

Meeting: Cabinet

Date: 17 February 2026

Wards affected: All Wards

Report Title: Budget Monitoring – Revenue and Capital Outturn 2025/26 Quarter 3

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 3 (Q3), up to 31 December 2025.
- 1.2. The Council is currently projecting an overspend of £0.699m by the end of the year, a decrease of £524k on the position projected at quarter 2 (Q2). 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 £128.491m for the period up to 2028/29 and a revised budget of £57.637m for 2025/26.

2. Recommendations

Recommendation for Cabinet

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

3. 2025/26 Budget Summary – as at 31 December 2025

3.1. The Council are currently projecting an overspend against its revenue budget of **£0.699m** 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	49.145	-0.137
Children's Services	46.026	48.236	2.210
Corporate Services	15.397	15.799	0.402
Financial Services	12.356	10.499	-1.857
Investment Portfolio	-4.134	-4.134	0.000
Pride in Place Services	28.560	28.641	0.081
Public Health Services	0.016	0.016	0.000
Revenue sub-total	147.503	148.202	0.699
Sources of Finance	147.503	147.503	0.000
Revenue Over/ (Under) spend	0.000	0.699	0.699

3.3. The two areas where significant overspends are being forecast are Children's Social Care Placements and Legal Services, which total over £3.2m. These will be mentioned in more detail later in the report. Whilst the projected outturn for legal services has reduced slightly since Q2, the projected overspend on Children's Placements has again increased significantly from £2.087m to £2.828m. Underspends from an unused pay contingency budget and an increase in estimated underspend on Treasury Management have reduced the impact on the projections and resulted in the overall reduction to the estimated outturn position by £0.524m.

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 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, currently forecast to be over £17m by year end. Achieving the targets outlined and agreed within the Safety Valve Plan continues to be challenging with an overspend on the DSG budgets of £2.685m now being forecast for 2025/26. A summary of the position is shown in para 3.23.

Service Budgets

3.8. The table below summarises the most material variances (over circa £0.100m), 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	0.800	0.220
Children's - Social care placements (excl. UASC)	23.559	26.387	2.828
Children's – Staff costs (including agency)	22.228	21.623	(0.605)
Children's - Disabilities (Day Services/Dom Care Direct Payments and Overnight Breaks)	1.479	1.582	0.103
Children's – Learning Academy Training	0.167	0.067	-0.100
Corporate – Legal Services	2.085	2.513	0.428
Finance – Investments and borrowing	18.572	17.472	-1.100
Finance – Unused central pay contingency	-0.757	0.000	-0.757
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	3.516	-0.140
Place – Waste Disposal	5.019	5.119	0.100
Place – Car Parking	(5.985)	(6.435)	(0.450)
Place - SWISCO	18.028	18.328	0.300
Total of variances over £100k			0.852

(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 Adult Services are forecasting an underspend of (**£0.137m**), all of which relates to Community Services rather than to Adult Social Care. 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 Q3 of **£2.210m**. The table below highlights the material variances.

Service	Budget £m	Projected Outturn £m	Variance £m
Section 17	0.580	0.800	0.220
Social care placements (excl. UASC)	23.559	26.387	2.828
Staff costs (including agency)	22.228	21.623	(0.605)
Learning Academy Training	0.167	0.067	(0.100)
Home to School Transport	4.107	4.186	0.079
Disabilities – Day Services/Dom Care Direct Payments and Overnight Breaks	1.479	1.582	0.103
Special Guardianship, adoption and residence order allowances	2.829	2.772	(0.057)
Adopt South-West service – Inter agency fees	0.688	0.598	(0.090)
Other variances	-	-	(0.168)
Forecast Outturn Position	-	-	2.210

3.13. Expenditure relating to support for children in need under Section 17 of the Children Act 1989 is forecast to exceed budget by **£0.220m**. 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 **£2.828m** across budgets for children social care placements, an increase of £0.741m on the projection at Q2. This movement is caused by cost increases rather than an increase in the number of 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.

- 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 **(£0.605m)** 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 the use of agency staff continues to be reduced wherever possible.
- 3.18. The underspend projected on the budget for Learning Academy Training has increased since Q2 as is now estimated to be **£0.100m** at year end. This links with the underspend forecast above on staffing – with demand for training in the year below the level expected.
- 3.19. An overspend of **£0.079m** is now being forecast on Home to School Transport services. Actions taken within the Financial Sustainability Plan for this area, have managed to mitigate pressures to date but increasing requirements for more bespoke arrangements to get to and from school has resulted in an increase to projected year end costs.
- 3.20. An overspend of **£0.103m** is now projected on Disabilities services due to increased demand across day services, domiciliary care / direct payments and overnight short breaks.
- 3.21. 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.
- 3.22. The Council is part of the Department for Education (DfE) Safety Valve programme, which supports councils in achieving future financial sustainability in this area. The DfE provides additional funding in line with the Councils recovery plan, which reduces the cumulative DSG deficit.
- 3.23. Torbay Council has already received £9.810m from the DfE in response to its recovery plan, without which the DSG cumulative deficit is forecast to be £17.154m 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. This is becoming increasingly challenging and we are currently projecting an overspend on the DSG budgets in 2025/26 totaling £2.685m, with further breakdown shown below:

Summary of Children's Services DSG projected year end position 25/26	Over/(Under) Spend
Budget Area	£
Special School / High Needs in-year adjustments	0.500
EHCP - In-year adjustments for Primary & Secondary Schools	0.550
No formal agreement with Health for their contributions towards EHCP costs	0.150
South Devon College placements	0.210
Independent Special School Placements	0.651
Recoupment between other Local Authorities for our pupils in their provision and vice versa	0.040
Education Other than at School - Bespoke Packages / Alternative Provision / SEND Direct Payments	1.140
Education element of Joint Funded Cared for Children Placements	-0.063
Staff costs in-year vacancy savings	-0.096
Medical Tuition Service - Contract Refund and savings from service coming back in-house from Sept 25	-0.356
Vulnerable Children - including, Hospital Tuition & EAL	-0.059
Other DSG	0.018
Total	2.685

Corporate Services

3.24. Overall Corporate Services are forecasting an overspend of **£0.402m**, a reduction on the figure reported at Q2. The table below highlights the material variances of which the Legal Services budget is projecting an overspend of **£0.428m**. 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 £115k since Q1 and a financial sustainability plan remains in place for this area.

Financial Services

3.25. An underspend of **(£1.100m)** is projected across our Treasury Management budgets – an increase on the Q2 figure. This is 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.

3.26. As part of setting the 2025/26 budget a central contingency was held to mitigate the risk from pay awards being higher than budgeted. This has not been required in 2025/26 and an underspend of **(£0.757m)** is being reported.

Investment Portfolio

3.27. 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.

3.28. 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

3.29. Overall Pride of Place services are projecting an overspend of **£0.081m**. 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	3.516	(0.140)
Bus subsidies	0.220	0.292	0.072
Waste Disposal	5.019	5.119	0.100
Car Parking	(5.985)	(6.435)	(0.450)
SWSICO	18.028	18.328	0.300
Other variances	-	-	0.174
Forecast Outturn Position	-	-	0.081

3.30. The budgets for Torre Abbey are forecast to overspend by **£0.125m** 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.

3.31. An underspend of **(£0.100m)** is projected on the Highways budget, mainly as a result of income from road closures continuing to exceed the budget.

3.32. The Concessionary fares budget is forecast to underspend by **(£0.140m)** this year. The costs linked to the number of users are expected to be lower than estimated within the budget.

3.33. A over spend of **£0.072m** 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.

3.34. The Waste Disposal budget is forecast to overspend by **£0.100m**, a slight reduction on the Q2 projection. Waste volumes, (tonnages), are higher than predicted at this point in the financial year and costs are likely to exceed budget by year end.

3.35. The Car Parking budget is forecast to underspend by **£0.450m**. 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.

3.36. An overspend of **£0.300m** 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

3.37. 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 to 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 Council's 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 £73.771m to incorporate reviews that took place at the monthly Capital and Growth Board meetings during quarters 1 and 2.

6.3. It is now recommended that an additional £10.969m is added to the capital plan, which reflects the latest position within capital projects and the reviews undertaken by the Capital and Growth Board during quarter 3.

6.4. In addition, a review of the approved capital plan has been undertaken as part of the budget monitoring process and project budgets have been reprofiled where required to reflect the anticipated project spend profile for the period of the plan.

6.5. The review has resulted in £27.103m being reprofiled to future years, this has reduced the quarter 3 revised budget to £57.637m.

6.6. Details of the budget revisions and budget reprofiles are included in Appendix 1 and are summarised in the table below.

Project Name	Total Spend Previous Years £000's	2025/26 Budget			
		Approved Budget £000's	Budget Revisions £000's	Budget Reprofiled £000's	Revised Budget £000's
Schools Capital Programme	54	6,423	0	(1,760)	4,663
Projects under Feasibility and Development	25,607	20,757	2,455	(5,582)	17,630
Economic Development / Regeneration	2,799	357	1,393	0	1,750
Housing Development / Investment	3,122	16,963	4,300	(6,250)	15,013
Environment / Climate Capital Investment	2,863	5,931	2,772	(5,406)	3,297
Transport Capital Investment	479	13,933	0	(5,699)	8,234
Coastal Defence / Flood alleviation	1,499	7,807	0	(2,406)	5,401
Sports, Leisure and Culture	635	184	21	0	205
Schools Closed Projects	7,325	767	0	0	767
Other Closed Projects	66,209	649	28	0	677
Total	110,592	73,771	10,969	(27,103)	57,637

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	£73,771,000	Approved in September 2025
Additions to the Capital Plan		
Crossways, Paignton	£1,729,000	Budget increase as per the Outline Business case presented to December CGB, required to progress the preferred scheme through to Full Business Case stage Link to CGB Business Case: <u>OBC - Crossways</u> Source of Funding: Disabled Facilities Grant, Brownfield Land

		Release Fund, ASC Revenue and Capital, S106 Funding
Pavilion	£600,000	Funding for works in respect of intrusive investigation works required at the Pavilion Source of Funding: Capital Receipts Underwriting...
Paignton Picture House	£1,245,000	Source of Funding: Prudential borrowing
Affordable Housing - St Boniface Church	£4,300,000	Budget for acquisition of land at St Boniface Church and to enter into a design and build contract to construct social rented 'later living' apartments. Link to CGB Business Case: FBC - Affordable Housing - St Boniface Source of Funding: Homes England Grant, Accommodation Repurposing Programme grant, Prudential Borrowing
Household Waste Recycling Centre Relocation Project	£376,000	Budget for the Household Waste Recycling Centre (HWRC) project to be progressed as a Tier 3 Capital Project Link to CGB Business Case: PID - HWRC Relocation Project Source of Funding: Extended Producer Responsibility Grant
Street Lighting Upgrade	£2,262,000	Budget to fund the Street Lighting upgrade CMS and LED upgrade project. Link to CGB Business Case: FBC - Street Lighting Upgrade Project Source of Funding: Prudential Borrowing
<u>2025/26 Other Budget Adjustments</u>		
Various Project Budgets	£457,000	Funding Source: Various
Revised Budget before reprofiling	£84,740,000	
Budgets Reprofiled to future years Schools Capital Programme Projects under Feasibility and Development Housing Development Environment / Climate Capital Investment Transport Capital Investment Coastal Defence / Flood alleviation	(£1,760,000) (£5,582,000) (£6,250,000) (£5,406,000) (£5,699,000) (£2,406,000)	Budgets reprofiled to future years based on anticipated spend profile in respect of projects
2025/26 Quarter 3 Revised Budget	£57,637,000	

6.7. 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.

6.8. Further to the Council's decision in December 2025, to resolve to use Compulsory Purchase Order (CPO) powers to acquire land suitable to develop a New Waste Transfer Station and Household Waste Recycling Centre, we are first required to try to acquire suitable land by negotiation. Council Officers are currently in negotiations with a landowner for a parcel of suitable land, to be transacted as soon as practicable. A record of decision will be produced, which will identify the use of an earmarked Waste reserve as initial funding for this purchase, the balance of which is £230k. The use of our general comprehensive spending review (CSR) reserves has been identified to fund the balance needed to acquire the land in advance of developing an outline business case.

6.9. 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.

6.10. 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 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 properties to increase the stability of accommodation options available to the Housing Options team

Appendices

Appendix 1 – Capital Plan summary as at Q3 2025/26

Appendix 2 – Write-offs over £5k - EXEMPT