

Meeting: Cabinet
Council

Date: 18 February 2025
Date: 27 February 2025

Wards affected: All

Report Title: Revenue Budget 2025/2026

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 2025/26 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 27 February 2025 and are asked to either adopt the Cabinet's proposals or put forward 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 for 2025/26 net revenue expenditure of **£147.5m**, resulting in a Council Tax requirement of **£96.2m** (a 4.75% increase in Council Tax, of which 2% is for Adult Social Care) be approved (as outlined in Appendix 1).
- 3.2 That the proposed Fees and Charges for 2025/26 be approved as set out in Appendix 4.
- 3.3 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 2024), be noted.
- 3.4 That it be noted that the Brixham Town Council precept for 2025/26 of £531,935 will be included as part of the Torbay Council budget for Council Tax setting purposes.
- 3.5 That the Director of Public Health be instructed to prepare proposals for the increased allocation of the Public Health Grant, which meet the specified grant criteria, for consideration by the Council as part of the budget setting for 2025/26.
- 3.6 That the Revenue Reserves Statement 2025/26, Capital Strategy 2025/26 and Treasury Management Strategy 2025/26 be approved as published for Cabinet on 26 November 2024.
- 3.7 That any technical adjustments the Revenue and Capital Budget be delegated to the Section 151 in consultation with the Cabinet Member for Housing and Finance.

Background Information

4.1 The Cabinet published its budget proposals on 26 November 2024 and commenced a period of consultation that ran until 12 January 2025. The proposals are available on the webpage below, to all Members of the Council with the supporting information published alongside the proposals:

- Cabinet's Response to Consultation
- Chief Financial Officer's Report
- Equalities Impact Assessment
- Fees and Charges 2025/26
- Revenue Reserves Statement 2025/26
- Summary of Financial Sustainability Plans
- Capital Strategy 2025/26
- Capital Investment Plan 2024/25 and Grant Funding pending list
- Treasury Management Strategy 2025/26

Agenda for Cabinet on Tuesday, 26 November 2024, 5.30 pm

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 2024. The

provisional Local Government Finance Settlement was received on 18 December 2024, 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 8 January 2025. The Final funding Settlement was received on 3 February 2025.

4.3 The Cabinet has published its revised budget proposals, which take into account changes announced within the Settlement and consultation feedback. The following revised and updated document pack supplement the draft budget papers as published in November 2024:

- Chief Finance Officers Update Report (Appendix 1)
- Consultation report (including the report of the Overview and Scrutiny Board) (Appendix 2)
- Cabinet Response to Consultation (Appendix 3)
- Revised Fees and Charges 2025/26 (Appendix 4)
- Revised Capital Investment Plan 2025/26 (Appendix 5)
- Equalities Impact Assessment (Appendix 6)

4.4 The Department of Health and Social Care wrote to Councils on 7 February 2025 providing details of Public Health grant allocations. The allocation for Torbay Council was £600k more than the 2024/25 allocation and a £300k increase over the amount initially estimated. This funding will be spent on relevant Public Health Priorities, but given the late notification the Director of Public Health requires time to consider and prepare proposals for this increased allocation.

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 2025/26 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 | Medium | The Council has set its 2025/26 revenue budget without the need for savings plans or drawdown from financial reserves. The Medium-Term Resource Plan has been revised and updated as part of the 2025/26 budget setting process which demonstrates a relatively stable financial position. The Council's Financial Sustainability Plans continue to focus on key risk areas and relevant actions required to deliver longer term financial sustainability. |

| Risk | Risk Rating | Mitigation |
|---|---------------|---|
| Identified budget reductions for 2025/26 are not achieved | Low | <p>No specific saving proposals are required in order to balance the budget in 25/26. As above the Financial Sustainability Plans will continue to be reviewed by the Senior Leadership Team.</p> <p>Directors, Divisional Directors and all managers have a responsibility to ensure they maintain spend within their approved budget allocation.</p> |
| Overspend against the proposed 2025/26 Children's Services budget | Medium | <p>£3m of additional base funding was provided in 2024/25 to address spending pressures, alongside an allocation for growth and inflation. This increase alongside actions taken by the service appear to have mitigated this risk with an underspend forecast for 24/25. Over £2m further funding is also being put into the service for 25/26. The Director of Children's Services (DCS) continues to progress several work streams to manage potential spending pressures, supported by a range of monitoring and performance arrangements. The Council maintains a specific Children's Services reserve which acts as a contingency against any un-forecasted overspending. A separate reserve of £500k has also been created in 25/26 to manage any volatility within the provider market.</p> |
| Delivery of the Safety Valve (Dedicated Schools Grant) Improvement Plan | Medium / High | <p>The Council has an improvement plan approved by Government which will write-off circa £12m of historic debt accrued through, primarily high demand on Special Educational Needs support over a number of years. Early progress against this plan has been encouraging with government subsequently making some early staged payments to the Council. However, recent progress has been challenging both within Torbay, the Southwest Region and nationally against this agenda.</p> |
| Overspend against the proposed 2025/26 Adult Social Care budget | Medium | <p>An integrated Adult Social Care and Health contract has been extended for a further 5 years, (from April 2025), with the Council paying a fixed payment for the Trust to provide Adult Social Care with limited exposure to any over or under spends. The Council are working jointly with the Trust in a programme of transformation to identify savings and manage spending pressures. Recent changes in NI contributions have increased provider costs creating further pressure within the system.</p> <p>50% of the increase in the Council's Social Care grant has been allocated to support adult social care and there are additional service specific grants from central government; which also support the integrated contract.</p> |
| Insufficient income generated | Medium | <p>Some income budgets have increased significantly in recent years resulting in some shortfalls. The cost of living may have contributed to this.</p> |

| Risk | Risk Rating | Mitigation |
|--|---------------|---|
| | | <p>A prudent view has been taken of income streams in 2025/26 and some budgets have been 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> |
| <p>Collectability of council tax and NNDR</p> | <p>Low</p> | <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. 2024/25 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 2025/26 NNDR income estimate.</p> |
| <p>Insufficient reserve levels because of a significant budget variance or unforeseen event.</p> | <p>Medium</p> | <p>A revised Revenue Reserves Policy has been presented as part of the 2025/26 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> |
| <p>Exposure to changes in interest rates</p> | <p>Medium</p> | <p>Treasury Management Strategy has been reviewed and updated as part of 2025/26 budget setting. All historic borrowing is currently on fixed rate deals.</p> <p>However, the current high interest rates could increase the future costs of council borrowing.</p> |
| <p>Inflationary pressures</p> | <p>High</p> | <p>Budget build has included estimates of inflation at a rate of 3% on main contract spend and a 3.5% pay award has been estimated and catered for within the 2025/26 base budget. 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>Inflation has reduced from a high of 11.1% in October 2022 and is currently 2.5%. Forecasts predict CPI to remain around this level throughout 2025 and 2026.</p> |

| Risk | Risk Rating | Mitigation |
|--|-------------|---|
| | | Revised governance arrangements have been implemented to provide greater transparency, and control, over the development and delivery of capital projects. |
| Income linked to major prudential borrowing schemes not achieved at forecast levels. | Medium | <p>Approval by Council supported by a detailed business case. Income streams reviewed as part of budget monitoring Future Business Cases which require Council borrowing will be subject to closer political scrutiny with greater financial detail provided prior to Council approval.</p> <p>There have been examples during 2024/25 whereby certain income streams linked to historical borrowing have been at risk which will influence future business case proposals to ensure that the Council is not overly exposed to long term financial liabilities.</p> |
| 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 £6.5m per annum. In recent years the property maintenance budget has been significantly reduced resulting in a deterioration in the overall condition of assets held.</p> <p>£200k was added to the repairs and maintenance budget in 2024/25 with a further £400k proposed in 2025/26. 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 extension of the Household Support Fund has been confirmed for 2025/26 and the Council is working up proposals to ensure that this continues to support priority groups.</p> <p>Changes to the Council Tax Support Scheme continue to provide additional support to those most in need alongside recent increases in Local Housing Allowances.</p> <p>There is an increase to the allocation of Homelessness Prevention Grant for 2025/26, which will help fund continued support. A reserve has also been retained for crisis support.</p> |
| Performance of Subsidiary Companies | Medium | <p>Council oversight as owner over its companies including attendance at Board meetings and review of performance. Council approval required for reserve matters and for investment/borrowing proposals.</p> <p>The transition of activities previously undertaken by Torbay Development Agency and TorVista Homes back into the</p> |

| Risk | Risk Rating | Mitigation |
|------|-------------|--|
| | | management of the Council has improved the focus on delivering priority regeneration projects and growing the economy. |

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 2025/26 budget is based on robust budget estimates.”

This opinion is supported by the current financial position across the Council with a breakeven position forecast in 2024/25 and material known pressure areas being addressed through the 2025/26 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 2025/26. 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 maintains its focus on the delivery of the ‘Safety Valve’ Recovery Plan for reducing the deficit on the Higher Needs Block.
- d) That the Council continues to assess the financial viability of the projects with its Capital Investment Plan.