TORBAY COUNCIL

Meeting: Overview and Scrutiny/Cabinet/Council **Date:** 12/18 Aug & 17 Sept 2026

Wards affected: All Wards

Report Title: Budget Monitoring – Revenue and Capital Outturn 2026/27 Quarter 1

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 2026/27, reviewing budgets and considering year-end forecasts. These forecasts are based on the levels of spend and financial information at the end of quarter 1 (Q1), up to 30 June 2026.

1.2. The Council is currently projecting a year-end overspend of £1.447m against its revenue budget. The report highlights the areas where material variances have occurred and any mitigating actions.

1.3. An updated forward looking Capital Investment Plan was included within the 2026/27 budget papers and an updated Plan is shown as Appendix 1. This highlights spend against a total revised capital budget of £90.981m for the period up to 2029/30 and a revised budget of £67.761m for 2026/27. This spend is funded from capital receipts, grants and contributions, reserves, revenue budget contributions, and long-term borrowing.

2. Recommendations

Recommendations for Overview and Scrutiny Board

2.1. That the Overview & Scrutiny Board notes the updates to the Capital Investment Plan and the revised budget and makes any comments and/or recommendations to the Cabinet.

Recommendations for Cabinet/Council

2.2. That the Cabinet considers the recommendations of the Overview and Scrutiny Board and recommends to Council that they approve the revisions to the Capital Investment Plan, as set out in Appendix 1 to the submitted report.

3. 2026/27 Budget Summary – as at 30 June 2026

3.1. Across the Council a total overspend is currently projected for the end of the 2026/27 financial year of **£1.447m.**

3.2. The table below provides a summary across Council Service Directorates.

Service	Initial (Digest) Budget £m	Current Budget £m	Projected Outturn £m	Projected Variance Q1 £m
Adults and Community Services	80.168	80.170	80.149	(0.021)
Children's Services	61.936	61.936	65.683	3.747
Corporate Services	16.993	16.930	17.335	0.405
Financial Services	25.996	26.075	23.875	(2.200)
Investment Portfolio	(4.134)	(4.134)	(4.134)	0.000
Place Services	22.169	22.151	21.667	(0.484)
Regeneration and Place Delivery	2.186	2.186	2.186	0.000
Public Health Services	0.016	0.016	0.016	0.000
Revenue sub-total	**205.330**	**205.330**	**206.777**	**1.447**
Sources of Finance	205.330	205.330	205.330	0.000
Revenue Over/ (Under) spend	**0.000**	**0.000**	**1.447**	

3.3. A significant overspend within Children's Services is due to increased spend on Social Care placements, which is detailed later in the report. Although some of this has been offset by underspends elsewhere across the Council, particularly within Treasury Management budgets, an overall overspend at year end is currently projected.

3.4. Robust financial management and control will be required from all services across the Council in order to mitigate current and emerging spending pressures. Directors have been asked to consider options for reducing costs within 26/27, to assist in achieving an overall breakeven position.

3.5. Financial Sustainability Plans relating to key financial risks and opportunity areas continue to be maintained by each Director, overseen collectively by the Chief Executive and Directors. These include:

- 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)

- 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. The Dedicated Schools Budget, and particularly the Higher Needs Block, is not shown within the table above. Spend continues to be monitored as part of our arrangements with Central Government, required to facilitate the write-off of accumulated deficits, totalling £18.031m at the end of 2025/26. Achieving the targets, as agreed within previous Safety Valve plans, has proved increasingly challenging which is expected to continue throughout 2026/27, against the new SEND Reform Plan. An overspend is projected against the DSG budgets for 2026/27 totalling £4.400m.

Service Budgets

3.7. The table below summarises the most material variances (over £0.100m), which are explained further within the service sections of the report.

Service	Current Budget £m	Projected Outturn £m	Projected Variance Q1 £m
Children's – Staff costs (including agency)	26.339	26.533	0.194
Childrens - Home to School transport	4.115	4.217	0.102
Childrens Disabilities- day services/overnight breaks/domiciliary care	0.857	0.981	0.124
Childrens – CAMHS/wellbeing service	0.140	0.035	(0.105)
Children's - Social care placements (excl. UASC)	24.855	28.198	3.343
Corporate – Legal Services	2.310	2.478	0.168
Corporate – HR Service	1.056	1.174	0.118
Corporate – Payroll Services	0.166	0.269	0.103
Corporate – Coroners Service	0.429	0.529	0.100
Finance – Investments and borrowing	10.489	8.489	(2.000)
Finance – Unused central pay contingency	0.600	0.400	(0.200)
Place - Highways – road closure income	3.713	3.613	(0.100)
Place – Car Parking	-6.224	-6.674	(0.450)

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

Adult and Community Services

3.8. Overall, the Directorate are forecasting a small underspend at year end of **(£0.021m),** which relates to variances across Community Services rather than Adult Social Care. The most material of these variances is a projected underspend in our cemetery and crematorium services totalling £76k - resulting from rental income exceeding budget.

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

3.10. 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 previous budgets, alongside management actions such as the purchase of our own properties, has resulted in no significant overspends currently projected for this financial year. A Financial Sustainability Plan remains in place, which will continue to be monitored closely.

Children's Services

3.11. Overall Children’s Services is forecasting a total overspend at year end of **£3.747m.** The table below highlights the material variances.

Service	Current Budget £m	Projected Outturn £m	Projected Variance Q1 £m
Children’s – Staff costs (including agency)	26.339	26.533	0.194
Childrens - Home to School transport	4.115	4.217	0.102
Childrens Disabilities- day services/overnight breaks/domicillary care	0.857	0.981	0.124
Childrens – CAMHS/wellbeing service	0.140	0.035	-0.105
Children’s - Social care placements (excl. UASC)	24.855	28.198	3.343
Other variances	-	-	0.089
Outturn Position	-		3.747

3.12. The overspend is mainly due to pressures within the budgets for Childrens social care placements, where there is a projected overspend of **£3.343m**. This is attributable to high cost placements for children with complex needs, children not moving on to other lower cost arrangements as planned and increases in weekly placement costs, which has led to large variances against budgets and projections.

3.13. 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.

3.14. 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.

3.15. A financial sustainability plan remains in place, including looking at ways to improve sufficiency of placements, as we strive to navigate these challenging circumstances and mitigate the risk to 2026/27 budgets and onwards.

3.16. An overspend of **£0.194m** is being forecast in relation to staffing budgets (including agency). The new staffing structure was implemented from 1st September 2025 and the full year effect of vacant posts now being filled has removed underspends that arose last year. The overspend is due to staff absences and the need for agency cover, which is adding additional cost not budgeted for.

3.17. The Home to School Transport budgets is projected to overspend by **£0.102m**, a similar level to the overspend last year. A Financial Sustainability Plan remains in place but increasing requirements for more bespoke arrangements to get to and from school is resulting in costs continuing to exceed budgets.

3.18. An overspend of **£0.124m** is projected against our Disabilities service budgets relating to additional demand for day services, short overnight breaks and domiciliary care.

3.19. Outside of Local Authority funded activities, the schools' higher needs block in the Dedicated Schools Grant (DSG) remains under financial pressure from continual referrals and assessment for higher needs support for children. It has become increasingly challenging to keep costs within budget and an overspend is projected against the DSG budgets for 2026/27 totalling £4.400m. No monitoring reports have yet been presented to Schools Forum and therefore further detail will be included within the Q2 report.

3.20. The Council has been part of the Department for Education (DfE) Safety Valve programme, which supported councils in achieving future financial sustainability in this area. The Government's support has been replaced from 2026/27 with alternative arrangements whereby 90% of Councils' deficits will be funded on agreement of new SEND Reform Plans. Funds were moved into a reserve as part of the 2026/27 budget to meet the estimated costs of the remaining 10% of the DSG deficit.

3.21. Torbay Council has already received £9.810m from the DfE in response to its recovery plan, without which the DSG cumulative deficit at the end of 2025/26 would have been £18.031m. This leaves a current deficit at the end of 2025/26 of £8.221m, of which the DFE's 90% share would be £7.399m and the Councils 10% share would be £822k - to be funded from earmarked reserves.

Corporate Services

3.22. Overall Corporate Services are forecasting an overspend of **£0.405m** with the table below highlighting the material variances

Service	Current Budget £m	Projected Outturn £m	Projected Variance Q1 £m
Corporate – Legal Services	2.310	2.478	0.168
Corporate – HR Service	1.056	1.174	0.118
Corporate – Payroll Services	0.166	0.269	0.103
Corporate – Coroners Service	0.429	0.529	0.100
Other variances	-	-	(0.084)

Outturn position	-	-	0.405

3.23. The Legal Services budget is currently forecasting an overspend of **£0.168m,** which includes an £80k overspend on external legal fees. Although a Financial Sustainability Plan remains in place the service continues to experience financial challenges with its staffing budget due to increasing demand for services 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.

3.24. Overspends are currently projected for both the HR service **£0.118m** and Payroll Service **£0.103m.** This is mainly due to reductions in traded income or grant contributions that are forecasted to be short against budgeted levels alongside increases in staffing costs.

3.25. The Coroners Service is forecasting an overspend of **£0.100m** at year end. We are still awaiting mortuary bill apportionment figures and service costs, including overhead charges, which are still in dispute with the provider.

Financial Services

3.26. Overall Financial Services are forecasting an underspend of (**£2.200m).** The table below highlights the material variances:

Service	Current Budget £m	Projected Outturn £m	Projected Variance Q1 £m
Finance – Investments and borrowing	10.489	8.489	(2.000)
Finance – Unused central pay contingency	0.600	0.400	(0.200)
Other variances	-	-	0.000
Outturn position	-	-	(2.200)

3.27. An underspend of **(£2.000m)** is projected across our Treasury Management budgets – a similar level to 2025/26. 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 as a result of managing borrowing requirements.

3.28. As part of setting the 2026/27 budget, a central contingency was held to mitigate the risk from staff pay awards being higher than budgeted. Although this years' pay award has not yet been finalised it is estimated that £200k of this contingency will not be needed and therefore an underspend of **(£0.200m)** is being reported at Q1.

Investment Portfolio

3.29. The Council's Investment Portfolio is forecast to provide a net revenue contribution of £4.1m, after the use of the investment property reserve, to cover lost rent, holding costs of vacant premises and landlord's works.

Pride of Place

3.30. Overall Pride of Place services are projecting an underspend of (**£0.484m)**. The table below highlights the material variances.

Service	Current Budget £m	Projected Outturn £m	Projected Variance Q1 £m
Place - Highways	3.713	3.613	(0.100)
Place – Car Parking	-6.224	-6.674	(0.450)
Other variances			0.066
Outturn position	-	-	(0.484)

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

3.32. An underspend is projected across budgets for Car Parking totalling (**£0.450m),** a similar level to 2025/26 Outturn. Income at year end is expected to exceed budgets for off-street car parks and also car parking enforcement. The warm weather during the summer months has had a positive impact on visitors with increased demand for off street car parks in particular.

Public Health

3.33. Public Health is reporting a balanced position within its ring-fenced grant and associated budgets.

Regeneration and Place Delivery

3.34. No significant variances are currently forecast at Q1.

4. Collection Fund

4.1. Collection rates in 2026/27 do not have any impact on the current financial year with the Collection Fund equalisation reserve continuing to be maintained to manage any impact of shortfalls.

5. Wholly Owned Companies

5.1. SWISCO continues to experience financial pressures in relation to its operating costs, especially in respect of its vehicles. SWISCO are continuing with the 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, the global conflict in the middle east and subsequent impact on fuel prices has caused a significant spending pressure in 2026/27. Efforts are being made to offset these pressures and no overspend is currently being forecast.

6. Capital

6.1. In 2026/27 the Council plans to spend £67.761m on capital projects, which is part of a wider 4 year capital programme approved as part of the annual budget setting process

6.2. The spend for each project compared to budgets is shown in Appendix 1 to this report. 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.

6.3. The capital plan is amended quarterly in order to add the funding for projects which have been recommended at the Capital and Growth Board and subsequently approved by Council. There were no budget re-profiling adjustments to future years in Quarter 1.

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

		2026/27 Budget			
Project Name	**Total Spend Previous Years £000's**	**Approved Budget £000's**	**Budget Revisions £000's**	**Budget Reprofiled £000's**	**Revised Budget £000's**
Schools Capital Programme	1,008	5,101	331	0	**5,432**
Projects under Feasibility and Development	38,600	20,019	(13)	0	**20,006**
Economic Development / Regeneration	4,535	4,584	0	0	**4,584**
Housing Development / Investment	13,702	10,460	33	0	**10,493**
Environment / Climate Capital Investment	4,327	4,978	711	0	**5,689**
Transport Capital Investment	4,483	8,342	0	0	**8,342**
Coastal Defence / Flood alleviation	7,093	12,445	0	0	**12,445**
Sports, Leisure and Culture	824	32	0	0	**32**
Schools Closed Projects	7,453	639	0	0	**639**
Other Closed Projects	60,276	627	(531)	0	**96**
Total	**142,301**	**67,227**	**532**	**0**	**67,761**

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

Project Name	Amount	Comments
Approved Budget 2026/27	**£67,227,000**	**Approved in February 2026**

Additions to the Capital Plan		
Sherwell School Salix	£433,000	To facilitate the delivery of Heat Pump Installation at Sherwell Valley primary School **Link to CGB Project Exception Report:** Full Business Case - Sherwell Valley Primary School Salix Project **Source of Funding**: External Grant, Childrens Services Repairs & Maintenance Budget and Climate Initiative Fund
Collaton St Mary Land Disposal	£220,000	Additional budget for revised layout, delayed planning submission and for legal costs and new alternative routed pipes **Link to CGB Project Exception Report:** Project Exception Report - Collaton St Mary Land Disposal **Source of Funding**: Land Release Fund
Energy Efficiency and PV Programme	£730,000	Funding required for renewable and energy saving projects that will reduce energy bills and carbon emissions, whilst improving our assets **Link to CGB Full Business Case:** Full Business Case - Energy Efficiency and PV Programme **Source of Funding**: Climate Initiative Funds
2026/27 Other Budget Adjustments Schools Capital Programme Projects under Feasibility and Development Housing Development Environment / Climate Capital Investment Closed Projects	 (£102,000) (£12,000) (£187,000) (£19,000) (£531,000)	**Funding Source**: Various
Revised Budget before reprofiling	**£67,761,000**	
Budgets Reprofiled from future years Schools Capital Programme Projects under Feasibility and Development Economic Development /Regeneration Housing Development Environment / Climate Capital Investment Transport Capital Investment Coastal Defence / Flood alleviation	**£0**	Budgets reprofiled based on spend profile in respect of projects (Detailed in Appendix 1)
2026/27 Quarter 1 Revised Budget	**£67,761,000**	

6.5. Projects have been moved from feasibility and development to fully approved projects throughout the period on completion and approval of robust business cases. The business cases for these projects are reviewed by the Capital and Growth Board who recommend projects and funding for approval by Council.

6.6. The level of cost inflation on construction contracts remains high and along with supply chain issues have impacted on the “pace” of spend and capital expenditure for the year being less than forecast.

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. It is finalizing its SEND Reform Plan to meet new Government requirements replacing the Safety Valve.
Adult Social Care funding is not sufficient to meet forecast costs	High	Although notice has now been given on the contract 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 continue to be monitored at Directors’ meetings to assess progress and potential risks/issues and opportunities. New plans are formulated as new risks and opportunities are identified.

Investment Property Income changes	High	The Investment Board will continue to review future leases and mange any potential break clause implications – maintaining appropriate balances within the Investment Reserve
Voids in commercial properties and sites held pending development incur costs in excess of budget.	High	The 25/26 budget allocated £300k to help establish a reserve that can be used to offset unplanned costs.
Demands on the Council Repairs and Maintenance (R&M) budgets exceed funding available.	High	The R&M budget was increased by £200k in 24/25 and a further £400k in 25/26.
Temporary Accommodation – increasing demand and cost pressures within the local housing market.	Medium	Budgets have been increased over recent years and robust monitoring will continue, including assessing the impact from directly procuring and properties to increase the stability of accommodation options available to the Housing Options team

Appendices

Appendix 1 – Capital Plan Summary for Q1 2026/27