

Budget 2026/27



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Statement from the Leader of the Council and Cabinet Member for Finance

We are now entering into our third year of setting our budget proposals, and our approach is continuing to follow the same fundamentals as the past two years. We are focussing on the ongoing revenue pressures and delivering against our financial sustainability plans and our Capital Investment Plan. This is alongside ensuring we are concentrating on the things that residents have told us matter to them.

It is fair to say though that this year's proposals do contain a level of uncertainty. This has come from us having to prepare our budget proposals without knowing what the financial settlement from Government will be. We are unlikely to receive that clarity until just before Christmas.

Because of this, we are using the best estimates from advisors with experience of local authority financial settlements. That is not an ideal position for any council to be in, but it is the responsible and sensible approach. We must continue to plan ahead, even when the financial picture is uncertain.

What we can say with certainty is that Torbay Council has remained in a secure financial position for a number of years. This has been achieved through us being strict with our decisions and careful planning. As a result, there are relatively few changes in this year's budget compared with last year. There are no substantive cuts to any services delivered directly by the Council and we are looking at directing funding to a small number of areas where significant pressure has built up over the past 12 months. This is about rebalancing the budget as we move forward, ensuring resources are targeted where they are genuinely needed.

We regularly look forward, and forecasts have indicated that the next few years will be financially challenging and we are expecting Torbay to have less government financial support to work with over the next few years. We will need to find financial savings, but we are striving to do that through improved efficiency in order to protect the services our residents need and value. In the coming year we are hopeful that there will be an element of transitional support which will fund the remaining gap in the budget. We will continue to work on developing financial sustainability plans which could help close any remaining financial gap next year and will certainly be required over the next few years.

It is still possible that the funding we receive from Government will exceed our expectations. It did so last year and could do so again. If extra funding becomes available through the funding settlement we would be interested to know where residents would like to see this funding spent. Our consultation is asking for your views on a number of these ideas, and we want to hear which of these you feel should be prioritised.

Two years ago, we set up Operation Brighter Bay and Operation Town Centres to show how important it is to improve where we live for everyone. Both these respond directly to what our residents have told us mattered to them. Operation Brighter Bay makes our Bay more attractive and safer, and Operation Town Centres addresses anti-social behaviour and its sources, so that everyone can ensure our town centres are welcoming. We are proposing a continued focus on these two areas, ensuring it extends into all our residential areas.

We are also looking at improving the offer for our children and young people through to those who are working and want to improve their skills. Our play parks and activities are important to those who use them and we are listening to young people to understand what's missing and what they would like. We are also keen to support job creation and encourage new businesses to choose the Bay as a place to base themselves.

Alongside the revenue budget proposals, we are issuing an update of our plans for our Capital Expenditure over the next few years. Alongside a range of smaller projects taking place, these plans show the funding for the Paignton and Preston Waterfront Development which are incorporating the enhanced sea defences. There is also funding to progress the major regeneration projects for all three of our Town Centres as well as significant funds towards the first phases of the restoration of The Pavillion in Torquay and Oldway. There are also capital commitments to cover the development of detailed plans for enhancements of the Brixham Fish Market, a new Brixham multi-storey car park and expansion of employment space in support of our High Tech Industries in Paignton.

Despite the challenges we have described above, we believe we are delivering for the people of Torbay as we promised to do. With you, our residents, at the heart of everything we do, we want to hear your thoughts. Along with your feedback, the confirmation of the Government settlement and feedback from members of the council this will help us to set a balanced budget for 2026/2027 and provide a sustainable financial future for Torbay Council.



Councillor David Thomas
Leader of Torbay Council



Councillor Alan Tyerman
Cabinet Member for Housing, Finance and
Corporate Services

Statement from the Director of Finance

Introduction

1. This document details information to support the Cabinet's draft budget for 2026/27.
2. It provides an overview of the budget proposals and key factors that have influenced the 2026/27 budget, as well as the financial outlook for future years. Alongside this report are other relevant budget documents that will be presented to Council in February 2026, as follows:
 - a. 2026/27 Capital Strategy,
 - b. 2026/27 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy,
 - c. 2026/27 Reserves Statement.
3. Also relevant are:
 - d. Corporate Asset Management Plan,
 - e. 2025/26 Revenue and Capital Budget Monitoring Reports.
4. Proposed Fees and Charges and a summary of Financial Sustainability Plans are detailed as appendices along with an overarching Equalities Impact Assessment.

Budget context and overview

5. These budget proposals are presented in the light of continued financial uncertainty. Whilst the Government's Autumn Budget was delivered on 26 November 2025 and the latest Policy Statement has been received, we know that the 'devil is always in the detail' and the provisional Local Government Finance Settlement, is expected during the week commencing 15 December. The Final Settlement, which can include further changes, is not expected until the end of January, or even early February 2026.
6. Consequently, setting the budget is challenging, especially given this will be the first one using the new Fair Funding Formula, where there could be large variances for councils across the country. We do however welcome the Government's plan to issue a multi-(three)year settlement and this will help with the budget process and financial planning for the medium term.
7. Inflation has reduced significantly from the highs of 2022 but has increased since the 1.7% (CPI) reported for Sept 2024. The CPI for Sept 2025 was 3.8% mainly due to increasing energy and food prices. This has resulted in many residents continuing to struggle with the cost of living, with a consequential effect on the demand for council

support services and reducing council income levels. Inflation is expected to decrease over coming months with the Government's target rate remaining at 2%.

8. Financial stress remains across the sector, with many local authorities struggling to set balanced budgets. It is vital that prudent decisions continue to be made to protect the Council into the future; ensuring that income is optimised through appropriate rises in Council Tax and local fees and charges. The Council's reserves also need to be retained and used strategically to mitigate future risks.
9. The impact on the Council's expenditure and funding has been estimated within the Medium-Term Resource Plan and the 2026/27 budget proposals. Clearly the financial impact in future years can only be a forecast and officers will continue to update estimates and aim to mitigate as far as possible any medium-term financial impacts.
10. Central Government expect upper tier and unitary councils to increase their council tax rates by 4.99% each year and this assumption is built into the formula and calculations of the Local Government finance settlement. The rate of increase specifically relating to a levy for Adult Social Care (ASC) is 2%, with 2.99% expected for other services.
11. Members of the Overview and Scrutiny Board, (through the Priorities and Resources Review Panel), will examine the proposals in detail and stakeholders and residents will have the opportunity to make representations on the proposals through the consultation, commencing on 4 December 2025. The Cabinet will present final budget proposals after consideration of the consultation responses and confirmation of final funding early in the new year.

Summary of Budget Proposals for 2026/27

Executive Summary

12. A summary of the revenue budget changes proposed for 2026/27 is detailed below and **shows at this stage an overall funding gap of £700k.**

<u>Summary of budget proposals - 2026/27</u>	
	Base Increase Projection 26/27 £m
ESTIMATED FUNDING CHANGES	
- Council Tax	-5.050
- Funding through Fair Funding Formula allocation	-2.202
- Other income inc specific grants and business rates pooling	-1.092
TOTAL ESTIMATED FUNDING INCREASE	-8.345
PROPOSED BUDGET CHANGES	
Pay and Superannuation:	
- Pay award estimated at 3%	1.760
- Contingency for pay award over 3%	0.600
- Reduction in employers superannuation rate	-0.450
General and contract inflation	
- ASC contractual inflation	1.924
- CSC contractual inflation on placements	0.840
- Voluntary Community Sector contracts (incl Community Helpline)	0.150
- Various other contractual increases - IT, Insurance, Libraries etc	0.600
- SWISCo. Contract Inflation	0.720
- Inflation increase on fees and charges income	-0.200
Demand:	
- CSC - demand and complexity	1.200
- SWISCo. Insurance costs, TCCT transfer, enforcement income shortfall	0.280
Rebase budgets:	
- Baseline budget for Economic Development service	0.200
- Legal services. Increase base budget to reflect demand	0.250
- Other emerging and smaller spending pressures	0.278
Ringfenced grants:	
- Children's Social Care Prevention Grant - related spend	0.658
- Public Health grant - related spend	0.234
TOTAL PROPOSED BUDGET CHANGES	9.044
ESTIMATED BASE BUDGET GAP	0.700

13. Given the uncertainties around Council allocations for 2026/27 through the new funding formula mechanism, we have taken a prudent approach to our estimates and anticipate a settlement that will close the estimated budget gap highlighted above. We will continue to explore other ways of closing any remaining gap, particularly looking at areas initially identified, where new Financial Sustainability Plans may be required.
14. There are also a number of areas where one-off funding is proposed for 2026/27 to address non-recurring pressures. These are summarised below:

	2026/27
Estimated one-off or time limited pressures	£
LGR preparation costs	0.100
Fleet walk - required investment	0.650
Paignton and Preston waterfront - reduced income	0.300
Assets under transition - e.g. Union Square, The Strand	0.500
ICT - replacement server	0.200
H&S works on on former TCCT land & assets	0.200
Special Housing reserve for those most in need	0.500
	2.450

15. The funding for these areas are detailed within the report but are mainly from one-off underspends/surpluses from Treasury Management, superannuation costs, collection fund surpluses and estimated savings from temporary accommodation (as a result of additional property purchases).

Local Government Finance Settlement for 2026/27

16. For Local Government, the allocation passported to councils is determined through the Local Government Finance Settlement (LGFS). The Autumn 2025 budget statement confirmed that the 2026/27 settlement will be a multi-year settlement using a new Fair Funding Formula to allocate money across Councils.
17. The Government released its Local Government Finance Policy Statement 2026-2029 on 20 November 2025, which set out the government's plans for reforming local government finance, including details of the proposals they intend to consult on at the provisional Local Government Finance Settlement 2026-27 to 2028-29 ('the provisional Settlement') in December 2025. Local authority allocations will be published in the usual way, within the Provisional Settlement in mid-December.
18. Key national messages from the Policy Statement suggest we should see the following when the provisional settlement and allocations are released in December:
 - a. A multi-year financial settlement covering 2026/7 to 2028/29

- b. Additional £2.4bn into children's social care prevention and de-escalation.
 - c. £3.4bn of new grant funding
 - d. A new formula for allocating funding.
 - e. New arrangements and a reset for business rates funding.
 - f. Simplification and rationalisation of formulas for calculating need and funding streams, including grants.
 - g. Transition arrangements over three years to minimise the impact of the new arrangements and variances in allocations.
 - h. Continuation of the Recovery Grant, introduced in 2025/26.
19. Further detail is required to understand the full financial impact of the new funding formula for 2026/27, which should be provided within the provisional settlement in mid-December 2025.
20. Estimates of Council allocations by independent third parties show Torbay as one of the Councils losing out from the new formula and highlights a reduction in funding of circa £5m, phased in over the next 3 years. For 26/27 we are assuming a £1.8m reduction in our baseline funding through the new formula allocation.
21. In 2025/26 we prudently excluded a few of the newly announced grants from our base budgets, treating all, or part of the allocations as one-off funding, pending further details of the new funding formula. The Children's Social Care prevention grant is one of these and is ringfenced and covered below. The Extended Producer Responsibility(EPR) grant and Recovery grant are both un-ringfenced and, as they are now both expected to continue into 2026/27 and beyond, will now be brought into the base budget for 2027/28. This helps to offset the reduced formula allocation expected next year.
22. The table below provides an estimate of the various funding streams (incl. key grants) for Torbay Council in 2026/27 and the comparison against the settlement allocations for 2025/26 and what was included in base budgets for 2025/26. This shows an increase in Torbay's spending power of £7.252m, just over £2m more than it would have been if the Recovery Grant had been built into the base budget last year. Similarly, because the Extended Producer Responsibility (EPR) and Children's Families and Youth Grant were not built into the base in full, the total increase in base revenue funding for 2026/27 is estimated at over £8m.

	Settlement	BASE budget	Base Increase
	25/26	2025/26	Projection
	£m	£m	£m
PROJECTED FUNDING - CHANGES			
Council tax - tax base - assume growth at 0.5%			-0.481
* Council Tax increase at 2.75% in 2026/27			-2.645
Adult Social Care Precept at 2%			-1.924
Total for Council Tax	-96.196	-96.196	-5.050
Revenue Support Grant	-8.460	-8.500	0.000
* Business Rates	-42.770	-42.800	0.000
Retained Business rates above baseline	-2.400	-2.400	0.000
* Social Care Grant	-22.110	-22.115	0.000
ASC Market Sustainability and Improvement Funding	-3.630	-3.625	0.000
ASC Discharge (Rolled into Better Care Grant)	0.000	0.000	0.000
Better Care Grant (was Improved Better Care Fund (IBCF))	-10.900	-10.903	0.000
Temp Accom element of Homlessness Prevention Grant	-0.670	-0.670	0.000
Recovery Grant	-2.085	0.000	0.000
Employer NI contributions grant	-1.225	-1.225	0.000
Total of areas included in new funding assessment allocation	-94.250	-92.238	-2.202
Total 'New spending power' for Torbay Council	-190.446	-188.434	-7.252
Estimated loss of surplus from business rates pooling	0.000	0.000	0.950
Public Health Grant	-11.711	-11.711	-0.234
Children's Families and Youth grant	-1.958	-1.300	-0.658
Domestic Abuse Safe Accommodation grant	-0.401	-0.401	0.000
Extended Producer Responsibility (EPR) Grant	-2.300	-1.150	-1.150
Homelessness Prevention Grant	-1.485	-1.058	0.000
Crisis and Resilience Fund	-2.490	-2.490	0.000
Homelessness and Rough Sleeping and Domestic Abuse grant	-1.390	-1.390	0.000
Levy Account Surplus - one off	-0.272	0.000	0.000
TOTAL ESTIMATED REVENUE FUNDING (inc Grants)		-207.934	-8.345

Council Tax and Referendum Limits and Council Tax Base

23. To control the level by which local authorities can increase Council Tax, the Government has set limits at which point a referendum would be required. This will continue at 3% for 2026/27. This draft budget assumes the same approach is taken as the last two financial years, which was for a **2.75% increase** – slightly below the Government cap.
24. In addition, MHCLG provide upper tier Councils the flexibility to **increase Council Tax by a further 2% for Adult Social care** and the 2026/27 budget proposals assume that this levy will be applied.
25. In 2025/26, Torbay had the second lowest Band D Council Tax in Devon at £2,351 including the Fire and Police precepts (but excluding Parish and Town Council precepts) and the increases proposed would ensure these low rates continue.
26. The Council Tax base is adjusted each year based on the net number of properties that we are able to levy charges against across the Bay. In addition to a review of residents claiming 'Single Person (Council Tax) Discount', (SPD), the Council also introduced a Council Tax premium of an additional 100% in relation to second homes held within the Bay (where there is no identified resident in a specific furnished dwelling). Increases arising from these changes have been incorporated within the 2026/27 draft budget proposal with a prudent 0.5% increase in our tax base added.

The impact and levels of Council Tax base will continue to be reviewed to understand any impact from changing behaviour of residents, particularly those with second homes.

27. The Council Tax bill that is sent out to residents is made up of three main component parts, namely:

- Torbay Council (including Brixham Town Council);
- Devon and Cornwall Police Authority; and
- Devon and Somerset Fire and Rescue Authority.

Once these have been declared by the respective bodies they will be included in the final Council Tax setting report which will be presented to the Council in February 2026.

Estimation of Council Tax Surplus/Deficit

28. The Council makes an estimate of the surplus or deficit on the Collection Fund at year end, arising from under or overachieving the estimated Council Tax collection rate. Rates have increased over recent years and are now only marginally lower than pre COVID levels, with the Council assuming a **96% in-year collection rate**.

29. As a result and with further improvements expected, we are **estimating a one-off £500k surplus in 2026/7 compared with the levels budgeted**. A further review will be undertaken as part of next years' budget setting to assess whether this surplus can be incorporated within future year base budgets.

30. As a local precepting authority, as defined in the Local Government Finance Act 2012, Brixham Town Council will not be required to fund any Council Tax deficit, nor will they be entitled to a share of any surplus on the Collection Fund.

National Non-Domestic Rates (NNDR)

31. Since the introduction of the Business Rates Retention Scheme in April 2013, the forecasting of NNDR has involved a wide range of complex variables and influences such as forecasted business rate appeals and anticipated reliefs making medium term financial planning difficult. To mitigate this risk and potential impact of economic conditions on business' ability to pay NNDR, the Council budgets for a contingency for non-collection.

32. The Fair Funding Review has proposed a reset of the business rates retention system, with the aim of aligning funding with need and rewarding business rate growth. Transitional arrangements will provide a safety net to councils negatively affected by the changes.

33. For many years, the Council, along with other Devon Councils, have been part of an NNDR pool, which Torbay has gained from to the value of circa £0.9m. It is unlikely that these 'pools' will continue under the new funding arrangements, which will result in a shortfall from the lack of 'pool' income. The budget proposals take this reduction into account when estimating the overall new levels of funding that the Council will receive.

Pay, Pensions and National Insurance

34. The Local Government pay award for 2025/26 was 3.2%, in line with estimated reductions to inflation rates. Despite CPI inflation at 3.8%, within the proposed budget we are **estimating a slightly lower pay award of 3% for 2026/27, adding £1.7m to the Council's staffing budgets**. Given the high inflation rate and uncertainty around pay award agreements, we are also **proposing a contingency of £600k to be set aside to mitigate against risk of a pay award that exceeds this estimate or any significant increases in the National Living Wage**.
35. In 2022 there was a triennial valuation of the Devon County Pension Fund to ensure that employer contribution rates are set for the following three financial years to meet the long-term employee pension benefits requirements. This resulted in an increase in Torbay's "primary" rate to 18.4% (from 16.7%) from 2023/24. A recent revaluation of our pension fund is showing a healthy surplus position and as a result, our employer contribution rate for superannuation payments is going to decrease from 18.4% to 16% in 2026/27. This is estimated to produce a saving of £900k, which we will monitor, and phase in, over two financial years. **We are proposing a base budget saving from superannuation employer contributions of £450k for 2026/27 and a one-off contribution of the same amount**. We will keep the situation under review throughout next financial year, which will provide the certainty required to include the remainder in the base budget for the following year.
36. A number of changes to the employers National Insurance Contributions were made last year, resulting in significant additional costs and additional funding from Government. These budget proposals assume that no further material changes will be announced and introduced for 2026/27.

Adult Social Care

37. In Adult Social Care (ASC), we have a long and successful history of integration, which continues with Torbay and South Devon NHS Foundation Trust delivering statutory adult social care services on our behalf. Integrated health and social care creates better outcomes for our residents and all partners. In 2024 we signed a new five-year contract, commencing from April 2025, extending our integrated arrangements with an increase in budget to recognise the demands and cost pressures.

38. The Council's commitment within the contract is an **increase in contract fee of £1.7m, which represented the equivalent to 2% ASC Council Tax precept**. Recognising that spend is currently well in excess of the budget provided by the Council, we committed a further increase in 2026/27, equivalent to 1% Council Tax. These financial commitments had to be made by the Council without the certainty of future government funding models for Social Care over the five-year period of the new contract.
39. In previous years we have received significant additional funding for ASC through specific grants. The Social Care Grant was the largest of these at £22m in 2025/26, which has always been split equally between Children and Adults Social Care. These grants will now be wrapped up within the new funding settlement with, at this stage, no increases anticipated over the next three years. Should there be any subsequent increases, the Council will seek to passport 50% of the increase into the integrated care contract (as per previous years).
40. There remains a significant gap between the amount that the Council pays for adult social care and what the Trust spends on the integrated services. We continue to work closely with Health colleagues on a joint ASC transformation programme, (funded from Council earmarked reserves), to identify savings and efficiencies, focussing on areas such as reablement, learning disability support and extra care provision.
41. The Voluntary and Community sector (VCS) plays a critical role within childrens and adult social care, providing a diverse range of services and support that complement the statutory services provided by the Council and the Integrated Care Organisation. The sector continues to face significant financial challenges and in response to this, the Council **is proposing to add £150k to the 2026/27 base budget to provide a fund through which additional support and resilience can be provided to the VCS**. This will help to ensure that services such as the Community Helpline is able to continue to deliver crucial support to individuals and families.

Community Services

42. The level of homelessness and the need for temporary accommodation was particularly impacted by COVID and subsequently by the increased cost of living. An additional £900k was added to the 2024/25 budget to meet the increased costs of temporary accommodation, Hostel operational costs and support for the prevention of homelessness.
43. A £10m investment was made in 2023/24 to directly purchase properties and reduce the reliance on spot purchasing of temporary accommodation, which has helped to mitigate cost pressures and increase accommodation options available to the Housing team. This has helped to stabilise costs, with only a further £100k being allocated in the 2025/26 budget towards the prevention of homelessness and to support households in finding permanent housing.

44. The Council's insourcing of the Homeless Hostel contract has also helped the financial position, improving throughput and availability of cost neutral accommodation for single people.
45. The Council has had a Financial Sustainability Plan in place since 2024/25 budget for homelessness and temporary accommodation and this continued focus has resulted in a much more stable budget position. Recent budget monitoring reports show that current levels of demand and costs are now much more aligned with budgets.
46. The Financial Sustainability plan will remain in place with the service continuing their strategic work to improve accommodation pathways and commissioning plans. This includes reviewing homelessness preventative work, arrangements around Housing Management subsidy and opportunities to lever in further grant funding from Homes England. As a result of this work and the introduction of several Council led housing schemes, providing additional accommodation pathways, the service is expected to **provide a £500k underspend in 2026/27, which will be transferred into a specific earmarked reserve which is targeted to provide further housing support for those most in need.** At this stage, the £500k will be treated as a one-off saving for 2026/27 only and will be kept under review throughout the year.

Children's Services

47. Our continuous improvement journey within Children's Services remains crucial to the Council's medium term financial stability. As a result of the significant improvements in this service , along with additional investment (£2m in 24/25 and £1m in 25/26), there has been far greater financial stability than in previous years, evidenced by an underspend in 2025/26.
48. However, the service remains vulnerable to changes in demand and high-cost fluctuation, in particular residential care where a relatively small change in numbers can have a significant financial impact. This is evident within our latest budget monitoring report, where Children's Social Care is forecasting a £2m end of year deficit.
49. 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.
50. In practical terms, this means that for each available placement, there are a large number of local authority referrals and we often struggle 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.

51. We continue to work diligently to manage these pressures, but it is proposed within this budget that we **increase the budget for 2026/27 by £2m to recognise the demand and increases in provider costs.** Our financial sustainability plan remains in place for this area as we strive to navigate this challenging situation, focussing on early help, prevention and the development of a sustainable Family Hub model. One of the actions progressing is the creation of additional placements within Torbay to offset demand and help mitigate against reliance on high-cost external placements over the medium to long term.
52. A Financial Sustainability plan also remains in place for Home to School Transport, although no material pressures are projected in this area. The actions that have taken place so far within the plan have helped to manage spend within budget, focussing on route planning/optimisation, more robust control over contracts, increasing transport options and improving the independence of our young people.
53. In previous years Children's services have received 50% of the Social Care Grant, which was £22m in 2025/26. This grant is expected to be wrapped up within the new funding settlement, with no increases anticipated over the next three years at this stage. This will be kept under review as further funding announcements are made.
54. We are expecting a ringfenced Children's Families and Youth grant to remain outside of the new formula funding arrangements and estimating that our allocation will be the same as last year at £1.958m. This will include the Children's Social Care Prevention Grant, which was £658k in 2025/26, and was prudently budgeted for as one-off funding last year. Going forwards this will be included within the base and spent in line with grant conditions, supporting prevention and the roll out of Family Help and Child Protection reforms - helping families to overcome challenges at the earliest opportunity and prevent escalation into statutory services.

Dedicated Schools Grant

55. We have not yet received details of Torbay's 2026/27 Dedicated Schools Grant (DSG) allocation and the split between the Schools Block, Early Years Block, Central Schools Block and High Needs Block. The Council will, as usual, direct the entire grant received in respect of Dedicated Schools Funding through to those areas defined in the School Finance Regulations. The value of the Dedicated Schools Grant (DSG) before academy school recoupment and other High Needs Block adjustments in 2025/26 was £155.494m, with £64.383m retained in the Council's budget for expenditure related to maintained Schools and other functions.
56. Pressures on the High Needs Block continues, arising from the level of demand and referrals from schools and other agencies for support to pupils with additional needs. In recognition of this pressure, Local Authorities, in consultation with Schools Forum, can agree a 0.5% virement (in 25/26 this would have been £545k) of funding from Schools Block to help fund the increased demand within the High Needs Block (Torbay has, to date, chosen not to action this). The overspend on the DSG in

2025/26 is estimated to be £1.588m, resulting in a cumulative forecast deficit of £16.057m.

57. The Council is part of the Safety Valve programme with the Department for Education (DfE). In this arrangement the Council and its partners produced a deficit recovery plan in 2022 that initially led to a balanced High Needs Block position by 2026/27. Due to continuing pressures within the High Needs Block and through regular monitoring reports to the DfE, this balanced position is now forecast to be achieved by 2031/32. DfE have agreed to fund the cumulative deficit of, up to, £12.910m, as long as milestones are met during the process. To date we have received £9.293m from the DfE towards the deficit. The Government continue to review these arrangements and further information is expected in 2026.
58. Following a full Needs Analysis and Review of the Special Educational Needs and/or Disabilities (SEND) provision within Torbay, alongside the increasing demand for specialist education support, we are currently trialling a locality model across the area. We continue to work through a financial sustainability plan for SEND provision, which includes the use of a locality model - based on an analysis of need and implementing more effective commissioning arrangements.
59. It aims to bring services together to support the children and young people of Torbay in their local community, reduce the requirement for an Education, Health and Care Plan (EHCP) to receive support and therefore reduce the delays that families are experiencing in receiving the support that their children need. The model will allow the support to be received more rapidly and in their own communities. Along with other benefits, the process will be needs led, with localised decisions by local stakeholders about how children and young people's needs can be best met.

Corporate Services

60. Despite £250k being added to the Legal Services budget in 2025/26, we are currently forecasting an overspend of £450k in the current year. Demand for legal support and advice continues to be very high, impacted by the increasing number of projects and initiatives being progressed across the Council. The Service also continues to experience difficulties in recruiting permanent staff, which has meant they are forced into using more expensive agency staff to continue delivering the required support.
61. The recruitment of legal professionals in the public sector is a national issue and the Council has struggled to compete with the salaries paid by other organisations – both within the private and public sector. The application of increased additional market factors is starting to have a positive impact and improve the success in recruitment, but demand levels has meant that spend remain high.
62. A Financial Sustainability plan continues to be in place with relevant actions kept under review. However, **it is proposed that a further £250k is added to the**

service budget in 2026/27 to recognise this ongoing pressure and help fund the continuing and increasing demand for legal support.

63. We are proposing **an increase of £600k across a number of budgets to meet the costs of inflationary increases across a number of our key contracts** or areas where we have significant spend and where we are estimating increases above the average CPI inflation levels. This includes areas such as our IT licences, Insurance policies and Libraries services contract.
64. Within our IT service there is a pressure regarding our data security and management, with the need to invest in server replacement. This work is essential to ensure our core data is backed up appropriately and we have resilience across Council services. This budget therefore proposes **an additional £200k one-off spend in 26/27 to support this essential server replacement.**
65. Additional one-off spend in 2026/27 of **£100k is also proposed to cover the costs associated with further preparation for activities associated with Local Government Reorganisation.** Costs in 2025/6 have exceeded our modest budget of £80k and this additional funding would recognise, and respond, to this pressure.

Finance and Investment Budgets

66. Throughout the 2025/26 financial year, we have achieved a surplus from our financial returns on cash balances held. Although interest rates have continued to fall over the last two years, we have secured interest rates on our investments that exceed our budgeted levels. We are also projecting an underspend on the level of interest payable by the Council, as a result of managing our borrowing requirements, along with the holding of reserves and grant funding in advance of drawdown of associated spend. We are currently projecting an underspend of £0.750m for the 2025/26 financial year, but expect this to increase in the next quarterly monitoring to £1m.
67. Due to the volatility in rates, and anticipated reduction in cash held, it is proposed that the base Treasury Management income budget remains at the same level into 2026/27. To provide an element of stability we have previously taken the opportunity to utilise some of our cash balances to repay, and reprofile, our long-term debt portfolio and have also entered into some longer term secure bond investments to reduce reliance on short term interest rates. We continue to look at further Treasury Management opportunities to improve the stability of our investment and borrowing portfolio leaving us less exposed to fluctuations in rates over the coming years.
68. Whilst cash balances remain relatively high at the start of the year, there will be further surpluses generated in 2026/27 (which can't be guaranteed over a longer term). **We have therefore budgeted for a £1m one-off underspend next year which will be utilised to fund other one-off/time limited spend** as detailed within this document.

69. The income we receive from our Commercial Investment portfolio continues to remain strong and contributes circa. £4m to the annual revenue budget. The portfolio continues to be monitored and managed closely alongside the Council's wider holding of income generating assets, to ensure financial benefits are optimised and informed decisions can be made over holding / investing / or disposing of assets. It is essential that these assets are regularly monitored as we are required to review our 'out of area' asset holdings in advance of government approving any borrowing from the Public Works Loan Board, (PWLb).
70. There are a number of smaller budget pressures across the council that are not individually material, where budgets are now out of sync with current and expected cost levels, however collectively they are significant. For the purpose of initial budget setting, it is proposed that **£278k is allocated to Finance for these various spending pressures** and then allocated out across the relevant services.
71. It is proposed that **Fees and Charges across Council services will generally increase by an average of 3.5% for 2026/27**. Actual increases will vary depending on rounding and there will be some exceptions, particularly where the rates are set nationally, e.g Housing or subject to market factors and competition. This **is expected to produce a further £200k of income to offset the increased pay and inflation costs associated with services**. As above, the £200k has been added to the Finance budgets for this initial budget setting and will then be allocated across services. The proposed Fees and Charges schedule for 2026/27 are detailed in **Appendix 1**.

Place based services

72. Several budgets within the Pride of Place Directorate were rebased within the 2025/26 budget and this has resulted in no significant overspends being forecast for the Directorate within 2025/26 budget monitoring to date. There are just two areas where additional base funding is required, and proposed, for 2026/27, as detailed below.
73. The Economic Development service has historically relied on various external income and grants to fund the team and some of its core activities. Some of these are no longer expected or will reduce significantly in 2026/27, presenting a base budget pressure. **Additional base budget of £200k is proposed in order to put the team, and its critical economic development activities, into a financial sustainable position**.
74. Torbay Coast and Countryside Trust (TCCT) has recently announced its closure and work is underway to understand how the Council can support the continuation of services and at what residual cost. It is **proposed to budget for £200k one-off costs in respect of urgent repairs and maintenance works** required to ensure compliance with health and safety requirements in areas such as coastal paths.

75. In recent years, the Council has identified a number of assets for regeneration and has been working closely with its partners to develop plans for these assets. As the development plans progress there is a transition cost relating to increased costs and reduced rental income, which needs to be budgeted for. It is **proposed that one-off funding of £500k is included within the 2026/27 budget relating to the increased net costs of assets under development, particularly in respect of Union Square and the Strand.**
76. Similarly, work has commenced on the Paignton and Preston Waterfront project, which will build stronger sea defences as well as make the promenade more attractive to residents, businesses and visitors. Whilst the site is under development it has been necessary to decommission several parking spaces and remove a number of beach huts at Preston Sands to enable essential works to take place. These parking spaces and beach huts will not be in place for the 2026 summer and therefore will not provide any income to the Council over this time. It is **proposed to reduce the associated income budgets by £300k in 2026/27 to recognise the loss of income during development of this project.**

Wholly Owned Companies

77. The budget proposals include a **base inflationary increase in the SWISCO contract for 2026/27 of £720k**, which recognises general inflationary increases in the cost of delivering services, including staffing costs. Staffing is a significant pressure within SWSICO, experiencing additional costs from pay awards and changes to the National Living Wage. The company continues to review all its activities with the aim of increasing efficiencies, and optimising income generation.
78. SWISCO is experiencing some specific pressures that are proving difficult to manage and absorb within 2025/26, which are evident within recent year end projections. A phased replacement of an ageing fleet of vehicles will mitigate the additional costs associated with increased repairs and maintenance costs and associated hire costs, but increased insurance, agency staff and recycling costs are likely to continue. 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. **Therefore, an additional £280k is proposed to address these emerging and continuing pressures within SWISCO.**

Capital Plan

79. As required by the Council's Constitution, the draft Capital Investment Plan for 2026/27 has been published alongside the 2026/27 Capital Strategy. This is based on the latest budget position as per the Council approved capital plan (quarter 2). The plan will continue to change and therefore spending profiles and funding sources will also change throughout the year. An updated plan will be presented with final budget papers in February 2026.
80. The level of cost inflation on construction contracts remains high with significant cost increases on many projects. This has often required original business cases for capital projects to be reassessed to ensure financial viability. The staged 'gateway' approach continues to operate, with oversight through the Capital Growth Board (with Cabinet representation), to provide strong governance.

Reserve Levels

81. Following an internal review and rationalisation of reserves, the Council's General Fund Reserve has been maintained to ensure it is at the level recommended by CIPFA. Based on 2026/27 estimates, reserves will remain at the recommended level of 5% of our net revenue budget.
82. The Finance Director (Chief Finance Officer) has undertaken a thorough review of all Council Reserves held and subsequently updated the Financial Reserves Policy which is detailed as **Appendix 2**.
83. As detailed in the Statement, reserves will not be used to meet the costs of any on-going service provision or spend commitments and, as such, the 2026/27 budget proposals do not include any use of any earmarked reserves to fund "base budget" costs.

CIPFA Financial Resilience Index and Benchmarking

84. To provide more information and transparency on the Councils' financial position, we have reviewed a number of performance measures used within the CIPFA "Financial Resilience Index" as a comparative analytical tool, however the latest data available relates to 2023/24, so is now a couple years out of date.
85. The Index shows the Council's position on a range of measures associated with financial risk assessment, with the key messages for Torbay as follows:
 - Adults and Children's Social Care spend is high in relation to net revenue expenditure;
 - The level of interest payable compared with net revenue expenditure and the level of gross external debt is high;

- The proportion of fees and charges against total service expenditure is lower than average;
- The level of reserves is maintained at a good level and not depleting.

We continue to use this information along with findings and recommendations from other reviews and benchmarking, including internal and external audits, to challenge our existing policies and practices and drive value for money through.

Medium Term Resource Plan

86. As mentioned previously, these budget proposals are presented following the Governments Autumn budget statement on 26 November 2025, however we await further detail within the provisional Local Government Finance Settlement which is expected in the week commencing 15 December 2025.
87. Despite uncertainty, the Council has forward projected its anticipated income levels and spend commitments over the next three financial years as detailed in the table below. We will continue to keep this forecast under review, and update for any significant changes resulting from further funding announcements and any material budget monitoring variances within 2025/26.

MEDIUM TERM RESOURCE PLAN - SUMMARY				
2026/27 - 2028/29				
	Base Increase Projection 26/27 £m	Base Increase Projection 27/28 £m	Base Increase Projection 28/29 £m	
FUNDING				
Council Tax	-5.050	-5.315	-5.850	
Funding through Fair Funding Formula allocation	-2.202	0.490	0.150	
Other income inc specific grants and business rates pooling	-1.092	-0.239	-0.244	
Total estimated funding	-8.345	-5.064	-5.944	
PRESSURES				
Staffing incl pay and superannuation	2.360	1.813	1.867	
General and Contract inflation	4.034	4.403	4.615	
Demand	1.450	-0.300	-0.400	
Rebase budgets	0.308	0.000	0.850	
Ringfenced grant exp	0.892	0.239	0.244	
Total estimated spending pressures	9.044	6.155	7.176	
ESTIMATED BUDGET GAP (deficit)	0.700	1.090	1.232	

88. At this stage, there are modest budget gaps for 2027/28 and 2028/29, which have been minimised where possible through the estimation of limited new pressures emerging, offsetting the real terms phased reduction from our funding allocations.
89. As in previous years, a strategic approach has been taken in agreeing and delivering actions within Financial Sustainability Plans, which underpin the 2026/27 revenue budget and provide the basis for continued management of budget pressures through 2027/28 and 2028/29. These plans focus upon key areas of budget spend and pressures where relevant action can make the biggest difference, both in terms

of outcomes and financial savings. There is an expectation that these plans manage the emerging pressures within budgets with definitive savings targets and budget reductions actioned, only where they are achievable and can be evidenced.

90. A document summarising the Financial Sustainability plans are shown in **Appendix 3**.
91. The Medium-Term Resource Plan will continue to be reviewed and updated, pending further detail on the Local Government Finance settlement.