

SUBJECT:	FINANCIAL UPDATE REPORT
MEETING:	PERFORMANCE & OVERVIEW SCRUTINY COMMITTEE
DATE:	15th July 2025
DIVISION/WARDS AFFECTED:	ALL

1. PURPOSE:

- 1.1 To provide Cabinet with information on the Authority's final financial results for the 2024/25 financial year in respect of the revenue budget, capital programme, and associated reserves position.
- 1.2 To update Cabinet on the early indicative progress against the 2025/26 revenue budget.

RECOMMENDATIONS TO PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE

- i. That the Performance and Overview Scrutiny Committee scrutinise the results for the 2024/25 financial year in respect of the revenue budget, capital programme, and associated reserves position, and early indicative progress against the 2025/26 budget;
- ii. That the Committee as part of their role assesses whether effective budget monitoring is in place; the extent to which budgets are spent within the agreed budget and policy framework, including the reasonableness of the explanation for variances and; consider the achievement of progress in meeting budget savings targets.

2. RECOMMENDATIONS (to Cabinet):

That Cabinet *recognises*:

- 2.1 A **gross revenue budget surplus at outturn of £1,239,000** prior to transfers to reserves, representing a 0.6% variance against the budget.

- 2.2 After accounting for approved transfers to/from earmarked reserves of £742,000, the final net surplus stands at £497,000, which will be added to the Council Fund.
- 2.3 The surplus reflects a significant improvement of £2.83 million compared to the previous financial update. This positive variance is largely due to an unbudgeted grant of £1.19 million from the Welsh Government in March 2025, alongside favourable service budget positions resulting from effective budget recovery actions.
- 2.4 The Council's continued financial discipline, combined with late grant funding has enabled the replenishment of reserves in line with the Medium Term Financial Strategy.
- 2.5 Despite the positive outturn, significant cost pressures remain in **Social Care, Additional Learning Needs, Waste, Passenger Transport, and Homelessness/Housing**, with a combined overspend reported for the year of **£4.6 million**. While some of these were addressed in the 2025/26 budget, these areas continue to pose financial risks.
- 2.6 An increase in school reserve deficits of **£3.19 million** during the year, resulting in a cumulative year-end deficit of **£4.09 million**. Fifteen schools were in a deficit balance at year-end. Several schools continue to face structural budget challenges, which are being addressed through recovery plans.
- 2.7 Total capital expenditure for the year was **£48.81 million**, with a gross underspend of **£2.73 million**, primarily due to underspends in Infrastructure and Property Maintenance and the receipt of additional unbudgeted grants that have offset core budgets.
- 2.8 Capital slippage requests total **£25.03 million**, which includes **£1.3 million** that can be allocated out of the underspend achieved and will be re-purposed to create a **capital contingency budget** for 2025/26 to mitigate scheme risks or address emerging capital priorities.
- 2.9 There are early indications of cost pressures against the 2025/26 revenue budget, exceeding the **£850,000 contingency** held. Prompt mitigation by services will be required to ensure a balanced outturn position is achieved.
- 2.10 That Cabinet **approves:**
- The strategy to **replenish reserves** as outlined in Section 7, including the allocation of the **£497,000 year-end surplus** to the Council Fund.

- The use of **£3.68 million in capital receipts** to fund eligible revenue expenditure under the Welsh Government’s “flexible use of capital receipts” direction (*Appendix 3*).
- The **capital slippage requests** of **£25.03 million** (Appendix 1 - Section 4), acknowledging the factors that delayed project delivery.
- The **capital budget revisions** detailed in Appendix 5, reflecting finalised grant funding awards for the year.

KEY ISSUES

3 Revenue outturn position

- 3.1 The 2024/25 financial year has seen the continuation of financial headwinds which are impacting upon the Council’s service operating environment:
- The wider socio-economic landscape and cost of living challenges continue to have an impact on our communities, with a consequential increase in demand for Council services, and impact upon income generating services. This particularly impacts the service areas of Children’s Social care, Adult social care, Homelessness, and Children’s additional learning needs.
 - Wider public sector challenges continue to impact upon Council services, notably within Health where efforts to improve patient pathways impact upon the level and complexity of demand for Social care;
 - Whilst headline inflation has fallen, some discrete areas of Council services continue to experience cost pressures on supplies and services, alongside supply chain issues.
 - In continuing efforts to combat inflation, interest rates have remained high, with revised forecasts suggesting that they will remain higher for longer than anticipated at the time of setting the budget;
 - The Council continues to deal with a shortage of staff resources in some areas.
- 3.2 The first two financial updates received by Cabinet in October and December indicated significant pressure on the Councils budget of between £3m and £4m. Cabinet subsequently endorsed mitigating action to develop a structured approach to tackling the forecast deficit through a range of budget recovery measures.

- 3.3 These included a targeted vacancy freeze, maximising the use of grants and income to support core expenditure, bearing down on all non-essential spend, and identifying eligible capital related costs that could be met from capital funding.
- 3.4 In February 2025 Cabinet received the third financial update for the year outlining a reduced forecast deficit of £1.593 million. This was reflective of favourable movements within the majority of service budget areas, where successful budget recovery action and additional grant income had been notified.
- 3.5 At outturn, the Council has successfully mitigated the overall cost pressures through these ongoing targeted actions, and through additional unbudgeted grants and contributions. This has culminated in a gross expenditure budget surplus of £1.239 million prior to transfers to reserves, representing a 0.6% variance against the approved budget.
- 3.6 The final budget outturn position is a significant improvement of £2.83 million since the previous forecast at financial update 3 where a budget deficit of £1,593,000 was anticipated.
- 3.7 The majority of directorates have experienced improvements in positions which is due to five main factors:
- Additional grant funding being secured, or services maximising core revenue costs being met from both revenue and capital grant funding;
 - Staff vacancies continuing to be held as part of budget recovery action;
 - Increased external income from rents, fees and memberships;
 - Identifying additional costs eligible to be met from capitalisation direction to maximise its use;
 - Net borrowing costs remained lower than expected as cash balances remained higher for longer than expected, and longer term loans were secured at competitive rates.
- 3.8 Whilst the final revenue outturn shows a marked improvement, it is important to recognise that over £3 million of this is due to one-off unbudgeted grant funding received from the Welsh Government during the year. This funding has temporarily alleviated service pressures, many of which persist and will continue to pose challenges during 2025/26.
- 3.9 The below summary outlines the service variances both positive and negative that make up the final outturn position:

Table 1: 2024/25 Revenue budget outturn

Directorate	Over / (Under) Spend (£,000s)	% Variance to budget	Over spend	Under spend
Social Care, Health & Safeguarding	3,345	4.9%	Children's services £2,392k - increasing complexity of needs, placement shortages, recruitment challenges	Support services £120k - Staff vacancies and grant
			Adults services £1,358k - increasing complexity of cases, rising cost of care, increasing residential placements, savings not fully realised	Public protection £284k - Staff vacancies
Children, Learning, Skills & Economy	(26)	0.0%	Central budgets £138k – Various over spends relating to school related costs that are required to be funded centrally	Economy, Employment & Skills £164k – Grant income and supplies and services reduction
Infrastructure & Place	503	1.9%	Passenger transport £555k - Demand, contract hand backs	Enterprise management £339k (Senior officer savings, increased grant)
			Waste £399k - Recyclate contract volatility, reduced income	Decarbonisation £240k – Staff vacancies, renewable energy savings
			Housing/Homelessness £342k - maintenance increase for leased accommodation, shortfall in savings from Severn View	Highway external works £136k - increased income
			Building Control £76k - fee income reduction, change in regulatory requirements	Highways Design & Road Safety £120k – staff vacancies
			Solar farm £69k - Weather & grid outage	Highways Development & flooding £126k – additional fee income
			Corporate Mileage savings £100k – Shortfall in saving target	Schools catering £156k (Grant and staff vacancies)
			Planning & Development Control £80k – reduced applications impacting income	
Customer, Culture and Wellbeing	(677)	-8.3%	Attractions £62k – reduced visitor numbers	Leisure, Youth & Outdoor £437k – increased memberships and grant income
			Museums £44k – delayed staff savings	

Directorate	Over / (Under) Spend (£,000s)	% Variance to budget	Over spend	Under spend
				Countryside and Culture £92k – additional grant income
				Communications £97k – strategic allocation of costs into available grant streams
				Markets £154k – increased income and reduced overheads
People, Performance and Partnerships	(80)	-2.3%		Policy/Partnerships £74k - staff savings, ability to passport expenditure to capitalisation directive
Law & Governance	18	0.7%	Committee & Elections £15k – Vat adjustment resulting from changes in how election grant costs are recovered.	
Resources	(132)	-1.5%	Newport leisure park £126k - Surplus generated of £220k fell short of the £346k target due to changes in tenancy agreements and periods of rental concessions.	Revenues, Systems & Exchequer £107k – staff vacancies and grant income
			Castlegate £415k - Increased site maintenance and service charges for vacant units, £367,000 doubtful debt provisions.	Finance/Audit £207k - staff vacancies
			County Farms & Industrial units £138k – reduced income, one-off water rate charges, void costs	Building cleaning & Public conveniences £114k – increased income, rate reductions and staff vacancies
				Landlord services £208k - staff vacancies
Corporate costs	(3,491)	-11.7%	Pension strain costs £209k – enhancements to pension contributions where employees have accessed pension benefits earlier than normal pension age.	Business rate refunds £61k - following appeal
				Insurance £298k – Estimates of the costs for unsettled insurance claims lower than anticipated.

Directorate	Over / (Under) Spend (£,000s)	% Variance to budget	Over spend	Under spend
				Un-hypothecated grant income £3,354k – Welsh Government grants received towards the end of the year to support local government cost pressures.
Capital financing & Reserves	258	-6.1%	Earmarked reserves £895k – Year-end decisions to make contributions to/from earmarked reserves that were not budgeted	Lower net borrowing costs £641k - reflective of higher than anticipated cash balances, forward starting loans, and significant capital slippage.
Council tax	(215)	-0.1%	Council tax £337k – Increasing discounts and exemptions which have a negative impact on the overall amount collected.	Council tax reduction scheme £552k - cases have tracked slightly lower than budgeted for the year
Year-end surplus	(497)	-0.2%		

3.10 **Budgeted service savings:** Service savings of £10.94 million were required as part of the original revenue budget for 2024/25. 81.6% of these have been met during the year which continues a longer-term trend of under delivery of targets. The ongoing financial impact of the shortfall in delivery will need to be considered as part of the budget forecasting for 2025/26.

Table 2: Service savings delivered

Directorate	Total Saving / Budget recovery	Achieved	Variance to Budget	% met
	£000	£000	£000	
Social Care & Health	(4,972)	(3,650)	1,322	73.4%
Children, Learning, Skills and Economy	(3,172)	(3,103)	69	97.8%
Infrastructure & Place	(927)	(470)	457	50.7%
Customer, Culture and Wellbeing	(1,079)	(961)	118	89.1%

People, Performance and Partnerships	(86)	(86)	0	100.0%
Law & Governance	(33)	(33)	0	100.0%
Resources	(595)	(548)	47	92.1%
Corporate Costs & Levies	(77)	(77)	0	100.0%
Totals	(10,940)	(8,928)	2,013	81.6%

3.11 Further details of the performance against budget savings can be found at **Appendix 2**.

3.12 Eligible revenue costs of £3.68 million have been met from capital receipts reserve funding through capitalisation direction. These costs are principally in the areas of service change and reform, digital approach to service delivery, and collaboration with other public sector bodies. A summary of these costs is shown at **Appendix 3**.

3.13 The 2025/26 budget includes the further use of capitalisation direction of £3.7 million, with the current medium term financial plan modelling a tapering down of this support which is budgeted to end in 2029/30.

3.14 **Robustness of budget forecasting during the year:**

Table 3: Budget forecasting at formal reporting periods

2024/25 Budget forecast in £000's	Total Deficit / (Surplus)	Social care & Health	Children, Learning, Skills & Economy	Infrastructure & Place	Customer, Culture and Wellbeing	Resources	People, Performance and Partnerships	Law & Governance	Other
Update 1	124	2,494	468	963	(46)	18	68	51	(627)
Update 2	4,353	3,897	673	708	(122)	(145)	94	48	(799)
Update 3	1,593	4,211	272	671	(336)	(430)	(6)	2	(2,789)
Update 4	(497)	3,345	(26)	340	(677)	31	(80)	18	(3,448)

- 3.15 Whilst there has been significant variation in the overall forecast budget position during the year, this has largely resulted from the movement in Corporate areas where un-hypothecated grants have been allocated. Service area positions have predominantly improved during the year, reflective of budget recovery action instigated during the year.
- 3.16 It has however been another difficult year to obtain any budget forecasting certainty:
- Late notification of unbudgeted grant and contributions continues;
 - £10.9m of budget savings were required to be delivered;
 - Services were asked to engage in additional budget recovery action part way through the year;
 - Demand for high-cost services remains volatile

4 School Balances

- 4.1 Schools continue to face significant budget pressures, particularly in respect of attendance, behaviours and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased the overall costs of provision. Higher than budgeted pay awards have also impacted upon budgets.
- 4.2 The 2024/25 financial year has culminated in a £3,187,000 draw on school's balances, resulting in the cumulative deficit balance increasing to £4,092,000 and with fifteen of thirty-five schools now holding deficit balances.
- 4.3 The ongoing budget challenges at Chepstow Comprehensive, King Henry VIII School, and the Pupil Referral Service remain a significant concern. The Local Authority continues to work closely with representatives from these schools to implement agreed budget recovery plans. It is acknowledged that, due to the scale of the challenges, the recovery process will take longer than initially anticipated.
- 4.4 The Authority continues to work closely with all schools of concern to aid in the return to more sustainable budget plans over the medium term without impacting on educational standards. This will continue to be informed by the ongoing review of school's budgets as part of the periodic update of the medium-term financial plan.

Table 4: Movement in Schools balances

School Balances (Surplus) / Deficit	1st April 2024	Draw upon Reserves	31st March 2025
	£000's	£000's	£000's

Comprehensives	976	391	1,366
Middle	329	1,057	1,386
Primaries	(1,142)	836	(306)
Pupil referral service	742	903	1,645
Total	905	3,187	4,092

4.5 **Appendix 1** provides the detailed explanation of the reasons for the variance to budget, alongside a full assessment of the movement in School balances, and details of the

progress of the Authority's Capital programme during the year.

5 **Reserves**

5.1 **Key considerations**

- 5.2 The level of the Council Fund reserve stood at £10.4m at the start of 2024/25, excluding delegated school balances. This represented 5% cover as a proportion of the Council's 2024/25 net revenue budget and was in line with the recommendations of the approved Medium Term Financial Strategy.
- 5.3 The final revenue budget proposals for 2024/25 did not include any use of the Council Fund reserve to balance the budget which was in line with the budget planning framework agreed by Cabinet. The budget did include £1.122 million of planned use of earmarked reserves in support of one-off revenue expenditure.
- 5.4 In determining the allocation of the outturn position, priority was given to strengthening the Council's financial sustainability. The focus has been on mitigating potential financial risks and enhancing the medium-term financial outlook. Accordingly, the following transfers to earmarked reserves are proposed. These will provide greater resilience against future uncertainties and support strategic investment in key service priorities over the medium term.

5.5 **Proposed reserves rationalisation and replenishment:**

	Gross revenue budget surplus		£-1,238,590	
Contribution from	Priority investment reserve	£-26,512		Releasing unused reserve

Contribution from	Capital support reserve	£-375,340		Reducing reserve from £625k to £250k. Borrowing is the favoured funding stream for longer term capital investments
Contribution to	Programme of change reserve	£350,000		Targeted up-front investment to deliver on programme of change within services
Contribution to	ICT Reserve	£663,608		To provide additional cover for future data & digital priorities
Contribution to	Pay inflation reserve	£129,868		Support pay award pressures in 2025/26
	Movement in earmarked reserves		£741,624	
	Net revenue budget surplus		£-496,966	
Contribution to	Council fund		£496,966	To maintain 5% cover of 2025/26 revenue budget
	Final budget position		£0	

5.6 Based upon the above reserve movements and when taking into account the most up to date financial modelling, the forward projection of reserve balances is shown below:

Table 6: Reserves projection based on 2024/25 outturn and the latest financial modelling

31st March	2024	2025	2026	2027	2028	2029
	£000's	£000's	£000's	£000's	£000's	£000's
Council Fund (Excluding schools)	10,388	10,885	10,885	10,885	10,885	10,885
Strategic earmarked reserves	6,254	5,687	5,049	4,858	4,667	4,476
Sub-Total Non-specific reserves	18,666	18,597	17,960	17,770	17,580	17,390
Partnership earmarked reserves	2,248	1,912	1,762	1,637	1,687	1,737
Service specific earmarked reserves	856	1,031	2,699	2,727	2,755	2,783
Council tax premium reserve	0	809	1,172	1,559	1,971	2,409
Sub-Total specific reserves	3,104	3,752	5,633	5,923	6,413	6,929
Total	21,770	22,349	23,593	23,693	23,993	24,319

- 6.1 Capital expenditure totalled £48.81 million for the year, with a gross under spend of £2.73 million reported.
- 6.2 This was primarily due to the programmes of work within Infrastructure and Property maintenance not being fully spent, alongside the receipt of additional grant which has allowed core budget to be released. Alongside this, the vehicle replacement programme did not require the full allocation of budget.
- 6.3 After allowing for capital financing adjustments, £1.3m of the gross under spend is available to be repurposed to create a capital contingency budget for 2025/26 to mitigate scheme risks or address emerging capital priorities.
- 6.4 **Capital slippage – Appendix 1** details capital schemes requiring slippage into next financial year.
- 6.5 Capital schemes by nature are usually multi-year, and some slippage is to be expected as expenditure profiles change based on flex in project circumstances. A total of 98 capital schemes require slippage into 2025/26 totalling £25.032 million representing 33% of the total budget for the year.
- 6.6 Over two-thirds of the slippage (£17.547 million) relates to eight larger schemes within the capital programme, as follows:

Scheme name	Slippage £000's	Comment
ATF Core Llanfoist Bridge & Meadow Links	4,368	Slippage required to align with revised scheme programme of works as agreed with the grant awarding body
Welsh Medium School and Nursery	2,696	Slippage required to align with revised scheme programme of works as agreed with the grant awarding body
Wye Bridge Monmouth	2,166	Initial phases of work were pushed back to allow wider programme of resurfacing works to be carried out within the area. These works faced delays due to external issues with third parties, which has meant that a revised schedule of works is required for Wye Bridge. Whilst some initial design and feasibility works will be carried out within 2025/26, it is recommended that this budget is slipped forward to 2026/27 to align with the revised schedule.
Capital Region City Deal	1,948	Re-profiling of contributions as required by the programme of works delivered by the South East Wales Corporate Joint Committee

Property Acquisition for Children and Young People with Complex Needs	1,867	Multi-year scheme which relies on suitable properties being identified to match demand requirements
Asset Investment Fund	1,781	Remaining budgeted designated to cover any ongoing capital expenditure required on investment properties. This allocation ensures that sufficient funds are available to address maintenance, improvements, and other capital-related expenses, thereby safeguarding the value and functionality of our investment assets.
Housing Provision Borrowing Headroom	1,421	Acquisition strategy in development to formalise arrangements in respect of buying properties to address homeless issue & support the implementation of our Rapid Rehousing Transition Plan 2025/26
Capital contingency fund	1,300	£1.3m of released budgets will be carried forward to 2025/26 as a contingency budget to mitigate capital budget risks developing in year. This can either be on schemes already in progress and facing additional cost pressures, or to meet new risks that were not foreseen at budget setting stage.

- 6.7 The internal and external operating environment continued to affect the capital programme during 2024/25. Challenges such as limited internal capacity, constraints in accessing external professional support, and isolated supply chain disruptions have hindered project delivery. Over time, these issues may lead to financial consequences, particularly due to inflationary pressures and the implications for capital financing strategies.
- 6.8 **Capital receipts** – The table below outlines the latest forecast of capital receipts balances available to meet future capital commitments. The full balance of capital receipts is committed to future capital investment meaning there is little scope to support additional capital investment. This also means that the level of capitalisation direction support is profiled to taper down to zero over the medium term.

Table 5: Capital receipts balances

Capital receipt balances	2024/25	2025/26	2026/27	2027/28	2028/29
	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April	9,984	6,082	4,033	1,877	422
Capital receipts used for financing	(418)	(557)	(50)	(50)	(50)
Capital receipts used to support capitalisation direction	(3,682)	(3,770)	(2,708)	(1,708)	0
Capital receipts Received	198	0	0	0	0

Capital receipts Forecast	0	2,278	603	303	0
Forecast Balance as at 31st March	6,082	4,033	1,877	422	372

7 2025/26 revenue budget – early update

7.1 Budget Context

- 7.2 The Council faced a complex and challenging financial environment in preparing its 2025/26 budget, with volatility in the demand for services, continuing economic uncertainty, and operational challenges.
- 7.3 The budget process began with a significant funding gap of £11.4 million, driven by £15.5 million in cost pressures and only £4.1 million in projected income growth. This gap widened further as updated forecasts revealed £23.7 million in new cost pressures - equivalent to 11% of the Council's total budget. This marks the third consecutive year the Council has needed to manage pressures exceeding £20 million, a scale far beyond the £5 - 10 million challenges it has historically faced.
- 7.4 A major driver of these pressures is the rising demand for services, particularly in Children's and Adult Social Care, Homelessness, and Additional Learning Needs. These demands are being fuelled by ongoing socio-economic difficulties and changes in the health sector, where efforts to streamline NHS patient pathways are increasing the complexity and volume of social care needs. This shift places additional strain on Council services, which must adapt to meet these growing and evolving demands.
- 7.5 The broader economic environment is compounding these challenges. The cost-of-living crisis is increasing reliance on Council support services while simultaneously reducing income from fee-based services. Although headline inflation has eased, specific service areas continue to face high costs and supply chain disruptions. Higher interest rates are also adding to financial strain, and skills shortages in some key areas continue to impact the Council.
- 7.6 Despite these pressures, funding growth has been limited. The Welsh Government's initial settlement offered only a 2.6% increase - below the 4.5% Welsh average, though a later funding floor increased this to 3.8%, adding £1.54 million. To help close the gap, the Council proposed £6.2 million in service savings and efficiencies, alongside additional income measures. However, the scale and persistence of the financial challenges indicates that difficult decisions will continue to be required throughout 2025/26 to ensure the Council remains financially sustainable while continuing to support its communities.

7.7 Early indications

- 7.8 At this early stage in the financial year, services are reporting emerging cost pressures across several areas.
- 7.9 In Children's Additional Learning Needs, demand is currently tracking above the levels anticipated during budget setting. Within Children's Social Care, delays in the operational readiness of new facilities are contributing to financial strain. Adult Social Care is also experiencing ongoing pressures due to the full-year impact of additional placements that commenced late in the previous financial year and were not accounted for in the current budget.
- 7.10 The planned savings from corporate mileage reductions have been affected by procurement delays, which have postponed the rollout of the pool car initiative. Similarly, the temporary closure of Abergavenny Leisure Centre, as part of the King Henry VIII development, has led to a freeze in leisure memberships and swimming lessons, impacting income.
- 7.11 School transport is facing challenges in achieving savings due to changes in pupil numbers and safety concerns on certain routes, which have necessitated continued transport provision. In Homelessness services, anticipated savings from the transition to the Severn View site have been delayed, further contributing to the overall budgetary pressure.
- 7.12 These early indicators highlight the need for close monitoring and prompt mitigation to ensure financial stability throughout the year.
- 7.13 **Remaining budgetary risks for 2025/26**
- 7.14 Alongside the above early indications, there remain key specific budgetary risks that have the ability to further impact upon the revenue budget during 2025/26:
- **Pay award** – The 2025/26 budget assumes a 3.1% increase for NJC and Teachers' pay. Any final agreement exceeding this assumption will result in an additional ongoing financial pressure. As an indication, a variance in pay award of 0.5% represents around £500k in costs.
 - **National insurance** – The budget assumes that the increased national insurance costs for directly employed staff will be fully funded. However, there is still uncertainty regarding both the total amount of funding and how it will be allocated, as no official notification has been received. An additional risk is that the Council's key partners and suppliers may not be able to absorb their own rising national insurance costs, potentially passing on unavoidable additional expenses to the Council beyond what has been budgeted.
 - The **deliverability risk** of budget savings, especially where these involve the income generation, changes to structures, alternative delivery models or have implications for service design involving community or other partners. If the long-term average delivery rate of 85% is repeated, this would represent a further pressure of circa £1m.

- The trend of **reducing debt recovery**, particularly within Council tax where there is a significant increase in the number of discounts and exemptions awarded which has a negative impact on overall income. There is also a slowing down in collection rates as households continue to struggle with the cost-of-living crisis.
- **Schools reserves** – schools have budgeted for a further draw on reserves for 2025/26. If this materialises it will increase the cumulative schools reserve deficit being carried on the Council's balance sheet. This consequently impacts upon the Council's financial resilience and increases its risk exposure by reducing available balance sheet resources.

7.15 The delivery of a balanced budget position for 2025/26, alongside substantial budget recovery action within schools will be fundamental in maintaining financial stability. It is therefore essential that services maintain the same financial discipline that saw significant budget recovery in the latter stages of 2024/25.

8 RESOURCE IMPLICATIONS:

The report itself covers the resource implications of the entirety of the revenue and capital budget activity during the year. There are no further resource implications as a result of the recommendation in this report.

9 EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

9.1 This report provides Members with information on the revenue and capital outturn position of the Authority and carries no decisions. There are therefore no equality of future generations' implications directly arising from this report.

9.2 Any such impacts will be fully considered subsequently when Council receives further budget proposals.

CONSULTEES:

Senior Leadership Team
Cabinet members

BACKGROUND PAPERS:

Appendix 1 – Revenue and capital outturn report including school budgets

Appendix 2 – Performance against budgeted savings

Appendix 3 – Capitalisation directive schedule

Appendix 4 – Movement in individual school balances

Appendix 5 – Capital budget revisions requiring Cabinet approval

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