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Dear Member

PRIORITIES AND RESOURCES REVIEW PANEL 2026/27 - WEDNESDAY, 7 JANUARY 2026

I am now able to enclose, for consideration at the Wednesday, 7 January 2026 meeting of the Priorities and Resources Review Panel 2026/27, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
3.	Revenue and Capital Budget 2026/2027	(Pages 3 - 12)

Yours sincerely

Clerk

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Budget 2026-2027

Chief Finance Officer's Update Report
for Priorities and Resources Review
Panel

January 2026

Introduction

1. The Council issued its 2026/27 draft budget papers for consultation in November 2025. This was in advance of Government announcing details of the Provisional Local Government Financial Settlement on 17 December 2025. The Final Settlement is not expected until early February 2026, which will include actual allocations for Councils.
2. The Provisional Financial Settlement includes a 2026/27 funding allocation for Torbay Council that is greater than the amount estimated within its budget proposals, currently published for consultation. In determining where to allocate new funding, consideration will be given to:
 - The draft budget gap of £700k that was reported in December;
 - Results from the 2026/27 budget consultation;
 - Feedback from the most recent residents survey;
 - Feedback from the Priority and Resources Panel sessions;
 - Further areas of risk and uncertainty in relation to the medium term financial position.

Impact of the Provisional Settlement

3. The Settlement indicates that Torbay Council will receive £204.377m as its Core Spending Power allocation in 2026/27. This is a 5% increase on the baseline figure for 2025/26 used within their model. However, the model does assume a higher increase to our Council Tax base than we have forecasted and therefore a higher level of Council tax funding. After adjusting for our local figures, we would receive a slightly lower increase of 4.4%.
4. Many of the previous specific grants have been rolled into the main funding formula, although some have remained separate and have been consolidated into four new grants. Torbay Council's allocations for the new consolidated grants are shown within the table below.

Local Government Finance Settlement - Consolidated Grants 2026/27 to 2028/29				
Select authority:	Torbay			
Consolidated Grant	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Homelessness, Rough Sleeping and Domestic Abuse Grant ^{2,3}	1.9	1.9	1.9	5.7
Public Health Grant ^{4,5}	13.0	13.2	13.5	39.6
Crisis and Resilience Funds	2.5	2.5	2.4	7.4
Children, Families and Youth Grant ⁷	2.5	2.4	2.2	7.0
Mayoral Capacity Funding	0.0	0.0	0.0	0.0
Total	19.8	20.0	20.0	59.8

5. Although some minor changes are expected within the final settlement, in general there appears to be real term reductions in these grants, with the exception of a small inflationary uplift to the Public Health Grant (circa 2%).

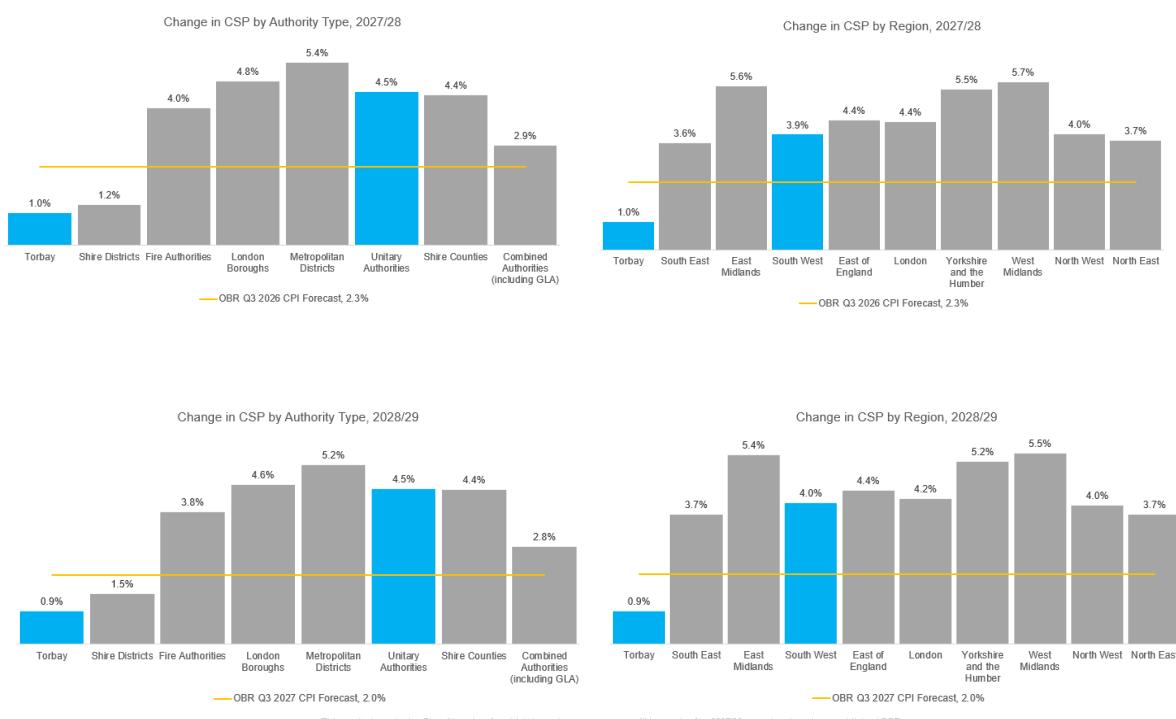
6. Compared to 2025/26, there is an increase in the Children's, Families and Youth Grant of £458k in 2026/27. However, there is then a 12% reduction shown over the next two years to 2028/29 that will need to be planned for. It will therefore be important for the additional £458k to be spent in a way that does not see all of it committed to the base budget, setting aside funding to offset future reductions in grant.

7. Although the 2026/27 settlement for Torbay Council is reasonable, of real concern is its allocation of funding in years two and three of the multi-year settlement. The table below shows how our Core Spending Power allocation would only increase by a maximum of 1% in both 2027/28 and 2028/29 with cash increases of just £1.9m, compared with the increase of £9.7m (5%) in 2026/27.

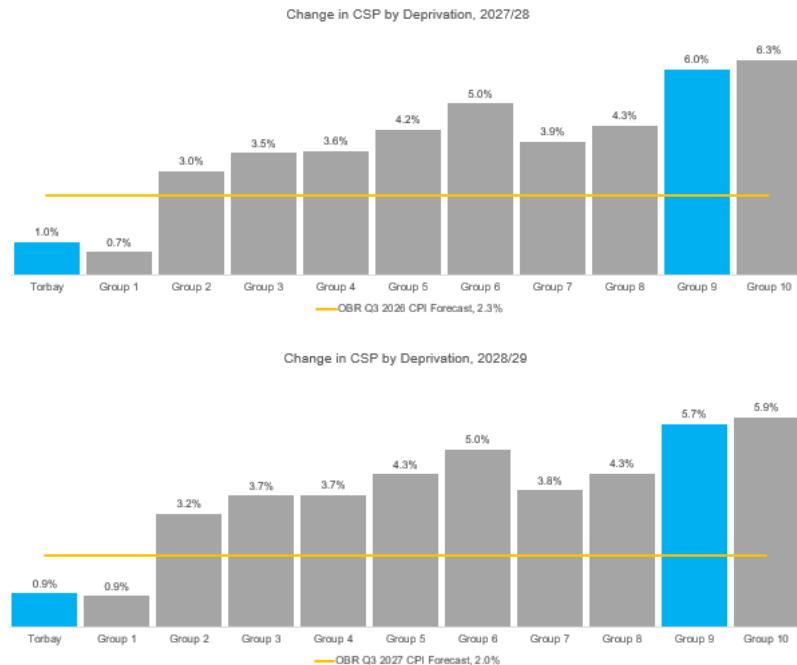
Illustrative Core Spending Power of Local Government:					
	2024-25 £ millions	2025-26 £ millions	2026-27 £ millions	2027-28 £ millions	2028-29 £ millions
Core Spending Power	178.1	194.6	204.4	206.3	208.3
Core Spending Power year-on-year change (£ millions)		16.6	9.7	1.9	1.9
Core Spending Power year-on-year change (%)		9.3%	5.0%	1.0%	0.9%

8. The significant reductions in Torbay Council's Funding formula assessment and allocation of grants from 2026/27 onwards, already assume 4.99% increases from Council Tax each year and an overly optimistic increase in the Council's Council Tax base figures. The net funding increase of £1.9m per annum will be well below predicted inflation and not sufficient to fund areas such as uplifts on salaries and wages and increased demand for Social Care.

9. This settlement for Torbay is particularly poor when compared with other councils. The table below shows how Torbay's percentage funding increase for 2027/28 and 2028/29 compares with the average increase across other Unitary Authorities and other Councils across the Southwest.



10. The new Fair Funding Formula refers to supporting areas of deprivation as one of its main aims, yet it clearly does not appear to be achieving this for Torbay. The graph below shows how Torbay compares with other Councils that have similar levels of deprivation, using the Index of multiple deprivation. Torbay Council is within the second highest banding (group 9), which has an average increase in Core Spending Power for 2027/28 of 6% compared with Torbay's 1% increase. Similarly, in 2028/29, the average increase is 5.7% compared with Torbay 0.9% increase.



11. The Council will be making representations to Government and be liaising with local Members of Parliament with regards to how poorly Torbay has fared for future year funding allocations prior to final national figures being confirmed in early February 2026. If representations are unsuccessful, the Council will face significant funding gaps in future years as stated in paragraph 23.

Impact on the budget proposals for 2026/27

12. Figures included within the provisional settlement provide £1.2m more funding compared with the Torbay budget proposals published for consultation in November 2025. This would enable the budget gap of £0.700m to be closed and leave funding of £0.5m remaining.

13. In addition, there is £658k of additional Families First Funding, as initially estimated, which is ringfenced for new spending within Children's Services, and a further £458k funding through the new consolidated Children's, Families and Youth Grant.

14. Within the recent Settlement information, there is reference to transitional protection for Councils who see their income fall as a result of Fair Funding formula changes. This protection, as well as determination of Recovery Grant Guarantees, assumes local authorities use the full Council Tax flexibility available to them, i.e. the rate increase of 4.99%. This is the rate that Government has applied for each year

across the three-year Settlement period to determine their stated Core Spending Power. Not applying the full Council Tax increase in 2026/27 could put the Council at risk of receiving less protection funding. This risk has been notified to the Cabinet who are minded to increase the charge to the full 4.99%, which would eliminate this risk. Further engagement will be undertaken.

15. With the forecasted net reduction in real term resources from Government in 2027/28 and 2028/29, and considering the Council's future financial sustainability, it is important not to significantly increase base budget spending in 2026/27 only to then have to consider significantly reducing spend, and budgets, in future years.
16. Also, given recent statements regarding risks to the future of the Section 75 agreement for integrated Adult Social Care services, it is important to consider this as an additional significant emerging spending pressure that has arisen since the draft budget papers were produced.

Additional Budget priorities post Settlement

Adult Social Care

17. The draft budget papers highlighted the Council's commitment within the Adult Social Care (ASC) integrated care contract and proposed an increase in the contract fee of £1.7m, which represented the equivalent to 2% ASC Council Tax precept. Also, in recognition of the spending pressures across the service, we committed a further increase for 2026/27 of £850k equivalent to 1% Council Tax.
18. Recent statements have highlighted a risk to the future of the Integrated Care Organisation, with Torbay and South Devon NHS Foundation Trust considering giving notice to the contract in January 2026. Given that actual costs of providing integrated health and social care services are currently significantly higher than the level of funding available, it is being considered whether some funding should be allocated for ASC. In 2026/27 this would fund specific 'invest to save' projects linked to our ASC transformation programme, which could then be added to the base budget in 2027/28. This would enable the Council to continue working proactively with our colleagues in Health to transform the existing care services in order to deliver a more sustainable, long-term model of care.

Regeneration

19. The Council remains ambitious in its plans for large scale regeneration across the Bay. However, despite attracting significant government funding to date, the viability and delivery of major projects such as Crossways, Union Square, the Strand, Brixham Port Infrastructure and the Paignton Waterfront Project remain challenging.
20. With this in mind, consideration will be given to creating a designated regeneration reserve to help part fund identified funding gaps for projects which have marginal viability.

Consultation and Resident Feedback

21. Following the current budget consultation (running until 18 January 2026), consideration will also be given for **one-off / time-limited** funding allocations in 2026/27 to reflect the investment priorities of our local residents, as being displayed through the current budget consultation and resident survey feedback. Such areas include:
 - Operation Town Centres;
 - Providing support for job creation and local businesses;
 - Operation Brighter Bay;
 - Helping to improve the skills base of local residents;
 - Improving our play parks and outdoor activity spaces.

Revised 2026/27 Revenue Budget by Directorate

22. The revised 2026/27 Revenue Budget will be re-presented upon final approval of the remaining surplus funding for allocation. For reference, the existing 2025/26 budget, by Directorate, is detailed in the table below. A detailed Budget Digest will be produced immediately after approval of the final Council budget in February 2026. For reference, the 2025/26 Budget Digest can be accessed through the link: [budget-digest-2025-26-for-publishing.pdf](https://www.torbay.gov.uk/budget-digest-2025-26-for-publishing.pdf)

Proposed Net budget for 2025/26			Initial 2025/26 Net £m	Revised 2025/26 Net £m
2024/25 Net £m	Re-presented 2024-25 Net £m	Directorate/Service		
55.9	55.9	Adult Services (Inc. Community & Customer Services)	58.3	60.4
	-9.3	- (Adults share of Social Care Grant)	-9.3	-11.1
54.6	54.6	Children's Services	56.3	57.1
	-9.3	- (Childrens share of Social Care Grant)	-9.3	-11.1
10.7	10.7	Public Health	11.0	11.6
	-10.7	- (Public Health Grant)	-11.0	-11.6
13.8	14.0	Corporate Services and Chief Executive	14.8	15.4
-16.6	7.1	Finance (Includes NIC Grant)	7.4	6.7
0	5.6	Treasury Management	5.6	5.6
-4.1	-4.1	Investment Properties	-4.1	-4.1
24.9	24.9	Place Services	27.7	28.6
139.2	139.4	TOTAL	147.3	147.5
Sources of Funding				
88.4	88.4	Council Tax	95.2	96.2
0	0.2	Services Grant	0.0	0.0
8.2	8.2	Revenue Support Grant	8.4	8.5
42.4	42.4	Business Rates (National Non-Domestic Rates)	43.1	42.8
0.2	0.2	New Homes Bonus	0.2	0.0
139.2	139.4	TOTAL	146.9	147.5

Medium Term Financial Outlook

23. Despite being able to present a balanced budget for 2026/27, with some areas of marginal investment, if the draft Settlement figures don't improve in February 2026, there will be significant budget gaps for 2027/28 and 2028/29 as a result of reductions in Torbay's fair funding allocation. We will continue to work through the medium term financial implications of this. Initial funding shortfalls are estimated to be circa £3m for each of these financial years assuming no further funding or management action is taken.

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Agenda Item 3

Appendix 1

Proposed Budget 2026/27 - Service Summary

(Indicative proposed budget figures by Service)

Directorate/Service	Net budget	Initial (consultation)	Post consultation	Variance (over 2025/26 budget)	
	2025/26	Proposed net budget	Proposed net budget		
£m					
Net Revenue Budgets:					
Adults and Community	49.282	51.329	51.329	2.047	
Childrens	46.026	49.266	49.266	3.240	
Public Health	0.016	0.016	0.016	0.000	
Corporate Services	15.397	16.590	16.590	1.193	
Finance	12.356	13.096	13.096	0.740	
Investment Properties	-4.134	-4.134	-4.134	0.000	
Place	28.56	29.950	29.950	1.390	
Total	147.503	156.113	156.113	8.610	
Sources of Funding					
Council tax	-96.196	-101.246	-101.246	-5.050	
Other	-51.307	-54.167	-55.367	-4.060	
Total	-147.503	-155.413	-156.613	-9.110	
TOTAL	0.000	0.700	-0.500	-0.500	

NOTE:

These figures are indicative only. They highlight how the additional funding in 2026/27 is proposed to be allocated across Directorates. They will change once alloctions for pay and superannuation changes as well as fees and charges increases are system allocated.

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