

Meeting: Cabinet
Council

Date: 17 February 2026
Date: 26 February 2026

Wards affected: All

Report Title: Revenue Budget 2026/2027

When does the decision need to be implemented?

Immediately

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1. Purpose of Report

- 1.1 The Council has a statutory responsibility to set a budget each year. By setting and approving the net revenue budget for 2026/27 and the budget allocations proposed, the budget will be used to achieve a range of objectives across several plans within the Council including the ambitions expressed within the Community and Corporate Plan and related strategies.
- 1.2 In accordance with the Council's Constitution, members will consider the Cabinet's recommended budget proposals at the meeting of the Council being held on 26 February 2026 and are asked to either adopt the Cabinet's proposals or put forward a notice of motion to amend the budget (in accordance with Standing Order A13.4).
- 1.3 In setting the budget, the Chief Finance Officer must statutorily provide advice as to the robustness of the budget and this report sets out this opinion.

2. Reason for Proposal and its benefits

- 2.1 The Council has a statutory responsibility to set a revenue budget each year.

3. Recommendation(s) / Proposed Decision

- 3.1 That Council Tax is increased by 4.99% for 2026/27, which includes a 2.99% increase plus a 2% levy for Adult Social care).
- 3.2 That for 2026/27 net revenue expenditure of **£205.3m**, resulting in a Council Tax requirement of **£101.2m** be approved.
- 3.3 That the proposed Fees and Charges for 2026/27 be approved.
- 3.4 That, in accordance with the requirement of the Local Government Act 2003, the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's Reserves, (as set out in the Reserves Statement published in November 2025), be noted.
- 3.5 That it be noted that the Brixham Town Council precept for 2026/27 of £656,123 will be included as part of the Torbay Council budget for Council Tax setting purposes.
- 3.6 That the Capital Strategy 2026/27 and Treasury Management Strategy 2026/27 be approved as published for Cabinet on 2 December 2025.
- 3.7 That any technical adjustments to the Revenue and Capital Budget be delegated to the Section 151 in consultation with the Cabinet Member for Housing and Finance.
- 3.8 That it is agreed that any underspend from the current financial year (2025/2026), will be considered for allocation into priority areas identified by the consultation results on the 2026/2027 budget.

Background Information

- 4.1 The Cabinet published its budget proposals on 2 December 2025 and commenced a period of consultation that ran until 18 January 2026. The proposals are available to all Members of the Council with the supporting information published alongside the proposals:
 - Budget Overview and Proposals for 2026/27
 - Fees and Charges 2026/27
 - Revenue Reserves Policy (Nov 2025 Review and update)
 - Summary of Financial Sustainability Plans
 - Capital Strategy 2026/27
 - Capital Investment Plan 2026/27 and Grant Funding pending list
 - Treasury Management Strategy 2026/27
- 4.2 Feedback has been received from members of the public as well as from the Overview and Scrutiny Board who considered the draft budget proposals in December 2025. The provisional Local Government Finance Settlement was published on 17 December 2025, part way through the consultation period, and the Overview and Scrutiny Board subsequently received an update on the material changes to funding and resource assumptions on 7 January 2026.
- 4.3 Following discussions within Cabinet and the Overview and Scrutiny Board it was felt necessary to increase Council Tax by the full 4.99% (includes 2% Adult Social Care (ASC)

precept) in 2026/27 rather than the 4.75% initially proposed during consultation. This is required in order to maximise any Government protection arrangements and optimise base funding levels for 2027/28 and 2028/29. This would provide an additional £230k of base budget funding in 2026/27.

- 4.4 The final funding settlement was received on 9 February 2026 and stated that Torbay Council would receive £3.5m additional core spending power funding compared with Torbay Council's initial budget proposals, published for consultation in November 2025. This was £2.1m more funding than was indicated through the provisional settlement, mainly due to an increase to Torbay's allocation of the Recovery grant guarantee and the introduction of a new Recovery Uplift Grant. This funding enables the initial budget gap of £0.700m to be closed and leaves additional base budget funding of £2.8m.
- 4.5 Considering recent statements and uncertainty regarding the future of the Integrated Care Organisation, with Torbay and South Devon NHS Foundation Trust and given the costs health and social care services are under significant pressure, it is felt that this is the highest priority for any unallocated funds. To mitigate this risk an additional £730k funding will be put into an ASC Transition reserve, which can support specific 'invest to save' projects linked to our ASC transformation programme. The funding would then be added to the base ASC budget in 2027/28. This would enable the Council to continue working proactively with our colleagues in Health to transform the existing care services in order to deliver a more sustainable, long-term model of care.
- 4.6 The final settlement gave a commitment to resolving 90% of local authorities' SEND Dedicated Schools Grant High Needs deficits accrued to the end of 2025-26. All local authorities with a SEND deficit will be eligible to receive this grant funding subject to submitting and securing the Department for Education's approval of a local SEND reform plan. From 2028/29, SEND spending will be covered by the overall government DEL budget, meaning local authorities are not expected to fund future SEND costs from general funds, once the Statutory Override ends at the end of 2027/28. Torbay Council forecast cumulative deficit at the end of 2025/26 is £17.1m. Details are not yet clear as to the 10% contribution required, and as such it is believed to be prudent to create a reserve now of an amount equivalent to 10% of this value i.e. £1.7m, so as to protect the Council from needing to identify this at the time it is required to be paid.
- 4.7 Allocation of the remaining additional funding (£0.4m) is to be transferred into a MTFP transition reserve to support the Council in its preparations for reduced levels of funding in 2027/28 and 2028/29. The financial challenges facing the Council in 2027/28 and 2028/29 are highlighted within our Medium Term Financial Plan below.

MEDIUM TERM RESOURCE PLAN - SUMMARY				
2026/27 - 2028/29				
	Base Increase Projection 26/27 £m	Base Increase Settlement 26/27 £m	Base Increase Projection 27/28 £m	Base Increase Projection 28/29 £m
FUNDING				
Council Tax	-5.050	-5.281	-5.555	-5.876
Funding through Fair Funding Formula allocation	-2.202	-6.901	5.051	5.073
Other income inc specific grants	-1.092	-1.459	-0.251	0.027
Total estimated funding	-8.344	-13.641	-0.755	-0.776
PRESSURES				
Staffing incl pay and superannuation	2.360	2.360	1.813	1.867
General and Contract inflation	4.034	4.034	4.402	4.625
Demand	1.450	1.450	0.000	0.000
Rebase budgets	0.308	4.084	-0.300	0.550
Ringfenced grant exp	0.892	1.713	0.240	0.237
Total estimated spending pressures	9.044	13.641	6.154	7.279
ESTIMATED BUDGET GAP (deficit)	0.700	0.000	5.400	6.503

4.8 The Cabinet has published its revised budget proposals, which take into account changes announced within the final Settlement.. The following revised and updated documents supplement the draft budget papers as published in November 2025:

- Chief Finance Officer's update report to Overview and Scrutiny – 7 January 2026
- Consultation report (including the report of the Overview and Scrutiny Board)
- Cabinet Response to Consultation
- Revised Fees and Charges 2026/27
- Equalities Impact Assessment

4.9 The proposed 2026/27 Revenue Budget is detailed in the table below.

Proposed Budget 2026/27 - Service Summary					
(Indicative proposed budget figures by Service)					
Directorate/Service	Net budget 2025/26 £m	Initial (consultation) Proposed net budget 2026/27 £m	FINAL SETTLEMENT Proposed net budget 2026/27 over 2025/26 budget £m	Revised Variance £m	FINAL SETTLEMENT Proposed net budget Re-presented 2026/27 £m
Net Revenue Budgets:					
Adults and Community	49.3	51.3	51.3	2.0	79.7
Childrens	46.0	49.3	49.3	3.2	62.9
Public Health	0.0	0.0	0.0	0.0	0.0
Corporate Services	15.4	16.6	16.6	1.2	16.6
Finance	12.4	13.1	15.9	3.6	20.3
Investment Properties	-4.1	-4.1	-4.1	0.0	-4.1
Place	28.6	30.0	30.0	1.4	30.0
Total	147.5	156.1	158.9	11.4	205.3
		8.6			
Sources of Funding					
Council tax	-96.2	-101.2	-101.5	-5.3	-101.5
Fair Funding Allocation	-51.3	-54.2	-57.5	-6.2	-90.6
Recovery Grants			0.0	0.0	-9.4
Consolidated grants			0.0	0.0	-3.8
Total	-147.5	-155.4	-158.9	-11.4	-205.3

4.10 A detailed Budget Digest will be produced after approval of the final Council budget in February 2026 and before the start of the new financial year. For reference, the 2025/26 Budget Digest can be accessed through the link: [budget-digest-2025-26-for-publishing.pdf](#)

5. Robustness of the budget estimates

- 5.1 Key to budget setting is the robustness of the budget proposals, which is linked to both service demands, and the risks associated with those services. Several assumptions have been made in the development of the budget for 2026/27 to mitigate against the risks. Several specific risks and their mitigation are shown below:

Risk	Risk Rating	Mitigation
Inability to deliver a balanced budget over the next three financial years	High	The Council has set its 2026/27 revenue budget without the need for savings plans or drawdown from financial reserves. The Medium-Term Resource Plan has been revised and updated following the multi-year provisional settlement published in December 2025, with final Settlement figures confirmed on 9 th February 2026. This highlights a concerning financial position in 2027/28 and 2028/29 where the Council will receive inadequate additional funding from the base levels received in 26/27, despite receipt of protection funding from Government, budget gaps of £5.4m and £6.5m are currently estimated over these two years. Once the budget for 26/27 is finalised, we will start focusing attention on addressing the challenges that we face in 2027/28 and 2028/29. The Council's Financial Sustainability Plans will continue to focus on key risk areas and relevant actions required to manage cost pressures and deliver longer term financial sustainability. These plans will be added to over the coming months to reflect the disappointing Settlement figures for 2027/28 and 2028/29. A specific MTFP transition reserve of £400k will be created as part of the 2026/27 budget setting process.
Identified budget reductions for 2026/27 are not achieved	Low	No specific saving proposals are required in order to balance the budget in 26/27, but Directors, Divisional Directors and all budget managers have a responsibility to ensure they maintain spend within their approved budget allocation. As pressures emerge discussions will need to take place to identify saving opportunities from elsewhere in the Directorate to offset these pressures. As above the Financial Sustainability Plans will continue to be reviewed by the Senior Leadership Team with the aim of driving out costs / increasing income across key areas.
Overspend against the proposed 2026/27 Children's Services budget	High	Despite significant additional base funding over the last few years and actions taken by the service to manage pressures, an overspend is being forecast in 25/26 relating to Childrens' social care placements. The Director of Children's Services (DCS) continues to progress several work streams to mitigate against further spending pressures, but this is challenging for Councils

Risk	Risk Rating	Mitigation
		across the Country. The Council maintains a specific Children's Services reserve which acts as a contingency against any un-forecasted overspending.
Delivery of the Safety Valve (Dedicated Schools Grant) Improvement Plan	Medium	Government announced, on 9 th February 2026, that 90% of funding will be provided to offset accrued DSG deficits at the end of the 2025/26 financial year. The information recently announced suggest the Council will have to find 10% of the deficit. As such, an earmarked reserve will be created as part of 2026/27 budget setting for £1.7m (based on 10% of an estimated accumulated deficit of £17m at the end of 2025/26).
Overspend against the proposed 2026/27 Adult Social Care budget	High	<p>An integrated Adult Social Care and Health contract was extended for a further 5 years, (from April 2025), with the Council paying a fixed payment for the Integrated Care Organisation, (ICO), to provide Adult Social Care Services. The Council continues to work jointly with the Health Trust in a programme of transformation to identify savings and manage spending pressures. However, current total spending against the S75 contract exceeds available budget by circa £35m (which is inclusive of Health-related costs). There is a risk that the ICO provides formal notice, from 31 March 2026, to exit the contract due to the financial challenges faced within the sector. If this occurs, the Council has a relatively short timeframe, (12 months), to safely transition all statutory social care services back into the Council's management. Part of this process will involve ascertaining the relevant financial liability for each respective partner, reviewing all existing, (circa 2,850), care packages and on-boarding a relevant, sustainable staffing structure.</p> <p>A specific Adult Social Care transformation / transition reserve of £730k will be created as part of the 2026/27 budget setting process.</p>
Insufficient income generated	Medium	<p>Several income budgets have increased significantly in recent years resulting in some shortfalls. The cost of living may have contributed to some shortfalls.</p> <p>A prudent view has been taken of income streams in 2026/27 and some budgets were rebased as part of the 2025/26 budget proposals. A contingency is held in respect of varying rent levels on the Council's Commercial Investment estate.</p>

Risk	Risk Rating	Mitigation
Collectability of council tax and NNDR	Low	<p>The Council introduced a new Council Tax Support Scheme for 2024/25 which improved the process for residents to access the financial support required.</p> <p>Increases in Local Housing Allowances provided financial assistance to those in rented accommodation and, alongside inflationary increases to pensions, the number of residents accessing financial support for their Council Tax has fallen. 2025/26 Collection rates for both Business Rates and Council Tax are currently in line with the budget set.</p> <p>Provision for appeals and non-collection of NNDR is included in 2026/27 NNDR income estimate.</p>
Insufficient reserve levels because of a significant budget variance or unforeseen event.	Medium	<p>A revised Revenue Reserves Policy has been presented as part of the 2026/27 budget setting process.</p> <p>The General Fund balance is estimated to remain at the desired level of 5% and the Comprehensive Spending Review Reserve is estimated to be maintained above the £3m target balance at year end.</p>
Exposure to changes in interest rates	Medium	<p>Treasury Management Strategy has been reviewed and updated as part of 2026/27 budget setting. All historic long term borrowing is currently on fixed rate deals.</p> <p>Interest rates have started to reduce recently, which could reduce the future costs of council borrowing.</p>
Inflationary pressures	High	<p>Budget build has included estimates of inflation at a rate of between 2.5% and 4% depending on the contract. A 3.0% pay award has been estimated and catered for within the 2026/27 base budget, with a contingency set aside to mitigate the risk of a higher pay award. Services will be expected to manage general non-pay inflation, but a modest central contingency is being held to address any exceptional unforeseen increases in pay and commissioned services.</p> <p>Improved governance arrangements continue to operate to provide greater transparency, and control, over the development and delivery of capital projects.</p>
Income linked to major prudential borrowing schemes not achieved at forecast levels.	Medium	<p>There have been examples during the last couple of years whereby certain income streams linked to historical borrowing have been at risk.</p>

Risk	Risk Rating	Mitigation
		Future Business Cases which require Council borrowing will be subject to closer political scrutiny with greater financial information and detailed business cases provided prior to Council approval.
Insufficient funding to maintain the Council's Property Asset Base	Medium	<p>The Council holds an extensive asset base which includes assets held outside the Bay that generate £13m income per annum and assets within the Bay that contribute £8m per annum. In recent years the property maintenance budget has been increased in recognition of this risk and a major repairs reserve established.</p> <p>The Council will look to dispose of surplus assets and use the subsequent proceeds to re-invest to make tangible progress against identified backlog maintenance.</p>
Economic impact of cost of living.	Medium	<p>The Council Tax Support Scheme continues to provide additional support to those most in need alongside recent increases in Local Housing Allowances.</p> <p>Grants relating to Homelessness and rough sleeping have continued into 2026/27, which will help fund continued support. A reserve has also been retained for crisis support.</p>

5.2 In accordance with the requirement of the Local Government Act 2003, the Chief Financial Officer must report to the Council on “the robustness of the estimates made for the purposes of the (budget) calculations” and the “adequacy of the proposed financial reserves”.

5.3 Taking account of the financial risks facing the Council and the mitigations outlined in paragraph 5.1 above, the **Chief Financial Officer's Statement** is as follows:

“I have taken into account information, risks and assurances from the Leader of the Council, the Cabinet and Council Directors in forming my opinion. My opinion is that the 2026/27 budget is based on robust budget estimates.”

This opinion is supported by the current financial position across the Council, with a small overspend forecast in 25/26 and material known pressure areas being addressed through the 2026/27 budget setting process.

The key risks are outlined in the table above.

5.4 In relation to reserve levels, a thorough review of all reserves held by the Council has been undertaken, as detailed within the Chief Finance Officer's Revenue Reserves Statement for 2026/27. The paper states:

“With these actions taken, and with the principles detailed consistently applied, as Section 151 Officer, I believe the reserves to be adequate’.

5.5 Actions are required in relation to the following key risks:

- a) That the Council maintains the focus on social care, both adults and children's, as the biggest financial risks to the Council.
- b) That the Council continues to maintain its focus on proactive prevention and support for homelessness alongside managing temporary accommodation needs in an effective and efficient manner.
- c) That the Council continues to assess the financial viability of the projects with its Capital Investment Plan.