

Budget 2025-2026

Chief Finance Officer's Update Report

February 2025

Introduction

1. The Council issued its 2025/26 draft budget papers for consultation in November 2024. This was in advance of Government announcing details of the Provisional Local Government Financial Settlement on 18 December 2024 and the Final Settlement on 3 February 2025. The Financial Settlement contained a number of changes to funding assumptions which are detailed within this report.
2. Overall, there is a net increase in the revenue resources available to the Council for 2025/26. In determining where to allocate new funding, consideration has been given to:
 - (a) Identified base budget pressures that have yet to be addressed;
 - (b) Recommendations made by the Priority and Resources Panel and subsequent report from the Overview and Scrutiny Committee in December 2024;
 - (c) Investment in identified priority areas for our residents and
 - (d) Areas of risk and uncertainty in relation to the 2025/26 budget

Changes in Resource Assumptions

3. The Final Settlement contained the following changes to resources compared to the Council's November 2024 draft budget papers:

Table 1: Summary of Base Revenue Resource Changes post settlement.

Area	Increase / (Decrease) £000	Comments
Council Tax Base (Council calculation)	1,010	Actual base figures as at 30 November 2024
Additional Social Care Grant	3,430	50/50 split between Adults and Children
Domestic Abuse safe accommodation grant	100	Assumption that this will be time limited revenue funding
Business Rates/Revenue Support Grant/Services Grant	(210)	Net reduction in assumptions
New Homes Bonus	(225)	Net reduction in assumptions
Extended Producer Responsibility (50%)	1,150	New legislation from 2025. Some funding will be baselined
National Insurance Contributions Grant	1,200	To offset increased staffing costs identified through Torbay Council payroll.
Net Additional on-going Resources	6,455	

Table 2: Summary of Time Limited Resource Changes post settlement.

Area	Resources Increase £000	Comments
Children Social Care Prevention grant	658	Ring fenced grant. A delivery programme will be developed.
Extended Producer Responsibility (50%)	1,150	New legislation from 2025. Some funding anticipated to be time limited
Additional Homelessness / Rough Sleeping Grant	427	Increase from £1m funding allocated in 2024/25
Recovery Grant	2,085	Formula funding targeted to areas of deprivation. Assuming one-off.
Business Rates levy – allocation from surplus	272	National allocation announced in December '24. Amount tbc
Additional time limited new funding	4,592	

4. Headline figures presented by Government indicate a real term cash increase for Local Authorities of 3.2% for 2025/26. However, due to the complexities of multiple funding streams and further clarification still to be provided on certain elements, it is difficult to be able to reconcile to this figure.
5. In some cases, it is difficult to establish whether the new resources that have been allocated for 2025/26 will be baselined, and hence available in future years, or one-off in nature to tackle the known spending pressures faced by Councils throughout the country. Where there is uncertainty, the Council has taken a prudent approach and classified such funding as 'time limited' as detailed in *Table 2*.
6. Consistent with established practice, the Council will only allocate on-going spend commitments to confirmed base revenue budgets and will subsequently match areas of controllable, time limited spend against one-off resource allocations.

Additional Budget allocations post Settlement

7. Over the last 18 months the Council has addressed a number of legacy revenue budget issues whereby either spend was consistently higher than the set budget available or income significantly lower. For 2025/26, the following remaining budget areas will now be rectified:

	<u>£000</u>
• Shortfall in Building Control and Land Charges income	150
• Increasing demand on Legal Services budget	150
• Youth Justice funding shortfall (previously grant funded)	100
• Extended rights to School Transport (previously grant funded)	100
• Unfunded pressures within the SWISCo budget	150
• Above inflation increases on corporate contracts	<u>75</u>
	<u>725</u>

8. The November 2024 draft budget papers detailed a shortfall of resources against proposed spend of **£400k**. This has now been addressed and reconciled through the confirmed resource allocations.

9. The Council has already committed £1.7m additional funding in 2025/26 for the increased costs of statutory Adult Social Services, as delivered through the Integrated Care Organisation, through a delegated Section 75 contract. We will now be allocating a further **£1.7m** specifically for:

	<u>£000</u>
• a contingency budget to manage pressure in the provider market	850
• funding on-going transformation work throughout 2025/26	850

Despite committing to a new five year contract, starting in April 2025, which specifies the funding that the Council has to commit over the medium term, the actual costs of providing integrated health and social care services remains significantly higher than the overall budget available. It is therefore essential that the Council continues to work proactively with our colleagues in Health to transform the existing care services in order to deliver a more sustainable, long-term model of care.

£600k will be allocated to retain Channel 3 as transformation partners over the next 12 months whereas £250k will be utilised to create in-house transformation capacity, including the creation of a new Divisional Director for Adult Social Care Transformation, which will provide Council leadership for the required service and cultural change.

10. Similar to adults, although 5% has been accounted for in terms of increased provider costs for Children Social Care placements, there is concern that the changes in National Insurance contributions could result in added pressure on an already strained market. We are therefore creating a specific contingency budget of **£300k** which will be drawdown as and when required should existing budgets prove to be insufficient to meet with contracted costs.

11. A specific Childrens' Social Care Prevention Grant of **£658k** was announced in the Settlement. This grant is for direct investment into prevention work through the implementation of the family help and child protection reforms, and has been allocated to include services such as early help, family help, family networks and child protection, enabling children's social care to support families to overcome challenges at the earliest opportunity and prevent escalation into statutory services.
12. The revised budget has enabled a range of other priority investments in Children's Services being:
- **£150k** of one-off funding to acquire, or adapt, a Paignton based property to deliver an additional Children's Services Assessment Resource Centre, building on the success of a similar facility in Brixham, whereby a range of services can be provided to meet the assessed needs of children and families within their local community;
 - **£160k** invested in Unit 1 of Tor Hill House to prepare, and house the Youth Justice Service, equipping the service to provide confidential and secure face to face support to local youngsters;
 - **£150k** as Council match funding to bid for Government grant funding, (application in February 2025), to acquire/adapt a suitable asset to support Children Social Care residential placements. Initial plans are that, should the bid be successful, this new resource will be used as a review and assessment centre ensuring that longer term placements are targeted to meet specific assessed needs. Further match funding will be added to the bid in the form of an identified Council owned asset from where the new service can be provided. It is envisaged that the new resource would deliver tangible financial savings alongside improving service outcomes.
 - A **£50k** base budget will be created for Child Friendly activity, partially provided through UNICEF, which will provide continuity for the services that were delivered in 2024/25 through specific grant funding.
13. Delivering against the Council's priority of quality affordable housing has remained difficult due to high construction costs with resulting viability issues on key development sites. Despite attracting government grant funding and contributions from Homes England, often the net rents obtainable from developments are insufficient to fund projected Council borrowing costs. As recommended by the Priority and Resources Committee, to provide much needed support in this area the Council is committing income generated in 2025/26 through the introduction of charging a premium Council Tax rate on second homes. **£200k** will be established as an on-going revenue base budget to help supplement business cases with marginal viability, with a further **£1.2m** designated as a 'one-off' contribution to Council led schemes.
14. The December 2024 Settlement included an additional **£100k** base revenue funding for Domestic Abuse support. Plans will be drawn up for how best to utilise this funding to include a review of the integrated community helpline service, specifically in the areas of mental health and domestic abuse support, with the aim of providing greater

certainty of funding thus enabling the helpline to deliver continuity of service over the medium term.

15. Having implemented the 'Brighter Bay' and 'Town Centre' initiatives in 2024/25, the November 2024 draft budget allocated further funding to continue to improve the physical appearance of the environment across the Bay whilst promoting greater safety and security within our Town Centres.

The 2025/26 updated budget now allocates a further **£200k** across these two areas. The extra £100k for 'Brighter Bay' will help to create a complete additional grass cutting team which will increase the frequency of existing cuts and undertake improvement works to prominent areas that are currently not maintained such as car park shrubberies and public rights of way. For Town Centres, the additional funding for 2025/26 will expand the investment into Anti-Social Behaviour investigation and Town Centre Officers. This will enable a permanent team of six officers covering Torquay and Paignton Town Centres. It also provides increased surveillance through CCTV, enabling the collection of evidence and ability to respond to incidents, with the aim of providing community reassurance when visiting our town centres.

16. A further recommendation from Priority and Resources was to baseline the **£75k** revenue budget for Sports and Leisure that was funded in 2024/25 through the use of the Public Health grant. This has now been addressed, with base budget funding now being provided.
17. In addition to the investment made in the 2024/25 revenue budget, a further **£150k** is being allocated to the base revenue budget for Torbay Events. This will enable the Council to build on the success of various events delivered throughout the last few years which will include providing core funding certainty for on-going leasing of the 'Bay of Lights'. It is envisaged that £75k of this new allocation will be commissioned and managed through the Town Centre Manager post hence improving the local town centre offer and event facilities to the public at key stages throughout the year.
18. The Extended Producer Responsibility, (EPR) Grant was confirmed in December 2024 as being £2.3m for 2025/26. At this stage, it is unclear as to how much of this funding will be available on an on-going basis and, until such time as this is clarified, the Council is assuming that 50% is on-going and 50% is one-off in terms of budget setting. The additional costs of delivering, and complying with EPR will fall on SWISCo, mainly within staffing. At this stage, an additional **£500k** on-going budget has been allocated which will address such costs as National Insurance increases and estimated incremental costs of implementing EPR in 2025/26.
19. With the future medium-term costs of EPR yet to be clarified, a one-off allocation of **£274k** for 2025/26 will be placed into an earmarked reserve to fund the initial costs, and options, to develop a new Waste Transfer Station, with the existing site nearing the end of its useful life. **£900k** (one off) will also be earmarked for SWISCo to acquire new / replacement vehicles to upgrade their fleet to prepare for EPR compliance. Six

new trucks will be purchased, without the need to drawdown Council borrowing, which will provide split collection facilities for food waste and recycling.

The trucks will provide greater coverage and accessibility across the Bay, and also allow single stream, non co-mingled collection of all recyclable materials. This will further improve recycling rates and help influence ongoing public behavioural change. It is envisaged that, over time, the new vehicles will deliver revenue savings, which will be closely monitored and fed into future budget setting. The vehicles will mean that Torbay Council is able to provide a recycling and waste service which is fully compliant with all requirements of the new EPR and “simpler recycling” legislation and guidance.

20. The Final Local Government Settlement announced on 3 February 2025 confirmed Torbay Council’s allocation of the National Insurance contributions grant as £1.2m which is in line with the revised estimated additional costs on the Council’s payroll. However, great uncertainty remains in relation to the indirect costs of these legislative changes on third party providers of services commissioned by the Council. There is also a high level of uncertainty around the pay award for 2025/26, and a risk that this will exceed the levels budgeted, specifically in relation to a potential uplift to the National Living Wage. We are therefore setting aside a contingency’ of **£757k** to mitigate the ongoing risk of additional costs from pay and commissioned services. A further **£50k** of one-off funding is allocated to the Torbay Coast and Countryside Trust who have recently identified cost pressures in excess of £100k for 2025/26 as a direct result of changes to National Insurance and the National Living Wage. The Trust’s base budget will be reviewed for 2026/27, in line with a new Service Level Agreement which will clearly articulate the priority services to be commissioned by the Council.
21. The Council has recently produced a ‘Play Park Strategy’ however, as raised through the Policy and Resources Panel, no specific budget has been identified to date to deliver tangible action against this strategy. Responding to the recommendation made by the Overview and Scrutiny Committee, **£500k** one-off funding is now allocated to invest in Play Parks.
22. **£350k** of one-off funding has been allocated to support Climate Change initiatives (with drawdown being subject to viable, sustainable business cases). To maximise carbon savings and to help the Council save money on its energy bills, over the next 2 years focus will be on:
 - Installing a new streetlighting control management system and LED lighting which will enable more efficient control of the streetlighting inventory and deliver significant carbon and energy savings;
 - Feasibility studies and whole building assessments aimed at decarbonising ten of the council’s worst energy performing buildings, including exploring generating free energy from renewable energy sources such as solar power;
 - Decarbonising the Brixham Harbour estate (subject to a decarbonisation study);
 - Phasing in the use of more electric vehicles within the Council’s portfolio

In most cases, revenue savings should be sufficient to fund Council borrowing to deliver the respective initiatives. However, the £350k allocation will help enable projects with more marginal viability. Initially, £70k of the allocation will be utilised to purchase two new electric vehicles replacing existing diesel fuelled vans which have recently broken down and reached the end of their useful life.

23. The receipt of circa £2m ‘Recovery Grant’ for 2025/26 has been allocated based on a national formula whereby Councils with large pockets of deprivation have received larger sums. Several specific allocations within this budget update paper will help address deprivation issues including funding for:

- Affordable housing;
- Child care preventative measures;
- Youth Justice and Family Assessment Resource Centre;
- Play Parks and
- Sport and Leisure

In addition to this, **£200k** one-off funding is allocated to enable further targeted support for local communities. This could be in the form of a ‘Community Grant Fund’ with options for facilitating applications / payments being considered alongside existing grant funding arrangements such as the Household Support and Lottery Funds.

£18k on-going funding is also being added to Community Ward budgets increasing the amount of spend available for each Councillor to £2,500 per annum.

24. December 2024, the Government announced its plans for Local Government Re-organisation. **£80k** has been allocated in the base budget for 2025/26 for the Council to engage additional capacity to help develop an appropriate evidence base and ensure that any future structure proposals being considered by government deliver the best possible outcomes for the residents of Torbay. It is envisaged that such capacity will be required for at least a three year period throughout the lead up to implementing any approved option for change.

25. The following tables summarise the allocations as detailed in the paragraphs above:

Table 3: allocation of new on-going revenue funding (compare to Table 1)

Area	Base Budget Increase £000	Comments
Addressing legacy base budget shortfalls	725	As detailed in paragraph 8
Addressing the shortfall within the draft budget papers	400	Papers published in November 2024 detailed a shortfall of £400k
Additional allocation for Adult Social Care	1,700	As detailed in paragraph 10

A contingency budget for increased Children Social Care costs.	300	To address identified pressures within the provider market
Child friendly activity (partially provided through UNICEF)	50	Previously funded through time limited grant
Base budget to support Council led housing developments	200	To help address viability gaps where income doesn't cover total costs.
Spend / initiatives in compliance with the Domestic Abuse Grant	100	Spend proposals to be developed in line with grant conditions.
Further allocations to Brighter Bay and Town Centre initiatives	200	In addition to the £400k already stated in the Nov '24 draft budget.
Base line funding for Sports and Leisure	75	Previously funded through Public Health grant.
Additional investment in Bay Events (inc. Town Centres)	150	To include net on-going lease costs for the 'Bay of Lights'
SWISCo: for NICs and Extended Producer Responsibility (EPR)	500	Medium-term costs of this initiative require clarification
Staff capacity to prepare for Local Government Re-organisation	80	Envisaged that capacity will be needed for at least three years.
Additional staff costs as a result of National Insurance changes	1,200	Anticipated that Council costs will match with grant allocated
Contingency for future increases in pay and commissioned services	757	Wider impact of NI & National Living Wage changes.
Increase Community ward budgets by £500 per councillor	18	Increasing total funding to £2,500 per Councillor
Net Additional on-going Resources	6,455	

26. A summary of the new one-off funding which has now been allocated is detailed in the table below:

Table 4: new one-off budget allocations (to be compared with Table 2)

Area	One-off £000	Comments
Children's Services prevention initiatives	658	Programme of works to be drawn up in compliance with grant conditions
Adapt / acquire a Paignton based Assessment Resource Centre	150	Modification of existing asset or acquire new premises

Modify Unit 1 of Tor Hill House for the Youth Justice Service	160	Offering front line services within a secure location
Match funding for Government Grant bid. Children Social Care	150	Bids in Feb 25 to acquire/adapt a residential child care resource.
To help support Council led housing developments	1,200	Including conversion of revenue to capital (subject to business case)
Earmarked reserve to prepare for a new Waste Transfer Station	274	Scheme, and associated costs, to be developed in 2025/26
Updating SWISCo. fleet in preparation for EPR	900	Modernised fleet will assist with required waste separation
Investment in Play Parks	500	As recommended by the Priority and Resources Panel
Earmarked reserve for Climate Change initiatives	350	Subject to viable business cases – in line with Climate Action Plan
Community Grant Fund. Addressing issues in deprived areas	200	Criteria and application process to be developed.
Torbay Coast and Countryside Trust – increased staffing costs	50	Identified pressures of +£100k for 2025/26 due to legislation
Additional One-Off Resources	4,592	

Revised 2025/26 Revenue Budget by Directorate

27. The revised 2025/26 Revenue Budget, incorporating the changes within this paper, demonstrates increased investment across all front-line Directorates compared with 2024/25 net budgets with Adult Social Care and Community Services increasing by £4.5m, Children’s Services £2.5m and Pride and Place by £3.7m.
28. Table 5 shows the revised proposed net budget for 2025/26. A detailed Budget Digest will be produced after approval of the final Council budget in February 2025. For reference, the 2024/25 Budget Digest can be accessed through the link: <https://www.torbay.gov.uk/media/20943/budget-digest-2024-2025-v2.pdf>

Table 5: Revised 2025/26 Revenue Budget by Directorate

Proposed Net budget for 2025/26				
2024/25 Net £m	Re-presented 2024-25 Net £m	Directorate/Service	Initial 2025/26 Net £m	Revised 2025/26 Net £m
55.9	55.9	Adult Services (Inc. Community & Customer Services)	58.3	60.4
	-9.3	- (Adults share of Social Care Grant)	-9.3	-11.1
54.6	54.6	Children's Services	56.3	57.1
	-9.3	- (Childrens share of Social Care Grant)	-9.3	-11.1
10.7	10.7	Public Health	11.0	11.6
	-10.7	- (Public Health Grant)	-11.0	-11.6
13.8	14.0	Corporate Services and Chief Executive	14.8	15.4
-16.6	7.1	Finance (Includes NIC Grant)	7.4	6.7
0	5.6	Treasury Management	5.6	5.6
-4.1	-4.1	Investment Properties	-4.1	-4.1
24.9	24.9	Place Services (incldues 50% of EPR Grant)	27.7	28.6
139.2	139.4	TOTAL	147.3	147.5
		Sources of Funding		
88.4	88.4	Council Tax	95.2	96.2
0	0.2	Services Grant	0.0	0.0
8.2	8.2	Revenue Support Grant	8.4	8.5
42.4	42.4	Business Rates (National Non-Domestic Rates)	43.1	42.8
0.2	0.2	New Homes Bonus	0.2	0.0
139.2	139.4	TOTAL	146.9	147.5
NOTE:				
The table above excludes one-off funding such as the Recovery Grant (2.085m) and 50% of the Extended Producer Responsibility Grant (£1.15m)				

29. Table 6 details a breakdown of all funding movements with the Council's net revenue budget increasing from £139.4m (2024/25) to £147.5m (2025/26) which is a 5.8% increase between the two years. The total estimated revenue funding, incorporating the newly announced grants, has increased from £185.0m to £199.5m, (discounting £4.6m of one-off funding), which equates to 8% as detailed in **Table 6**.

Table 6: movement in revenue funding sources from 24/25 to 25/26

	Base 2024/25 £m	Consultation Initial Est. 2025/26 £m	Difference to initial Est 2025/26 £m	Final Settlement 2025/26 £m	Revised change between 24/25 and 25/26 £m	Base 2025/26 £m	One-off 2025/26 £m
FUNDING							
Council tax - tax base					3.495	3.495	0.000
* Council Tax increase at 2.75% and then 1.75% from 26/7					2.517	2.517	0.000
Adult Social Care Precept at 2%					1.831	1.831	0.000
Total for Council Tax	88.353	95.189	1.007	96.196	7.843	7.843	0.000
New Homes Bonus	0.225	0.225	-0.225	0.000	-0.225	-0.225	0.000
Revenue Support Grant	8.219	8.359	0.141	8.500	0.281	0.281	0.000
* Business Rates	42.407	43.128	-0.328	42.800	0.393	0.393	0.000
Services Grant	0.227	0.020	-0.020	0.000	-0.227	-0.227	0.000
TOTAL - Sources of Funding	139.431	146.921	0.575	147.496	8.065	8.065	0.000
* Social Care Grant	18.685	18.685	3.430	22.115	3.430	3.430	0.000
ASC Market Sustainability and Improvement Funding	3.625	3.625	0.000	3.625	0.000	0.000	0.000
ASC Discharge grant	2.065	2.065	-2.065	0.000	-2.065	-2.065	0.000
Improved Better Care Fund (Now Better Care Grant)	8.838	8.838	2.065	10.903	2.065	2.065	0.000
Childrens Social Care Prevention Grant - for Family Help	0.000	0.000	0.658	0.658	0.000	0.658	0.658
Domestic Abuse Safe Accommodation Grant	0.300	0.300	0.100	0.400	0.100	0.100	0.000
National Insurance Contribution Grant	0.000	0.000	0.000	1.200	1.200	1.200	0.000
Total - incl Grant funding used in core spending power	172.944	180.434	4.763	186.397	12.795	13.453	0.658
Public Health Grant	11.001	10.964	0.636	11.600	0.599	0.599	0.000
Extended Producer Responsibility (EPR) Grant	0.000	0.000	2.300	2.300	2.300	1.150	1.150
Homelessness Grant	1.058	1.058	0.427	1.485	0.427	0.000	0.427
Recovery Grant	0.000	0.000	2.085	2.085	2.085	0.000	2.085
Levy Account Surplus - one off	0.000	0.000	0.272	0.272	0.272	0.000	0.272
TOTAL ESTIMATED REVENUE FUNDING (inc Grants)	185.003	192.456	10.483	204.139	18.478	15.202	4.592