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County Hall
Rhadyr
Usk
NP15 1GA

Friday, 27 September 2024

Notice of meeting

Performance and Overview Scrutiny Committee

**Monday, 7th October, 2024 at 10.00 am,
Council Chamber, County Hall, The Rhadyr USK and Remote attendance**

Please note that a pre meeting will be held 30 minutes prior to the start of the meeting for members of the committee.

AGENDA

Item No	Item	Pages
1.	Apologies for absence.	
2.	Declarations of Interest	
3.	Financial update To provide the latest financial monitoring update.	1 - 40
4.	Medium Term Financial Plan Update To review the budgetary situation.	41 - 76
5.	Next Meeting: 8th October 2024 at 10am and 15th October at 2pm	
6.	Investment and Commercial Portfolio Performance Update To review the update on Commercial Investment and continue six monthly updates.	77 - 88

Paul Matthews

Chief Executive

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillor Jill Bond, West End;, Welsh Labour/Llafur Cymru
County Councillor Rachel Buckler, Devauden;, Welsh Conservative Party
County Councillor John Crook, Magor East with Undy;, Welsh Labour/Llafur Cymru
County Councillor Steven Garratt, Overmonnow;, Welsh Labour/Llafur Cymru
County Councillor Meirion Howells, Llanbadoc & Usk;, Independent
County Councillor Alistair Neill, Gobion Fawr;, Welsh Conservative Party
County Councillor Paul Pavia, Mount Pleasant;, Welsh Conservative Party
County Councillor Peter Strong, Rogiet;, Welsh Labour/Llafur Cymru
County Councillor Ann Webb, St Arvans;, Welsh Conservative Party

Public Information

Access to paper copies of agendas and reports

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Welsh Language

The Council welcomes contributions from members of the public through the medium of Welsh or English. We respectfully ask that you provide us with adequate notice to accommodate your needs.

Aims and Values of Monmouthshire County Council

Our purpose

To become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life.

Objectives we are working towards

- Fair place to live where the effects of inequality and poverty have been reduced.
- Green place to live and work with reduced carbon emissions and making a positive contribution to addressing the climate and nature emergency.
- Thriving and ambitious place, where there are vibrant town centres and where businesses can grow and develop.
- Safe place to live where people have a home where they feel secure in.
- Connected place where people feel part of a community and are valued.
- Learning place where everybody has the opportunity to reach their potential.

Our Values

Openness. We are open and honest. People have the chance to get involved in decisions that affect them, tell us what matters and do things for themselves/their communities. If we cannot do something to help, we'll say so; if it will take a while to get the answer we'll explain why; if we can't answer immediately we'll try to connect you to the people who can help – building trust and engagement is a key foundation.

Fairness. We provide fair chances, to help people and communities thrive. If something does not seem fair, we will listen and help explain why. We will always try to treat everyone fairly and consistently. We cannot always make everyone happy, but will commit to listening and explaining why we did what we did.

Flexibility. We will continue to change and be flexible to enable delivery of the most effective and efficient services. This means a genuine commitment to working with everyone to embrace new ways of working.

Teamwork. We will work with you and our partners to support and inspire everyone to get involved so we can achieve great things together. We don't see ourselves as the 'fixers' or problem-solvers, but we will make the best of the ideas, assets and resources available to make sure we do the things that most positively impact our people and places.

Kindness: We will show kindness to all those we work with putting the importance of relationships and the connections we have with one another at the heart of all interactions.

Role of the Pre-meeting

1. Why is the Committee scrutinising this? (background, key issues)
 2. What is the Committee’s role and what outcome do Members want to achieve?
 3. Is there sufficient information to achieve this? If not, who could provide this?
- Agree the order of questioning and which Members will lead
 - Agree questions for officers and questions for the Cabinet Member

Questions for the Meeting

Scrutinising Performance

1. How does performance compare with previous years? Is it better/worse? Why?
2. How does performance compare with other councils/other service providers? Is it better/worse? Why?
3. How does performance compare with set targets? Is it better/worse? Why?
4. How were performance targets set? Are they challenging enough/realistic?
5. How do service users/the public/partners view the performance of the service?
6. Have there been any recent audit and inspections? What were the findings?
7. How does the service contribute to the achievement of corporate objectives?
8. Is improvement/decline in performance linked to an increase/reduction in resource? What capacity is there to improve?

Scrutinising Policy

1. Who does the policy affect ~ directly and indirectly? Who will benefit most/least?
2. What is the view of service users/stakeholders? What consultation has been undertaken? Did the consultation process comply with the Gunning Principles? Do stakeholders believe it will achieve the desired outcome?
3. What is the view of the community as a whole - the ‘taxpayer’ perspective?
4. What methods were used to consult with stakeholders? Did the process enable all those with a stake to have their say?
5. What practice and options have been considered in developing/reviewing this policy? What evidence is there to inform what works? Does the policy relate to an area where there is a lack of published research or other evidence?
6. Does the policy relate to an area where there are known inequalities?
7. Does this policy align to our corporate objectives, as defined in our corporate plan? Does it adhere to our Welsh Language Standards?

8. Have all relevant sustainable development, equalities and safeguarding implications
9. been taken into consideration? For example, what are the procedures that need to be in place to protect children?
- 10.
11. How much will this cost to implement and what funding source has been identified?
- 12.
13. How will performance of the policy be measured and the impact evaluated

General Questions:

Empowering Communities

- How are we involving local communities and empowering them to design and deliver services to suit local need?
- Do we have regular discussions with communities about service priorities and what level of service the council can afford to provide in the future?
- Is the service working with citizens to explain the role of different partners in delivering the service, and managing expectations?
- Is there a framework and proportionate process in place for collective performance assessment, including from a citizen's perspective, and do you have accountability arrangements to support this?
- Has an Equality Impact Assessment been carried out? If so, can the Leader and Cabinet/Senior Officers provide members with copies and a detailed explanation of the EQIA conducted in respect of these proposals?
- Can the Leader and Cabinet/Senior Officers assure members that these proposals comply with Equality and Human Rights legislation? Do the proposals comply with the Local Authority's Strategic Equality Plan?

Service Demands

- How will policy and legislative change affect how the council operates?
- Have we considered the demographics of our council and how this will impact on service delivery and funding in the future?
- Have you identified and considered the long-term trends that might affect your service area, what impact these trends could have on your service/your service could have on these trends, and what is being done in response?

Financial Planning

- Do we have robust medium and long-term financial plans in place?
- Are we linking budgets to plans and outcomes and reporting effectively on these?

Making savings and generating income

- Do we have the right structures in place to ensure that our efficiency, improvement and transformational approaches are working together to maximise savings?

- How are we maximising income?
- Have we compared other council's policies to maximise income and fully considered the implications on service users?
- Do we have a workforce plan that takes into account capacity, costs, and skills of the actual versus desired workforce?

Questions to ask within a year of the decision:

- Were the intended outcomes of the proposal achieved or were there other results?
- Were the impacts confined to the group you initially thought would be affected i.e. older people, or were others affected e.g. people with disabilities, parents with young children?
- Is the decision still the right decision or do adjustments need to be made?

Questions for the Committee to conclude...

Do we have the necessary information to form conclusions/make recommendations to the executive, council, other partners? If not, do we need to:

- (i) Investigate the issue in more detail?
- (ii) Obtain further information from other witnesses – Executive Member, independent expert, members of the local community, service users, regulatory bodies...

Agree further actions to be undertaken within a timescale/future monitoring report...

SUBJECT: 2024/25 REVENUE BUDGET – FINANCIAL UPDATE
MEETING: PERFORMANCE & OVERVIEW SCRUTINY COMMITTEE
DATE: 7th October 2024
DIVISION/WARDS AFFECTED: ALL

1. PURPOSE:

- 1.1 To provide Committee with the latest financial monitoring update of the Council's revenue budget for the 2024/25 financial year.

RECOMMENDATIONS TO PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE

- i. That the Performance and Overview Scrutiny Committee scrutinise the revenue budget forecast for the 2024/25 financial year;
- 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):

- 3.1 That Cabinet note the overall revenue budget deficit forecast of £3,388,000.
- 3.2 That Cabinet endorse the budget recovery action as outlined within the report to mitigate the forecast deficit and bring the budget back to at least a balanced position by the financial year end.
- 3.3 That Cabinet note the budgetary risks that are inbuilt into the forecast, namely;
- The volatility of demand for high-cost services, particularly in Adults & Childrens Social Care and Additional learning needs;

- Continuing negotiation around national pay agreements which will further impact forecasts if it results in an award over and above the current offer and no consequential funding is received;
- The risk of the increase in the rate of the employers contribution to the teacher's pension scheme not being fully funded;
- The potential impact upon the Council's financial resilience from the forecast increase in the cumulative schools reserves deficit that is being carried on the Council's balance sheet.
- The risk of further non-delivery of the £10.9m of budgeted savings targets, with services currently forecasting 81.2% delivery;
- The trend of reducing debt recovery, particularly within Council tax where there is a significant increase in the number of discounts and exemptions awarded, and slowing down in collection rates;
- The severely limited reserve cover available to the Council.

3.4 That Cabinet note the forecast increase in the deficit on cumulative schools reserves as outlined in **Appendix 3** of this report of £4,929,000. This would result in school balances ending the financial year in a deficit of £5,832,000, with nineteen of thirty-four schools forecast to be in a deficit balance.

3.5 That Cabinet note that schools which are budgeting to end the 2024/25 financial year in a deficit balance are required to bring forward recovery plans by October half term to ensure that the proposed actions to address their budget shortfalls are instigated.

4 KEY ISSUES:

Context

4.1 The first half of the 2024/25 financial year has seen the continuation of financial headwinds which are having a significant impact upon the Council's service operating environment:

- The wider and longer lasting impact of the pandemic, both economically and socially, continues to impact the Council, particularly in the areas of Homelessness, Children's services, Adult social care and Children's additional learning needs.
- The 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;
- 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;

4.2 At the July 2024 meeting Cabinet received an indication that services were reporting early cost pressures of £873,000. This position has since deteriorated considerably, with the latest forecast indicating a forecast budget deficit of £3,388,000.

Current revenue budget forecast position

Table 1: Revenue budget forecast summary

Directorate	In-year budget Pressures / (Savings) £000's	Shortfall in saving target £000's	Total budget deficit / (surplus) forecast £000's
Social Care & Health	1,390	1,104	2,494
Children & Young People	92	376	468
Communities & Place	599	364	963
Monlife	(150)	104	(46)
Chief Executives Units	68	0	68
Law & Governance	51	0	51
Resources	(89)	107	18
Corporate, Treasury & Financing	(627)	0	(627)
Forecast budget deficit	1,334	2,055	3,388

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4.3 The total forecast deficit against budget of £3,388,000 is made up of in-year budget pressures of £1,334,000 that have developed since the budget was set in February 2024, alongside a forecast shortfall in meeting budgeted savings target of £2,055,000.

4.4 **Appendix 1** to this report outlines the service variances in detail. At a summary level these primarily relate to the following areas:

Service	(Surplus) / Deficit £000's	Summary
Adults care services	1,534	External residential care home placements have increased by 17 since the budget was set, causing £520K of cost pressures. A shortfall of £1.1m against budgeted savings targets is currently forecast.
Childrens care services	1,134	The pressure of new referrals and more complex needs has generated additional unbudgeted costs of £1.13m. A higher than usual number of children's placements have broken down, with higher cost alternative provision required.
Additional learning needs	440	An unexpected increase in ALN placements at Independent Schools; an ALN pupil staying on for Year 14, and additional support for 2 existing ALN pupils.
Neighbourhood Services	263	Waste & Grounds Maintenance £233k – The 24/25 budget was built on the premise that our polyprop service would be fully operational from the 1st April. Delays in vehicle delivery meaning that the service won't start until early Autumn. Streetlighting £30k – Inflation and irregular maintenance costs have been higher than anticipated.
Home to School & Passenger & transport	623	Home to school - Increased demand (a 10% increase since 3 years ago) has resulted in additional contracts. A scarcity of operators in this area is resulting in contract premiums or the Council undertaking contracts ourselves. Passenger transport - A reduction in grant and public service bus funding for some routes has added to overall pressures.
Fleet Maintenance	270	Inflation, supply chain issues, vehicle hire growth and increased borrowing rates have driven operating costs over and above available budget. There are also additional spend requirements this year around EV charging points and a new vehicle management system.
Housing & Homelessness	209	£320k shortfall in the rapid rehousing transition saving due to a delay in occupancy of new accommodation; additional damage and maintenance costs; offset by one-off grant income.
People	68	People Management employee costs are currently forecasting to exceed budget by £85k, due to the requirement to uplift resources within the unit to cover service demand. This has been offset by staff and system cost reductions in payroll.

Legal	73	A projected shortfall in rechargeable income, and an over spend in staffing due to some regrading and temporary cover arrangements.
Commercial & Corporate Landlord	232	Rental income from commercial, industrial & county farms is lower than budgeted due to some staggering of rent increases, and some vacant units remaining to be filled (£204k). There is a shortfall of £207k in the asset rationalisation savings target due to delays in progressing some of the required changes to accommodation. This has been partially offset by staff savings of £179k.
Public protection	(175)	Staff vacancies, 2 posts having external funding and expected income above budget
Business growth & enterprise	(256)	Senior staff vacancies and additional grant funding
Monlife	(46)	Delayed implementation of the area management restructure, delayed staffing savings in museums service and reduced income at our attractions has been more than offset by increased income from our leisure services and markets.
Finance	(199)	Staff savings and the ability to passport core service costs into grants
Treasury costs	(283)	Estimated saving as a result of unbudgeted recoupment of borrowing costs from services for vehicle purchases at the end of the 2023/24 financial year
Council Tax	(350)	CTRS caseloads are running slightly below historical levels.
Other variances	(149)	
Total	3,388	

Budgeted savings targets

4.5 Services are currently forecasting a shortfall of £2,055,000 or 18.8% in meeting the service savings targets that were set as part of the original budget for 2024/25. Full details can be found at **Appendix 2** to this report, however the main variances are as follows:

Table 2: Progress against budgeted savings targets

Savings proposals by Directorate	Budgeted Saving	Current Forecast	Variance	Percentage met	Comment
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	£000	£000	£000	%	
Social Care & Health	(4,972)	(3,868)	1,104	77.8%	Adult's services - £729k shortfall against £2.8m target due to the complexity and level of demand for care needs restricting some progress, some savings being dependent upon third party negotiation, and challenges resourcing some of the service change required. The Welsh Government review of the legal non-residential weekly charge cap has been delayed and £375k of savings are not expected to be generated
Children & Young People	(3,172)	(2,796)	376	88.1%	ALN placements - Unexpected increase in new starters at Independent Schools, and additional support for existing pupils
Communities & Place	(927)	(563)	364	60.7%	£320k shortfall in the rapid rehousing transition due to a delay in occupancy of new accommodation. £50k shortfall in planning income saving target as early indications show lower levels of activity than expected.
Monlife	(1,079)	(975)	104	90.4%	A delay in progressing some staff restructuring means that savings will not be fully met in year
Chief Executives Unit	(86)	(86)	0	100.0%	
People & Governance	(33)	(33)	0	100.0%	
Resources	(595)	(488)	107	82.0%	Increased rental income is currently below targets following some staggering of rent increases, and some vacant units remaining to be filled
Corporate Costs & Levies	(77)	(77)	0	100.0%	
Totals	(10,940)	(8,886)	2,055	81.2%	

Budget recovery action

- 4.6 The budget planning framework for 2024/25 was clear 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, of which the Council's reserves are a key

component. As a consequence, the final revenue budget proposals for 2024/25 did not include any use of reserves to meet recurrent revenue expenditure.

- 4.7 The delivery of a balanced budget position for 2024/25, alongside substantial budget recovery action within schools is therefore fundamental in maintaining financial stability and limiting any further impact upon the Council's reserves.
- 4.8 Given the significance of the adverse Social Care & Health budget position, and the potential impact this has on the Council's overall financial position, it is important that this service maintains financial discipline and works towards delivering within its approved budget envelope. This will include delivering upon the placement and practice change and reform that was fundamental in the services agreed budget savings.
- 4.9 Given the forecast budget deficit of £3,388,000, it is essential that all Council services maintain financial discipline and engage in similar collective budget recovery action that saw significant improvement in the second half of 2023/24 financial year.
- 4.10 In order to deliver this, a range of mitigation measures will need to be implemented, including, but not limited to:
- Maximising all grant and income opportunities, including the transfer of core costs into grant where conditions allow;
 - Vacancy management with a targeted freeze on filling vacant posts;
 - Bearing down on all non-essential expenditure;
 - Service reduction and efficiency;
 - Maximising the opportunity to meet the costs of organisational reform from capital receipts where regulations allow

School budgets and reserves

4.11 The overall level of school reserves are currently forecast to move further into deficit by £4,929,000 by the end of the 2024/25 financial year, to a collective deficit balance of £5,832,000. This is broadly in line with the budgets schools have set for the year.

School reserve balances at 31 st March (Surplus) / Deficit	2022 £000	2023 £000	2024 £000	2025 (Forecast) £000
Comprehensive schools	(2,253)	(1,259)	976	2,747
Middle schools	0	0	329	909

Primary schools	(4,622)	(3,027)	(1,142)	657
Special schools	(79)	31	742	1,519
Total	(6,955)	(4,255)	905	5,832

4.12 The legacy impact of the pandemic continues within the school environment, 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 overall costs of provision. Higher than budgeted pay awards for both teaching and non-teaching staff have also impacted upon budgets.

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4.13 It is currently anticipated that nineteen of the Council's thirty-four schools will be in a deficit balance by the year-end. All schools that register a deficit balance at a financial year-end are required to bring forward budget recovery plans

4.14 Those schools budgeting to end the 2024/25 financial year in deficit balance are expected to bring forward recovery plans by October half term. Close monitoring and support will be given to these schools, as well as those at risk of entering a deficit position over the medium term, to ensure that the proposed actions to address medium term budget challenges are instigated.

Remaining budgetary risks

4.15 There remain key specific budgetary risks that have the ability to further impact upon the revenue budget during 2024/25:

- **Pay agreements** – The current national employers pay offer of a flat rate increase of £1,290 would be largely in line with the Council's budgeted increase for 2024/25. However the offer is currently under consultation with unions with the risk that any consequential increase in offer takes the award over budgeted levels.
- **Teacher's pension contributions** - Formal confirmation is still awaited from UK Government to confirm its full funding of the planned increase in the employer pension contribution rates for the centrally administered Teacher's pension scheme. To the extent that it is not fully funded, or allocation of funding does not meet full costs, this presents a budget risk not currently factored into forecasts.

- **Further non-delivery of budget savings**, especially where these involve income generation, changes to structures, alternative delivery models or those involving community or other partners.
- 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 reserve balances** – a further draw on balances for 2024/25 of £4.93m would significantly increase the cumulative schools reserve deficit that is being carried on the Council’s balance sheet. This consequently impacts upon the Council’s overall financial resilience and increases its risk exposure by reducing available balance sheet resources.

Financial implications and future focus

- 4.16 The continuing financial headwinds, increasing demand for services, funding uncertainty, and the need for £10.94m of service savings to be delivered within a challenging operating environment present tangible ongoing budget risks for the year.
- 4.17 When this is considered alongside a significant budget gap to be resolved for 2025/26, and a challenging and uncertain funding outlook over the medium term, it presents a significant challenge to the financial resilience of the Council.
- 4.18 There is therefore a requirement for all services to bear down on avoidable cost and identify further income opportunities wherever possible for the remainder of the year, in order to limit the call on severely limited useable revenue reserves.
- 4.19 A targeted vacancy freeze continues, and enhanced financial monitoring arrangements remain in place. The Financial Management Board will continue to focus on high budget risk areas and in regularly assessing the progress being made against budgeted service savings, and additional budget recovery action.
- 4.20 As we move towards the next formal monitoring period, work will continue to deliver on the structured approach to tackling the underlying budget pressures, with particular importance assigned to tackling costs which have the ability to be recurrent for 2025/26 and beyond.

5 RESOURCE IMPLICATIONS:

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

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

6.1 This report provides Members with an update on the progress being made against the revenue budget of the Authority and carries no decisions. There are therefore no equality and future generations' implications directly arising from this report.

CONSULTEES:

Senior Leadership Team
Cabinet

BACKGROUND PAPERS:

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Appendix 1 – Detailed service commentaries
Appendix 2 – Progress against budgeted savings
Appendix 3 – Individual school balance forecasts

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Section 1	Revenue budget summary forecast
Section 2	Detailed service commentary
Section 3	School balances update

Section 1 - Overall Revenue Position

Table 1: 2024/25 Revenue budget forecast by directorate

Service Area	Original Budget 2024/25	Budget Adjustments	Revised Annual Budget	Forecast Outturn	Forecast (Surplus) / Deficit
	'000's	'000's	'000's	'000's	'000's
Social Care, Health & Safeguarding	68,410	(94)	68,316	70,810	2,494
Children & Young People	64,853	0	64,853	65,321	468
Communities & Place	27,249	41	27,291	28,254	963
MonLife	8,088	0	8,088	8,042	(46)
Chief Executives Unit	3,288	(8)	3,279	3,348	68
Law & Governance	2,894	0	2,894	2,945	51
Resources	8,344	29	8,373	8,391	18
Corporate Costs & Levies	29,476	0	29,476	29,482	6
Net Cost of Services	212,603	(32)	212,571	216,592	4,021
Appropriations	7,301	32	7,333	7,050	(283)
Expenditure to be Financed	219,904	0	219,904	223,642	3,738
Financing	(219,904)	0	(219,904)	(220,254)	(350)
Net General Fund (Surplus) / Deficit	0	0	0	3,387	3,388

Table 2: 2024/25 Revenue budget forecast by service

Service Area	Original Budget 2024/25	Budget Adjustments	Revised Annual Budget	Forecast Outturn	Forecast (Surplus) / Deficit
	'000's	'000's	'000's	'000's	'000's
Adult Services	42,816	(40)	42,776	44,310	1,534
Children Services	22,450	(54)	22,396	23,530	1,134
Public Protection	1,982	0	1,982	1,806	(175)
SCH Support	1,162	0	1,162	1,163	1
Social Care, Health & Safeguarding	68,410	(94)	68,316	70,810	2,494
Emergency Planning	170	0	170	186	16
Individual Schools Budget	52,459	0	52,459	52,454	(4)
Resources	1,032	0	1,032	1,049	17
Standards	11,192	0	11,192	11,632	440
Children & Young People	64,853	0	64,853	65,321	468
Enterprise, Housing & Community Animation	3,250	(16)	3,233	3,126	(107)
Facilities & Fleet Management	11,608	(42)	11,565	12,432	867
Neighbourhood Services	10,521	132	10,653	10,916	263
Placemaking, Highways & Flood	1,870	(32)	1,838	1,780	(58)
Communities & Place	27,249	41	27,291	28,254	963
Communications	218	0	218	218	0
Countryside & Culture	1,142	0	1,142	1,136	(6)
Finance & Business Development	4,336	0	4,336	4,398	62
Leisure, Youth & Outdoor Adventure	2,393	0	2,393	2,290	(102)
MonLife	8,088	0	8,088	8,042	(46)
Policy, Scrutiny & Customer Service	1,415	0	1,415	1,415	(0)
People	1,873	(8)	1,865	1,933	68
Chief Executives	3,288	(8)	3,279	3,348	68
Democratic Services	1,847	0	1,847	1,825	(22)
Legal and Land Charges	1,047	0	1,047	1,120	73
Law & Governance	2,894	0	2,894	2,945	51
Commercial, Corporate & landlord Services	1,320	0	1,320	1,552	232
Corporate Health & Safety	92	0	92	92	0
Finance	3,936	29	3,965	3,766	(199)
Information Communication Technology	2,996	0	2,996	2,981	(15)
Resources	8,344	29	8,373	8,391	18
Precepts & Levies	26,532	0	26,532	26,532	(0)
Coroner's	278	0	278	278	(0)

Service Area	Original Budget 2024/25	Budget Adjustments	Revised Annual Budget	Forecast Outturn	Forecast (Surplus) / Deficit
Archives	213	0	213	219	6
Corporate Management	398	0	398	398	(0)
Non Distributed Costs (NDC)	577	0	577	577	(0)
Strategic Initiatives	(350)	0	(350)	(350)	0
Insurance	1,828	0	1,828	1,828	0
Corporate Costs & Levies	29,476	0	29,476	29,482	6
Net Cost of Services	212,603	(32)	212,571	216,592	4,021
Interest & Investment Income	(1,176)	0	(1,176)	(1,127)	48
Interest Payable & Similar Charges	7,252	0	7,252	7,210	(42)
Charges Required under Regulation	6,230	0	6,230	6,189	(41)
Other Investment Income	0	0	0	(1)	(1)
Borrowing Cost Recoupment	(3,883)	0	(3,883)	(4,131)	(248)
Contributions to Reserves	833	0	833	833	0
Contributions from reserves	(1,955)	32	(1,923)	(1,923)	0
Contribution from Council Fund	0	0	0	0	0
Appropriations	7,301	32	7,333	7,050	(283)
Expenditure to be Financed	219,904	0	219,904	223,642	3,738
General Government Grants	(91,149)	0	(91,149)	(91,149)	0
Non Domestic Rates	(34,871)	0	(34,871)	(34,871)	0
Council tax	(102,295)	0	(102,295)	(102,295)	0
Council Tax Benefit Support	8,410	0	8,410	8,060	(350)
Financing	(219,904)	0	(219,904)	(220,254)	(350)
Net General Fund (Surplus) / Deficit	0	0	0	3,388	3,388

Section 2 - Directorate – Service Variance Comments

SOCIAL CARE, HEALTH & SAFEGUARDING	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	2,494	0	0	0

The directorate projected overspend position at Update 1 is attributable to ongoing demand pressures within Adults and Children's services.

External residential care home placements in Adult services have increased by 17 since the budget was set, causing a £520K pressure on the budget. Care at home placements are not made without management oversight and where all other options for care provision have been explored. Currently, the number of care home placements is increasing by 1 per week on average, presenting an ongoing risk to the budget; however, it is hard to predict whether care home placements will continue to increase at this rate. The service will continue to monitor the net effects of movement within the care home population over the rest of the year.

The service is finding it challenging to achieve savings set out within the practice change and partnerships mandates resulting in £729K of pressure. The service has put in additional controls around how new care services are provided, which is helping to ensure that care is provided with parity across the area and allocated according to the most pressing needs. As and when opportunities arise, care at home is being re-brokered to ensure that costs are minimised as far as possible without compromising people's care and support needs. However, the ongoing programme of reviewing existing care remains challenging because of the pressure of managing new referrals and assessments. Equally, there remain challenges around pursuing Continuing Health Care costs with Health.

A further pressure of £375K has arisen as contrary to previous indications, it appears unlikely that the potential increase to the non-residential weekly care charging cap will be considered in time to have an effect this year.

In response to the ongoing challenges there is a comprehensive reform agenda in place across the service covering domiciliary care commissioning, service delivery models particularly reablement and ensuring there is a robust and co-ordinated preventative/community wellbeing offer in place. Reviewing the structure of the workforce remains a priority, ensuring that resources are used to best effect, and it is pleasing to note that the staffing mandate in place for this year has been achieved.

With Children's service the Head of Service commentary sets out the challenges arising from the number of children entering the care system and the pressure on the service, placements and costs this creates. There is a comprehensive suite of family support services in place that helps to mitigate risks, and to ensure that children come into care only when there is absolutely no alternative. Equally work continues around supporting children to return to family care or move to semi-independence at the earliest opportunity (where is safe and, in the child's, best interests). The progression plan for child takes dedicated resource and carefully implemented multi-agency approach. This period has included the step down of 2 children from residential care which is being commended. Nevertheless, despite achieving £800K against the saving mandate, with another £550K being projected, the pressure of new referrals has generated a £1.13M projected overspend. There are risks associated with the projected savings of £550K because of the dynamic nature of care planning for children. Equally it is hard to predict whether the current rate of children entering care or requiring intensive services in the community will continue.

As in previous years, the directorate bottom line, continues to benefit from a number of Welsh Government grants approximately £2M including Workforce grant, Regional Integration Fund and the Radical/Eliminate grants, used to bolster core service provision. This creates an additional risk and potential pressure for the service in that there is little certainty over the extent to which these grant streams will be maintained.

ADULT SERVICES				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	1,534	0	0	0

There are ongoing risks around increased costs of care and the complex needs of an ageing population and processes are in place to manage new demand and reduce the cost of existing packages via a program of reviews. Efforts to embed practice change are ongoing with a recognised need to contribute to support the workforce to understand budget impact whilst also maximising opportunities to re-provision resource firmly around prevention of escalation throughout the care pathway and work closely with providers to maintain quality and cost effectiveness of provision.

CHILDREN SERVICES				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	1,134	0	0	0

The first quarter of this year has seen an increase in the population of Children Looked After (CLA) which has risen from 199 at 2023/24 year end to 208 at the end of July, including an increase in the number of residential placements from 21 to 23, creating a pressure of £1M.

It has been a particularly pressurised period for the service with 30 children becoming looked after and 19 children ceasing to be looked after. The new entrants have included a family of 5 siblings, a family of 3 siblings and 5 families of 2 siblings. The needs of the children and the lack of suitable alternative in house placement options has resulted in 2 new entrant children being placed in residential care and 5 in For Profit Foster care. In addition, 8 of these children have entered "Parent and Child" assessment placements which includes a parent with 4 siblings and 3 individual children with their respective parents. Whilst such placements are time limited (approx. 12 weeks) they are high cost with each placement mandated by Family Court during proceedings.

In addition, during the first part of the year, a higher than usual number of children's placements have broken down, such that there is then no option but to place in high-cost placement.

Lack of placements for children remain a significant challenge within the service with ongoing instability and uncertainty within external providers of both residential and IFA placements, resulting in increased costs for external placements, more competition for placements and less movement. The recruitment of in house foster carers also remains a challenge. The service is continuing to develop its own provision including a step-down provision for young people aged 16+ expected to be operational from November and a children's residential home expected to be operational by the end of this financial year.

The service continues to review all CLA children's placements with a focus on high-cost placements. The service is able to utilise the suite of family support services that are in place to ensure that all opportunities for children to remain in family care or return to family care are maximised.

In this way, approximately £800K of the £1.3M saving target has already been achieved with a further projected saving of approximately £550K profiled into the rest of the year. This does present some ongoing risk of achievability, in that the current cohort of children looked after having longer standing histories of being in care and more complex trauma presentations, making it harder to achieve step down placements.

Alongside the pressure arising from children's placements, there is a further pressure of approximately £200K within the Family Time team out of hours service. The establishment of the out of hours service in 2023 was in response to the significant costs of using private nursing agencies to manage risk in the community (keeping children at home or under supervision in a hospital whilst safeguarding investigations

are ongoing). This is a cost avoidance (overspend management) strategy which has seen a reduction of up to 60% in the use of external agencies despite the service supporting 2 children to step down from residential care placements.

PUBLIC PROTECTION

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	(175)	0	0	0

The underspend is mainly as a result of staff vacancies, 2 posts having external funding and expected income above budget.

SCH SUPPORT

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	1	0	0	0

This budget area is forecast, within £1K, to spend to its budget allocation.

CHILDREN & YOUNG PEOPLE DIRECTORATE

	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	468	0	0	0

The Directorate's current position is a forecasted overspend of £467,940.

This is largely due to ALN, with an unexpected increase in ALN placements at Independent Schools, an ALN pupil staying on for Year 14, additional support for 2 existing ALN pupils and CYP being liable for £56k of the Post-16 Specialist Placement Costs for 23-24, as we had thought the Joint Contribution was being funded. We are currently disputing these costs for the Summer Term, but we may be liable for a further £28k.

Further additional costs across the Directorate are £55k of employee related savings, which are unlikely to be met (although grant funding may be able to meet these costs) and a forecasted overspend of £33k for ALN transport, mainly due to a 2% increase in external contracts from September.

Emergency Planning

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	16	0	0	0

The overspend of £15,736 is due to employee related savings not being met (although, as previously advised, grant funding may be able to meet these costs)

Individual Schools Budget

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(4)	0	0	0

The division is currently forecasting a small underspend of -£4,360

Resources

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	17	0	0	0

The overspend of £16,728 is mainly due to employee related savings not being met (although, grant funding may be able to meet these costs)

Standards

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	440	0	0	0

The overspend of £439,836 is due to the following:

- £366k ALN – Independents (5 new starters at Independent Schools (£254k) + 1 pupil staying on for Year 14 (£49k) + additional support for 2 existing pupils (£7k) + liable for £56k of Post-16 Specialist Placement Costs for 23-24 (as we had thought the Joint Contribution was being funded). We are disputing these costs for the Summer Term, but we may be liable for a further £28k
- £10.2k ALN – OOC (2 new starters in out of county schools (£29k), reduced by estimated costs for another pupil being less than expected (-£19k))
- £33.4k ALN Transport (£12k invoice received regarding 23-24. Estimated £20k increase due to 2% increase in external contracts from Sept)
- £25.2k Employee Related Savings not met (although grant funding may be able to meet these costs)

COMMUNITIES & PLACE DIRECTORATE

Update 1	Update 2	Update 3	Update 4	
Deficit / (Surplus) £'000s	963	0	0	0

The directorate is currently forecasting a £963k overspend. A detailed explanation for each service area is provided below but the overspend can be mainly attributed to School & Passenger Transport and Housing which are demand led services and are both reporting severe budget pressures for this year.

We are projecting to make £563k (60.7%) of our £927k budgeted saving target. The shortfall of £364k is mainly due to the delay in the relocation of tenants into Severn View which will now not happen until late in the financial year resulting in £320k of the £400k saving target not being met, although this has been mostly offset by unbudgeted discretionary housing grant.

Officers are working to reverse this position and will be looking at all avenues to mitigate the overspend including reviewing and stopping all non-essential spend, reviewing vacant posts, ensuring we maximise all grant funding streams and maximising income generation.

Enterprise, Housing & Community Animation

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(107)	0	0	0

Enterprise & Community Animation is forecasting to under spend by £107k, this is mainly due to: -

- **Enterprise Mgt** - £128k underspend – Employee savings due to senior staff vacancies of £144k have been offset by a £17k overspend on our City Deal contribution.
- **Community & Partnership Development** - £27k underspend – Staff savings as we can use grant funding to pay for core staff costs.
- **Housing** - £158k over spent, this can be broken down into these main areas: -
 - **Housing** - £209k net overspend – we are currently forecasting a net overspend across our B&B and leased accommodation portfolio. We have reduced the number of B&Bs in recent months (49 rooms in August) but this has resulted in an increase in leased properties and even though this is the cheaper option it still comes with a cost. We have seen a 35% increase in properties since April 21 (154 to 208) to service increasing demand and as a result we are predicting our annual operating costs, and in particular damage repair & maintenance will exceed available budget. The relocation of tenants to Severn View has been delayed as planning permission for change of use was not granted until July, refurbishment works can now start but the delay has meant the accommodation will now not be ready until February. This has impacted on the ability to make the £400k saving that was built into the budget, it is anticipated that only an £80k saving will be generated this year resulting in a shortfall of £320k. It is fortunate this year that this pressure has been mostly covered by the receipt of one-off WG discretionary homelessness grant, resulting in an overall net budget overspend of £209k for 24-25.
 - **Careline** – £51k under spent – the underspend is due to the ability to offset staff costs against grant funding and also in the reduction in equipment spend as stocks were replenished last year (via grant) reducing the need for in-year spending this year.
- **Business Growth & Enterprise** – £110k under spent – this is due to a £74k increase in grant funding allowing us to offset core costs, a £27k saving in employee costs as a post currently on maternity leave is not being backfilled and a £6k saving on professional & specialist fees.

Facilities & Fleet Management

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	867	0	0	0

Facilities, Fleet & De-carbonisation are forecasting a £967k overspend, this is due to :-

- **Decarbonisation** - £106k net overspend – this can be attributed to the following factors :-
 - Corporate Mileage Saving - £80k over spend – We are anticipating that the amendments that are required to the current corporate travel and disbursement policy will be made in the coming months, and this will allow us to implement the roll-out of the Pool car scheme and other initiatives, with the potential that £20k of the original £100k saving will be found this year.
 - Solar Farm - £129k deficit – early year projections are forecasting that income will be down this year due to poor weather and grid outages, both of which are out of our control, we are forecasting that the farm will still make a £271k surplus this year but this is £129k less than the budgeted surplus of £400k.
 - De-Carbonisation Team - £111k under spend – Recruitment into the team is proving difficult and we are forecasting that 3 vacant posts will only be part filled this year creating a saving in staff costs.

- **Schools Catering** - £20k under spent – we are forecasting a £50k underspend in employee costs due to the delay in recruiting staff into posts, this has been offset by a £30k cost of providing laptops into the kitchens.
- **Building Cleaning & Public Conveniences** - £51k under spent – mainly due to a staff underspend in Building Cleaning due to difficulties in recruiting into vacant posts and a £6k rates saving in Public Conveniences.
- **Passenger Transport** – £623k over spent– we are projecting a major budget pressure within the PTU section, this can be attributed to these main factors :-
 - Service Demand – The demand for school transport has increased significantly over the last number of years, we are expecting to transport 2,813 pupils a day this year (based on Sept 24 numbers), this is a 10% increase from 3 years ago and means we have had to add extra bus contracts to service this uplift.
 - Operator market – There is a scarcity of operators within the area, this means prices are set at a premium increasing contract cost. The commissioning team has retendered contracts and re-worked routes and despite of a 2% contracted inflation uplift have managed to avoid further increases of £200k on top of the existing outlay. In instances where we cannot procure external provision then the authority has to step in as the operator of last resort, this increases the financial burden as we have to procure vehicles and drivers to service the contracts.
 - Reduction in grants – last financial year we benefitted from windfall bus operator grant which helped offset core operating costs, we are not expecting any such grant this year so net spend will be higher.
 - Public Bus Service funding – Following the retendering of all services last winter the authority ended up having to operate some routes (A5/A6 and 2 journeys on route 65) from April to August this year without sufficient funding. We did receive some Bus Network Grant funding for routes A5/A6, but not sufficient to cover net operating costs. The decision was also made to reinstate two journeys on route 65 to the timetable where no BNG was available, resulting in the service having to cover the cost of provision. From September the service will not be running any public bus routes as they have all been allocated to external operators.
- **Regional Transport Team** - £51k under spent – Underspend due to staff being funded 50% from capitalisation directive and core costs being funded from transport grants.
- **Fleet Maintenance** - £270k over spend – The pressures that we faced in 23-24 are continuing to impact on the budget in 24-25, where inflation, supply chain issues, vehicle hire growth and increased borrowing spend have driven operating costs over and above available budget. There are also additional spend requirements this year around EV charge points and a new vehicle management system.

Neighbourhood Services

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	263	0	0	0

Neighbourhood Services is forecasting to overspend by £365k, due to :-

- **Highways & Streetlighting** - £30k overspend – this is due to an overspend in Streetlighting where annual maintenance contract inflation coupled with an increase in the number of adhoc repairs has

resulted in the budget being exceeded. Highways operations and SWTRA are forecasting to be on budget.

- **Waste & Grounds Maintenance** - £233k over spend – The 24/25 budget was built on the premise that our polyprop service would be fully operational from the 1st April, delays in vehicle delivery have meant that the service won't start until early Autumn resulting in our early year disposal costs being higher than originally anticipated. Our Grounds service is currently forecasting a break even budget.

Placemaking, Highways & Flood

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(58)	0	0	0

Placemaking, Highways & Flooding is forecasting to under spend by £58k, due to :-

- **Building Control** – £69k over spent – early year forecasts are indicating a similar position to last year where fee income was impacted by the economy resulting in reduced applications. In addition, the introduction of the Building Safety Act 2022 has increased the amount of statutory non-chargeable works having to be undertaken adversely affecting staff and income budgets.
- **Planning & Development Control** - £45k over spent – as with Building Control above early year indications are that application fee income will mirror last year and be lower than budget as per the economy downturn. Income levels are influenced by the amount of potential development opportunities and the adoption of the Replacement Local Development Plan will address this current deficit in land availability, but we will not see the benefit of that in this financial year. Councils are currently lobbying WG to increase the planning fee rate given that they have not risen with inflation and have remained fixed since 2020. WG are currently reviewing this matter.
- **Car Parks & Civil Parking Enforcement** - £60k under spent – Underspend is mainly due to improved income as our annual pay & display projection is currently exceeding budget, in addition the position has been helped by employee savings due to full year vacant posts.
- **Highways management & flooding** - £111k under spent – Employee under spend due to full and part year vacancies and improved income from capital programme fees.

MONLIFE DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(46)	0	0	0

The Directorate is forecast to underspend by £46k. Delayed implementation of the area management restructure, delayed staffing savings which had been anticipated within the Museums service and reduced income at our attractions has been offset by increased income from our leisure services and markets this is due to increased income from marketing campaigns along with the sections ability to retain new members and tenants. There is still a significant risk around income predictions at both our leisure facilities, outdoor adventure centre and borough theatre with the forecast relying on £5.1m of income from these 3 service areas alone. We will continue to monitor income forecast closely as the year continues.

(Monlife) Countryside & Culture

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(6)	0	0	0

Countryside and Culture are forecast to underspend by £6k due to lower than anticipated supplies and services.

(MonLife) Communications

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0

Central communications are forecast to achieve a balanced position.

(Monlife) Finance & Business Development

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	62	0	0	0

Finance and Business Development are forecast to overspend by £62k due to the delayed implementation of the area management structure £80k, £22k reduced income at the borough theatre, reduced income at our attractions £34k due to adverse weather and lower than anticipated staff savings within our museums service £16k. This has been offset by lower than anticipated expenditure at our contact centre due to vacancy savings and reduced supplies and services (£50k) and lower than anticipated expenditure within our support services of (£40k).

(Monlife) Leisure, Youth & Outdoor Adventure

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(102)	0	0	0

Leisure, Youth & Outdoor Adventure are expected to underspend by £102k this is due to higher than anticipated income at our leisure facilities.

CHIEF EXECUTIVE'S UNIT DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	68	0	0	0

Chief Executives is forecasting to overspend by £68k.

The People function is in the middle of a period of change following the approval the People Strategy and appointment of our new Head of HR. We are introducing automation to improve customer experience and back-office efficiency. However, this is taking longer than anticipated and as a result savings have yet to be realised. We have taken the steps we can to lower costs, including entering a collaborative arrangement with other authorities for training which has reduced the cost of training systems.

The biggest financial pressure in Policy, Scrutiny and Customer Relations is for Welsh language translations. This is a statutory obligation. While we can do little about demand, a business case is being developed to provide the service in a different way which would help reduce supply side costs from 2024-25 onwards.

Policy, Scrutiny & Customer Relations

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
<p>Policy, Scrutiny & Customer is forecasting to return a net balanced budget, this is due to :-</p> <ul style="list-style-type: none"> • Corporate - £24k under spent – mainly as a result of core staff costs being funded by Ukraine grant funding as capacity is diverted to manage this situation. • Scrutiny - £6k over spent – due to the inability to make staff vacancy factor savings. • Customer Relations – On Budget. • Policy & Partnerships – £19k over spent – Equalities and Welsh Language is forecasting to overspend by £70k due to translation demand outstripping available budget and our corporate subscriptions costs are expected to exceed budget by £20k. These overspends have been part offset by a £45k underspend in GIS due to part year vacant posts and a £26k staff saving in Performance & Data as we have passported core staff costs to capital. 				
People				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	68	0	0	0
<p>People Services is forecasting to over spend by £68k, the main variances are as follows:</p> <ul style="list-style-type: none"> • Payroll - £46k under spent – Net underspend mainly due to staff secondment savings and system costs being lower than budgeted for this year. This underspend is being used to partly off-set a temporary increase in capacity in People Management. • People Management - £102k over spent – Employee costs are currently forecasting to exceed budget by £85k, this is mainly due to the requirement to uplift resources within the unit to cover service demand. In addition, SLA income is expected to come in £40k lower than budgeted and supplies and services have increased due to software increases and the purchase of IT equipment for additional staff. • Corporate Training - £7k over spent – due to income targets not being achieved, this is due to a drop off in external training requirements due to the cyclical nature of qualification updates, last year there was a major renewal on 3 and 5 year certificates so we are anticipating that 24/25 numbers will be down. • Organisational Development - £4k over spent – Inability to meet staff vacancy savings. 				
LAW & GOVERNANCE DIRECTORATE (PG)	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	51	0	0	0
<p>The overspend in legal is mainly a result of a significant shortfall in expected income for the commercial law team. This will be monitored to ensure opportunities to recoup income are taken, but also to assess whether the projected income continues to be realistic going forward. There has been also been an increase in staffing costs following the re-grading of a post to ensure the Council has a deputy monitoring officer as required by law, as well as honoraria payments made at the appropriate grade in the interim before the re-grading was finalised.</p>				
Democratic Services				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(22)	0	0	0

Democratic Services is forecasting to underspend by £22k, this is due to :-

- **Members** - £22k under spend – resulting from a reduction in payroll costs due to savings from a part-year vacant position and a reduction in co-opted member costs.
- **Committee & Elections** – On Budget

Legal and Land Charges

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	73	0	0	0

Legal and Land charges is forecasting to overspend by £73k, this is due to :-

Legal Services - £73k over spend – Mainly due to a projected shortfall in rechargeable income, and also an over spend in staffing due to a post regrading, honoraria payments and the inability to meet staff vacancy savings.

Land Charges – On Budget.

RESOURCES DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	18	0	0	0

The Resources directorate is forecasting a small over spend of £18k, primarily due to pressures within the corporate & commercial landlord budget, which is offset by savings within finance.

There is a shortfall against budgeted savings targets where rental income is currently below targets following some staggering of rent increases, and some vacant units remaining to be filled.

Commercial investments continue to fall short of budgeted net income targets though this is expected to improve as lettings are secured through the last half of the financial year.

Work continues into the review and rationalisation of our buildings portfolio, but this has been slower than originally anticipated and we are projecting a shortfall against the previous year's budget saving requirement. There are however several instances of rationalisation savings being realised that feature as part of other directorates forecasts. Officers continue work in this area and there is a possibility that this will change before year end.

These overspends have been part managed by employee savings due to staff vacancies only being filled part way into the year in both finance and commercial and landlord services.

The directorate will continue to support the wider budget recovery action and is exploring all opportunities of limiting expenditure, holding vacancies, and maximising all avenues of income and grants.

However the scope to introduce significant further levels of savings within the Resources budget at this stage of the year is very constrained, given the limited amount of controllable budget. However, work will continue to secure further savings which will be reported in future reporting periods.

Finance	Update 1	Update 2	Update 3	Update 4
Outturn Forecast				
Deficit / (Surplus) £'000s	(199)	0	0	0

Finance is forecasting to return a £199k underspend, this is mainly due to -

- **Revenues** - £4k net under spend – £11k budget pressures within the Council Tax and Housing Benefit budgets have been offset by in year vacancy savings and one off grant income.
- **Systems & Exchequer** – £23k under spend – an increase in annual contract costs for the revenue and benefits system have been offset by managed staff vacancies, putting system developments on hold, reduced security carrier charges and an increase in in-year recharge income.
- **Finance** - £172k under spent – Underspend is due to a combination of staff vacancies and the ability to recharge core staff costs to other sources of funding.
- **Audit** – On Budget.

Future Monmouthshire

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0

Future Monmouthshire is forecasting to return a balanced budget.

Corporate Health & Safety

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0

Corporate Health & Safety is forecasting to return a balanced budget.

Information, Communication & Technology

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(15)	0	0	0

The ICT division is forecasting a £15k under spend, this is due to :-

- **Digital Programme Office** – On Budget.
- **SRS Contribution** – £11k over spend - SRS have informed us that early year forecasts are indicating an overspend against our contribution budget, this is mainly due to increases in Checkpoint Firewall costs and PSBA line costs.
- **Digital Design & Innovation** - £22k under spent - due to savings from managed staff vacancies.
- **Cyber Security Team** - £4.5k under spent – Due to staff savings through part year vacancy and a managed reduction in non-essential spend.
- **Telephony** – On Budget.

Commercial & Corporate Landlord

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	232	0	0	0

Commercial & Corporate Landlord services is forecasting to over spend by £232k, due to :

- **Investment Properties** - £97k over spent, due to –
 - **Newport Leisure Park** - £67k over spent – NLP is forecasting to achieve a surplus position of £279k after borrowing costs (an improvement of £188k on 23-24 outturn) but a variance of

£67k on the budgeted target due to changes in some of the existing tenancy agreements reducing the expected annual rental.

- **Castlegate Business Park** - £29k over spent – Castlegate is forecasting a £29k overspend due to increased rates and service charges relating to vacant units.

- **Landlord Services** - £68k over spend – Work continues into the review of our buildings but the rationalisation of our portfolio has been slower than originally anticipated and we are projecting that £207k of the original £215k budget mandate saving will not be found this year, officers will continue to work on this and there is the possibility that this will change before year end, in addition early year indications suggest that our rental income will be £43k under budget. These overspends have been part managed by employee savings due to staff vacancies only being filled part way into the year.
- **County Farms & Industrial Units** - £67k over spend – Income budgets were increased as part of the 24/25 MTFP to reflect the uplift in rent from filling our vacant farm properties and industrial units. Even though progress has been made in finding tenants rental agreements will be staggered resulting in only part year receipt of rent, in addition, as we currently have vacant properties we are now liable to cover the council tax - current forecasts assume a full year liability but this could change if we find tenants in-year.
- **Property Services** – On Budget.

CORPORATE COSTS & LEVIES DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	6	0	0	0
Precepts & Levies				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Archives				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	6	0	0	0
Final fees slightly above budgeted precept at budget setting.				
Corporate Management				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Non-Distributed Costs				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Strategic Initiatives				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4

Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Insurance				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
TREASURY & RESERVES				
	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(283)	0	0	0
Interest & Investment Income				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	48	0	0	0
Due to the reduction in market interest rates since budget setting, investment income is forecasted to be slightly reduced.				
Interest Payable & Similar Charges				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(42)	0	0	0
Reduced market interest rates have led to small saving				
Charges Required Under Regulation				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(41)	0	0	0
Underspend due to capital expenditure financed by borrowing in 23/24 being less than budgeted for.				
Other Investment Income				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
Borrowing Cost Recoupment				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(248)	0	0	0
Budget was set before additional capital financing for 2023/24 vehicle purchases was finalised. Partially offset by additional MRP charges.				
FINANCING				
	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(350)	0	0	0

Council Tax Reduction Scheme				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(350)	0	0	0
Caseload currently remains below the budget set.				
Council Tax				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance currently forecast, as It is too early in the financial year to accurately determine the outturn position. The council tax base remains healthy and is close to the tax base set for the year. However council tax discounts and exemptions continue to grow, which have a negative impact on the tax base. It remains unclear how much income will result from council tax premiums. Properties continue to move in and out of the lists. There is some evidence that the premiums are starting to bring properties back into use.				
General Government Grants				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
Income received to budget.				

2. Section 3 – School Balances

- 2.1. A Board of Governors who are responsible for managing the school's finances, directly governs each of the Authority's Schools. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools. Below is a table showing the forecast Schools' balances position, for each Educational Cluster.

School Reserves	(A) Opening Reserves (Surplus) / Deficit Position 2024/25 £000's	(B) Draw / (Contribution) from / (to) School Balances @ Update 1 £'000	(C) Draw / (Contribution) from / (to) School Balances @ Update 2 £'000	(D) Draw / (Contribution) from / (to) School Balances @ Update 3 £'000	(E) Draw/ (Contribution) to Reserves at Update 4 £'000	(A+B) Forecast 2024/25 Reserves £'000
Cluster						
Abergavenny	143	1,133	0	0	0	1,276
Caldicot	(87)	1,152	0	0	0	1,065
Chepstow	658	800	0	0	0	1,458
Monmouth	(552)	1,066	0	0	0	514
Special	741	778	0	0	0	1,519
Total	904	4,929	0	0	0	5,832

2.2. Collective School balances at the beginning of the Financial Year amounted to a deficit of £903,636. The anticipated further draw on reserves is £4,928,604, against a budgeted draw on reserves of £5,015,104, resulting in a forecast deficit balance of £5,832,251 by year end.

2.3. The movement of individual schools forecast to be in deficit at the end of the year is shown below:

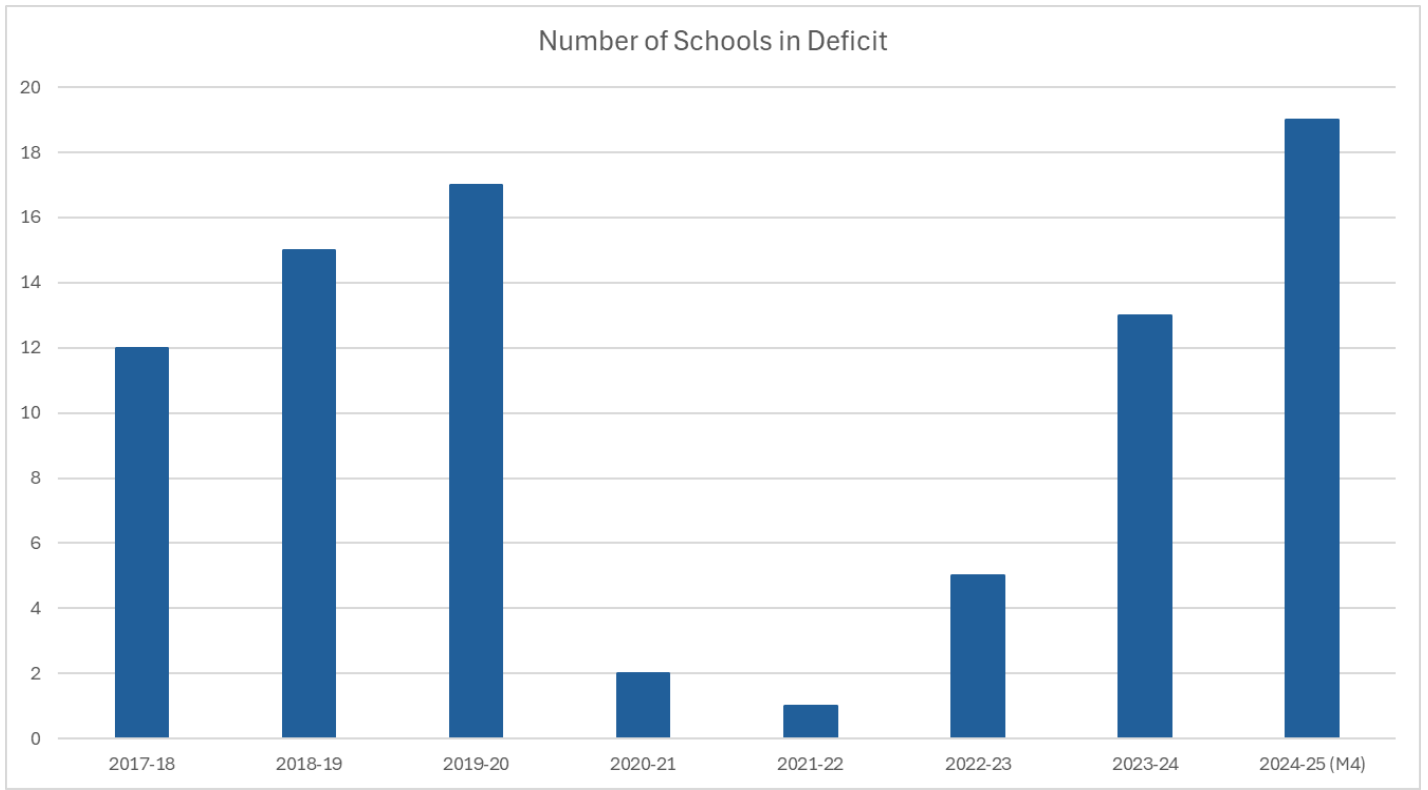
Start of year	Update 1	Update 2	Update 3	Update 4
Total: 13	Total: 19	Total:	Total:	Total: 0
Chepstow Comprehensive Pupil Referral Service	Chepstow Comprehensive Pupil Referral Service			
The Dell	The Dell			
Our Lady & St Michael's RC Primary School (VA)	Our Lady & St Michael's RC Primary School (VA)			
Ysgol y Fenni	Ysgol y Fenni			
Caldicot School	Caldicot School			
Ysgol y Ffin	Ysgol y Ffin			
Osbaston	Osbaston			
Overmonnow	Overmonnow			
Gilwern	Gilwern			

Rogiet	Rogiet			
Thornwell	Thornwell			
King Henry VIII 3-19 School	King Henry VIII 3-19 School			
	Goytre Fawr			
	Llantilio Pertholey			
	Dewstow			
	Monmouth Comprehensive			
	Llandogo			
	Usk			

- 2.4. The legacy impact of the pandemic continues within the school environment, 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 overall costs of provision. Higher than budgeted pay awards have also impacted upon budgets.
- 2.5. All schools that are budgeting to register a deficit balance at the end of the 2024/25 financial year are required to bring forward budget recovery plans. These recovery plans will be confirmed with both the Local Education Authority, each School's Governing Body and, in some cases, the plans will need to be agreed by the relevant Cabinet Member. All recovery plans are expected to be received by October Half Term.

Financial Year-end	Net level of School Balances (Surplus) / Deficit in £000's
2015-16	(1,156)
2016-17	(269)
2017-18	(175)
2018-19	232
2019-20	435
2020-21	(3,418)
2021-22	(6,956)
2022-23	(4,257)
2023-24	904
2024-25 (forecast)	5,832

- 2.6. The decrease in school balances has resulted in an increase in the number of schools in deficit, as illustrated in the following table:



Budget savings progress 2024-25 - Update 1

Savings proposals by Directorate	Budgeted Saving	Forecast	Variance to Budgeted Savings	Percentage met	Comment
		£000	£000		
Social Care & Health	(4,972)	(3,868)	1,104	77.8%	
Children & Young People	(3,172)	(2,796)	376	88.1%	
Communities & Place	(927)	(563)	364	60.7%	
Monlife	(1,079)	(975)	104	90.4%	
Chief Executives Units	(86)	(86)	0	100.0%	
Law & Governance	(33)	(33)	0	100.0%	
Resources	(595)	(488)	107	82.0%	
Corporate Costs & Levies	(77)	(77)	(0)	100.1%	
Totals	(10,940)	(8,886)	2,055	81.2%	

Ref	Social Care & Health	Total Saving / Recovery	Forecast	Variance		Comment
		£000	£000	£000		
SCH3/4	Childrens services - Placement and Practice Change - Reviewing high-cost placements and developing in house placement	(1,300)	(1,300)	0		Savings to date of identified placements totals £800K, with a further projected savings of £550K but these attract risk in deliverability
SCH2/5/7/16	Adults services - Directorate staffing review - reducing the workforce within adult services	(1,464)	(1,464)	0		
SCH6/8/9/10 /14/15	Adults services - practice change agenda by managing demand, strengthening oversight and controlling costs	(1,130)	(456)	674		Review work is ongoing and we are looking at a plan to introduce some short term additional resource to accelerate this area of work. In addition, we are still actively pursuing CHC opportunities as they arise
SCH11	Adults services - Reduction in Adult partnership arrangements for Gwent service delivery models - Shared lives, Emergency duty, Frailty, Regional partnership team	(55)	0	55		We are currently in negotiation with Caerphilly CBC who host a regional Shared Lives partnership and partners are requesting a refund on built up reserves by Caerphilly from years of unspent partner funding.
SCH12	Adults services - Transformation Team structure - reduction in core workforce	(30)	(30)	0		
SCH13	Adults services - Savings from service relating to borrowing to afford Severn View replacement	(105)	(105)	0		
SCH18	Review and increase of directorate schedule of fees and charges across Social Care & Health	(388)	(388)	0		
SCH19	Public protection - Hold vacant Environmental Health Officer post	(23)	(23)	0		
Energy	Year-on-year change in energy cost	(102)	(102)	0		
SCH17	Review the legal non residential weekly charge cap from £100 to £120	(375)	0	375		Dependant on how Welsh Government react and implement following the consultation
SCH Totals		(4,972)	(3,868)	1,104		

Ref	Children & Young People	Total Saving / Recovery	Forecast	Variance		Comment
		£000	£000	£000		
CYP2	CYP support - Release expected reserve from rebates for solar panel on schools	(120)	(120)	0		
CYP3	CYP Support - Freeze vacancy in student access team	(34)	(34)	0		Vacancy being held
CYP4	Net saving on ALN placements. Reduce the cost of out-of-county and specialist placements by investing in the quality and capacity of local, community and specialist resource basis.	(534)	(158)	376		Unexpected increase in new starters at Independent Schools + additional support for existing pupils + liable for £56k of the Post-16 Specialist Placement Costs for 23-24 + 2 x new starters in out of county schools
CYP5	ALN & Standards - Continue to hold a vacancy open in the Most team	(20)	(20)	0		Vacancy being held
CYP6	ALN & Standards - Reduction in Education Achievement Service contribution of 10%	(35)	(35)	0		Contribution reduced
CYP7	Stop contributions to Gwent Music, leaving hardship fund in place	(39)	(39)	0		Contribution reduced
CYP8	Increase Breakfast club charges	(70)	(70)	0		Charges increased
Energy	Year-on-year change in energy cost	(820)	(820)	0		
CORP	Teachers pension grant funding	(1,500)	(1,500)	0		Funding risk - dependent upon amount of funding WG receive from central government and how this is distributed to LA's
	CYP Totals	(3,172)	(2,796)	376		

Ref	Communities & Place	Total Saving / Recovery	Forecast	Variance		Comment
		£000	£000	£000		
C&P1	Savings from the disposal of street sweepings through Siltbuster recycling plant	(20)	(20)	0		Achievable
C&P2	Fees & charges - Uplift in garden waste collection costs 10%.	(75)	(75)	0		Prices increased, indications are that target will be met.
C&P3	Waste and street services - Restructure to reduce staff costs and not replace frozen post	(50)	(50)	0		Post removed - achieved
C&P5	Reduce EPA numbers to reflect uptake of Town Team approach	(25)	(25)	0		Post removed - achieved
C&P6	Remove Council Car	(8)	(8)	0		Car returned last year - achieved
C&P11	Review the provision of small vehicle home to school transport contracts with a view to bringing in house	(93)	(93)	0		Even though pressure overall in PTU this change has generated the required saving.
C&P13	Increase the cost of concessionary transport seats from £440 to £484 (10% uplift)	(3)	(3)	0		Prices increased, assume that target will be met.
C&P12	Decarbonisation - Increase renewable energy generation opportunities across our estate to reduce demand on grid supply	(50)	(50)	0		Early indications are that generation target will be met.
C&P14	Planning income target increased	(50)	0	50		Early year projections are that our planning fees will not increase enough to hit this saving target.
C&P16	Fees & Charges - Increase fees by 10% for street naming and numbering, licences, road closures and S.38 inspections	(33)	(33)	0		Prices increased, assume that target will be met.
C&P18	10% Uplift in Car Parking Charges	(66)	(66)	0		Prices increased, assume that target will be met.
C&P20	Fees & charges - Increase SAB pre-application charges by 10% and increase the income target to reflect increased service uptake	(2)	(2)	0		Prices increased, assume that target will be met.
C&P21	Fees & Charges - Increase SAB application budgeted income target by £25k each year for the next two years	(25)	(25)	0		Early indications are that this will be achieved this year.
Energy	Year-on-year change in energy cost	3	(3)	(6)		

C&P22	Fees & Charges - Trade waste fees, sale of bags & bins etc... 10%	(30)	(30)	0		Prices increased, assume that target will be met.
C&P23	Homelessness - Rapid rehousing transition - reduce the number in unsuitable and costly accommodation	(400)	(80)	320		Change of use planning now approved but delay has meant occupancy will not start until Feb 2025 creating a £320k shortfall. This pressure has been part offset by windfall grant funding within the wider Housing budget.
	C&P Total	(927)	(563)	364		

Ref	Monlife	Total Saving / Recovery	Forecast	Variance		Comment
		£000	£000	£000		
ML1	Realign services within the Town/Market Hall in Abergavenny to improve their potential and ensure continued service delivery	(20)	(20)	0		Achievable
ML2	Museums - Close Abergavenny and Chepstow museums an additional day a week and review business support	(40)	(16)	24		Delayed restructure has lead to the sections inability to achieve the full savings
ML3	Close Old Station Tintern for one day a week on Mondays from 1st April 2024, except for four bank holidays	(10)	(10)	0		Achievable
ML4	Attractions - To use £60k from SPF grants for 2024/25 to cover core staffing whilst delivering Todays' Heritage Tomorrow and Creative Futures.	(60)	(60)	0		Achievable
ML5	Countryside & Culture - Additional income for additional project management and project delivery costs from grants assumption of £25k	(25)	(25)	0		Achievable
ML6	Countryside Access Income Generation - realign the Countryside Access team to maximise the ability to recover project management and related costs from project budgets and increase income generation.	(35)	(35)	0		Achievable
ML7	Countryside & Culture - Stop contributing to Abergavenny TIC as part of Market Hall reconfiguration.	(10)	(10)	0		Achievable

ML8	Countryside & Culture – Recover officer time and project management costs directly associated with the delivery of section 106 funded green infrastructure and recreation schemes.	(15)	(15)	0	Achievable
ML9	Leisure, Sports & Outdoor Adventure - Move to cost neutral services, creating a multi-function site with re-engage PRU and social services	(70)	(70)	0	Achievable - Summer residential income is on target, need to watch re-engage program as this is volatile
ML10	Leisure centres - Change closing times - Weekday Closing 21:30 weekend closure 16:30	(140)	(140)	0	Achievable
ML11	Reduced Youth club provision - Explore alternative delivery models for open access youth provision, including community youth clubs	(20)	(20)	0	Achievable
ML12	Marketing and Memberships Service Redesign - achieve efficiencies by realigning services between departments, reviewing and realigning posts and enhancing the front-of house software provision for collecting membership payments.	(50)	(50)	0	Achievable
ML13	High level management restructure – Area management model	(120)	(40)	80	In progress, delay to structure implementation due to consultation - Income generation should offset shortfall in staff savings
Energy	Year-on-year change in energy cost	(437)	(437)	0	Controlled corporately - All pool covers installed
F&C's	Increase in fees and charges for discretionary services in line with the increase costs of delivering these services	(27)	(27)	0	Prices increased, assume that target will be met.
Monlife total		(1,079)	(975)	104	

Ref	Chief Executive's Unit	Total Saving / Recovery	Forecast	Variance	Comment
		£000	£000	£000	
CEO2	Policy - Training & Workforce Development - Staffing re-alignment (£65k) Partnership working in online training delivery (£10.5k)	(76)	(76)	0	Post removed - achieved

CEO3	Payroll & HR - Release of contingency budgets for implementation of e-recruitment	(10)	(10)	0		Early indications are that this will be achieved this year.
	CEO Totals	(86)	(86)	0		

Ref	Law & Governance	Total Saving / Recovery	Forecast	Variance		Comment
		£000	£000	£000		
LG2	Vacancy Freeze - Paralegal post	(33)	(33)	0		Post frozen - achieved
	LG Totals	(33)	(33)	0		

Ref	Resources	Total Saving / Recovery	Forecast	Variance		Comment
		£000	£000	£000		
RES1	Commercial Investments – Reversal of income pressure to reflect the forecast improvement in rental income across the commercial investment portfolio (excludes NLP and Castlegate)	(208)	(168)	40		Current projections are forecasting that rental figures will be £40k below original saving target
RES2	Income - industrial units, cemeteries, County farms - consistently exceeded their income targets over the last number of years, so budgets are being increased to reflect this	(100)	(33)	67		Original saving was based on vacant units being filled and a rent increase coming into effect from April. Rental increases have been staggered through the year so we will not receive the full year benefit this year, in addition some units remain vacant or are on agreements that provide an initial rent free period.
RES3	Property services - Gwent police collaboration - Increasing Income to reflect projections	(50)	(50)	0		Early indications are that this will be achieved.
Energy	Year-on-year change in energy cost	(220)	(220)	0		
RES5	SRS Contribution reduction following identification of efficiency savings	(17)	(17)	0		Early indications are that this will be achieved.
	Resources Totals	(595)	(488)	107		

Ref	Corporate Costs & Levies	Total Saving / Recovery	Month 4 Forecast	Variance		Comment
		£000	£000	£000		
CORP3	Fire SCAPE pension	(77)	(77)	(0)		Awaiting confirmation of funding from Welsh Government
	Corporate Costs & Levies Totals	(77)	(77)	(0)		

Appendix 3 - School balance forecast by individual school	Opening Reserves 2024-25 (Surplus)/Deficit	Update 1 Forecast (Surplus)/Deficit	Projected carry forward at year end 2024-25 (Surplus)/Deficit
Abergavenny cluster			
King Henry 3-19 School	329,196	579,959	909,155
Cantref Primary School	(110,417)	34,082	(76,335)
Gilwern Primary School	22,923	109,109	132,032
Goytre Fawr Primary School	(7,344)	23,781	16,437
Llanfoist Fawr Primary School	(125,485)	64,683	(60,802)
Llantillio Pertholey CiW Primary School (VC)	(60,748)	75,379	14,631
Llanvihangel Crucorney Primary School	(96,867)	41,545	(55,322)
Our Lady and St Michael ´s RC Primary School (VA)	21,255	21,830	43,085
Ysgol Gymraeg Y Fenni	170,465	182,850	353,315
Caldicot cluster			
Caldicot School	352,437	625,130	977,567
Archbishop Rowan Williams CiW Primary School (VA)	(26,821)	(4,590)	(31,411)
Castle Park Primary School	(75,047)	73,770	(1,277)
Dewstow Primary School	(57,559)	80,750	23,191
Durand Primary School	(58,704)	33,298	(25,406)
Magor CiW Primary School (VA)	(161,519)	98,533	(62,986)
Rogiet Primary School	65,421	39,315	104,736
Undy Primary School	(141,509)	126,574	(14,935)
Ysgol Gymraeg Y Ffin	16,663	78,780	95,443
Chepstow cluster			
Chepstow School	853,038	693,275	1,546,313
Pembroke Primary School	(171,076)	40,855	(130,221)
Shirenewton Primary School	(129,943)	36,047	(93,896)
St Mary ´s Chepstow RC Primary School (VA)	(70,003)	63,698	(6,305)
The Dell Primary School	80,993	(28,760)	52,233
Thornwell Primary School	95,190	(5,417)	89,773
Monmouth cluster			
Monmouth Comprehensive	(229,657)	452,663	223,006
Cross Ash Primary School	(58,467)	58,408	(59)
Kymin View Primary School	(76,867)	50,606	(26,261)
Llandogo Primary School	(17,655)	41,906	24,251
Osbaston CiW Primary School (VC)	73,488	(833)	72,655
Overmonnow Primary School	124,404	128,557	252,961
Raglan CiW Primary School (VC)	(175,381)	83,626	(91,755)
Trellech Primary School	(100,053)	64,710	(35,343)
Usk CiW Primary School (VC)	(91,419)	186,057	94,638
Special School			
PRU	740,715	778,428	1,519,143
Total	903,646	4,928,604	5,832,251

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SUBJECT:	MEDIUM TERM FINANCIAL PLAN UPDATE AND BUDGET SETTING PROCESS FOR 2025/26
MEETING:	PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE
DATE:	7th October 2024
DIVISION/WARDS AFFECTED:	WHOLE AUTHORITY

1. PURPOSE:

- 1.1. To provide the latest six-monthly update of the Council's medium term financial planning.
- 1.2. To set out an initial modelled budget shortfall for the financial year 2025/26 and to agree a budget setting process that will enable a balanced budget to be presented to Council in March 2025.

RECOMMENDATIONS TO PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE

- i. That the Performance and Overview Scrutiny Committee scrutinise the six-monthly update of the Council's medium term financial planning, and the associated budget planning framework for the 2025/26 budget.

2. RECOMMENDATIONS (to Cabinet):

- 2.1. That Cabinet notes a modelled initial budget shortfall of £11.4 million to be addressed.
- 2.2. That Cabinet sets an expectation that the budget build for 2025/26 will recognise priorities set within the Community and Corporate Plan with reducing the impact of inequality on citizens and climate change on communities being central to all considerations.
- 2.3. That Cabinet adopts the budget planning framework and timetable outlined in **Appendix 1 and 2**.
- 2.4. That Cabinet note the current progress indicated against the Medium Term Financial Strategy delivery plan as outlined in Section 13 of **Appendix 1**.

3. KEY ISSUES:

Summary

- 3.1. This report presents an update of the latest medium term financial planning framework and outlines the approach to developing a balanced budget for financial year 2025/26, together with a high-level indication of the financial outlook over the medium term.

- 3.2. The budget will be shaped by the priorities set in the approved Community and Corporate Plan. Central themes of reducing the impact of inequality on citizens and climate change on communities will hold primacy. Some things may need to be reprofiled into later years of the council term to ensure the organisation remains financially sustainable.
- 3.3. The initial budget model highlighting a shortfall of £11.4 million takes account of the impact of the current economic situation, service demand pressures and latest intelligence on key budget assumptions, including funding levels.
- 3.4. The 2025/26 budget will need to be set with minimal recourse to reserves. In-year spend will need to be met from in-year resources. This necessary discipline makes the challenge greater.

4. Budget strategy

- 4.1. The financial outlook over the near to medium term remains challenging, and the initial budget shortfall modelled for 2025/26 is large, representing 5.5% of the Council’s net budget. The Council will need to draw on its experience and track record of bringing forward significant saving proposals. Income generation, cost reduction, tax increase, application of grant, and service change will all need to play a part in achieving a balanced budget.
- 4.2. This is a challenge that the whole organisation will need to respond to positively with thoughtfulness and urgency. It is achievable but there will likely be unpalatable choices with the service offer in some areas reducing.
- 4.3. Budget modelling and underlying budget assumptions are based on accurate and up to date information. Amongst other things, they benefit from:
 - In year budget monitoring information;
 - Assessments of legislative changes that impact service delivery;
 - Independent advice and analysis;
 - Demand projections based on trend and data analysis.
- 4.4. The budget process is not to be considered a standalone exercise. When done well it is a mechanism to bring forward and deliver on Community and Corporate Plan priorities. The approach in any year, but particularly a financially challenging year, needs to demonstrate clear alignment between financial choices and service / policy impact.
- 4.5. Cabinet remains committed to the strategic budget principles as approved within the Medium Term Financial Strategy (MTFS) to guide this task.

MTFS Strategic Budget Principles	
1.	To maintain financial management arrangements that will be sufficiently robust to support the delivery of financial plans and mitigate corporate risks.
2.	A citizen facing budget focused on equality and climate change that mitigates any potential increase in inequality caused by the Councils actions.
3.	A balanced budget reflecting objectives, priorities and commitments set out in the Council's Community and Corporate Plan.

MTFS Strategic Budget Principles

4. Council budgets to be continually reviewed to ensure resource allocations are delivering value money and continue to align to the delivery of priority outcomes.
5. Budgets set without budget shortfalls having general recourse to reserve funding. In year spending will be met by in year funding.
6. The Council Fund (general reserve) will be maintained at a minimum of 5% of Net Revenue Expenditure (excluding the Schools Delegated budget) over the period of the MTFS.
7. An affordable and acceptable level of council tax increase with qualifying households being encouraged to access all dispensations they are entitled to receive.
8. To increase existing fees and charges. As a minimum fees and charges will be increased to match cost inflation. The Council will review opportunities to introduce new fees as appropriate.
9. To manage, wherever possible, any necessary reduction in the workforce through turnover rather than through specific voluntary or compulsory redundancy programmes.
10. To optimise the use of specific grant funding across the Council, taking advantage of legitimate opportunity to offset existing core cost through direct charge to the funding stream.
11. To sustain services through the development of strategic partnering arrangements with other local authorities, public sector partners, town and community councils, and third sector organisations.
12. Informed estimates will be factored into the MTFP for cost pressures anticipated to result from inflation, demand increases, growth and investment.
13. To maintain a budget contingency budget of no less than £1m from 2025/26 with specific criteria for its use. No reduction in the budget is permissible unless there is a clear and realistic plan for reinstating the budget within the Medium Term.
14. To optimise the use of land and buildings and consider alternate uses or disposal where there is not a clear ongoing case for continued use.
15. To be open to using capital receipt balances to support one-off revenue expenditure associated with service reform and to reviewing existing capital programme commitments not yet entered into.
16. Capital investment decisions will support the Council's corporate priorities and mitigate any statutory risks taking account of the return on investment and robust business cases.
17. Prudential borrowing will only be used to support the capital programme where it is affordable and sustainable within the Council's overall borrowing limits and the revenue budget over the long term.
18. To act in accordance with council's risk appetite in determining the amount of risk that the council is willing to seek or accept in the pursuit of its objectives.

MTFS Strategic Budget Principles

- 4.6. Equal rigor will be applied to new or recurrent pressures being proposed for inclusion in the budget process. It is often easier to avoid or mitigate a pressure than it is to find an equivalent saving. On-going efforts to identify savings will continue, whether through service efficiencies, change, reduction, or via limited scope for increases in fees and charges.
- 4.7. The business cases for both budget pressures and savings will be scrutinised at a number of stages during the process. The timetable shown in **Appendix 2** illustrates the extent of officer and member input into the process.
- 4.8. Business Cases that contain budget pressures will generally reflect current and anticipated future service demands, national and local policy changes, evidence-based pressures brought forward from the current financial year, and other risk related issues. However, business cases will need to be restricted to those that are absolutely essential, and as such are inescapable pressures.
- 4.9. The proposed milestone dates in developing the budgetary process for 2025/26 are as follows:

Refresh of budget modelling using updated assumptions & data	September 2024
Budget workshops – SLT/Cabinet/Groups/Officers	October 2024
High level pressure & saving mandates produced for Cabinet scrutiny	October 2024
Report on budget process and timetable - Cabinet	16th October 2024
Final pressure & saving mandates to be produced	December 2024
Budget assumptions, pressures and savings to undergo further Cabinet scrutiny	December 2024
Consideration of Welsh Government Provisional settlement	11th December 2024
Set Council tax base - ICMD	18th December 2024
Consideration of draft revenue & capital budget proposals - Cabinet	January 2025
Scrutiny of Proposals - Select Committees	January 23rd to 22nd February 2025
Public Consultation for 2025/26 budget	January 23rd to 22nd February 2025
Consideration of scrutiny, consultation, final pressures, savings & assumptions	25th February 2025
Consideration of Welsh Government Final settlement	25th February 2025
Final budget proposals - Cabinet	5th March 2025
Formal Council Tax Resolution & Budget Proposals - Council	6th March 2025

- 4.10. Welsh Government intends to publish the draft provisional funding settlement for local authorities on the 11th December 2024 which will allow the Council to understand whether any additional funding is likely to be received over and above current assumptions.
- 4.11. Ministers have been clear of the scale of the current funding challenge facing the public sector in Wales and that it is extremely unlikely that any significant additional funding will be forthcoming to Local Government based on current circumstances. The Chancellor's Autumn

budget statement on 30th October is therefore seen as critical in identifying whether public funding will see any further improvement.

- 4.12. Where necessary up-front engagement with key stakeholders will take place ahead of draft budget proposals being released for consultation.
- 4.13. Formal scrutiny of the draft budget proposals will take place through the normal scrutiny committee cycle in January and February, including if necessary one overall scrutiny meeting to consider the budget proposals as a whole.
- 4.14. Public consultation will also take place subsequent to the special Cabinet meeting in January 2025 and will run until the 22nd February 2025.
- 4.15. Final budget proposals will be presented back to Cabinet on 5th March after consideration of consultation feedback. The budget will then go to Council on the 6th March in order to meet the statutory requirement to set a Council Tax for the following year. This presents a challenge for setting next year's budget, as Welsh Government intends to only release final settlement information shortly before this date on 25th February 2025. This date may change, but where necessary may involve the final budget proposals containing potential options to mitigate the potential for any adverse final settlement revision.

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

- 5.1. There is a requirement placed on Local Authorities to comply with the general equality duties set out in the Equality Act 2010 and the specific equality duties such as the statutory responsibilities to assess the equality impacts of their budgetary decisions. The Equality Act 2010 places a General Duty on Monmouthshire County Council to eliminate discrimination according to nine "protected characteristics" (age, belief and non-belief, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, and sexual orientation). Also we need to comply with the Welsh Language Act 1993 and the Welsh Language Measure 2011 through which the Welsh Language Commissioner has shaped the Welsh Standards in force from 30th March 2016.
- 5.2. The Wellbeing of Future Generations Act requires public bodies to improve social, economic, environmental and cultural wellbeing, by taking action in accordance with the sustainable development principle aimed at achieving the Wellbeing Goals. The authority was an early adopter of The Act and re-shaped its pre-decision evaluation tool to reflect the well-being goals and the principles which it sets out.
- 5.3. Whilst there are no significant impacts identified at this stage it is important to outline the process by which the Council intends to respond to these issues by building considerations of equality, diversity and sustainability into the planning and delivery of its budget process by:
 - Requiring Chief Officers to undertake a Future Generation evaluation (FGE) of all savings proposals that are offered for their service area to contribute towards the Council's overall savings target and for that process to start at the commencement of the budget process.
 - Producing an overall FGE assessment of the revenue budget proposals and publishing this as part of the revenue budget proposals for consultation.
 - Undertaking a FGE assessment of the capital budget proposals and publishing this as part of the capital budget proposals for consultation.

- Enabling the Council’s Cabinet Members to consider initial savings proposals with the benefit of the FGEs, and to make initial decisions based on this information.
 - Deciding that once the final shape of the budget is agreed by Council in March 2025, Council service areas carry out continued detailed work to mitigate and manage any equalities or Future Generation issues that have been identified.
 - Including the FGEs as part of both draft and final budget proposal reports and published on the Council’s website so that residents can understand the factors that went into the planning of the 2025/26 budget.
 - Ensuring that where proposals will be the subject of further reports it is expected that further FGEs will be undertaken at that time and where savings are being made from decisions already taken then those implementing those decisions should consider mitigating any negative impacts where necessary.
- 5.4. There is a continued intention to enhance the impact assessment process going forward with profiles of typical Monmouthshire residents being used to better anticipate the compounded effect of multiple proposals.

6. OPTIONS APPRAISAL

- 6.1. This report provides an updates on the Council’s financial planning and provides an overview of the process for the 2025/26 budget setting process. When budget proposals are developed and brought forward for consultation an option appraisal will be completed for each substantive saving and pressure.

7. EVALUATION CRITERIA

- 7.1. Whilst the nature of this report does not require any evaluation, the annual budget process is reviewed on an ongoing basis and based on feedback received from the public, members and officers. Cabinet and the Strategic Leadership Team review the process and feedback and recommendations for improvement.
- 7.2. The changes incorporated as a result of this year’s approach are referenced throughout the report.

8. REASONS:

- 8.1. To provide the latest six-monthly update of the Council’s medium term financial planning.
- 8.2. To set out an initial modelled budget shortfall for the financial year 2025/26 and to agree a budget setting process that will enable a balanced budget to be presented to Council in March 2025.

9. RESOURCE IMPLICATIONS:

- 9.1. There are no resource implications arising directly from this report. Resource implications will subsequently arise from the draft revenue and capital budget proposals considered by Cabinet at its meeting in January.

9.2. The budget process will see draft budget proposals developed and brought forward to Cabinet for consideration and ahead of release on consultation and to ensure that feedback is sought and appropriately reflected in final budget proposals considered by Cabinet in March 2025. Council tax and the final budget proposals will be approved by Council in March 2025.

10. CONSULTEES:

Strategic Leadership Team
All Cabinet Members

11. BACKGROUND PAPERS:

Appendix 1 – MTFP update and 2025/26 Budget planning framework

Appendix 2 – 2025/26 Budget timetable

12. AUTHORS:

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Medium term financial plan update and budget planning framework for 2025/26

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1. Introduction

- 1.1. The Council's Medium term financial strategy (MTFS) and plan (MTFP) are the link between its long-term policy objectives and its financial capacity. It seeks to ensure that the Council's strategic objectives can be achieved within the confines of the financial resources available.
- 1.2. The current budget modelling was most recently updated as part of the MTFS that was approved by full Council in July 2024. The MTFS, as approved, committed to a six-monthly update of the MTFP, including an update of progress against the performance framework and delivery plan.
- 1.3. The budget and medium-term financial planning process has had a consistent theme over recent years. The Council, like many local authorities across Wales and the United Kingdom, has had to endure a very tough set of financial circumstances over recent years and since the financial crisis in 2009. It has had to generate over £77m budget savings since 2010/11. In the last two years alone, it has had to absorb cost pressures of over £30m.
- 1.4. The Council has an excellent track record in delivering value for money from public funding and has so far successfully navigated the financial challenges of government austerity, economic recession and a global pandemic.
- 1.5. Looking forward to 2025/26, there continues to be significant change, both nationally and locally that has the potential to impact the Council's operating environment.
- 1.6. It is therefore appropriate that the budget assumptions, modelling and risks that underpin the MTFP are reviewed and updated to reflect the impact of the current economic

situation. This also needs to consider the revised demands and assumptions that this brings, together with aligning with the policy objectives of the Council.

- 1.7. Whilst the budget process adopted over time has had a medium-term focus and looked to promote financial sustainability, the funding context for the Council, the increased demands upon Council services, and the layers of service efficiency already generated, all provide a very challenging landscape for setting the 2025/26 budget. The Council's response therefore needs to be thoughtful, targeted, and promote longer-term reform that will ensure financial sustainability.

2. External context

- 2.1. The MTFP is set within the context of the UK economic position and public expenditure plans, with the decisions made by the UK Government and the subsequent funding levels it passes onto Welsh Government having a direct impact upon the expenditure plans of the Council.
- 2.2. Since the 2024/25 budget was set, the UK economy has continued to emerge from the global events of the pandemic and the conflict in Ukraine. This has resulted in a period of declining inflation and stagnating output.
- 2.3. Whilst the CPI inflation measure has reduced from the highs experienced in recent years, to just over 2%, it is expected to rise by the end of the year as prior falls in energy prices drop out of the annual comparison and reveal the prevailing persistence of domestic inflationary pressures.
- 2.4. Whilst wage growth has also eased slightly from peak levels, it remains elevated, and services inflation remains high at 5.6%. The Council continues to experience workforce and skills shortages in some discrete areas of service delivery.
- 2.5. The MPC held Bank Rate at 5.0% in September, with further changes expected to be gradual until such time that services inflation reduces.
- 2.6. Although energy prices have fallen from peak levels, prices are still far higher than three years ago, and the market remains volatile.
- 2.7. The UK Government Spring Budget for 2024 allocated an additional £168m to Welsh Government for 2024/25 with the budget statement confirming the next Spending Review would take place after the general election.
- 2.8. Welsh Government confirmed that the additional funding allocation had already been factored into its spending plans and noted that the funding level received from UK Government was up to £700m lower in real terms than expected at the time of the 2021 Spending Review.
- 2.9. Subsequent to the UK general election result in July 2024, the UK Government announced that the Autumn Budget will take place on 30th October 2024, and this is expected to have a significant bearing on any changes to Welsh Government spending plans within the public sector. It will be imperative that the budget fully takes account of both the inflationary and

service pressures being faced by local government in the delivery of the wide range of local services to communities.

- 2.10. The context outlined above has significant implications for the Council's medium term financial planning. These implications are summarised below and are central to the update of the budget assumptions for 2025/26 and over the medium term.

Factor	Planning Implications
Inflation	Increased costs across supplies and services, contractual arrangements calculated via CPI/RPI, impact on pay awards.
Supply chains	Disruption to availability of materials, parts and supplies leading to increased costs for alternative/expedited solutions.
Labour market	Shortage of staff leading to increased costs for commissioned services and agency staff, real living wage implications.
Energy Crisis	Increasing energy costs across Schools, Leisure centres, Offices, and Street Lighting, increased fuel costs for Council vehicles and for contracted transport providers.
Interest Rates	Increased cost of borrowing and associated impact upon the affordability of the capital programme.
Economic Growth	Impact on future funding settlements for the public sector.

3. Funding context

- 3.1. 60.7% of the funding of the Council's revenue budget for 2024/25 came from the Welsh Government settlement, with the remaining 39.3% through council tax income. The assumptions for these funding elements are fundamental in developing robust medium term financial plans.
- 3.2. **Welsh Government settlement**
- 3.3. The public sector austerity measures that were enacted from 2010 onwards have impacted on the resources available to Welsh Government and consequently local government over a sustained period.

Financial Year	Monmouthshire Settlement	All Wales Settlement
2011/12	-1.7%	-1.4%
2012/13	-1.8%	0.2%
2013/14	6.5%	6.6%
2014/15	-4.4%	-3.4%
2015/16	-4.3%	-3.4%
2016/17	-3.0%	-1.3%
2017/18	0.0%	0.2%

2018/19	-0.5%	0.2%
2019/20	-0.3%	0.2%
2020/21	3.0%	4.3%
2021/22	3.9%	3.8%
2022/23	11.2%	9.4%
2023/24	9.3%	7.9%
2024/25	2.6%	3.3%

- 3.4. Over this period, local government in Wales has received negative settlements from Welsh Government in four of the fourteen financial years. In comparison, Monmouthshire has received negative settlements in seven of those years.
- 3.5. Whilst the past five financial years have seen positive settlements for Monmouthshire, critically this has reflected the key role local councils have had in supporting communities through the pandemic period, and in continuing to help address both its legacy impact and the resultant cost-of-living crisis.
- 3.6. As a consequence, when taking into account the additional demand and responsibilities placed upon the Council, these settlements have been below inflation, and therefore reflect real term reductions in funding.
- 3.7. Monmouthshire has received below average settlements in eleven of the fourteen years noted above. The reasons for this are complex and involve consideration of the Council's relative spending requirement when taking into account factors such as population numbers, demographics, sparsity and dispersion, and critically the Council's relative ability to raise income through local taxation.
- 3.8. It is important to note that in years where average Welsh Government settlement is lower than notional (all-Wales) Council tax increases, Monmouthshire tends to receive a below average settlement. It is currently anticipated that 2025/26 will see a recurrence of this situation, as was experienced in 2024/25.
- 3.9. Welsh Government has not provided an indication of future year financial settlements, with Councils therefore modelling potential scenarios for their medium term financial planning using the support of the Welsh Local Government Association (WLGA) and Wales Fiscal Analysis unit.
- 3.10. The newly elected UK Government announced on 29th July 2024, as part of the Chancellor's statement on public spending, that next year's departmental budgets will be confirmed in October and a multi-year spending review will be concluded in Spring 2025. This will be critical in provide funding certainty for Welsh local government for the over the medium term.
- 3.11. Local authorities continue to lobby Welsh Government directly and through the WLGA to ensure that there is a strong body of evidence to support the need for funding at a level that allows Council services to be sustained and at the level of increased demand being experienced.

- 3.12. The Wales Fiscal Analysis unit published their analysis in June 2024 on the implications on the Welsh Government budget of the 2024 General Election manifestos, recognising that there was limited information on how each of the two main parties' tax and spending plans would impact Wales.
- 3.13. The analysis concluded that both manifestos largely maintain the existing trajectory of UK Government spending plans and therefore, if implemented as intended by the manifestos, would mean the Welsh Government would face significant budgetary challenges.
- 3.14. It was projected that the Welsh Government budget for day-to-day spending would grow by an average of 0.9% per year in real terms (i.e. after accounting for inflation) between 2024/25 and 2028/29. If the Welsh Government decided to directly pass on consequentialia that would be triggered for the Welsh budget from additional health and education spending in England, this would mean:
- The NHS budget growing by 3.2% per year in real terms;
 - The Local Government resource settlement falling by an average of 1.1% per year in real terms;
 - All other spending areas falling by an average of 1.7% per year in real terms.
- 3.15. In respect of capital spending, the analysis concluded that both manifestos represented real term reductions in funding, ranging between 5% and 7.7% across 2024/25 and 2028/29, constraining the level of ongoing investment in infrastructure projects across Wales.
- 3.16. The newly elected government have indicated that they intend to maintain fiscal rules and not increase the rate of the main revenue raising taxes of income tax, national insurance and VAT, with their plans instead being dependent on a quicker return to economic growth. As such, it is anticipated that Welsh Government budget rounds over the medium term are likely to be no less difficult than they have been in previous years.
- 3.17. The Welsh Government provisional settlement is expected on 11th December 2024. Cabinet will therefore need to delay consideration of the draft budget proposals until January in order that the most up to date funding information can be included. Welsh Government's final local government settlement is due to be published on the 25th of February 2025, with Cabinet considering the final budget proposals on the 5th of March ahead of Council considering final budget approval a day later.
- 3.18. In addition to the settlement, Councils also receive specific grants which are accompanied by explicit terms and conditions as to how they can be used. As a general rule, these grants cannot be used to fund core expenditure. For 2024/25, £80m of specific grants have been budgeted for, however the final value of awards will likely be much higher.
- 3.19. Welsh Government have committed to reducing the administrative burden of specific grants on local authorities including exploring the option for any transfer into the overall settlement. Whilst the Council would generally welcome this approach, there would need to be careful consideration of whether the level of awards would be disproportionately affected by Monmouthshire's low relative share of overall settlement.
- 3.20. **Council Tax**

- 3.21. The updated Council Tax planning assumption is currently modelled at a 5% increase for 2025/26 and 3.95% a year thereafter.
- 3.22. Council tax income accounts for nearly 40% of the Council's overall income, which proportionately is the highest in Wales. The level of Council tax income will consequently always be an important consideration for the Council in being able to support local services.

Financial Year	Band D Council Tax £*	Increase over Previous Year	All Wales average
2015/16	1094.98	4.95%	4.36%
2016/17	1138.23	3.95%	3.63%
2017/18	1183.19	3.95%	3.04%
2018/19	1241.76	4.95%	4.94%
2019/20	1315.64	5.95%	6.16%
2020/21	1380.76	4.95%	4.62%
2021/22	1434.47	3.89%	3.58%
2022/23	1476.79	2.95%	2.20%
2023/24	1564.66	5.95%	5.52%
2024/25	1686.70	7.80%	7.82%

* Council only charge - excludes the Police and Crime Commissioner for South Wales, and Community Council Precepts

- 3.23. Consideration of any increase in 2025/26 will need to be given to local context, such as the affordability for communities, balanced against the ongoing need to meet increasing demand and cost pressures of essential services.
- 3.24. The increased modelling assumption for 2025/26 at the current planning stage is reflective of the current budget gap driven by the pressures being seen on Council services, balanced alongside the expected funding from other income streams for the Council, including Welsh Government settlement.
- 3.25. Cabinet have not yet considered the level at which Council Tax will be set for 2025/26, and the rate of increase used is for illustrative purposes only at this stage.
- 3.26. **Fees & Charges for services**
- 3.27. Fees and charges make a significant contribution to the Council's budget, with £24m budgeted to be received in 2024/25. Any proposed changes to fees and charges will be presented for consideration as part of the draft budget papers, and ultimately approved by Council at final budget setting stage.

4. Current year budget

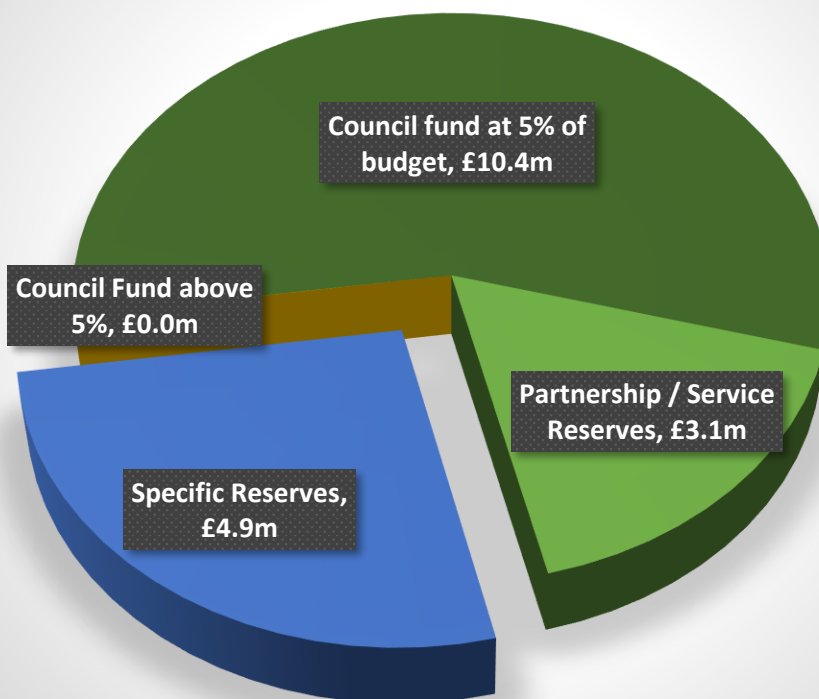
- 4.1. Both the national and funding context explained above are already having a significant impact on the Council's finances in the current financial year.

- 4.2. The first full financial update for 2024/25 that is reported alongside this report contains indications of gross budget pressures totalling £5m, offset by £1.5m of non-recurrent savings. These pressures have arisen as a consequence of demand pressures, cost inflation, income shortfalls and a delay in progressing some areas of service change that are driving savings targets.
- 4.3. In keeping with recent years, there has been a need to instigate immediate budget recovery action to ensure the Council addresses these cost pressures, and ends the year in a financially sustainable position, and without the need to further call on severely low levels of reserves.
- 4.4. Importantly, the budget for 2024/25 continues to be supported by £3m of capital receipts under Welsh Government's flexible use of capital receipts directive. Reliance on this mitigation when first utilised in 2019/20 was intended to be a short-term measure only to support investment in wider service redesign view a view to reducing the level of overall service cost in the medium term. However, given the continued level of service change required to be generated by services in order to reduce cost over the past five years, this measure has been needed to continue.
- 4.5. The inherent pressures noted above will need to be assessed for their impact upon the 2025/26 budget and over the medium term unless suitably mitigated through service changes, additional funding or alternative recurrent service savings.

5. Reserves

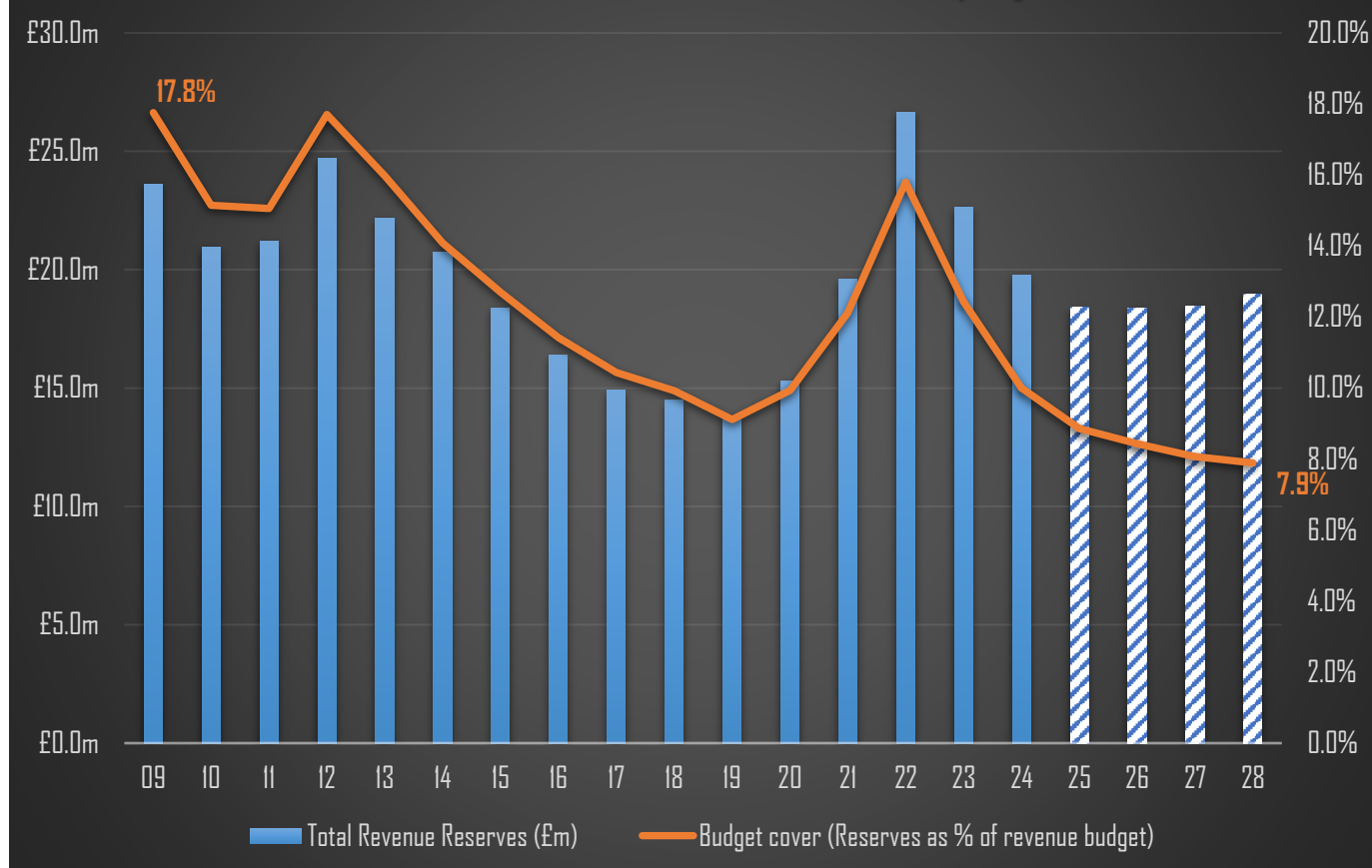
- 5.1. The Council's useable revenue reserves have been depleted as a consequence of the reserve cover needed to both support the budget proposals and resultant budget recovery action in 2022/23 and 2023/24. This follows a period through the pandemic where reserves were given a level of restoration as a result of significant Welsh Government funding.
- 5.2. The decisions taken to draw on reserves had been carefully considered as the consequence of not doing so would have led to very significant and immediate consequences for service delivery. Ultimately a balance had to be struck given the extent of the inflationary and demand pressures faced as a result of the cost of living and health crises.
- 5.3. The depletion of useable revenue reserves has been further exacerbated by the significant draw on schools reserve balances during 2023/24 of £5.16m, taking cumulative school balances into deficit by £0.9m. A further draw of £4.93m is currently forecast for 2024/25 which would significantly increase the cumulative deficit that is being carried on the Council's balance sheet. This consequently impacts upon the Council's overall financial resilience and increases its risk exposure by reducing available balance sheet resources.
- 5.4. The balance of the Council's overall useable revenue reserves forecast as at 31st March 2025 are shown below.

Revenue Reserves projected at the end of 2024/25 (excluding school reserves)



- 5.5. The level of the Council Fund remains at 5% of net revenue budget and is considered to be at a prudent level. This is considered to be sufficient to manage unavoidable financial risks in the near term, however overall useable reserves are very low compared to other Welsh local authorities.
- 5.6. When excluding balances relating to specific service provision, partnership arrangements, or reserves held to accommodate timing differences, specific reserve balances are expected to sit at only £4.9m at the end of 2024/25.
- 5.7. A budget planning framework was introduced to oversee the 2024/25 budget setting process. The framework confirmed that there was a need to progress the Council on a path towards financial sustainability including conserving an appropriate and prudent level of reserves.
- 5.8. The framework established the principles for general and earmarked reserve use and that included having no recourse to revenue reserve funding to balance the budget.
- 5.9. The reserves policy will continue to adapt such that revenue reserves are both protected and replenished over the medium term to provide cover for foreseen or unforeseen risks that might result. The latest medium term projection based on these guiding principles is shown below:

Useable revenue reserves medium term projection



6. Schools budgets and reserve balances

- 6.1. Council's distribute funding to schools in the form of an annual delegated budget (Individual Schools Budget or ISB) which a board of governors is directly responsible for. The Council maintains a key responsibility for monitoring the overall financial performance of schools.
- 6.2. The total ISB delegated to schools for 2024/25 amounts to £53.3m and represents a significant proportion of the Council's net budget, at 26%.
- 6.3. The majority of a school's income comes from the Council. Council's receive funding for pre-16 education provision from the Welsh Government through the local government revenue settlement and through local taxation. Funding for post-16 provision in schools is allocated by specific grant from the Welsh Government. Schools can also raise additional funds through streams such as voluntary contributions, donations and rental of premises to local bodies.
- 6.4. Schools will hold reserve balances at the beginning of any financial year, representing accumulated surpluses or deficits on prior year budgets.
- 6.5. The trend in school reserve balances are shown below.

Year	Net level of School Balances
------	------------------------------

	(Surplus) / Deficit in £000's
2015/16	(1,156)
2016/17	(269)
2017/18	(175)
2018/19	232
2019/20	435
2020/21	(3,418)
2021/22	(6,956)
2022/23	(4,257)
2023/24	904
2024/25 (forecast)	5,832

- 6.6. The 2023/24 budget outturn demonstrated a significant adverse variance and call on school balances, moving from a £4.26m surplus to a £0.9m deficit by 31st March 2024, and with 13 (of 33) schools now in deficit.
- 6.7. There is a fluctuating trend in school balances with some schools showing a continued reduction in their balances which is of concern.
- 6.8. The grants awarded to schools to manage the impact of the pandemic on education resulted in a large increase in overall school balances, which somewhat masked the inherent budget deficits being carried across some schools.
- 6.9. Over the past ten financial years ISB funding has tended to increase at a level above the Council's own settlement from Welsh Government.
- 6.10. However during, and in the direct aftermath of the pandemic, this has not been the case and coincided with the period where schools received the significant amounts of grant funding noted above.
- 6.11. The legacy impact of the pandemic continues within the school environment, particularly in respect of attendance, behaviours, wellbeing and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased overall costs of provision.
- 6.12. At the same time, the post pandemic period has seen a period of sustained inflation which has impacted on, and subsequently resulted in higher levels of pay awards being agreed for both teaching and non-teaching staff which have not always been fully funded for schools.
- 6.13. There has also been an expectation that schools would continue to make a positive contribution toward balancing the Councils significant budgetary gaps during successive challenging budget rounds.
- 6.14. Sitting alongside this is the requirement for schools to deliver the Welsh Government long-term programme of education reform across Wales that includes, most notably, implementation of the Curriculum for Wales, closing the attainment gap and reducing

absenteeism, along with the outcomes of the Additional Learning Needs and Education Tribunal Act.

- 6.15. Given the funding context for schools outlined above, and the inherent budget deficits currently being carried, the level of further investment in schools will be a key consideration during the budget process.
- 6.16. The approach will need to be thoughtful, evidence based, and will need to be carefully balanced with overall funding landscape for the Council, with particular focus on the variability in some schools budgets positions, the size of the Council's overall budget gap, and the need to develop strategies to set a balanced budget.

7. Budget assumptions and the projected budget gap

- 7.1. The Authority's medium term budget modelling is reviewed regularly and reported into the Performance & Overview scrutiny committee and Cabinet on a six-monthly basis. The model contains the base budgets of the Authority overlaid with assumptions that are then updated in the light of updated data and information. This allows prudent changes to be made to the modelling to enable the gap between resources and expenditure to be highlighted.
- 7.2. External data from sources such as the Office for Budget Responsibility (OBR), and the Wales Fiscal Analysis unit support the budget assumptions applied within the modelling.
- 7.3. This is further supported by the work that Welsh Local Authorities produce through the Welsh Local Government Association (WLGA), that allows validation and challenge of the assumptions made throughout the budget process.
- 7.4. The latest budget planning assumptions are shown below which reflect the updated assumptions following new data and information coming forward:

Budget assumptions 2025/26	Previous assumption	Updated Assumption
Expenditure:		
Pay award (non-teaching staff)	2.30%	3.10%
Pay award (teaching staff)	2.30%	3.46%
Superannuation rates	24.90%	24.90%
Non-pay inflation	0.00%	2.00%
Service pressures (non-schools)	£7.5m	£5.1m
Service pressures (schools)	£0.0m	£1.0m
Borrowing cost pressures	£1.1m	£1.1m
Fire levy	3.95%	3.95%
Income and Efficiencies:		
Staff vacancy factor (non-schools)	3.00%	3.00%
Fees and charges	2.00%	2.00%
Funding:		

Welsh Government Settlement (AEF)	-0.80%	0.00%
Council Tax (MCC) - Band D increase	3.95%	5.00%

7.5. The updated review of the assumptions contained in the modelling suggested a number of prudent proposed changes:

Pay award (non-teaching staff)	<p>Increase from 2.3% to 3.1%.</p> <p>Assumptions had previously been based on forecast movements in inflation in line with the Bank of England target of 2% over the medium term, recognising that there is often a lag effect within pay negotiations.</p> <p>Given the already agreed wider public sector pay awards for 2024/25 indicating higher than anticipated awards, and indications that inflation may increase slightly from its current level towards the end of 2024/25, it is felt prudent to revise this assumption upward.</p>
Pay award (teaching staff)	<p>Increase from 2.3% to 3.46%.</p> <p>The pay award for the 2024/25 academic year has been agreed at 5.5%. Consequently 5/12ths of this award will fall into the 2024/25 financial year and is therefore certain. The projection for the 2025/26 academic year is in line with BOE inflation targets of 2%.</p>
Superannuation rates	<p>Maintain existing assumption</p> <p>The Council's Local Government Pension Scheme valuation review in 2022 has resulted in revision to the Councils contribution rate, with a stepped increase to 25.3% over 2023-26. This change is reflected in the Councils existing budget planning.</p> <p>The Teacher's Pension Scheme (TPS) was subject to its actuarial review which has increased contributions with effect from 1st April 2024. The modelling assumes that any variation in contribution rates for teaching staff is fully funded by Welsh Government, as was the case previously.</p>
Non-pay inflation	<p>Increase from 0% to 2.0%.</p> <p>Over recent years a non-pay inflation factor of 0% has been used for modelling purposes, in favour of relying on more evidence-based pressures being brought forward from services.</p> <p>However, reflecting upon previous budget rounds and the significant impact that inflation has had on final cost pressures experienced by services, it is felt that an allowance of 2% at this stage of the process is</p>

	<p>prudent. This assumption will be further considered as better information becomes available.</p>
<p>Service pressures (non-schools)</p>	<p>Reduce from £7.5m to £5.1m.</p> <p>Provision was initially made in the budget modelling for “unidentified pressures” of £7.5m in each of the 4 years of the medium-term financial plan and based on the level of pressures that have historically presented themselves and been accommodated as part of the budget process.</p> <p>The most recent 2024/25 budget forecast has indicated forecast gross (non-pay) cost pressures of £5.1m and where immediate budget recovery action is now being taken. An initial review of whether all of these are recurrent pressures impacting 2025/26 will be made in the early stage of the budget process and will be the subject to rigorous review and challenge with the aim of reducing and mitigating their impact.</p>
<p>Service pressures (schools)</p>	<p>Increase from £0.0m to £1.0m</p> <p>Given the funding context as outlined in Section 6 above, the level of further investment in schools over and above meeting new pay and non-pay pressures, will be a key consideration during the budget process.</p> <p>This will need to be carefully balanced with overall funding landscape for the Council and the need to set a balanced budget.</p>
<p>Borrowing cost pressures</p>	<p>Maintain at £1.1m.</p> <p>A full review of the revenue cost of existing and planned capital expenditure will be undertaken during the budget process. At this early stage, as a net borrower, the prevailing interest rate environment is expected to create further cost pressure of £1.1m in 2025/26.</p>
<p>Staff vacancy factor (non-schools)</p>	<p>Maintain at 3%</p> <p>Services have consistently experienced a challenging labour market in the post-Covid period with a shortage of available staff in some discrete service areas which has led to pressure on existing staff structures, and increased costs for commissioned services and agency staff.</p> <p>A vacancy freeze initiated as part of the budget recovery action during 2023/24 and 2024/25 is expected to maintain a degree of vacancy throughout staffing structures leading into 2025/26.</p>
<p>Fees and charges</p>	<p>Maintain at 2%</p>

	<p>As a general rule, the council's policy is based on full cost recovery with inflationary uplifts considered annually to ensure that the Council recovers its costs for the services it provides. Whilst a blanket uplift is not applied, an increase in line with inflation is expected unless there is a clear evidence base to do otherwise. With inflation potentially tracking upwards towards the end of the 2024/25 financial year, this assumption will be kept under constant review.</p>
<p>Welsh Government Settlement (AEF)</p>	<p>Change from a reduction of 0.8% to 0%</p> <p>Welsh Government have not provided an indication of future year financial settlements, with Councils therefore modelling potential scenarios for their medium term financial planning using the support of the Welsh Local Government Association (WLGA) and Wales Fiscal Analysis unit.</p> <p>The most up to date information available indicates a potential increase in funding of between 0% and 1%. However in periods of comparatively low funding settlements, Monmouthshire has historically received a below Wales average increase due to the factors that influence individual Authority settlements.</p>
<p>Council Tax increase</p>	<p>Increase from 3.95% to 5.0%</p> <p>The assumption of council tax increases are solely for modelling purposes and Cabinet have not yet considered the level at which Council Tax will be set for 2025/26.</p> <p>With Council tax income accounting for nearly 40% of the Council's overall income, which proportionately is the highest in Wales, this is clearly an important consideration.</p> <p>Consideration will need to be given to local context, such as the affordability for communities, balanced against the ongoing need to meet increasing demand and cost pressures of essential local services.</p> <p>The increased assumption at this stage is reflective of the pressures being seen on Council services, balanced alongside the expected funding from other income streams for the Council.</p>
<p>Fire levy</p>	<p>Maintain at 3.95%</p> <p>The Council is required to pay a levy and annual contribution towards the South Wales Fire and Rescue Authority. A planning assumption of a 3.95% increase has now been modelled ahead of the process of consultation and engagement with constituent Councils. This increase is reflective of the expected pressure on SWFRA budgets.</p>

Energy	The Council purchases its energy via a purchasing consortium and receives regular updates on market conditions and data to assist in budget preparation. As the budget process develops, the impact of revised energy prices will be assessed across the estate, street lighting and the Council's solar farm. Given external influences, the situation will remain a dynamic one, and will require regular monitoring to allow for mitigating actions including a review of our decarbonisation work and reduction in overall energy usage.
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- 7.6. The effect of these revised assumptions and pressures being incorporated into the updated modelling is shown below for 2025/26, indicating a projected budget deficit of £11.5m.
- 7.7. Whilst the budget process is always a dynamic one, and all figures will be revised during the process, the funding outlook for local government remains challenging and the projected budget gap a very real one.

2025/26 Budget	(£000's)	
2024/25 Balanced Budget		0
<u>Pay</u>		
Superannuation rate	251	
Pay inflation - non-teaching	3,179	
Pay inflation - teaching	1,330	
		4,760
<u>Non-Pay</u>		
Non-pay inflation	2,256	
Fire Levy	227	
Service pressures (non-schools)	4,992	
Service pressures (schools)	1,000	
Budgeted 2025/26 Savings	-140	
Treasury, Corporate & Reserves	2,493	
		10,828
<u>Income</u>		
Council tax increase	-3,630	
WG settlement increase	0	
Fees & Charges	-517	
		-4,147
Budget Gap		11,441

8. Budgetary Risk

- 8.1. In planning the Council's 2025/26 budget, the Council faces a number of financial uncertainties due to the lack of information available, and the volatile wider economic environment that continues to impact public services. As a result there is a need to ensure there is an effective risk management framework that allows consideration and management of risks appropriately and for mitigation measures to be put into place wherever possible. The main risks impacting the current financial planning are summarised as follows:

Service pressures	Lack of detailed knowledge about the recurrent budget pressures from 2024/25 and new pressures that will be forthcoming from services for 2025/26
National living wage / Real living wage	<p>The local government staff pay increase, at the lower end of the scale, is directly impacted by the increase in the National Living Wage. At the start of any financial year, the lowest paid scale must increase to meet at least the minimum wage expected in the following April. There are no forecasts for the April 2026 rate, however even in periods of very low inflation NLW has increased by at least 4%, with the exception of 2021.</p> <p>It is also the case that there is little headroom at the lower end of the scale, potentially leading to the Council needing to reassess its pay grades.</p> <p>Further to this, the Council is a Real living wage (RLW) employer with its staff and apprentices all paid at this level or above, and with RLW being directly linked to NLW levels.</p> <p>The impact of the National Living Wage and also has impacts on commissioned care through social services and where Welsh Government have set an expectation upon local authorities to fund care workers in line with the National Living Wage.</p>
Economic factors	The impact of inflation and interest rates on the cost of goods and services and the Council's borrowing costs.
Delivery of budget saving proposals	Services are currently forecasting to deliver 81.2% of the £10.9m in-year budget saving proposals for 2024/25, which is in line with historic experience. This points to a risk in fully delivering on any agreed level of budget saving proposals for 2025/26.
Variations to settlement Assumptions	Each 1% increment in WG settlement funding accounts for around £1.2m and has a significant impact upon planning for service delivery.
Income	The cost-of-living crisis impacting communities has a significant impact on household disposable incomes and consequently the demand upon income generating Council services.
Debt recovery	Similarly, the cost-of-living crisis has an impact on debt recovery levels in respect of Council tax and chargeable services.

Capacity for service change delivery	The level of staff vacancy being experienced across Council services could impact on the ability to deliver a strategic approach to delivery of service change.
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9. Medium term outlook

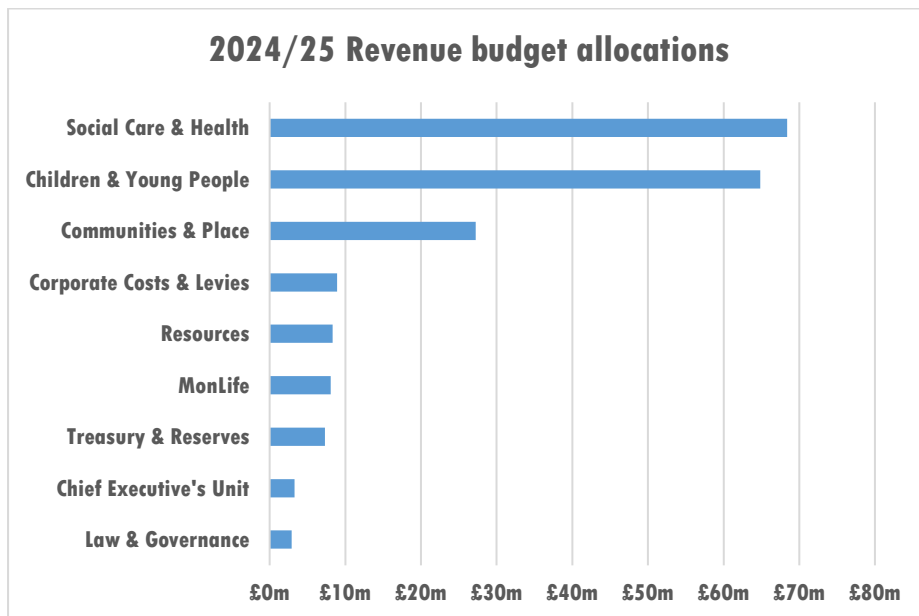
- 9.1. The medium term outlook remains very uncertain. Budget assumptions have been revised and based on the premise that inflation will remain under control, and that public spending by UK Government and the consequential impact on local government in Wales are in line with independent analysis. There are a lot of downside risks that could still play out and that could adversely impact further the budget shortfalls modelled over the medium term.
- 9.2. The most up to date modelling indicates significant budget gaps over the medium term:

Budget shortfall	In Year (£m)	Cumulative (£m)
2025/26	11.4	11.4
2026/27	7.8	19.2
2027/28	8.1	27.3
2028/29	7.4	34.7

10. Bridging the gap between expenditure and available resources

- 10.1. The Council's budget process for 2024/25 began with a projected budget deficit of £14.4m and concluded with a balanced budget being set in February 2024. In doing so, the Council needed to instigate £10.9m of service efficiency, change and reduction, alongside increasing charges for its services.
- 10.2. The year-on-year budget pressures that have developed over recent years, funding settlements not keeping pace with inflation or demand, and new responsibilities not being fully funded, had led to a reliance on revenue reserves and capital receipts to support the budget.
- 10.3. With reserve balances at low levels, and the layers of efficiency being driven from services over time, the current Council's financial challenge over the next 4 years remains extremely challenging. The Council's response therefore needs to be thoughtful, targeted, and promote longer-term reform that will ensure financial sustainability.
- 10.4. Whilst efforts as part of the 2023/24 and 2024/25 budget processes looked to promote budget savings over the more medium term, it is clear the scale of approach did not go far enough in meeting the financial challenge now facing the Council.
- 10.5. Given the above, and based on the premise that funding levels over the medium term remain as modelled, the progressing of the programme of more radical change of some areas of service delivery models will be required over the next few years in order to place the Council back on a financially sustainable footing.

- 10.6. **2025/26 Budget strategy** – In approaching the 2025/26 budget and looking forward over the medium-term Cabinet needs to consider the extent to which cost savings can be achieved through either service efficiencies or reductions, notwithstanding potential mitigation of budget shortfalls through additional funding or income.
- 10.7. The period of financial austerity since 2010 has already seen budget shortfalls managed to a significant degree through service efficiencies, leading to some service areas now already delivering essential and often statutory functions at their bare minimum. Given the scale of the potential shortfall for 2025/26 and over the medium term, a thoughtful and evidence-based approach will be taken to managing notable real term and nominal reductions.
- 10.8. Of the current £207m budget allocated to services, 77% of the budget sits with the Council’s three main services, Social Care, Education, and Communities & Place (including Waste, Housing, Planning, Highways, and Transport). It will not be possible to balance the budget without those three main services areas absorbing a significant proportion of the budget shortfall facing the Council.



- 10.9. Cabinet has therefore tasked officers with developing options for meeting the budget gap for 2025/26, ensuring that these take into consideration the key strategic aims outlined in the Community & Corporate plan. Cabinet have been extremely clear that the budget build for 2025/26 will continue to recognise priorities set within the Community and Corporate Plan with reducing the impact of inequality on citizens and climate change on communities being central to all considerations.
- 10.10. The Council’s programme of change, supported by robust financial governance, will work to assess the opportunities for service change and cost reduction, whilst ensuring appropriate service resilience is maintained. Whilst not an exhaustive list, the following are areas of consideration that will feature:

The role of commissioning of services, in-sourcing, out-sourcing, collaboration, and partnerships.
The role of AI, RPA and data analytics, alongside wider process and service redesign, in reshaping services and the way the Council interacts with residents and customers.
Getting beyond the artificial distinction between statutory and discretionary services and in ascertaining the 'real value' being derived from services in their current form.
Identifying the scope for further income generation.
A sustained focus on productivity and efficiency.
Ensuring the Council has a lean but fit for purpose leadership and management structure, and organisational capacity to affect change and improvement whilst keeping the business safe.
Developing a whole authority approach to promoting community wellbeing, early help and prevention.
Workforce – the workforce is the Council's most valuable asset. Any review will focus on reviewing workforce requirements, informed by service self-evaluation and service delivery planning arrangements.
Exploring asset rationalisation opportunities with a focus on reducing running costs and backlog maintenance, alongside reducing the Council's carbon footprint through an on-going programme of investment in decarbonisation measures.
Service Reductions – reducing service levels will always be a last resort but remains a consideration after all other options available to the Council to balance its budget have been explored. A focus on mitigation of the impact on the most vulnerable residents will hold primacy.

10.11. It should be recognised and even at this early stage of the budget process that careful consideration will need to be given to the extent to which the Council will now be able to meet all of its commitments and as outlined in the plan. Clearly every effort will be made to mitigate the impact of commitments either not being delivered or delivered to a lesser extent.

10.12. The budget framework will be underpinned by the set of strategic budget principles approved as part of the MTFS in July 2024:

MTFS Strategic Budget Principles	
1.	To maintain financial management arrangements that will be sufficiently robust to support the delivery of financial plans and mitigate corporate risks.
2.	A citizen facing budget focused on equality and climate change that mitigates any potential increase in inequality caused by the Councils actions.
3.	A balanced budget reflecting objectives, priorities and commitments set out in the Council's Community and Corporate Plan.

MTFS Strategic Budget Principles

4. Council budgets to be continually reviewed to ensure resource allocations are delivering value money and continue to align to the delivery of priority outcomes.
5. Budgets set without budget shortfalls having general recourse to reserve funding. In year spending will be met by in year funding.
6. The Council Fund (general reserve) will be maintained at a minimum of 5% of Net Revenue Expenditure (excluding the Schools Delegated budget) over the period of the MTFS.
7. An affordable and acceptable level of council tax increase with qualifying households being encouraged to access all dispensations they are entitled to receive.
8. To increase existing fees and charges. As a minimum fees and charges will be increased to match cost inflation. The Council will review opportunities to introduce new fees as appropriate.
9. To manage, wherever possible, any necessary reduction in the workforce through turnover rather than through specific voluntary or compulsory redundancy programmes.
10. To optimise the use of specific grant funding across the Council, taking advantage of legitimate opportunity to offset existing core cost through direct charge to the funding stream.
11. To sustain services through the development of strategic partnering arrangements with other local authorities, public sector partners, town and community councils, and third sector organisations.
12. Informed estimates will be factored into the MTFP for cost pressures anticipated to result from inflation, demand increases, growth and investment.
13. To maintain a budget contingency budget of no less than £1m from 2025/26 with specific criteria for its use. No reduction in the budget is permissible unless there is a clear and realistic plan for reinstating the budget within the Medium Term.
14. To optimise the use of land and buildings and consider alternate uses or disposal where there is not a clear ongoing case for continued use.
15. To be open to using capital receipt balances to support one-off revenue expenditure associated with service reform and to reviewing existing capital programme commitments not yet entered into.
16. Capital investment decisions will support the Council's corporate priorities and mitigate any statutory risks taking account of the return on investment and robust business cases.
17. Prudential borrowing will only be used to support the capital programme where it is affordable and sustainable within the Council's overall borrowing limits and the revenue budget over the long term.
18. To act in accordance with council's risk appetite in determining the amount of risk that the council is willing to seek or accept in the pursuit of its objectives.

MTFS Strategic Budget Principles

11. Capital programme

- 11.1. The Council's Capital Strategy outlines how the Authority makes and manages capital investment decisions that support its corporate objectives. It also provides a framework that the Council can rely on to develop a clear, consistent, and informed process to make investment decisions.
- 11.2. The Council faces more demand for capital spending than it can afford, and therefore it has to prioritise projects, leverage other sources of funding, work with partners, and keep capital investment within affordable limits.
- 11.3. The Capital strategy will be refreshed and brought alongside final budget proposals to Council in March 2025.
- 11.4. The Capital Programme for 2025-2029 will be reviewed and reconsidered during the budgetary process to ensure that the revenue implications of capital expenditure are accurately reflected in the revenue budget and that the capital expenditure plans of the Council remain affordable, prudent and sustainable. The provisional Capital programme is outlined below and remains a significant commitment for the Council.

Capital Budget	2024/25	2025/26	2026/27	2027/28	2028/29
	£000's	£000's	£000's	£000's	£000's
Asset Management Schemes	2,630	2,230	2,230	2,230	2,230
School Development Schemes	19,457	4,152	0	0	0
Infrastructure & Transport Schemes	6,145	4,205	4,205	4,205	4,205
Regeneration Schemes	150	730	730	730	730
Inclusion Schemes	1,150	1,200	1,200	1,200	1,200
ICT Schemes	303	413	413	413	413
Vehicle replacement	1,500	1,500	1,500	1,500	1,500
Flexible use of capital receipts	3,358	3,358	2,358	1,358	350
Other Schemes	550	570	570	570	570
Total Expenditure	35,242	18,357	13,205	12,205	11,197

- 11.5. Whilst the core capital programme is being sustained, and sees planned investment in the Council's infrastructure, there still remains a considerable number of backlog pressures that sit outside the core capital programme given the affordability and funding constraints facing the Council. This will continue to have varying levels of risk associated with it and will have to be managed and mitigated.
- 11.6. Schemes already included in the indicative programme will be reviewed in respect of timing and their continued alignment to strategic objectives. Schemes that are not time critical may

be deferred to focus capacity on the delivery of priority schemes, or to allow capital receipts to be released to aid in meeting wider Council service redesign.

- 11.7. Construction and material inflation impacts the capital programme in terms of managing and maintaining the Council's assets. These include cost increases on goods/services which are yet to be approved or delivered, contractors willingness to tender for works, their lack of capacity, and the pricing of risk into contracts. Funding may not keep up with such increases, so the risk of affordability is significant unless costs are reduced elsewhere, or the number of projects undertaken is reduced.
- 11.8. Borrowing that supports capital projects that have already completed is at fixed rates. However, given a significant future borrowing requirement to fund the indicative programme, there remains a significant risk of increased costs from heightened interest rates. Whilst the market view is that rates may fall back as inflation subsides, it is not expected to return to previous historically low levels.

12. Budget Process and Timetable

12.1. In the context of all the above, setting a balanced budget for 2025/26 will be significantly challenging and will involve difficult decisions that will allow Cabinet to align and deliver the aims and aspirations set out in its revised Corporate and Community plan, and within the confines of available funding. The work required needs to involve Members and Monmouthshire communities as early in the process as possible.

12.2. The proposed milestone dates in developing the budgetary process for 2025/26 is as follows:

Refresh of budget modelling using updated assumptions & data	September 2024
Budget workshops – SLT/Cabinet/Groups/Officers	October 2024
High level pressure & saving mandates produced for Cabinet scrutiny	October 2024
MTFP update report including budget process and timetable - Cabinet	16th October 2024
Final pressure & saving mandates to be produced	December 2024
Budget assumptions, pressures and savings to undergo further Cabinet scrutiny	December 2024
Consideration of Welsh Government Provisional settlement	11th December 2024
Set Council tax base - ICMD	18th December 2024
Consideration of draft revenue & capital budget proposals - Cabinet	January 2025
Scrutiny of Proposals - Select Committees	January 23rd to 22nd February 2025
Public Consultation for 2025/26 budget	January 23rd to 22nd February 2025
Consideration of scrutiny, consultation, final pressures, savings & assumptions	25th February 2025
Consideration of Welsh Government Final settlement	25th February 2025
Final budget proposals - Cabinet	5th March 2025
Formal Council Tax Resolution & Budget Proposals - Council	6th March 2025

12.3. **Appendix 2** identifies the detailed timetable that covers the complete process. The process is supported by appropriate senior finance officers providing the necessary input to support

the proper production of the business cases, including equality impact assessments where appropriate, and to facilitate robust review and scrutiny throughout the process.

- 12.4. Welsh Government intends to publish the draft provisional funding settlement for local authorities on the 11th of December 2024. This will allow the Council to understand whether any additional funding is likely to be received over and above current assumptions.
- 12.5. Where necessary up-front engagement with key stakeholders will take place ahead of draft budget proposals being released for consultation.
- 12.6. Formal scrutiny of the draft budget proposals will take place through the normal scrutiny committee cycle in January and February 2025, including if necessary one overall scrutiny meeting to consider the budget proposals as a whole.
- 12.7. Public consultation will also take place subsequent to the special Cabinet meeting in January 2025 and will run until the 22nd February 2025.
- 12.8. Final budget proposals will be presented back to Cabinet on 5th March 2025 after consideration of consultation feedback. The budget will then go to Council on the 6th March in order to meet the statutory requirement to set a Council Tax for the following year. This presents a challenge for setting next year's budget, as Welsh Government intends to only release final settlement information shortly before this date on 25th February 2025. This date may change, but where necessary may involve the final budget proposals containing potential options to mitigate the potential for any adverse final settlement revision.
- 12.9. The scale of the financial challenge facing the Council is considerable. Whilst the Council will do all that it can to protect its workforce, given the significant percentage of the Council's gross expenditure is on employee costs, the need to reduce costs on such a significant scale will inevitably affect employee budgets and the shape of the workforce.
- 12.10. Through the Council's Joint Advisory Group with trade unions and separate Trade Union partnership meetings, trade unions will be briefed on the scale of the 2025/26 budget gap and will continue to be consulted in advance of wider public consultation on any budget proposals and their likely impact on employees, particularly where posts are at risk of redundancy. Under the law relating to unfair dismissal, all proposals to make redundancies must involve reasonable consultation with the affected employees and their trade unions. Given the size of the budget gap, it is likely that there will be redundancies within the Council's workforce in the lead up to, and during the financial year commencing 1st April 2025, notwithstanding every effort being made to avoid them.
- 12.11. Where the number of employees likely to be made redundant exceeds certain thresholds, the law specifically sets out a minimum length of time and minimum content for the consultation with the trade unions, including ways of avoiding, reducing or mitigating the consequences of the numbers of employees being made redundant. As the Head of Paid Service, the Chief Executive is responsible for all staffing matters and has the authority to implement all necessary consultation in relation to proposed redundancies (statutory or otherwise) and make associated staffing decisions.

13. Progress against the MTFs Delivery plan

13.1. The medium term financial strategy (MTFS) approved by Council in July 2024 outlined the delivery plan that will convert the MTFs into practice. The plan contains the actions proposed in accordance with the strategy document. These align to the strategy's key aims and objectives.

13.2. There was a commitment made to provide a six-monthly update on progress against the delivery plan to monitor progress of the plan against the core objectives. The latest update of progress is outlined below:

Action No.	Action/Description	Outcome/Output	Milestones				Timescale for completion	Responsible Officer/Body	Progress update October 2024
			24/25	25/26	26/27	27/28			
Page 72	Develop a Change and Improvement plan to enable delivery of required savings over the medium term	Programme of work developed with overarching governance to enable delivery to be co-ordinated	✓	✓	✓	✓	September 2024	Cabinet/SLT	Evolving with the development of the budget process and strategy for 2025/26
	2 Delivery of budget holder training	Refresh and rollout of training to all budget holders	✓	✓	✓	✓	March 2025 and ongoing	Head of Finance	
	3 Self-assessment of compliance with CIPFA Financial Management Code	Self-assessment to identify further actions to improve the Council's financial management	✓				March 2025	Deputy Chief Executive (S151 officer)	
	4 Independent financial resilience review to be undertaken	Independent review to highlight and further areas for improvement		✓			March 2026	Deputy Chief Executive (S151 officer)	
	5 Enhance approach to modelling future growth, demand, demographic and		✓	✓	✓	✓	September 2024 and ongoing	Head of Finance	Work is progressing on developing more evidence based data metrics to support the budget process. Some of

	inflationary pressures in the MTFP								this has already been embedded within the updated assumptions in this plan update
6	Revenue reserves (including school balances) and useable capital receipt review to be undertaken in line with the revised reserves policy	Rationalisation of revenue reserves	✓		✓		September 2024	Deputy Chief Executive; Head of Finance	Work has started on review of trend and identifying risk / investment needs. To be further progressed throughout the budget process
7	Financial risk register to be maintained and regularly updated	To ensure that suitable mitigations are in place against key financial risks	✓	✓	✓	✓	September 2024 and ongoing	Financial Management Board	Risks have currently been identified and updated as part of this plan update. Will continue to be assessed and updated on a regular basis
Page 73	Annual review of fees and charges	To benchmark and assess fees and charges to ascertain scope for further income potential	✓	✓	✓	✓	December 2024 and annually	Head of Finance	

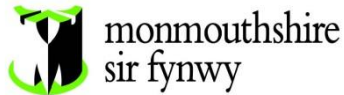
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Appendix 2 - 2025/26 Budget timetable

Week	Task	Responsibility	Milestone
	<i>Draft Revenue budget</i>		
1	Collection of base data to update budget assumptions - Independent data, In year forecasts, economic indicators	Finance teams	6-Sep-24
3	SLT/Cabinet Away Days - Budget	SLT/Cabinet	16-Sep-24
4	Budget shortfall and approach to savings proposals agreed	SLT	24-Sep-24
6	High level pressure/saving proposals produced	DMT's	9-Oct-24
7	Six monthly MTFP update report to Cabinet including budget process and timetable	Section 151 officer	16-Oct-24
8	Consideration of high level pressure/saving proposals by informal Cabinet	Informal Cabinet	22-Oct-24
9	Update of full-cost corporate, appropriations and financing budgets	Finance teams	29-Oct-24
9	Changes to Fees & charges to be included in savings/pressures proposals	Finance teams	29-Oct-24
9	Detailed pressure/savings proposals to be produced and presented to SLT	DMT's	29-Oct-24
9	Chancellor's Autumn statement	External	30-Oct-24
10	Consideration of detailed pressure/saving proposals by informal Cabinet	Informal Cabinet	5-Nov-24
13	Budget shortfall to be assessed and further options to be identified if required	SLT	26-Nov-24
TBC	Budget workshop - All members seminar	Section 151 / Cabinet member for resources	TBC
TBC	Budget workshop - Labour group	Section 151 / Cabinet member for resources	TBC
17	Final pressure and saving proposals to be produced and presented to SLT	DMT's	3-Dec-24
15	Consideration of final pressure/saving proposals by informal Cabinet	Informal Cabinet	10-Dec-24
15	Provisional settlement received and impact considered	Section 151 officer	11-Dec-24
19	Draft revenue & capital budget proposals - release on formal consultation	Section 151 officer	7-Jan-25
20	Draft revenue & capital budget proposals - agenda despatch	Section 151 officer	14-Jan-25
21	Draft revenue & capital budget proposals	Section 151 officer	22-Jan-25
16-20	Scrutiny of Proposals by Select Committees - during 4 week consultation period	Select Committees	Jan 23rd to 22nd Feb 25
16-20	Public Consultation for budget	Section 151 officer	Jan 23rd to 22nd Feb 25
	<i>Final Revenue budget</i>		
25	Final pressures, savings & assumptions for 2024/25 budget	SLT /Cabinet	18-Feb-25
TBC	Final settlement received and reviewed	Section 151 officer	25-Feb-25
27	Final budget proposals - Cabinet	Section 151 officer	5-Mar-25
27	Formal Council Tax Resolution & Capital Budget Proposals - Council	Section 151 officer	6-Mar-25

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**SUBJECT: Investment & Commercial Portfolio
Performance Update**

MEETING: Performance & Overview Committee

DATE: October 2024

DIVISION/WARDS AFFECTED: All

1. PURPOSE:

For Performance & Overview Committee to receive a performance update on the Council's commercial and investment property portfolio.

2. RECOMMENDATIONS:

- 2.1 That the performance of the commercial and investment property portfolio is noted.

3. KEY ISSUES:

Background

- 3.1 This report provides an update on the current performance of the council's commercial and investment property portfolio, including Castlegate Business Park and Newport Leisure Park investments, MCC's County Farms portfolio, and retail and industrial portfolio.
- 3.2 MCC benefits from a diverse land and property portfolio that has delivered a commercial return over a number of years. The portfolio is managed in accordance with the strategic principles and objectives set out in the Council's approved 2023-2027 Asset Management Strategy. The asset register consists of a range of different land and property which have come into MCC ownership over many years through a mixture of acquisition, donation, or council/government reorganisation. These include:
- Acquired investments of Castlegate Business Park and Newport Leisure Park
 - Industrial units
 - Retail units

- Office accommodation
 - County Farms and Bryngwyn Livestock Market
 - Oak Grove Solar Farm
- 3.3 Ongoing management and monitoring of the commercial and investment portfolio is undertaken by officers within MCC's Estates, Finance and Legal departments. Acquired investment assets are supported as part of the wider functions and responsibilities of Landlord Services, and departments are in regular contact with the appointed managing agents for the respective sites. The cost of managing agents is incurred by tenants of the respective properties, recovered via service charge payments.
- 3.4 The combined gross income for all investment and commercial assets, inclusive of acquired investments, for 23-24 was £3.628m.

Since acquisition, both acquired investments have generated a combined net income of £2,042,074. This position will improve as a consequence of the net surplus forecast for 24-25, as outlined in the subsequent sections of the report.

Acquired Investment Portfolio

- 3.5 The investments of Castlegate Business Park and Newport Leisure Park were acquired via the Council's Asset Investment Policy. The Asset Investment Policy facilitated acquisition of assets to meet the strategic aim of generating commercial returns, thereby helping to offset wider budget pressures facing the Council. The policy also established the criteria for evaluation of commercial and property investments, measured against the return on investment (ROI) or net income return, over and above the borrowing repayment cost.
- 3.6 At the time of acquisition, prudential borrowing was used to acquire or invest in property, with the cost of borrowing serviced by the resulting rental streams. As a result of the Council's risk appetite and the ongoing strain on its financial standing, any further investment will only be considered in order to support the core policy objectives contained within the Council's latest Community & Corporate Plan and where deemed prudent, sustainable and affordable. The Performance & Overview Scrutiny Committee now receives 6 monthly updates on the performance of the Council's property investment portfolio.
- 3.7 Figure 1 shows a summary of financial performance and occupancy rates of the respective portfolios. Further detail on activity associated with each portfolio is outlined in the subsequent section:

	Castlegate Business Park	Newport Leisure Park	
ROI as of 23/24 (March 2024)	-3.74%	0.15%	
ROI as of 24/25 (Sept 2024)	-2.08%	1.41%	
Forecast for 25/26	-0.95%	1.78%	
Occupancy rates as of 23/24 (March 2024)	85.6%	97%	
Occupancy rates as of 24/25 (Sept 2024)	87.9%	94.6%	
Net income to MCC 24/25	-£128,405	£279,067	£150,662
Net income to MCC since acquisition	£353,436	£1,689,638	£2,043,074

3.8 Since acquisition, both assets have generated a total income of £2,043,074 above borrowing repayments. Whilst both assets currently perform below the original 2% above borrowing investment criteria, officers would recommend to members that they continue to hold these assets to retain as strategic employment and income generating assets.

3.9 Castlegate Business Park continues to recover well following exposure to known risks associated with the surrender of the anchor tenant at point of acquisition. Newport Leisure Park, whilst carrying risk associated with the future of the Cineworld Group, continues to generate a net return to MCC. Continuing to let vacant space will materially improve the financial performance of both assets, reducing MCC's exposure to business rates, service charge and utilities and increasing its net return.

3.10 The 25/26 forecast presumes no further lettings (or surrenders) will be realised, but there continues to be a reasonable prospect of securing new tenants and improving the forecasted ROI. Letting 20% of the vacant floor space will return Castlegate BP to a positive net return. Newport Leisure Park will exceed the 2% ROI target if the only remaining void is filled. It should also be noted that any sale is likely to also result in a depreciated capital value due to the reduced rent roll and limited investment activity in the sector at this time.

Castlegate Business Park

3.11 Castlegate Business Park was acquired in June 2018 for £7million together with a service charge loan of £900k and associated acquisition costs. The asset consists of mixed office and production/warehouse space amount to circa 217,000 sqft situated in 18 acres of land adjoining the Caldicot settlement.

3.12 The property at the time of acquisition was 95% occupied, the majority to Mitel who were the original owners of the site. Following surrender of 60% of the property by Mitel in March 2022, MCC Estates have worked to reduce this void through securing new tenants and expansion of existing businesses. As of September 2024, the occupancy rates are at 87.9%.

3.13 Details of letting activity since January 2024 are set out below:

Office & MonSpace

3.14 MCC Estates 'MonSpace' initiative, which makes available 9 smaller office suites on more flexible terms than might otherwise be accommodated by the sector, continues to return strong occupancy levels. This has reduced vacant space in the property that may otherwise have been more challenging to let. It has also enabled several local businesses to be retained in the area.



3.15 As of September 2024, 6 of the suites are occupied, with 2 tenants having occupied and vacated since launching MonSpace in November 2023. Another suite is under offer and scheduled to be occupied in November. Flexible terms have assisted support different businesses in a range of circumstances, for example Caldicot Town Council occupied one of the suites during their building refurbishment, enabling them to continue to operate unaffected by the works. The letting of MonSpace has generated a total rental to MCC of over £25,000.

3.16 Following a short period of occupation at MonSpace, two tenants have elected to enter long term leases for the property. This has further reduced MCC's service charge, business rates and utilities liability.

3.17 Two rent reviews have been exercised with existing tenants, resulting in significant rental increases. We have also secured lease extensions and expansions with three existing tenants on site, further increasing the rent roll and reducing MCC's service charge and business rates liability.

Cafe

3.18 As a consequence of the pandemic, the onsite canteen was closed however a new cafe operator (Castell Coffi) has been identified and are operating successfully from the property. The cafe is supporting trade from existing tenants as well as the surrounding Severn Bridge Industrial Estate. Discussions are ongoing to secure a long-term lease agreement to retain the operator on site.

Miscellaneous

- 3.19 Through March-August the property was being utilised by a film company as a 'base' whilst filming in and around Monmouthshire. This included storage, office and set design. Expectation Comedy are a TV and film company based in London who work with several TV channels, including Channel 4. The units at Castlegate have been considered attractive for their purposes, as they offer privacy, office space for staff and ample onsite parking. The 13-week licence has generated a strong commercial return for MCC.
- 3.20 The Castlegate Business Park car park continues to be hired to facilitate a number of local events, including charity events with Portskewett Football Club and events at Caldicot Castle. The large car park is also being hired by local businesses within the Severn Bridge Industrial Estate for additional parking, further generating a rental for MCC.
- 3.21 There is one tenant at Castlegate Business Park in arrears and discussions are ongoing regarding payment plans to address short-term cash flow pressures.
- 3.22 As of September 2024, Castlegate Business Park is projected to generate a commercial loss of £128,405. Whilst a continued financial pressure, this is a £101,650 improvement on the 23-24 position, and we continue to secure new tenants to return the asset to a net positive position.

Newport Leisure Park

- 3.23 Newport Leisure Park was acquired in March 2019 at a cost of £22.5million. It is situated on the Newport/Monmouthshire border and comprises of a mix of six restaurants, two retail units and three leisure units within an 11 acre site. At the time of acquisition, all of the units were let on the basis of long leaseholds with no rental or service charge arrears.
- 3.24 Since acquisition, the park was subject to significant closures as a consequence of the Covid pandemic. Four units have been made vacant via surrender or eviction, creating voids which required re-letting. Despite this, the asset has continued to generate a total net return to MCC of 1.41%. New tenants have been secured following the lettings of Unit 7 (Starbucks) and Unit 2 (Innoflate). Both tenants are trading and paying rental and service charge contributions.
- 3.25 Details of letting and management activity from January 2024 are set out below:
- 3.26 In January 2024, MCC elected to exercise forfeiture on the lease of Unit 9B Tiffins. This followed an extended period of rental arrears and inability of the tenant to address the debt. The property has been marketed since for an alternative occupier. Expressions of interest have been received and we

continue to consider offers, including the potential to partition the unit into two smaller units to increase the attractiveness to smaller leisure offerings.

- 3.27 Unit 6, the former Pizza Hut unit and only other remaining vacancy, is under offer and at the time of writing is finalising a lease for a new occupier. Fit out is scheduled to commence in October 2024, with trading commencing later in the Autumn. Letting of the unit is on competitive terms and consistent with pre-pandemic rental levels.
- 3.28 Unit 1, let to Cineworld, has been subject to national attention as a consequence of a company restructure being executed by the Cineworld Group. On the 26th of July, Cineworld Group shared their intentions to close multiple cinemas across the UK.
- 3.29 Under the restructuring plan, existing lease agreements for UK Cineworld cinemas have been classified as either Class A, B, C1, C2, D1, D2 or D3 creditors. 38 sites have been classified as Class A. 33 sites in Class B. 16 sites in Class C. 9 sites in Class D. Class C and D sites have been identified as sites subject to closure (of which 6 closures have been announced) or significant rental reductions including nil rental.
- 3.30 The proposed restructure classified Cineworld Newport Leisure Park as a 'Class B Creditor'. As a Class B creditor, Cineworld have determined that the cinema should remain open but is subject to a rental reduction to achieve their desired annual turnover. MCC will be subject to a rental reduction for a period of 3 years, commencing 3 months after the restructure is carried out.
- 3.31 Cineworld will seek to reduce the rental to align with an estimated rental value (ERV) or market rent. ERV reductions have resulted in Class B Creditors experiencing rental reductions of up to 87%. Under the terms of the restructure, it is proposed MCC's reduction will be more favourable than others, reflecting the strength of the operation at Newport Leisure Park. Whilst the final reduced rental figure is under review and subject to scrutiny, the ERV reduction is reflected in the 24/25 and 25/26 forecasting within this report.
- 3.32 The courts sanctioned a Creditor Vote on the restructuring plan on the 18th September and the restructure was authorized on the 30th September. MCC's rental from Cineworld will be unaffected for an initial period of 3 months, and a further payment is projected 12 months post-restructure which intends to address any shortfall in rental through year 1 of the restructure.
- 3.33 Engagement with the local management team at Cineworld has reaffirmed the strategic importance of the asset given its location, limited local competition, free car parking and footfall. Despite this, Estates continue to monitor the restructuring plan closely and prepare an exit strategy should the position change. Independent advice has been sought regarding interest in the property should the restructure be unsuccessful or the cinema close, and it is recommended that supporting the restructure best protects MCC's interests and projected net revenue position.

- 3.34 Rent reviews have been exercised on existing tenants, resulting in an uplift in rental returns to MCC.
- 3.35 MCC have been in advanced discussions with an electrical vehicle charger operator for the installation of new chargers at the property. Any agreement would be subject to grid connection and planning consent. The EV chargers would generate an annual rental for MCC.
- 3.36 There are no tenants in arrears at Newport Leisure Park.

Commercial Portfolio

- 3.37 The Council's industrial portfolio comprises of 40 units ranging in size from 365ft² to 2,850ft² located within Caldicot and Raglan. Currently the portfolio is 100% let and there are aged rental arrears in the region of £15k. This equates to 7.3% of the rent roll. Several lease renewals have been executed or are under negotiation which is anticipated to increase rental returns. A recent review of Castleway Industrial Estate has made it possible for some of the existing tenants to expand their business and commit their future to the location.
- 3.38 The retail portfolio is made up of 23 secondary neighbourhood units, which are a combination of freehold and long leasehold tenures. The portfolio is 96% let. The ground floor of Hanbury House in Chepstow is now fully let with a range of tenants inclusive of medical, gym and retail offerings. The Estates Department, in partnership with Regeneration colleagues in MCC, are developing a temporary 'pop-up shop' within the ground floor former One Stop Shop space at Monmouth Market Hall and, subject to planning, an exhibition space on the first floor former Planning offices. These uses will generate a rental for MCC and offset ongoing revenue costs for the property.
- 3.39 Innovation House, Magor is categorised as an investment asset with an income target of £156,000. The second-floor smaller wing is occupied and generating a rental return. The remaining vacant space continues to be marketed. Interest has been received from a large-scale flexible office provider and terms are being negotiated. In the interim and to prove concept, it is intended to launch a 'MonSpaces' opportunity on the ground floor. Usk County Hall has also secured the letting of the ground floor of 'J-Block' to the Shared Resources Service (SRS), generating a commercial return and reducing MCC's operating costs.
- 3.40 There are 24 farm holdings in the Council's ownership generating an improving commercial return. There are £24k of arrears for County farms, primarily relating to one farm in Leechpool. This represents 8.8% of the total rent roll. Site visits have been held to discuss options with the tenant. Significant rental uplifts have been achieved across multiple recent farm lettings. Another county farm has been recently vacated, with re-marketing scheduled to commence in October. MCC also continue to receive rental payments from the Bryngwyn Livestock Market, which makes rental payments

based on a combination of turnover and base rent. Bryngwyn Livestock Market has generated a rental return of over £929,611 since 2013.

3.41 Income from the Council's solar farm is currently forecasting a £100,000 overspend at M4 due to a number of grid outages on site this year plus adverse weather conditions which is affecting the income return. Subject to weather, it is anticipated the performance will increase through to year end. Since 2017, the solar farm has generated a gross income for MCC of £4,517,289.

4. OPTIONS APPRAISAL:

The report is not a decision-making report. The report represents a performance review of the commercial and investment portfolios, as required under the governance changes outlined in the Asset Management Strategy. Therefore, no option appraisal is required.

5. REASONS:

The Asset Management Strategy requires a 6-month performance review of the Council's commercial and investment portfolios.

6. RESOURCE IMPLICATIONS:

This report outlines a £351,649 improvement in the performance of the investment portfolio from 23/24 projections. The 24/25 projections have been adjusted to reflect the changes and risk associated with Cineworld's occupation. Despite these changes, both Castlegate Business Park and Newport Leisure Park are projected to generate a significant improvement since 23/24 and Newport Leisure Park a net surplus, after borrowing repayments, in 24/25.

£30.7m of the £50,000,000 prudential borrowing fund had been spent on these two investments.

	Castlegate			NLP			Combined		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
Expenditure	781,353	883,105	101,752	1,013,517	1,017,405	3,888	1,794,870	1,900,510	105,640
Income	-682,400	-754,700	-72,300	-1,359,825	-1,296,472	63,353	-2,042,225	-2,051,172	-8,947
Net Return	98,953	128,405	29,452	-346,308	-279,067	67,241	-247,355	-150,662	96,693

As a result of the investments, budgeted income targets have been introduced. The latest Month 6 projections estimate a net surplus on NLP of £279,067 and a deficit of £128,405 on Castlegate, a combined surplus on both investments of £150,662 resulting in an in-year forecast budget pressure of £96,693.

As a strategic asset within the county, information has been sought on the number of jobs created at Castlegate Business Park since the last performance update. Since January 2024, 33 new skilled jobs have been created or appointed to at Castlegate Business Park. Future Performance & Overview Committee performance updates will continue to report any movements in job and skill creation.

The capital values of both assets continue to be impacted by the respective sectors however an improving rent roll is resulting in capital appreciation. As of March 2024, the asset valuations for Castlegate Business Park and Newport Leisure Park were £6.1m and £19.5m respectively.

Income targets for the commercial portfolio, exclusive of acquired investments, have been increased by £100,000 in 24-25. Acquired Investments are projecting to generate a net income of £2247,355 in 24-25.

7. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING)

There are no equality and Future Generations implications arising from the purpose of this report. This report provides a performance review of the commercial and investment portfolios.

8. CONSULTEES:

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Joanne Chase – Head of Commercial Law
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9. BACKGROUND PAPERS:

Appendix 1 – Performance Dashboard

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Appendix 1 – Performance Dashboard

Performance Indicators			
Measures/Milestones	23/24	Target	24/25
Total Gross income target for investment and commercial portfolio	£3,628,877	£3,756,652*	£3,641,133
Industrial Unit Gross Income	£203,129	£223,275*	£209,451
County Farm Gross Income	£269,317	£284,120*	£270,294
Solar Farm Gross Income	£916,274	£727,032	£627,535
Retail and Office Gross Income	£359,075	£480,000*	£482,681
% of rental arrears from commercial portfolio total income	6.4%	2%	2.4%
Castlegate Business Park Occupancy Rates	85.6%	100%	87.9%
Newport Leisure Park Occupancy Rates	97%	100%	94.6%
Net income from acquired investments	£2,043,074	n/a	£2,193,736
Castlegate Business Park – Job creation from lettings or existing tenants	n/a	n/a	33 new roles created (Aug 2024)

*income target increased by £100,000 from 23/24.

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