's latest analysis of the impact of the business rates revaluation, the business rates reset, and the introduction of new business rates multipliers.
- 7.7. The table below compares the original 2025/26 figures with a revised 2025/26 baseline. Please note that changes to the baseline do not represent additional funding; they result from rolling in several existing grant streams. Further details on these grants are provided in the relevant sections of this report.

Table 5: Fair Funding Assessment Comparison (Illustrative - Provisional Settlement)

Fair Funding Assessment Comparison	Notional				
	Original	Change to	Revised	2026/27	
	2025/26	Baseline	2025/26	Provisional	Increase
	£m	£m	£m	£m	£m
Revenue Support Grant	(12.662)	(55.343)	(68.005)	(69.133)	(1.128)
Local Authority Better Care Grant	(15.955)	-	(15.955)	(15.955)	-
Baseline Funding Level (Business Rates)	(63.974)	(7.165)	(71.139)	(75.921)	(4.782)
Total Fair Funding Assessment	(92.591)	(62.508)	(155.099)	(161.009)	(5.910)

- 7.8. Each authority's initial allocation is based on 2028/29 figures, with 45.9% assigned to the Business Rates Baseline Funding Level (BFL) and 54.1% to Revenue Support Grant (RSG), reflecting MHCLG's estimate of collectible business rates in 2026/27 as a share of the overall Fair Funding Review total.
- 7.9. To manage the three-year transition from 2025/26 to 2028/29, RSG will vary under the transition scheme, while BFL remains unchanged for this purpose. Both BFL and RSG will then grow annually through business rates indexation and additional Spending Review resources.
- 7.10. The table below sets out the Fair Funding Assessment across the settlement period, with 2029/30 uplifted in line with CPI assumptions.

Table 6: Fair Funding Assessment (Multi-Year Settlement)

MTFP 2026/27 to 2030/31	2026/27	2027/28	2028/29	2029/30	2030/31
Core Resources	£m	£m	£m	£m	£m
Revenue Support Grant	(70.255)	(87.786)	(89.652)	(91.445)	(93.274)
Local Authority Better Care Grant	(15.955)	-	-	-	-
Business Rates	(75.921)	(77.662)	(79.229)	(80.814)	(82.430)
Fair Funding Assessment Total	(162.131)	(165.488)	(168.881)	(172.259)	(175.704)

Business Rates Income

- 7.11. For 2026/27, the business rates taxbase has been revalued, and a full reset of the Business Rates Retention Scheme will take place. Authorities' Business Rates Baselines will be set using expected collections for 2026/27, based on the provisional 2026 revaluation list. This reset incorporates £2.38 billion of business rates growth previously retained locally into national totals, which are redistributed under Fair Funding Review 2.0. Transitional arrangements ensure 2025/26 positions reflect estimated retained growth.

- 7.12. A new banded levy applies to all authorities: 10% on the first 10% growth above baseline, 30% on the next 90%, and 45% beyond 200% of baseline. This approach increases growth incentives for districts while limiting gains for top-up authorities.
- 7.13. The Business Rates Baseline Funding Level has been used as a proxy for business rates income in Core Resource modelling for the Medium-Term Financial Plan (MTFP). Business Rates Baseline Funding Levels are subject to a 100% safety net in 2026/27, meaning the FFA provides a guaranteed minimum for the year, with potential for additional income from growth.
- 7.14. Most business rates funding previously outside the Settlement Funding Assessment, such as compensatory grants for caps on multiplier indexation, is now included in the Fair Funding Assessment.

Business Rates Pooling

- 7.15. Due to the full reset of the Business Rates Retention Scheme and changes to levy and safety net calculations, business rate pools were not expected to form for 2026/27, as the risks outweighed potential benefits. The Devon Business Rates Pool submitted an application as a precautionary measure but has since requested its designation be withdrawn following the provisional settlement.

8. Council Tax

- 8.1. The 2026/27 Final Local Government Finance Settlement confirms that local authorities may increase core Council Tax by up to 2.99%, alongside an additional increase of up to 2% for the Adult Social Care precept. These provisions have been reflected in the government's funding assumptions and incorporated into the Medium-Term Financial Strategy for future financial years. Council Tax income is not affected by Fair Funding changes.
- 8.2. In exceptional cases, councils may apply to raise council tax further, provided residents do not already pay above the national average.
- 8.3. The Council Tax Base report for 2026/27 was approved by Full Council in January 2026. The revised tax base is 76,887 Band D equivalent properties, representing an increase of 330 compared to 2025/26. The assumed collection rate remains at 97.5%, which is considered both realistic and prudent. Additional income from Empty Homes and Second Homes premiums has also been factored into the tax base calculation.

Graph 1: Council Tax Base History (note decrease in 2021/22 relates to technical adjustment for Covid funding)

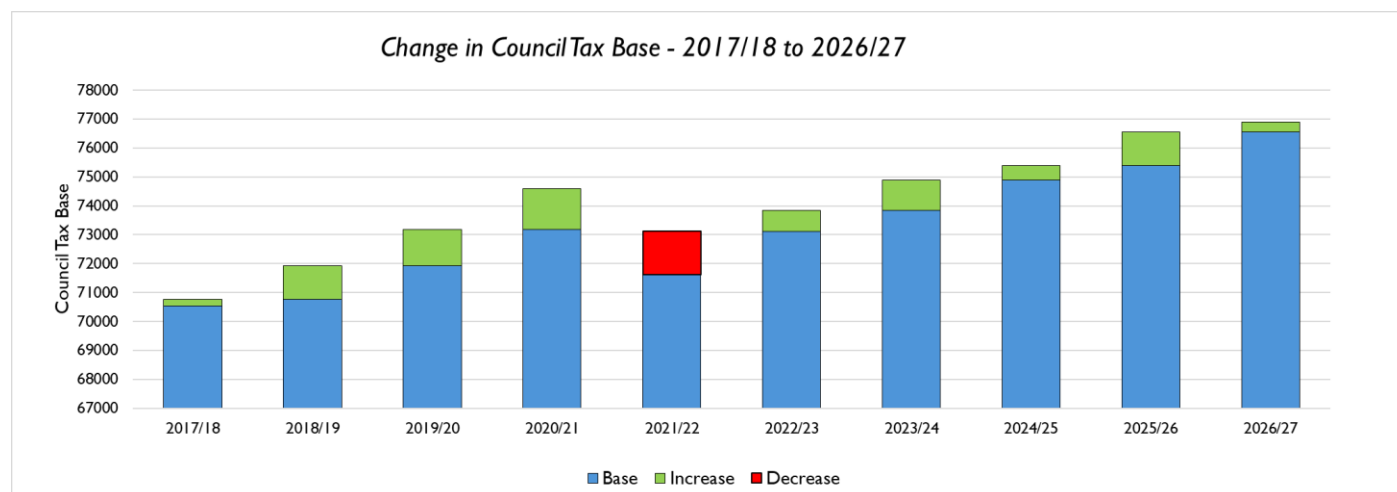


Table 7: Council Tax Income Assumptions

Council Tax Income	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m	2030/31 Forecast £m
Previous year total	147.950	156.002	164.300	173.040	182.243
Increase in base assumptions	0.637	0.489	0.516	0.541	0.566
Revised base	148.588	156.491	164.816	173.581	182.809
Council Tax increase (2.99%)	4.443	4.679	4.928	5.190	5.466
ASC precept (2%) on revised based	2.972	3.130	3.296	3.472	3.656
Council Tax total	156.002	164.300	173.040	182.243	191.931
Collection Fund Surplus Mid-Year Estimate	0.539	1.000	0.500	0.500	0.500

Council Tax Discounts and Premiums

- 8.4. 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 premiums.
- 8.5. Tax base growth from both the empty homes and second homes premiums was incorporated into the MTFS from 2025/26 onwards, and the revised Council Tax Base for 2026/27 now includes actual levels.

Council Tax Support Scheme

- 8.6. 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. The scheme currently supports approximately 22,000 local residents, nearly 70% of whom are of working age. Any owner-occupier or tenant aged 18 or over who is legally responsible for paying Council Tax may apply for assistance. The level of support awarded is determined by the household's income and individual circumstances.

- 8.7. 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 assistance while maintaining the financial sustainability of the scheme.
- 8.8. The table below shows the level of Council Tax forgone due to the application of the Council Tax Support Scheme. No amendments to the scheme are planned for 2026/27.

Table 8: Council Tax Forgone – Council Tax Support Scheme

Council Tax Support Scheme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Total Council Support (<i>Council Tax forgone</i>)	18.935	20.181	21.535	22.145	21.650

Council Tax Administration Consultation

- 8.9. The Government's consultation on modernising council tax administration (June–September 2025) proposed reforms aimed at making billing, collection, and enforcement fairer and more supportive. Key proposals include slowing enforcement processes, capping charges, and signposting residents to support services. The consultation also explored measures to improve fairness and structure, such as simplifying property band challenges, updating discount eligibility, and introducing 12 monthly instalments as standard.
- 8.10. Further proposals seek to enhance transparency and efficiency through digital systems, data integration, and deferred payment options. At this stage, no impact on 2026/27 council tax income modelling is anticipated, as the reforms have not yet been confirmed.

Council Tax Credits

- 8.11. Credit balances can arise for several reasons, including:
- The retrospective application of an allowance, relief, or other discount which results in the account moving into credit
 - Overpayments made by the Council Tax payer
 - Payments received after a Council Tax debt has been written off
 - Payments not being correctly allocated to the appropriate Council Tax account
- 8.12. The current total value of Council Tax credit balances is circa £1.2m, with some transactions dating back to 2000/01. All reasonable efforts have been made to identify and return these funds; however, where bank or contact details are unavailable or no longer valid, this has not been possible.
- 8.13. Under Section 9 of the Limitation Act 1980, the limitation period for recovering debts (including overpayments) is six years from the date the cause of action arose. In line with this principle, we intend to release credit balances that are more than six years old as at 1 April 2026, and to continue applying this approach on an ongoing basis.
- 8.14. If a resident subsequently provides the Council with valid details that allow a credit to be returned, the balance will be reinstated.

Recovery Grant

- 8.15. The 2025/26 Recovery Grant will continue, with a Recovery Grant Guarantee uplift for Upper Tier Local Authorities previously in receipt of the grant. For Plymouth, the final settlement allocates £4.871m through the Guarantee in 2026/27, with confirmation of £4.872 in 2027/28 and £6.698m in 2028/29. The MTFP assumes this continues in future years.

9. Changes to Treatment of Specific Grants

- 9.1. A key principle of the Fair Funding Review is the simplification of local government funding. The Local Government Finance Policy Statement confirmed which grants will be consolidated into the Fair Funding Assessment and which will be streamlined into four 'high-value' consolidated grants.
- 9.2. As a result of this funding simplification, the number of specific grants included within Core Spending Power has reduced.

Adult Social Care Funding

- 9.3. All Adult Social Care funding included in 2025/26 Core Spending Power has been redistributed through the Fair Funding Review. Better Care Fund allocations have been top-sliced from social care authorities' Fair Funding Assessments and provided as a separate Section 31 grant. Nationally, additional funding for Adult Social Care has been incorporated into the Revenue Support Grant, amounting to £150m in 2026/27, £250m in 2027/28, and £500m in 2028/29. This will be distributed using the new relative needs formula introduced by the Fair Funding Review, without any council tax adjustment.
- 9.4. The Department of Health and Social Care will shortly publish 'notional' adult social care amounts to set expectations for how much council funding should be allocated to this service.
- 9.5. A significant number of other grants have also been 'rolled-in' and redistributed through the Fair Funding Assessment. The table below lists these and their 2025/26 values.

Table 9: Rolled-In Grants 2026/27

Specific Grants 'Rolled In' and Redistributed under Fair Funding	Original 2025/26 £m
Social Care Grant	(33.789)
Market Sustainability and Improvement Fund	(5.618)
Employer NI contributions grant	(2.063)
Temporary Accommodation Element of Homelessness Prevention Grant	(1.110)
Children and Families Grant	(0.836)
War Pensions Disregard Grant	(0.372)
Virtual School Head (Children w a Social Worker and Children in Kinship Care)	(0.126)
Awaab's Law New Burdens	(0.001)
Biodiversity Net Gain Planning Requirement Grant	(0.027)
Enforcement of Location and Volume Price Promotions Restrictions Grant	(0.001)
Enforcement of OOH Calorie Labelling Regulations Grant	(0.001)
LGF Data Review New Burdens	(0.001)
Deprivation of Liberty Safeguards within LRCV	(0.028)
Business Rates - Compensation for under-indexation of Multiplier	(12.676)
Specific Grant 'Rolled In' but top-sliced at existing level	
Local Authority Better Care Grant	(15.955)
Total	(72.605)

- 9.6. The Fair Funding Review introduces four new consolidated, ringfenced grants that combine similar funding streams across government. These grants will operate over the three-year multi-year Settlement, with details on allocations, distribution, and conditions provided at the provisional Settlement.

New Consolidated Grant: Homelessness, Rough Sleeping and Domestic Abuse Grant

Table 10: Homelessness, Rough Sleeping and Domestic Abuse Grant

Consolidated Grants Comparison	2025/26			
	Baseline	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Homelessness, Rough Sleeping and Domestic Abuse Grant	(4.648)	(3.955)	(3.968)	(3.389)
Change: (Increase)/Decrease		0.693	(0.013)	0.579
<i>Of which:</i>				
Domestic Abuse safe accommodation new burdens	(0.766)	(0.796)	(0.796)	(0.796)
Rest of grant ('Homelessness and Rough Sleeping')	(3.882)	(3.043)	(2.941)	(3.024)
<i>Made up of:</i>				
Homelessness prevention grant - prevention, staffing and relief share	(1.066)			
Rough Sleeping Prevention and Recovery Grant	(2.580)			
Rough Sleeping Accommodation Programme	(0.254)			

- 9.7. The Homelessness, Rough Sleeping and Domestic Abuse Grant will form part of Core Spending Power and combines funding for homelessness prevention and staffing, rough sleeping prevention and accommodation, and safe accommodation for domestic abuse victims. Funding will be distributed using formulas designed to target prevention, relief, and recovery.
- 9.8. In 2026/27, this consolidated grant is worth £794m nationally. At baseline in 2025/26, it brings together existing resources, including the Domestic Abuse Safe Accommodation new burdens element of the Homelessness Prevention Grant, the Rough Sleeping Prevention and Recovery Grant, and the Rough Sleeping Accommodation Programme.
- 9.9. At Final Settlement this grant was uplifted by £92m nationally, and additional £0.146m for Plymouth the 2026/27 allocation is £3.955m

New Consolidated Grant: Children, Families and Youth Grant

Table 11: Children, Families and Youth Grant

Consolidated Grants Comparison	2025/26			
	Baseline	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Children, Families and Youth Grant	(3.982)	(5.049)	(5.008)	(4.429)
Change: (Increase)/Decrease		(1.067)	0.041	0.579
<i>Of which:</i>				
Holiday Activity and Food ringfence (outside core spending power)	(1.010)	(1.008)	(0.967)	(0.967)
Pupil Premium Plus post-16 (outside core spending power)	(0.073)	(0.073)	(0.073)	(0.073)
'Family First Partnership' (within core spending power)	(2.898)	(3.968)	(3.968)	(3.389)
<i>Made up of:</i>				
Children's social care prevention grant	(1.527)			
Supporting Families ('Family Help') element of the Children and Families Grant	(1.372)			

- 9.10. This new consolidated grant sits both inside and outside Core Spending Power. The Children, Families and Youth Grant bring together funding streams to support delivery of the Families First Partnership Programme; social care reform, family support, and childcare initiatives. It includes resources for children's social care prevention, partnership programmes, and transformation projects, alongside new investment. The grant also covers the Holiday Activities and Food programme, including capacity for school-age childcare, wraparound care, and free breakfast clubs. Additionally, it provides funding for post-16 support through the Pupil Premium Plus. In 2026/27, the grant totals £823m nationally, combining existing resources such as the Children's Social Care Prevention Grant and the Supporting Families element of the Children Families Grant. The distribution mechanism is changing significantly: the full grant will be allocated using the new children and young people's services relative needs formula introduced through the Fair Funding Review.
- 9.11. Each element will remain subject to its own conditions, effectively making the grant a branding of three separate grants. For Plymouth, the 2026/27 allocation is £5.049m

New Consolidated Grant: Crisis and Resilience Fund

Table 12: Crisis and Resilience Fund

Consolidated Grants Comparison	2025/26	2026/27	2027/28	2028/29
	Baseline £m	£m	£m	£m
Crisis and Resilience Fund	(4.468)	(4.202)	(4.200)	(4.087)
Change: (Increase)/Decrease		0.266	0.002	0.113
Predecessors:				
Household Support Fund	(4.045)			
Discretionary Housing Payments	(0.423)			

- 9.12. The Crisis and Resilience Fund will merge existing grants into a single funding stream to help local authorities provide preventative support and assist people facing financial hardship. It will replace the Household Support Fund and Discretionary Housing Payments, which end in March 2026, and will not form part of Core Spending Power.
- 9.13. This grant combines the 2025/26 Discretionary Housing Payment (£93m nationally) and Household Support Fund (£742m nationally) under a single banner. However, draft grant conditions differentiate between the Housing and Crisis Payment elements rather than applying fully integrated conditions across the grant as a whole.
- 9.14. For Plymouth, the 2026/27 allocation is £4.202m

New Consolidated Grant: Public Health Grant

Table 13: Public Health Grant

Consolidated Grants Comparison	2025/26	2026/27	2027/28	2028/29
	Baseline £m	£m	£m	£m
Consolidated Public Health Grant	(21.581)	(21.878)	(22.097)	(22.328)
		(0.297)	(0.218)	(0.232)
<i>Of which:</i>				
Smoking cessation ringfence		(1.061)	(1.067)	(1.077)
Drugs and alcohol ringfence		(7.309)	(7.246)	(7.199)
General public health ringfence		(13.508)	(13.783)	(14.052)
<i>Predecessors:</i>				
Public health grant	(18.089)			
Local stop smoking services and support grant (LSSSSG)	(0.417)			
Share of national £50m Swap to Stop scheme funding	n/a			
Drug and Alcohol Treatment and Recovery Improvement Grant (DATRIG)	(2.929)			
Individual Placement Support (IPS)	(0.147)			

9.15. The Public Health Grant will combine existing public health funding with additional streams focused on drug and alcohol treatment and recovery, local stop smoking services, individual placement and support, and the Swap to Stop scheme.

9.16. This consolidated grant brings together:

- The main Public Health Grant
- Drug and Alcohol Treatment and Recovery Improvement Grant (DATRIG)
- Individual Placement Support (IPS)
- Local Stop Smoking Services Support Grant (LSSSSG)
- Funding previously used for the Swap to Stop scheme (not held locally)

9.17. Local authorities will be required to meet the general public health grant conditions, as well as specific conditions for the individual funding elements listed above. Spending on the three main components, drug and alcohol, smoking cessation, and 'core' public health, must be treated separately, with any underspends carried forward in their own ring-fenced reserve.

9.18. For Plymouth, the 2026/27 allocation is £21.878m

10. Other Streams of Grant Funding

Dedicated Schools Grant

10.1. 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 provision, and children and young people with high needs.

10.2. The DSG is divided into four distinct blocks, each serving a specific purpose:

- a) Schools Block – Funds mainstream education in primary and secondary schools (Reception to Year 11).
- b) High Needs Block – Supports children and young people aged 0–25 with special educational needs and disabilities (SEND). This includes funding for special schools, alternative provision, support within mainstream schools and units, and further education (post-16).

- c) Early Years Block – Funds free early education entitlements for children aged 0–5, including the universal 15 hours for all 3- and 4-year-olds and the additional 15/30-hour entitlement for children of working parents (from 9 months).
- d) Central School Services Block (CSSB) – Funds statutory duties carried out by local authorities, such as school admissions, asset management, and support services, as well as some historic commitments.

10.3. On 18 December 2026, the Department for Education published final DSG allocations for 2026/27 based on October 2025 pupil numbers.

10.4. The table below shows Plymouth's DSG allocation for 2026/27 compared to 2025/26.

Table 14: DSG 2026/27

Dedicated Schools Grant 2026/27	2025/26 Schools Block Pupil numbers	2025/26 Baseline £m	2026/27 Schools Block Pupil numbers	2026/27 Allocation £m	Increase/ (Decrease) £m
Schools Block	34,389	225.438	33,730	225.248	(0.189)
High Needs Block		55.382		55.382	0.000
Central Schools Services Block		2.716		2.725	0.009
Early Years Block		38.196		44.267	6.072
Total		321.731		327.623	5.891

High Needs Funding 2026/27

- 10.5. The Department for Education (DfE) has announced that it will suspend the High Needs National Funding Formula (NFF) for 2026/27. This formula has been used to determine local authorities' High Needs Block allocations for the past eight years. Allocations for 2026/27 will be based on 2025/26 funding levels, with adjustments to include grants previously paid outside the High Needs Block.
- 10.6. The DfE acknowledges significant divergence between NFF allocations and actual spending across local authorities and has committed to review the High Needs funding system to ensure it aligns with the reformed SEND framework, which is due to be published in early 2026.
- 10.7. The Government has stated that the general direction of SEND reform is towards creating a more inclusive mainstream environment for children and young people with SEND, including expanding specialist and targeted provision in mainstream schools and resource provision. The DfE is progressing a range of reforms to support this shift.
- 10.8. Plymouth faces significant pressures in SEND provision, consistent with national trends. Nationally, Education, Health and Care Plans (EHCPs) have increased by 140% over the past decade (from 240,183 in 2015 to 575,973 in 2023/24), and councils are forecast to carry a £5 billion SEND deficit by March 2026. Over half are already in DfE intervention programmes such as Safety Valve and Delivering Better Value.
- 10.9. Locally, Plymouth's special schools and academies are at capacity, driving reliance on costly out of area Independent Specialist Provision (ISP). The Council awaits the SEND White Paper

(expected Spring 2026), which should set out long-term reforms focused on improving outcomes rather than reducing support or altering entitlements without robust alternatives.

- 10.10. Government plans to strengthen mainstream SEND provision could improve outcomes and reduce costs, but require a clear strategy and evidence base. In the meantime, councils can exclude DSG deficits from balance sheets under a statutory override extended to March 2028, providing short-term flexibility while awaiting reform.
- 10.11. Plymouth forecasts an in-year High Needs Block pressure of £35.250m for 2025/26, adding to an £18.498m brought-forward deficit, totalling £54.261m. Without intervention, EHCP demand will continue to rise. Mitigation focuses on expanding local provision, reducing reliance on independent placements, and minimising the need for new EHCPs through enhanced early intervention and mainstream support.
- 10.12. As noted previously in the report, the Final Settlement included an announcement of support for local authorities with DSG deficits. All local authorities with a SEND deficit will be eligible in 2026/27 to receive a High Needs Stability Grant covering 90% of their High Needs-related DSG deficit at the end of 2025/26. Deficits on other DSG blocks such as Early Years will be excluded from this calculation. Our initial estimate for Plymouth is that this will be worth £47m.
- 10.13. The High Needs Stability Grant will be paid in Autumn 2026, subject to each authority submitting and receiving approval for a local SEND reform plan. The reform plan must be developed collaboratively by local area partnerships, including schools, health, early years settings and post-16 providers and should set out a clear pathway towards an inclusive system aligned with the wider national vision for SEND reform.
- 10.14. Further support for deficits arising in 2026/27 and 2027/28 will be confirmed before the statutory override ends on 1 April 2028, with the Government indicating that it will continue to take an “appropriate and proportionate” approach, though not an unlimited one. Our financial planning assumes a repeat of the approach announced for the 2025/26 balances in subsequent years.
- 10.15. From 2028/29, SEND spending will fall within the overall government budget, meaning local authorities will no longer be expected to fund future SEND costs from their general funds once the statutory override ends. While councils can currently keep DSG deficits off their main balance sheets through the statutory override, this will end on 31 March 2028. Local authorities will therefore need to plan how they will meet the cost of any remaining deficit from 2028/29 onwards.

Table 15: DSG Deficit financing costs

Step Up in Treasury Management Costs for DSG Deficits	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
DSG Deficit Interest only	0.731	0.366	0.647	(2.264)	-

Housing Benefit Subsidy

- 10.16. For 2026/27, Plymouth City Council is forecast to receive circa £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.

- 10.17. 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.

Better Care Fund (BCF)

- 10.18. The BCF was introduced in 2015 with the intention of supporting people to live healthy, independent and dignified lives, through joining up health, social care and housing services. This vision is underpinned by 2 core objectives, to 1) enable people to stay well, safe and independent at home for longer; and 2) provide people with the right care, at the right place, at the right time
- 10.19. Integrated Care Boards (ICBs) and Local Government are required to agree a joint BCF plan, owned by the health and wellbeing board (HWB), and governed by an agreement under section 75 of the NHS Act (2006). This continues to provide an important framework in bringing local NHS services and Local Government together to tackle pressures faced across the health and social care system.
- 10.20. At the Provisional Settlement MHCLG stated:
- a) *“The 10 Year Health Plan announced reform to the BCF to focus on integrated services, and the Department for Health and Social Care (DHSC) will shortly set out further detail on our approach to reform. Where this involves any changes to NHS and local authority minimum contributions to pooled funding, we will not introduce those changes before 2027-28.”*

Extended Producer Responsibility

- 10.21. A new income stream was introduced in 2025/26 from fees paid by packaging producers, the Extended Producer Responsibility for Packaging (pEPR) scheme. This income will cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. MHCLG have confirmed the allocation for Plymouth for 2026/27 is £6.946m

11. Fees and Charges

- 11.1. The budget includes the proposal to increase discretionary fees and charges in line with the Council's Fees, Charges and Concessions Policy, which requires charges to reflect the full cost of service provision. The recommended uplift for 2026/27 is 3.8% plus rounding, based on CPI, and has been endorsed by the Section 151 Officer and CM. and benchmarked where appropriate, and are proposed to rise from 1 April 2026 to maintain cost recovery.

12. Costs

Right-sizing the Budget

- 12.1. Some assumptions built into last year's approved budget now require ongoing resources. These include allocations for salary-related cost increases and the reversal of one-off savings or temporary expenditure from previous periods. In addition, there are corporate

requirements that are not attributable to individual directorates and must be managed centrally

Table 15: “Right-sizing the budget” adjustments

Right -sizing budget adjustments	£m
Salary Related Costs - pay award net of reduction to pensions rates	0.595
Treasury Management / MRP (Minimum Revenue Requirement)	1.312
Additional Extended Producer Responsibility Grant	(1.020)
Other rolled in grants	1.347
Families First Partnership - additional grant	(1.070)
Reprofile Energy from Waste profit share income	1.300
Other one-off reversals	1.458
Community Equipment Service contract variation	0.660
Homelessness – additional grant	(0.146)
Total	4.436

Salary Related Costs

- 12.2. The NJC Pay Award for 2025/26 was confirmed at 3.2% across all scale points, creating an additional cost of £0.186m above the budgeted 3% uplift. This variance has been incorporated into budget assumptions for 2026/27, with a further 2.5% pay award modelled for 2026/27.
- 12.3. Employer pension contribution rates for the LGPS are expected to reduce from 19% in 2025/26 to 16% from April 2026. This change is estimated to deliver a £2.431m reduction in pension budget requirements and will also lower the assumptions linked to pay award uplifts.
- 12.4. The net figure for these two budget adjustments is £0.595m.

Treasury Management

- 12.5. 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.
- 12.6. This also includes the reversal of one-off use of £0.634m Minimum Revenue Provision in 2025/26.

Grant and income movements

- 12.7. As previously noted in this report, additional grant funding through the Extended Producer Responsibility Grant has been confirmed for 2026/27 at £1.020m
- 12.8. Under the Fair Funding review, funding simplification requires adjustments to prevent double counting of rolled-in grants. The adjustment of £1.347m relates to further grants announced in the Policy Statement, which are being consolidated and redistributed as part of Core Resources.
- 12.9. The newly consolidated Children’s and Families Grant is not allocated via Core Resources; however, the allocations have changed compared to the baseline grants that have been combined. For Plymouth, this results in an increase of £1.070m.

12.10. The Final Settlement announced an additional £0.146m through the new consolidated Homelessness grant funding.

12.11. In addition, due to scheduled maintenance downtime, the Energy from Waste profit share income target of £1.300m has been removed from the 2026/27 budget. It is anticipated that this income will be partially reinstated in 2027/28.

Reversal of one-off savings in 2025/26

12.12. To balance the 2025/26 budget, several streams of one-off funding and savings were utilised. These measures are not recurring and therefore require adjustment in the 2026/27 budget. The adjustment figure is net of the one-off budget provision that was no longer required for the Mayoral Referendum.

Other growth

12.13. During 2025/26, the provider for the Community Equipment Service entered administration. To ensure continuity of service for clients, a new provider was appointed at a higher cost. However, it is anticipated that part of this additional expenditure will be offset through funding from the Better Care Grant.

13. Demand-Led Pressures

13.1. In addition to the pressures already outlined, the Council must address a range of demand-led cost pressures within services where expenditure is driven by levels of need. These costs can fluctuate due to demographic changes, policy developments, or external factors.

13.2. The proposed budget incorporates assumptions for increased demand across these services, informed by detailed cost and volume analysis. This analysis draws on current demand data, historic trends, and forward-looking forecasts of service requirements. These assumptions are critical to ensuring the Council can plan for long-term financial sustainability while maintaining statutory service delivery standards.

Table 16: Demand-led budget pressures

Adults, Health and Communities Directorate	£m
Adult Social Care (NLW & Inflation)	4.352
Adult Social Care Demand and Contract Inflation	6.823
Homelessness demand and inflation	0.797
Total	11.972

Children's Directorate	£m
SEND – Dedicated Schools Grant deficit financing cost	0.731
Children's Social Care Demand & Inflation	9.479
Home to School Transport	2.094
Short Breaks demand	0.623
Total	12.927
Demand Led Total	24.899

- 13.3. Plymouth is not unique in facing significant budgetary pressures across key service areas, including Social Care, Homelessness, and Special Educational Needs and Disabilities (SEND). These challenges are being experienced by councils nationwide, driven by rising demand, increasing complexity of need, and constrained funding levels.

ASC Fee Uplifts: National Living Wage

- 13.4. 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 2026 is £12.71 per hour, an uplift of 4.1% from current £12.21 per hour.

ASC Fee Uplifts: Inflationary Uplifts to Care Providers

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

ASC Demand

- 13.6. Separating inflationary pressures from those arising due to increased demand and complexity of need provides greater transparency in understanding overall budget requirements.
- 13.7. As of the latest data, 3,969 adults are in the care of Plymouth City Council. Within the modelled budget increase, significant cost pressures arise from growth in client numbers, higher average hours of care per person, and increased 'cost complexity'. This reflects rising care needs that drive costs beyond standard fee uplifts, including more intensive support packages and specialist interventions.
- 13.8. The Directorate continues to implement a programme of work to understand, manage, and control costs across Adult Social Care. This includes exploring innovative service delivery models, improving operational efficiency, and identifying opportunities for transformation. The aim is to ensure resources are used effectively while maintaining high standards of care.
- 13.9. At the core of this approach is a commitment to safeguarding the wellbeing of vulnerable adults. The Directorate prioritises personalised and appropriate care, ensuring individuals receive the support they need in a way that is financially sustainable and aligned with statutory responsibilities.

Homelessness

- 13.10. 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.

- 13.11. The increase to the budget requirement in the proposed 2026/27 budget 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.

Children's Social Care – Inflation and Demand

- 13.12. Children's Social Care in Plymouth continues to face financial pressures due to rising demand and increasing placement costs. The number of children in residential and unregulated placements are higher than those projected and budgeted for, with some placements costing over £10,000 per week. While some cases receive partial funding from Health partners, the overall financial impact remains substantial and requires close monitoring.
- 13.13. On a positive note, the number of children placed with Independent Fostering Agencies (IFAs) has reduced, delivering cost savings. This has been supported by growth in the Council's in-house fostering provision, which is more sustainable and cost-effective. However, overall placement patterns have shifted away from fostering towards more expensive residential care, reflecting a national shortage of foster carers.
- 13.14. The proposed 2026/27 budget reflects current demand levels and includes assumptions for future growth based on historical trends, service data, and anticipated changes in need. These figures represent only part of the picture, as the Directorate is progressing strategic workstreams to reduce demand and improve efficiency. Initiatives focus on earlier intervention, service transformation, and promoting sustainable models of care. The aim is to manage financial pressures while safeguarding vulnerable children and young people, ensuring resources are targeted effectively without compromising quality or safety.

Home to School Transport

- 13.15. Pressures on the High Needs and SEND budgets are directly affecting 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. Rising numbers of pupils with EHCPs, combined with a shortage of special school places within the city, have increased reliance on independent sector placements located further away. This is driving up both the volume and cost of transport provision.
- 13.16. The proposed 2026/27 budget includes projected growth in specialist placements and an annual inflationary uplift to reflect 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 remains an ongoing challenge.

SEND – Financing the DSG Deficit

- 13.17. 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.
- 13.18. 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.

- 13.19. Due to the announcement at the Final Settlement that 90% of DSG deficits held at the end of 2025/26 will be financed through grant, the original estimated figures for DSG deficit financing costs have reduced from £1.610m to £0.731m, a reduction of £0.879m. This estimate is based on our understanding of the timing of grant payments, which are due in the autumn.

14. Other Essential Budget Growth

- 14.1. £2.118m of other budgetary growth is included in the draft 2026/27 budget. This includes £0.798m funding for Food Waste in line with Environmental Act requirements, £0.485m of increased IT costs through inflationary uplifts and higher licensing charges and £0.192m to adjust for lost income following the closure of the Guildhall. It also includes additional provision for Play Equipment of £0.050m, and additional City Centre cleansing costs of £0.079m.

15. Invest to Save Projects

Table 17: Invest to Save Projects

Children's Directorate	£m
No Wrong Door	(1.961)
Recruit own Therapist and In-House Therapy Team	(1.854)
Invest to Save Residential Homes	(0.518)
Total	(4.333)

- 15.1. The Children's Directorate has proposed a series of invest-to-save initiatives aimed at reducing future budget pressures. These include:
- 'No Wrong Door' Project – providing short-term respite solutions for adolescents on the edge of care and their families.
 - Therapies Project – delivering in-house therapeutic services and targeted specialist fostering support.
- 15.2. Both projects are expected to reduce future demand on services and are recommended for funding through capital receipt flexibilities due to their transformative nature.
- 15.3. In addition, the planned introduction of two new Local Authority residential children's homes by 2027/28 is forecast to deliver an initial net saving of £0.518 million in 2026/27.

16. Management Action and Cabinet Savings Proposals

- 16.1. Directorates have identified £10.543m of additional savings plans, a summary of the total per Directorate is below.

Table 18: Savings by Directorate

Directorate	Savings £m
Adults	(4.254)
Children's	(2.431)
Growth	(0.635)
ODPH	(0.881)
Customer and Corporate & Chief Exec	(2.342)
Total	(10.543)

16.2. Cabinet have identified further savings proposals for 2026/27 of £2.267m.

16.3. Appendix 7 provides a breakdown of the detail of these proposals.

17. The Council's Reserves

17.1. The Council has established several 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.

17.2. 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.

17.3. 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. The final budget submission for Full Council will include a revised Reserves Strategy covering the period of the Medium-Term Financial Plan.

Unusable Reserves

17.4. The Council holds several unusable reserves on its Balance Sheet, which cannot be used to support day-to-day spending. These reserves are maintained to comply with statutory requirements and proper accounting practices. Although they do not affect the Council's cash position, they are essential for presenting a true and fair view of its financial standing in accordance with accounting standards.

17.5. Further details on the purpose of the largest of these reserves are provided below.

Table 19: Unusable Reserves Breakdown at end of 2024/25

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

Revaluation Reserve

- 17.6. The Revaluation Reserve records the gain from increases in the value of the Council's Property, Plant, and Equipment since its creation on 1 April 2007. The balance decreases when assets with accumulated gains are revalued downward or impaired, used in service provision and consumed through depreciation, or disposed of and the gains are realized. Any gains prior to 1 April 2007 are included in the Capital Adjustment Account.

Capital Adjustment Account

- 17.7. The Capital Adjustment Account records the timing differences between accounting for the consumption of non-current assets and financing their acquisition, construction, or enhancement under statutory provisions. It is debited for costs such as depreciation, impairment losses, and amortisation charged to the CIES, and credited for amounts set aside by the Council to finance these costs. The account also holds accumulated gains and losses on investment properties, gains on donated assets yet to be consumed, and revaluation gains on Property, Plant, and Equipment prior to 1 April 2007, before the creation of the Revaluation Reserve

Financial Instruments Adjustments Account

- 17.8. The Financial Instrument Adjustment Account manages timing differences in accounting for income and expenditure on certain financial instruments under statutory rules. It is mainly used to handle premiums and discounts from early loan redemptions.

Pensions Reserve

- 17.9. The Pensions Reserve records timing differences between accounting for post-employment benefits and funding them under statutory rules. The debit balance reflects the shortfall between earned benefits and resources set aside, but statutory provisions ensure funding will be in place when benefits are paid.

Dedicated Schools Grant Deficit Account

- 17.10. The Dedicated Schools Grant (DSG) Adjustment Account holds accumulated deficits on the schools budget, which cannot be charged to the General Fund under statutory regulations. For 2024/25, the centrally held DSG elements were overspent by £14.245m, mainly due to rising SEND placement costs, adding to a prior deficit of £4.253m. This results in a total carried-forward overspend of £18.498m, which must be recovered from future DSG funding in line with Government guidance. DSG deficits are held in this unusable reserve, separate from the General Fund, under the statutory override extended to 2027/28.
- 17.11. Plymouth forecasts an in-year High Needs Block pressure of £35.250m for 2025/26, adding to an £18.498m brought-forward deficit, totalling £54.261m.
- 17.12. At the Final Settlement it was announced that 90% of DSG deficits held at the end of 2025/26 will be funded in Autumn 2026 via a High Needs Stability Grant.

Usable Reserves

- 17.13. The Council also holds a number of Usable Reserves, which can be applied to support service delivery, subject to maintaining a prudent level of reserves and complying with 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.

- 17.14. 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.

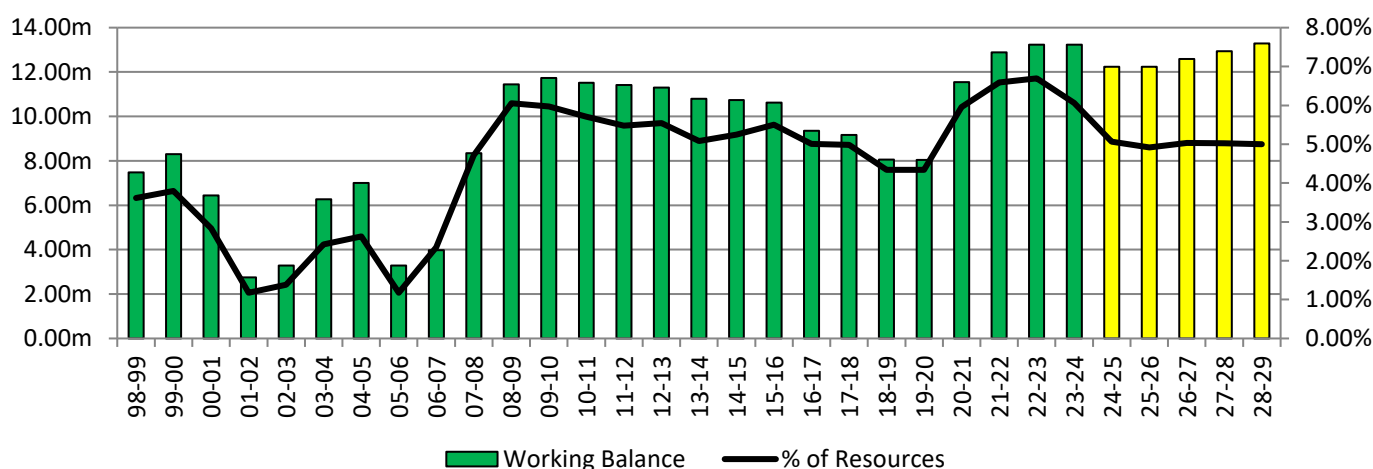
Table 20: Usable Reserves Breakdown at end of 2024/25

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

18. General Fund Balance (Working Balance)

- 18.1. 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 was historically set at 5% of the net revenue budget.
- 18.2. Adjustments in 2024/25 increased the Working Balance to £11.862m, representing 4.9% of the net revenue budget for that year.
- 18.3. The current in year 2025/26 overspend is showing as £4.874m which represents 2% of the £253m net revenue budget, but it would consume around half of the available General Fund reserve.
- 18.4. Building reserves is extremely challenging. The graph below illustrates that it has taken decades to reach the 5% target for General Fund reserves as a proportion of the total budget.
- 18.5. Ongoing budgetary pressures from statutory services leave very limited capacity to replenish reserves, which are essential for financial resilience. This challenge becomes even greater when reserves are needed to cover in-year pressures.

Graph 2: Working Balance Levels – prior to SFA changes



- 18.6. The historic 5% Working Balance target has been reviewed in light of the Fair Funding changes. A key factor is the roll in of several specific grants into Core Resources rather than funding them directly within service budgets. While this change does not alter the Council's

overall level of financing, it significantly increases the reported net revenue budget and therefore changes the basis for calculating reserve adequacy. Under these revised arrangements, the provisional net revenue budget for 2026/27 increases to £326.295m (from £253.418m), meaning the current Working Balance would fall to 3.6% of the new total.

- 18.7. To reflect this change, a revised Working Balance target of 3.6% will be maintained throughout the three year Fair Funding transition period, before gradually increasing back to 5% over the following five years. Meeting this trajectory will require annual contributions to the Working Balance of approximately £0.318m in 2027/28, £0.471m in 2028/29, and an estimated £0.643m in 2029/30 and £0.676m in 2030/31. This phased approach supports prudent financial planning while recognising the limited capacity to grow reserves in the current budget environment.

19. Earmarked General Fund Reserves

- 19.1. 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:

a) *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.

b) *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.

c) *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.

d) *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.

20. Conclusion (Revenue Budget)

- 20.1. This report sets out a proposed balanced budget. It includes all the information afforded to us from the Provisional Local Government Settlement, and there will be changes to reflect any final government adjustments.
- 20.2. To reach this position, Cabinet Members and Senior Officers have reflected the increases in both demand and cost of vital services and presented deliverable savings.
- 20.3. The 2026/27 budget proposals include reliance on one-off funding. MTFP modelling for 2027/28 shows it is imperative that all proposed savings are delivered in 2026/27; plans are

implemented to reduce the overall cost base of running the Council; all savings are sustainable and on-going, and a Reserves Policy clearly sets out the plan to replenish and more importantly increase the general financial reserves.

- 20.4. The report is also premised on a Council Tax increase of two-point nine nine percent (2.99%) and an Adult Social Care Precept increase of two percent (2%). These increases will need to have been recommended by Cabinet to Full Council for a decision at the meeting 23 February 2026
- 20.5. It will be another difficult financial year for the Council, but Cabinet and officers are aware of the challenges and will continue to closely monitor the finances during 2026/27
- 20.6. Financial risks have been highlighted in the relevant sections of this report. We are awaiting the publication of the Government's White Paper on its proposals to support local authorities with the year-on-year increases to the Dedicated School Grant (DSG) deficit. Although the deficit is currently held outside of the revenue budget, it is having an impact through the cost of borrowing to finance the gap.
- 20.7. Throughout 2025/26 both Officers and Cabinet have continued their review of the Capital Programme. The Capital section of this report reflects the result of the revision to £319m. Although the reductions were not all reliant on borrowing, they have had a favourable impact on the overall borrowing cost exposure.
- 20.8. Included in the proposed budget is the flexible use of Capital Receipts totalling £3.618m. It is imperative that the initiatives funded in the manner are successful in generating the associated savings.
- 20.9. This draft budget is built on £2.752m drawdown from reserves plus over £17m of proposed savings. Management must ensure these are delivered during the year and are not swapped out for further one-off solutions.
- 20.10. The reliance on one-off funding is not sustainable. To offset the one-off monies used to balance this budget, Senior Officers:
 - Have reflected the increased funding allocations set out in the Final Settlement.
 - Will analyse the financial impact of the anticipated White Paper on SEND provision.
 - Will prepare a Cabinet Report detailing the Council's Transformation Programme, setting out in detail the work streams and savings covering the period of this budget and MTFP, in March 2026.
 - The Transformation Programme Service Delivery work stream will include a project for delivery of a new Target Operating Model and cost base for the Council.

21. Medium Term Financial Plan (MTFP)

- 21.1. As part of preparing the 2026/27 Budget, future financial years have also been modelled and assessed.
- 21.2. For modelling purposes only, Council Tax assumptions have been set at the current referendum threshold limits. It should be noted, however, that there remain ongoing forecast shortfalls in resources alongside anticipated continuing pressures from costs and service demand. Work is already under way to identify options to achieve a balanced position in these future years.

- 21.3. The MTFP will continue to be closely monitored and updated to reflect emerging Government policy and any new Council initiatives designed to mitigate the projected financial gap. Further analysis is currently being undertaken to confirm the full impact of additional costs and planned savings for 2026/27, together with updated estimates of grant funding. This will also incorporate revised treasury management costs required to fund both the existing and future capital programme. An updated MTFP is provided at Appendix 13.

22. Tamar Bridge and Torpoint Ferry

- 22.1. The Tamar Bridge and Torpoint Ferry (TBTF) are operated, maintained and improved jointly by Cornwall Council and Plymouth City Council on a 'user pays' principle, being funded from toll income using powers derived from the Tamar Bridge Act. The finances are effectively ring-fenced, and it is operated as a self-financing business
- 22.2. The TBTF Joint Committee met on 12th January 2026 and recommended to the Councils of the parent authorities via the Cabinet of the Parent Authorities that the 2026/27 revenue budget and capital programme and the draft 2026/27 business plan be approved (see Appendix 13). This Council's budget is prepared on the basis of a net nil impact in relation to this. However, an appropriate recommendation has been included to address the recommendations of the Joint Committee.

23. Equality & Diversity

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

Section 2 - Capital Budget

24. Capital Budget

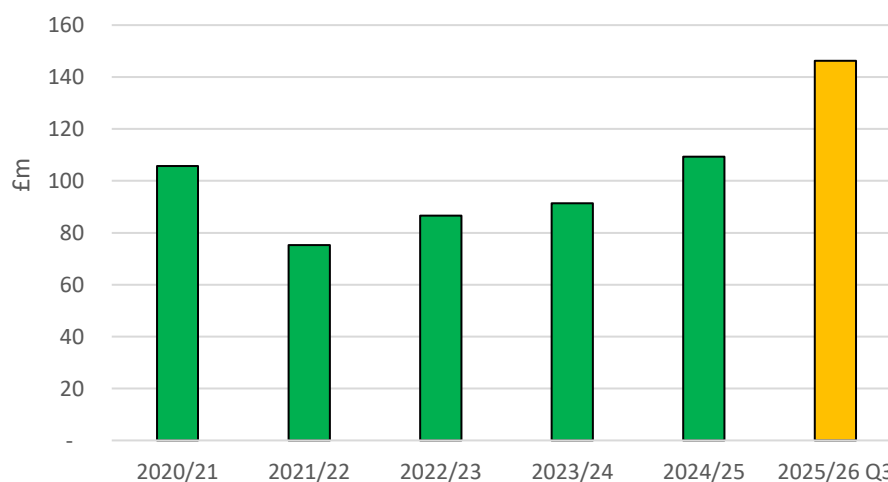
- 24.1. This section of the report sets out the draft capital budget, with the details included as Appendix A to this report.
- 24.2. The Plymouth Plan is the principal driver for the capital programme. Accordingly, the programme includes proposals to support new homes across the area, create new jobs, and to continue a major investment programme in modernising infrastructure, including transport, schools, public realm and green spaces.
- 24.3. This investment is assisting Plymouth in becoming the key economic driver for the far Southwest; it will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment supports growth within the local economy and is generating additional business rates, Council Tax, and Community Infrastructure Levy (CIL).

- 24.4. The Council continues to take a strategic approach to the Capital Programme, ensuring that sufficient funding is available to meet the requirements of the programme through its Capital and Treasury Management strategies. Cabinet will be asked to review a Capital Strategy and a Treasury Management Strategy at its meeting in February, following consideration of draft strategy documents by the Audit and Governance Committee at its meeting in January 2026. The Treasury Management and Capital Strategies will be finalised and formally adopted, alongside an updated capital budget, as part of the overall 2026/27 budget set by the City Council meeting.
- 24.5. This section provides Cabinet with an update on the developing capital budget at a draft stage ahead of the final stages of the budget setting process. During 2025/26 the Council has continued to utilise new capital governance processes with mandates for future projects and business cases being firstly considered by the Capital Programme Officer Group (CPOG) and then onto Capital Programme Board (CPB) to be endorsed for the future capital programme. CPOG and CPB have recently undertaken a full review of the Capital Programme, resulting in recommendations to re-profile or remove schemes. Cabinet is asked to approve the revised capital programme £319.725m.
- 24.6. The revised capital programme maintains a high level of investment to meet the objectives of the Plymouth Plan, whilst re-aligning capital budgets to more realistic, updated timescales, and reducing the council's overall borrowing projections to lower, more affordable levels.
- 24.7. Nonetheless, the Capital Programme will continue to deliver across a greater scale than in previous years through investment in a wide range of projects including Armada Way, the regeneration of the Civic Centre, completion of the Woolwell to The George major transport scheme, the delivery of infrastructure for the Plymouth and South Devon Freeport and the ongoing Sustainable Transport Programme. Much of this growth in our programme of investment has been supported by external grant funding secured from a range of government sources. The graph below shows how annual expenditure has changed over the past five years, together with the latest forecast for expenditure during the current financial year.

25. Capital Expenditure 2020/21 – 2025/26

Graph 3: 5 Year Capital Outturn 2020/21 to 2025/26

5 Year Capital Outturn 2020/21 to 2025/26



- 25.1. The table below shows the breakdown of the revised five-year Capital Programme forecast across the Directorates as at 31 December 2025. A full breakdown of the Capital Programme is available in Appendix A.

Table 22: Five-Year Approved Capital Programme by Directorate

Directorate	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Children's Services	3.719	0.935	0.410	-	-	5.064
Adults, Health and Communities	15.421	9.968	1.904	-	-	27.293
Growth - Economic Development	38.067	32.403	34.920	8.160	0.266	113.816
Growth - Strategic Planning & Infrastructure	62.362	59.639	11.527	1.933	0.275	135.736
Growth - Street Services	20.295	8.551	0.222	0.212	0.247	29.527
Customer & Corporate Services	5.168	2.442	0.100	0.101	-	7.811
Office for Director of Public Health	0.478	-	-	-	-	0.478
Total	145.510	113.938	49.083	10.406	0.788	319.725
Finance by:	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Capital Receipts	10.872	4.163	1.189	1.762	0.266	18.252
Grant Funding	79.616	47.935	16.275	0.193	0.296	144.315
Corporate Funded borrowing	35.026	19.032	17.373	5.188	-	76.619
Service dept. supported borrowing	16.266	32.634	13.312	3.161	0.226	65.599
Developer contributions	1.136	10.159	0.934	0.102	-	12.331
Other Contributions	2.594	0.015	-	-	-	2.609
Total	145.510	113.938	49.083	10.406	0.788	319.725

- 25.2. There are two programmes of work currently going through the capital governance process to be approved onto the five-year capital programme in the near future. These are both multi-year programmes for the council's core infrastructure – our highways network, corporate buildings and foreshore assets. As part of developing a more strategic approach to the capital programme, supporting good asset management, longer term approvals have been developed to fund:
- Improvements to the Council's Corporate Estate planned between 2026 and 2029 totalling £7.250m. If approved, this programme would be financed by corporate borrowing.
 - Structural works and improvements to Highways and Transport infrastructure from 2026 to 2030, totalling £55.672m. If approved, this programme would be financed by a combination of internal and external resources including Department for Transport (DfT) Highway Maintenance funding of £22.933m, DfT Local Transport Grant (formerly known as Integrated Transport Block funding) of £13.409m, and Corporate Borrowing of £19.208m.

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

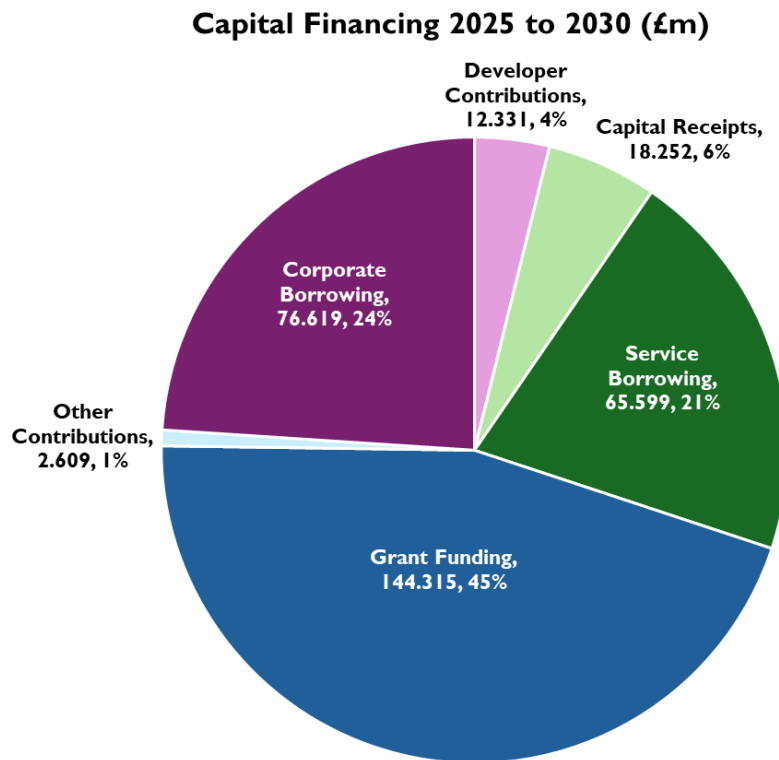
Table 23: Five-Year Approved Capital Programme by Outcome

Primary Outcome of Projects	£m
Delivering a Net Zero Plymouth	64.187
Delivering a sustainable City Centre and Waterfront	74.861
Delivering a sustainable Derriford / Northern Corridor	31.166
Delivering a sustainable Eastern Corridor	24.483
Delivering sustainable homes for the city	31.035
Delivering essential City infrastructure / Improving neighbourhoods	12.112
Improving neighbourhoods, community infrastructure	10.670
Ensuring sufficient good quality school places	2.592
Delivering a sustainable economy	44.411
Connecting the City	0.590
Transforming Services	23.618
Total	319.725

26. Funding of the Capital Programme

26.1. The Council works hard to ensure a significant proportion of the funding for the Programme comes from external sources – grants from other organisations, government departments and agencies fund approximately 45% of our investment programme. Capital receipts fund c. 6% of the programme, with contributions including S106 and CIL constituting c. 5%. This leaves 44% of the programme being financed from internal resources through corporate and service borrowing. A breakdown of the funding sources for the 5-year programme is shown in the chart below.

Graph 4: Capital Financing 2025-2030 (£m)



- 26.2. The Council takes an organised and proactive approach to identifying, bidding for, and then securing external grants, which reduces the pressure on the revenue budget. To ensure the capital programme remains sustainable in the long term, officers continue to regularly monitor the level of borrowing.

27. Prudential Code

- 27.1. The *Prudential Code for Capital Finance in Local Authorities (2021 edition)*, published in December 2021, introduced significant changes to previous guidance, particularly in relation to commercial investments and the management of associated risks. The most material change is that local authorities must not borrow to invest primarily for financial return. Borrowing is permissible only where the investment is undertaken for service delivery or regeneration purposes within the authority's area. These changes have direct implications for the revenue budget, and accordingly all projects have been reviewed to ensure full compliance with the updated Code.
- 27.2. The Council's commercial property and development activity operates within robust and effective governance arrangements, as set out in the Non-Treasury Investment Strategy (Appendix 12 Section 3). This includes clear decision-making processes, defined risk parameters, and regular performance monitoring. The Council benefits from a small team of experienced inhouse chartered surveyors, including specialist staff appointed to support the Property and Regeneration Fund, all of whom bring substantial professional expertise from the private sector in property fund and asset management.
- 27.3. The Capital Strategy provides an overview of how capital and commercial investment risks are identified, managed and mitigated, and sets out the implications for the Council's long-term financial sustainability. The Capital Strategy and Treasury Management Strategy (Appendices

11 and 12) were approved by the Audit and Governance Committee in January 2026. Both documents have since been updated to reflect the latest financial position and statutory guidance.

28. Conclusion

- 28.1. The Capital Programme sets out a comprehensive investment plan, with all associated financial implications fully reflected in the revenue budget. This investment supports the city's wider growth ambitions by enabling regeneration, stimulating the local economy, and helping to create employment opportunities. The actions taken in 2025/26 to reprofile the programme have provided greater clarity and improved planning. Any new projects added to the programme must clearly align with the Council's priorities and be profiled within the appropriate financial year.

Appendix A - Capital Programme

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
Children's Services - Residential Homes	1.282	0.300	0.410	-	-	1.992	-	-	1.992	-	-	-	-	1.992
Children's Services - other social care	0.157	0.291	-	-	-	0.448	-	-	0.390	-	-	0.058	-	0.448
Children's Services - SEND sufficiency	1.545	0.205	-	-	-	1.750	-	-	-	1.750	-	-	-	1.750
Children's Services - other education / early years	0.735	0.139	-	-	-	0.874	-	0.009	-	0.858	0.002	-	0.005	0.874
TOTAL CHILDREN'S SERVICES	3.719	0.935	0.410	-	-	5.064	-	0.009	2.382	2.608	0.002	0.058	0.005	5.064
Adults & Community Services - Meadow View	6.442	3.909	1.904	-	-	12.255	0.790	0.469	10.996	-	-	-	-	12.255
Adults & Community Services - The Royal Building	0.048	-	-	-	-	0.048	-	-	0.048	-	-	-	-	0.048
Adults & Community Services - Family Hubs / Youth & Community centres	1.602	-	-	-	-	1.602	-	1.508	-	0.080	-	-	0.014	1.602
Adults & Community Services - Disabled Facilities	4.496	0.300	-	-	-	4.796	-	-	-	4.396	0.400	-	-	4.796
Adults & Community Services - Dispersed Temporary Housing Programme	-	5.000	-	-	-	5.000	-	-	-	5.000	-	-	-	5.000
Adults & Community Services - Other housing / homelessness	2.683	0.123	-	-	-	2.806	-	-	0.490	2.316	-	-	-	2.806
Adults & Community Services - Eclipse project	0.150	0.636	-	-	-	0.786	-	-	0.786	-	-	-	-	0.786
TOTAL ADULTS & COMMUNITY SERVICES	15.421	9.968	1.904	-	-	27.293	0.790	1.977	12.320	11.792	0.400	-	0.014	27.293
Public Health - the Park Crematorium	0.247	-	-	-	-	0.247	-	0.247	-	-	-	-	-	0.247
Public Health - Foulson Park and other leisure	0.231	-	-	-	-	0.231	-	0.176	-	0.055	-	-	-	0.231
TOTAL PUBLIC HEALTH	0.478	-	-	-	-	0.478	-	0.423	-	0.055	-	-	-	0.478
Customers & Communities - ICT Device Replacement	0.858	0.070	0.100	0.101	-	1.129	-	1.129	-	-	-	-	-	1.129
Customers & Communities - i-Trent	0.273	-	-	-	-	0.273	-	0.273	-	-	-	-	-	0.273
Customers & Communities - Delt 'Lights on' infrastructure	0.280	0.418	-	-	-	0.698	-	0.698	-	-	-	-	-	0.698
Customers & Communities - Other ICT	0.983	1.302	-	-	-	2.285	-	0.398	1.887	-	-	-	-	2.285
Customers & Communities - FM Asset Management & Maintenance	2.433	0.608	-	-	-	3.041	-	3.041	-	-	-	-	-	3.041
Customers & Communities - Public Toilets	0.139	0.044	-	-	-	0.183	-	0.158	-	-	-	-	0.025	0.183
Customers & Communities - Accommodation Strategy	0.202	-	-	-	-	0.202	-	0.034	0.168	-	-	-	-	0.202
TOTAL CUSTOMERS AND COMMUNITIES	5.168	2.442	0.100	0.101	-	7.811	-	5.731	2.055	-	-	-	0.025	7.811

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
Growth (Economic Dev.) - Freeport programme	14.268	4.304	4.012	-	-	22.584	-	-	4.013	18.571	-	-	-	22.584
Growth (Economic Dev.) - Civic Centre	5.575	9.357	23.525	7.904	-	46.361	-	16.757	2.971	26.633	-	-	-	46.361
Growth (Economic Dev.) - Guildhall	3.724	-	-	-	-	3.724	-	1.309	0.193	2.222	-	-	-	3.724
Growth (Economic Dev.) - West End redevelopment	0.876	2.519	-	-	-	3.395	-	0.486	2.492	0.417	-	-	-	3.395
Growth (Economic Dev.) - Railway Station redevelopment	0.063	0.018	0.155	0.096	0.258	0.590	-	0.590	-	-	-	-	-	0.590
Growth (Economic Dev.) - PRF Embankment Road	0.030	6.931	6.961	-	-	13.922	-	-	13.922	-	-	-	-	13.922
Growth (Economic Dev.) - other PRF schemes	3.629	2.854	-	-	-	6.483	-	-	5.302	1.181	-	-	-	6.483
Growth (Economic Dev.) - National Marine Park	7.982	4.218	0.249	0.152	-	12.601	-	4.168	-	7.933	0.500	-	-	12.601
Growth (Economic Dev.) - other regeneration schemes	1.289	2.173	-	-	-	3.462	-	2.467	0.015	0.980	-	-	-	3.462
Growth (Economic Dev.) - Investment Fund & UKSPF	0.446	0.029	0.018	0.008	0.008	0.509	0.290	-	-	0.219	-	-	-	0.509
Growth (Economic Dev.) - Mount Edgecumbe	0.185	-	-	-	-	0.185	0.166	-	-	0.014	0.005	-	-	0.185
TOTAL GROWTH (ECONOMIC DEV.)	38.067	32.403	34.920	8.160	0.266	113.816	0.456	25.777	28.908	58.170	0.505	-	-	113.816
Growth (Highways) - Highways Structural Maintenance	0.548	0.500	-	-	-	1.048	-	1.048	-	-	-	-	-	1.048
Growth (Highways) - Highways Carraigeway & Footway Maintenance	6.480	-	-	-	-	6.480	-	1.972	-	4.493	0.015	-	-	6.480
Growth (Highways) - Signals, Lighting & Other Highways Maintenance	3.991	2.000	-	-	-	5.991	-	4.551	0.630	0.558	0.115	0.137	-	5.991
Growth (Highways) - Safety & Other Minor Highways schemes	0.550	0.581	-	-	-	1.131	-	0.816	-	0.271	-	0.044	-	1.131
Growth (Highways) - Living Streets	0.164	0.139	-	-	-	0.303	-	0.303	-	-	-	-	-	0.303
Growth (Highways) - Highway CCTV	0.077	-	-	-	-	0.077	-	0.061	-	0.016	-	-	-	0.077
Growth (Highways) - Parking	0.272	-	-	-	-	0.272	-	-	0.264	-	-	0.008	-	0.272
TOTAL GROWTH (HIGHWAYS)	12.082	3.220	-	-	-	15.302	-	8.751	0.894	5.338	0.130	0.189	-	15.302
Growth (Waste & Environment) - Food Waste	2.211	0.077	0.008	-	-	2.296	-	-	0.354	1.942	-	-	-	2.296
Growth (Waste & Environment) - Vehicle, Container & Plant replacement	2.753	3.673	0.190	0.191	0.226	7.033	0.033	0.381	6.565	-	-	-	0.054	7.033
Growth (Waste & Environment) - Chelson Meadow maintenance / upgrade	0.245	-	-	-	-	0.245	-	0.245	-	-	-	-	-	0.245
Growth (Waste & Environment) - Plymouth & South Devon Comm. Forest	1.309	-	-	-	-	1.309	-	-	-	1.290	0.019	-	-	1.309
Growth (Waste & Environment) - Ocean City Biodiversity Loan	0.150	0.350	-	-	-	0.500	-	0.500	-	-	-	-	-	0.500
Growth (Waste & Environment) - Other Nature & Trees (incl. VIMS)	0.521	0.222	0.024	0.021	0.021	0.809	-	0.065	0.022	0.493	-	0.229	-	0.809
Growth (Waste & Environment) - Derriford Park Improvements	0.407	0.419	-	-	-	0.826	-	-	-	0.382	-	0.444	-	0.826
Growth (Waste & Environment) - Central Park Improvements	0.521	-	-	-	-	0.521	-	0.389	-	0.027	-	0.159	-	0.521
Growth (Waste & Environment) - other Parks, Pitches & Play Equipment	0.096	0.590	-	-	-	0.686	0.268	0.020	-	0.150	0.007	0.241	-	0.686
TOTAL GROWTH (WASTE & ENVIRONMENT)	8.213	5.331	0.222	0.212	0.247	14.225	0.301	1.600	6.941	4.230	0.026	1.073	0.054	14.225
TOTAL GROWTH (STREET SERVICES)	20.295	8.551	0.222	0.212	0.247	29.527	0.301	10.351	7.835	9.568	0.156	1.262	0.054	29.527

CAPITAL PROGRAMME (DECEMBER 2025)

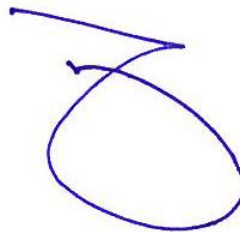
	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
Growth (Climate Emergency) - CM Solar Farm	0.050	12.085	-	-	-	12.135	-	-	12.095	-	-	-	0.040	12.135
Growth (Climate Emergency) - District Heating scheme	0.085	1.041	0.400	0.275	0.275	2.076	-	-	-	1.574	-	0.502	-	2.076
Growth (Climate Emergency) - Electric Charging Infrastructure (LEVI)	0.168	-	-	-	-	0.168	-	0.168	-	-	-	-	-	0.168
Growth (Climate Emergency) - PCC Estate Decarbonisation	0.544	1.869	0.415	-	-	2.828	-	0.286	0.005	2.537	-	-	-	2.828
Growth (Climate Emergency) - Home Energy / Warm Homes	0.482	1.123	3.977	-	-	5.582	-	-	-	5.582	-	-	-	5.582
TOTAL GROWTH (CLIMATE EMERGENCY)	1.329	16.118	4.792	0.275	0.275	22.789	-	0.454	12.100	9.693	-	0.502	0.040	22.789
Growth (Transport) - Woolwell to the George	9.346	12.468	5.111	-	-	26.925	-	10.622	-	9.346	-	6.957	-	26.925
Growth (Transport) - Manadon	4.023	12.932	-	-	-	16.955	-	2.059	-	14.896	-	-	-	16.955
Growth (Transport) - Charlton Road	0.692	1.171	-	-	-	1.863	-	1.687	-	0.176	-	-	-	1.863
Growth (Transport) - Plymouth Major Road Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Growth (Transport) - Other Strategic Transport schemes	1.941	7.144	-	-	-	9.085	-	2.019	-	6.224	-	0.842	-	9.085
Growth (Transport) - Bus grants (ZEBRA & other)	10.747	2.469	-	-	-	13.216	-	-	-	11.560	1.181	0.375	0.100	13.216
Growth (Transport) - Eastern Corridor Cycle network	1.218	2.021	0.511	-	-	3.750	-	-	-	2.082	-	1.668	-	3.750
Growth (Transport) - Other active travel schemes	0.577	0.634	-	-	-	1.211	0.010	0.004	-	1.177	0.015	0.005	-	1.211
TOTAL GROWTH (TRANSPORT)	28.544	38.839	5.622	-	-	73.005	0.010	16.391	-	45.461	1.196	9.847	0.100	73.005
Growth (Other infrastructure) - Armada Way	18.255	1.167	-	-	-	19.422	7.888	11.534	-	-	-	-	-	19.422
Growth (Other infrastructure) - Royal Parade	5.515	0.404	-	-	-	5.919	-	4.399	-	1.500	-	0.020	-	5.919
Growth (Other infrastructure) - Other Public Realm / Better Places	0.227	-	-	-	-	0.227	-	0.227	-	-	-	-	-	0.227
Growth (Other infrastructure) - Flood Risk Management	3.840	-	-	-	-	3.840	-	-	-	3.840	-	-	-	3.840
Growth (Other infrastructure) - Plan for Homes	4.652	3.111	1.113	1.658	-	10.534	8.239	0.020	-	1.628	0.006	0.641	-	10.534
TOTAL GROWTH (Other infrastructure)	32.489	4.682	1.113	1.658	-	39.942	16.127	16.180	-	6.968	0.006	0.661	-	39.942
TOTAL GROWTH (Strategic Planning and Infrastructure)	62.362	59.639	11.527	1.933	0.275	135.736	16.137	33.025	12.100	62.122	1.202	11.010	0.140	135.736
TOTAL GROWTH	120.724	100.593	46.669	10.305	0.788	279.079	16.894	69.153	48.843	129.860	1.863	12.272	0.194	279.079
TOTAL PCC CAPITAL PROGRAMME	145.510	113.938	49.083	10.406	0.788	319.725	17.684	77.293	65.600	144.315	2.265	12.330	0.238	319.725

Appendix I - Council Tax Resolution 2026/27 – To follow

Appendix 2 - Equality Impact Assessment

EQUALITY IMPACT ASSESSMENT – BUDGET 2026/27

SECTION ONE: INFORMATION ABOUT THE PROPOSAL

Author(s): The person completing the EIA template.	Harry Tredinnick	Department and service:	Finance	Date of assessment:	13/02/26
Lead Officer: Head of Service, Service Director, or Strategic Director.	David Northey, Interim Service Director for Finance	Signature:		Approval date:	13/02/26
Overview:	Scope of this Equality Impact Assessment: This Equality Impact Assessment (EIA) relates to the Council's proposed Budget for 2026/27. It considers the potential impacts of the proposed Council Tax increase and the overall increases to directorate budgets on people, who share protected characteristics as defined by the Equality Act 2010. Whilst it is not a statutory requirement, this EIA also considers the impact of these proposals on people who share the characteristic of being care experienced, which was adopted by the Council as a local protected characteristic in March 2023, as well as on low income households and others who are particularly exposed to cost of living pressures income households and others who are particularly exposed to cost of living pressures-income households and others who are particularly exposed to cost-of-living pressures This Equality Impact Assessment does not cover individual departmental savings proposals or other decisions that may be taken as part of the wider budget setting process. Any savings proposals will be developed separately by Departmental Management Teams and considered through the Council's established decision-making procedures. Where a savings proposal requires an Executive Decision, a proportionate Equality Impact Assessment will be completed to inform that decision setting process.				

Where proposals approved in 2025/26 deliver ongoing savings in 2026/27, the Equality Impact Assessments completed at the time will be reviewed to ensure that the identified mitigations remain appropriate and effective.

Context:

The Council has a statutory duty to set a balanced budget for each financial year, and the Council's Section 151 Officer is required to provide a statement as part of the budget documentation setting out their view on the robustness of the proposed budget.

The 2026/27 budget assumes that both the core Council Tax and the Adult Social Care precept will increase in line with the policy framework set out in the Autumn Budget 2025 and reflected in the Provisional Local Government Finance Settlement published in December 2025. No decision has yet been taken on the Council Tax charge for 2026/27; this will be a decision made by Full Council in February 2026.

Public engagement to support the 2026/27 Budget setting process ran between 10 November and 14 December 2025. A simple online questionnaire was developed to identify which priorities respondents felt the Council should focus on over the coming year. The questionnaire was available online through Plymouth City Council's consultation portal and hard copies were made available upon request. The results of this engagement have been analysed and are included where relevant in this EIA.

This Equality Impact Assessment will be kept under active review throughout the budget setting process and will not be finalised until the 2026/27 budget has been agreed.

The 2026/27 Budget assumes new savings totaling £17.143m as set out in the 2026/27 Budget report.

Impact of budget proposals on low-income families:

In the Autumn Budget 2025 the Chancellor announced:

- Freezing of income tax and National Insurance thresholds until 2031
- Increases to the National Living Wage
- An increase in Universal Credit by 6.2%
- Removal of the two-child limit in Universal Credit-child limit in Universal Credit

The English Indices of Deprivation 2025 show that, of the 317 lower tier local authority districts in England, Plymouth is ranked 87th most deprived based on the overall average score measure. This places the city within the 40% most deprived local authorities nationally. Although Plymouth's relative position has improved since 2019, a significant number of neighbourhoods remain among the most deprived in England. For residents living in these areas, ongoing cost of living pressures are likely to exacerbate existing financial insecurity and may contribute to widening inequalities across the city.

Low-income households and other financially vulnerable groups are disproportionately affected by reductions in frontline council services. The Council continues to face significant demand and cost pressures across key statutory services, including Adult Social

	Care, Children's Social Care, homelessness and the use of bed and breakfast accommodation, and its duty to provide home to school transport for the most vulnerable children. The 2026/27 budget does not include reductions to critical frontline services. Any increases to fees and charges have been made in accordance with the Council's Fees and Charges Policy, which was subject to a full Equality Impact Assessment at the point of adoption. Whilst the impact of increases in Council Tax cannot be fully mitigated, Plymouth City Council operates a Council Tax Support scheme which limits the amount payable by eligible households to a maximum of 20 per cent of their Council Tax liability. In addition, an Exceptional Hardship Policy is in place to provide discretionary support to residents who are experiencing severe financial difficulty. From April 2026 to March 2029, the government has awarded the Council a £4.2 million per year Crisis Resilience Fund, which will also support households experiencing financial crisis.
Decision required:	Council will need to set a balanced budget for 2026/27 in February 2026.

SECTION TWO: EQUALITY IMPACT ASSESSMENT SCREENING TOOL

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

SECTION THREE: FULL EQUALITY IMPACT ASSESSMENT

Protected characteristics (Equality Act, 2010)	Evidence and information (e.g. data and consultation feedback)	Adverse impact	Mitigation activities	Timescale and responsible department
Age	Plymouth • 16.4 per cent of people in Plymouth are children aged under 15. • 65.1 per cent are adults aged 15 to 64. • 18.5 percent are adults aged 65 and over. • 2.4 percent of the resident population are 85 and over. South West • 15.9 per cent of people are aged 0 to 14, 61.8 per cent are aged 15 to 64. • 22.3 per cent are aged 65 and over. England • 17.4 per cent of people are aged 0 to 14. • 64.2 per cent of people are aged 15 to 64. • 18.4 per cent of people are aged 65 and over. (2021 Census)	Older people are disproportionately impacted by reductions in Adult Social Care provision. Children and younger people are disproportionately impacted by reductions in Children's Social Care and Home to School Transport.	Additional budget growth of £11.175m has been allocated to Adult Social Care budgets, to reflect anticipated cost and demand pressures. The budget assumes the full 2% Adult Social Care precept allowed by Government which will provide an additional £2.972m. Additional budget growth of £9.479m has been allocated to Children's Social Care budgets, to reflect anticipated cost and demand pressures. The budget makes an additional allocation of £2.094m to support Home to School Transport.	Adults, Health and Communities Directorate and Children's Directorate to assess the impact of related stretch savings targets as noted above.

Care experienced individuals (Note that as per the Independent Review of Children's Social Care recommendations, Plymouth City Council is treating care experience as though it is a protected characteristic).	It is estimated that 26 per cent of the homeless population in the UK have care experience. In Plymouth there are currently 7 per cent of care leavers open to the service (6 per cent aged 18-20 and 12 per cent of those aged 21+) who are in unsuitable accommodation. The Care Review reported that 41 per cent of 19-21 year old care leavers are not in education, employment or training (NEET) compared to 12 per cent of all other young people in the same age group. In Plymouth there are currently 50 per cent of care leavers aged 18-21 Not in Education Training or Employment (54 per cent of all those care leavers aged 18-24 who are open to the service). There are currently 195 care leavers aged 18 to 20 (statutory service) and 58 aged 21 to 24 (extended offer). There are more care leavers aged 21 to 24 who could return for support from services if they wished to.	Care experienced individuals may be disproportionately affected by cuts to the homelessness, and Skills, Education and Children's Services budgets.	The budget allocates and additional £0.797m to relieve pressure on the budget from households in bed and breakfast accommodation.	Adult, Health and Communities Directorate and Children's Directorate to assess the impact of the related savings proposals.
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Disability	9.4 per cent of residents in Plymouth have their activities limited 'a lot' because of a physical or mental health problem. 12.2 per cent of residents in Plymouth have their activities limited 'a little' because of a physical or mental health problem (2021 Census)	Disabled people are disproportionately impacted by reductions in Adult Social Care provision. Disabled Children and younger people are disproportionately impacted by reductions in Children's Social Care. Disabled Children and younger people are particularly vulnerable to cuts in Home and School Transport.	Mitigations as previously noted above.	People Directorate and Children's Services to assess the impact of related stretch savings targets as noted above.
Gender reassignment	0.5 per cent of residents in Plymouth have a gender identity that is different from their sex registered at birth. 0.1 per cent of residents identify as a trans man, 0.1 per cent identify as non-binary and, 0.1 per cent identify as a trans women (2021 Census).	No adverse impact identifiable from measures proposed in the budget.	N/A	Departments to assess proposals to deliver budget savings for impact.
Marriage and civil partnership	40.1 per cent of residents have never married and never registered a civil partnership. 10 per cent are divorced, 6 percent are widowed, with 2.5 per cent are separated but still married. 0.49 per cent of residents are, or were, married or in a civil partnerships of the same sex. 0.06 per cent of residents are in a civil partnerships with the opposite sex (2021 Census).	No adverse impact identifiable from measures proposed in the budget.	N/A	Departments to assess proposals to deliver budget savings for impact.

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

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

SECTION FOUR: HUMAN RIGHTS IMPLICATIONS

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

SECTION FIVE: OUR EQUALITY OBJECTIVES

Equality objectives	Implications	Mitigation Actions	Timescale and responsible department
Work together in partnership to: • promote equality, diversity and inclusion • facilitate community cohesion • support people with different backgrounds and lived experiences to get on well together	While there are no direct implications as a result of the 2026/27 proposed budget, all savings proposals will be carefully considered with detailed business cases outlining impacts on the local community and the people of Plymouth.	To carefully review each saving proposal business case with CMT.	Throughout the 2026/27 financial year and 2027/28 budget setting process.
Give specific consideration to care experienced people to improve their life outcomes, including access to training, employment and housing.	This is not applicable for this report	This is not applicable for this report	This is not applicable for this report
Build and develop a diverse workforce that represents the community and citizens it serves.	The 2026/27 proposed budget does not reduce any existing training budgets with Plymouth City Council.	To ensure all training budgets are maintained to allow our diverse workforce to achieve their full potential.	HR to continue to work with departments throughout the 2026/27 financial year
Support diverse communities to feel confident to report crime and anti-social behaviour, including hate crime and hate incidents, and work with partners to ensure Plymouth is a city where everybody feels safe and welcome.	This is not applicable for this report	This is not applicable for this report	This is not applicable for this report

Appendix 3 Cabinet Responses to Budget Scrutiny Recommendations

Number	Recommendation and Rationale	Cabinet Response
1	RECOMMENDATION 1: FOSTERING RECRUITMENT EFFECTIVENESS That the Cabinet Member for Children's Social Care, Culture and Communications (Deputy Leader) reports to the Children, Young People and Families Scrutiny Panel by July 2026 on foster carer recruitment effectiveness, including: • Geographic and demographic targeting strategies • Cost-per-recruitment analysis • Assessment of whether additional investment in recruitment campaigns, retention support, or enhanced allowances would accelerate foster carer numbers and deliver greater savings • Barriers to recruitment and potential solutions requiring additional resource Rationale: Noting independent sector residential care costs up to £25k per week. Foster care costs significantly less than residential care. Understanding recruitment effectiveness and cost-per-recruitment will inform whether additional investment in foster carer recruitment would deliver savings through reduced reliance on expensive residential placements, representing an invest-to-save opportunity for reducing Children's Services placement budget pressures.	Accept Report will be provided to Children, Young People and Families Scrutiny Panel by July 2026 as requested. We welcome scrutiny's focus on fostering as a cost-effective alternative to residential care.
2	RECOMMENDATION 2: CHILDREN'S SOCIAL CARE MARKET REGULATION ADVOCACY That the Leader writes to the Secretary of State for Education (copied to Plymouth MPs) calling for urgent government intervention in the children's residential care market, specifically: • Implementation of profit regulation including profit caps or windfall tax on care providers generating excessive profits from local authority placements • Mandatory reinvestment mechanism requiring providers to reinvest profits above a defined threshold into expanding provision capacity, improving care quality, and reducing placement costs • Pricing transparency requirements for care providers to publish profit margins, executive pay, and cost breakdowns	Accept

	With a report provided to Scrutiny on any government response. Rationale: Children's Social Care faces significant additional costs driven by market failure. Plymouth is paying up to £25k/week for single unregistered placements and £20.5m annually on independent special schools. Market regulation and mandatory profit reinvestment could significantly reduce placement costs and improve value for money, directly impacting budget sustainability.	
3	RECOMMENDATION 3: DSG DEFICIT - GOVERNMENT SUPPORT AND FINANCIAL PLANNING That Cabinet: (a) Writes to the Secretary of State for Education (copied to Plymouth MPs) setting out Plymouth's DSG deficit position, the requirement for 396 specialist places, evidence of mitigation efforts, and requesting clarity on government support arrangements before the budget setting February 2026, including timely finalisation and publication of the SEND White Paper. (b) Reports back to Scrutiny Management Board following the SEND White Paper and Final Settlement announcement on the terms of government support and implications for Plymouth's budget. (c) Includes DSG deficit position in quarterly budget monitoring reports to Scrutiny from April 2026. d) Request that DSG deficit interest payments are held by national government and not a liability on local authorities Note: Audit & Governance Committee maintains oversight of financial control frameworks and risk management related to the DSG deficit. Rationale: The DSG deficit is a financial risk to Plymouth's Medium Term Financial Plan. Budget assumptions are based on pre-final Settlement information and could change materially. Government has committed councils will not fund SEND from general budgets	Accept

	after March 2028, but detail awaited. Strong advocacy and transparent contingency planning are critical to financial sustainability.	
4	RECOMMENDATION 4: SEND SUFFICIENCY STRATEGY REVIEW That the Cabinet Member for Education, Skills and Apprenticeships brings the updated SEND Sufficiency Strategy to Children, Young People and Families Scrutiny Panel, demonstrating: • How Plymouth's specialist places will meet demand and reduce out-of-area placements • Approach to early intervention and mainstream support that reduces demand for EHCPs while meeting statutory duties • Financial sustainability trajectory for the High Needs Block • Alignment with any government support conditions for DSG deficits With quarterly progress updates to the Panel thereafter. Rationale: The DSG deficit is driven by High Needs Block pressures including high annual spend on independent special schools. The specialist places investment aims to reduce expensive out-of-area placements and stabilise costs. The SEND Sufficiency Strategy is the critical policy document for delivering both improved outcomes for children with SEND and financial sustainability. Government DSG deficit support is likely to be conditional on demonstrating SEND reform implementation and demand management, making this strategy essential to securing financial support.	Accept The Strategy will be brought to Panel with quarterly updates as requested. We welcome pre-decision scrutiny input on this critical strategy for managing High Needs Block pressures.
5	RECOMMENDATION 5: EHCP LANGUAGE IN BUDGET DOCUMENTATION That paragraph 9.8 of the Budget Report be amended to replace "curbing new EHCP applications" with "minimising the need for new EHCPs through enhanced early intervention and mainstream support" to accurately reflect Plymouth's approach and protect stakeholder relationships with SEND families.	Accept Paragraph 9.8 will be amended as recommended. This better reflects our prevention-focused approach and protects stakeholder relationships.

	Rationale: Early intervention and enhanced mainstream provision aims to reduce demand for expensive statutory EHCP assessments over time, contributing to High Needs Block financial sustainability. However, communications must emphasise improvement through prevention rather than restriction of statutory rights. Protecting stakeholder relationships is critical for the co-production approach needed to deliver SEND reform.	
6	RECOMMENDATION 6: CHILDREN'S HOMES INVESTMENT - VALUE FOR MONEY AND EXPANSION POTENTIAL That the Cabinet Member for Children's Social Care, Culture and Communications (Deputy Leader) reports to Scrutiny on the children's homes capital investment, including: • Whole-life cost analysis showing cost per child per week over asset life compared to independent sector costs • Payback period and cumulative savings projections • Non-financial benefits including local placements and quality control • Assessment of whether additional investment to expand council-owned provision would deliver further savings and improved outcomes • Potential for scaling up the model based on early performance and lessons learned Rationale: The capital investment in council-owned children's homes represents an innovative invest-to-save approach to address high independent sector costs (up to £25k per week). If early evidence shows strong financial and outcome benefits, there may be opportunity to expand council-owned provision further, providing more local placements while generating additional savings. This analysis will inform whether scaling up this approach should be considered as part of longer-term strategy to reduce Children's Services demand pressures.	Accept Analysis will be provided including assessment of expansion potential. We are confident this invest-to-save approach will demonstrate strong value for money against independent sector costs of up to £25k per week.
7	RECOMMENDATION 7: ALTERNATIVE ACCOMMODATION MODELS FOR CHILDREN IN CARE	Reject As a good Corporate Parent, the Council has a responsibility to ensure that children and young

	That Cabinet explores alternative accommodation models for Children's care, with recommendations for schemes presented to the Children, Young People and Families Scrutiny Panel. Rationale: Alternative accommodation models offer potential for significant cost reduction compared to residential care (up to £25k/week) while maintaining or improving outcomes for children	people that need our care live in good quality accommodation appropriate to meet their needs. This is either in a family home with a foster carer or a small-scale residential home with care and support staff. There are no other appropriate accommodation options to meet the needs of our children in care.
8	RECOMMENDATION 8: AGENCY SPEND ANALYSIS That the Section 151 Officer provides a written response explaining monthly agency spend variations in Children's Services and Adult Social Care, including reasons for peaks and reductions, actions to reduce reliance on agency staff, and service delivery implications, with agency spend included as a standing item in quarterly budget monitoring to Scrutiny. Rationale: Understanding volatility and implementing controls will improve budget forecasting and deliver savings while improving service quality.	Accept Agency spend will be included as a standing item in quarterly budget monitoring.
9	RECOMMENDATION 09: RAILWAYS AND INTEGRATED TRANSPORT CONNECTIVITY That the Cabinet Member for Strategic Planning and Transport provides: (a) Written briefing on railway and integrated transport connectivity, including: • Current railway projects with status, funding sources, and delivery timescales • Timeline showing when residents will see tangible improvements • Council capital allocation and external funding strategy • Council's vision for integrated public transport • Assessment of anticipated demand increases from Defence Deal, economic growth (25,000 jobs pipeline), and City Centre/Derriford development	Accept

	• How increased travel demand is reflected in budget assumptions and transport planning • Status of feasibility studies and regional funding secured Report to Scrutiny Management Board showing realistic timeline for resident-facing improvements, how transport infrastructure supports economic growth, and external funding dependencies Rationale: Understanding external funding strategy is critical as transport infrastructure is essential enabler for revenue-generating economic activity. Anticipated demand increases from major economic investments must be reflected in budget assumptions and service planning. Scrutiny needs clarity on when residents will see tangible improvements and how feasibility studies translate into deliverable projects.	
10	RECOMMENDATION 10: EARLY SCRUTINY ENGAGEMENT ON MAJOR PROJECTS That Cabinet: (a) Provides quarterly briefings to Scrutiny Management Board on the major projects pipeline including projects in development, grant applications, and partnership discussions (b) Schedules pre-decision scrutiny sessions where appropriate for major business cases, partnership agreements, and strategic frameworks Rationale: Plymouth is delivering an ambitious capital programme alongside major transformational projects (New Town designation, City Centre regeneration, Defence Deal delivery). Pre-decision scrutiny on major capital commitments helps identify risks and opportunities before decisions are locked in, ensuring value for money and deliverability. Early engagement supports Cabinet decision-making while maintaining democratic accountability for significant financial commitments.	Accept We will continue to build on existing pre-decision scrutiny arrangements for major projects, which already take place through the Natural Infrastructure and Growth Scrutiny Panel, by introducing quarterly briefings to Scrutiny Management Board on the major projects pipeline. This will further strengthen oversight of the capital programme.

11	RECOMMENDATION 11: CORPORATE ASSET MANAGEMENT STRATEGY That Cabinet brings a comprehensive Asset Management Strategy to Scrutiny Management Board, including: (a) Strategic framework for asset retention, disposal, or repurposing aligned with Corporate Plan priorities (housing, children's homes, supported accommodation, community facilities), with investment priorities for the retained estate including backlog maintenance and statutory compliance. (b) With quarterly progress reporting from July 2026 on disposals, repurposing, FM cost reductions, energy savings, and compliance improvements. Note: Audit & Governance Committee maintains oversight of asset accounting and capital receipts treatment. Rationale: Corporate estate presents both financial pressures and opportunities. FM capacity challenges and aging estate create compliance risks requiring investment. However, strategic asset management offers multiple financial benefits: Proper asset strategy directly supports budget sustainability while addressing statutory compliance requirements.	Accept We recognise the estate presents both pressures and opportunities. A high-level asset management strategy which will lay our key principles to address this is currently being commissioned, we anticipate bringing this to the first Scrutiny Management Board of the next financial year. The strategy will lead to the development of an action plan and the process for the development of this will be included in our report to that meeting. We will engage with the Scrutiny Management Board during the development of the action plan and the linked quarterly progress reporting.
12	RECOMMENDATION 12: NHS INTEGRATED CARE BOARD FUNDING ASSURANCE That Cabinet seeks written confirmation from the Integrated Care Board of the £800k NHS Fair Shares funding commitment for 2026/27 and advocates for a multi-year funding settlement to provide stability for VCSE sector planning, with contingency arrangements if funding is reduced or withdrawn including review of VCSE contracts to manage potential redundancy risks. Rationale: The budget includes £800k partnership funding from NHS Integrated Care Board which is at risk if the ICB does not continue the commitment. Loss of this funding would	Accept We will seek written confirmation from the ICB and advocate for multi-year settlement.

	create immediate budget pressure requiring either savings elsewhere or service reductions affecting the VCSE sector.	
13	RECOMMENDATION 13: CUSTOMER EXPERIENCE STRATEGY - PRE-DECISION SCRUTINY That Cabinet Member for Customer Experience, Sport, Leisure, HR and OD brings the Customer Experience Strategy to Scrutiny Management Board for pre-decision scrutiny before final approval, ensuring the strategy addresses: • Digital inclusion measures and support for vulnerable residents unable to access online services • How transformation will be delivered within reduced resources and rising demand • Required savings targets, service standards, and capacity impacts on Contact Centre and corporate customer services • AI integration investment costs vs efficiency benefits, workforce development implications, and monitoring of service quality during implementation • Risk mitigation for achieving savings while protecting residents from digital exclusion Rationale: The Customer Experience transformation must deliver savings within reduced resources and rising demand while maintaining service standards. Investment in AI and new technology requires clear business case showing costs vs efficiency benefits. Pre-decision scrutiny ensures savings are deliverable, and residents are protected from unintended consequences.	Accept The Strategy will be brought for pre-decision scrutiny as requested. We welcome input on this strategy in addressing the items within the recommendation.
14	RECOMMENDATION 14: CABINET MEMBER RISKS AND MITIGATIONS That the risks identified by Cabinet Members through the Budget Scrutiny process are programmed into the relevant scrutiny Panels' work programmes for the 2026/27 financial year to ensure robust monitoring. Rationale: Cabinet Members identified budget risks during scrutiny sessions through their written challenge briefings. Including these Cabinet-identified risk areas in scrutiny work programme planning for 2026/27 enables the Board to monitor progress on mitigating risks	Accept Cabinet identified risk areas will be programmed into scrutiny work programmes for 2026/27. This ensures scrutiny focuses on highest-priority budget risks whilst supporting Cabinet in risk management.

	throughout the year, supporting Cabinet in budget delivery whilst maintaining appropriate oversight. This approach ensures scrutiny resources focus on the highest-priority budget risks as identified by those responsible for delivering within portfolio budgets.	
15	RECOMMENDATION 15: MANAGEMENT SAVINGS PLANS That Cabinet ensures that the management savings plans are further defined and shared with the Board, and the breakdown on progress is reported to either Scrutiny or Audit as appropriate. Rationale: The 2026/27 budget includes management savings proposals that are officer responsibilities for delivery. Understanding whether savings are delivered as profiled protects the Council's financial position and enables timely corrective action if delivery challenges emerge.	Accept Management savings will be tracked and reported through regular budget monitoring to enable oversight of deliverability and early risk identification.
16	RECOMMENDATION 16: FOOD WASTE CAPTURE – TARGETED DOOR-KNOCKING AND RESIDENT SUPPORT That the Cabinet Member for Environment and Climate Change agrees that a proportion of the avoided disposal savings arising from the new weekly food waste collection service be ring-fenced to fund a targeted door-knocking and resident engagement programme, focused on increasing food waste capture rates, specifically: Improve resident satisfaction in the new food waste service. • Proactive, face-to-face engagement with households in areas showing low food waste participation • Practical advice on how to use the food waste service, including what can be recycled and how to reduce contamination • Distribution of replacement liners, kitchen caddies, and clear guidance materials where required	Partially accept. As part of the Street Services restructure, we recruited four officers directly related to recycling engagement and they are currently focussed on food waste participation. This was incorporated in last year's revenue budget. Recycling officers will play a key role in face-to-face engagement, roadshows, briefings, school talks, attending local events and providing practical guidance. As suggested in the recommendation, targeted door-knocking is already planned as part of that programme. The Cabinet Member will report by September 2026 on service uptake and will explore proposals for reinvestment if savings are achieved.

	Targeted follow-up in priority neighbourhoods to embed behaviour change and maximise participation With monitoring data and costs reported back to Cabinet/Scrutiny on improvements in capture rates, contamination levels, and the resulting net financial and environmental benefits. Rationale: The new food waste collection service is expected to deliver significant avoided disposal savings by diverting material from residual waste. However, realising the full financial, carbon, and environmental benefits is dependent on high household participation and capture rates. Evidence from other authorities demonstrates that targeted door-knocking alongside other communication activity is an effective intervention for increasing food waste participation, particularly in areas of low uptake. Reinvesting a portion of the avoided disposal savings into resident engagement represents a prudent, preventative, and invest-to-save approach that will maximise the return on the council's investment, accelerate carbon reduction outcomes, and support long-term service sustainability.	
17	RECOMMENDATION 17: FLOOD RISK MANAGEMENT That the Cabinet Member for Environment and Climate Change and Cabinet Member for Strategic Planning and Transport, working with the Natural Infrastructure and Growth Scrutiny Panel, commission a review of waste water and drainage provision in the City, engaging with the Environment Agency, South West Water, and other relevant bodies, to ensure adequate investment, repairs and improvements in the drainage network are planned and enacted given the increased risk and prevalence of flooding caused by climate change. Rationale: During budget scrutiny, Cabinet Members explained that Plymouth's drainage system is South West Water's responsibility whilst the Council acts as Lead Local Flood Authority. Given increasing heavy rainfall frequency due to climate change and the age of drainage infrastructure, flood risk creates budget implications through emergency response costs and asset damage. A focused scrutiny review involving South West Water, Environment	Accept There is ongoing collaboration between the City Council, the Environment Agency and South West Water on flood resilience. The three organisations named in the recommendation signed a Memorandum of Understanding for enhanced collaboration, which was presented to scrutiny on 22 February 2024. Current projects in the capital programme, such as the Trefusis Park Flood Relief Scheme, have been grant-funded and/or supported by these partners. Pipeline projects are also being developed between the three organisations. For instance, a Local Levy bid was recently approved by

	Agency, and Council services would enable examination of partnership arrangements, investment plans, and ensure adequate advocacy for Plymouth's infrastructure needs whilst understanding budget risks from flooding incidents.	the South West Regional Flood and Coastal Committee for Phase 2 of the Integrated Urban Drainage Modelling Project. This will fund modelling to confirm a new surface water sewer option for the Fellowes Place area. Discussions are also ongoing with the Environment Agency and South West Water to secure funding to cover other modelling that will aid the development of two further flood relief schemes in higher-risk Plymouth neighbourhoods. A briefing on flood risk management will be commissioned, working with Strategic Planning and Infrastructure, Natural Infrastructure and the Growth Scrutiny Panel, and engaging South West Water, the Environment Agency, and other relevant bodies.
18	RECOMMENDATION 18: PROPERTY REGENERATION FUND PORTFOLIO - SCRUTINY OVERSIGHT That the Cabinet Member for Finance brings a comprehensive briefing on the Property Regeneration Fund (PRF) portfolio to Scrutiny Management Board with plan to enable ongoing oversight and appropriate public transparency of this significant income-generating portfolio. Rationale: The Property Regeneration Fund is a significant income-generating portfolio supporting the Council's budget. Regular scrutiny oversight would support Cabinet in maximising returns. The Board recognises commercial sensitivities and will ensure oversight respects confidentiality requirements.	Accept Briefing will be provided with plan for ongoing oversight, acknowledging the existing governance arrangements already in place for PRF portfolio monitoring. However, commercially sensitive information will be provided in Part 2 sessions where necessary, balancing accountability with commercial confidentiality.

19	RECOMMENDATION 19: FINAL SETTLEMENT - BUDGET IMPACT REPORTING That the Section 151 Officer provides a written briefing to Scrutiny Management Board on the Final Local Government Finance Settlement announcement, setting out: • Key changes from Provisional Settlement assumptions included in the 2026/27 budget Rationale: The draft 2026/27 budget is based on Provisional Settlement assumptions, The Final Settlement announcement may contain changes to funding, grant allocations, and DSG deficit support arrangements after budget scrutiny has concluded. an email briefing to Scrutiny on Final Settlement changes enables the Board to understand variations from scrutinised assumptions and maintain oversight.	Accept A written briefing will be provided as requested covering variations from Provisional Settlement
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Appendix 4 – Final Settlement Update

Final Local Government Finance Settlement

High Level Summary

The outcome of the Final Local Government Settlement, including increases to Revenue Support Grant, Recovery Grant and the announcement of funding for Dedicated Schools Grant deficits, means that there is no requirement to use the Interest Rate Swap reserve, and has a total favourable outcome for Plymouth's 2026/27 budget of £8.533m

Detailed Outcome

- On 9 February 2026 the details of the Final Local Government Finance Settlement for 2026/27 were published. There was an additional £5.614m funding announced for Plymouth in 2026/27 compared to the Provisional Settlement.
 - An additional £1.122m via the Revenue Support Grant, which includes the correction to reflect Business Rates pooling gains in the 2025/26 baseline, an issue which we raised with the Secretary of State
 - An additional £4.346m via the Recovery Grant Guarantee to provide additional specific protection for authorities like Plymouth.
 - An additional £0.146m via a top-up to the Homelessness consolidated grant.
- Significantly, there was also an announcement that MHCLG will fund 90% of Local Authorities Dedicated Schools Grant Deficits at the end of 2025/26, with indication that this support will be repeated at the end of 2026/27 and 2027/28. We estimate that for Plymouth this will be worth £46.659m in 2026/27 initially, and we anticipate that this will be received in October 2026.
- A direct result for the Medium-Term Financial Plan is that the additional cost of financing the DSG deficit estimated for 2026/27 onwards will be reduced. A reduction for 2026/27 of £0.879m is estimated, and a total reduction over the period of £6.165m.

DSG Deficit Borrowing Step-Up	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	
Original (Provisional Settlement)	1.610	2.026	2.009	-	
Revised (Final Settlement)	0.731	0.366	0.647	(2.264)	Total
Change	(0.879)	(1.660)	(1.362)	(2.264)	(6.165)

- One important point to note is that there will likely be a residual 10% balance estimated to be circa £18m (if SEND growth continues) in 2028/29. Plans will need to be put in place for how this is funded. These estimates could however change once the outcome of the SEND White Paper is known as reforms could have an impact on the level of demand over the years up to 2028/29.
- The favourable outcome from the Settlement, including the DSG Deficit announcements means that we will no longer need to action the use of the Interest Rate Swap reserve, and that we avoid the additional financing burden of doing so. This revises the original assumptions for budget increases required in Treasury Management by £2.040m in 2026/27 and £6.345m over the period

Treasury Management Step-Up	2026/27	2027/28	2028/29	2029/30	
Original (Provisional Settlement)	3.352	4.102	3.406	1.658	
Revised (Final Settlement)	1.312	2.060	1.524	1.277	Total
Change	(2.040)	(2.042)	(1.882)	(0.381)	(6.345)

- In total this brings the positive impact of the Final Settlement announcements to £8.533m for 2026/27.

RSG and Recovery Grant - £5.614m

TM – DSG £0.879m

TM – Rates Swap Changes £2.040m

Total £8.533m

- This has also allowed a reversal of the reduction to the Community Grants budget at a value of £0.085m.
- This still leaves a requirement to use reserves up to the value £2.752m to balance the 2026/27 budget, which can be met by existing usable reserves, without the need to utilise the Interest Rate Swap.

Revised Core Resources

Core Resources 2026/27	Original £m	Revised £m	Change £m
Revenue Support Grant	(69.133)	(70.255)	(1.122)
Local Authority Better Care Grant	(15.955)	(15.955)	-
Recovery Grant Guarantee	(0.525)	(1.136)	(0.611)
Recovery Grant Uplift	-	(3.735)	(3.735)
Council Tax	(156.541)	(156.541)	-
Business Rates	(75.921)	(75.921)	-
Reserves	(11.200)	(2.752)	8.448
Total Core Resources	(329.275)	(326.295)	2.980

Overall Outcome for Plymouth

- The government's measure of Core Spending Power shows an increase of £19.8m, or a 6.2% increase on the 2025/26 baseline
- Of this approximately £9.2m relates to estimated Council Tax increases (46%)
- This leaves a £10.6m increase through Revenue Support Grant, Business Rates, Recovery Grant Guarantee (Fair Funding Assessment) and new Consolidated Grants.
- To maintain adequate funding for Upper Tier authorities who were in receipt of the Recovery Grant, Plymouth will be receiving £4.871m via the 'Recovery Grant Guarantee'

Appendix 5 - Financial Risks

Risk	Impact & Probability		Impact & Probability			
	Risk before Mitigation		Management Corrective Action		Risk after Mitigation	
	I	P			I	P
2025/26 drawdown of Working Balance to fund in-year pressures (£4.874m based on Month 9) would reduce Working Balance by 41%, and further depletion of usable reserves to fund 2026/27 impacts level of reserves available to support financial sustainability	5	5	In year actions including spend controls and recruitment freeze in place for final Quarter of the financial year to mitigate overspends. It is likely that the final outturn position will still be a pressure requiring drawdown on working balances.		4	5
The financial implications arising from Local Government Reform proposals.	5	5	A project team is in place with financial support. Full costings and financial implications have been modelled Contingency funds have been identified to cover short term budgetary demands. Changes will be incorporated into the MTFP once government decisions are confirmed and implementation plans are finalised.		4	4
The Council's expenditure exceeds the resources available to meet the expenditure within the Medium-Term Financial Plan period. Higher pay inflation than modelled. Slower than projected reduction in the current interest rates Key risks include: Continuing high costs and demand in social care for adults and children	5	5	System of monthly financial reporting to Department Management Teams (DMT), Corporate Management Team (CMT), and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee. In addition, the Council has introduced a system of detailed monitoring of the delivery of savings targets so that a view is published monthly in Cabinet reports. The governance system of the Council as detailed in the Annual Governance Statement comprise a		4	4

- Continuing high demand for Bed & Breakfast / homelessness provision - Home to School transport costs			rigorous system of financial control. Although the rate of inflation has reduced the increasing levels of cost will have a major impact across the Council's financial plans Plans are in place to cover these areas, but the risk remains of continuing demand out stripping the increasing provision measures such as housing provision and PCC owned children's accommodation. For school transport, a route-optimisation exercise has been carried out, but further classroom spaces are required to reduce the need to transport children.		
The Council's income targets and savings are not met putting pressure on resources and directorate budgets. Council Tax collection falls below rate set at 97.5% Business failure leads to reduced rates income. Increased fees and charges result in reduced demand e.g. car parking. Savings targets not met putting pressure on directorate budgets	4	4	The Council holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and implement potential savings opportunities. The 2026/27 uplift to fees and charges is confirmed at 3.8% plus rounding where required. Further technical adjustments to the method of providing debt repayment should result in the income targets being achieved. The provision of additional resource within the debt collection team will provide more timely interventions.	4	3
Current plans and future for Transformation are delayed or not achieved.	5	4	Project teams are in place with robust monitoring. Monthly progress reporting as part of wider finance monitoring Monthly updates at relevant boards	4	3
<i>Treasury Management (TM)</i> The capital cost of borrowing continues with no, or slower than anticipated medium-term reduction in interest rate.	5	5	Full review of existing Capital programme has been undertaken by the PFH for Finance, Chief Executive and S151 Officer. On-going reviews are in place.	4	3

Cost of borrowing prohibits future investments opportunities and limits current project profile.			Regular TM meetings with external advisors to understand the impact of high interest rates on prevailing approved project. Revised capital governance implemented during 2025/26		
2025/26 Overspends continue: Service demands increased within the Children's Directorate. 2025/26 Month 9 monitoring report shows an overspend of £5.982m on the children's social care budget. SEND, Home to School transport and Short Breaks is reported a forecasted overspend of £0.766m Customer and Corporate Services is a reporting an overspend of £0.760m Adults, Health and Communities Directorate is reporting £3.307m pressure for Adult Social Care and £0.609m for Homelessness	5	5	Mitigations include: Monthly Housing tasks force Monthly Children's Services Transition Board and review transition action plans and costs. Use of Capital Receipts to finance transformative activity within Children's Directorate. Planned review of back office to support costs within Customer and Corporate services to drive new ways of working and incorporate the use of AI. Ongoing dialogues with the Integrated Care Board (ICB) to further improve social care provision and manage costs.	5	3
DSG Deficits: 1. Current modelling understates level of future demand. 2. Insufficient reserves to fund the residual DSG deficit from 1st April 2028. 3. Delays in receipt of the High Needs Stability Grant (HNSG)	4	4	Working with schools and locally appointed DfE Financial Advisor to develop and implement sufficiency plans, pending outcome of Government's SEND White Paper.	3	3
	5	4	Options to fund the residual deficit in 2028/29 will be developed and financial plans adjusted as required.	4	2
	4	3	Compliance with conditions of HNSG will be monitored closely.	2	4

Appendix 6 - Additional Costs/Budget Adjustments

Table A: Right-sizing budget adjustments

Right -sizing budget adjustments	£m
Salary Related Costs - pay award net of reduction to pensions rates	0.595
Treasury Management / MRP (Minimum Revenue Requirement)	1.312
Additional Extended Producer Responsibility Grant	(1.020)
Other rolled in grants	1.347
Families First Partnership - additional grant	(1.070)
Reprofile Energy from Waste profit share income	1.300
Other one-off reversals	1.458
Community Equipment Service contract variation	0.660
Homelessness – additional grant	(0.146)
Total	4.436

Table B: Demand Led

Directorate	Demand Led Growth Description	2026/27 £m
Adults, Health & Communities	Adult Social Care (NLW & Inflation)	4.352
	Adult Social Care Demand	6.823
	Homelessness Demand	0.797
Children's	SEND - DSG deficit financing cost	0.731
	Children's Social Care Inflation & Demand	9.479
	Home to School Transport Demand	2.094
	Short Breaks additional Demand	0.623
Total		24.899

Table C: Other Essential Growth

Directorate	Essential Growth Description	2026/27 £m
Customer and Corporate	ICT Inflation - IT and Print and Doc	0.485
	Guildhall/other budget adjustments	0.706
Growth	Environmental Act (Food Waste)	0.798
	Play Equipment	0.050
	City Centre Cleansing	0.079
Total		2.118

Appendix 7– Management and Cabinet Savings Proposals

Table A: Adults, Health and Communities Directorate

Adults, Health and Communities Directorate	£m
Better Care Fund contribution to Community Equipment Service	(0.330)
Review of vacancies within Directorate	(0.400)
Additional targeted review of health contributions within care packages	(0.421)
Targeted reviews: Identifying cohorts to more quickly review clients, targeting high-cost packages whilst ensuring 30-day target is met.	(0.400)
Prevention - Improved delivery of reablement through the front door to prevent more intensive long-term care	(1.000)
Fee uplift review	(0.686)
Grant Maximisation - Community Connections	(0.300)
Bad Debt Provision review and reduction - Adult Social Care	(0.100)
Contract savings - continuation and review of plans formulated and agreed in 2025/26	(0.617)
Total	(4.254)

Table B: Children's Directorate

Children's Directorate	£m
Social Work Academy cross funded by On Course South West	(0.036)
Careers Plymouth income generation	(0.050)
Removal of recruitment & retention payments	(0.149)
Removal of Non-Statutory Spend	(0.024)
Reduction PAUSE contract	(0.200)
Reduction in Adopt South West Contract for 26/27	(0.172)
Targeted health contributions within placement costs	(1.800)
Total	(2.431)

Table C: Growth Directorate

Directorate	Description	£m
Growth	Review of Property Regeneration income target	(0.585)
	Reduction in annual Bad Debt Provision top up	(0.050)
Total		(0.635)

Table D: ODPH Directorate

Directorate	Description	£m
ODPH	Leisure Services - Reduction in Life Centre electricity costs	(0.15)
	Environmental Health & Licensing review	(0.031)
	Public Health Grant maximisation	(0.700)
Total		(0.881)

Table E: Customer and Corporate Directorate and Chief Executive

Customer and Corporate Directorate and Chief Executive	£m
IT - Delt dividend	(0.500)
Maximise Housing Benefit Subsidy	(0.500)
Facilities Management - Utilities savings	(0.400)
Review of Support Services including finance, HR etc	(0.606)
Governance/Elections Review	(0.102)
School Library surplus / income	(0.053)
Service Borrowing reduction	(0.098)
Chief Executive savings proposals	(0.083)
Total	(2.342)

Table F: Cabinet Savings Proposals

Cabinet Savings Proposals	£m
Parking - Fees and Charges Review	(1.481)
Waste and Bin Collection Changes	(0.126)
Review of Home to School Transport Policy, including post 16 and post 19	(0.350)
Commercial Opportunities (Poole Farm & The Box)	(0.230)
ASC - Self Funders Administrative Fee	(0.050)
Civic Duties - Review	(0.027)
Bowling Green Fees	(0.003)
Total	(2.267)

Appendix 8 - Indicative Directorate Budgets after Savings Proposals

Table A: Indicative Directorate Budgets

Directorate	2025/26 Budget £m	Additional Costs/ Adjustments £m	Savings/ Additional Income £m	Total Movements £m	Draft 2026/27 Budget £m
Adults	119.434	12.632	(4.304)	8.328	127.762
Children's	91.921	11.856	(7.114)	4.742	96.663
Growth	30.660	3.457	(2.475)	0.982	31.642
ODPH	3.889	0.000	(0.908)	(0.908)	2.981
Chief Executive	1.684	0.000	(0.083)	(0.083)	1.601
Customer and Corporate	44.120	1.221	(2.286)	(1.065)	43.055
Corporate Items*	(38.290)	2.313	0.000	2.313	(35.977)
Rolled-In Specific Grants	0.000	58.568	0.000	58.568	58.568
Total	253.418	90.047	(17.170)	72.877	326.295

*Pensions adjustment held in Corporate Items, not allocated to Directorates

Appendix 9 – Flexible Use of Capital Receipts Strategy

BACKGROUND

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

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

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

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

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

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

PROPOSED INVESTMENTS

For 2025/26 Council originally proposed use of the powers under the Government's Statutory Guidance on the Flexible Use of Capital Receipts to fund £2.088m of qualifying transformation expenditure as set out in the table below. Revised plans total £2.326m, a proposed increase on £0.238m. Authorities are permitted to update their plans and resubmit to the Secretary of State during the financial year.

The total planned funding under the flexibilities in 2026/27 are also set out below, with proposals totalling £3.618m.

With the allocation of 2025/26 sales proceeds, and after notional allocations to transformation projects for 2026/27, there is a remaining balance. Careful consideration needs to be exercised over the best use of these funds. The S151 Officer has delegated authority on how these funds are utilised.

Projects identified in the Strategy can still be financed from other sources and inclusion in the strategy does not constitute a commitment to fund from capital receipts, this is still the case with revised proposals.

2025/26 Plans

Project	Original Use of Capital Receipts	Updated	Expected Savings
Creating an Excellent One Children's Service Portfolio (Achieving Excellence 3 Year Plan)	£0.818m	£0.818m	Supports delivery of £3.142m savings target for Children's Services in 2025/26
SEND 0-25 Team	£0.770m	£0.770m	Short term investment to lead to long term resourcing savings and rationalisation of EHCP process, will have knock-on savings into Home to School Transport and High Needs Block
Redundancy Costs - General	Up to £0.500m	-	To cover any redundancy costs as a result of 2025/26 savings plans – allowable under new guidelines
Transformation Mobilisation	-	£0.569m	Provides capacity to bring forward the proposals for corporate Transformation based on analysis and preparatory work required to set the platform for the complex portfolio required to respond to our challenges
Corporate Programme Management Office – Set Up	-	£0.093m	The CPMO will provide a single version of the truth around the Transformation projects and programmes. It will ensure attention of officers and Members is focused on risks and issues that would otherwise increase costs and timescales or reduce benefits.
ENABLE	-	£0.076m	Enabler tasked with establishing data and AI opportunities to become an insights-led organisation. By creating this capability, the programme will accelerate the organisation's strategic direction towards organisation efficiency as well as proactive, preventative, and evidence-based service delivery.
Total	£2.088m	£2.326m	

2026/27 Plans

Project	Planned Use of Capital Receipts	Expected Savings
No Wrong Door	£0.771m	A service model focused on improving interventions and outcomes for adolescents at risk of entering care, particularly those facing harm outside the home or displaying harmful sexual behaviour. The model uses a mix of accommodation options, multi-disciplinary services and outreach support to help young people stay safely with their families or live independently. It provides flexible, intensive and responsive support delivered by a key worker, backed by a multi-disciplinary team.

		Associated 2026/27 savings: (£1.961m)
In-House Therapies Team	£0.827m	To increase the number of children moving from high-cost residential care into foster families. Establishing an in-house Therapeutic Fostering Team, grounded in DDP principles, will equip foster carers to support young people with complex needs more effectively. The team will provide skilled, proactive and relationship-focused support to carers, children and professionals, enabling smoother transitions from residential care. This investment is expected to deliver long-term savings and improved outcomes. Associated 2026/27 savings: (£1.854m)
Domestic Abuse Project	£0.428m	Safe & Together (S&T) provides a domestic-abuse-informed practice framework built on three principles: keep children safe with the non-offending parent; partner with the survivor; and hold the perpetrator accountable. Fewer crisis entries to care; improved reunification prospects where safe; reduced demand for high-cost external placements.
Redundancy Costs - General	Up to £0.300m	To cover any redundancy costs as a result of 2026/27 transformation plans
Transformation Mobilisation	£0.413m	Provides capacity to bring forward the proposals for corporate Transformation based on analysis and preparatory work required to set the platform for the complex portfolio required to respond to our challenges.
Corporate Programme Management Office – Set Up	£0.279m	Short term funding for introduction - focus on tracking and managing the coordination of transformation delivery. To provide support to the project and programme teams and assurance to senior officers and Councillors that the work is on track
ENABLE	£0.600m	Enabler tasked with establishing data and AI opportunities to become an insights-led organisation. By creating this capability, the programme will accelerate the organisation's strategic direction towards organisation efficiency as well as proactive, preventative, and evidence-based service delivery.
Total	£3.618m	

CAPITAL RECEIPTS – TRANSFORMATION BALANCE

Capital Receipts - Transformation Balance	£m
Balance brought forward to 2025/26	(2.602)
Additional receipts in-year*	(9.299)
Flexible Use of Receipts 2025/26	2.326
Balance to carry forward to 2026/27	(9.575)
Flexible Use of Receipts 2026/27	3.618
Remaining Balance	(5.957)

*This includes the redesignation of the receipt for sale of Stoggy Lane to the Transformation balance.

IMPACT ON PRUDENTIAL INDICATORS

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

The capital receipts proposed to be used as part of this strategy are already built into the Councils current capital programme for this purpose and therefore have not been factored into the Council's Capital Financing Requirement (CFR) so the utilisation of these receipts for capital receipts flexibility will have no impact of the Councils Prudential Indicators, as set out in the Councils Capital Strategy. The prudential indicators show that this strategy is affordable and will not affect the Councils operational boundary and authorised borrowing limit, given the low values.

Appendix 10 - Budget Engagement 2026/27 Report

INTRODUCTION

A public engagement to support the 2026-27 budget setting process took place between 10 November and 14 December 2025. An online questionnaire was developed which asked respondents for their view on which one of the following priorities the Council should focus on in the coming year:

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

The questionnaire also asked respondents to provide their level of agreement on five statements in regard to managing the Council's budget. The statements were designed to test public opinion on a range of activity that could be considered by the Council to balance the budget for the 2026-27 fiscal year.

336 online questionnaires were completed and entered for analysis. In addition, a face-to-face event took place on 07 January 2026 with the business sector, facilitated through the Plymouth Growth Board.

The results of this engagement activity will be considered by the Council's Cabinet and will also be submitted as part of the budget scrutiny process undertaken by Plymouth City Council Members in January 2026.

METHODOLOGY AND COMMUNICATION

A simple questionnaire was developed to help identify which priorities respondents felt the Council should be focussing on over the next year and to generate ideas to help the Council balance the books for 2026. All percentages cited in this report are rounded to the nearest whole percentage point.

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

An engagement with business representatives took place on 07 January 2026. Feedback from the Plymouth Growth Board noted that members were reassured that the Council is focused on maintaining a Growth Agenda within the city and there is clear support for the continuation of the economic development work facilitated by Plymouth City Council. A letter of support from the Plymouth Growth Board is appended to this report.

There was extensive communication around the budget engagement and the questionnaire, which included a media release, posts on the Council's social media channels and items in email bulletins for residents, with regular reminders.

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

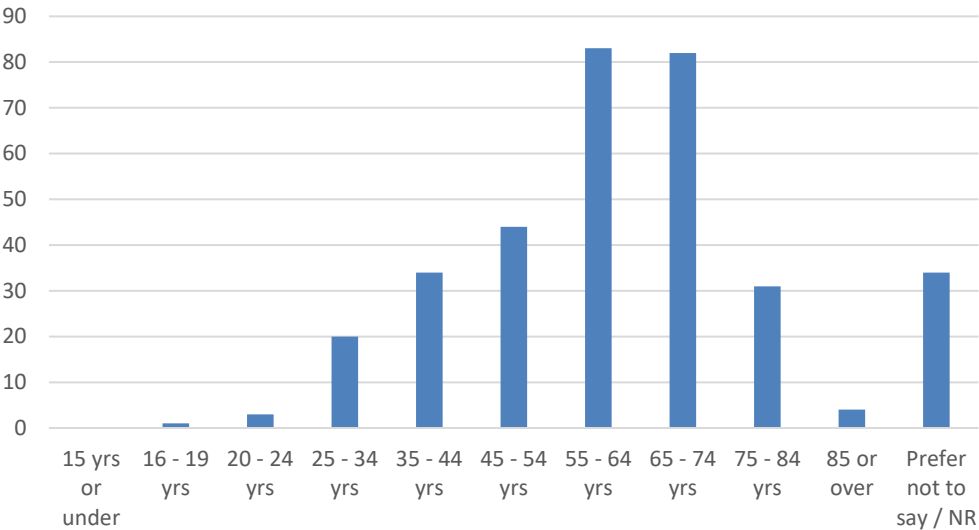
The engagement featured on the home page of the Council's website and a budget web page provided more information and a link to the questionnaire.

SECTION I - WHO RESPONDED?

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

The following demographic information has been compiled from the total number of questionnaires analysed (336). This information has been used to identify the views of different groups of people where possible throughout this report.

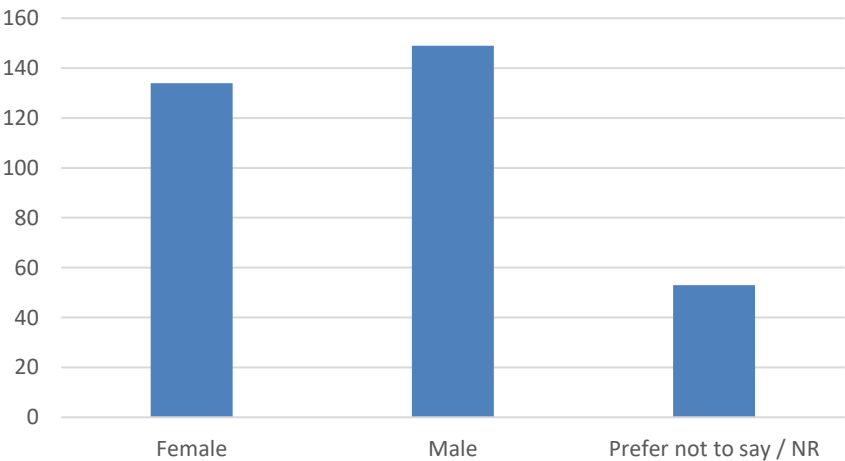
Chart 1: Respondent by age



Base: 336

The age groups with the highest number of respondents was the 55 – 64 age group (83) and 65 – 74 (82). There was a lower level of response from respondents aged 85 and over and those under 25.

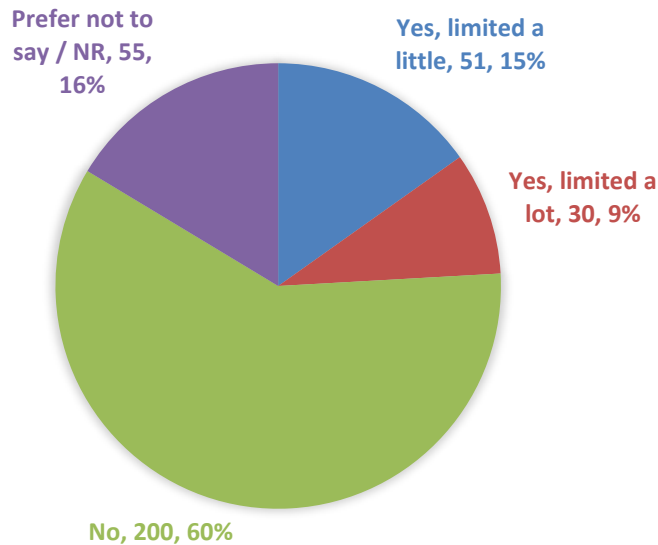
Chart 2: Respondent by sex



Base: 336

Slightly more males responded than females (149 as opposed to 135). The majority of respondents indicated that their gender identity was the same as the sex that they registered with at birth.

Chart 3: Respondent by health and disability



Base: 336

Most respondents indicated that they did not have any limitations due to a health condition or disability (200, 60%). Nearly a quarter of respondents (8, 24%) did indicate that they were 'limited a little' or 'limited a lot'.

Other demographic Information

The majority of respondents identified their ethnicity as 'White' (247, 73%). The engagement received a small number of responses from other ethnic groups (4 in total).

Three quarters of respondents stated that they had not previously served in the armed forces, regular or reserves (256, 76%), however 42 respondents stated that they had (12.5%).

When asked about experience of the care system, the majority of respondents indicated that they had not had care experience (260, 77%), whilst 38 (11%) said that they had.

SECTION 2 – YOUR PRIORITIES

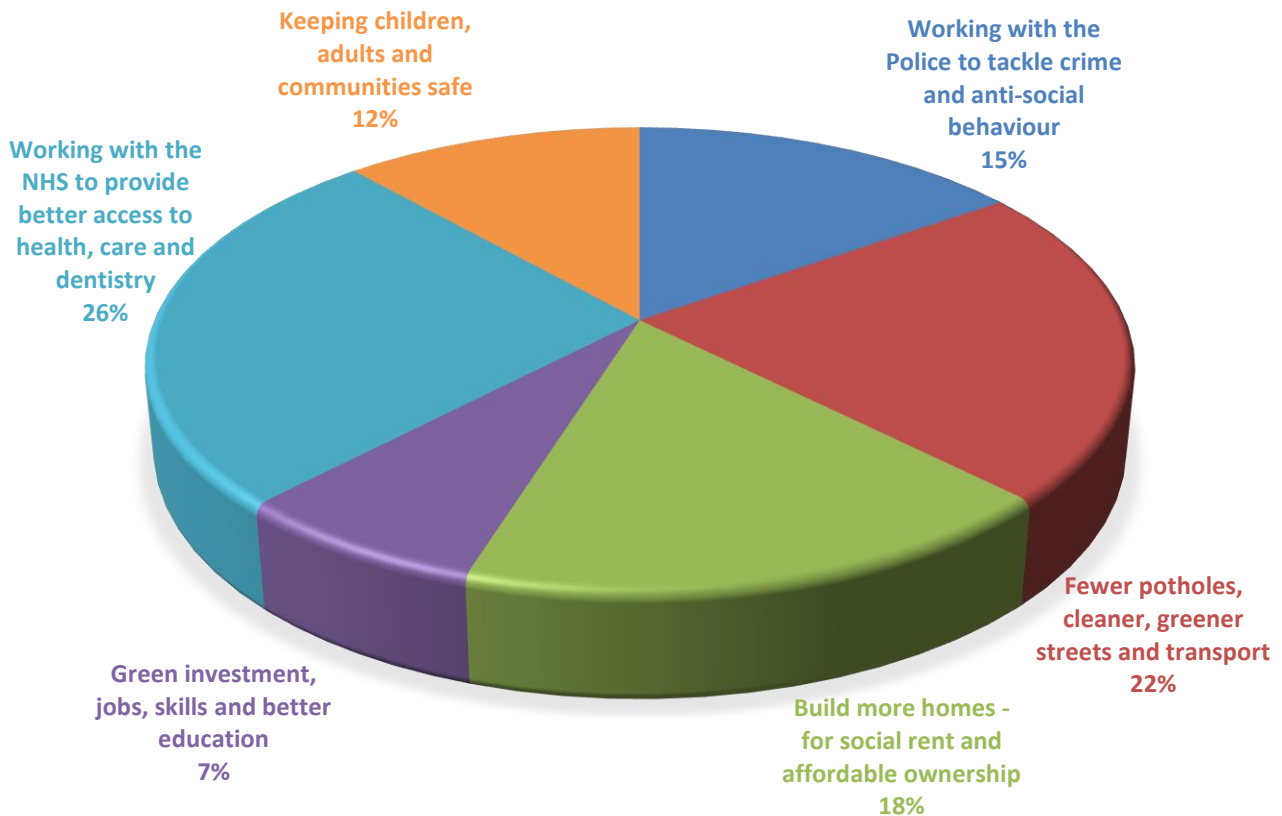
The questionnaire asked respondents to select one priority that the Council should focus on in the coming year - the Council's priorities are:

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

328 people responded to this question. The results show that 86 (26%) respondents selected **'working with the NHS to provide better access to health, care and dentistry'** as the top priority that they would like the council to focus on in the next 12 months.

This was followed by **'fewer potholes, cleaner, greener streets and transport'**, selected by 73 respondents (22%).

Chart 4: Top priorities



Comments relating to Council's priorities

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

Of the 328 respondents who answered this question, 273 provided a written comment. These free text responses were analysed thematically,. For the most part the free text space was used by respondents to verify their selected priorities and add context, e.g. comments relating to better public transport, filling potholes, enhanced parking enforcement or no more parking charge increases, city cleanliness, access to green space and the issue with lack of NHS dentistry.

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

47 comments related to building more homes – for social rent and affordable home ownership. Several responses referred to the the affordability of housing and the lack of social housing available. A few respondents mentioned the need to reduce homelessness and rough sleeping and some thought that more adequate, affordable housing would help to address other priorities such as health and community cohesion.

58 comments related to 'Fewer potholes, cleaner, greener streets and transport'. Nearly half of these related to the state of disrepair of the roads and the number of potholes. A few respondents mentioned the risk of blocked drains and the need for more weeding and grass cutting. Some felt that a more cleaner, well-maintained city would support pride in the city, morale and community cohesion.

37 comments related to 'Working with the Police to tackle crime and anti-social behaviour'. Several respondents referred to the impact of antisocial behaviour and low level crime on the community. Some felt that this needed to be tackled to prevent further, or more serious, crime. Some respondents mentioned that crime impacted on everyone in a community and that a safe city improved other aspects of life.

Fewer comments were received for the other two priorities and no themes emerged for any of these.

Demographic analysis of priorities

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

Sex: Female respondents were more likely to select 'working with the NHS to provide better access to health, care and dentistry' as a top priority for the Council to address (49) whereas male respondents were more likely to select 'Fewer Potholes' (45).

Disability and health: Respondents who indicated that they were limited a lot or limited a little with a disability or health condition selected 'working with the NHS to provide better access to health, care and dentistry' and 'Build more homes - for social rent and affordable ownership' as the top two priorities for the Council to address whereas building more homes was third in the overall response .

No clear pattern or difference was identified with regards to the other demographic information collected.

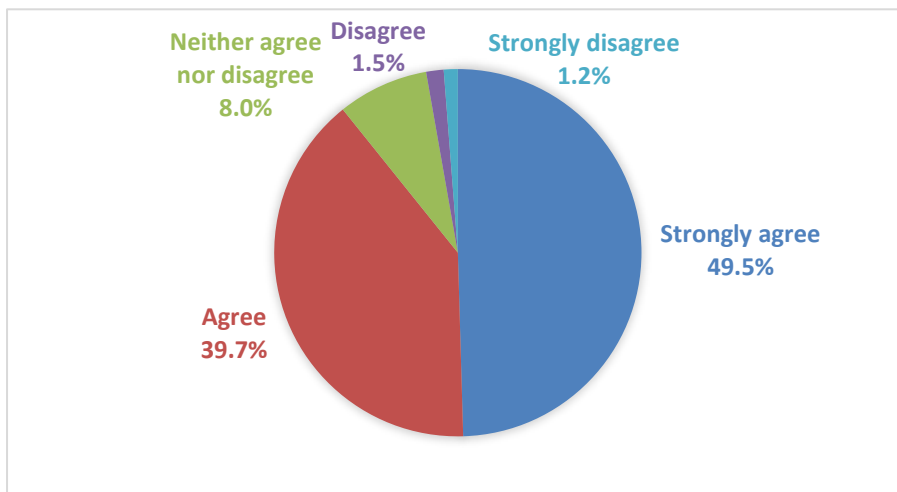
SECTION 3 – MANAGING OUR BUDGET

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

3a. The Council should protect local services where possible by delivering these in different and/or more efficient ways.

This question generated 325 responses, of which 290 (89 per cent) agreed or strongly agreed that the Council should protect local services where possible by delivering these in different and/or more efficient ways (nearly half strongly agreed with this statement). Only 9 respondents (3 per cent) disagreed or strongly disagreed. 26 respondents (8 per cent) neither agreed nor disagreed with the statement.

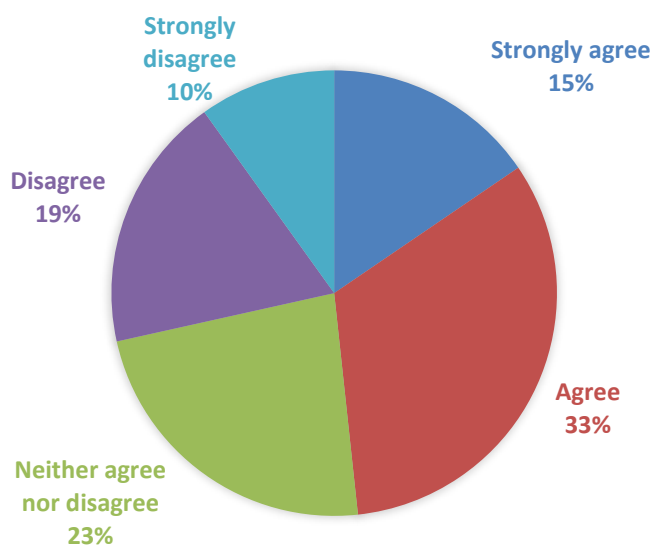
Chart 5. Question 3a



3b. The Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation.

This question generated 323 responses, of which just under half, (156 or 48 per cent) agreed or strongly agreed that the Council should help avoid reducing or stopping services by increasing fees and charges by the rate of inflation. 92 respondents (29 per cent) disagreed or strongly disagreed. 75 respondents (23 per cent) neither agreed nor disagreed with the statement.

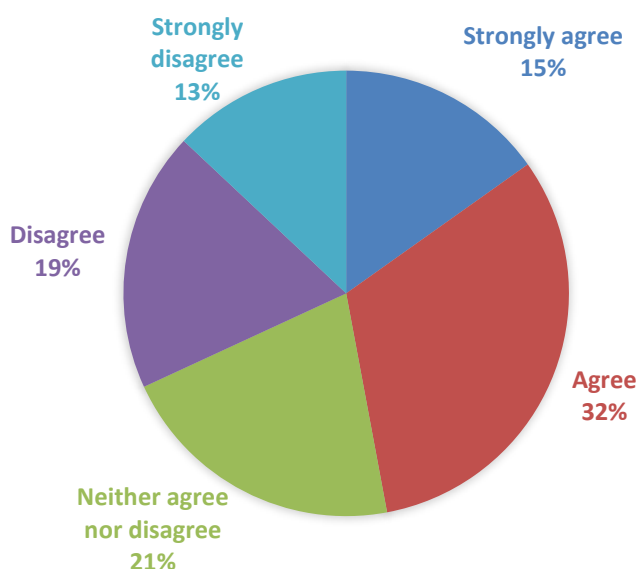
Chart 6. Question 3b



3c. The Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99%.

This question generated 323 responses, of which just under half (152 or 47 per cent) agreed or strongly agreed that the Council should avoid cutting services by following the Government's assumption that councils will maintain their spending power by increasing Council Tax by up to 2.99 per cent. Nearly a third (103 or 32 per cent) disagreed or strongly disagreed with this statement. 68 respondents (21 per cent) neither agreed nor disagreed with the statement.

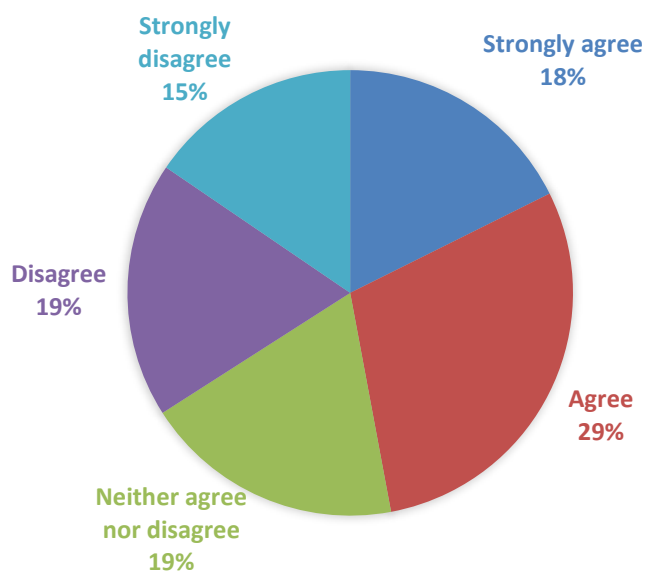
Chart 7. Question 3c



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

This question generated 323 responses, of which 152 (47 per cent) agreed or strongly agreed that the Council should help pay for rising demand for care services for elderly and vulnerable adults by accepting the 2 per cent precept the Government allows to be added to Council Tax for this purpose. 110 respondents (34 per cent) disagreed or strongly disagreed with this statement. 61 respondents (19 per cent) neither agreed nor disagreed with the statement.

Chart 8. Question 3d

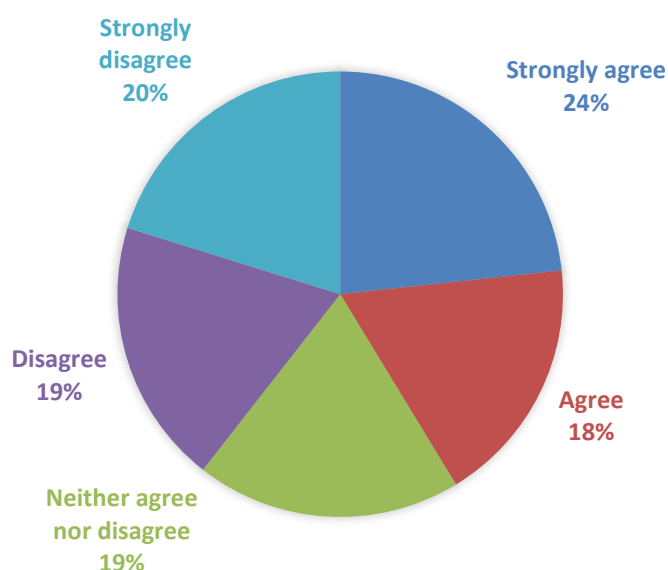


3e. The Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030 by using 'green' energy sources wherever possible.

This question generated 322 responses, of which 133 (41 per cent) agreed or strongly agreed that the Council should help achieve the ambition for Plymouth to become a carbon neutral city by 2030

by using 'green' energy sources wherever possible. 127 respondents (39 per cent) disagreed or strongly disagreed with this statement. 62 respondents (19 per cent) neither agreed nor disagreed with the statement.

Chart 8. Question 3e



Further analysis of statements

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

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

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

Slightly more females agreed or strongly agreed than male respondents with this statement (93 per cent and 88 per cent respectively). Respondents in the age groups of 55 – 74 were more likely to agree or strongly agree with the statement.

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

Respondents in the age groups of 55 – 74 were slightly more likely to agree or strongly agree with the statement. Slightly more male respondents agreed or strongly agreed than females with this statement (52 per cent and 48 per cent respectively)

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

Respondents aged 75 and over were slightly more likely to agree or strongly agree with the statement. Half of female respondents (50 per cent) agreed or strongly agreed with this statement compared to 46 per cent of males.

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

Slightly more females agreed or strongly agreed than males with this statement (50 per cent and 47 per cent respectively).

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

Females were more likely to agree or strongly agree with this statement than males (46 per cent and 36 per cent respectively).

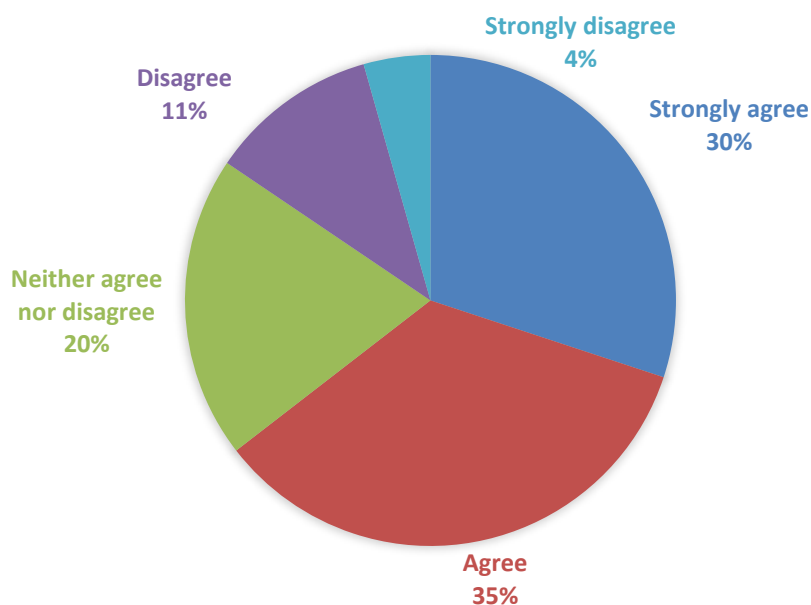
SECTION 4 – TAKING ACTION

Section 4 asked respondents to indicate the extent to which they agreed or disagreed with the actions the Council is taking to address the budget pressure.

This question generated 296 responses, of which 64.5 per cent (191) agreed or strongly agreed with this statement. 15.5 per cent (46) disagreed or strongly disagreed with this statement. 59 respondents neither agreed nor disagreed with the statement.

Male respondents were slightly more likely to agree with this statement than females (69 per cent vs 63 per cent).

Chart 9. Question 4



SECTION 5 - FURTHER COMMENTS

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

191 respondents (57 per cent) entered a written response to this question. Of these, three main themes emerged.

- 109 (57 per cent) focused their comments on “better efficiency”

- 43 (22 per cent) on “raising revenue”
- 13 (7 per cent) on “engaging the use of community or volunteers”

Of the 109 “efficiency” comments, respondents suggested that the Council:

- make better use of Council assets
- endeavour to increase productivity, especially in relation to staff
- reduce spending on staff or members
- focus on the better enforcement of contracts
- reduce the spending on projects considered unnecessary and focus on core council business

Of the 43 “raising revenue” suggestions, respondents suggested that the Council:

- increasing fees or introducing new fees for some services e.g. parking, bus services, libraries
- increasing fines / increasing patrols e.g. for dog fouling, littering, speeding

Appendix A - Plymouth Growth Board, Letter of support to continue the Growth Agenda within Plymouth

Richard Stevens
Chair of Plymouth Growth Board
1 Milehouse Road
Milehouse
Plymouth
Devon
PL3 4AA

14th January 2026

Tudor Evans OBE
Leader, Plymouth City Council
Council House
Armada Way
Plymouth
PL1 2AA

Letter of support to continue the Growth Agenda within Plymouth

Dear Councillor Tudor Evans,

As Chair of the Plymouth Growth Board, I would like to express the members' gratitude to yourself and the Section 151 officer for the briefing on the Plymouth City Council Budget, presented at our last Board meeting. This briefing allowed members to engage effectively in discussions and understand the likely impacts of the budget.

The Plymouth Growth Board noted and were reassured that Plymouth City Council are focused on maintaining a Growth Agenda within the city. The Board and its members are committed to this growth focus and endorse the associated projects within this workplan; including, but not limited to, the City of Culture bid, the work of Team Plymouth and the New Town. We feel these projects align with the Plymouth Economic Strategy and are important for the development of the city.

During the budget presentation, members were reassured by the highlighted importance of growth within the city and the subsequent commitment that the services associated with Growth Directorate, including the Economic Development Department in the city, would not see substantial budget cuts.

As you know, the Plymouth Growth Board is a public private partnership that is the primary forum through which representatives from key businesses and business organisations, Plymouth's three universities, City College Plymouth, representatives of the voluntary and community sector, Plymouth Culture, and others are brought together to discuss development within the city.

Its role is to ensure city organisations work collaboratively and oversee the effective delivery of the Plymouth Economic Strategy and Plymouth Plan. The Board is therefore recognised as the "Voice of Business" in delivering economic growth. Consequently, the Board feels it is important to make clear our support for the continuation of the economic development work facilitated by Plymouth City Council.

We therefore welcome the continued support. Members continue to be committed to the alignment of resources to help support the growth agenda across the city. Thus, we strongly support the inclusion of the Growth Agenda as a priority within the Plymouth City Council Budget.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'R. Stevens', with a stylized, overlapping loop structure.

Richard Stevens MBE DL
Chair, Plymouth Growth Board

Appendix I I – Capital Finance Strategy 2026/27

CAPITAL STRATEGY 2026/2027

1. INTRODUCTION AND CONTEXT

This Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, alongside an overview of how associated risk is managed and the implications for future financial sustainability. The statutory 2018 Treasury Management Code of Practice Guidance requires that all Local Authorities produce a Capital Strategy each year.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report. This years' Capital Strategy report has been developed following a review of the capital programme, and a consideration of the affordability of ongoing capital investment. The local policy framework described in section 7 below sets out overarching principles for the Council's capital programme and planning in order to ensure the capital programme remains affordable.

The Capital Strategy forms part of a suite of strategies which provide a holistic view of the Council's financial planning framework. This document should be considered in conjunction with the Medium-Term Financial Strategy and the Treasury Management Strategy.

2. CAPITAL EXPENDITURE, SOURCES OF FINANCING AND THE CAPITAL PLAN

Capital expenditure is defined as money spent on assets, such as property or vehicles, which will provide a service benefit for more than one year. In local government, this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 (land and buildings) and £5,000 (vehicles, plant, or equipment) are not capitalised and are charged to revenue in year.

Capital expenditure is financed by a range of sources which may either be ringfenced or un-ringfenced. The source of financing is always identified and approved at the time of capital project approval. The Capital Programme is currently financed by:

- Capital Receipts.
- Grants and contributions.
- S106 and Community Infrastructure Levy (CIL).
- Revenue Contribution to Capital Outlay (RCCO).
- Borrowing – both funded corporately ('Corporate Borrowing'), or where schemes deliver a saving or income, funded directly by a service using income or budget savings (known as 'Service Borrowing').

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

The Capital Programme (described in section 3 below) is the list of schemes which have a confirmed funding source and have been approved for capital investment by the Leader following consideration of a robust, evidence-based business case.

The Capital Pipeline (described in section 4 below) is the term used to refer to identified need or strategic ambition for future investment, utilising funding that the Council hopes to receive in the future but which has not yet been approved; or potential future borrowing. Only more significant, strategic items are identified as part of the Capital Pipeline, which is used primarily to assess the affordability of the overall Capital Programme in the context of future demand, and to inform the Council's Medium Term Financial Forecast. It is a high-level projection for planning purposes and will change and develop over time. Inclusion of a scheme or programme within the Capital Pipeline does not mean the scheme or programme is approved – the governance process set out in section 8 below will apply to all schemes before they are approved onto the Capital Programme, whether or not schemes are previously included in the Capital Pipeline.

3. CAPITAL PROGRAMME

The City Council's capital programme continues to drive high levels of investment into the City, with a broad range of projects in delivery or about to start, including:

- Investment in City Centre regeneration (for example, Armada Way, the Guildhall project, the Civic centre).
- Investment in additional capacity for social care and SEND services (for example, the acquisition of new Homes for Plymouth Looked After Children, the Meadow View project, the expansion of capacity for SEND education).
- Investment in major transport, infrastructure and flood prevention schemes (the Manadon and Woolwell to the George major road schemes, the Royal Parade project).
- Investment to address the condition of the City Council's asset base (our FM, Foreshore and Highways Maintenance programmes).
- Investment to support the economic growth of the City (e.g. the Embankment Road scheme within the Property Regeneration Fund, the Freeport programme).
- Investment in leisure and recreation facilities and to address the climate emergency (e.g. the National Marine Park programme, the Plymouth & Southwest Devon Community Forest, investment in parks and play equipment, the city centre heat network and building decarbonisation projects).

The current capital programme builds on a period of transformational investment by the City Council in recent years. The City Centre regeneration, leisure and recreation and major transport investments described above build on previous investments such as Old Town / New George Street, the Forder Valley Link Road and the redevelopment of the former Brickfields site (now Foulson Park). Earlier investments to create the Box and the Life Centre have provided Plymouth with world-class heritage, culture and sports facilities; more recently the investment in the Park Crematorium will provide modern, best-in-class facilities to support bereaved families. Ongoing investment in economic growth at our Freeport sites builds on developments already delivering employment opportunities at Derriford District Centre, Oceansgate and many other sites operated through the Council's Property Regeneration Fund portfolio.

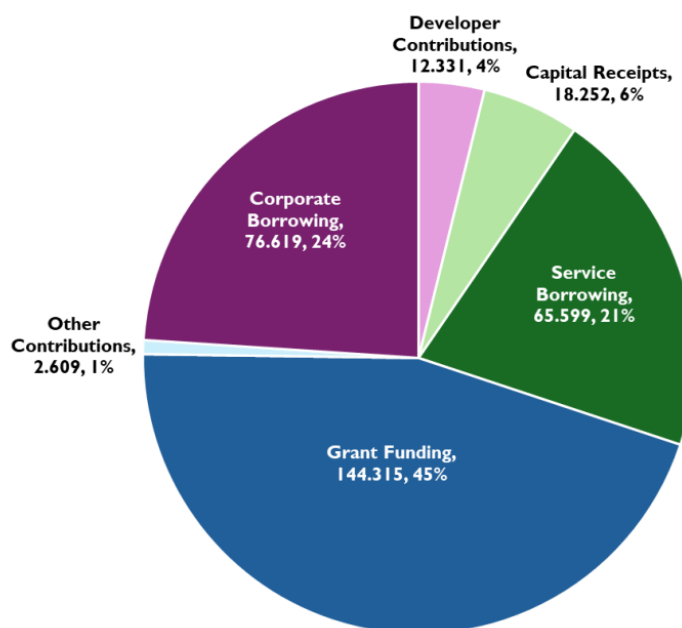
Following these recent investments, and with the current programme drawing to a close, the need for ongoing investment beyond the current programme is envisaged to level off. The planning horizon for this Capital Strategy envisages that our investment to date has provided a platform where the City Council will take an enabling leadership role, rather than a direct development role. Future transformational regeneration and economic development investment (such as the New Towns programme and Defence Growth Deal) will be progressed through partnerships. Whilst we anticipate an ongoing, dynamic and ambitious investment programme will continue across the city, the scale of City Council borrowing required is anticipated to reduce and refocus on core, smaller-scale infrastructure such as the Council's highways network, foreshore and other key assets.

Table I below sets out a summary of the 5-year Capital Programme as at 31st December 2025, summarised by funding source in Figure I. Appendix I provides more detail of the component schemes and sub-programmes.

Table I. Five Year Capital Programme by Directorate:

Directorate	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	Total
	£m	£m	£m	£m	£m	£m
Children's Services	3.719	0.935	0.410	-	-	5.064
Adults, Health and Communities	15.421	9.968	1.904	-	-	27.293
Growth - Economic Development	38.067	32.403	34.920	8.160	0.266	113.816
Growth - Strategic Planning & Infrastructure	62.362	59.639	11.527	1.933	0.275	135.736
Growth - Street Services	20.295	8.551	0.222	0.212	0.247	29.527
Customer & Corporate Services	5.168	2.442	0.100	0.101	-	7.811
Office for Director of Public Health	0.478	-	-	-	-	0.478
Total	145.510	113.938	49.083	10.406	0.788	319.725
Financed by:						
Capital Receipts	10.872	4.163	1.189	1.762	0.266	18.252
Grant Funding	79.616	47.935	16.275	0.193	0.296	144.315
Corporate Funded borrowing	35.110	19.032	17.374	5.187	-	76.703
Service dept. supported borrowing	16.266	32.634	13.311	3.162	0.226	65.599
Developer contributions	1.135	10.159	0.934	0.102	-	12.330
Other Contributions	2.511	0.015	-	-	-	2.526
Total Financing	145.510	113.938	49.083	10.406	0.788	319.725

Figure I: Funding of the 2025-2030 Capital Programme:



The Capital Programme Review

The Capital Programme is regularly reviewed through the council's ongoing budget monitoring process. However, following recommendations by external auditors, the Finance team have worked with project officers, Service Directors and the council's political and officer leadership to undertake a more extensive review of the capital programme. This has resulted in £86.0m of project expenditure (£46.3m of which is financed by borrowing) being re-profiled from the 2025/26 capital budget into future years, together with an additional £82.3m removed from the 5-year programme altogether (£71.4m of which was financed by borrowing). Table 2 below shows the net impact of this review work in the first two years of the 5-year programme, after the offsetting impact of new schemes approved during the year has been taken into account. It shows a 'flattening' of the original programme, achieved through a detailed re-profiling and re-forecasting exercise, as well as a considerable overall net reduction in borrowing compared to the original position. The budgeted pressure for debt financing in 2026/27 has reduced significantly as a result of this work.

Table 2: Capital Programme Review - overall movement in capital programme forecast for 2025-2027 period

	2025/26		2026/27	
	Total (£m)	Of which financed by borrowing (£m)	Total (£m)	Of which financed by borrowing (£m)
Original capital programme (April 2025):	195.2	92.6	73.9	67.2
Less: expenditure re-profiled into future years (net)	(86.0)	(46.3)	52.3	18.1
Less: approvals removed from programme	(1.6)	(1.0)	(41.6)	(38.6)
Less: funding switched / reprofiled between borrowing and other funding sources	0.0	(1.6)	0.0	0.0
Plus: total new approvals	37.9	7.7	29.3	5.0
Current capital programme (December 2025)	145.5	51.4	113.9	51.7

4. CAPITAL PIPELINE

The Capital Pipeline is an important tool for financial and strategic planning, but (as noted in section 2 above) inclusion of an item on the Capital Pipeline does not mean that it will be approved for funding through the Capital Programme. It is a high-level document for planning purposes and will change over time as more detailed plans and programmes are developed, and in response to emerging strategic opportunities and objectives. The Capital Pipeline focuses on areas that require more significant elements of council borrowing – wholly grant funded projects and programmes are generally excluded from the pipeline, as these schemes do not place any direct burden on the council's capital financing budget. Table 3 overleaf sets out the summary Capital Pipeline that has been used to inform the capital planning assumptions set out elsewhere in this document

Table 3: Summary Capital Pipeline

Capital Pipeline	Estimated cost (£m)				
	2026-27 possible pipeline	2027-28 possible pipeline	2028-29 possible pipeline	2029-30 possible pipeline	2030-31 or future years possible pipeline
Children's Services - Residential Homes	1.00	0.50			
Children's Services – SEND provision	8.00	14.00	8.00		
Public Health - Leisure facilities	2.50	0.70		0.10	
ICT infrastructure		0.50	0.50	0.50	0.50
Energy Efficiency Invest to Save	1.00	1.00	1.00		
Asset Mgt. & Foreshore programme	3.25	3.50	2.50	2.50	2.50
Foreshore contingency	0.50	0.50	0.50	0.50	
Vehicle, Plant and Equipment	1.00	1.00	1.00	1.00	1.00
Highways & Transport Asset Management programme	14.30	16.60	14.60	15.20	15.00
City Regeneration (allowance estimate)	4.00	6.00	6.20		
Major Transport Schemes (pipeline)				3.61	10.83
Play Strategy, Parks and Public Realm investment	4.00	4.00	2.00	2.00	2.00
Year 1 contingency (6.5% of total Capital Plan)	11.00				
TOTAL CAPITAL PIPELINE	50.55	48.30	36.30	25.41	31.83
Financed by:					
Grants and other External Funding	13.10	13.70	10.30	12.40	17.18
Corporate Funded Borrowing	33.75	25.50	25.00	12.01	13.65
Service Department Supported Borrowing	3.70	9.10	1.00	1.00	1.00
TOTAL FINANCING	50.55	48.30	36.30	25.41	31.83

5. THE DEDICATED SCHOOLS GRANT (DSG) DEFICIT

Plymouth faces significant pressures in SEND provision, consistent with national trends. Nationally, Education, Health and Care Plans (EHCPs) have increased by 140% over the past decade (from 240,183 in 2015 to 575,973 in 2023/24), and councils are forecast to carry a £5 billion SEND deficit by March 2026. Locally, Plymouth's special schools and academies are at capacity, driving reliance on costly out-of-area placements. The Council awaits the SEND White Paper (expected early in 2026), which should set out long-term reforms focused on improving outcomes rather than reducing support or altering entitlements without robust alternatives. In the meantime, councils can exclude DSG deficits from balance sheets under a statutory override extended to March 2028, providing short-term flexibility while awaiting reform.

Because of the ongoing extension of the DSG High Needs block statutory override, the Council's DSG deficit will continue to accumulate in a reserve on the Council's balance sheet, which is forecast to stand at £54.261m by the end of the 2025/26 financial year (an increase of £35.250m on the previous financial year's closing position of £18.498m). In line with national trends, this level of deficit is now having a material impact on the council's cash balances, and therefore the Council's underlying need to

borrow. For the first time, the council's Capital Strategy must consider the need to finance this growing working capital shortfall.

In the final Local Government Settlement for 2026/27, Central Government announced measures to support local authorities with their DSG deficits, through a first phase of support that will “address historic deficits accrued up to the end of 2025-26” through a “High Needs Stability Grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025-26”. Central government also confirmed that “for deficits that arise in 2026–27 and 2027–28, local authorities can expect that we will continue to take an appropriate and proportionate approach”. For the purposes of this Capital Strategy and our linked MTFP and Treasury Management Strategy, we have assumed that 90% of the projected year-end SEND deficit will be financed by High Needs Stability grant funding, from the mid-point of the following year (i.e. 6 months after the year end position). This much-welcome support makes a significant difference to the quantum of financing that falls to the council – although it does not eliminate it.

For the 2028/29 financial year and beyond, government has stated that “SEND spending will be covered by the overall government DEL budget, meaning local authorities are not expected to fund future SEND costs from general funds, once the Statutory Override ends at the end of 2027-28”. This being the case, we have assumed that the Council's cumulative SEND deficit will not continue to grow beyond March 2028, and that by the mid-point of the 2028/29 financial year, the Council's DSG deficit will stabilise at 10% of previously projected figures. The government has set an expectation that *local authorities will need to plan to be able to meet the cost of the residual [i.e. 10% remaining] deficit from their own resources in 2028-29, including setting aside appropriate reserves in the preceding years*. At the time of publishing this Capital Strategy and budget we are still digesting the significant announcements regarding DSG made in the recent final settlement; currently our capital plans provide for the repayment or re-financing of the residual deficit through amortisation over a 20-year period from 2028/29 onwards; this initial assumption will be reviewed against other options over the coming weeks.

The table below shows the figures currently incorporated into this Capital Strategy based on the latest guidance and assumptions set out above. These estimates are likely to change following further Government announcements on SEND reform, and the development of a strategy to finance the residual deficit.

Table 4: Estimated borrowing to fund Dedicated Schools Block cumulative deficit

	2025/26 forecast (£m)	2026/27 forecast (£m)	2027/28 forecast (£m)	2028/29 forecast (£m)	2029/30 forecast (£m)
DSG Deficit Borrowing Requirement (as at year end)	52.525	58.134	80.988	18.083	18.083
Forecast financing costs	1.241	1.981	2.302	2.043	0.746

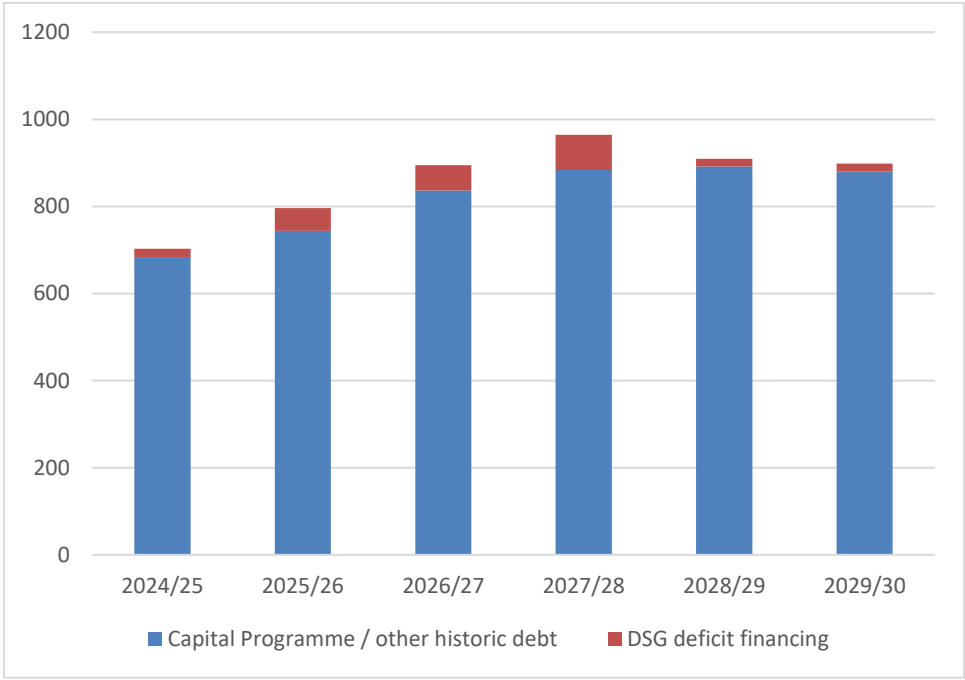
6. CAPITAL FINANCING AND THE MINIMUM REVENUE PROVISION

Plymouth City Council has been highly effective at leveraging in external funding to finance investment. From 2015 to 2025, over 40% of the council's capital investment was funded from external sources. As illustrated in Figure 1 above, going forward c. 50% of the current 5-year programme to 2030 is funded externally. In order to leverage in this funding, and directly to invest in income-generating assets, the

Council has largely borrowed to finance the remainder of its capital programme (although Capital Receipts form a small but important component of financing, both historically and in the current programme).

As a result of historic borrowing, Plymouth City Council’s debt – excluding PFI and lease liabilities - stood at £702.532m as at 31st March 2025. Figure 2 below shows how this debt is forecast to grow over the life of the current 5-year investment programme, based on the approved Capital Programme set out in section 3 above, the estimated Capital Pipeline set out in section 4, and the forecast cumulative DSG deficit set out in section 5. Whilst the total debt figures are significant, they should be seen in the context of the Council’s total asset base, which (at the close of the 2024/25 financial year) stood at a book value of over £1.5bn.

Figure 2: Forecast debt (excluding PFI and lease liabilities) – total value of loans (£m).



The figure shows that, after factoring in the City Council’s Capital Plan (both the current Capital Programme and the estimated Capital Pipeline), the level of borrowing is forecast to peak in 2027/28, before starting to reduce. This profile reflects the continuation, following a major review of the Capital Programme, of an ongoing dynamic and ambitious investment programme described in section 4 above. It also provides for an increasing focus on asset management following a period where much of the strategic need for public investment in the City has been addressed. A levelling-off, and then reduction in the council’s level of capital financing debt will also support the Council’s overall financial position, whilst still leaving scope for critical asset management programmes, and more modest levels of investment to support strategic priorities and ongoing major projects. The borrowing required to finance the DSG working capital position (shown in the red portion of the bar) remains uncertain; these estimates will be affected by the forthcoming SEND reforms.

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue through the minimum revenue provision (MRP) and loans fund repayments. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and loan repayments are set out in Table 5 below; these are accounted for within the debt profile set out in Figure 2 above.

Table 5: Replacement of prior years' capital debt finance (£m)

	2025/26 forecast	2026/27 forecast	2027/28 forecast	2028/29 forecast	2029/30 forecast
Minimum revenue provision (MRP)	17.010	22.514	24.308	25.433	25.818
Loans fund repayments	0.546	0.549	0.555	0.563	0.600
TOTAL	17.556	23.063	24.863	25.996	26.418

Note: Table 5 above excludes potential MRP for DSG deficit financing from 2028/29 as this is unknown

When a capital asset is no longer needed, it may be sold so that the proceeds (known as capital receipts), can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts “flexibly” on service transformation projects up until and including 2029/30. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £12.891m of capital receipts in the coming financial year as set out in Table 6 below:

Table 6: Capital receipts receivable (£m)

	2025/26 forecast	2026/27 forecast	2027/28 forecast	2028/29 forecast	2029/30 forecast
Asset sales	9.804	0.492	0.000	0.450	0.000
Loans repaid and other receipts	3.087	1.341	1.117	1.162	1.196
TOTAL	12.891	1.832	1.117	1.612	1.196

The Authority's full minimum revenue provision statement is set out within the Treasury Management Strategy.

7. AFFORDABILITY – A CAPITAL STRATEGY POLICY FRAMEWORK

The CIPFA Prudential Code requires all councils to demonstrate that borrowing is affordable, prudent and sustainable. To achieve this objective, this section sets out a policy framework that the City Council will be asked to agree at its budget setting meeting in February 2026. The policy framework will be reviewed each year as part of setting the annual Capital Strategy.

As set out in section 6 above, whilst a significant proportion of the council's Capital Programme investment is funded by external grant, it could not have happened without Plymouth City Council being prepared to borrow to drive the growth and development of the City. Following the recent Capital Review, and the development of a full Capital Pipeline, Figure 2 above shows that debt is forecast to peak and then start to fall over the medium-term financial planning period. This will support the long-term affordability of the ambitious investment the City Council has undertaken in recent years. A large proportion of the Council's debt has been used to invest in income-generating assets, principally the Council's Property Regeneration Fund (PRF) portfolio which is discussed in greater detail in section 9 below. The financing of this debt is affordable because of the income it has generated, with a surplus that also supports the Council's wider revenue budget (the PRF also supports employment and the

generation of business rate income, which in turn supports the financial sustainability of the City Council). As noted in Section 5 above, following recent government announcements the council will also receive support for financing the DSG deficit: the vast majority of this cost will no longer require funding from core revenue resources.

Aside from the income-backed financing used to fund the PRF and other income-generating assets, and the temporary financing burden placed the Council by the DSG deficit, there is a core level of debt associated with our historic and current capital programme that will be funded from the Council’s core resources for many years to come. The cost of financing this element of debt is forecast to rise over the near-term (due to the ongoing growth in the capital programme), before reducing in the longer term due to the impact of MRP. Figures 3 and 4 below show how debt financing costs for each element of debt (income-backed financing, DSG deficit financing and core debt) are forecast to grow, in absolute terms, and as a proportion of the Council’s core (net revenue) resources, before reducing from 2028/29 onwards.

Figure 3 – forecast debt financing costs (£m).

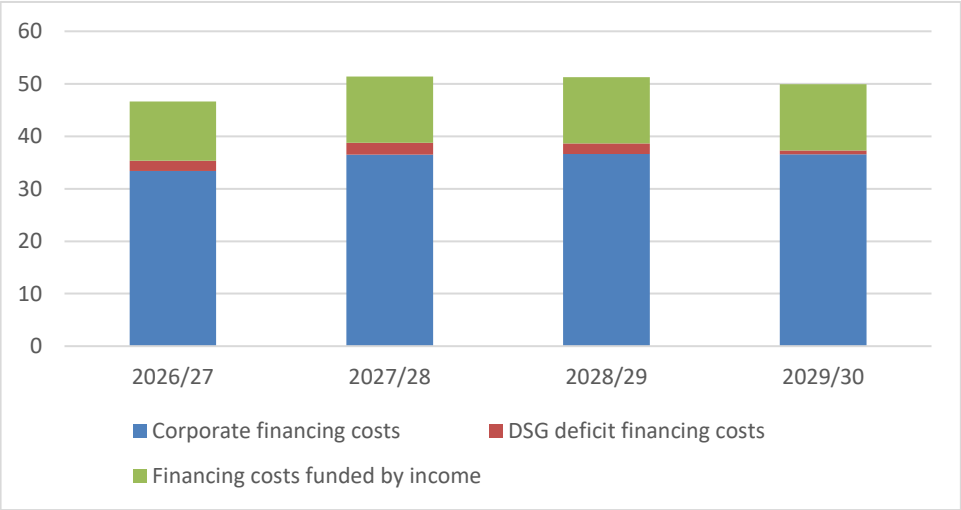
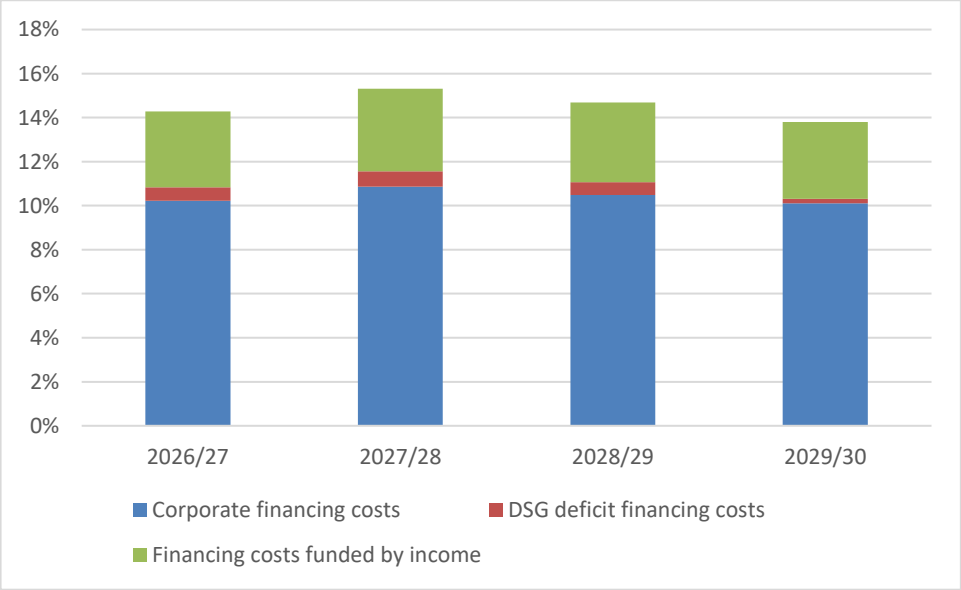


Figure 4 – forecast debt financing costs expressed as a % of forecast Net Revenue Budget.



Local Policy Framework: Capital Strategy principles

The objectives of the Council's Capital Strategy are to enable investment that:

- supports the delivery of the City Council's strategic objectives,
- ensures existing assets are proactively maintained or replaced where necessary, and
- is affordable and does not over-expose the City Council to financial risk.

The following Capital Strategy principles have been developed to balance the need to improve proactive asset management of existing assets with investment in new infrastructure and regeneration, within an affordable capital programme. The additional burden of the Dedicated Schools Grant deficit has been considered within an affordable financial strategy for borrowing, as has the additional income provided through assets that generate revenue (e.g. the Property Regeneration Portfolio).

The principles set out here will guide the affordability and prioritisation of investment, for the period of this Capital Strategy, subject to annual review by the City Council at its budget setting meeting:

1. The Council should ensure that total debt borrowed for capital purposes (excluding funding for the DSG deficit and any other temporary, working capital requirement) remains below £900m over the 5-year life of the capital programme. This threshold excludes notional 'book' borrowing through PFI and other lease arrangements.
2. The Council will set a target cap of 12.5% as the % of revenue funding required to finance core debt (excluding the DSG deficit and income-backed debt) as a proportion of the council's core net revenue budget. The financing of DSG deficit debt and financing that is backed by ongoing income (shown in red and green respectively in Figures 3 and 4 above) will be outside of this target cap. The achievement of this target will depend on interest rate movements and the Council's borrowing strategy, and it may be reviewed in line with exceptional or unforeseen increases in the cost of borrowing. However, the Council will reduce the percentage of core debt financing costs as a proportion of core revenue funding to a 10% threshold in the longer term and will ensure that the percentage starts to reduce within the next 5 years.
3. Ensure that total borrowing for capital investment (excluding DSG) levels off and starts to reduce over the life of the future 5-year programme from 2026/27 – 2030/31. In practice, this means that additional annual borrowing for capital purposes must be lower than the annual MRP debt repayments we make at the end of the 5 year period.
4. Within these financial parameters, the Council will prioritise funding to ensure that sufficient capital approvals are provided for ongoing programmes to prevent and address future asset failure and critical health and safety risks. Wherever possible, funding for these programmes will utilise external contributions and grants as a first call on any such available resources.
5. The Council will continue to explore opportunities to secure external funding to support investment into the City. However, to ensure that external funding supports the affordability of the Capital Programme, additional governance will be developed as part of the capital governance process set out in section 8 below. This will require that larger bids for external funding are brought into the capital governance process prior to a bid being entered into, so that implications for financial risk and affordability can be explored at an early stage.

In summary, these five principles propose that:

1. Total capital debt should remain below £900m over the next 5 years.
2. Core debt financing costs should not exceed 12.5% of the Council's core revenue funding, reducing within the next 5 years, with a reduction to a 10% threshold in the longer term.
3. Total borrowing for capital investment will start to reduce by 2030/31.
4. Within the capital programme, the Council will prioritise funding for essential maintenance.
5. Additional governance will ensure the financial risk and affordability implications of external funding bids are considered at a corporate level before a bid is submitted.

Taken together with the Prudential Code indicators set through the Council's Treasury Management Strategy, these principles will ensure that capital investment is affordable, prudent and sustainable. The Council will review its capital programme and associated financing requirements and borrowing limits if there is a significant change in the balance of costs and income forecast in the Council's rolling Medium-Term Financial Plan. This Capital Strategy has been developed in conjunction with a Medium-Term Financial Plan for the period 2026-29. There is a high degree of confidence that assumptions on costs and income made for the first year of this period are robust; as such the Council can be confident that the revenue consequences of the Capital Programme set out in this document for 2026/27 are affordable. However, looking forward to 2027/28 and future years there is more uncertainty, in particular over the level of demand for statutory services (and associated cost pressures). This being the case, the Local Policy Framework set out in this section will be reviewed on an ongoing basis as part of the Medium-Term Financial Planning cycle.

8. GOVERNANCE AND RISK MANAGEMENT

The Council has published guidance in a Capital Handbook to strengthen governance on the Capital Programme. In conjunction with the Council's Constitution, the Capital Handbook details how capital projects are approved and added into the capital programme. The Local Policy Framework and Capital Strategy Principles set out above will be incorporated into capital governance processes.

As part of its capital governance process, the Council considers all financial decisions from a prudent perspective; this includes the assessment of the affordability of all capital investments. At the point of approval of a scheme, both the funding implications and any ongoing revenue implications are evaluated alongside financial risks, to enable informed decisions to be made. As much of the capital programme is funded by borrowing, assumptions and decisions on the cost and affordability of the Council's borrowing are linked to interest rates, prudential indicators and the approved borrowing strategy as set out in the Treasury Management Strategy. Treasury Management risks are set out in detail, alongside mitigating measures, in the Treasury Management Strategy.

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

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field.

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

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

The Property and Regeneration Fund (previously known as the Asset Investment Fund) has approved investment of over £250 million in commercial property. The principle objective of this investment is to drive economic growth and regeneration, however there are associated long-term income generation benefits (via rental revenues) which support the wider financial position of the Council. The PRF portfolio forms the Council's principle "Non-Treasury" investment, and the detailed strategy, governance and risk management framework for the portfolio is set out in the Council's Non-Treasury Investment Strategy, along with further information on investment appraisal procedures, key financial indicators, and the capability and skills of staff and professional advisors involved in managing the assets. A draft Non-Treasury Investment Strategy is included within the draft Treasury Management Strategy for the Audit and Governance Committee to consider.

The Property and Regeneration Fund portfolio, alongside historic ('legacy') commercial property investments, form an important part of the Council's overall Capital Strategy. Following a recent review, the current approach is to continue to operate these assets and develop the portfolio for the economic benefit of Plymouth and the surrounding area, and to generate income which repays associated capital investment and provides a return over and above financing costs. The review (which took place in Autumn 2025) concluded that disposing of property would be detrimental to the Council's overall long-term financial position. However, this position will be kept under review as part of the Council's evolving Medium Term Financial Strategy and Capital Strategy as the portfolio also provides a potential source of capital receipts, which could be used to repay borrowing and / or finance investment.

CONCLUSION

The Capital Strategy sets the context and framework to guide decisions on investment through the Capital Programme. It has been written to meet the requirements of CIPFA's Prudential Code and recommended best practice. The Service Director of Finance is satisfied that the proposed Capital Plan is prudent, affordable and sustainable based on a clear five-year Capital Programme and an assessment of the Capital Pipeline. However, as noted above the affordability of capital financing will be reviewed as the Council's Medium Term Financial Plans evolve; in addition, budget assumptions around interest rates have risk which will be reviewed regularly and may lead to a further review of the Capital Programme to ensure it remains affordable.

Appendix A: 5-year Capital Programme

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
TOTAL CHILDREN'S SERVICES	3.719	0.935	0.410	-	-	5.064	-	0.009	2.382	2.608	0.002	0.058	0.005	5.064
TOTAL ADULTS & COMMUNITY SERVICES	15.421	9.968	1.904	-	-	27.293	0.790	1.977	12.320	11.792	0.400	-	0.014	27.293
TOTAL PUBLIC HEALTH	0.478	-	-	-	-	0.478	-	0.423	-	0.055	-	-	-	0.478
TOTAL CUSTOMERS AND COMMUNITIES	5.168	2.442	0.100	0.101	-	7.811	-	5.731	2.055	-	-	-	0.025	7.811
ECONOMIC DEVELOPMENT	38.067	32.403	34.920	8.160	0.266	113.816	1.024	25.187	28.907	58.170	0.528	-	-	113.816
STREET SERVICES	20.295	8.551	0.222	0.212	0.247	29.527	0.301	10.351	7.835	9.568	0.156	1.262	0.054	29.527
STRATEGIC PLANNING & INFRASTRUCTURE	62.362	59.639	11.527	1.933	0.275	135.736	16.137	33.025	12.100	62.122	1.202	11.010	0.140	135.736
TOTAL PCC CAPITAL PROGRAMME	145.510	113.938	49.083	10.406	0.788	319.725	18.252	76.703	65.599	144.315	2.288	12.330	0.238	319.725

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
Children's Services - Residential Homes	1.282	0.300	0.410	-	-	1.992	-	-	1.992	-	-	-	-	1.992
Children's Services - other social care	0.157	0.291	-	-	-	0.448	-	-	0.390	-	-	0.058	-	0.448
Children's Services - SEND sufficiency	1.545	0.205	-	-	-	1.750	-	-	-	1.750	-	-	-	1.750
Children's Services - other education / early years	0.735	0.139	-	-	-	0.874	-	0.009	-	0.858	0.002	-	0.005	0.874
TOTAL CHILDREN'S SERVICES	3.719	0.935	0.410	-	-	5.064	-	0.009	2.382	2.608	0.002	0.058	0.005	5.064
Adults & Community Services - Meadow View	6.442	3.909	1.904	-	-	12.255	0.790	0.469	10.546	0.450	-	-	-	12.255
Adults & Community Services - The Royal Building	0.048	-	-	-	-	0.048	-	-	0.048	-	-	-	-	0.048
Adults & Community Services - Family Hubs / Youth & Community centres	1.602	-	-	-	-	1.602	-	1.508	-	0.080	-	-	0.014	1.602
Adults & Community Services - Disabled Facilities	4.496	0.300	-	-	-	4.796	-	-	-	4.396	0.400	-	-	4.796
Adults & Community Services - Dispersed Temporary Housing Programme	-	5.000	-	-	-	5.000	-	-	-	5.000	-	-	-	5.000
Adults & Community Services - Other housing / homelessness	2.683	0.123	-	-	-	2.806	-	-	0.940	1.866	-	-	-	2.806
Adults & Community Services - Eclipse project	0.150	0.636	-	-	-	0.786	-	-	0.786	-	-	-	-	0.786
TOTAL ADULTS & COMMUNITY SERVICES	15.421	9.968	1.904	-	-	27.293	0.790	1.977	12.320	11.792	0.400	-	0.014	27.293
Public Health - the Park Crematorium	0.247	-	-	-	-	0.247	-	0.247	-	-	-	-	-	0.247
Public Health - Foulson Park and other leisure	0.231	-	-	-	-	0.231	-	0.176	-	0.055	-	-	-	0.231
TOTAL PUBLIC HEALTH	0.478	-	-	-	-	0.478	-	0.423	-	0.055	-	-	-	0.478
Customers & Communities - ICT Device Replacement	0.858	0.070	0.100	0.101	-	1.129	-	1.129	-	-	-	-	-	1.129
Customers & Communities - i-Trent	0.273	-	-	-	-	0.273	-	0.273	-	-	-	-	-	0.273
Customers & Communities - Delt 'Lights on' infrastructure	0.280	0.418	-	-	-	0.698	-	0.698	-	-	-	-	-	0.698
Customers & Communities - Other ICT	0.983	1.302	-	-	-	2.285	-	0.398	1.887	-	-	-	-	2.285
Customers & Communities - FM Asset Management & Maintenance	2.433	0.608	-	-	-	3.041	-	3.041	-	-	-	-	-	3.041
Customers & Communities - Public Toilets	0.139	0.044	-	-	-	0.183	-	0.158	-	-	-	-	0.025	0.183
Customers & Communities - Accommodation Strategy	0.202	-	-	-	-	0.202	-	0.034	0.168	-	-	-	-	0.202
TOTAL CUSTOMERS AND COMMUNITIES	5.168	2.442	0.100	0.101	-	7.811	-	5.731	2.055	-	-	-	0.025	7.811

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
Growth (Climate Emergency) - CM Solar Farm	0.050	12.085	-	-	-	12.135	-	-	12.095	-	-	-	0.040	12.135
Growth (Climate Emergency) - District Heating scheme	0.085	1.041	0.400	0.275	0.275	2.076	-	-	-	1.574	-	0.502	-	2.076
Growth (Climate Emergency) - Electric Charging Infrastructure (LEVI)	0.168	-	-	-	-	0.168	-	0.168	-	-	-	-	-	0.168
Growth (Climate Emergency) - PCC Estate Decarbonisation	0.544	1.869	0.415	-	-	2.828	-	0.286	0.005	2.537	-	-	-	2.828
Growth (Climate Emergency) - Home Energy / Warm Homes	0.482	1.123	3.977	-	-	5.582	-	-	-	5.582	-	-	-	5.582
TOTAL GROWTH (CLIMATE EMERGENCY)	1.329	16.118	4.792	0.275	0.275	22.789	-	0.454	12.100	9.693	-	0.502	0.040	22.789
Growth (Transport) - Woolwell to the George	9.346	12.468	5.111	-	-	26.925	-	10.622	-	9.346	-	6.957	-	26.925
Growth (Transport) - Manadon	4.023	12.932	-	-	-	16.955	-	2.059	-	14.896	-	-	-	16.955
Growth (Transport) - Charlton Road	0.692	1.171	-	-	-	1.863	-	1.687	-	0.176	-	-	-	1.863
Growth (Transport) - Other Strategic Transport schemes	1.941	7.144	-	-	-	9.085	-	2.019	-	6.224	-	0.842	-	9.085
Growth (Transport) - Bus grants (ZEBRA & other)	10.747	2.469	-	-	-	13.216	-	-	-	11.560	1.181	0.375	0.100	13.216
Growth (Transport) - Eastern Corridor Cycle network	1.218	2.021	0.511	-	-	3.750	-	-	-	2.082	-	1.668	-	3.750
Growth (Transport) - Other active travel schemes	0.577	0.634	-	-	-	1.211	0.010	0.004	-	1.177	0.015	0.005	-	1.211
TOTAL GROWTH (TRANSPORT)	28.544	38.839	5.622	-	-	73.005	0.010	16.391	-	45.461	1.196	9.847	0.100	73.005
Growth (Other infrastructure) - Armada Way	18.255	1.167	-	-	-	19.422	7.888	11.534	-	-	-	-	-	19.422
Growth (Other infrastructure) - Royal Parade	5.515	0.404	-	-	-	5.919	-	4.399	-	1.500	-	0.020	-	5.919
Growth (Other infrastructure) - Other Public Realm / Better Places	0.227	-	-	-	-	0.227	-	0.227	-	-	-	-	-	0.227
Growth (Other infrastructure) - Flood Risk Management	3.840	-	-	-	-	3.840	-	-	-	3.840	-	-	-	3.840
Growth (Other infrastructure) - Plan for Homes	4.652	3.111	1.113	1.658	-	10.534	8.239	0.020	-	1.628	0.006	0.641	-	10.534
TOTAL GROWTH (Other infrastructure)	32.489	4.682	1.113	1.658	-	39.942	16.127	16.180	-	6.968	0.006	0.661	-	39.942
TOTAL GROWTH (Strategic Planning and Infrastructure)	62.362	59.639	11.527	1.933	0.275	135.736	16.137	33.025	12.100	62.122	1.202	11.010	0.140	135.736

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26 Latest Forecast £m	2026-27 Latest Forecast £m	2027-28 Latest Forecast £m	2028-29 Latest Forecast £m	2029-30 Latest Forecast £m	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
Growth (Economic Dev.) - Freeport programme	14.268	4.304	4.012	-	-	22.584	-	-	4.013	18.571	-	-	-	22.584
Growth (Economic Dev.) - Civic Centre	5.575	9.357	23.525	7.904	-	46.361	-	16.757	2.971	26.633	-	-	-	46.361
Growth (Economic Dev.) - Guildhall	3.724	-	-	-	-	3.724	-	1.309	0.193	2.222	-	-	-	3.724
Growth (Economic Dev.) - West End redevelopment	0.876	2.519	-	-	-	3.395	-	0.486	2.492	0.417	-	-	-	3.395
Growth (Economic Dev.) - Railway Station redevelopment	0.064	0.018	0.156	0.095	0.258	0.591	0.568	-	-	-	0.023	-	-	0.591
Growth (Economic Dev.) - PRF Embankment Road	0.030	6.931	6.961	-	-	13.922	-	-	13.922	-	-	-	-	13.922
Growth (Economic Dev.) - other PRF schemes	3.628	2.854	-	-	-	6.482	-	-	5.301	1.181	-	-	-	6.482
Growth (Economic Dev.) - National Marine Park	7.982	4.218	0.248	0.153	-	12.601	-	4.168	-	7.933	0.500	-	-	12.601
Growth (Economic Dev.) - other regeneration schemes	1.289	2.173	-	-	-	3.462	-	2.467	0.015	0.980	-	-	-	3.462
Growth (Economic Dev.) - Investment Fund & UKSPF	0.446	0.029	0.018	0.008	0.008	0.509	0.290	-	-	0.219	-	-	-	0.509
Growth (Economic Dev.) - Mount Edgecumbe	0.185	-	-	-	-	0.185	0.166	-	-	0.014	0.005	-	-	0.185
TOTAL GROWTH (ECONOMIC DEV.)	38.067	32.403	34.920	8.160	0.266	113.816	1.024	25.187	28.907	58.170	0.528	-	-	113.816
Growth (Highways) - Highways Structural Maintenance	0.548	0.500	-	-	-	1.048	-	1.048	-	-	-	-	-	1.048
Growth (Highways) - Highways Carraigeway & Footway Maintenance	6.480	-	-	-	-	6.480	-	1.972	-	4.493	0.015	-	-	6.480
Growth (Highways) - Signals, Lighting & Other Highways Maintenance	3.991	2.000	-	-	-	5.991	-	4.551	0.630	0.558	0.115	0.137	-	5.991
Growth (Highways) - Safety & Other Minor Highways schemes	0.550	0.581	-	-	-	1.131	-	0.816	-	0.271	-	0.044	-	1.131
Growth (Highways) - Living Streets	0.164	0.139	-	-	-	0.303	-	0.303	-	-	-	-	-	0.303
Growth (Highways) - Highway CCTV	0.077	-	-	-	-	0.077	-	0.061	-	0.016	-	-	-	0.077
Growth (Highways) - Parking	0.272	-	-	-	-	0.272	-	-	0.264	-	-	0.008	-	0.272
TOTAL GROWTH (HIGHWAYS)	12.082	3.220	-	-	-	15.302	-	8.751	0.894	5.338	0.130	0.189	-	15.302
Growth (Waste & Environment) - Food Waste	2.211	0.077	0.008	-	-	2.296	-	-	0.354	1.942	-	-	-	2.296
Growth (Waste & Environment) - Vehicle, Container & Plant replacement	2.753	3.673	0.190	0.190	0.227	7.033	0.033	0.381	6.565	-	-	-	0.054	7.033
Growth (Waste & Environment) - Chelson Meadow maintenance / upgrade	0.245	-	-	-	-	0.245	-	0.245	-	-	-	-	-	0.245
Growth (Waste & Environment) - Plymouth & South Devon Comm. Forest	1.309	-	-	-	-	1.309	-	-	-	1.290	0.019	-	-	1.309
Growth (Waste & Environment) - Ocean City Biodiversity Loan	0.150	0.350	-	-	-	0.500	-	0.500	-	-	-	-	-	0.500
Growth (Waste & Environment) - Other Nature & Trees (incl. VIMS)	0.521	0.222	0.024	0.022	0.020	0.809	-	0.065	0.022	0.493	-	0.229	-	0.809
Growth (Waste & Environment) - Derriford Park Improvements	0.407	0.419	-	-	-	0.826	-	-	-	0.382	-	0.444	-	0.826
Growth (Waste & Environment) - Central Park Improvements	0.521	-	-	-	-	0.521	-	0.389	-	0.027	-	0.159	-	0.521
Growth (Waste & Environment) - other Parks, Pitches & Play Equipment	0.096	0.590	-	-	-	0.686	0.268	0.020	-	0.150	0.007	0.241	-	0.686
TOTAL GROWTH (WASTE & ENVIRONMENT)	8.213	5.331	0.222	0.212	0.247	14.225	0.301	1.600	6.941	4.230	0.026	1.073	0.054	14.225
TOTAL GROWTH (STREET SERVICES)	20.295	8.551	0.222	0.212	0.247	29.527	0.301	10.351	7.835	9.568	0.156	1.262	0.054	29.527

Appendix 12 - Treasury Management Strategy 2026/27

Treasury Management Strategy 2026/27

Councillor Mark Lowry – Cabinet Member for Finance

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

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

David Northey - Interim Service Director for Finance (SI51 Officer)

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

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

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

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SECTION 1: INTRODUCTION, OVERVIEW & CONTEXT

1. Introduction

- 1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The City Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management. Treasury risk management at Plymouth City Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the City Council to approve a treasury management strategy before the start of each financial year. This Appendix fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.2 The document also sets out Plymouth City Council's Non-Treasury Investment Strategy, a requirement of statutory guidance on Local Government Investments. Finally, the document sets out Plymouth City Council's statement of policy on the Minimum Revenue Provision for approval by the City Council, fulfilling the Council's legal obligation under statutory guidance issued under the Local Government Act 2003.

2. Overview – Investment & Borrowing strategies at a glance

INVESTMENTS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns (a target rate of 3.75% has been set for 2026/27)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles
- To balance risk against return

Market Intelligence

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

Statutory and

Performance Framework

Rules that guide us

Investments

- Sterling only
- Can use UK Government, Local Authority or a body of high credit quality (defined as organisations and securities having a credit rating of [A-] or higher and domiciled in UK).

Counterparties and Limits (see table on page 14)

Investment Limits – subject to Counterparty table on page 20

- **Unlimited** UK Government
- **Unlimited** Money Market Fund and up to £15m per individual fund to a maximum limit up to 0.5% total fund value.
- **£25m** any single local authority or government entity

	• £10m per Bank (unsecured) • £20m unrated corporates • £60m Strategic Pooled Funds
Approach <i>Choices made within the framework</i>	Hierarchy of objectives - Security first, then liquidity and then Yield. Risk Assessment and credit rating - We monitor credit ratings daily so any new investments will be made using the latest credit information. Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information. Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information.

BORROWING – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To minimise the cost of borrowing (a target rate of 4.5% has been set for medium/long-term borrowing and 4% short term borrowing)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

Market Intelligence

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

Borrowing requirements – key assumptions and limits for 2026/27

- **£114m** Total Capital Expenditure in 2026/27 of which financed by £52m external borrowing, with an allowance for further borrowing of £38m to support known capital pipeline need.
- **£926m** Capital Finance Requirement (underlying need to borrow)
- **£895m** assumed total debt (financing required in 2026/27 of which £58m borrowing to fund the forecast DSG deficit).
- **£981m** Operational Boundary (practical ceiling on borrowing)
- **£1032m** The Authorised Limit (absolute maximum debt approved)

Key Prudential & Treasury Management Indicators

- **16.4%** Ratio of finance costs to net revenue stream (statutory definition of borrowing costs as a proportion of net revenue resources)
- **10.3%** Ratio of core finance costs to net revenue stream (local indicator measuring compliance with Capital Strategy policy framework)
- **100%** Limit on Fixed Interest Rate exposure
- **25%** Limit on Variable Interest Rate exposure
Upper and Lower limits are set for different durations to provide a framework for the Council's maturity structure of borrowing, to

	mitigate the risk of over-exposure to refinancing risks – see page 19 for further details. Minimum Revenue Provision Policy (MRP) • Annuity Method • PFI/Leases can be charged on an annuity method over the life of the asset. • Option for capital receipts to be used towards repaying debt
Approach <i>Choices made within the framework</i>	Balanced objectives - The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. In addition, the Council seeks to ensure a minimum level of short-term borrowing is held to maximise the benefit from a hedging arrangement. Strategy the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates anticipated to be lower than long-term rates for much of 2026/27. Mitigation of interest rate risk continues to be an important consideration thus an approach to use a mix of internal resources, short-term loans and PWLB loans under an EIP (equal instalment payment) to remain within the 2026/27 revenue provision for borrowing. EIP loans spread the risk of refinancing across the life of the loan on equal 6 monthly repayments. LOBOs - with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years. Debt Restructuring - the council will reschedule or restructure debt if it reduces cost or risk, in consultation with our appointed advisors Arlingclose. The council uses a present value calculation (based on current rates) to assess value of debt restructuring options that could result in a discount or premium being receivable / payable. A present value calculation based on current rates for the same period of loan may result in a discount or premium.

3. Context – economic background and interest rate outlook

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

Economic background

The most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.

The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.

Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate.

The final Treasury Management Strategy for 2026/27 taken to full council in February 2026 will include any further updates as appropriate.

Interest Rate Forecast

Interest rate forecast (**22nd December 2025**): Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the Bank of England Monetary Policy Committee meeting held on 18th December.

Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance.

Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

4. Context – the Council's Capital Financing Requirements

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

- 4.1 On 31 December 2025, Plymouth City Council held £757.032m of borrowing and £160.830m of treasury investments (this is set out in further detail at Appendix B). Forecast changes in these sums will be driven by changes to the Council's total capital financing requirement, driven in turn by the Council's capital programme. In line with the Plymouth Plan – a long-term strategy for the City, the Council has a large programme of investment to support economic growth and health and wellbeing in Plymouth. The financial impact of this investment programme is analysed in the tables below.

Estimates of Capital Expenditure

- 4.2 The Council's planned capital expenditure and financing forecast as at December 2025 is summarised in the table below. The forecast incorporates reprofiling assumptions for current and future years based on a trend analysis using actual information from previous years.

Capital Expenditure and Financing	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Forecast of in-year Capital Expenditure (General Fund only)	145.510	113.938	49.083	10.406	0.788
Total Expenditure	145.510	113.938	49.083	10.406	0.788
Capital Receipts	10.872	4.163	1.189	1.762	0.266
Grants and Contributions	80.751	58.094	17.209	0.295	0.296
Revenue	2.511	0.015	0.000	0.000	0.000
Borrowing	51.376	51.666	30.685	8.349	0.226
Leasing and PFI	0.000	0.000	0.000	0.000	0.00
Total Financing	145.510	113.938	49.083	10.406	0.788

Estimates of Capital Financing Requirement

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

- 4.3 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. It is essentially the total amount of capital expenditure that has not yet been financed by grants, capital receipts or revenue contributions. The underlying need to borrow considers the borrowing required to finance historic capital investment as well as new borrowing required to finance forecast investment over the MTFP period. A key point is that this is an **accounting measure** and not the actual amount borrowed.

- 4.4 It reflects the theoretical level of debt needed to fund capital assets.

Capital Financing Requirement	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Forecast CFR (General Fund only)	834.934	866.390	925.432	963.091	965.241
Total CFR	834.934	866.390	925.432	963.091	965.241

- 4.5 The Council has an increasing CFR, which is forecast to rise by £98.851m over the next three years through the element of capital programme investment not externally financed by grants, capital receipts and contributions.

Gross Debt and the Capital Financing Requirement

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

- 4.6 In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.
- 4.7 Dedicated Schools Grant (DSG) deficits arise when spending on schools and high-needs provision exceeds the DSG allocation and are revenue in nature which will require the cashflow impact from the deficit to be financed either through financial reserves or additional borrowing. The council is following existing statutory guidance and regulations on DSG deficit accounting, with the statutory override in place until 2027–28. Borrowing forecasts below include provision for the Councils need to borrow to finance the DSG deficit, having factored in recently announced High Needs Support Grant (HNSG) funding. Previous projections (presented to Audit & Governance committee in November 2025 and again in January 2026) highlighted the impact of borrowing to finance the DSG deficit, these projections have now been revised downwards to reflect the announcement of HNSG currently confirmed for deficits held at 31 March 2026. For the purpose of the 2026/27 Treasury Management Strategy borrowing to finance forecast future year deficits from 1 April 2026 are assumed to benefit from future HNSG to cover 90% of eligible deficits.

Debt	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	796.559	894.773	964.574	909.597
Other debt liabilities (including PFI liabilities & Finance Leases)	99.153	92.828	86.611	80.490	74.369
Total Debt	801.685	889.387	981.384	1045.064	983.966

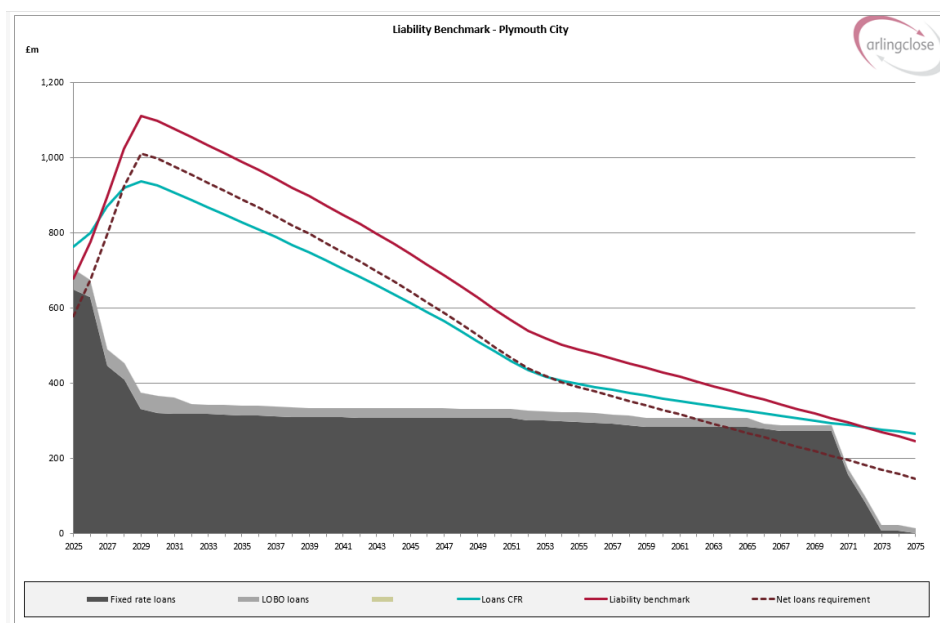
The table below adjusts the borrowing figures above for the impact of the DSG deficit:

DSG Deficit	18.498	52.525	58.134	80.988	18.083
Borrowing excluding DSG Deficit	684.034	744.034	836.639	883.586	891.514

- 4.8 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The table above shows that excluding the impact of the DSG deficit borrowing, forecasts will be lower than CFR.

Liability benchmark

- 4.9 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
- 4.10 Following on from the medium-term forecasts in the tables above, the long-term liability benchmark assumes approved capital expenditure funded by borrowing across 5-year capital programme of £142.302m, minimum revenue provision on new capital expenditure based on an average 20- or 25-year asset life (as appropriate) and income, expenditure and reserves all increasing by inflation of 2.5% a year. The potential capital pipeline borrowing requirements are not included in the calculations of the liability benchmark shown in the chart below.
- 4.11 The liability benchmark chart demonstrates that the Council is likely to be a long-term borrower. On the basis of approved investment needs, the maturity structure of existing debt remains below the cumulative amount of external borrowing forecast for a long-term period, which will require the council to borrow more funds to meet its borrowing needs over an estimated 20-year period.



SECTION 2: TREASURY MANAGEMENT STRATEGY

5. Borrowing Strategy & Borrowing Limits

- 5.1 As at 31 December 2025, Plymouth City Council held £748.7m of loans, an increase of £46.2m from 1 April 2025, as part of its strategy for funding previous years' capital programmes. Table 4.7 above show that the Council expects to borrow up to £796.6m by the end of the 2025/26 financial year. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed authorised limits agreed by the City Council, as set out in this report.

Borrowing strategy

- 5.2 The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest and fixing borrowing to obtain certainty of costs. The flexibility to renegotiate loans or to reschedule debt should the Council's long-term plans change is a secondary objective.
- 5.3 Given the context of increasing demand for statutory services and a challenging outlook for public finances and local government funding, Plymouth City Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators (set out in section 7 below), and through the use of PWLB Equal Instalment of Principal (EIP) repayment financing products, a strategy which has been recommended by the Council's Treasury Management advisors and approved by the Treasury Management Board.
- 5.4 By doing so, the City Council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The Council has taken the opportunity to refinance some of its short-term borrowing with longer-term fixed rate EIP borrowing from PWLB. This has reduced the Council's short-term borrowing and therefore reduced the interest rate risk (risk of interest rates rising).
- 5.5 The Council will continue to review its portfolio of borrowing and may refinance its debt dependant on the market conditions. The benefits of short-term borrowing will continue to be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Short term borrowing may be a cheaper option, but it could leave the Council exposed to refinancing risk, a combination of interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council). Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 5.6 The Council will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk to reduce the overall long-term costs of the loan portfolio. The Council will only borrow from approved sources. In its budget assumptions for 2026/27, the Council has assumed that new long-term loans will cost an average rate of 4.25%.

Borrowing Limits: Maximum Total Debt

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

- 5.7 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment, or to finance internal borrowing. The current strategy is not to borrow to the full underlying CFR, and to use working capital and reserves to offset an element of borrowing need.
- 5.8 CIPFA's *Prudential Code for Capital Finance in Local Authorities* requires Councils to set a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.
- 5.9 After taking account of the councils known capital pipeline commitments and the anticipated DSG deficit, the Council expects to hold borrowing up to £895m in 2026/27. Including PFI and other long-term liabilities forecast at £87m, total borrowing must not exceed an **authorised limit** set by the Council of £1032m (which includes an allowance for short term cashflow borrowing requirements). Further detail on the authorised limit and other Prudential Indicators is set out in section 6 below.
- 5.10 The council will review the appropriateness and affordability of its capital programme and associated financing requirements and borrowing limits if there is a significant change in the balance of costs and income forecast in the Council's rolling Medium-Term Financial Plan. This Treasury Management Strategy has been developed in conjunction with a Capital Strategy and Medium-Term Financial Plan for the period 2026-29
- 5.11 The approved sources of long-term and short-term borrowing are set out in the table below.

These are the lenders we are able to use.

Sources of Borrowing:

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

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

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

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

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

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

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

- 5.13 The Authority holds £44m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.
- 5.14 There have been a further two £5m calls in 2025/26 as more cost effective to repay compared to option of accepting new rates of 6.33% and 6.47% respectively. Opportunities to repay any future LOBO obligations will be considered when it can be demonstrated to be cost effective. A total £20m has been repaid in 2024/25 and 2025/26.
- 5.15 There are no further LOBO call in options during 2025/26, and one £5m LOBO call in on 3 September 2026 currently held at a 4.20%. If the option is exercised, then the Authority will consider the option to repay LOBO loans to reduce refinancing risk in later years.

Municipal Bond Agency loans

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

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

Short-term and Variable Rate loans

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

- 5.18 As part of balancing the 2026/27 revenue budget Cabinet are recommended to agree a proposal to release a one-off revenue benefit through a partial reversal of the Council's rate swap arrangement. If agreed, the value of this reversal will be finalised by the SI51 Officer once the 2026/27 revenue budget is finalised through the final budget settlement.
- 5.19 Other financial instruments may be used to manage interest rate or other risks in line with the Council's policy on the use of Financial Derivatives (see section 9.1 below).

Debt Rescheduling

- 5.20 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.
- 5.21 The council will re-schedule debt if it reduces cost/risk or offers essential revenue saving options that are required to balance the revenue budget position.

6. Investment strategy and associated policies

Treasury Management Investment Strategy and Objectives

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

- 6.1 The Council invests its money for three broad purposes:
- because it has surplus cash from its day-to-day activities, for example when income is received in advance of expenditure, or to mitigate medium term interest rate risks (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to regenerate areas within the City of Plymouth or immediate surrounding economic area to encourage private investment and to create or retain local jobs (known in Plymouth City Council as **'Property Regeneration Fund' investments**).
- 6.2 This section focusses on the first category. Section 10 below focuses on the second and third of these categories and meets the requirements of statutory guidance issued in January 2018.
- 6.3 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds grants received in advance of future expenditure, and levels of reserves in order to manage risk. These activities, plus the timing of borrowing decisions, lead to a cash surplus which will be invested in accordance with the strategy and policies set out in this document. The balance of treasury investments is expected to fluctuate between £20m and £60m during the financial year 2026/27.
- 6.4 The CIPFA Code requires Plymouth City Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the City Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Plymouth City Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 6.5 As demonstrated by the liability benchmark, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The majority of the cash held by the council for working capital purposes is currently invested in short-term money market funds which offer lower rates but allow for immediate withdrawal.
- 6.6 The Council holds investments in diversified managed funds (defined as 'strategic pooled funds' in the table below) which offer a higher yielding alternative to short-term money market funds. The CIPFA Code no longer permits local authorities to both borrow and invest long-term for cash flow management, however, decisions to invest in these funds were taken some time ago under a different policy framework. The CIPFA Code does permit long-term investments to be held for treasury risk management purposes, including to manage

interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to a strategic pooled fund portfolio. Accordingly, the Council's historic portfolio of strategic pooled funds will be retained to diversify risk into different sectors and to manage medium term interest rate risk. The Council currently holds £55m across a number of such funds (CCLA Property Fund, CCLA Better World Cautious Fund, Schroder's Income Maximiser and Fidelity Enhanced Income Fund); these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange. Their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. These investments have outperformed other investment returns through both annual dividends received quarterly in arrears and the fair value of the investment as at 31 December 2025 exceeding the value of the original investment.

- 6.7 In its budget assumptions for 2026/27, the Council has assumed that investments will return at an average interest rate of **3.75%**. This interest rate excludes returns through capital appreciation, where the council is currently in a positive position. However, the council will be reviewing its investments during 2026/27 to ensure that holding funds remains appropriate.

Environmental, social and governance investment policy

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

Treasury Management Investment business models and strategic pooled funds

- 6.9 Under the new IFRS 9 accounting standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost. The Government have recently extended the backstop for forthcoming changes to the accounting treatment for certain strategic pooled fund investments; however, the changes (which will take effect from April 2029) will affect how the Council's pooled fund investments impact on the general fund revenue position. As noted in paragraph 6.1 above, the pooled fund investments will be reviewed ahead of the changes taking effect, and the council's approach to pooled investments may change as a result.

Security Risk and Counter Party policies**Sector guidance, approved counterparties and investment limits**

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

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

Table 6.2: Investment limits	Time Limit	Counterparty Limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£25m	Unlimited
Secured investments *	3 years	£25m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited
Building Societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	3 years	£5m	£10m
Money Market Funds *	n/a	£15m	Unlimited
Strategic pooled funds	n/a	£25m	£60m
Loans and investments to unrated corporates	n/a	£5m	£20m
Other investments, unrated investments in equity, quasi-equity, debt or otherwise	n/a	£5m	£20m

* See paragraph 6.23 below for specific credit risk management procedures applying to these sectors.

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

UK Government:

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

Local authorities and other government entities:

6.13 These are loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not

subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

Secured investments:

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

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

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

Investments in registered providers (unsecured):

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

Money market funds:

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

Strategic pooled funds:

- 6.18 These are bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. Strategic pooled funds allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. As noted in paragraph 6.6 above, the Council currently holds £55m across a number of such funds.

Real estate investment trusts:

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

Other investments:

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

Risk assessment and credit ratings

- 6.21 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- No new investments will be made
 - Any existing investments that can be recalled or sold at no cost will be, and
 - Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty
- 6.22 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating

Sector-specific credit rating policies

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

Other considerations on the security of investments

- 6.24 When assessing the security risk of investments, the Council's treasury management team will also consider the following factors:
- For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
 - The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.

- The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

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

Reputational considerations

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

Liquidity Management

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

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

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7. Treasury Management and Prudential Indicators

2026/27 Prudential Indicators

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

Operational Boundary for External Debt

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

- 7.2 The operational boundary is based on the Council's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt. The focus of the operational boundary will be on the Council's external debt shown on the first table below however the tables also include other long-term liabilities (such as PFI and finance lease debt), which for accounting purposes and to comply with the CIPFA code are included in the table below.

Operational Boundary	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	796.559	894.773	964.574	909.597
Other debt liabilities	99.153	92.828	86.611	80.490	74.369
Total liabilities	801.685	889.387	981.384	1045.064	983.966

Authorised Limit for External Debt

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

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

Authorised Limit	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	841.559	939.773	1009.574	954.597
Other debt liabilities	99.153	97.828	91.611	85.490	79.369
Total liabilities	801.685	939.387	1031.384	1095.064	1033.966

Ratio of Financing Costs to Net Revenue Stream

This measure demonstrates that our proposed borrowing is affordable.

- 7.4 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income. For the 2026/27 Treasury Management Strategy we are setting out two separate indicators. The first indicator uses the statutory definition prescribed by the CIPFA Prudential Code, and is set out in the first table below (noting the impact of the DSG deficit) for the 2024/25, 2025/26, 2026/27 and subsequent two financial years. The second indicator, set out in the second table below, uses a locally-developed definition which aligns with the Council's Capital Strategy policy framework. This is being adopted from 2026/27 onwards, and so is set out for that financial year and the subsequent two years only (again, the impact of the DSG deficit is noted).

Ratio of Financing Costs to Net Revenue Stream (Statutory indicator)	2024/25 Actual	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Financing costs (£m) incl DSG deficit borrowing costs	43.480	47.822	55.182	63.101	68.215
Proportion of net revenue stream – all financing costs*	18.4%	18.2%	16.4%	17.4%	16.7%
<i>Note: element of financing costs above relating to DSG deficit</i>	<0.5%	0.5%	0.6%	0.7%	0.6%

- 7.5 Note that the statutory definition for this indicator sets out a requirement that all financing costs are included. The table above therefore includes financing costs for income-generating assets that are funded by income additional to the Net Revenue Budget, DSG Deficit financing costs, and notional financing costs assigned to long term liabilities such as PFI and Finance Leases within the calculation.

Ratio of Financing Costs to Net Revenue Stream (Local indicator)	2024/25 Actual	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Core financing costs (£m)*			33.376	36.479	36.610
Proportion of net revenue stream – core financing costs			10.3%	10.9%	10.5%
<i>Note: Capital Strategy: Local Policy Framework Upper Threshold</i>			12.5%	12.5%	12.5%
<i>Note: additional financing costs relating to DSG deficit</i>			0.6%	0.7%	0.6%

- 7.6 Core financing costs are defined in the Council's Capital Strategy. They include all elements of the Council's Capital Financing budget (including Service Borrowing where this has not been utilised to finance income-generating assets), but excludes the costs of financing the DSG deficit, and the costs of financing income-generating assets.

Adoption of the CIPFA Treasury Management Code

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

Other Treasury Management Indicators

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

Security

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

	Target
Portfolio average credit rating	A

Liquidity

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

Interest Rate Exposures

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

	2025/26	2026/27	2027/28	2028/29
Upper limit on fixed interest rate exposure	100%	100%	100%	100%
Upper limit on variable interest rate exposure	25%	20%	15%	15%

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

Maturity Structure of Borrowing

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

Time period	Upper	Lower
Under 12 months	35%	10%
12 months and within 24 months	25%	5%
24 months and within 5 years	25%	5%
5 years and within 10 years	15%	0%
10 years and above	45%	25%

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

Principal Sums Invested for Periods Longer than 365 days

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

	2025/26	2026/27	2027/28
Limit on principal invested beyond one year	£10m	£10m	£10m

8. Alternative approaches considered

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

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

9. Other Treasury Management policies and considerations

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

Policy on the use of Financial Derivatives

- 9.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 9.3 However, the Council does not discount the possible use of these in the future dependent on the existence of appropriate operating conditions, the acquisition and analysis of specialist advice and consultation with appropriate stakeholders. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be

taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

- 9.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit.
- 9.5 This approach is in line with the CIPFA Code, which encourages the Council to seek external advice and to consider such advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive

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

Policy on Investment of Money Borrowed in Advance of Need

- 9.7 The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money for the Council's Treasury Management activities within the year. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.
- 9.8 The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be less than one year, although the Council is not required to link particular loans with particular items of expenditure.

Skills, staff development and professional advice

- 9.9 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director of Finance is a qualified accountant with over 25 years' experience. Within the accountancy and treasury management function, the Council employs staff with professional finance qualifications and supports junior staff to study towards relevant qualifications.
- 9.10 The training and development needs of the Council's treasury management staff are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.
- 9.11 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Treasury Management Practices, Principles and Schedules guidance

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

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

10. Non-Treasury Management Investment Strategy

Introduction and scope

- 10.1 Local Authorities invest money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**).
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 10.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.
- 10.3 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

- 10.4 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is largely used to offset the need to borrow for capital investment, or invested to support treasury management activities. The balance of treasury management investments is expected to fluctuate between £40m and £60m during the 2026/27 financial year.
- 10.5 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 10.6 Full details of the Council’s policies and its plan for 2026/27 for treasury management investments are covered in Sections 1 and 2 above.

Service Investments

- 10.7 Plymouth City Council supports local public services and economic growth through making loan investments. Further details on these Non-Treasury Management investments are set out in below. The Council does not expect to make any new investments in shares for the purpose of supporting local public services or promoting local economic growth during 2026/27, however the below sets out some considerations as a guide for potential

shareholder investments that the Council may wish to consider furthering its organisational public service objectives.

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

The Property and Regeneration Fund

- 10.9 At Plymouth City Council, no new investments are entered into for the sole purpose of earning investment income – where the Council has surplus funds over and above working capital needs, these are used to offset debt financing requirements through 'internal' borrowing. However, property investments are made to regenerate areas within the City or immediate economic area to encourage private investment and to create or retain jobs – a portfolio of property known at the City Council as the Property and Regeneration Fund (PRF). These investments generate a yield and (for affordability purposes and to manage financial risks), PRF investments are appraised on a commercial basis as well as for regeneration, economic development and place-shaping value. As such, the Property and Regeneration Fund is considered to fall within the scope of this Non-Treasury Investment Strategy, even though the primary purpose of the portfolio is not to earn investment income. Further detail on the Property and Regeneration Fund is set out in section 10.20 below.

Service Investments - Loans

- 10.10 The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities, registered social housing providers or other organisations to support local public services and / or public service objectives. For example, the Council has given a loan to Plymouth Community Energy to support the construction of the solar energy farm at Ernesettle, which in turn supports the Council's Climate Emergency Strategy objectives.
- 10.11 The vast majority of such loan investments are low value; however, taking a proportionate approach commensurate with the value of any loan the Council will ensure that an appropriate due diligence exercise is undertaken, and adequate security is in place. All loans are agreed by the Section 151 Officer and will be subject to close, regular monitoring. Long-term loans are treated as capital expenditure for accounting purposes, where the applicable criteria are met.
- 10.12 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Where appropriate and proportionate, the Council will take security against assets to mitigate the risk of default.

- 10.13 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 10.14 The Council assesses and mitigates the risk of loss before entering into and whilst holding service loans by:
- reviewing the financial statements of the organisation and reviewing the organisation's business plans and future projections and future cash flows;
 - assessing what security is available to secure the loan and if necessary carry out a professional valuation of any property;
 - using external advisors to provide professional information such as due diligence requirements;
 - the loan agreements are reviewed by our legal team to ensure that they are legally compliant and includes any safeguards for the Council;
 - if an organisation has a credit rating we will carry out a credit check to assess risk;
 - taking a proportionate approach, the rate of interest charged on any loan will reflect the risk of the project and potential for default;
 - subsidy control rules are taken into account before a loan can be considered.

Loan Commitments and Financial Guarantees

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

Service Investment - shares

- 10.16 The Council may make financial investments through the purchase of shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth. The Council does not currently hold any material shareholding investments, but should an opportunity arise to support Plymouth City Council's objectives through an investment in shareholdings the guidance in this paragraph will apply.
- 10.17 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The individual and absolute level of financial investment made in shareholdings should be considered with regard to this security risk, with limits set with reference to the Council's level of available general reserves. All financial shareholding investments should be agreed by the Section 151 Officer and should be subject to close, regular monitoring.
- 10.18 **Risk assessment:** The Council would assess the risk of loss before entering into and whilst holding shares by reviewing the history of the organisation; its financial statements and its share values. The Council will also look at business plans, future cash flows and any other market information that may affect the organisation.
- 10.19 **Liquidity:** The Council covers its liquidity for working capital and cash flow by holding cash in its Money Market Fund and being able to borrow short term loans from other local authorities. Shares of this type should not be considered to be a suitable investment for managing liquidity risk and should be appraised accordingly, with regard to the Council's liquid Treasury Management investments and cashflow forecast.

Property and Regeneration Fund

- 10.20 From 1 April 2021 the Council ceased to invest in commercial property where the investment decision was based on a primary objective of generating income. Since this date, the Council has only invested in property where the main purposes of such investment are to regenerate areas of the City, encourage private investment and / or to create or retain local jobs. Some legacy commercial property assets have been retained within a broader portfolio where these assets were purchased prior to April 2021, and where best value would not have been obtained by a disposal of the asset in the period following April 2021. These legacy commercial property assets are kept under review as a potential source of capital financing.
- 10.21 Over time, a portfolio of property investments has developed, known within the City Council as the Property and Regeneration Fund. This portfolio provides a modest return to the council which can help to support local public services. However, the primary objective of the portfolio is to support place-shaping and economic development objectives. The table below sets out the net yield achieved in the last full financial year, and forecast for future years. The Council uses an internal mechanism (known internally as 'Service Borrowing') to recover repayment and financing costs (including a provision for MRP) from the gross income; provision is also made for contributions to reserves held to mitigate the risk of voids and to provide a fund for capital investment. In this way, Property and Regeneration Fund assets are funded by rental income - borrowing is not directly taken out against each property but is managed through our Treasury Management function. The net income set out in the table below is the sum after these deductions.

	2024/25 actual £m	2025/26 forecast £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
Total net income from service & commercial investments income excl financing costs	(11.281)	(12.443)	(12.477)	(12.609)	(13.287)
Proportion of net revenue stream	4.77%	4.92%	3.86%	3.76%	3.81%

Security

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

Liquidity

10.24 Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. As noted above, national market factors for the commercial property sector may mean that the Council would not recover its investment value if property investment is sold during a downturn period. Accordingly, the council considers the Property Regeneration Fund to be a long-term investment and makes alternative arrangements to cover its short and medium-term cash requirements. Because borrowing for Property and Regeneration Fund assets is financed through the income generated by the asset (through the council's internal Service Borrowing mechanism), the first call on any proceeds of sale would be to repay any outstanding service borrowing due, rather than to provide working capital.

Proportionality – reliance on net revenue

10.25 The Council uses the surplus generated by Property Regeneration Fund to provide services for the city and to achieve a balanced revenue budget. The table below shows the extent to which the Council's revenue budget is dependent on achieving the expected net profit from investments over 2026/27 financial year. It shows that the Council is not over-reliant on this income stream in the context of its overall resources.

	2026/27 Forecast
Net total revenue resources (estimate)	£323.543m
Net Investment income excl financing costs	£12.477m
Proportion	3.92%

Investment Evaluation Process for the Property and Regeneration Fund

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

1. Proposed development opportunities are reviewed by the Council's Land and Property team (in consultation with officers from the Economic Development team) in areas of the City which require redevelopment or regeneration of brown and green field sites or areas where the Council want to stimulate inward private investment and to create or retain local jobs. A report on development opportunities is prepared by suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.
2. Prospective developments are evaluated against a set of key criteria. An assessment is produced, highlighting matters such as tenant covenant strength, lease length and location, and economic development value in a transparent and consistent format, to support clear scrutiny and decisions.
3. The assessment provides a basis for scoring and weighting risk and benefits, to support the analysis of potential development / acquisition and qualify overall suitability for inclusion in the portfolio. The score is not an absolute threshold but helps to guide decisions.
4. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice to support the evaluation and internal reporting process.

5. Since tenant default is a significant threat to the performance of the property investment financial checks are made on any proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.
6. With all the additional information a detailed model is produced. The model is tailored for each prospective development, by including items such as future demand, yield, cash flows; rental movement, optimal holding periods for the property and data to support the regeneration and job creation to cover the cost modelling. Provision is made within financial modelling for capital investment and an allowance for voids.
7. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms. At this stage, two key activities are commissioned
 - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, is produced to inform potential acquisition cost. This valuation is used as a baseline for fair value assessments.
 - A Building Survey report is produced, as part of the proposed development, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.
8. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Land and Property on whether to proceed. Acquisitions are subject to the governance process set out as well as the Council's standard internal control framework.
9. The Head of Land and Property Projects receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

Property and Regeneration Fund Governance

- 10.27 Clear, robust and transparent governance is critical to making sound decisions (with an appropriate level of due diligence and scrutiny) and meeting statutory guidance. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly to changes in the market. For example, if there is a commercial company failure in the city the Council would need to be able to respond quickly to help retain local jobs and look for alternative purchasers.
- 10.28 The Council's power to acquire or dispose of land is vested, under delegation, in the Head of Land and Property and where the land is purchased through the Property and Regeneration Fund a proposal is presented to the Officers and Members with a recommendation for authorisation as required by Leader, Legal and the Section 151 Officer. The Property and Regeneration Fund is governed by an internal joint officer and member board, which regularly reviews the performance of the portfolio.

Skills, staff development and professional advice

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

the responsibilities of individual members of staff change. Staff regularly attend training courses and other professional development opportunities.

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

11. Annual Minimum Revenue Provision Statement 2026/27

- 11.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024.
- 11.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP, but does not preclude the use of other appropriate methods. Plymouth City Council's Minimum Revenue Position statement is set out in this section, and complies with the most recent (April 2024) guidance.

Minimum Revenue Position Policy

- 11.3 MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition. Plymouth City Council adopts the following approach in calculating MRP:
- The MRP payment is funded from revenue with an option that part or all of the payment could be funded from capital receipts to repay debt. MRP will commence in the financial year following the asset coming into use or after purchase.
 - For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or before that date, MRP will be charged on an annuity basis over 50 years, incorporating an "Adjustment A" calculated in accordance with the guidance.
 - For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation (including the council's Capitalisation Direction) or direction will be charged over 20 years.

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.
- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

Capital receipts

- 11.4 Proceeds from the sale of capital assets are classed as capital receipts, and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:
- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
 - Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
 - Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
 - Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.
- 11.5 The capital receipt proceeds of sale from legacy investment properties, assets held within the Property and Regeneration Fund, and other applicable assets will be used to repay the outstanding Service Borrowing finance for that property before any balance of capital receipts is available for repay debt or to finance other capital projects.

Annex A - Arlingclose Economic and Interest Rate Forecast December 2025

Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- In line with Arlingclose's long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly, and we expect yields to remain higher

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

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

Annex B - Existing Investment and Debt Portfolio Position

	31 Dec 2025 Actual Portfolio £m	31 Dec 2025 Average Rate %
PWLB – Fixed Rate	561.7	3.40
Short-term borrowing	125.0	4.35
LOBO Loans	44.0	4.50
Long Term Borrowing	18.0	4.43
Total borrowing	748.7	3.65
Short-term Money Market funds	52.3	3.89
Other Pooled Funds	53.9	5.21
Cash and cash equivalents	0.5	1.25
Total investments	106.7	4.52
Net borrowing	642.0	

Annex C – Provisional Treasury Management Budget 2026/27

Note: this provisional budget is subject to changes following the finalisation of the Rate Swap reversal proposed to Cabinet and the Final Settlement. It will be revised to reflect the final position on the Rate Swap reversal prior to the City Council meeting on 23 February.

Position at 31 December 2025	2025/26 Budget	2025/26 Latest Forecast	Forecast variance	2026/27 Provisional Budget
	£m	£m	£m	£m
LOBO and other long term loans	3.128	2.803	(0.325)	2.769
PWLB (Public Works Loan Board)	20.136	19.750	(0.386)	21.962
Temporary loans	0.923	2.383	1.460	2.750
Other Interest and charges	0.812	0.700	(0.112)	0.250
Collateral Interest	1.324	1.249	(0.075)	1.260
Recharge to Departments for Unsupported Borrowing	(19.581)	(19.508)	0.073	(19.963)
Total Interest Payable	6.742	7.377	0.635	9.028
Pool Funds	(2.611)	(2.817)	(0.206)	(2.750)
Money Market Fund	(1.500)	(2.624)	(1.124)	(2.250)
Other Interest	(0.431)	(0.416)	0.015	(0.774)
Total Interest Receivable	(4.542)	(5.857)	(1.315)	(5.774)
Other Payments/Bank Charges	0.552	0.634	0.082	0.164
Debt Management	0.160	0.160	0.00	0.160
Amortised Premiums	0.544	0.544	0.00	0.544
Total Other Charges	1.256	1.338	0.082	0.868
Minimum Revenue Provision	20.504	17.010	(3.494)	22.514
TOTAL	23.960	19.868	(4.092)	27.550

Treasury Management Strategy 2026/27

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Appendix 13 - MTFP 2026/27 to 2030/31

Plymouth City Council

MEDIUM-TERM FINANCIAL PLAN

2026/27 – 2030/31



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Plymouth City Council

MEDIUM-TERM FINANCIAL PLAN
2026/27 – 2030/31

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1. Introduction

- I.1 This Medium-Term Financial Plan (MTFP) updates and builds upon the Medium-Term Financial Strategy (MTFS) 2025/26 to 2029/30, approved by Full Council in November 2025. It incorporates the funding changes set out in the Final Local Government Finance Settlement published in December 2025, alongside the proposed Budget for 2026/27.
- I.2 The MTFP integrates the Council's revenue budget, capital programme, treasury management strategy, and capital strategy into a single, forward-looking financial framework. It provides the strategic foundation for achieving long-term financial sustainability, ensuring resources are aligned with the Council's priorities while addressing known and anticipated financial pressures. The Plan supports the Council's capacity to respond to internal and external influences, such as rising costs, increasing demand for services, and wider economic uncertainty, and remains a cornerstone of our financial and service planning.
- I.3 The 2026/27 financial year marks the introduction of the first multi-year local government settlement in over a decade, accompanied by funding reforms aimed at creating a fairer distribution of resources. These changes come at a time of significant financial strain: substantial demand pressures across adult and children's social care, SEND, and continuing homelessness pressures all continue to challenge the sustainability of local government finances.
- I.4 Under the Settlement, the core council tax referendum principles remain set at 2.99% per year, providing councils with limited but important flexibility to raise local income. In addition, authorities with social care responsibilities may apply an adult social care precept of up to a further 2% annually. Together, these measures continue the Government's approach of enabling councils to generate additional local funding to support rising demand in social care services, while still operating within nationally defined limits designed to protect taxpayers.
- I.5 This MTFP covers the five-year period from 2026/27 to 2030/31. While 2026/27 reflects the detailed proposed budget, the years beyond are based on informed assumptions. Having both an MTFS and this Plan in place ensures annual budgets are grounded in the Council's strategic priorities, while enabling the identification of sustainable, diverse, and increased income sources. This is particularly important as the Council works to maximise the value of its core resources in a context where demand for services and external cost pressures continue to grow.
- I.6 The introduction of a multi-year settlement provides welcome stability and creates a more enabling environment for medium-term financial planning. It allows the Council to take a longer-term view of resource allocation, service redesign, and investment decisions. However, the figures set out for future years indicate that, even with additional funding, demand-led pressures, particularly within adult and children's social care and homelessness, are continuing to outpace available resources. This reinforces the need to shift our focus toward prevention, early intervention, and transformational change as core components of delivering sustainable services.
- I.7 The ongoing reliance on one-off and time-limited funding streams is neither sustainable nor aligned with the long-term financial resilience the Council requires. Structural solutions, rather than short-term fixes, will therefore be central to our approach over the coming years. Although the late publication of the provisional settlement has constrained the scope for detailed future-year planning, the strategic direction is clear. The challenges ahead are well understood, and work is already underway to reshape services, modernise delivery models, and ensure the Council is positioned to respond proactively to future financial uncertainty.

Strategic Financial Principles

- **The Council will set and maintain a balanced budget each financial year.** Budget managers are accountable for ensuring their expenditure remains within approved allocations.
- **Fees and charges will be applied in line with the Council's Fees and Charges Policy,** with annual updates to reflect inflation and market conditions.
- **Provision for pay inflation will be held corporately** and allocated to service budgets once national or local agreements are confirmed.
- **Ringfenced and specific grants will be built into service budgets.** Any reduction in grant funding must be absorbed within existing resources, except in exceptional circumstances such as significant Fair Funding redistribution.
- **In-year savings will be separately identified and monitored** and removed from service budgets in the year achieved.
- **Capital financing costs for service-led schemes will be met by the benefiting service,** where projects generate savings or income to offset borrowing costs. Schemes addressing corporate priorities or essential maintenance may be funded centrally.
- **ICT and fleet expenditure will be funded by service departments,** with only corporate or cross-cutting ICT initiatives supported through central resources.
- **Corporate overheads will be allocated to revenue funding streams** in accordance with the Council's internal charging framework, ensuring transparency and consistency.

Strategic Financial Objectives

- **Ensure the Council sets a balanced and sustainable budget each year,** supported by robust financial planning and disciplined budget management.
- **Maximise external funding opportunities** to underpin statutory service delivery and advance the priorities set out in the Corporate Plan.
- **Monitor and manage financial resources effectively,** ensuring each service operates within its approved budget. Where ring-fenced government funding reduces, the relevant service must take prompt action to manage the impact within existing resources.
- **Prioritise capital investment that delivers measurable outcomes,** with full consideration of revenue and borrowing implications. All capital schemes will be assessed against their contribution to Corporate Plan objectives.
- **Set Council Tax levels in line with central government thresholds,** balancing the need for financial sustainability with the impact on residents.
- **Ensure full recovery of eligible overheads from grant-funded activity,** maximising the value of external funding and ensuring transparency in cost allocation.
- **Optimise existing income streams and proactively identify new opportunities** for income generation, commercialisation, and efficiency savings.
- **Maintain a General Fund working balance of at least 3.6% of net revenue expenditure** to support the Council's long-term financial resilience and ability to manage unforeseen risks. This revised target reflects the significant presentational changes to the net revenue expenditure figure arising from Fair Funding redistribution.

Local Economy

- 1.8 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.
- 1.9 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.
- 1.10 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)

The Plymouth Plan

- I.11 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.
- I.12 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.
- I.13 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.
- I.14 More details around the Plymouth Plan can be found here:
<https://www.plymouth.gov.uk/plymouth-plan>

Corporate Plan

- I.15 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 MTF5 is shaped by the Council's Corporate Plan, which sets out how this vision will be delivered.
- I.16 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.
- I.17 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.



Local Government Reorganisation

- I.18 The government is progressing local government reorganisation across Devon, with Plymouth submitting a joint proposal with Exeter City Council in November 2025 for four unitary authorities to replace the current two-tier structure. Plymouth is seeking continuing authority status with a modest boundary extension into South Hams. Implementation is expected by April 2028, following statutory consultation in early 2026. The overall financial case estimates £70m in transition costs across Devon, with Plymouth's costs at approximately £5m, and annual savings of £58m once fully implemented. This MTFP does not yet reflect any financial adjustments relating to reorganisation, which will be incorporated once government decisions are confirmed and implementation plans are finalised.

Local Government Finance Settlement and Fair Funding Outcomes

- I.19 The Final Local Government Finance Settlement for 2026/27 was published on 9 February 2026 and marks the most significant funding redistribution in at least 25 years. It forms part of an indicative multi-year settlement for 2026/27 to 2028/29 and is underpinned by the Fair Funding Review (FFR) 2.0.
- I.20 Although indicative allocations are provided for later years, the settlement remains an annual process and future figures will be confirmed in subsequent years. The settlement reflects the 2024 Autumn Budget, the 2025 Budget, and the Government's Local Government Finance Policy Statement.
- I.21 The reforms include a full reset of business rates baselines, major updates to all Relative Needs Formulae, and the consolidation of multiple existing grants into the Settlement Funding Assessment or new consolidated grants.
- I.22 Plymouth's Core Spending Power is estimated by MHCLG to increase by £19.8m (6.2%) in 2026/27. Around £9.2m of this relates to assumed council tax growth, with £10.6m from additional government funding through Revenue Support Grant, Business Rates, the Fair Funding Allocation, and new consolidated grants. Plymouth will receive £4.871m through the Recovery Grant Guarantee to maintain the Government's minimum uplift for upper-tier authorities.
- I.23 However, this needs to be viewed alongside rising demand pressures, with statutory service costs, particularly social care, homelessness, and SEND, forecast to increase by £26m in 2026/27.

2. Financial Planning Assumptions

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

Key Assumptions

- Multi-year financial settlements are expected to continue
- Revenue Support Grant and Business Rates Income allocations reflect the confirmed multi-year settlement for 2026/27 to 2028/29, with later years uplifted by a notional 2% inflationary increase to support forward planning.
- Council Tax assumptions model a 2.99% core increase plus a 2% Adult Social Care (ASC) precept each year, recognising ongoing pressures in statutory care services. Final decisions on both elements will be subject to Full Council approval through the annual budget process.
- All current government grant funding is assumed to continue in line with changes introduced in 2026/27, unless new national guidance indicates otherwise.
- Reforms to the Business Rates Retention Scheme implemented in 2026/27 are assumed to remain in place throughout the planning period, providing continuity in the council's funding baseline.
- Planning assumptions continue to reflect rising costs within demand-led services, including Children's Social Care, Adult Social Care, SEND, and Homelessness, recognising these areas as key drivers of medium-term financial pressure.
- Treasury management modelling is based on PWLB borrowing rates of 4.5% in all future years, with short-term borrowing assumed at 4.00% in 2026/27 and 3.75% in 2027/28 and 2028/29. Increasing the short-term rate to 4.00% for all years would add approximately £0.410m per year to revenue costs.
- A Government White Paper on future SEND strategies has been postponed until Spring 2026.
- That the Council will receive funding of 90% of the SEND DSG deficit balance annually until 2028/29
- No assumptions have been made regarding Local Government Reorganisation as there are currently no confirmed proposals or financial implications.

Fair Funding Assessment (formally Settlement Funding Assessment)

- 2.2 MHCLG has published the provisional outcome of the Fair Funding Review, setting the underlying figures for the Fair Funding Assessment (FFA), formerly known as the Settlement Funding Assessment. This is a measure that is considered to show Plymouth's underlying funding need, after Council Tax.
- 2.3 This redistributes 2025/26 totals between the Baseline Funding Level (BFL) and Revenue Support Grant (RSG).
- 2.4 Nationally, approximately £32 billion is allocated through Fair Funding Review 2.0, rising by around £1 billion in 2026/27 through standard BFL indexation, additional adult social care resources, and a small uplift to RSG.
- 2.5 How the Fair Funding Allocation is determined:
- d) Plymouth's total funding requirement is calculated using various needs-based formulae, resulting in a Needs Allocation of £313.1m

- e) A notional level of council tax Plymouth can raise is deducted as a Resource Adjustment of £151.2m
- f) This leaves £161m to be distributed via the Fair Funding Allocation, around 0.5% of the national total.

Table 1: Fair Funding Assessment Comparison (Illustrative – Provisional Settlement)

Fair Funding Assessment Comparison	Notional				
	Original 2025/26 £m	Change to Baseline £m	Revised 2025/26 £m	2026/27 Provisional £m	Increase £m
Revenue Support Grant	(12.662)	(55.343)	(68.005)	(69.133)	(1.128)
Local Authority Better Care Grant	(15.955)	-	(15.955)	(15.955)	-
Baseline Funding Level (Business Rates)	(63.974)	(7.165)	(71.139)	(75.921)	(4.782)
Total Fair Funding Assessment	(92.591)	(62.508)	(155.099)	(161.009)	(5.910)

- 2.6 To manage the three-year transition from 2025/26 to 2028/29, RSG will vary under the transition scheme, while BFL remains unchanged for this purpose. Both BFL and RSG will then grow annually through business rates indexation and additional Spending Review resources.
- 2.7 The table below sets out the Fair Funding Assessment across the settlement period, with 2029/30 uplifted in line with CPI assumptions.

Table 2: Fair Funding Assessment (Multi-Year)

MTFP 2026/27 to 2030/31	2026/27	2027/28	2028/29	2029/30	2030/31
Core Resources	£m	£m	£m	£m	£m
Revenue Support Grant	(70.255)	(87.786)	(89.652)	(91.445)	(93.274)
Local Authority Better Care Grant	(15.955)	-	-	-	-
Business Rates	(75.921)	(77.662)	(79.229)	(80.814)	(82.430)
Fair Funding Assessment Total	(161.131)	(165.448)	(168.881)	(172.259)	(175.704)

Business Rates Income

- 2.8 For 2026/27, the business rates taxbase has been revalued, and a full reset of the Business Rates Retention Scheme will take place. Authorities' Business Rates Baselines will be set using expected collections for 2026/27, based on the provisional 2026 revaluation list. This reset incorporates £2.38 billion of business rates growth previously retained locally into national totals, which are redistributed under Fair Funding Review 2.0. Transitional arrangements ensure 2025/26 positions reflect estimated retained growth.
- 2.9 A new banded levy applies to all authorities: 10% on the first 10% growth above baseline, 30% on the next 90%, and 45% beyond 200% of baseline. This approach increases growth incentives for districts while limiting gains for top-up authorities.
- 2.10 The Business Rates Baseline Funding Level has been used in Core Resource modelling for the Medium-Term Financial Plan (MTFP), and this level of funding is guaranteed via a safety-net arrangements.

- 2.11 Most business rates funding previously outside the Settlement Funding Assessment, such as compensatory grants for caps on multiplier indexation, is now included in the Fair Funding Assessment, so further adjustments should be minimal. However, as this is the first year under significant changes, some variation may occur.
- 2.12 Business Rates Baseline Funding Levels are subject to a 100% safety net in 2026/27, meaning the FFA provides a guaranteed minimum for the year, with potential for additional income from growth.

Business Rates Pooling

- 2.13 Due to the full reset of the Business Rates Retention Scheme and changes to levy and safety net calculations, business rate pools were not expected to form for 2026/27, as the risks outweighed potential benefits. The Devon Business Rates Pool applied as a precautionary measure but has since requested its designation be withdrawn following the provisional settlement.

Council Tax

- 2.14 The 2026/27 Provisional Local Government Finance Settlement confirms that local authorities may increase core Council Tax by up to 2.99%, alongside an additional increase of up to 2% for the Adult Social Care precept. These provisions have been reflected in the government's funding assumptions and incorporated into the Medium-Term Financial Strategy for future financial years.
- 2.15 Council Tax income is not affected by Fair Funding changes.
- 2.16 In exceptional cases, councils may apply to raise council tax further, provided residents do not already pay above the national average.
- 2.17 The Council Tax Base report for 2026/27 will be presented to Full Council for approval in January 2026. The provisional tax base is 76,887 Band D equivalent properties, representing an increase of 330 compared to 2025/26. The assumed collection rate remains at 97.5%, which is considered both realistic and prudent. Additional income from Empty Homes and Second Homes premiums has also been factored into the tax base calculation.

Table 3: Council Tax Income Assumptions

Council Tax Income	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m	2030/31 Forecast £m
Previous year total	147.950	156.002	164.300	173.040	182.243
Increase in base assumptions	0.637	0.489	0.516	0.541	0.566
Revised base	148.588	156.491	164.816	173.581	182.809
Council Tax increase (2.99%)	4.443	4.679	4.928	5.190	5.466
ASC precept (2%) on revised based	2.972	3.130	3.296	3.472	3.656
Council Tax total	156.002	164.300	173.040	182.243	191.931
Collection Fund Surplus Mid-Year Estimate	0.539	1.000	0.500	0.500	0.500

Recovery Grant

- 2.18 The 2025/26 Recovery Grant will continue, with a Recovery Grant Guarantee uplift for Upper Tier Local Authorities previously in receipt of the grant. For Plymouth, the Final settlement allocates £4.871m through this funding stream in 2026/27.

Changes to Treatment of Specific Grants

- 2.19 A key principle of the Fair Funding Review is the simplification of local government funding. The Local Government Finance Policy Statement confirmed which grants will be consolidated into the Fair Funding Assessment and which will be streamlined into four 'high-value' consolidated grants.
- 2.20 As a result of this funding simplification, the number of specific grants included within Core Spending Power has significantly reduced.

Adult Social Care Funding

- 2.21 All adult social care funding included in 2025/26 Core Spending Power has been redistributed through the Fair Funding Review. Better Care Fund allocations have been top-sliced from social care authorities' Fair Funding Assessments and provided as a separate Section 31 grant. Nationally, additional funding for adult social care has been incorporated into the Revenue Support Grant, amounting to £150m in 2026/27, £250m in 2027/28, and £500m in 2028/29. This will be distributed using the new relative needs formula introduced by the Fair Funding Review, without any council tax adjustment.
- 2.22 The Department of Health and Social Care will shortly publish 'notional' adult social care amounts to set expectations for how much council funding should be allocated to this service.
- 2.23 A significant number of other grants have also been 'rolled-in' and redistributed through the Fair Funding Assessment.
- 2.24 The Fair Funding Review introduces four new consolidated, ringfenced grants that combine similar funding streams across government. These grants will operate over the three-year multi-year Settlement, with details on allocations, distribution, and conditions provided at the provisional Settlement.

New Consolidated Grant: Homelessness, Rough Sleeping and Domestic Abuse Grant

- 2.25 The Homelessness, Rough Sleeping and Domestic Abuse Grant will form part of Core Spending Power and combines funding for homelessness prevention and staffing, rough sleeping prevention and accommodation, and safe accommodation for domestic abuse victims. Funding will be distributed using formulas designed to target prevention, relief, and recovery.
- 2.26 In 2026/27, this consolidated grant is worth £794m nationally. At baseline in 2025/26, it brings together existing resources, including the Domestic Abuse Safe Accommodation new burdens element of the Homelessness Prevention Grant, the Rough Sleeping Prevention and Recovery Grant, and the Rough Sleeping Accommodation Programme. At Final Settlement this was uplifted by another £92m nationally.
- 2.27 For Plymouth, the 2026/27 allocation is £3.955m

New Consolidated Grant: Children, Families and Youth Grant

- 2.28 This new consolidated grant sits both inside and outside Core Spending Power. The Children, Families and Youth Grant brings together funding streams to support social care reform, family support, and childcare initiatives. It includes resources for children's social care prevention, partnership programmes, and transformation projects, alongside new investment. The grant also covers the Holiday Activities and Food programme, including capacity for school-age childcare, wraparound care, and free breakfast clubs. Additionally, it provides funding for post-16 support through the Pupil Premium Plus.
- 2.29 In 2026/27, the grant totals £823m nationally, combining existing resources such as the Children's Social Care Prevention Grant and the Supporting Families element of the Children Families Grant. The distribution mechanism is changing significantly: the full grant will be allocated using the new children and young people's services relative needs formula introduced through the Fair Funding Review.
- 2.30 Each element will remain subject to its own conditions, effectively making the grant a branding of three separate grants. For Plymouth, the 2026/27 allocation is £5.049m

New Consolidated Grant: Crisis and Resilience Fund

- 2.31 The Crisis and Resilience Fund will merge existing grants into a single funding stream to help local authorities provide preventative support and assist people facing financial hardship. It will replace the Household Support Fund and Discretionary Housing Payments, which end in March 2026, and will not form part of Core Spending Power.
- 2.32 This grant combines the 2025/26 Discretionary Housing Payment (£93m nationally) and Household Support Fund (£742m nationally) under a single banner. However, draft grant conditions differentiate between the Housing and Crisis Payment elements rather than applying fully integrated conditions across the grant as a whole.
- 2.33 For Plymouth, the 2026/27 allocation is £4.202m

New Consolidated Grant: Public Health Grant

- 2.34 The Public Health Grant will combine existing public health funding with additional streams focused on drug and alcohol treatment and recovery, local stop smoking services, individual placement and support, and the Swap to Stop scheme.
- 2.35 This consolidated grant brings together:
- The main Public Health Grant
 - Drug and Alcohol Treatment and Recovery Improvement Grant (DATRIG)
 - Individual Placement Support (IPS)
 - Local Stop Smoking Services Support Grant (LSSSSG)
 - Funding previously used for the Swap to Stop scheme (not held locally)
- 2.36 Local authorities will be required to meet the general public health grant conditions, as well as specific conditions for the individual funding elements listed above. Spending on the three main components, drug and alcohol, smoking cessation, and 'core' public health, must be treated separately, with any underspends carried forward in their own ring-fenced reserve.
- 2.37 For Plymouth, the 2026/27 allocation is £21.878m

Dedicated Schools Grant

- 2.38 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 provision, and children and young people with high needs.
- 2.39 Plymouth forecasts an in-year High Needs Block pressure of £35.250m for 2025/26, adding to an £18.498m brought-forward deficit, totalling £54.261m.
- 2.40 The Final Local Government Finance Settlement included an announcement of support for local authorities with DSG deficits. All local authorities with a SEND deficit will be eligible in 2026/27 to receive a High Needs Stability Grant covering 90% of their High Needs-related DSG deficit at the end of 2025/26. Deficits on other DSG blocks such as Early Years will be excluded from this calculation. Our initial estimate for Plymouth is that this will be worth £47m.
- 2.41 The High Needs Stability Grant will be paid in Autumn 2026, subject to each authority submitting and receiving approval for a local SEND reform plan. The reform plan must be developed collaboratively by local area partnerships, including schools, health, early years settings and post-16 providers and should set out a clear pathway towards an inclusive system aligned with the wider national vision for SEND reform.
- 2.42 Further support for deficits arising in 2026/27 and 2027/28 will be confirmed before the statutory override ends on 1 April 2028, with the Government indicating that it will continue to take an “appropriate and proportionate” approach, though not an unlimited one. Our financial planning assumes a repeat of the approach announced for the 2025/26 balances in subsequent years.
- 2.43 From 2028/29, SEND spending will fall within the overall government budget, meaning local authorities will no longer be expected to fund future SEND costs from their general funds once the statutory override ends. While councils can currently keep DSG deficits off their main balance sheets through the statutory override, this will end on 31 March 2028. Local authorities will therefore need to plan how they will meet the cost of any remaining deficit from 2028/29 onwards.

Table 4: DSG Deficit financing costs

Step Up in Treasury Management Costs for DSG Deficits	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
DSG Deficit Interest only	0.731	0.366	0.647	(2.264)	-

Extended Producer Responsibility

- 2.44 A new income stream was introduced in 2025/26 from fees paid by packaging producers, the Extended Producer Responsibility for Packaging (pEPR) scheme. This income will cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. MHCLG have confirmed the allocation for Plymouth for 2026/27 is £6.946m

2. Cost Modelling

Right-sizing the Budget

- 3.1 Additional cost pressures included in the MTFP are exceptional in nature and assume that services will continue to manage underlying demand and inflation through proactive budget management and business-as-usual efficiencies. Each year, a series of “right-sizing” adjustments are applied to ensure the budget reflects true recurring costs, in 2026/27 these total £4.436m. They include net salary-related changes, Treasury Management impacts, adjustments for rolled-in and consolidated grants, reprofiled Energy from Waste income, and the reversal of one-off measures used in 2025/26.
- 3.2 Together, these adjustments ensure the MTFP presents a realistic and sustainable baseline, recognising permanent funding changes and ongoing cost pressures rather than temporary or exceptional provisions.

Demand-Led Pressures

- 3.3 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.
- 3.4 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 5: Demand-Led Pressures

Demand-Led Pressures	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Adult Social Care Fee Uplifts (NLW & Inflation)	4.352	5.010	4.866	4.425	4.558
Adult Social Care Demand	6.823	3.655	3.669	3.655	3.765
Homelessness	0.797	0.600	0.643	0.221	0.228
Children's Social Care	9.479	5.996	6.407	6.030	6.211
Home to School Transport	2.094	3.003	2.746	2.698	2.779
SEND - DSG deficit financing cost	0.731	0.366	0.647	(2.264)	-
Short Breaks	0.623	-	-	-	-
Total	24.899	18.630	18.978	14.765	17.540

- 3.5 Plymouth, like councils nationwide, is experiencing significant financial pressures in social care, homelessness and SEND, driven by rising demand, increasing complexity of need and constrained funding. The Council's new Prevention First Strategy, delivered through the City Help and Support programme, aims to address these challenges by shifting from reactive, high-cost interventions to earlier, targeted and preventative support.

- 3.6 This approach focuses on tackling issues before they escalate, reducing reliance on temporary accommodation, statutory social care and other crisis-driven services. By embedding prevention at the core of service delivery, the Council aims to improve outcomes for residents while strengthening long-term financial sustainability.

Adult Social Care

- 3.7 The Council remains committed to passing on National Living Wage (NLW) increases to Adult Social Care providers. The NLW rate from April 2026 will rise to £12.71 per hour, a 4.1% uplift from £12.21. Fee uplift decisions also factor in wider inflationary pressures, with modelling based on the assumption that 70% of provider costs relate to staffing and 30% to non-staff elements, ensuring a clearer assessment of the financial impact of wage and inflation changes.
- 3.8 Alongside pay and inflation pressures, demand continues to drive significant cost increases. Plymouth City Council is currently supporting 3,969 adults, with pressures arising from more clients, higher average care hours, and increased complexity requiring more intensive and specialist packages. The Directorate is progressing work to strengthen cost control, explore more efficient and innovative service models, and support long-term sustainability, while prioritising personalised, high-quality care for vulnerable adults in line with statutory duties.

Homelessness

- 3.9 Demand for temporary accommodation remains a major budget pressure, driven by rising evictions in the private rented sector, the ongoing cost-of-living crisis, and a shortage of affordable housing. Limited availability of suitable long-term options means households are staying in temporary placements for longer, often in high-cost accommodation that may not meet their needs. Councils are also seeing growing caseloads linked to expanded statutory duties, with many individuals presenting with complex needs such as mental health issues, domestic abuse, or substance misuse, further increasing demand and cost.
- 3.10 The MTFs financial modelling reflects current demand levels, known interventions, and assumed inflationary increases in nightly accommodation rates. While targeted measures continue to be implemented to reduce expenditure, the sustained growth in eligible households and complexity of need presents an ongoing challenge for managing temporary accommodation pressures.

Children's Social Care Placements

- 3.11 Children's Social Care in Plymouth continues to face significant financial pressures driven by rising demand and increased placement costs. The number of children in residential care has exceeded planned levels, with some placements costing more than £10,000 per week and unregistered placements requiring intensive staffing such as 2:1 or 4:1 agency support. Although some cases receive contributions from Health partners, the overall financial impact remains high and requires ongoing monitoring. At the same time, a reduction in children placed with Independent Fostering Agencies (IFAs) has delivered savings, supported by growth in the Council's in-house fostering provision. However, the broader trend reflects a national move away from fostering and towards more expensive residential placements due to a shortage of foster carers and changing placement needs.
- 3.12 The MTFs incorporates cost and volume modelling based on current demand levels, historical trends, and anticipated future growth, but these assumptions capture only part of the challenge. Alongside the financial modelling, the Directorate is progressing strategic

workstreams to reduce demand, improve service efficiency, and promote earlier intervention. These programmes aim to transform service delivery, strengthen sustainable care options, and ensure vulnerable children and young people receive the right support at the right time. The overarching goal is to manage financial pressures responsibly while maintaining safety, quality, and effective use of resources.

SEND – Financing the DSG Deficit

- 3.13 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.
- 3.14 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.
- 3.15 At Final Settlement MHCLG announced a High Needs Stability Grant which will fund 90% of the DSG Deficit balance at the end of 2025/26, the MTFP assumes that this is replicated in subsequent years.

Home to School Transport

- 3.16 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.
- 3.17 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.

Invest to Save Projects

Table 6: Invest to Save Projects

Children's Directorate	£m
No Wrong Door	(1.961)
Therapies Project	(1.854)
Invest to Save Residential Homes	(0.518)
Total	(4.333)

- 3.18 The Children's Directorate has proposed a series of invest-to-save initiatives aimed at reducing future budget pressures. These include:
- 'No Wrong Door' Project – providing short-term respite solutions for adolescents on the edge of care and their families.
 - Therapies Project – delivering in-house therapeutic services and targeted specialist fostering support.

- 3.19 Both projects are expected to reduce future demand on services and are recommended for funding through capital receipt flexibilities due to their transformative nature.
- 3.20 In addition, the planned introduction of four new Local Authority residential children's homes by 2027/28 is forecast to deliver an initial net saving of £0.518 million in 2026/27.

Management Action and Cabinet Savings Proposals

- 3.21 In 2026/27 Directorates have identified £10.543m of additional savings plans, a summary of the total per Directorate is below.

Table 7: Savings by Directorate

Directorate	Savings £m
Adults	(4.254)
Children's	(2.431)
Growth	(0.635)
ODPH	(0.881)
Customer and Corporate & Chief Exec	(2.342)
Total	(10.543)

- 28.2. Cabinet have identified further savings proposals for 2026/27 of £2.267m.

3. The Council's Reserves

- 4.1 The Council holds a range of specific reserves and provisions to support the management of known and anticipated future revenue pressures. These reserves are an essential part of maintaining financial resilience and ensuring the Council can respond to emerging risks in a controlled and sustainable way.
- 4.2 Their use and adequacy are reviewed throughout the year, with a full annual assessment completed as part of year-end closedown to ensure they remain aligned with strategic priorities. As noted earlier, the Council's financial strategy includes rebuilding usable reserves, which have been used in recent years to support budget balancing. A revised Reserves Strategy covering the full MTFP period will be included in the final budget submission to Full Council.

Unusable Reserves

- 4.3 The Council holds several unusable reserves on its Balance Sheet, which cannot be used to support day-to-day spending. These reserves are maintained to comply with statutory requirements and proper accounting practices. Although they do not affect the Council's cash position, they are essential for presenting a true and fair view of its financial standing in accordance with accounting standards.

Usable Reserves

- 4.4 The Council also holds a number of Usable Reserves, which can be applied to support service delivery, subject to maintaining a prudent level of reserves and complying with 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.
- 4.5 Earmarked General Fund reserves are set aside to support future expenditure plans and policy priorities, providing financial stability and flexibility. These include Education Carry Forwards, which hold surpluses or deficits on behalf of educational establishments under devolved budget arrangements, the Collection Fund Reserve is used to smooth the impact of variations in Council Tax and Business Rates funding across years, and the Interest Rate Swap Reserve which records gains from fair value movements in interest rate swap contracts, which will unwind as the swaps reach maturity.
- 4.6 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.

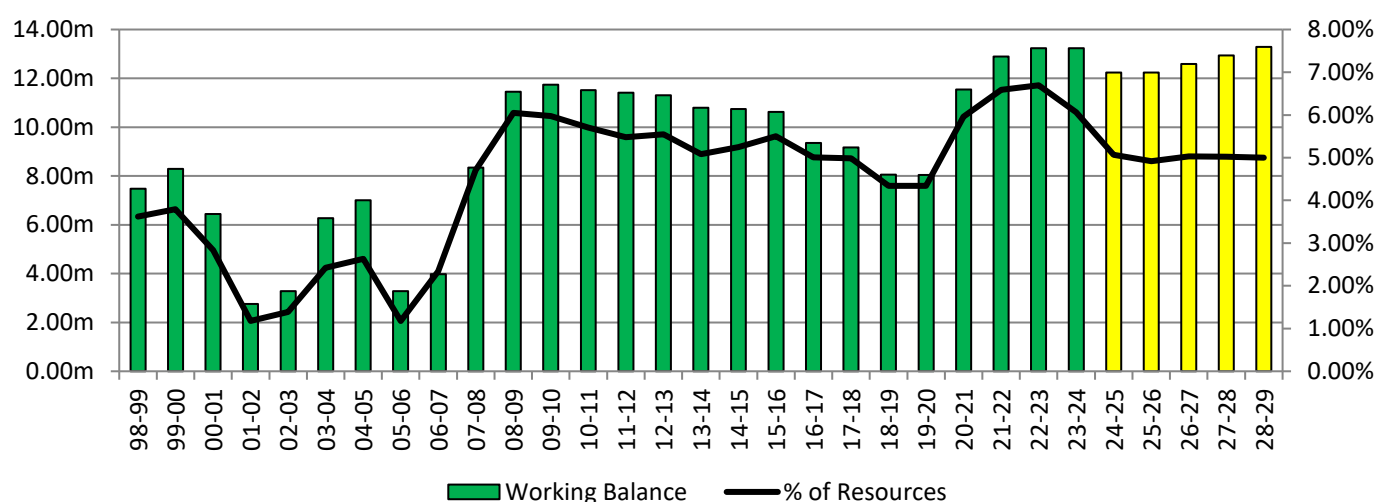
Table 8: Usable Reserves Breakdown at end of 2024/25

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

General Fund Balance (Working Balance)

- 4.7 The Council's Working Balance is a core revenue reserve designed to mitigate significant financial risks and absorb unforeseen pressures. Historically, the minimum target level for this reserve has been set at 5% of the net revenue budget to ensure an adequate safety buffer.
- 4.8 Following adjustments in 2024/25, the Working Balance increased to £11.862m, equivalent to 4.9% of that year's net revenue budget. However, the current in-year overspend for 2025/26 is forecast at £4.874m at Month 9, around 2% of the £253m net revenue budget, but critically, this would consume nearly half of the available General Fund reserve if not addressed.
- 4.9 Rebuilding reserves remains extremely challenging. As illustrated in the graph below, it has taken decades to reach the 5% target for General Fund reserves as a proportion of the overall budget. Persistent pressures in statutory services continue to limit the Council's capacity to replenish reserves, despite their importance for long-term financial resilience. This challenge becomes even more acute when reserves must be used to cover emerging in-year pressures, reducing the protection available for future risks.

Graph 1: Working Balance Levels – prior to SFA changes



- 4.10 The historic 5% Working Balance target has been reviewed in light of the Fair Funding changes. A key factor is the roll-in of several specific grants into Core Resources rather than funding them directly within service budgets. While this change does not alter the Council's overall level of financing, it significantly increases the reported net revenue budget and therefore changes the basis for calculating reserve adequacy. Under these revised arrangements, the provisional net revenue budget for 2026/27 increases to £326.243m (from £253.418m), meaning the current Working Balance would fall to 3.6% of the new total.
- 4.11 To reflect this change, a revised Working Balance target of 3.6% will be maintained throughout the three-year Fair Funding transition period, before gradually increasing back to 5% over the following five years. Meeting this trajectory will require annual contributions to the Working Balance of approximately £0.318m in 2027/28, £0.471m in 2028/29, and an estimated £0.643m in 2029/30 and £0.676m in 2030/31. This phased approach supports prudent financial planning while recognising the limited capacity to grow reserves in the current budget environment.

4. Capital Budget and Programme

- 5.1 The Plymouth Plan continues to be the principal driver of the Council's Capital Programme, setting the long-term vision for growth, regeneration, and investment across the city. In line with its priorities, the programme includes major proposals to deliver new homes, create jobs, and modernise critical infrastructure such as transport networks, schools, public spaces, and green areas. This investment underpins Plymouth's ambition to be the key economic driver for the far South West, supporting thriving communities and a resilient local economy. These schemes not only improve the city's physical environment but also help generate long-term financial benefits through increased Business Rates, Council Tax, and Community Infrastructure Levy (CIL) income.
- 5.2 The Council continues to take a strategic and disciplined approach to capital planning, ensuring affordability and strong alignment with the Capital and Treasury Management Strategies. Updated strategies are being considered by Cabinet alongside this report following scrutiny by the Audit and Governance Committee in January 2026 and will be formally adopted alongside the 2026/27 budget. This section provides an update on the emerging capital programme at draft stage, informed by strengthened governance arrangements

introduced during 2025/26. Through the Capital Programme Officer Group (CPOG) and Capital Programme Board (CPB), the Council has undertaken a full review of all schemes, resulting in the re-profiling or removal of projects to reflect realistic delivery timescales and reduce borrowing pressures.

5.3 The updated Capital Programme maintains a high level of investment in line with the Plymouth Plan while ensuring improved financial sustainability. It continues to support a wide portfolio of projects, including the transformation of Armada Way, regeneration of the Civic Centre, completion of the Woolwell to The George transport scheme, delivery of infrastructure to enable the Plymouth and South Devon Freeport, and progression of the city's wider Sustainable Transport Programme. Much of this expansion in investment has been made possible through significant external grant funding secured from national government sources. The graph below illustrates how annual capital expenditure has evolved over the past five years and the latest forecast for the current financial year, reflecting the scale and ambition of the programme.

5.4 The table below shows the breakdown of the revised five-year Capital Programme forecast across the Directorates as at 31 December 2025.

Table 9: Five-Year Approved Capital Programme by Directorate

Directorate	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m
Children's Services	3.719	0.935	0.410	-	-	5.064
Adults, Health and Communities	15.421	9.968	1.904	-	-	27.293
Growth - Economic Development	38.067	32.403	34.920	8.160	0.266	113.816
Growth - Strategic Planning & Infrastructure	62.362	59.639	11.527	1.933	0.275	135.736
Growth - Street Services	20.295	8.551	0.222	0.212	0.247	29.527
Customer & Corporate Services	5.168	2.442	0.100	0.101	-	7.811
Office for Director of Public Health	0.478	-	-	-	-	0.478
Total	145.510	113.938	49.083	10.406	0.788	319.725
Financed by:	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	10.872	4.163	1.189	1.762	0.266	18.252
Grant Funding	79.616	47.935	16.275	0.193	0.296	144.315
Corporate Funded borrowing	35.026	19.032	17.373	5.188	-	76.619
Service dept. supported borrowing	16.266	32.634	13.312	3.161	0.226	65.599
Developer contributions	1.136	10.159	0.934	0.102	-	12.331
Other Contributions	2.594	0.015	-	-	-	2.609
Total	145.510	113.938	49.083	10.406	0.788	319.725

5.5 Of the £319.725m five year Capital Programme, 76% is expected to be funded through external grants, contributions, and service supported *invest to save* borrowing, with the remaining 24% (£76.703m) funded from corporate borrowing. The affordability of this funding mix, including the ongoing revenue impact of borrowing, is kept under continuous review to

ensure the programme remains financially sustainable.-year Capital Programme, 76% is expected to be funded through external grants, contributions, and service-supported -to-save

- 5.6 The Council remains committed to an ambitious capital investment programme that supports major regeneration across the city. Working closely with partners, we aim not only to deliver physical improvements but also to support local employment and supply chains, particularly within the construction sector. A key priority is to maximise the long-term outcomes and financial benefits generated through capital investment, for example, by enabling housing growth that increases Council Tax revenue and supporting business expansion that boosts Business Rates.
- 5.7 Securing external funding remains central to sustaining this level of investment. The Council will continue to be proactive in bidding for government grants and identifying partnership funding opportunities, with the capital budget updated regularly as new funding streams are confirmed. For projects seeking service-supported borrowing, the requirement remains that they must fully meet the “invest to save” principle. Robust business cases will need to demonstrate, through discounted cash flow analysis, that any borrowing can be repaid from the net revenue benefits delivered by the investment.

5. Key Financial Strategies

Treasury Management

- 6.1 The Treasury Management practices, principles and schedules are in place to ensure the Council’s Treasury Management Policy Strategy is adhered to and that working practices are in place to meet the approved strategy. It is reviewed annually and affects the Council’s budget in terms of borrowing costs and investment returns. The Treasury Management Strategy sets the authorised limits and operational boundaries within which investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives.
- 6.2 There is regular engagement with the Council’s Treasury Management advisors, Arlingclose, and their advice is sought on strategic direction and key operational decisions.
- 6.3 Full Council will receive reports on its Treasury and Investment management policies, practices and activities including, as a minimum, an annual strategy and plan before the year, a mid-year review and an annual report after its close, in the form prescribed in its treasury management practices and investment management practices.

Borrowing Limits

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

Minimum Revenue Provision (MRP) Policy

- 6.5 The Council is required to put aside funding each year from its revenue budget to provide for the repayment of loans taken out to finance capitalised expenditure. The Government’s Capital Financing Regulations place the duty for an authority to make an amount of Minimum Revenue Provision which it considers to be “prudent”. The prudent provision is to ensure

that debt is repaid over a period reasonably in line with that over which the assets provide benefits.

Flexible use of Capital Receipts

- 6.6 A Flexible Use of Capital Receipts Strategy was submitted to Council as part of the 2025/26 budget process. Flexible use supports Local Authorities to deliver more efficient and sustainable services by allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of transformation projects. An updated Use of Flexible Capital Receipts Strategy was included in the 2026/27 Budget papers.

6. Closing the financial gap and Medium-Term Financial Plan

- 7.1 The Medium-Term Financial Plan identifies a budget shortfall of £25m in 2027/28 rising to £55m by 2030/31 in the absence of mitigations. Indicative targets for mitigating actions to balance future years are detailed in Appendix I. This growing gap reflects the rapidly changing local government landscape, where traditional funding streams continue to fall in real terms while demand for core services, particularly social care, homelessness and SEND, continues to increase.
- 7.2 It is clear that the Council cannot continue to deliver services in the same way. Our transformation portfolio represents a bold and ambitious response to these challenges, designed not only to stabilise the Council's finances but to improve outcomes for Plymouth residents. This means changing how we work: delivering services differently, strengthening collaboration with partners, modernising processes, using our assets more effectively, and taking a more commercial and innovative approach where appropriate.
- 7.3 A sharper organisational focus is also essential, ensuring we are clear about our purpose, align resources to strategic priorities, and invest in approaches that deliver long-term sustainability rather than short-term fixes

7. A Roadmap for Change

- 8.1 Plymouth is a city with bold long-term ambitions. The Plymouth Plan sets a shared 25-year vision for a thriving, sustainable and inclusive city, covering housing, jobs, health, education and the environment.
- 8.2 The Council's Corporate Plan translates this city-wide vision into the actions and outcomes we are responsible for delivering on behalf of Plymouth's residents and communities.
- 8.3 Our priorities are shaped by a framework of mutually supporting priorities with defined ambition:
- **Long-term strategic priorities:** the big issues that will fundamentally change the city or the Council.
 - **Short-term priorities:** often political, responding to immediate needs and commitments.
 - **Service delivery priorities:** the day-to-day statutory services that residents rely on.

- **Organisational priorities:** making the Council the best it can be modern, efficient, effective and innovative.

Our drivers for change

- 8.4 Mounting financial pressures mean we must fundamentally change how we work to continue delivering the services residents rely on. The Government's new three-year settlement provides welcome stability, but it does not fully meet the scale of rising demand, and future national policy remains uncertain.
- 8.5 Demand is increasing sharply across several key areas: Children in Care, Homelessness, Adult Social Care and SEND.
- 8.6 Until now, these pressures have been managed through incremental funding and one-off solutions, but this approach is no longer sustainable. The gap between demand, much of which is driven by national factors, and the resources available is now too great.
- 8.7 To deliver for a modern and growing city, we must transform how the Council operates: shifting towards early intervention and prevention, ensuring services are efficient and effective, and strengthening our ability to respond to rising demand. Our ambition is to deliver operational excellence while meeting the needs of our citizens and communities.

Our Transformation Programme

- 8.8 We need a fundamental shift in how the Council operates, moving from reacting to crisis to preventing it, and delivering services in more sustainable and cost-effective ways. Early intervention and prevention are central to our transformation strategy, supported by a stronger organisational model, improved capacity, and systems designed for modern service delivery.
- 8.9 To achieve this, we have developed a transformation programme built around five key workstreams:
 - 1. **Creating capacity and reducing costs** – increasing in-house provision in high-cost areas such as SEND, children's residential care, adult social care and temporary accommodation, reducing reliance on external placements.
 - 2. **Operational effectiveness and service-led delivery** – departmental improvement projects that address budget pressures, reshape services, streamline processes, and ensure the organisation has the right skills, structures and size to operate sustainably.
 - 3. **Early intervention and prevention** – shifting the balance of service delivery by expanding universal and targeted prevention initiatives to help residents avoid crisis and reduce long-term demand.
 - 4. **Innovation and Test** – using a test–learn–grow approach to trial new ideas, scale what works, reduce risk and embed evidence-based improvements across the organisation.
 - 5. **Corporate Enablers** – strengthening the systems and capabilities that support transformation, including enterprise-level technology, data, AI and shared support services, ensuring a cost-effective and consistent platform for delivery.
- 8.10 Together, these represent an aligned and coherent set of strategic workstreams making up our Transformation Programme. Collectively they deliver corporate outcomes and benefits with clear financial and non-financial measures of effectiveness.

8. Next Steps

- 9.1 The initiatives outlined in this report represent more than a set of projects; they form the foundation of a new way of working. Our operating model must shift from responding at crisis point to preventing problems earlier, and from doing everything for people to enabling greater independence and community strength. This is how we will reduce long-term pressure on the organisation while helping residents thrive.
- 9.2 Delivering this change will affect every part of the Council: our finances, workforce, assets, systems, and performance culture. It will require new skills, stronger partnerships, and a commitment to prevention, co-creation and innovation. This is not a small adjustment but a step change in how we operate and how we work with communities.
- 9.3 Through this transformation programme, Plymouth City Council is entering a new phase: building a modern, efficient and sustainable organisation that delivers the right support at the right time, empowers residents, and secures a stronger and more resilient future for the city.

9. Conclusion

- 10.1 The Medium-Term Financial Plan sets out the financial risks and uncertainties facing the Council over the coming years. It highlights pressures arising from future Government funding decisions, volatility in income streams, and wider local and national economic factors that may affect the Council's financial stability. As part of the annual budget and MTFS process, these risks will be assessed, monitored and actively managed, with mitigations drawn from contingencies, balances and earmarked reserves where appropriate. The Council will continue to monitor revenue and capital budgets monthly, reporting quarterly to Cabinet.
- 10.2 The forecasts presented in this Plan reflect our best assessment of the medium-term position. However, they carry inherent risk, financial, political, treasury-related and organisational. Future projections depend on a series of assumptions that become less certain further into the planning period; national funding reforms remain unclear; borrowing costs could shift if economic conditions change; and delivering long-term solutions will require sufficient organisational capacity and the right skills.
- 10.3 The MTFP shows that, the Council faces significant and growing budget shortfalls driven by rising demand in children's social care, adult social care and homelessness. At the same time, reserves have been depleted through recent years' outturns, limiting the scope to rely on one-off solutions.
- 10.4 The Council continues to strengthen its financial management, governance, scrutiny and performance arrangements. Our medium-term approach brings together corporate priorities, benchmarking, financial planning and delivery of revenue and capital programmes into an integrated monitoring framework.

Annex I

Medium Term Financial Plan

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

The allocations within the Provisional Finance Settlement published December 2025 have been used in the forecast for 2027/28 and 2028/29. The following two years have been included using our forecast resource assumptions. These will update each year as new allocations become known.

The forecast models a cumulative gap before mitigations (by March 2031) of £54.851. After mitigations this reduces to a cumulative of £7.351m.

The Plan includes:

- Forecast demand growth pressures for the main service delivery departments, including Adult Social Care and Children's Social Care
- Send deficit financing costs at 90%, assuming the statutory override remains in place until 2028/29
- Reversal of one-off savings used to balance the 2026/27 Budget
- Savings plans for 2027/28, and subsequent years are still in development
- New Target Operating Model (TOM) being developed and scheduled for Cabinet approval April 2026. The TOM will have a targeted full-year savings impact in 2027/28 and is projected to reduce the cost base by £15m.
- The Prevention Programme must reduce the demand pressures required within the Children's and Adults' Directorates, with an initial saving assumed of £5m for the first two full years and £2.5m the following year. These numbers will be refined as the programmes develop.
- The model also assumes a minimum of £5m annual savings from Business as Usual within each directorate.

MTFP 2026/27 to 2029/30 Core Resources	Multi-Year Settlement Period			Post-Settlement Estimates	
	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Revenue Support Grant	(70.255)	(87.786)	(89.652)	(91.445)	(93.274)
Local Authority Better Care Grant	(15.955)	-	-	-	-
Recovery Grant Guarantee	(1.136)	-	-	-	-
Recovery Grant Uplift	(3.735)	(4.872)	(6.698)	(6.698)	(6.698)
Council Tax	(156.541)	(165.300)	(173.540)	(182.743)	(192.431)
Business Rates	(75.921)	(77.662)	(79.229)	(80.814)	(82.430)
Reserves	(2.752)	-	-	-	-
Total Core Resources	(326.295)	(335.620)	(349.119)	(361.700)	(374.833)
increase in Core Resources		(9.325)	(13.499)	(12.581)	(13.133)
brought forward budget requirement (rebased)	253.418	326.295	335.620	349.119	361.700
Specific Grants Rolled in to Core Resources	58.568	-	-	-	-
Right-sizing budget adjustments	4.436	12.891	6.623	5.993	4.655
Demand-Led Pressures	24.899	18.630	18.978	14.765	17.540
Adult Social Care Fee Uplifts (NLW & Inflation)	4.352	5.010	4.866	4.425	4.558
Adult Social Care Demand	6.823	3.655	3.669	3.655	3.765
Homelessness	0.797	0.600	0.643	0.221	0.228
Children's Social Care	9.479	5.996	6.407	6.030	6.211
Home to School Transport	2.094	3.003	2.746	2.698	2.779
SEND - DSG deficit financing cost	0.731	0.366	0.647	(2.264)	-
Short Breaks	0.623	-	-	-	-
Other Growth	2.203	0.143	0.170	0.170	0.170
Savings	(17.228)	2.661	-	-	-
Total Additional Costs/Savings	72.877	34.325	25.771	20.928	22.365
Total Budget Requirement	326.295	360.620	361.391	370.047	384.064
Total Core Resources	(326.295)	(335.620)	(349.119)	(361.700)	(374.833)
Indicative Gap	0.000	25.000	12.272	8.347	9.232
Cumulative Gap	0.000	25.000	37.272	45.619	54.851
Required Level of Mitigating Interventions*					
Target Operating Model Changes		(15.000)			
Prevention Strategy - Impact on Demand		(5.000)	(5.000)	(2.500)	
BAU Directorate Savings		(5.000)	(5.000)	(5.000)	(5.000)
Revised Indicative Gap	0.000	0.000	2.272	0.847	4.232
Revised Cumulative Gap	0.000	0.000	2.272	3.119	7.351

*Indicative figures of the target level of savings required to close gaps in 2027/28.

There are other options that could be considered alongside these targets as set out in the MTFP and 2026/27 Budget Report

Appendix 14 – Tamar Bridge and Torpoint Ferry 2025/26

Report to:	Tamar Bridge & Torpoint Ferry Joint Committee	
Date:	12 January 2026	
Title:	Updated 2026/27 Revenue Budget and Capital Programme – Review of Income from Tag Account Fees	
Portfolio Area:	Cornwall Council: Transport Plymouth City Council: Transport	
Divisions Affected:	All	
Local Member(s) briefed:	NA	
Relevant Scrutiny Committee: Cornwall Council: Sustainable Growth and Place Plymouth City Council: Natural Infrastructure and Growth		
Authors, Roles and Contact Details:	Vicky Fraser, Service Director Connectivity & Environment Vicky.Fraser@cornwall.gov.uk Andy Sharp, Interim Service Director for Street Services Andy.Sharp@plymouth.gov.uk Andrew Vallance, Governance and Finance Manager andrew.vallance@tamarcrossings.org.uk Geraldine Baker, Finance Analyst Manager Geraldine.Baker@cornwall.gov.uk	
Approval and clearance obtained:		Y / N
Date next steps can be taken		12 January 2026
For Cabinet and delegated executive decisions only		
Key decision? (≥£500k in value or significant effect on communities in two or more electoral divisions)		N
Published in advance on Cabinet Work Programme?		N
Urgency Procedure(s) used if 'N' to Work Programme		N

Recommendation(s):

1. That the monthly tag account fee remains unchanged from its current 80p per monthly rate.

2. That the Chief Officer undertakes a consultation and engagement exercise on increasing the monthly tag account fee informed by the options detailed at Annex 5 of this report, and that a summary of the feedback from that exercise is reported to a future meeting of the Committee.
3. A budget of £10,000 is approved to undertake the consultation and engagement exercise, funded from existing budget allocation.

Recommendation(s) to the Councils of the Parent Authorities via the Cabinet of the Parent Authorities:

1. That the 2026/27 revenue budget and capital programme and the draft 2026/27 business plan, as set out in the Appendices 1-4 to this report, be approved; and,
2. The longer-term forecast to 2029/30 is noted.

1 Executive Summary

- 1.1 The report sets out the budget position associated with maintaining the monthly account fee for Tamar Tag accounts (the “tag fee”) at the current 80p per month rate with a recommendation that this revised position is recommended to the Full Councils of the Parent Authorities.
- 1.2 The revision provides opportunity for consultation and engagement on the £1.20 increase incorporated into the budget presented to the Meeting of 5 December 2025, along with additional options. The feedback from the consultation and engagement exercise will be presented to a future meeting of the Joint Committee.
- 1.3 The forecast reserve position at 31 March 2026 (based on the account fee of 80p per month) is £1.364m, noticeably lower than the £2.054m reserve position that was reported at the December 2025 Meeting with the increased fee incorporated. Forecasts of subsequent years show a deteriorating reserve position with reserves entirely depleted and a deficit by 31 March 2030.

	2025/26	2026/27	2027/28	2028/29	2029/30
Revised Proposal (no fee increase)	(£1.492m)	(£1.364m)	(£0.776m)	(£0.141m)	£0.912m deficit

- 1.4 This steadily worsening position shows reserves incrementally moving away from the £3m level considered to be a prudent minimum.

- 1.5 The alternative options suggested for consultation and engagement all result in a lower reserves position than was advised in December 2025.
- 1.6 Delay and alternative approaches create significant risk of triggering current protocols initiating discussions with the Joint Committee to consider further action to remedy the position. Discussions would include (but not limited to) consideration of the need for a further toll revision. The last toll revision process applied in May 2025 was approximately two years after the initial discussions and options modelling. Given this recent experience of the timelines for the toll revision process, review is likely to become urgent.
- 1.7 As part of the process of review of the account fee, this report provides background about the fee and current operations related to the scheme.

2 Purpose of Report and key information

- 2.1 The Tamar Bridge and Torpoint Ferries (TBTF) are operated, maintained, and improved jointly by Plymouth City Council and Cornwall Council, being predominantly funded by toll income using powers derived from the Tamar Bridge Acts.
- 2.2 At its meeting of 5 December 2025, the Joint Committee recommended that Full Councils approve the budgets for 2026/27 (the budget included an increase in the tag fee from £0.80 to £2.00 per month) and to note the indicative forecasts to 2029/30.
- 2.3 Subsequent to the December 2025 meeting, the Joint Chairs expressed a desire to review the proposed £1.20 monthly increase in tag fee from 1 April 2026 in more detail than that provided for in the December 2025 meeting. This desire was strengthened by the number of representations received from the public on this issue. The practical effect of this further review and proposed consultation and engagement requires that budgets recommended to Full Councils assume that the current level of fee remains unchanged.
- 2.4 The change in approach has an impact on income and end of year reserve balances, requiring that the Joint Committee formally revises its budget recommendation to Full Councils. The revised budget position is attached as Appendices 1-3.
- 2.5 It is considered preferable that a consultation and engagement exercise is undertaken with clear options presented. Those are:
 - a. Retain the 80p fee
 - b. Increase the fee to £2.00 as included in December 2025 reports

- c. Increase the fee to £1.60, restoring the 2014 relationship between fee and discounted car toll.

The budget implications of the options are attached as Annex 5, assuming that either is implemented with effect from 1 July 2026.

- 2.6 Further background detail about the fee's history, the impact on current operations and alternative options for the rate of fee charged is provided below.

BACKGROUND

Existing Fee

- 2.7 At its meeting of 6 December 2013, the Joint Committee confirmed their decision at an earlier meeting to recommend introduction of a flat, universal 80p per month fee for Tamar Tag accounts to be applied from 1 April 2014.
- 2.8 Financial pressures at that time provided the backdrop to considering options to increase income. However, introducing a monthly tag fee moderated some of the known commercial and administration strains and costs associated with the scheme. Prior to introduction of fees there was no entry barrier for account users other than providing the initial credit to open an account and no ongoing incentive for former users to manage or close out their account.
- 2.9 The 2013 proposal for a fee was supported by a breakdown of key costs attributable to providing the service. This table was constructed with just the most obvious related operational costs to demonstrate that the fee covered only part of the costs of supporting the tag scheme. Whilst the costs within that table exceeded the anticipated income from the fee, the listing was not in any way full cost recovery.
- 2.10 At the time of implementation in April 2014, the 80p fee represented just over the cost of one half-price crossing. The economic choice for the customer was that at least two crossings in a month or 13 crossings over the year had to be made to receive a financial benefit from the scheme.
- 2.11 Following introduction, the number of accounts fell from 56,000 (of which around 10,000 had not been used in the previous 12 months), stabilising at around 50,000 for the remainder of the 2010s.
- 2.12 At the 8 March 2019 meeting, Members were asked to revise the tag scheme's financial structure of payment thresholds and fees to reflect the upcoming toll revision. This included a small, 20p increase to the fee to £1.00 per month. Members chose to postpone a decision for 12 months. No subsequent report

was provided, as the Covid pandemic developed in early 2020 with the related financial consequences for the Crossings.

Current Operations

- 2.13 The number of accounts held on our systems began to climb post-Covid and is now standing at 56,071, which is very similar to the number of accounts that existed prior to the introduction of the fee in 2014, and noticeably in excess of the number that existed in 2019 despite traffic volumes still being lower than before the pandemic. The volume of accounts and associated listed tags has an impact on system performance and storage design and capacity which comes at a cost.
- 2.14 The number of “dormant” accounts closed by the customer service team in the year to 30 November 2025 was 8,552. This compares to the 1,915 closures during 2018 which was recorded in reports to the 8 March 2019 meeting. Further, in order to streamline process, the threshold for “dormancy” non-use have been extended from 3-months to 6 months. This has allowed a more automated process but has meant previous multiple attempts to contact the customer to try and recover the onboard tag have been scaled back.
- 2.15 As the fee has remained unchanged whilst tolls have risen over time, the frequency of use to justify a tag account (see 2.10) has reduced such that customers now need only make 7 crossings a year for a tag to be financially viable. This change in balance has doubtless encouraged infrequent users to join the scheme and for others whose use has declined to remain participants. The impact on payment method is also evidenced in statistics routinely presented to Committee. The latest year-on-year comparison is that tag settlement increased from 61% to 62% of tolled traffic. Each 1% switch in favour of tag settlement has a 0.5% negative effect on revenue (on a per crossing basis).
- 2.16 Customer service process around 400 new accounts each month in addition to servicing existing accounts.
- 2.17 Headline costs for operating the tag scheme for the current 2025/26 financial year have been tabulated at Annex 6. It should be noted that the table does not represent a full costing of the scheme given that, for example, overhead costs of accommodation, payroll administration and senior management oversight have not been included.

Efficiencies and Improvements since 2013

- 2.18 The technology framework and maturity of the tag scheme impose some constraints on wholesale change and innovation. The relatively low turnover within a mature user base makes any reconfiguration of the charging scheme difficult and would potentially create a very extended period of inefficient dual running where different terms applied to new customers. This systemic latency is a significant consideration if considering reconfiguring the current fee, for

example adding a charge for the tag supplied or a charge for replacement tags.

2.19 However, the system refresh project at the start of the current decade and incremental improvements since have delivered efficiencies and improvements to the user experience. In addition to introducing onboard and in lane card payments and online facilities for non-payment, tag specific improvements include:

- Expanded online transaction searches and filters allowing customers to generate customised reports. This has allowed cessation of monthly statement distribution, saving around £36,000 annually
- Access to transaction images through the user's online account
- Online applications – providing new users with an expected facility and reducing some processing costs
- Remote charging – allowing the bridge control room to assign charges when a user has forgotten to top-up
- Online vehicle update when users change vehicle
- Dual tag assignment – provides remote replacement of battery expired or faulty tags allowing the customer to still present the older unit for barcode reading prior to receipt of a replacement
- Improvements to the online password reminder service
- Provision of tablets for the support staff servicing the auto lanes, allowing vehicles held in the auto lanes to be cleared more efficiently (e.g. vehicles without a tag).

2.20 The system can also accommodate further improvements to direct debit arrangements (given supporting staff resource) and officers continue to keep in view the potential for automated credit card top-ups, low balance mail/text messaging and improved refund systems. Officers are in active discussions with suppliers to reduce postage costs.

3 Benefits for Customers/Residents

3.1 Appropriate management of finances and budget monitoring ensures that appropriate resources is available for the operation, maintenance and improvement of crossing which form key elements of the local transport network which is essential to the sustainable economic and social development of the region for the benefit of residents.

4 Relevant Previous Decisions

4.1 Approved budget for 2025/26 at Tamar Bridge and Torpoint Ferry Joint Committee of 6 December 2024 (TBTF/82)

[Agenda for Tamar Bridge and Torpoint Ferry Joint Committee on Friday, 6th December, 2024, 10.00 am - Cornwall Council](#)

On recommendation of Cornwall Council Cabinet meeting of 12 February 2025 (CAB/432)

[Agenda for Cabinet on Wednesday, 12th February, 2025, 10.00 am - Cornwall Council](#)

Approved budget for 2025/26 at Cornwall Council meeting of 25 February 2025 (CC/607)

[Agenda for Cornwall Council on Tuesday, 25th February, 2025, 10.30 am - Cornwall Council](#)

On recommendation of Plymouth City Council Cabinet meeting of 10 February 2025

[Agenda for Cabinet on Monday 10 February 2025, 2.00 pm - Modern Council](#)

Approved budget for 2025/26 at Plymouth City Council meeting of 24 February 2025

[Agenda for City Council on Monday 24 February 2025, 2.00 pm - Modern Council](#)

Recommended budget for 2026/27 at Tamar Bridge and Torpoint Ferry Joint Committee of 5 December 2025 (TBTF/111)

[Agenda for Tamar Bridge and Torpoint Ferry Joint Committee on Friday, 5th December, 2025, 10.00 am - Cornwall Council](#)

Approval to introduce monthly tag account fee at Tamar Bridge and Torpoint Ferry Joint Committee 6 December 2013 (TBTF/25)

[Agenda for Tamar Bridge and Torpoint Ferry Joint Committee on Friday, 6th December, 2013, 10.00 am - Cornwall Council](#)

Request to increase Tamar Tag scheme fees, charges and thresholds at Tamar Bridge and Torpoint Ferry Joint Committee 8 March 2019 (TBTF/41)

[Agenda for Tamar Bridge and Torpoint Ferry Joint Committee on Friday, 8th March, 2019, 10.00 am - Cornwall Council](#)

5 Consultation and Engagement

- 5.1 Tag fee increases were discussed in detail at a Member and officer income workshop in September 2025.
- 5.2 Media releases were distributed on behalf of Joint Chairs following the 5 December 2025 Meeting.
- 5.3 Numerous social media postings, from MPs, Councillors, traditional media and campaign groups have been monitored and associated commentary reviewed.
- 5.4 Since the December 2025 meeting 55 emails and one letter were received directly to Tamar Crossings mailing addresses on the issue of the tag fee. In addition, the Joint Chairs received numerous communications on the issue.

6 Financial Implications of the proposed course of action/decision

- 6.1 Financial implications are detailed within Section 2 of this report and in the appendices. The recommended approach of removing the £1.20 increase in fee from 1 April 2026 that was included in budgets recommended for approval at the Meeting of 5 December 2025 has a negative effect on income and reserves of £690,000 annually.
- 6.2 The cost of £10,000 for undertaking the consultation and engagement will be identified from within the existing budget allocation by reducing expenditure within other budget categories in order to fund this exercise.
- 6.3 The effect of reducing income is that there is a necessity to draw on reserves in each year of the MTFP, such that the reserve is entirely exhausted during the 2029/30 financial year
- 6.4 Further significant action will be required to increase income and/or reduce expenditure to avoid the reserve going into deficit. If the reserve is in deficit, both Parent Authorities will be required to provide revenue funding (on a 50:50

basis) such that the reserve balance is not in deficit by the end of the financial year. Additional action may also be required even if increases to the tag fee are introduced at a later date.

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

- 7.1 At its meeting of 5 December 2025, the Joint Committee recommended to the Full Councils of both parent authorities via the Cabinets of both parent authorities a budget for 2026/27 that incorporated a tag fee increase from £0.80 to £2.00 per month.
- 7.2 Following the meeting on 5 December 2025, the Joint Chairs felt that additional material information relating to whether or not to increase the tag was necessary to enable the Joint Committee to further consider the matter. This view was strengthened by the number of representations received from the public on the issue (as detailed in section 5 above).
- 7.3 The recommendation to modify the budgets to maintain the tag fee at £0.80 to enable a consultation and engagement exercise would allow consideration of the revised budget (Appendices 1-3) at the scheduled Cabinet and Full Council Meetings. Cornwall Council's Cabinet will consider this at its meeting on 11 February 2026, and Cornwall Council's Full Council will consider this at its meeting on 24 February 2026. Plymouth City Council's Cabinet will consider this at its meeting on 9 February 2026, and Plymouth City Council's Full Council will consider this at its meeting on 23 February 2026.
- 7.4 The proposed consultation and engagement exercise although not statutorily required is considered preferable so that all feedback can be considered prior to a decision being taken on the tag fee. This is particularly so, in light of the number of years the tag fee has remained static and the comments received in relation to the issue.

8 Risk Implications of the proposed course of action/decision

- 8.1 The proposed course of action to recommend budgets without any increase in the account fee will result in the reserve being depleted sooner than previously forecast. There is currently no clear course of action to remedy this position.
- 8.2 Any action to increase the fee that may be taken at a future meeting following a consultation and engagement exercise will be implemented later than anticipated in December 2025 reports and may be associated with a smaller increase in fee. Although neither results in the certain immediate requirement to consider further action that is associated with retaining an 80p fee level,

delay or implementing a rise to £1.60, significantly increase the risk of needing to consider further action to maintain adequate reserves.

9 Cornwall Development and Decision Wheel

9.1 Not applicable

10 Options available

- 10.1 The recommended action ensures that the Joint Committee recommends a funded budget for 2026/2027 to Full Councils via Cabinets and provides an opportunity to undertake further consultation and engagement exercise prior to making a decision on fee levels. The recommended approach requires that following feedback from the exercise, conscientious consideration is given to the feedback when making a decision on whether or not to increase the tag fee in order to remedy the forecast reductions in reserve over the MTFP.
- 10.2 The recommendation on budgets may be approved and any increase in tag fees abandoned. This would bring forward the need to consider how to address the decreasing reserves position. This would include consideration of making a formal application to increase tolls.
- 10.3 Increases in fees may be approved to £2.00 or some other level and Full Councils asked to approve the resultant budget. This would not provide for the proposed consultation and engagement process or consideration of feedback received.

11 Supporting Information (Appendices)

- 11.1 Annex 1: 2026-27 Revenue Estimates for 2026/27 to 2029/30 (as modified to retain the current (80p) monthly tag account fee)
- 11.2 Annex 2: Capital Programme 2026/27 to 2029/30
- 11.3 Annex 3: Statement of Estimated Reserves 2026/27 to 2029/30
- 11.4 Annex 4: Annual Business Plan 2026/27
- 11.5 Annex 5: Income and Reserve positions of fee options for consultation and engagement exercise
- 11.6 Annex 6: Assessment of Key TamarTag Operational Costs

12 Background Papers

12.1 None

13 Approval and clearance

All reports:

Final report sign offs	This report has been cleared by (or mark not required if appropriate)	Date
Governance/Legal (Required for all reports)	Lia Musto-Shinton, Group Manager (Assurance)	02/01/2026
Finance (Required for all reports)	Geraldine Baker, Finance Analyst Manager	02/01/2026
Cornwall Development and Decision Wheel (where required)		
Service Director (Required for all reports)	Phil Mason (on behalf of Vicky Fraser)	02/01/2026
Strategic Director (If required)		

Draft reports process checklist for Cabinet/individual decision reports:

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

Process checklist	Completed
Communications team informed	Yes/No
Portfolio Holder briefed	Yes/No
Strategic Director briefed	Yes/No
Service Director sign off	Yes/No
Data protection issues considered	Yes/No
If exempt information, public (part I) report also drafted. (Cabinet/Scrutiny)	Yes/No
If not on Cabinet Work Programme, Scrutiny offered the opportunity to consider the report	Yes/No

Appendix I – Revenue Budget 2026/27 and Indicative Projections for 2027/28 to 2029/30

**Revenue Budget 2026/27
and Indicative Projections for 2027/28 to 2029/30**

<i>Overall Summary</i>	<i>Page 1</i>
<i>Corporate Estimates</i>	<i>Page 2</i>
<i>Bridge Operation Estimates</i>	<i>Page 3</i>
<i>Ferry Operation Estimates</i>	<i>Page 4</i>
<i>Analysis of Variations</i>	<i>Page 5</i>

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

OVERALL SUMMARY	25/26 Original £'000	25/26 Revised Forecast £'000	26/27 Budget £'000	2027/28 Indicative £'000	28/29 Indicative £'000	2029/30 Indicative £'000
Operational Summary						
Income	-20,003	-19,569	-19,839	-19,860	-19,880	-19,901
Expenditure						
Corporate	794	740	815	831	695	716
Bridge Operations	5,520	5,285	5,718	5,801	5,889	5,824
Ferry Operations	7,129	7,214	7,332	7,533	7,707	7,916
Learning Centre	269	223	176	180	184	188
	13,712	13,462	14,041	14,345	14,475	14,644
Operating (Surplus)/Deficit	-6,291	-6,107	-5,798	-5,515	-5,405	-5,257
Contribution to CC MRP	3,645	3,647	3,888	4,107	4,070	4,277
Interest on CC Financing	2,085	1,919	2,090	2,061	2,041	2,105
Interest on Joint Committee balances	-35	-35	-52	-65	-71	-72
Capital Expenditure financed from Revenue	0	0	0	0	0	0
Overall (Surplus)/Deficit on Undertaking	-596	-576	128	588	635	1,053
Reserve Balance brought forward	-977	-916	-1,492	-1,364	-776	-141
Reserve Balance carried forward	-1,573	-1,492	-1,364	-776	-141	912

CORPORATE	25/26 Original £'000	25/26 Revised Forecast £'000	26/27 Budget £'000	2027/28 Indicative £'000	28/29 Indicative £'000	2029/30 Indicative £'000
INCOME						
Tolls						
Toll income - Bridge	-8,939	-8,639	-8,794	-8,794	-8,794	-8,794
Toll income - Ferry	-960	-1,014	-1,032	-1,032	-1,032	-1,032
Concessionary toll income - Bridge	-7,905	-7,680	-7,815	-7,815	-7,815	-7,815
Concessionary toll income - Ferry	-939	-899	-914	-914	-914	-914
	-18,743	-18,232	-18,555	-18,555	-18,555	-18,555
Tag Account Fee	-460	-460	-460	-460	-460	-460
Saltash Tunnel control	-572	-570	-590	-608	-625	-643
Grant Income	0	-75	0	0	0	0
Other Income	-228	-232	-234	-237	-240	-243
	-1,260	-1,337	-1,284	-1,305	-1,325	-1,346
TOTAL INCOME	-20,003	-19,569	-19,839	-19,860	-19,880	-19,901
EXPENDITURE						
Other Expenditure						
Support services	109	79	82	82	84	87
Purchase of tags	285	269	326	336	345	355
Bank charges	150	184	189	189	194	200
Internal Audit fees	12	12	12	13	13	13
External Audit fees	1	1	1	1	1	1
Consultants	237	195	205	210	58	60
TOTAL EXPENDITURE	794	740	815	831	695	716

BRIDGE OPERATIONS	25/26 Original £'000	25/26 Revised Forecast £'000	26/27 Budget £'000	2027/28 Indicative £'000	28/29 Indicative £'000	2029/30 Indicative £'000
Employees						
Salaries and wages	1,693	1,483	1,766	1,819	1,854	1,899
Agency staff	37	87	38	38	39	39
Indirect employee expenses	26	55	37	38	38	30
Premises						
Repair and maintenance - buildings & grounds	83	143	85	86	87	88
Repair and maintenance - bridge & infrastructure	776	576	804	812	820	832
Bridge & gantry inspections	372	372	386	389	393	399
Energy costs, water, rent and rates	268	268	275	278	281	285
Insurances	46	48	51	52	52	53
Other premises costs	12	12	9	9	9	9
Transport Related Expenses						
Staff travel	21	20	28	29	29	29
Supplies & Services						
Operational expenses	477	471	452	457	461	477
Office expenses	530	519	503	488	502	341
Toll collection & banking	900	940	983	997	1,011	1,026
Breakdown recovery	256	269	278	285	289	293
Other expenses	12	11	12	13	13	13
Support service charges	11	11	11	11	11	11
Net Expenditure - Bridge Operations	5,520	5,285	5,718	5,801	5,889	5,824

FERRY OPERATIONS	25/26 Original £'000	25/26 Revised Forecast £'000	26/27 Budget £'000	2027/28 Indicative £'000	28/29 Indicative £'000	2029/30 Indicative £'000
Employees						
Salaries and wages	4,634	4,747	4,737	4,874	5,011	5,161
Agency staff	44	79	45	46	46	47
Indirect employee expenses	72	86	78	80	81	82
Premises						
Repair and maintenance - buildings & grounds	32	40	50	51	52	53
Energy costs, water, rent and rates	147	149	154	157	159	161
Other premises costs	93	103	106	108	109	111
Transport Related Expenses						
Staff travel	41	46	49	50	51	51
Supplies & Services						
Repair & maintenance - ferries & infrastructure	815	822	930	948	962	977
Fuel costs (Marine Gas Oil)	291	216	245	258	261	265
Insurances	209	207	214	223	226	229
Operational expenses	272	256	278	284	288	292
Office expenses	437	391	403	410	416	442
Other expenses	21	51	21	22	22	22
Support service charges	21	21	22	22	23	23
Net Expenditure - Ferry Operations	7,129	7,214	7,332	7,533	7,707	7,916

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The variation of £0.15m between the revised budgeted cost for 2025/26 and the original budgeted cost for 2026/27 is accounted for as follows:

	£'000	£'000	£'000
Income			<u>0</u>
Toll income - full year effect of toll revision	(173)		
Concessionary income - full year effect of toll revision	(150)		
DFT Saltash Tunnel	(20)		
Other income - grant one off £75k in 25-26	<u>73</u>		
		(270)	
Corporate			
Support Services inflationary increase	3		
Purchase of Tamar Tags and Accessories - additional purchases and inflationary increase	57		
Bank Charges due to increases in card payments	5		
Consultants management inflationary increase	<u>10</u>		
		75	
Bridge			
Employees costs reflecting increase for pay awards, increments NI and Superann	216		
R&M building and grounds - one off spend for electrical back up removed	(58)		
R&M Bridge and Infrastructure - inflation and painting maintenance budget restored following reduction in 25-26	228		
Bridge & Gantry Inspections - inflationary increase	14		
Energy costs, water, rent and rates - inflationary increases	7		
Insurance small inflationary increase	3		
Other premises costs - contractual pricing reduced	(3)		
Staff Travel - replacement lease vehicles	8		
Office Expenses review of printing, postage and mobile phone costs	(16)		
Breakdown recovery - inflationary increase	9		
Toll Cash Handling - contract inflationary increase	43		
Operational Expenses - inflationary increases and CCTV upgrade complete so budget removed	(19)		
Other Expenses	<u>1</u>		
		433	
Ferry			
Employees costs reflecting increase for pay awards, increments NI and Superann	(52)		
Repairs and maintenance - workshop costs	10		
Energy costs, water, rent and rates - inflationary increase	5		
Other premises costs - inflationary increase	3		
Staff Travel - lease costs	3		
R&M Ferries and Infrastructure - 2 sets of chains fitted in 26-27	108		
Marine Oil - increase in market costs anticipated	29		
Insurance inflationary increase and anticipated increase in cover due to claim	7		
Support Services - inflationary increase	1		
Other Expenses - Ferry decarb consultancy removed for 26-27	(30)		
Operational Expenses - inflationary increase, additional toll equipment	22		
Office Expenses - inflationary increases	<u>12</u>		
		118	
Other			
Learning Centre -	(47)		
MRP and Interest revisions to reflect new capital programme	412		
Increase interest received on increased reserve balance	<u>(17)</u>		
		348	

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE - Capital Programme 2026/27 to 2029/30 - Appendix 2

CAPITAL PROGRAMME	Actual Payments to 2024/25 £'000	Estimated Payments 2025/26 £'000	Estimated Payments 2026/27 £'000	Estimated Payments 2027/28 £'000	Estimated Payments 2028/29 £'000	Estimated Payments 2029/30 £'000	Estimated Final Cost Total £'000
Current Programme							
Bridge Access Improvement Works Phase 4 Main	190	173	0	0	0	0	363
cable remedial works	315	1,784	0	0	0	0	2,099
Ferry Traffic Control Systems Ferry	15	15	1,070	0	0	0	1,100
Refitting 2023-2026	4,488	2,130	0	0	0	0	6,618
Bridge Resurfacing Works - Phase 2 Rocker	22	5	0	0	0	0	27
Pendal remedial works Supplementary Cable	197	128	125	125	0	0	575
Works	411	1,147	0	0	0	0	1,558
Ferry Gantry Tower Replacement	791	91	0	0	0	0	882
Torpoint office and workshop refurbishment	12	200	288	0	0	0	500
Bridge Protective Coating Phase 3	0	700	700	700	700	700	3,500
Toll Booth replacement	206	192	0	0	0	0	398
Ferry Decarbonisation	0	0	0	250	2,750	0	3,000
Bridge Structural Fire Protection upgrade Ferry	0	200	3,300	0	0	0	3,500
Refitting 2028-2031	0	0	0	0	2,300	2,300	4,600
Future Programme							
Toll System Replacement						1,200	
TOTAL CAPITAL PROGRAMME	6,647	6,765	5,483	1,075	5,750	4,200	28,720
FINANCING							
Prudential Borrowing	6,647	6,765	5,483	1,075	5,750	4,200	29,920
Capital Receipts	0	0	0	0	0	0	0
Revenue Financing	0	0	0	0	0	0	0
TOTAL FINANCING	6,647	6,765	5,483	1,075	5,750	4,200	29,920

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE

Statement of Estimated Reserves
for 2026/2027 to 2029/2030

RESERVES AND PROVISIONS	2025/26 Original Budget £'000	2025/26 Revised Forecast £' 000	2026/27 Budget £' 000	2027/28 Indicative £' 000	2028/29 Indicative £' 000	2029/30 Indicative £' 000
Balance brought forward	(977)	(916)	(1,492)	(1,364)	(776)	(141)
Net movement for year	(596)	(576)	128	588	635	1,053
Balance Carried Forward	(1,573)	(1,492)	(1,364)	(776)	(141)	912

TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE BUSINESS PLAN

Contents

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Message from the Chairs

This Annual Business Plan represents a continuation of an interim approach as the Parent Authorities, the Committee and management incorporate output and progress associated with the Tamar 2050 strategy adopted in December 2023.

Despite completing a cycle of ferry refits and progressing other major works during 2025, the coming 12 months will represent a change in direction as the Chief Officer appointed in mid-2025 enacts a new approach. There will be impacts on ferry service to undertake the rebuild of the remaining pair shoreside chain gantries and following the assurance given by replacing obsolescent drive control systems on one vessel during refit to undertake similar works on the other two craft whilst “on the chains” at Torpoint. Major works on the bridge’s main cables will continue for a further year. Significant unseen works will include a significant uplift in the bridge recoating scheme and the process of rocker replacements will continue. Consideration of whether to pursue options to decarbonise ferries will be given following the early April 2026 delivery of the outcomes of externally funded research. These projects reflect the Committee’s continuing recognition of the need to ensure that the service provided by these essential and strategic crossings under its control remains robust and that programmes take a long view in maintaining the key assets.

The later than anticipated approval of new rates in 2025 has reduced the expectations of a level of longer term financial stability. The position undoubtedly compromises our ability to plan for the future but has provided further impetus to work with local MPs and government to further improve the financial standing and stability of the crossings.

During the course of the year the Committee and management will continue to progress the Tamar 2050 programme and implement actions from that programme. In addition to considering reports on ferry decarbonisation, Members will progress the case for open road tolling and external funding for transition to this alternative method of collecting charges. Work will also commence on likely future investments including the next round of ferry refits.

The coming year will also see progress in new relationships with customers with a communications and engagement plan in place to improve engagement with a range of users and ensuring key stakeholders have a voice and opportunity to be involved with the crossing, providing feedback to officers and Members. It is anticipated that the initial phase of enacting this increased engagement will have commenced prior to this Business Plan Period.

As with earlier Plans, this Plan demonstrates an ongoing commitment to delivering a safe, reliable and efficient service to our users and it is intended that this document will form the basis of management reports to Members during the course of the year.

A summary of progress made against the Plan will accompany the Annual Report published in draft form in June 2026.

Councillor Andrew Long
Joint Chairman
Cornwall Council

Councillor Anne Freeman
Joint Chairman
Plymouth City Council

The Context for the Annual Business Plan

Long Term Strategy

Plans for the longer term sustain the organisation's mission to provide safe, reliable and efficient crossings of the River Tamar. These plans are influenced by the Local Transport Plans of the Joint Authorities.

The physical and financial resources must continue to be available for major tasks such as resurfacing and repainting the Bridge and undertaking refits of the Ferries. Maintenance cycles may span consecutive Business Plan cycles, therefore while the medium-term financial plan spans four years, potential maintenance requirements beyond that period must also be considered within the organisation's general business plans.

The undertaking must maintain a clear strategy for the future to accommodate changes in traffic demand, user expectations, legislation and other factors that may stimulate changes in the way the undertaking operates and may require improvements to facilities. Therefore, potential change beyond the four year period of the medium-term financial plan must also be considered.

Continuity with the previous Strategic Framework

The Strategic Plan that expired in March 2022 contained broad goals for the four-year period commencing in April 2018. Those goals remain relevant and are recorded below, with the continuing work to progress each goal. This approach is considered to be the most effective during a period when the organisation is developing new strategic approaches through a further update of the Tamar 2050 programme.

Specific actions to achieve the desired outcomes are provided in KPI tables later in the document. These tables will allow Members, users and other stakeholders to monitor the performance of the service.

Strategic Goal: Meeting Customer Expectations

- achieve or exceed service delivery KPIs
- providing more payment options for TamarTag customers
- providing a greater range of communication routes online
- undertaking major projects to ensure Bridge and Ferries are maintained to appropriate standards
- proactively communicate with customers
- expand scope and improve detail of traffic data

Strategic Goal: Fiscally Sustainable

- ensure that income can fund forecast expenditure
- act on external reviews of operational efficiency
- routinely report progress and update financial positions
- improve management of toll debtors
- pursue the ability to index-link tolls

Strategic Goal: Transparent Governance and Clear Decision Making Processes

- consider alternative organisational models within risk and business efficiency consultancies
- adopt a revised approach to long term planning and business planning
- publish additional information and raise awareness of public meetings
- work towards a schedule of Committee meetings in Cornwall
- consider ways in which the crossings might assist the Parent Authorities in addressing the Climate Emergency
- review legislation and governance

Strategic Goal: A Modern, Diverse and Well Trained Workforce

- act on workforce feedback and progress any recommendations from external review
- consider ways to mitigate recruitment issues in key specialist posts

Strategic Goal: Quality and Appropriate Standards

- improve pedestrian safety
- demonstrate our safety culture
- provide assurance about our approach to the environment
- maintain appropriate regulatory standards
- reduce environmental impact and ensure energy use is moderated

Actions Plan for 2026-27

The following detailed actions to meet the 2026-27 goals incorporate elements of the Tamar 2050 programme:

Meeting Customer Expectations

ACTION	Timeframe	RELATIONSHIP TO PROGRESSING STRATEGIC GOALS
Progress the new communications and engagement plan and further engage a broad range of users, ensuring stakeholders have a voice and opportunity to be involved with the crossing	Through 2026-27	Proactively communicate with customers
Expand the proactive customer engagement policy through the establishment of a resident/haulier focus group	By Spring 2026	Proactively communicate with customers
Construct a full business case for open road tolling on the bridge in improving capacity and journey time and ensure that there is engagement with any external funding opportunity	Through 2026-2027	Achieve or exceed service delivery KPIs and provide more payment options for TamarTag (and other) customers

Fiscally Sustainable

ACTION	Timeframe	RELATIONSHIP TO PROGRESSING STRATEGIC GOALS
Implement actions associated with the Income Optimisation Study as part of the Tamar 2050 programme	Through financial year 2026-2027	Ensure that the crossings remain financially sustainable
Provide budget monitoring reports to Committee with updates to long-term model	Quarterly	Routinely report progress and update financial positions
Progress efficiency opportunities identified by the related Tamar 2050 goals	Through financial year 2026-2027	Ensure that the crossings remain financially sustainable
Determine and progress the preferred route to enable index-linking of tolls	Ongoing	Reduce income risk
Continue the review of potential impact of open road tolling on debtors and further develop mitigation strategies	Through financial year 2026-2027	Improve management of toll debtors

Transparent Governance and Clear Decision Making Processes

ACTION	Timeframe	RELATIONSHIP TO PROGRESSING STRATEGIC GOALS
Expand direct publication of crossings related information	Ongoing	Publish additional information and raise awareness of public meetings
Undertake review of governance arrangements and Terms of Reference, considering new frameworks to improve organisational efficiency	Through financial year 2026-2027	Effective and transparent corporate oversight and challenge
Review Tamar 2050 goals and set new actions within the Tamar 2050 framework	Spring 2026	Effective and transparent corporate oversight and challenge
Consider opportunities for water crossings or wider transport integration and sustainability, together with other bodies as part of the related Tamar 2050 goal	Ongoing	Consider ways in which the crossings might assist the Parent Authorities in addressing the Climate Emergency

A Modern, Diverse and Well Trained Workforce

ACTION	Timeframe	RELATIONSHIP TO PROGRESSING STRATEGIC GOALS
Further embed and develop apprenticeship schemes.	Ongoing	Mitigate recruitment issues in key specialist posts and improve age diversity within the organisation
Work towards a greater gender balance in the organisation through involvement in Women Into STEMM events and with other employers at fairs and event to raise the understanding of careers in engineering.	Ongoing	Continue the actions detailed in Gender Pay Gap Reports and mitigate recruitment issues in key specialist posts
Support flexible retirement to allow individuals to make different choices about retirement and support flexible working generally.	Ongoing	Mitigate recruitment issues in key specialist posts and improve diversity within the organisation
Continue to develop both individuals and teams with training opportunities appropriate to the job.	Ongoing	Mitigate recruitment issues in key specialist posts and demonstrate our safety culture

Quality and Appropriate Standards

ACTION	Timeframe	RELATIONSHIP TO PROGRESSING STRATEGIC GOALS
Upgrade traffic control systems at Torpoint and Devonport	2027	Improve pedestrian safety

Consider output of ferry decarbonisation research project and potential options convert power generation on one ferry to reduce carbon output	Through 2026	Provide assurance about our approach to the environment
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Further embed ISO 45001 Standard in Occupational Health and Safety Management in organisation's operating processes	Ongoing	Demonstrate our safety culture
Complete certification process for Environmental Management System to ISO14001 Standard	Spring 2026	Provide assurance about our approach to the environment
Continue technical inspection programme at Tamar Bridge	Ongoing	Maintaining appropriate regulatory standards
Maintain ferries to classification society standards	Ongoing	Maintaining appropriate regulatory standards

Budget:

The proposed budgets for 2026-2027 are reported below.

Estimated income figures assume that traffic will be affected by major works at the bridge during the year and there is no growth in traffic volumes at Torpoint Ferry.

Forecast Income

£'s

Toll Revenue (Bridge)	16,609,000
Toll Revenue (Ferry)	1,946,000
Tag Related Fees	460,000
Income from Agency Charges	590,000
Rents & Miscellaneous Income	234,000
Investment Income and Interest	52,000

TOTAL FORECAST REVENUE

19,891,000

Forecast Expenditure

Bridge Operations & Maintenance	5,718,000
Ferry Operations & Maintenance	7,332,000
Learning Centre	176,000
Corporate Expenses	815,000
Interest Payments (cost of capital funding)	2,090,000
Repayment of Capital (Revenue Provision)	3,888,000

TOTAL FORECAST EXPENDITURE

20,019,000

Forecast Deficit for Year

£128,000

Reserves

The forecast deficit will mean that the reserve maintained as contingency will decrease from a forecast £1,492,000 at 31 March 2026 to a forecast £1,364,000 at the end of March 2027.

Capital Works

The borrowing required to fund capital works during the year is anticipated to be £5,483,000.

Performance Targets

In addition to the quarterly reports on progress made to the Joint Committee, progress against the measures below will be published on our website.

Table 1 Safe Services

Description	KPI	Target	Why this is important?
Number of accidents involving members of the public	Number of reportable incidents and accidents involving the public at both crossings	Zero and maintain	Public safety is an integral part of our business
Reportable incidents and minor accidents involving employees	Number of reportable incidents and accidents involving employees at both crossings	Reduce to zero and maintain zero incidents and accidents	Staff safety is an integral part of our business Need to mitigate risk to the lowest practicable level to avoid further accidents
Lost time – employees	Days lost due to accidents	Less than 20 days	Provides a measure of the safety of the work environment Reduces costs associated with absence or reduced capability following accidents

Table 2 Reliable Services

Description	KPI	Target	Why this is important?
Bridge traffic lane availability	Peak time lane availability	>99.5%	Measures success of traffic management and reliability of infrastructure. Ensuring that lanes are open is key to ensuring that journeys are predictable and reduces the risk of accidents.
	Total lane availability	>98.5%	
Bridge toll booth availability	% of scheduled booth hours achieved	>99%	In addition to helping to ensure that journey times are predictable, the measure assists assessment of the performance of the contractor
Ferry scheduled crossings availability	Peak Time scheduled crossings achieved	>99%	Measures success of vessel management and reliability of infrastructure. Predictable service is essential for customers to plan the best mode of transport.
	Off-Peak scheduled crossings achieved	99%	
Ferry waiting/journey times	Average journey time from entry of waiting area to exit off ferry Peak journey time from entry of waiting area to exit off ferry		Measures success of vessel management and reliability of infrastructure. Predictable journey times are essential for customers to plan the best mode of transport.
Bridge journey times	Average journey time between A38 Carkeel & St Budeaux junctions	=< 6 mins	Measures success of traffic management and reliability of infrastructure.
	Peak average journey time between A38 Carkeel & St Budeaux junctions	=< 6 mins 30 secs	Predictable journey times are essential for customers to plan the best mode of transport.

Description	KPI	Target	Why this is important?
Expenditure	Variance against budgets	Monthly review within 10% of profiled spend	Cost control, financial management, efficiency.
Tag Usage	Overall usage	≈60%	Maintains plaza capacity.
	Peak usage	≈80%	
Complaints	Response time	95% of complaints responded to within 10 working days.	Those making complaints remain aware that their comments are valued and investigations are prioritised.
Payment within 30 days of invoice date	% of invoices are paid within 30 days	>95%	Payment within terms assists the relationship with suppliers and improves validity of financial monitoring process
Staff sickness absence	Days absence per employee per annum	Average of <9 days	Reflects a healthy workforce and sound HR practices.
Energy recovered waste incineration	Non-hazardous waste to be diverted from landfill for energy recovery	60% diversion	Reduction of waste improves efficiency and demonstrates our concern for the wider community
Recycled waste	Non-hazardous waste diverted from landfill to be recycled	40% diversion	

FINANCIAL IMPACT OF OPTIONS

Option 1 – Maintain current 80p fee level (as per revised budget at Appendix 1)

	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s
Tag Account Fee Income	(£460)	(£460)	(£460)	(£460)	(£460)
Total Income	(£19,569)	(£19,839)	(£19,860)	(£19,880)	(£19,901)
Reserve	(£1,492)	(£1,364)	(£776)	(£141)	£912 deficit
Change from previous position	0	£690	£1,380	£2,070	£2,760

Option 2 – Increase fee to £2.00 from 1 July 2026

	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s
Tag Account Fee Income	(£460)	(£978)	(£1,150)	(£1,150)	(£1,150)
Total Income	(£19,569)	(£20,357)	(£20,550)	(£20,570)	(£20,591)
Reserve	(£1,492)	(£1,882)	(£1,984)	(£2,039)	(£1,676)
Change from previous position	0	£172	£172	£172	£172

Option 3 – Restore 2014 relationship between car toll and fee (£1.60 fee) from 1 July 2026

	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s
Tag Account Fee Income	(£460)	(£805)	(£920)	(£920)	(£920)
Income	(£19,569)	(£20,184)	(£20,320)	(£20,340)	(£20,361)
Reserve	(£1,492)	(£1,709)	(£1,581)	(£1,406)	(£813)
Change from previous position	0	£345	£575	£805	£1,035

ANNEX 6

COSTS ASSOCIATED WITH TAMARTAG SCHEME: 2025/2026

NOTE: Contribution from ferry-based staff not included. Building and utility costs not included. No chargeback for snr management/corporate costs

Cost Area	Rounded Costing	Notes
Customer Service Staff	£205,197	70% of 9 x FTE staff plus 33% oncosts (exclude reception/cash rec/violation management tasks)
Agency Staff	£23,105	2025/26 cost only – lower cost P/T direct employed staff recruited and management reorganised for final qtr 25/26
CS Supervision and management	£93,940	70% of CS Manager and Deputy plus 33% oncost
Indirect staff costs	£34,799	Uniform/training/medical fees/recruitment/advertising/payroll – 40% of budget
Bridge plaza tag support	£97,052	Contractor rates for TS service L3 & L7 auto lanes
Bank Processing Costs	£85,721	52.5% of authoriser charges PA (%age reflects overall card transaction value 24/25)
Postage	£63,746	80% of bridge ops budget
Stationery, printing, office expenses	£47,598	Estimated 60% call on related bridge budgets
Card payment service interface	£36,729	Merchant service support, licences, terminal rental for back office and web service
Contribution to system maintenance	£89,064	Conservative estimate of 20% of maintenance and development spent specifically on tag specific system elements
ICT costs (hardware, maintenance, comms)	£71,376	phones/desktop/servers/backup/leased lines/internet/web hosting – simple apportionment of ICT budgets based on staff nos – 10% of workforce. (v. likely higher eg, FT workstation use/web/security/PCI impacts)
Onboard units (tags) and holder purchases	£268,677	Assume 10,000 new tags issued per annum (new accounts and replacing existing customers' older units) as per budget provisions. Unit costs driven down since 2013 & held below inflation.
TOTAL COST FY 2025/2026	£1,117,004	