

Meeting: Overview & Scrutiny Board/Cabinet/Council **Date:** 13 Aug/19 Aug/11 Sept 2025

Wards affected: All Wards

Report Title: Budget Monitoring – Revenue and Capital Outturn 2025/26 Quarter 1

When does the decision need to be implemented? N/A

Cabinet Member Contact Details: Councillor Alan Tyerman, Cabinet Member for Finance
alan.tyerman@torbay.gov.uk

Supporting Officer Contact Details: Ian Rowsell, Deputy Director of Finance,
ian.rowsell@torbay.gov.uk,

1. Purpose and Introduction

- 1.1. This report provides a high-level budget summary of the Council's revenue and capital position for the financial year 2025/26, reviewing budgets and considering year-end forecasts. These forecasts are based on the levels of spend and financial information at the end of quarter 1 (Q1), up to 30 June 2025.
- 1.2. The Council is currently projecting an overspend of £785k by the end of the year. The report highlights the areas where material variances are being projected, the reasons for them and mitigating action being taken.
- 1.3. An updated forward looking Capital Investment Plan was included within the 2025/26 budget papers. An updated Plan is shown as Appendix 1 and highlights a total revised capital budget of £76.643m for the period up to 2027/28 with £52.239m planned spend in 2025/26.

2. Recommendations

Recommendations for Overview and Scrutiny Board

- 2.1. That the Overview & Scrutiny Board notes the Council's forecast revenue outturn position and makes any comments and/or recommendations to the Cabinet.
- 2.2. That the Overview & Scrutiny Board notes the updates to the Capital Investment Plan and the revised budget for 2025/26 and make any comments and/or recommendations to the Cabinet.

Recommendations for Cabinet

- 2.3. That the Cabinet notes the forecasted revenue outturn position and amendments made to the published 2025/26 Capital Investment Plan.
- 2.4. That, subject to Council approving the additional capital as set out in paragraph 2.6 below, the Director of Finance be given delegated authority to agree appropriate terms and grant a capital loan up to £4m to SWISCo for fleet modernisation.

Recommendations for Council

- 2.5. That Council approves the revisions to the Capital Investment Plan, as per Appendix 1.
- 2.6. That Council approve the additional borrowing of £4m to facilitate a capital loan to SWISCO to enable them to modernise their fleet.

3. 2025/26 Budget Summary – as at 30 June 2025

- 3.1. The Council are currently projecting an overspend of **£0.785m** for the end of 2025/26.
- 3.2. The table below provides a summary across Council Service Directorates.

Service	Budget £m	Projected Outturn £m	Variance £m
Adults and Community Services	48.994	48.964	-0.030
Children's Services	45.545	46.103	0.558
Corporate Services	15.397	16.113	0.716
Financial Services	13.125	12.625	-0.500
Investment Portfolio	-4.134	-4.134	0.000
Pride in Place Services	28.560	28.601	0.041
Public Health Services	0.016	0.016	0.000
Revenue sub-total	147.503	148.288	0.785
Sources of Finance	147.503	147.503	0.000
Revenue Over/ (Under) spend	0.000	0.785	0.785

- 3.3. Robust financial management and control continues to be required from all services across the Council in order to mitigate current and emerging spending pressures to ultimately achieve a breakeven position by the year end.
- 3.4. The two areas where significant overspends are being forecast are Children's Social Care Placements and Legal Services, which total £986k. These will be referred to later in the report.

3.5. Financial Sustainability Plans are being maintained by each Director, which are overseen collectively by the Chief Executive and Directors in respect of the following key risk areas. These will continue to be reviewed and updated:

- Adult Social Care – transformation programme
- Adult Social Care – Market management
- Children's Social Care placements
- Home to School Transport
- Children's Locality Model and oversight of Safety Valve
- Prevention and Relief of homelessness
- Legal Services – staffing and agency costs
- Revenue and Benefits (Council Tax and NNDR collection rates)
- Events
- Management of Heritage Assets (Cockington, Oldway, Torre Abbey and Pavilion)
- Optimisation of Council Assets
- Planning, Building Control and Land Charges income targets
- Council Use of Artificial intelligence and Overarching Plan (being developed)

3.6. Action taken in respect of these plans will continue to have a positive impact, mitigating costs or pressures that otherwise would emerge and helping to reduce any projected overspends, where forecast.

3.7. The Dedicated Schools Budget, and particularly the Higher Needs Block, is not currently shown within the table above. Spend continues to be monitored as part of the Safety Valve agreement in order to facilitate the write-off of accumulated deficits of over £14m. Achieving the targets outlined and agreed within Safety Valve Plan continues to be challenging and an overspend of £943k is now being forecast for 2025/26. A summary of the position is shown in Appendix 2.

Service Budgets

3.8. The table below summarises the most material variances (over circa £100k).

Service	Current Budget £m	Projected Outturn £m	Outturn Variance £m
Children's – Section 17 costs	0.580	0.680	0.100
Children's - Social care placements (excl. UASC)	23.559	24.002	0.443
Children's – Disabilities	0.804	0.903	0.099
Corporate – Legal Services	2.085	2.628	0.543
Corporate – HR and Payroll Services	0.970	1.065	0.095
Finance – Investments and borrowing	18.572	17.872	-0.700
Finance – External Audit Fees	0.319	0.519	0.200
Place – Torre Abbey	0.416	0.516	0.100
Place - Highways – road closure income	(0.130)	(0.230)	-0.100
Place – Concessionary Fares	3.656	3.536	-0.120
Place – Bus subsidies	0.220	0.315	0.095
			-0.755

(Note: Other variances under £100k are not highlighted within this table hence totals will differ from overall variance mentioned above)

Adult Services (incl. Community and Customer Services)

3.9. Overall Adults and Community Services are not forecasting any material variances as at Q1.

3.10. Within Adult Social Care the majority of spend is against a fixed price financial arrangement (contract) for the delivery of services provided by the Integrated Care Organisation (ICO).

3.11. In previous years we have experienced overspends and pressures within our Housing Options Service relating to increasing costs for homelessness prevention and the provision of Temporary Accommodation. A combination of increases in the 2024/25 and 2025/26 budget, alongside management actions and the purchase of our own properties has resulted in no significant overspends being projected so far in this year. A Financial Sustainability Plan remains in place which will continue to be monitored closely.

Children's Services

3.12. Overall Children's Services are forecasting an overspend at Q1 of **£558k**. The table below highlights the material variances.

Service	Budget £m	Projected Outturn £m	Variance £m
Children's – Section 17	0.580	0.680	0.100
Children's - Social care placements (excl. UASC)	23.559	24.002	0.443
Children's – Disabilities	0.804	0.903	0.099
Other variances	-	-	(0.084)
Outturn Position	-	-	(0.558)

3.13. Expenditure relating to support for children in need under Section 17 of the Children Act 1989 is forecast to exceed budget by **£100k**. This is due to ongoing increases in demand, particularly in areas such as housing support, to ensure the Council meets its duty to safeguard children and promote their welfare.

3.14. The Service is currently projecting an overspend of **£443k** across our budgets for children social care placements. A shortage of suitable available placements continues to drive up costs within the market and we have recently had to make some high-cost residential placements. A financial sustainability plan remains in place and work continues within the Service to manage these pressures and limit any adverse impact on the budget.

3.15. An overspend of **£99k** is currently being forecast in relation to our budgets for Disabilities, due to an increase in demand for day services and placements.

3.16. Outside of Local Authority funded activities, the schools' higher needs block in the Dedicated Schools Grant (DSG) remains under financial pressure from continual referrals for assessment for higher needs support for children.

3.17. The Council is part of the Department for Education (DfE) Safety Valve programme, which supports councils in achieving future financial sustainability in this area. If the council continues to deliver on its recovery plan and achieve a balanced higher needs budget, all of the historic DSG deficit will be written off, through additional funding by DfE.

3.18. Torbay Council has already received £8.777m from the DfE in response to its recovery plan, without which the DSG cumulative deficit would have been £14.469 at the end of 25/26. It is critical that the Council continues to deliver on its recovery plan and the Service continues to work with Schools and robustly monitors its position. We are currently projecting an overspend on the DSG budgets in 2025/26 totaling £0.943m, with further breakdown shown below:

	DSG Over / (Under) Spend £
Special School / High Needs in-year adjustments	50,000
Independent Special School Placements	358,000
Education Other than at School - Bespoke Packages / SEND Direct Payments	782,500
Joint Funded Placements	(57,000)
Staff costs in-year vacancy savings	(41,490)
Medical Tuition Service - Contract Refund	(100,000)
Vulnerable Children - including, Hospital Tuition & EAL	(34,000)
Other DSG	(14,869)
Totals	943,141

Corporate Services

3.19. Overall Corporate Services overspent by **£563k**. The table below highlights the material variances.

Service	Budget £m	Projected Outturn £m	Variance £m
Corporate - Legal Services	2.085	2.628	0.543
Corporate – HR and Payrol	0.970	1.065	0.095
Other variances	-	-	-0.075
Outturn Position	-	-	0.563

3.20. The Legal Services budget is projecting an overspend of **£543k**. The service continues to experience financial challenges despite significant budget increases in recent years to reflect increasing demand for the service and difficulties in recruiting permanent staff. This is a national issue across the public sector, with difficulties competing with the salaries paid by other organisations, particularly within the private sector. Market factors have been reviewed to improve recruitment, but high demand levels mean vacancies and absences have been covered by agency staff and consequently spend levels have remained high. A financial sustainability plan remains in place for this area with a review brought forward and prioritised to take place prior to the Q2 budget monitoring report.

3.21. HR and Payroll services are forecasting an overspend of **£95k**. This relates to additional staffing costs, mainly interim support for various projects across the council.

3.22. The Council set a budget of £80k in 2025/26 in recognition of additional costs anticipated as a result of the Local Government Review process. The work required to support this process and work effectively with other Councils has required additional staff

resource and external support. It is planned to drawdown £200k from our Comprehensive Spending Review reserve to provide additional funding to support these activities, so no variance is being projected within the figures above.

- 3.23. It has been identified that the budget for the main Libraries contract has not been increased for inflation since 2023/24 and spend this year was projected to be £0.138m over the budget. We will transfer funds across from our inflation contingency to address this within this current year and rebase for 2026/27.
- 3.24. Within the other variances figure there is (£95k) insurance reimbursement relating to a yacht fire in a previous year.

Financial Services

- 3.25. Overall Financial Services is forecasting an underspend of **(£500k)**. The table below highlights the material variances.

Service	Budget £m	Projected Outturn £m	Variance £m
Finance – Investments and borrowing	18.572	17.872	(0.700)
Finance – External Audit Fees	0.319	0.519	0.200
Other variances	-	-	0.000
Outturn Position			(0.500)

- 3.26. An underspend of **£500k** across our Treasury Management budgets, mainly as a result of increased interest rates being secured meaning the Council has earned higher levels of interest on its cash investments than budgeted. We also have a saving on interest payable by the Council on the amounts borrowed as a result of managing borrowing requirements.
- 3.27. Our External Audit fees for the year are expected to exceed budget by **£200k** in 2025/26, due to increase in costs and follows on from the national issue relating to the backlog of audits for Local Authority accounts.
- 3.28. As part of setting the 2025/26 budget some central contingencies were held, as in previous years. These are mainly linked to pay/inflation and other risk areas, to be released to fund identified cost pressures within services. These budget virements have a net nil impact across the Council.

Investment Portfolio

- 3.29. The Council's Investment Portfolio is forecast to provide a net revenue contribution, after the use of the investment property reserve to cover lost rent, holding costs of vacant premises and landlord' works.

- 3.30. This means the Council's investment portfolio would continue to contribute £4.1m towards Council activity, in line with the budget, whilst also maintaining its Investment Fund Reserve to offset future pressures, as and when they arise.

Pride of Place

- 3.31. Overall Pride of Place services are projecting an overspend of **£0.041m**. The table below highlights the material variances.

Service	Budget £m	Projected Outturn £m	Variance £m
Place – Torre Abbey	0.416	0.516	0.100
Place - Highways – road closure income	(0.130)	(0.230)	(0.100)
Place – Concessionary Fares	3.656	3.536	(0.120)
Place – Bus subsidies	0.220	0.315	0.095
Other variances	-	-	0.066
Outturn Position	-	-	0.041

- 3.32. The budgets for Torre Abbey are forecast to overspend by **£100k** by the year end. This pressure also emerged last year and is due to increased expenditure pressures and income levels being below budget for a number of areas, including the café and weddings. A Financial Sustainability Plan is being finalised to cover this area and identify actions that can be taken to manage spend, optimise income and reduce the overspend.
- 3.33. An underspend of **(£100k)** is projected on the Highways budget, mainly as a result of income from road closures continuing to exceed the budget.
- 3.34. The Concessionary fares budget is forecast to underspend by **(£120k)** this year. The costs linked to the number of users are expected to be lower than estimated within the budget.
- 3.35. A over spend of **£95k** is forecast within our bus subsidy budget in order to continue operating agreed routes. This is based on estimated increases in the subsidies provided to suppliers exceeding those budgeted.
- 3.36. We are estimating an overspend of £600k in relation to the additional costs in holding property, pending longer term regeneration. This includes suites such as Union Square where the level of rental income has reduced and additional costs are being incurred that previously would have been met from tenants. We will look to fund these costs from one-off reserves so are not include within the projected variance figures above. Further detail will be provided in a future report.
- 3.37. No material net variance is currently being forecast across Parking Services, with any shortfall in parking income offset by enforcement income in excess of budget. We are

also not currently projecting any overspends across our building control and planning services, following budget adjustments in 2025/26.

Public Health

- 3.38. Overall Public Health is reporting a balanced position within its ring-fenced grant.

4. Collection Fund

- 4.1. Collection rates levels in 2025/26 do not have any impact on the 2025/26 financial year and the collection fund equalisation reserve is maintained to manage any impact of shortfalls in collection. No draw down was required in 2024/25 and a surplus was transferred into this reserve pending a further review around risk and appropriate reserve levels.
- 4.2. In-year income collection rates for 2025/26 are expected to be in line with budgeted levels.

5. Wholly Owned Companies

- 5.1. SWISCo is experiencing some financial pressures in terms of operational delivery throughout 2025/26. A significant contributing factor is the increase in repairs and maintenance costs of ageing vehicles and associated hire costs required to ensure services can continue to be delivered.
- 5.2. SWISCO are currently repaying a loan for the purchase of fleet, where there was an approved business case for purchasing vehicles rather than leasing. A further business case has been prepared and reviewed by Finance, which would provide an additional loan to support a phased replacement of ageing vehicles in order to avoid expensive repairs and hire costs. The loan will allow SWISCO to draw down a maximum of £4m over the next 10 years, whilst meeting the repayment and interest costs from their revenue budget. The newer fleet would also be more environmentally friendly and provide savings in fuel costs.
- 5.3. TEDC staff returned into Council management in April 2024 and assets and contracts transferred at different times through the year, with some further transfers of assets planned as soon as legally possible. Consequently it is still necessary for the company to be in existence, however we do not anticipate any material impact on the Council's accounts.
- 5.4. More detailed financial reporting about the Council's wholly owned Companies forms part of the Councils statement of accounts.

6. Capital

6.1. The 2025/26 Capital Plan budget of £32.606m was approved in February 2025 as part of the annual budget setting process. The budget papers included an updated forward looking capital programme, estimating the spend over the next 3-year capital programme (2025/26-2027/28).

6.2. The revised budget at quarter 1 is £52.239m and reflects the latest position within capital projects and the reviews that have taken place at Capital and Growth Board. Details of the budget revisions are included in Appendix 1 to this report and are summarised below.

Project Name	2025/26 Budget		
	Approved Budget	Q1 Budget Revisions	Revised Budget
	£000's	£000's	£000's
Schools Capital Programme	1,751	3,093	4,844
Projects under Feasibility and Development	10,019	4,433	14,452
Economic Development / Regeneration	575	(23)	552
Housing Development / Investment	7,242	3,857	11,099
Environment / Climate Capital Investment	534	5,056	5,590
Transport Capital Investment	5,252	1,517	6,769
Coastal Defence / Flood alleviation	7,177	708	7,885
Sports, Leisure and Culture	56	260	316
Schools Closed Projects	0	442	442
Other Closed Projects	0	290	290
Total	32,606	19,633	52,239

6.3. The majority of the increases to the 2025/26 budget for the period relate to underspends on 2024/25 project budgets with other changes being in respect of recommended funding increases from the Capital and Growth board.

The table below highlights the changes and provides a reconciliation from the approved budget to the revised budget.

Project Name	Amount	Comments
Approved Budget 2025/26	£32,606,000	As approved in February 2025
<u>Additions to the Capital Plan</u>		
SWISCO – Fleet modernisation	£4,000,000	Capital loan to modernise fleet and avoid increasing repairs and maintenance and hire costs Source of Funding: Prudential borrowing - funded by repayments by SWSICO
Hotels to Homes – Scheme 2	£3,100,000	Budget increase to accelerate the delivery of the scheme, see 6.11 to 6.13 for further details. The £3.1m includes the carry forward of the 2024/25 budget underspend (£0.320m). Source of Funding: Mix of Homes England grant, CCA grant and Prudential Borrowing, to be determined by the Director of Finance once the final business case is approved.
Pavilion, Torquay	£515,000	As per Record of Officer Decision - Capital Plan Updates – April 2025. Budget approval to enable the project to progress with the delivery of the opening up works Source of Funding: Town Deal Grant
Mayfield College Relocation	£30,000	As per Record of Officer Decision - Capital Plan Updates – May 2025. Budget increase funded from the ringfenced Higher Needs SEND capital allocations, to enable the project to progress and capture necessary condition works required for imminent occupation Source of Funding: Higher Needs SEND capital allocations
<u>2024/25 Budget Carry Forwards</u>		
Various Project Budgets	£11,990,000	Budget Carry Forward and other adjustments, summary below: Schools Capital Programme - £3.063m Projects under Feasibility & Development - £3.919m Housing Development / Investment - £0.757m Environment / Climate Capital Investment - £1.057m Transport Capital Investment - £1.517m Coastal Defence / Flood Alleviation - £0.707m Sports, Leisure & Culture – 0.261m Other Closed Projects - £0.290m Schools Closed Projects - £0.442m Other Schemes (less than £0.100m) – (£0.023m) Funding Source: The funding for these schemes approved when originally added to the Capital Plan. No additional funding required

2025/26 Quarter 1 Revised Budget	£52,239,000	
----------------------------------	-------------	--

- 6.4. In addition, further projects will be moved from feasibility and development to fully approved projects throughout the period on completion and approval of robust business cases. The business cases for these projects are reviewed by the Capital and Growth Board who recommend projects and funding for approval by Council.
- 6.5. The level of cost inflation on construction contracts remains high and along with supply chain issues have impacted on the “pace” of spend and capital expenditure for the year being less than forecast. The balance on unspent capital budgets will be transferred into future years, £11.99m of unspent budget is proposed to be carried forward from 2024/25 to 2025/26 (see ‘Various Project Budgets’ in the table above).
- 6.6. The range of capital projects demonstrates the breadth and scale of the capital programme projects affecting services including highways, schools, housing and regeneration.
- 6.7. The Council were successful in the third round of Levelling Up Funds (LUF3) to support the Brixham Port infrastructure and Paignton Technology Park projects. Subsequently, Torbay was awarded £20m, which has been allocated between these projects. The total cost is estimated at £25.415m, with the Council required to match fund a total of £5.4m through supported borrowing, subject to an approved business case.

Hotels to Homes – Scheme 2

- 6.8. The Seabury Hotel project is progressing, with demolition complete and the site returned to the Council in preparation for development. At the point of acquisition, officers anticipated redesigning the site to secure a greater number of homes within the same footprint; however, this would delay the programme by approximately 12 months, whereas members have stated their ambition to speed up delivery.
- 6.9. On balance, officers therefore now recommend proceeding to build out the existing planning consent, which significantly reduces the Council’s risk profile, speeds up delivery, and avoids additional cost for minimal gain. To expedite this, it is necessary to allocate additional budget to the project from the approved affordable housing prudential borrowing headroom, to enable officers to go out to tender and secure cost certainty.
- 6.10. The spend to date and commitments to the project have been in respect of the purchase, demolition and site security and also includes the cost of the recently procured specialist project manager.
- 6.11. A budget increase is required from £1.3m to £4.4m to enable officers to accelerate delivery by going out to tender.
- 6.12. The final cost of construction, along with the overall scheme funding package (which will be eligible for Homes England grant in due course, once construction costs are known through the tender exercise) will still require normal Full Business Case approval, which is anticipated to be in early 2026.

7. Risks & Sensitivity

7.1. There are a number of financial risks facing the Council as shown below:

Risk	Impact	Mitigation
Financial sustainability and write-off of the DSG Deficit, given increasing spending challenges.	High	The Service continues to work closely with its schools and robustly manages and reports on its recovery plan approved with the Department for Education's Safety Valve programme.
Adult Social Care funding is not sufficient to meet forecast costs	High	A new five-year contract has been agreed from April 2025 and the Director of Adult Social Care continues to work closely with Health Trust colleagues and our third-party transformation partners on a range of intervention activity and savings plans, in collaboration with the Trust.
Price increases from high inflation rates continue to have an impact on both revenue and capital costs.	Medium	The 2024/25 base budget included a higher than usual allowance for inflationary pressures and appropriate contingencies/reserves are held for revenue and capital.
The "cost of living" economic impact on the Council's residents from higher fuel and utility costs is likely to impact on both demand for council services and may result in reduced income from Council Tax.	Medium	The Council will continue to mitigate where possible the impact on council services and support/signpost residents to support. The Council will continue to administer payments under both the Household Support Fund and Council Tax Rebates, whilst also monitoring collection rates.
Unable to recruit staff and need to use agency staff.	High	Work continues to identify solutions to these challenges which seem to be on a national scale. Legal services staff continues to be a challenging area and the Financial Sustainability Plan will continue to be updated and reviewed.
Delivery of financial sustainability plans	Medium	Plans will be monitored at Directors' meetings to assess progress and potential risks/issues and opportunities.
Investment Property Income changes	High	The Investment Board will continue to review future leases and manage any potential break clause implications – maintaining appropriate balances within the Investment Reserve
Voids in commercial properties and sites held pending development incur costs in excess of budget.	High	The 25/26 budget allocated £300k to help establish a reserve that can be used to offset unplanned costs.

Demands on the Council Repairs and Maintenance (R&M) budgets exceed funding available.	High	The R&M budget was increased by £200k in 24/25 and a further £400k in 25/26.
Temporary Accommodation – increasing demand and cost pressures within the local housing market.	Medium	Budgets have been increased over recent years and robust monitoring will continue, including assessing the impact from directly procuring and properties to increase the stability of accommodation options available to the Housing Options team

8. Appendices

Appendix 1 – Capital Plan summary as at Q1 2025/26