

Meeting: Cabinet/Council **Date:** 18 November/11 December 2025

Wards affected: All Wards

Report Title: Budget Monitoring – Revenue and Capital Outturn 2025/26 Quarter 2

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

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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 2 (Q2), up to 30 September 2025.
- 1.2. The Council is currently projecting an overspend of £1.223m by the end of the year, an increase of £238k on the position projected at quarter 1 (Q1). 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 £101.756m for the period up to 2027/28 and a revised budget for £79.730m for 2025/26.

2. Recommendations

Recommendations for Cabinet

- 2.1. That the Cabinet notes the forecasted revenue outturn position and amendments made to the published 2025/26 Capital Investment Plan.

Recommendations for Council

- 2.2. That Council approves the revisions to the Capital Investment Plan, as set out in Appendix 1 to the submitted report.

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

- 3.1. The Council are currently projecting an overspend of **£1.223m** 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	49.282	49.148	-0.134
Children's Services	46.026	47.611	1.585
Corporate Services	15.397	15.894	0.497
Financial Services	12.356	11.606	-0.750
Investment Portfolio	-4.134	-4.134	0.000
Pride in Place Services	28.560	28.585	0.025
Public Health Services	0.016	0.016	0.000
Revenue sub-total	147.503	148.726	1.223
Sources of Finance	147.503	147.503	0.000
Revenue Over/ (Under) spend	0.000	1.223	1.223

- 3.3. The two areas where significant overspends are being forecast are Children's Social Care Placements and Legal Services, which total almost £2.5m. These will be mentioned in more detail later in the report. Whilst the projected outturn for legal services has reduced since Q1, the projected overspend on Children's Placements has increased significantly from £442k to £2.087m. Underspends across other budgets have helped to reduce the impact on the projected outturn position and limit the increase from Q1 to £238k.
- 3.4. 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.

3.5. 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 current costs or pressures that otherwise would emerge and help 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 £16m. Achieving the targets outlined and agreed within the Safety Valve Plan continues to be challenging with an overspend on the DSG budgets of £1.588m now being forecast for 2025/26. A summary of the position is shown in para 3.18.

Service Budgets

3.8. The table below summarises the most material variances (over circa £100k), which are explained further within the service sections of the report.

Service	Current Budget £m	Projected Outturn £m	Outturn Variance £m
Children's – Section 17 costs	0.580	0.700	0.120
Children's - Social care placements (excl. UASC)	23.559	25.646	2.087
Children's – Staff costs (including agency)	22.228	21.824	(0.404)
Corporate – Legal Services	2.085	2.490	0.405
Finance – Investments and borrowing	18.572	17.822	-0.750
Place – Torre Abbey	0.416	0.541	0.125
Place - Highways – road closure income	(0.130)	(0.230)	-0.100
Place – Concessionary Fares	3.656	3.536	-0.120
Place – Waste Disposal	5.019	5.219	0.200
Place – Car Parking	(5.985)	(6.435)	(0.450)
Place - SWISCO			0.300
Total of variances over £100k			1.413

(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 forecasting an underspend of **(£0.134m)**.

No material variances are being reported and a small number of underspends are being forecast across Community services including, environmental protection, housing standards and safer communities, due to vacancies and timing of recruitment.

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) and no variances are being reported.

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 **£1.585m**. The table below highlights the material variances.

Service	Budget £m	Projected Outturn £m	Variance £m
Section 17	0.580	0.700	0.120
Social care placements (excl. UASC)	23.59	25.646	2.087
Staff costs (including agency)	22.228	21.824	(0.404)
Learning Academy Training	0.167	0.110	(0.057)
Special Guardianship, adoption and residence order allowances	2.829	2.774	(0.055)
Adopt South West service – Inter agency fees	0.688	0.618	(0.070)
Other variances	-	-	(0.036)
Forecast Outturn Position	-	-	1.585

3.13. Expenditure relating to support for children in need under Section 17 of the Children Act 1989 is forecast to exceed budget by **£120k**. 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 **£2.087m** across budgets for children social care placements. There is a national sufficiency issue in respect of placements, affecting both fostering and residential children's homes. This challenge is further compounded by the requirement for post-16 placements to be Ofsted registered. These factors are causing significant disruptions in the market, with private providers substantially increasing their costs.

3.15. In practical terms, this means that for each available placement, there are a large number of local authority referrals. Despite receiving expressions of interest and attending matching meetings, providers often select children who are easier to place, leaving our more complex children, who may have dis-regulation issues or Deprivation of Liberty Safeguards (DoLS), struggling to find suitable placements. As a result, we are increasingly relying on unregulated provision, which is not only on the rise nationally but also comes at a significantly higher cost, sometimes reaching up to £30,000 per week.

3.16. We continue to work diligently to manage these pressures and limit any adverse impact on our budget. Our financial sustainability plan remains in place as we strive to navigate these challenging circumstances.

3.17. An underspend of **(£404k)** is currently being forecast in relation to our budgets for Staffing (including agency). This is due to the new staffing structure being implemented

from 1st September 25, where there are vacant posts which are yet to be filled. Also reducing the use of agency staff where possible to cover vacancies

- 3.18. 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.
- 3.19. 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.
- 3.20. Torbay Council has already received £8.777m from the DfE in response to its recovery plan, without which the DSG cumulative deficit is forecast to be £16.057m 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, robustly monitoring the position. We are currently projecting an overspend on the DSG budgets in 2025/26 totaling £1.588m, with further breakdown shown below:

	Over / (Under)
	Spend
Budget Area	£m
Special School / High Needs in-year adjustments	0.175
EHCP- In-year adjustments for Primary & Secondary Schools	0.150
Health contributions towards EHCP costs	0.150
South Devon College placements	0.75
Independent Special School Placements	0.648
Recoupment between other Local Authorities for our pupils in their provision and vice versa	0.090
Education Other than at School - Bespoke Packages / Alternative Provision / SEND Direct Payments	0.808
Education element of Joint Funded Cared for Children Placements	(0.057)
Staff costs in-year vacancy savings	(0.076)
Medical Tuition Service - Contract Refund and savings from service coming back in-house from Sept 25	(0.350)
Vulnerable Children - including, Hospital Tuition & EAL	(0.034)
Other DSG	0.009
Total Overspend	1.588

Corporate Services

- 3.21. Overall Corporate Services are forecasting an overspend of **£497k**. The table below highlights the material variances of which the Legal Services budget is projecting an overspend of **£405k**. The service continues to experience financial challenges despite significant budget increases in recent years to reflect increasing demand 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. This figure has reduced by £138k since Q1 and a financial sustainability plan remains in place for this area.

Financial Services

- 3.22. An underspend of **(£750k)** is projected 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.
- 3.23. 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 transfers have a net nil impact across the Council.

Investment Portfolio

- 3.24. 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's works.
- 3.25. The Council's investment portfolio continues 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

- 3.26. Overall Pride of Place services are projecting an overspend of **£0.025m**. The table below highlights the material variances.

Service	Budget £m	Projected Outturn £m	Variance £m
Torre Abbey	0.416	0.541	0.125
Highways – road closure income	(0.130)	(0.230)	(0.100)
Concessionary Fares	3.656	3.536	(0.120)
Bus subsidies	0.220	0.315	0.095
Waste Disposal	5.019	5.219	0.200
Car Parking	(5.985)	(6.435)	(0.450)

SWSICO			0.300
Other variances	-	-	(0.025)
Forecast Outturn Position	-	-	0.025

- 3.27. The budgets for Torre Abbey are forecast to overspend by **£125k** by the year end. This pressure also emerged last year and is due to 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.
- 3.28. An underspend of **(£100k)** is projected on the Highways budget, mainly as a result of income from road closures continuing to exceed the budget.
- 3.29. 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.
- 3.30. 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.
- 3.31. The Waste Disposal budget is forecast to overspend by £200k. Waste volumes, (tonnages), are higher than predicted at this point in the financial year and costs are likely to exceed budget by year end.
- 3.32. The Car Parking budget is forecast to underspend by £450k. This is due to forecast income at year end projected to exceed budgeted income targets both from off street car parks and enforcement. The warm weather during the summer months had a positive impact with increased demand for off street car parks in particular.
- 3.33. An overspend of £300k is being projected for SWISCO, which relates to agency & insurance costs exceeding budget plus the projected level of enforcement income being much lower than budgeted.

Public Health

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

4. Collection Fund

- 4.1. Collection rates in 2025/26 do not have any impact on the current financial year with the Collection Fund equalisation reserve being maintained to manage any impact of shortfalls. 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. As highlighted above SWISCo is experiencing a number of financial pressures relating to operational delivery throughout 2025/26. The previous report provided for an additional loan to support a phased replacement of an ageing fleet of vehicles, to mitigate the additional costs associated with increased repairs and maintenance costs and associated hire costs. However, other pressures remain and SWISCO have experienced increased insurance costs this year as well as agency staff costs that are much higher than budgeted due to the need to cover for various sickness and other absence.
- 5.2. SWISCO are also projecting a significant shortfall in enforcement income compared with the annual budget. An approach that focuses much more on education and community engagement rather than issuing penalty notices is working well but having an impact on the level of income collected.
- 5.3. TEDC staff returned into Council management in April 2024 and assets and contracts transferred at different times throughout the last 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-years (2025/26-2027/28).
- 6.2. The 2025/26 Capital Plan budget increased to £52.239m to incorporate reviews that took place at the monthly Capital and Growth Board meetings during quarter 1.
- 6.3. It is now recommended that the budget is increased by a further £27.491m to £79.730m, which reflects the latest position within capital projects and the reviews undertaken by the Capital and Growth Board during quarter 2. Details of the budget revisions are included in Appendix 1 and are summarised below.
- 6.4. The majority of the increases for the period relate to underspends on 2024/25 project budgets with other changes being in respect of recommended funding increases.

Project Name	2025/26 Budget		
	Approved Budget	Q2 Budget Revisions	Revised Budget
	£000's	£000's	£000's
Schools Capital Programme	4,521	1,902	6,423
Projects under Feasibility and Development	14,408	12,307	26,715
Economic Development / Regeneration	577	(220)	357
Housing Development / Investment	11,099	5,863	16,962
Environment / Climate Capital Investment	5,524	407	5,932
Transport Capital Investment	6,767	7,166	13,934
Coastal Defence / Flood alleviation	7,893	(86)	7,806
Sports, Leisure and Culture	184	0	184
Schools Closed Projects	765	1	766
Other Closed Projects	499	150	649
Total	52,238	27,491	79,730

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

Project Name	Amount	Comments
Revised Budget 2025/26	£52,239,000	Approved in September 2025
<u>Additions to the Capital Plan</u>		
Schools Capital Programme	£1,902,000	£0.840m – Higher needs Capital Fund - Department for Education Higher Capital Allocation for 2025/26 of £1.405m and part of the grant funding subsequently allocated to Mayfield College Relocation Project (see below). £0.077m – Devolved Formula Capital - Department for Education Grant allocation 2025/26 £0.490m – Childrens Home - Remodel a proportion of an existing Council asset, to create a dedicated residential provision for children with multiple complex needs £0.495m – Mayfield College Relocation - Relocation from Ocombe House, Paignton to MyPlace, Paignton Source of Funding: External Grants
Union Square Development	£1,771,000	Budget increase as per the outline business case presented to the September C&GB meeting, the business case paper sought approval for the project to proceed through to its final stage of development. Source of Funding: Town Deal Grant
Strand Redevelopment	£1,498,000	Budget approval to fund land acquisitions to enable the scheme to progress. Source of Funding: Town Deal Grant
Oldway Mansion	£2,792,000	Budget increase as per Full Business case to commit the Levelling Up Partnership funding grant. Works primarily in respect of structure of the building. Source of Funding: Levelling Up Partnership Grant

Torbay Technology Park	£6,315,000	Please refer to Appendix 2 for project information. Source of Funding: Levelling Up Fund 3 Grant
Affordable Housing – Local Authority Housing Fund 3 (4 Units)	£1,360,000	Acquisition of four properties to deliver Local Authority Housing as approved by council on 24 July 2025. Source of Funding: Local Authority Housing Fund R3, Revenue Contribution to scheme, Prudential Borrowing
Affordable Housing – Aria Heights	£2,916,100	Turnkey acquisitions for social housing as per Cabinet report approved on 19 August 2025 and part of the approved Accommodation Repurposing Programme Source of Funding: Homes England Grant, Accommodation Repurposing Programme grant, Prudential Borrowing
Affordable Housing – Midvale Road	£774,000	Turnkey acquisitions for social housing as per Cabinet report approved on 19 August 2025 and part of the approved Accommodation Repurposing Programme Source of Funding: Homes England Grant, Accommodation Repurposing Programme grant, Prudential Borrowing
Affordable Housing – Acquisition of land	£306,000	Acquisition of Land for the Delivery of Affordable Homes as per Cabinet report approved on 19 August 2025. Source of Funding: Ringfenced Housing Revenue Reserve
Tor Hill House Roof replacement and Solar Panels	£450,000	New scheme – to replace roof on operational building, including the addition of solar panels. Source of Funding: Climate grants and reserves
Transport Capital Investment	£6,961,000	Additional in year allocations in respect of: Zero Emissions Bus Grant - Funding to help deliver a complete depot and fleet transformation to electric vehicles for Stagecoach. Bus Improvement Plans – Grant funding added progress the implementation of the 2025/26 Bus Service Improvement plan Source of Funding: Central Government Grant
Clennon Valley Walking & Cycling Route	£345,000	New scheme to create a shared, mile-long path from Torbay Leisure Centre & Velopark close to Goodrington Sands, inland towards the residential areas to the west, the South Devon College campus and adjacent employment areas Source of Funding: S106 Funding and Integrated Transport Grant
<u>2025/26 Other Budget Adjustments</u>		
Various Project Budgets	£100,900	Funding Source: Various
2025/26 Quarter 2 Revised Budget	£79,730,000	

6.5. 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.

6.6. 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. After discussion with project managers, £6.989m of the 2025/26 additional budget has been reprofiled to future years. The breakdown is detailed below:

- Schools Capital Programme - £1.900m
- Projects under feasibility and Development - £1.914m
- Transport Capital Investment - £3.175m

6.7. The range of capital projects demonstrates the breadth and scale of the capital programme projects affecting services including highways, schools, housing and regeneration.

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 2025/26 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	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

services and may result in reduced income from Council Tax.		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

Appendices

Appendix 1 – Capital Plan summary as at Q2 2025/26

Appendix 2 - Capital Plan addition - Torbay Technology Park