



REPORT

SUBJECT:	Revenue and Capital Budget 2026/27 – Final proposals following scrutiny and public consultation
MEETING:	Cabinet
DATE:	4th March 2026
DIVISION/WARDS AFFECTED:	ALL

1. PURPOSE:

- 1.1. To update Cabinet with the consultation responses to the draft budget proposals issued by them on the 21st of January 2026 in respect of the Capital and Revenue budgets for 2026/27.
- 1.2. To make recommendations to Council on the Capital and Revenue budgets including the level of Council Tax for 2026/27.
- 1.3. To receive the statutory report of the Responsible Financial Officer on the budget process and the adequacy of reserves.
- 1.4. To receive the Responsible Financial Officer's Prudential Indicator calculations for capital financing.

2. RECOMMENDATIONS:

- 2.1. That Cabinet considers the responses received during the budget consultation period and recommends to Council:
 - a) The 2026/27 revenue budget as attached in **Appendix B**.
 - b) The 2026/27 capital budget and indicative 2027/28 to 2029/30 budgets as attached in **Appendix G**.
- 2.2. That a 5.95% increase in the Band "D" equivalent Council Tax is applied for County Council purposes for 2026/27.
- 2.3. That Cabinet requests that efforts continue to be maximised to ensure that individuals and households eligible for council tax exemptions or reductions claim the benefit available to them.

- 2.4. That Cabinet endorses the changes to the draft budget proposed within this report, updated following public consultation, scrutiny and the availability of more up-to-date information, including the introduction of additional capital investment of £2 million, phased over three years, to address potholes and improve the condition of the County's road network.
- 2.5. That Cabinet considers the Responsible Financial Officer's report on the robustness of the budget process and adequacy of reserves issued under the provisions of the Local Government Act 2003 and an assessment of the current and future financial risks facing the Council.
- 2.6. That Cabinet adopts the Responsible Financial Officer's recommendation for the Prudential Indicators for capital financing.
- 2.7. That the Medium Term Financial Plan continues to be updated and reported regularly, using the most up-to-date information available to assess cost pressures and risks, the underlying modelling assumptions, any service changes resulting from the programme of change, and the ongoing affordability implications of the Community and Corporate Plan.

3. KEY MESSAGES

Protecting frontline services

Funding increases for key services:

- Social Care & Health (+5.5%)
 - Education (+4.6%)
- Place & Community Wellbeing (+4.3%)
 - Infrastructure (+3.6%)
- **No service closures:** waste collections, leisure centres, recycling centres, libraries and community hubs will remain open in 2026/27

Targeted investment where residents told us it matters

- Additional **£1m investment in local school budgets** for the second consecutive year

- Increased investment in social care, **preventative children’s services** and **additional learning needs**

- Above-inflation increase to **Citizens Advice Monmouthshire**

- Investment in **libraries, Welsh-medium education, and the Inspire programme**

Keeping communities safe and resilient

- **New gully-cleaning and street-sweeping teams** delivering preventative drainage work alongside visible improvements to the street scene, supporting cleaner, safer and more attractive town centres and neighbourhoods

- **£5.65m additional capital investment** in highways structures, roads, footpaths, rights of way and the property estate

- Continued work on **flood alleviation** and reducing the Council’s **carbon footprint**

Listening to residents

- Despite increased investment in road resurfacing and pothole repairs, **consultation feedback** shows that this has not gone far enough to address the condition of the road network

- In response, Cabinet is recommending **additional capital investment of £2 million**, phased over three years, **to accelerate pothole repairs and improve road condition**, alongside existing highways and maintenance programmes

Paying for services fairly

- **Welsh Government funding increases by 4.4%** (£6.15 million), helping protect essential local services

- £3.5 million of **service efficiencies and reforms**

- **Council Tax increase of 5.95%**, with the Council Tax Reduction Scheme maintained to **protect those on low incomes**

4. Budget Context

- 4.1. The budget strategy for 2026/27 builds on the foundations established by Cabinet throughout its period of administration. At this stage in the administration cycle, it remains essential that the strategic principles set out in the Medium-Term Financial Strategy (MTFS) continue to guide the budget approach, with the Community & Corporate Plan framework being central to decision-making.
- 4.2. The strategy adopts a multi-year perspective wherever possible, directing resources to areas of greatest need and opportunity. It reinforces broader reforms and preventative measures designed to secure the longer-term sustainability and resilience of Council services.
- 4.3. Nevertheless, difficult decisions have been necessary to prioritise services most critical to our communities. These choices ensure the Council remains financially sustainable and operates safely, while continuing to deliver on its strategic ambitions.
- 4.4. The prevailing economic climate continues to pose challenges for Local Government, as persistent inflation, increased service demand and supply chain challenges result in upward pressure on the cost of delivering local services. Despite a moderation in some cost drivers, issues such as the cost of living crisis and evolving demands within health and social care continue to impact both the community and the Council's financial planning. Notably, these include:
 - The wider socio-economic landscape and cost of living challenges that continue to have an impact on our communities, with a consequential increase in demand for Council services, and impact upon income generating services.
 - The wider public sector challenges which impact upon Council services, notably within Health where efforts to improve patient pathways impact upon the level and complexity of demand for Social care.
 - Headline inflation rates remain above UK Government targets, with some discrete areas of Council services continuing to experience cost pressures on supplies and services.
 - In continuing efforts to combat inflation, interest rates have remained higher for longer and above previous UK Government forecasts.
 - Expected pay growth remains above previous Government forecasts.
 - There remain increased risks around debt recovery.

- 4.5. Despite these pressures, the Council has demonstrated robust financial management, successfully navigating previous periods of austerity, recession and the pandemic. The 2025/26 budget addressed over £17 million in cost increases, and recent financial updates show an improved in-year position compared to prior years, with an under spend currently forecast, and with contingency budgets intact. Should this positive trend continue through to year-end, the Council will be well-placed to stabilise its reserves and carry solid foundations into the next financial year.
- 4.6. The financial outlook for 2026/27 remains uncertain, with national and local developments expected to shape the Council's operating environment. Key influences include shifting economic conditions, political uncertainty, policy changes, the prospect of new responsibilities, funding uncertainty, ongoing pay negotiations, and evolving demographic factors.

5. Draft budget proposals

- 5.1. Cabinet published their draft budget proposals on the 21st January 2026 that highlighted an estimated increase in the cost of delivering Council services for 2026/27, compared to 2025/26 of £16.8m, equivalent to 8% of the Council's budget.
- 5.2. The draft budget prioritised investment in key frontline services, with notable funding increases for Social Care & Health, Education, Place & Community Wellbeing, and Infrastructure. A further £1 million was allocated directly to local school budgets for the second year running, supporting efforts to maintain attendance and enhance standards, whilst also addressing pay and pension pressures.
- 5.3. Significant additional investment was proposed in social care that will strengthen both preventative services and support for adults and children with complex needs. Additionally, there was increased support for vulnerable groups through expanded provision for additional learning needs and Social Emotional Mental Health. Investment will continue in preventative programmes such as Inspire, family support initiatives, and foster care recruitment, alongside an above-inflation increase in funding for Citizens Advice Monmouthshire to support residents.
- 5.4. Enhancing gulley-cleaning and street-sweeping capacities was also prioritised within the draft budget proposals to better manage surface water, reduce flood risk and support more preventative maintenance of the highway network. This investment will also deliver wider benefits to the street scene by improving the cleanliness and appearance of roads, pavements and public spaces, particularly within town centres and other high-footfall areas.
- 5.5. By aligning preventative drainage work with enhanced sweeping and cleansing activity, the Council is seeking not only to reduce future infrastructure risks, but also to contribute to safer, more welcoming and better-maintained town centres that support local communities and economic activity.
- 5.6. Core services for residents were maintained in the draft proposals, with waste collections, leisure centres, recycling centres, libraries, and community hubs remaining open in 2026/27.

5.7. Cabinet's draft revenue budget proposals proposed meeting the increases in cost through:

Increased income from Fees and charges	£0.8m
Service reform	£1.3m
Service efficiencies and specific grant income	£2.1m
Increased income from Council tax	£5.4m
Increased income through Welsh Government grant	£6.2m

5.8. At draft budget stage there remained a funding shortfall of £973,000 that would need to be resolved to set a final budget.

5.9. In respect of the draft capital budget, a number of immediate capital pressures were identified by services, primarily relating to urgent health and safety requirements and statutory legal and regulatory obligations. Following initial scrutiny, a limited number of these pressures were endorsed for inclusion in the draft 2026/27 budget, totalling £5.486 million. These represent inescapable commitments where failure to invest would expose the Council to unacceptable levels of legal, regulatory, or operational risk.

5.10. Key elements of the proposed investment include £4.96 million over two years for the refurbishment of the Grade II listed Chain Bridge, supported by £2.25 million of external grant funding, alongside £1.69 million for highways structures and carriageway resurfacing and £352,000 to address backlog pressures within the public rights of way network.

5.11. At draft stage, £4.988 million of funding had been identified, leaving a funding shortfall of £498,000, with work ongoing to identify additional funding solutions ahead of the final budget. Other capital pressures remain under development, to be progressed as further information and robust business cases become available, in line with established approval processes.

6. FINAL FUNDING SETTLEMENT

6.1. The provisional 2026/27 funding settlement from Welsh Government provided an indicative funding increase for Monmouthshire of 4.4%, set alongside an all-Wales average increase of 4.5%, and introduced a year-on-year increase of £6.15m of funding to the Council, when adjusted for technical adjustments.

6.2. Welsh Government published its final budget on the 20th January 2026, and alongside it the final funding settlement for local authorities in Wales. The budget and final settlement contained no significant changes for the funding of local government over and above the details published at draft stage. A minor technical adjustment has resulted in a further £8,000 of funding being made available to Monmouthshire in addition to the £6.15 million introduced in the draft settlement.

6.3. There are specific grants that sit outside of the main block grants for revenue and capital that support the delivery of specific policy-led programmes of work determined by Welsh Government. The information on these specific grants remains incomplete within the final

settlement and at an all-Wales level. For those that have been published, these amount to over £1.3 billion for revenue and over £1.0 billion for capital.

- 6.4. Of significance, the Sustainable Waste Management Grant is yet to be confirmed (£16.4 million in 2025/26 at an all-Wales level) and it remains unclear how that grant may be impacted by the allocations of funding to councils from the Extended Producer Responsibility system introduced in 2025/26.
- 6.5. Further clarification of individual Council level grant allocations may provide an opportunity to further support service cost increases or mitigate existing budget risks, however, at the current time is excluded from the final budget outlined in this report.
- 6.6. No further changes to funding levels are anticipated beyond those noted above. Should any changes arise, these will need to be considered as part of the Council Tax resolution when it is considered by Full Council on 5th March 2026.
- 6.7. Further details of the Welsh Government funding settlement can be found at **Appendix J**.

7. BUDGET CONSULTATION

- 7.1. The Council undertook a wide-ranging programme of consultation on the Draft Budget and Priorities for 2026/27 between 22 January and 18 February 2026. Engagement activity reached residents, stakeholders and representative groups through a combination of face-to-face, online and targeted sessions, including:
 - a) Delivery of a number of countywide public drop-in engagement sessions, attended by officers and Cabinet Members;
 - b) Engagement with Town and Community Councils;
 - c) Targeted engagement activity with specific groups, including youth clubs and other interested stakeholders;
 - d) Dedicated engagement with the School Budget Forum, Headteachers and School Governors, providing opportunities for discussion and challenge on education funding proposals.
- 7.2. In addition to direct engagement activity, stakeholders were signposted to the consultation through wider communications, including social media, newsletters and the Council's digital channels. This ensured broader awareness of the consultation and opportunities to provide feedback on the draft budget proposals.
- 7.3. A dedicated section of the Council's website hosted accessible information on the Draft Budget and Priorities 2026/27, supported by a budget summary document. An online and paper-based survey enabled respondents to rate proposals and provide qualitative feedback.

- 7.4. Two online engagement sessions were held, featuring presentations from the Cabinet Member for Resources and the Leader of the Council, followed by open Q&A sessions. While attendance numbers were modest, the sessions generated constructive scrutiny and challenge, with residents able to pre-submit or raise questions live. The budget survey was the primary method of public engagement, receiving 416 responses across online and paper formats.
- 7.5. The draft budget proposals were also considered through the Council's governance arrangements, including scrutiny by relevant Scrutiny Committees and the Joint Advisory Group (JAG).
- 7.6. **Appendix A** summarises the feedback received through the consultation process. In summary, responses focused on the following key themes:
 - a) A broad understanding of the Council's financial pressures and the proposed approach to the budget, with support expressed for protecting priority services such as education, social care, additional learning needs and community services;
 - b) A significant number of residents raising concern about the level of council tax increase proposed, especially in light of cost of living pressures being experienced in households. However, there was also a recognition of the need for investment in the local services that directly support the needs of residents;
 - c) Strong and recurring comments relating to the condition of roads and highways, including potholes, with calls for longer-term preventative investment rather than short-term repairs;
 - d) Clarification was sought on how the remaining budget gap was going to be resolved and whether this would result in further service changes that had not been consulted upon.

8. FINAL REVENUE BUDGET

- 8.1. After review, reflection and consideration of feedback received, and taking into account the new and updated information that has become available since the draft proposals were released, a number of considerations and revisions have been reflected in the final revenue budget proposals.
- 8.2. Cabinet have carefully considered the consultation feedback and weighed this alongside the Council's statutory responsibilities, the level of demand currently being experienced across key services, and the need to maintain financial sustainability.
- 8.3. Cabinet concluded that the proposed Council Tax increase remains necessary in order to balance the budget, protect essential frontline services, and enable continued investment in areas of highest need, particularly social care, education and infrastructure. In reaching this decision, Cabinet also reaffirmed its commitment to mitigating the impact on the most vulnerable through the continued operation of the Council Tax Reduction Scheme and by maximising take-up of exemptions and reliefs.

- 8.4. Consultation responses clearly highlight that, notwithstanding the additional investment made by the Council during this Cabinet's administration – including further funding for carriageway resurfacing and pothole repairs supported through initiatives such as the Local Government Borrowing Initiative – the condition of the County's road network remains a significant concern for residents.
- 8.5. In response to the strength and consistency of feedback received through the consultation process, Cabinet is recommending additional capital investment of £2 million, phased over a three-year period, to further address potholes and the condition of the County's road network. This investment is intended to complement existing highways maintenance programmes and enable a more sustained and preventative approach to carriageway condition, recognising the importance of safe and well-maintained roads to residents, businesses and local communities.
- 8.6. The remaining changes made within the final revenue budget proposals are outlined below:

Budget Reconciliation	Amount £000's	Description
Draft budget proposals – (Surplus) / Deficit	973	
Updated notice of Coroner service contribution	57	Increased contribution due to rising demand and complexity of cases, combined with unavoidable increases in post-mortem, staffing, and supplier costs
Establishment of Change Programme Management Office (PMO)	107	Establishment of whole Authority PMO – funded from Change management reserve
Reserve fund PMO	(107)	As above
Welsh Government final funding settlement	(8)	The final settlement introduces a marginal benefit due to some minor technical adjustments
Capital financing costs	(300)	Capital financing budgets were reviewed using updated data and treasury advice, reducing overall projected costs by £300k
Council tax reduction scheme (CTRS)	(250)	A review of the current level of CTRS budget has identified that the allocation can be reduced by £250,000
Contingency budget updated	(50)	The draft budget contained a budget contingency of £1,050,000 which has been reduced by £50,000 at final stage.
Final review of service efficiencies	(322)	The latest financial forecast for 2025/26 has been reviewed and it is anticipated that further recurrent service efficiencies can be achieved across services.
Waste service – additional grant funding	(100)	Budget pressures that are currently being met from within the service can be covered by additional grant notified since draft stage

Final budget proposals – (Surplus) / Deficit**0**

- 8.7. The Police and Crime Commissioner for Gwent has given notification of their final precept level for 2026/27 of £19,760,739, which is £346,000 more than anticipated in draft budgets. Community Councils have given notification of their final precept levels for 2026/27 of £4,236,687, which is £273,000 more than anticipated in draft budgets. Precepts are collected by the Council through Council tax on behalf of these organisations and paid directly over to them and there is therefore no net impact on the Council's overall budget.
- 8.8. The proposed final revenue budget for 2026/27 and indicative budgets for 2027/28 to 2029/30 are shown below.

Services	Adjusted Base Budget 2025/26	Final Budget 2026/27 £000's	Indicative Budget 2027/28 £000's	Indicative Budget 2028/29 £000's	Indicative Budget 2029/30 £000's
Learning, Skills and Economy	72,635	76,200	78,118	80,133	82,168
Social Care & Health	78,187	81,670	82,638	83,636	84,664
Infrastructure	23,252	25,781	26,335	26,918	27,548
Place & Community Wellbeing	5,818	5,801	6,000	6,206	6,420
Resources	8,798	9,004	9,201	9,456	9,719
People, Performance and Partnerships	6,273	6,893	6,915	7,117	7,325
Law & Governance	3,089	3,248	3,514	3,433	3,530
Insurances, Levies, Non-allocated budgets	7,209	11,819	20,708	29,614	38,245
Capital debt financing costs	9,076	9,501	10,616	10,958	10,954
Transfers to reserves	693	735	761	788	816
Transfers from reserves	(541)	(947)	(516)	(341)	(341)
Precept payment - Police	18,325	19,761	20,541	21,353	22,196
Precept - Community Councils	3,964	4,237	4,404	4,578	4,759
Total Expenditure Budget	236,778	253,703	269,236	283,848	298,002
Aggregate External Financing (AEF)	(135,248)	(144,723)	(146,025)	(147,631)	(149,255)
Council Tax (MCC)	(78,626)	(84,325)	(87,656)	(91,118)	(94,718)
Council Tax (MCC Premium)	(615)	(657)	(683)	(710)	(738)
Council Tax – Precept Police	(18,325)	(19,761)	(20,541)	(21,353)	(22,196)

Council Tax – Precept Community Councils	(3,964)	(4,237)	(4,404)	(4,578)	(4,759)
Sub Total Financing	(236,778)	(253,703)	(259,309)	(265,390)	(271,666)
(Surplus)/Deficit	0	0	9,927	18,458	26,336

Note: An explanation of how services are grouped is included in **Appendix E**.

- 8.9. Indicative budgets for the 2027/28 to 2029/30 period are modelled using a range of budget assumptions for pay and employer pension contributions, future Welsh Government funding increases and council tax increases (for modelling purposes only).
- 8.10. Importantly, there is provision of £7.5m per annum currently made within the medium-term financial plan for modelling purposes, reflective of the trend in service demand and cost increases developing annually over recent years, that are over and above the approved budget. This is represented in the table above by the increase within the “Non-allocated budgets” line over the period.
- 8.11. The use of Welsh Government’s guidance allowing flexible use of capital receipts to meet one-off costs associated with service reform is modelled to be reversed gradually over the above period in order to return to a more financially sustainable position.
- 8.12. It is clear from current modelling that based on estimated levels of funding available, the challenge over the medium term remains a significant one with an annual budget shortfall projected to be managed of between eight and nine million pounds.
- 8.13. The ongoing financial challenges remain, as always, a dynamic situation. Work continues to shape the wider programme of service change that will include an ongoing assessment of key service pressures and opportunities, the risks and modelling assumptions that sit alongside this, with the aim to establish a clear plan and approach to address the medium-term budget shortfalls forecast.
- 8.14. The next iteration of the Medium term financial plan will be considered in 2026/27 post the UK Government Spring budget and Welsh Government (Senedd Cymru) election.

9. BUDGETARY RISK

- 9.1. The key risks remaining to be assessed and managed in 2026/27 and as yet unknown are:

Increasing service demand	The level of demand for high-cost Council services has been volatile over recent years. These stem from cost of living issues coupled with population and demographic changes. These are most acute in Social care, Education and Housing services and will need to be monitored closely as the financial year develops
Funding	The Final Welsh Government funding settlement provides some details on specific grants. However, information is at an all-Wales level and with a number of grant indications still awaited. Of significance, the Sustainable Waste Management

	Grant is yet to be confirmed (£16.4m in 2025/26) and may be impacted by the indicative allocations of funding to councils from the Extended Producer Responsibility system
Annually allocated grant funding	Where annually allocated specific grants remain unconfirmed, any variation in funding levels could directly impact the Council's ability to deliver planned services or projects, potentially requiring the reprioritisation of activities or the identification of alternative funding sources at short notice. There remains an associated risk that staff employed through these grants will not have certainty regarding their roles beyond the end of the financial year which can also impact upon staff retention
Service reforms	<p>The draft budget requires service reforms of £1.25 million to be delivered which is significantly lower than the levels seen over recent years. Nevertheless, it is essential that these programmes of work are stood up or continued with effect from the start of the financial year in order to deliver a full year impact.</p> <p>These reforms are within Social Care and will be delivered within a service which continues to experience challenging levels and complexity of demand, coupled with significant workforce pressures. This is expected to be mitigated by the fact that the reforms are a continuation of the existing programmes of change which are already well established</p>
Pay awards	Uncertainty will remain around the pay awards for local government staff and teaching staff. Actual pay awards will not be confirmed nationally by independent pay bodies until later in 2026 and therefore further consideration may need to be given in-year to adjust pay budgets at that time. Whilst the pay award assumptions factored into the budget are set at a level which is seen as prudent, there remains an unknown risk of the effect of the wider economic and political landscape as we move through 2026
School reserve deficits	<p>Overall school balances remain in deficit with many schools continuing to progress against agreed deficit recovery plans. Reserve deficits impact upon the Council's overall financial resilience and increase risk exposure by reducing available balance sheet resources</p> <p>There is a strong expectation that through recurrent additional investment in schools and their elected governing bodies working closely with the Council in setting and robustly managing their budgets, that deficit balances will start to stabilise and recover</p>
Income and Debt recovery	The ongoing cost-of-living crisis continues to affect household disposable income, which in turn impacts demand and collectability for income-generating Council services
Economic factors	Any significant variation in inflation and interest rates from levels forecast will impact the cost of goods, services, and borrowing. This will affect both the Councils own direct expenditure and the costs incurred by suppliers and service providers.

	Although the Consumer Price Inflation (CPI) rate has fallen from the historic peaks seen in recent years, it remains above the Bank of England's 2% target. Current projections indicate that CPI could reduce to approximately 3.2% in 2026/27, but inflation remains volatile and sensitive to external factors such as global energy prices, supply chains, and geopolitical events
Labour market	Labour shortages in areas like social care and in specialist roles are driving up the cost of commissioned services

9.2. In light of the above risks, the strengthened financial governance arrangements will continue through 2026/27 to provide assurance that robust arrangements are in place to deliver on service savings, and to respond to any circumstances where further budget pressures might require additional mitigation or savings to be brought forward.

10. THE ROBUSTNESS OF BUDGET PROCESS AND RESERVES

10.1. Under the provisions of the 2003 Local Government Act, the Responsible Financial Officer has to provide conclusions on the robustness of the budget process and the adequacy of reserves. Those conclusions are shown at **Appendix F**. The RFO opinion also includes an acknowledgement of the risks taken into account in producing the budget proposals for 2026/27 as well as those budgetary risks that will need to be managed going forward in the medium term.

10.2. Cabinet reaffirmed in their budget planning framework for 2026/27 that there is a need to progress the Council on a path towards financial sustainability including conserving an appropriate and prudent level of financial resilience. The framework established the principles for general and earmarked reserve levels and use, and included a commitment to preserving an appropriate level of annual budget contingency.

10.3. **Council Fund:** The level of the Council Fund reserve stood at £10.7 million at the start of 2025/26, excluding delegated school balances. This represented 5% cover as a proportion of the Council's 2025/26 net revenue budget.

10.4. The final revenue budget proposals for 2026/27 do not include any use of the Council Fund reserve to balance the budget which is in line with the budget planning framework agreed by Cabinet. If the current positive 2025/26 forecast outturn is maintained, this will present an opportunity to increase the Council Fund such that it is maintained at 5% of net revenue budget set for 2026/27.

10.5. The 2026/27 budget increases the budget risk contingency from £850,000 to £1 million. This amount will be held alongside the Council fund to help reduce overall budget risks, aligning with the commitments made in the medium-term financial strategy. The flooding events of late 2025 and the consequential financial impact on the Council demonstrate the need to maintain an appropriate level of budget headroom for unforeseen circumstances.

- 10.6. **Schools reserve balances:** School balances are designed to provide a level of financial resilience to mitigate and smooth such risks and are not expected to fund ongoing day-to-day expenditure.
- 10.7. The decline in school balances from the healthy surplus at the beginning of 2022/23 of £6.95 million to the latest forecast deficit of £7.5 million by the end of 2025/26 remains a concern.
- 10.8. A significant amount of investment was enacted by schools in the immediate aftermath of the pandemic period to recover, particularly in respect of attendance, behaviour and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased overall costs of provision.
- 10.9. It is currently anticipated that nineteen (54%) of the Council's thirty-five schools will be in a deficit balance by the 2025/26 year-end. Those schools forecasting to end the financial year in deficit balance have brought forward recovery plans that are being considered by officers and Cabinet.
- 10.10. Three schools - King Henry VIII 3-19 School, Chepstow Comprehensive School and the Pupil Referral Service, accounts for three quarters of the projected deficit. All three of these schools are a focus of support and challenge from the Local Authority to ensure budgets return to a surplus within the agreed recovery plan timeframe.
- 10.11. It is clear from these budget recovery plans that it will take schools a considerable amount of time to fully recover deficit balances, and that in addition to the recurrent £1m further investment in schools within this budget, the Council will need to take assessment of this financial risk within medium term financial planning.
- 10.12. **Earmarked reserves:** The final budget includes planned use of earmarked reserves in support of one-off revenue and capital expenditure of £1,145,000. Earmarked reserve use is only planned to meet one-off costs and in line with a specific reserve's intended purpose and use.
- 10.13. Set alongside this is a planned contribution to earmarked reserves of £735,000. The majority of this relates to Council tax premiums which has strict criteria over future use. Nevertheless, this results in maintaining overall reserve levels to aid in balance sheet strength and resilience.
- 10.14. **Appendix D** shows the individual planned use and contribution to reserves for the 2026/27 budget and the reserve balances projected over the medium term.
- 10.15. Over the medium term overall earmarked reserve levels are projected to remain stable. However, it should be noted that Monmouthshire's overall reserve cover as a percentage of net revenue budget was recently classified as the lowest in Wales¹ and therefore requires the

¹ [Audit Wales report on financial sustainability of local government, December 2024 – Table 3](#)

reserves policy to continue to adapt such that revenue reserves are very much protected to provide cover for foreseen or unforeseen risks. Maintaining sound budget management and discipline going forward will be fundamental to achieving this, with the in-built budget contingency providing a mechanism to manage overall risk.

- 10.16. **Capital receipts:** Useable capital receipts provide a limited one-off resource to support financing of the capital programme. In recent years the Council has also made use of Welsh Government’s guidance allowing flexible use of capital receipts to meet one-off costs associated with service reform. The Council has used this flexibility since 2019/20, and plans further use of £2.7 million for 2026/27, after which time it tapers to zero by the end of 2028/29.
- 10.17. Using capital receipts to cover the revenue costs of service reform has been vital in helping the Council move toward greater financial stability. However, relying on this method is not a long-term solution, and has the consequence of meaning that any new capital investment will need to be funded by prudential borrowing if no other external funding sources are available.
- 10.18. The capital receipts summary below shows the expected level of receipts and planned usage in the next few years. Future investment in capital schemes is in part dependent on future success of achieving capital receipts, and there remain risks attached to some receipts being realised over this period.

Forecast Useable Capital Receipts	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Balance as at 1st April	(6,083)	(4,627)	(4,430)	(3,474)	(2,819)
<i>Less: capital receipts used for financing</i>	289	367	50	50	50
<i>Less: capital receipts used to support capitalisation directive</i>	3,770	2,708	1,708	708	0
Capital receipts received	(2,500)	0	0	0	0
Capital receipts forecast	(103)	(2,878)	(803)	(103)	(103)
Forecast Balance as at 31st March	(4,627)	(4,430)	(3,474)	(2,819)	(2,871)

- 10.19. The level of capital receipts anticipated over the next 4-year window has not been increased as the Council awaits the outcome of the replacement Local Development Plan.

11. CAPITAL BUDGET

- 11.1. The principles of the Capital Strategy guide the approach to capital investment and ensure that resources are directed towards addressing the longer-term challenges facing communities and the Council, and that they are fully aligned with the priorities set out in the Community and Corporate Plan.
- 11.2. The updated capital strategy for 2026/27 will be considered by full Council alongside the Council tax resolution report at its meeting on 5th March 2026.
- 11.3. In the current climate of financial constraint, capital investment must remain within affordable limits. Demand for capital resources continues to exceed available funding and, as a result, the prioritisation of schemes, the maximisation of external funding opportunities, and partnership working remain essential to meeting these pressures.
- 11.4. The current capital programme is subject to the same external pressures affecting the revenue budget. Inflation in specific areas, supply chain disruption, and internal resourcing constraints have resulted in delays to delivery and, in some cases, reduced outputs for a given level of investment.
- 11.5. While the Council's planned investment in asset and infrastructure maintenance partially addresses the ongoing need to maintain the existing estate, a significant maintenance backlog remains outside the core capital programme. These pressures arise from an ageing asset base and the cumulative impact of continued investment in new infrastructure over time.
- 11.6. The risks associated with these backlog pressures will increase over time if existing maintenance programmes are unable to keep pace with requirements. In addition, the increased frequency and severity of extreme weather events in recent years has exacerbated both the scale and urgency of these pressures.
- 11.7. The 2026/27 budget process identified that a number of backlog pressures have now reached a point where significant intervention will be required over the Medium Term Financial Plan (MTFP) period. Addressing these issues will require the development of full business cases to enable the Council to fully understand the risks, options, funding requirements, and appropriate timing of intervention. Given their scale and complexity, these matters do not lend themselves to management through the annual budget-setting process and will therefore be progressed as standalone business cases.
- 11.8. The Welsh Government capital settlement for 2026/27 provides an increase of £50,000 (less than 1%) in core general funding, bringing the total allocation to £5.528 million. In addition, the settlement includes a further funding commitment to enable councils to support additional borrowing for highways capital pressures. No changes were made as part of the final settlement.
- 11.9. The draft capital budget proposals identified a number of additional investments for inclusion in the indicative programme, which initially resulted in a funding shortfall of £498,000. Since the draft budget was published, a small number of amendments have been made to reflect new and updated information. In addition, several fully grant-funded schemes have been incorporated into the final budget proposals.

11.10. Reflecting the strength of consultation feedback regarding the condition of the road network, and the importance placed by residents on tackling potholes and carriageway deterioration, the final capital programme includes an additional £2 million of investment, phased over a three-year period, to further enhance highways maintenance. This investment will be partly funded through the re-purposing of the Council's existing annual grant match funding budget of £500,000, with the remaining balance to be met through prudential borrowing. This approach enables targeted additional investment to be made while remaining consistent with the Council's Capital Strategy and the principles of affordability, prudence and sustainability.

11.11. These changes are summarised in the table below:

Additional capital investment	Draft Budget Recommendation 2026/27 £000's	Final Budget Recommendation 2026/27 £000's	Note
Highways & Structures, Carriageways	1,692	1,692	
Public rights of way – structural repairs, surveys and closures	352	352	
Car parks – resurfacing	100	100	
Road Safety Improvements & Signing Upgrades	32	32	
Flood alleviation	19	19	
Property maintenance - Asbestos maintenance	200	0	To be met from 2025/26 programme underspends following grant notification
Property maintenance – School condition surveys	150	0	To be met from 2025/26 programme underspends following grant notification
Property maintenance – Contract inflation uplifts	154	6	To be partially met from 2025/26 programme underspends following grant notification
Wye Bridge Chepstow - Scour repair and monitoring costs	330	330	
Chainbridge refurbishment 2026/27 - £2,457k 2027/28 - £2,500k	2,457	2,457	
Additional investment in Road resurfacing and potholes 2026/27 - £667k 2027/28 - £667k 2028/29 - £666k	0	667	

Total investment	5,486	5,655
Funding stream		
2026/27 Capital settlement increase	50	50
2026/27 Settlement increase - Highways borrowing	1,507	1,507
Unallocated budget brought forward	610	610
Reduction in ICT budget identified	21	21
Contingency budget for 2025/26 unutilised	1,300	1,300
Grant funding – Regional transport delivery plan	1,500	1,500
Re-purposing of grant match funding programme	0	500
Prudential borrowing	0	167
Total funding	4,988	5,655
Budget shortfall	498	0

11.12. A number of capital investment pressures submitted during the budget process could not be accommodated within the annual budget cycle. This reflects a combination of factors, including:

- the need for further information or clarity on scheme scope, timing, or cost;
- the requirement for a more comprehensive appraisal of available investment options;
- the need to demonstrate clearer alignment between proposed outcomes and the priorities of the Community and Corporate Plan; and
- the need to secure external grant funding to ensure financial viability.

11.13. These proposals will be progressed during the coming months as additional information becomes available and where full business cases can be developed that clearly demonstrate the requirement for investment. Any future approvals will be considered in line with established Council governance and decision-making processes.

11.14. The full capital budget for 2026/27, together with indicative budgets for the medium term, is set out in **Appendix G**.

12. THE PRUDENTIAL CODE

12.1. Under the Prudential Code, local authorities are required to publish Prudential Indicators produced to demonstrate that capital programmes are prudent, sustainable and affordable in the longer term. The indicators for 2026/27 to 2029/30 are contained at **Appendix H** to this report, assuming eventual Council approval of Cabinet's budget and Council Tax recommendations.

13. OPTIONS APPRAISAL:

13.1. Chief Officers and Directorates are required to consider and outline the options that have been considered for each of the budget proposals accommodated within the final budget proposals presented in this report.

13.2. The detail is contained in the original budget work that supported the drafted budget proposals. Where budget proposals have been amended or new changes introduced these are outlined in the report as part of the final budget proposals. These changes are summarised in **Appendix B**.

13.3. Final Council Tax and budget setting is reserved for decision of Full Council on 5th March 2026.

14. EVALUATION CRITERIA:

14.1. The assessment of the successful implementation of final budget proposals for 2026/27 is conducted throughout the year through regular budget monitoring and periodic reports to Scrutiny and Cabinet, currently scheduled for four times a year. In light of the budgetary risks identified in this report, the Financial Management Board will maintain its targeted reviews of service areas representing the highest budgetary risk.

14.2. Regular monitoring of the performance of the Council will take place against service business plans, and the Community and Corporate Plan. Taken together, these arrangements enable the Council to evaluate its success and progress against its longer-term plans within the resources available.

15. REASONS:

15.1. To make appropriate recommendations to Council on the revenue and capital budgets for 2026/27, and the resultant Council Tax recommended to be set for County purposes, taking into account the public consultation and scrutiny process in January and February.

15.2. As required by statute, to consider the Responsible Financial Officer's conclusions on the robustness on the budget process and the adequacy of reserves going forward.

15.3. To approve the Prudential Capital Indicators calculated by the Responsible Financial Officer.

16. RESOURCE IMPLICATIONS:

16.1. As identified within the report and appendices.

17. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING and CORPORATE PARENTING):

- 17.1. A cumulative impact assessment has been produced for the proposals and is attached at **Appendix C**. This was supported at draft stage by individual directorate impact assessments. The final budget proposals as presented do not contain any changes that materially affect the cumulative assessment that was originally carried out at the draft budget stage.
- 17.2. The assessment has enabled the Council to evaluate the overall potential impact of the budget on people within our communities. It is recognised that the proposals will affect different groups of people in different ways and the impact is evaluated on those people who possess protected characteristics. The Council also considers the cumulative financial impact of the proposals on households at different income levels. Finally, the assessment also looks at the budget through the lens of sustainable development principle established by the Well-being of Future Generations Act.
- 17.3. It is inevitable that the assessment has identified impacts on some groups of people. Local authorities provide universal services such as highways and waste collections which bring benefits to all. However, many of our services such as education and social care are delivered to proportionately higher numbers of disabled people, younger and older people. The assessment highlights the anticipated positive effects of increasing expenditure on certain groups. For example, the potential positive impact of providing additional funding to support Additional Learning Needs in education and meeting the costs of increasing and more complex cases in adults and children's social care. These will bring benefits to younger, older people and disabled people. It also shows that increased charges for services such as community meals and residential care could have a potential negative impact on some of the people with these protected characteristics.
- 17.4. The development of the impact assessment has been an iterative process and has been produced alongside the budget proposals. This means that we have been able to understand the potential impacts and adjust our thinking as we have gone along. As a result, we have been able to adjust some proposals or introduce mitigating actions to lessen the impact of some of the difficult decisions we are faced with, on the most vulnerable in our communities. In services such as domiciliary care, national caps applied to charges, and the application of means testing significantly lessens the impact of rising costs on those least able to afford the increases.
- 17.5. The nature of the services we provide means that almost any change to a council service will have a socio-economic impact. We know, for example, people on lower incomes will be more affected by increased fees and charges. The assessment models the potential financial cost of proposed increased fees and charges on different household compositions and income levels and sets out what these would have been if we had not developed mitigating actions to reduce the effects. For example, it shows that for a household of two adults, with two dependent children and one older person with an income of £36,000, the mitigations we put in place reduced the potential impact from the increased fees and charges to 0.33% of their total income from a starting point of 1.94% of their total income.

- 17.6. Conducting the assessment alongside the development of the budget has allowed us to identify actions that mitigate the potential negative effects of our proposals on vulnerable people and households on the lowest incomes. It also highlights the anticipated positive effects of increasing expenditure on certain groups. This helps to offset some of the effects. The assessment will be updated to take account of feedback received during the budget consultation.

CONSULTEES:

Cabinet
Strategic Leadership Team

BACKGROUND PAPERS:

- a) Directorate Budget builds, detailed capital programme and associated papers
- b) Draft revenue budget proposals, draft capital budget proposals – released on consultation by Cabinet on 21st January 2026
- c) Welsh government publications - Provisional & Final Local Government Funding Settlements
- d) The CIPFA Prudential Code for Capital Expenditure

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Appendices:

- A Overview of Council budget consultation process and feedback
- B Revenue budget summary
- C Cumulative impact assessment
- D Use of reserves for budget purposes and forecast reserve balances
- E Revenue budget service groupings
- F Responsible Financial Officers Opinion
- G Capital Budget Summary

- H Prudential Indicators
- I Capital and treasury management strategies 2026/27
- J Final Settlement Data and Specific Grants 2026/27 (All Wales)