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Section 1 - Overall Revenue Position

Table 1: 2025/26 Revenue budget forecast by directorate

Service Area	Original Budget 2025/26	Budget Adjust-ments	Revised Annual Budget	Forecast	Forecast (Under) / Over Spend @ Update 2	Forecast (Under) / Over Spend @ Update 1	Variance from Update 1
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Social Care, Health & Safeguarding	77,916	66	77,982	78,131	149	1,074	(925)
Learning, Skills & Economy	73,030	(395)	72,635	72,804	169	40	129
Infrastructure	21,442	20	21,462	21,148	(314)	(61)	(253)
Place & Community Wellbeing	6,009	213	6,223	6,202	(21)	141	(162)
People, Performance & Partnerships	6,317	(41)	6,275	6,323	48	99	(50)
Legal & Governance	3,050	39	3,089	3,158	69	64	6
Resources	9,083	(77)	9,006	8,861	(145)	(95)	(50)
Corporate	29,147	350	29,497	30,176	680	(27)	706
Net Cost of Services	225,994	175	226,169	226,804	635	1,234	(599)
Appropriations	10,784	(175)	10,609	11,150	541	484	56
Expenditure to be Financed	236,778	0	236,778	237,954	1,176	1,719	(542)
Financing	(236,778)	0	(236,778)	(237,984)	(1,205)	(1,185)	(20)
Net General Fund (Surplus) / Deficit	0	0	0	(29)	(29)	533	(562)

Table 2: 2025/26 Revenue budget forecast by service

Service Area	Original Budget 2025/26	Budget Adjustments	Revised Annual Budget	Forecast	Forecast (Under) / Over Spend @ Update 2	Forecast (Under) / Over Spend @ Update 1	Variance from Update 1
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Adult Services	47,536	284	47,821	47,495	(326)	201	(527)
Children Services	24,105	202	24,306	24,389	83	598	(515)
Housing & Homelessness	2,512	(21)	2,491	2,856	366	238	128
Public Protection	1,886	45	1,931	1,931	0	(5)	5
SCH Support	1,877	(444)	1,433	1,459	26	42	(16)
Social Care, Health & Safeguarding	77,916	66	77,982	78,131	149	1,074	(925)
Economy, Employment & Skills	853	(48)	805	817	12	0	12
Emergency Planning	178	0	178	195	16	0	16
Individual Schools Budget	58,790	0	58,790	58,796	6	6	0
Resources	1,217	(50)	1,167	1,226	59	31	28
Standards	11,992	(297)	11,695	11,772	77	3	73
Learning, Skills & Economy	73,030	(395)	72,635	72,804	169	40	129
Enterprise, Housing & Community Animation	559	(213)	345	351	5	2	3
Facilities, Fleet & Decarbonisation	11,739	84	11,823	12,208	385	563	(178)
Neighbourhood Services	8,668	(34)	8,634	8,174	(460)	(381)	(79)
Operations	476	183	659	415	(244)	(245)	1
Infrastructure	21,442	20	21,462	21,148	(314)	(61)	(253)
Culture and Community Learning	943	(82)	861	879	18	38	(20)
Countryside, Destination and Environment	1,149	(75)	1,074	1,038	(36)	(14)	(21)
Leisure and Wellbeing	1,764	(121)	1,643	1,641	(2)	0	(2)
Performance, Finance and Resources	1,639	316	1,954	1,874	(80)	(5)	(75)
Placemaking, Highways & Flooding	515	175	691	769	78	123	(44)
Place & Community Wellbeing	6,009	213	6,223	6,202	(21)	141	(162)
Chief Executives Office	2,917	(30)	2,888	2,935	48	117	(69)
People	1,934	(10)	1,924	1,910	(14)	(14)	0
Policy, Scrutiny & Customer Service	1,466	(2)	1,464	1,478	14	(4)	19

Service Area	Original Budget 2025/26	Budget Adjust-ments	Revised Annual Budget	Forecast	Forecast (Under) / Over Spend @ Update 2	Forecast (Under) / Over Spend @ Update 1	Variance from Update 1
People, Performance & Partnerships	6,317	(41)	6,275	6,323	48	99	(50)
Democratic Services	1,957	39	1,996	2,023	27	39	(12)
Legal and Land Charges	1,093	0	1,093	1,135	42	25	17
Legal & Governance	3,050	39	3,089	3,158	69	64	6
Commercial, Corporate & landlord Services	2,133	(58)	2,075	1,924	(151)	(27)	(124)
Corporate Health & Safety	163	0	163	163	0	0	0
Finance	3,791	(19)	3,772	3,796	24	(58)	82
Information Communication Technology	2,996	0	2,996	2,978	(18)	(10)	(8)
Resources	9,083	(77)	9,006	8,861	(145)	(95)	(50)
Precepts & Levies	28,699	0	28,699	28,666	(33)	(33)	0
Coroner's	278	0	278	296	18	19	(1)
Archives	228	0	228	228	0	0	0
Corporate Management	452	0	452	385	(67)	(13)	(54)
Non Distributed Costs (NDC)	387	0	387	387	0	0	0
Strategic Initiatives	(2,820)	350	(2,470)	(1,709)	761	0	761
Insurance	1,923	0	1,923	1,923	0	0	0
Corporate Costs & Levies	29,147	350	29,497	30,176	680	(27)	706
Net Cost of Services	225,994	175	226,169	226,804	635	1,234	(599)
Interest & Investment Income	(788)	0	(788)	(1,045)	(257)	(257)	0
Interest Payable & Similar Charges	7,624	0	7,624	8,053	429	423	6
Charges Required under Regulation	6,158	0	6,158	5,943	(215)	(215)	0
Other Investment Income	0	0	0	(1)	(1)	(1)	0
Borrowing Cost Recoupment	(3,918)	0	(3,918)	(3,910)	8	0	8
Contributions to Reserves	2,483	0	2,483	3,059	576	535	42
Contributions from reserves	(775)	(175)	(950)	(950)	0	0	0
Contribution from Council Fund	0	0	0	0	0	0	0
Appropriations	10,784	(175)	10,609	11,150	541	484	56

Service Area	Original Budget 2025/26	Budget Adjust-ments	Revised Annual Budget	Forecast	Forecast (Under) / Over Spend @ Update 2	Forecast (Under) / Over Spend @ Update 1	Variance from Update 1
Expenditure to be Financed	236,778	0	236,778	237,954	1,176	1,719	(542)
General Government Grants	(100,637)	0	(100,637)	(100,637)	0	0	0
Non Domestic Rates	(34,612)	0	(34,612)	(34,612)	0	0	0
Council tax	(110,596)	0	(110,596)	(111,381)	(785)	(785)	0
Council Tax Benefit Support	9,066	0	9,066	8,646	(420)	(400)	(20)
Financing	(236,778)	0	(236,778)	(237,983)	(1,205)	(1,185)	(20)
Net General Fund (Surplus) / Deficit	0	0	0	(29)	(29)	533	(562)

Section 2 - Directorate – Service Variance Comments

SOCIAL CARE, HEALTH & SAFEGUARDING	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	1,074	149	0	0

CHIEF OFFICER COMMENTARY

The overall position at halfway into the financial year for the directorate is a predicted forecast overspend of £149K, a considerable improvement by £925K since update 1.

This improvement is attributable to the confirmation of a £900K grant related to Pathways of Care Transformation (hospital discharge) which has helped support the costs of care and service provision within adult services, along with the continuation of the £1.1M Social Care Workforce Sustainability grant. The directorate is also benefitting for Regional Integration funding which helps to support core costs. There remain significant underlying pressures within adult social care particularly given that we are approaching the winter months. Of particular concern is the on-going increased demand for residential placements.

In itself, the new grant allocation, whilst positive, will bring with it increased expectation of speeding up hospital discharge processes which can result in the need for costly packages of care. Whilst progress is being made in increasing the numbers of people benefitting from reablement, this is not able to fully mitigate the need for longer term residential care or care at home. The service and practice changes that have been put in place are starting to take effect in terms of mitigated costs, such as the care at home contracts in the south, but there is still more to do.

The improved position has also been supported by managing to contain the cost of annual uplifts within external placements within Children's Services. However, pressure continues to arise through more children requiring care, the cost of legal proceedings and through the need to maintain family support despite the loss of some WG grants. Family support is essential to avoid the need for placements as well as securing better outcomes for children.

Both adults and children services are predicated on demand rates holding steady – which is not easy to predict, particularly heading into the winter period [for adult social care].

Housing and homelessness services show a deteriorated position by £128k. The opening of Severn View should help mitigate pressure moving forward. However, the service is seeing rising operating costs, voids, and rent and debt arrears across emergency and temporary housing provision - this needs to be explored further for potential mitigation. On a positive note, the usage of B&B accommodation is at its lowest for many years.

On the backdrop of the positive improvements during update 2, debt due to unpaid Adult social care charges remains a challenge and we are looking at an action plan moving forward.

Adult Services

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	201	(326)	0	0

The position at update 2 highlights a projected underspend at year end of £326k, which is a considerably improved position of just over £500K since update 1.

It is a somewhat complicated picture across the service with a number of over and underspends against different service areas, reflecting both changing patterns of demand and the on-going impact of service re-organisation.

The improved position has largely been achieved through an allocation of £900k via the Pathways of Care Transformation Grant, and through ensuring full spend against the Regional Integration Fund revenue grant. We also benefit from the continuation of the £1.1M Social Care Workforce Sustainability grant. Savings are also being made against the internal care at home staffing salary with increasing amounts of care being commissioned through external providers.

The main pressure includes the full year effect of care provision and adult placements made at the end of the previous financial year and the ongoing rise in residential placements. There have been an additional 8 residential placements since update 1. Across the County there are a total of 360 residential placements demonstrating the increase in demand even over the summer months. This is in keeping with the aging demographic of the county together with the complexity of needs experienced by our older residents. Residential placements for people living with later stage dementia are generating a particular budgetary pressure. The demand for care at home is also showing an increase since update 1.

This picture of on-going increased demand reflects the underlying budgetary pressure within adult social care, with the improved position largely being attributable to additional grant money. Furthermore, the current position is predicated on maintaining stable demand; however, winter is a notoriously unpredictable and challenging time for the service. During the next period, it is likely that additional pressure will arise from both community and hospital settings with a particular emphasis on hospital discharge.

The savings target of £250k is not yet fully evidenced; however, our review activity has significantly increased. For the first time we met our 70% target of the number of care and support plans reviewed at the end of 2024/25 increasing to 74% at the end of the first quarter of 2025/26. Savings achieved by reducing packages of care via the review process are already captured in this forecast and we are still validating the data to demonstrate actual impact. Work is underway to ensure that this data is available at update 3.

We are still experiencing difficulties in progressing CHC cases for younger people with mental health and learning disabilities that is impacting on our ability to move eligible adults into health service budgets. This is an issue for all Welsh Local Authorities. The regional team are in the process of appointing a CHC lead to act on behalf of the Gwent region to address our concerns and gather information with a view to progressing a legal challenge.

Our service transformation plan to expand reablement is moving forward with the number of people receiving reablement increasing. This represents cost avoidance for the Local Authority as we continue to reduce the number of people who do not need care and support at the end of a period of reablement.

Despite the unpredictability of the coming months, the service continues to take every opportunity to adopt cost avoidance approaches to care. Our information advice and assistance service (IAA) will be implemented during the latter part of this year with 6 new IAA workers now recruited. This allows us to

develop our preventative offer and will feed our new intake model where reablement is the first consideration to mitigate or prevent care. The new domiciliary care contracts have been implemented in the South, and we are now looking to ensure that we gain maximum value out of these contracts in order to stabilise cost and improve capacity in the area of most demand.

Debt due to unpaid Adult social care charges remains a challenge and we are looking at an action plan moving forward, which will sit aside our current discussions and actions that are already established and in place.

Children's Services

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	598	83	0	0

At the end of update 1 there were 190 children looked after including 15 unaccompanied asylum-seeking children. At the end of October this has increased to 199 with 16 unaccompanied asylum-seeking children. This is the first significant increase for some time, although the underlying trend remains relatively stable at the moment.

The service activity of assessment, family support and risk management remains intense. During this first 6 months of the year 28 children became looked after and 23 children left care.

The service is currently showing an improved position at Update 2 because through successful negotiation, we have been able to contain the costs related to annual uplifts of external placements.

There remains a significant pressure related to the use of external counsel / barrister costs for children who are in a public law process in the family courts. This represents a pressure of £368K based on current activity which is a deterioration of £75K. As at update 1 there were 22 children (16 families) within the family courts. The service only refers children to the family court if it is the only way to secure a child's safety and long-term stability / welfare. The costs associated with a court process are high, and the use of barristers is often unavoidable. In terms of corrective action, the service will continue to liaise with the legal team to explore any potential to reduce the costs associated with court.

The other element of the reported overspend relates to pressure that has arisen through a reduction in the Welsh Government grant that supports our Family Support services. This is a pressure of £274k. Family support is critical to supporting children to remain safely at home wherever possible and helps both to safely reduce the numbers of children who need to come into care and safely return children to their families and communities at the earliest opportunity. Although it represents a cost pressure, the service has maintained family support despite the significant reduction in the WG grant. Family support is fundamental to cost avoidance (particularly given the cost of placements) and helps us to secure best outcomes for children and families. The majority of children open to children's services (normally around 550 at any one time) will be receiving family support of some description, with many others receiving services through early help and community-based support. If these services were disrupted or reduced more children would need to come into care.

At update 2 the service is on track to achieve 100% of its £1.9M savings related to practice change in care planning for children and placement development.

The current position is predicated on there being no new high-cost demand into the service, something which is not always predictable.

HOUSING & HOMELESSNESS

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	238	366	0	0

Housing services is showing an overspend of £366k a deterioration of £128K since update 1.

The main reasons are:

- the delay in the opening of Severn View giving rise to additional costs within B & B provision
- a number of voids within existing provision
- costs associated with the maintenance and repair of existing provision
- making-good following hand-back of B & B provision
- costs within private leasing arrangements driven by increased repair, maintenance, and cleaning costs.
- reduced income due to rent arrears and bad debt
- staffing costs.

These issues are indicative of providing emergency and temporary housing for people who have high support needs. The bottom-line position within housing has benefitted from £242K due to the Housing benefit clawback reduction; however, this has not been sufficient to off-set the current costs.

The service is looking at potential mitigating actions including reducing voids where possible. As the new temporary accommodation service in Severn View beds-in, this should help alleviate future budgetary pressure, dependant on demand patterns. On a positive note, the usage of B&B accommodation is at its lowest for many years.

Public Protection

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	(5)	0	0	0

At update 2 the division is forecast to spend its allocated budget.

SCH Support

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	42	26	0	0

There is a £26k budget pressure currently forecast in SCH support due to changes in payroll costings following the Chief officer pay review, changes to employer national insurance contribution rates, and from pay awards.

Learning, Skills & Economy DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit /(Surplus) £'000s	40	169	0	0

CHIEF OFFICER COMMENTARY

The Directorate's current position is a forecasted overspend of £169,000. This would be higher, but has been mitigated by releasing part of the ALN Independents Budget, due to several pupils leaving independent placements.

Economy, Employment & Skills

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	0	12	0	0

Economy, Employment & Skills are currently reporting an overspend of £12k due to not being able to meet employee related savings. However, this can be offset by releasing part of the ALN Independents Budget (which is shown in the Standards section below)

Emergency Planning

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

Emergency Planning are currently reporting an overspend of £16k due to not being able to meet employee related savings. However, this can be offset by the releasing part of the ALN Independents Budget (which is shown in the Standards section below)

Individual Schools Budget

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

There is currently a small forecasted overspend due to several small, unexpected costs relating to schools

Resources

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit /(Surplus) £'000s	31	59	0	0

The current forecasted overspend of £59k is due to the following:

- £25k increase in management staff costs, due to the restructure, and not being able to meet employee related savings
- £14k increase in School & Student Access staff costs, due to a secondment continuing for the remainder of the financial year, and not being able to meet employee related savings
- £9k reduction in income, as we no longer receive income for the administration of the EIG, now that it is part of the LA Education Grant
- £6k SIMS costs not budgeted
- £5k unable to meet employee related savings in the Financial Management Services Team

£28k of the overspend can be offset by releasing part of the ALN Independents Budget (which is shown in the Standards section below)

Standards				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit /(Surplus) £'000s	3	77	0	0

The current forecasted overspend of £77k, is due to the following

- £89k increased costs across Early Years, as WG are not fully covering the costs of the provision
- £41k increased catering and staff costs regarding Breakfast Clubs
- £6k Agency costs covering an absence
- £10k increase in ALN Equipment Budget
- £22k increase in MoST staff costs, due to absence, and loss of SLA income for Autumn & Spring Terms
- £27k less ALN Recoupment Income due to a pupil moving from a neighbouring LA to Monmouthshire
- £193k overspend on the LA IDP and Contingency Pot 2 Budgets
- -£311k saving on the ALN Independents Budget, due to several pupils leaving Independent Placements

INFRASTRUCTURE DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit /(Surplus) £'000s	(61)	(315)	0	0

CHIEF OFFICER COMMENTARY

The Directorate's forecast underspend has increased to £315k. This can be attributed to one off income from our waste partnership, increased income from our solar farm, staff vacancies and a reduction in the forecast overspend in fleet and passenger transport. The service has been unable to achieve the forecast home to school budget saving from the catchment review but continues to seek contract efficiencies where possible.

Enterprise

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit /(Surplus) £'000s	2	5	0	0

Small overspend due to the inability to fully meet staff vacancy savings.

Facilities & Fleet

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit /(Surplus) £'000s	563	385	0	0

Facilities and Fleet is forecasting a projecting a £385k overspend, due to:

- **Fleet Maintenance** - £70k overspend – due to in-year pressures including an increase in hire charges, EVCI maintenance expenses and software costs. Increased fuel charges that were projected at update 1 have not materialised and this has helped reduce the overspend and is the main reason for the swing since we last reported.
- **Passenger Transport** – net £315k overspend – we are currently projecting a £423k overspend on external operator costs, this is mainly due to a £334k shortfall against the £447k catchment area saving built into the 2025/26 budget. As reported at update 1 pupil figures have changed since original projections were prepared and some routes have been deemed unsafe meaning transport still has to be provided. In addition to this we have had to provide additional PRS contracts (increasing costs by £52k since update 1) and have had to pay £18k for external safer walking route assessments.

Internal operations is projecting a £75k overspend due to contract reductions impacting income, although the unit has been awarded 3 ALN contracts since we last reported which has helped reduce the overspend (and is the reason for the positive swing since update 1).

These overspends have been offset by transport admin grant income of £115k and a staff saving in our regional transport section (£51k) through passporting core staff costs to capital.

Neighbourhood Services

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(381)	(460)	0	0

Neighbourhood services is forecasting to return a £460k underspend, broken down as follows:

- **Waste Services** - £299k underspend – as reported at update 1 this is primarily driven by a one-off gain share receipt from Cardiff CC in relation to our waste incineration partnership alongside an improvement in green and trade waste income, savings on disposal & recycling contracts and staff savings due to part-year vacant posts. Recyclate prices are volatile so there is potential for contract costs to change before now and year end, in addition we are awaiting notice from WG on our Sustainable Waste Grant award, a lower than budgeted allocation could reduce the underspend. The service will continue to monitor these variables and update forecasts accordingly.
- **Grounds Maintenance** - £76k underspend – mainly due to staff savings from part-year vacant posts and a projected increase in grant and fee income.
- **Highways Operations & External Clients** – On Budget
- **StreetLighting** – On Budget
- **Highways Design, Flooding & Road Safety** – £85k net underspend – The service is projecting a net underspend of £85k, primarily due to savings on professional fees, software costs, supplies & services and staff vacancies across the department. These savings are partially offset by additional costs incurred in response to flooding events, including tide watches and sandbagging provision.

Operations

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
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Deficit / (Surplus) £'000s	(245)	(245)	0	0
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Operations is forecasting to underspend by £245k, due to:

- **Schools Catering** - £88k underspend – primarily due to part-year staff vacancy savings.
- **Decarbonisation** - £157k underspend – due to improved income from our solar farm and renewables portfolio due to improved ROC rates, favourable weather and improved inverter performance and a staff saving in the decarbonisation team due to a part year vacant post (will be filled in Nov). This has been offset by an overspend in a prior year corporate mileage saving of £102k, the proposal has been delayed by procurement issues, and no saving will be achievable this financial year.

PLACE & COMMUNITY WELLBEING	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	142	(21)	0	0

CHIEF OFFICER COMMENTARY

The Place and Community Wellbeing Directorate is presently forecasting an underspend £21k. This favourable variance is principally attributable to increased income generation within Leisure and Wellbeing, as well as the delayed recruitment to vacant posts, which has helped to offset pressures arising from the under-recovery of parking penalty charges and building control fees.

The directorate continues to closely monitor areas exposed to income volatility and has proactively implemented mitigation strategies wherever feasible to strengthen the financial position since update 1. The improvement observed is largely a result of higher than anticipated leisure income, improvements to car parking income and deferred filling of vacant positions, all of which have contributed to the overall positive outturn.

Culture and Community Learning

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	38	18	0	0

The Culture and Community Learning division is projected to experience an overspend of £18k. This is primarily due to higher than budgeted staffing costs, inflationary pressures and increased expenses relating to supplies and services contracts. Improvement from update 1 to update 2 relates predominately due to higher income.

Countryside, Destination and Environment

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(14)	(36)	0	0

The Countryside, Destination and Environment division is forecast to underspend by £36k due to higher than budgeted income relating to increased grants.

Leisure and Wellbeing

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
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Deficit £'000s	/ (Surplus)	0	(2)	0	0
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The Leisure and Wellbeing division expects a marginal underspend, as higher income from leisure facilities has offset the £89k loss of income due to Abergavenny LC's closure and reduced service agreement income.

Performance, Finance and Resources

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(5)	(80)	0	0

The Performance, Finance and Resources division is forecasting to underspend by £80k due to staff vacancies. The variance from update 1 to update 2 relates to the delayed implementation of the support services restructure.

Placemaking, Highways & Flooding

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	123	78	0	0

The Placemaking, Highways and Flooding division is forecasting to overspend by £78k due to:

- **Development Management and Building Control** – The section is forecasting an overspend of £4k, relating to under-recovery of building control fees and increased software costs.
- **Planning Policy** – This section is currently on budget. Spending levels will be closely monitored and aligned with the approval of the RDLP.
- **Highways Development and Car Parks** – The section is forecast to overspend by £74k. This is mainly due to the under recovery of fixed penalty charges and higher than anticipated publication costs associated with the implementation of the new fees and charges.
- **Strategic Projects** – This area is currently on budget

The variance from update 1 to update 2 relates predominately to delayed implementation of vacant posts within the car parks and enforcement service area and a slight improvement in car parking fees.

PEOPLE, PERFORMANCE & PARTNERSHIPS	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	99	48	0	0

CHIEF OFFICER COMMENTARY

People, Performance & Partnerships and the Chief Executives Office are forecasting a combined overspend by £48k. There remains a degree of risk associated with the implementation of changes to the Welsh language translation service, which are scheduled for completion in the second half of the

financial year. Staffing savings achieved within HR during 2024-25 have proven difficult to sustain, resulting in an overspend in 2025-26 as additional capacity has been bolstered.

Within the CEO's Office, the overall forecast reflects a mixed financial position. Overspends are primarily driven by staffing pressures and reduction in income. Whilst some overspends are offset by other service area underspends, pressures persist and officers will continue to seek mitigation strategies as the year progresses.

Chief Executives Office				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	117	48	0	0

The Chief Executives Office is currently forecasting an overspend of £48k. The principal factors contributing to this position are as follows:

- **Communications - £60k overspend** – The overspend is primarily attributable to a budget pressure of £56k arising from the creation of the Head of Communications and Active Travel post, coupled with a reduction in active travel income of £25k. These pressures have been partially offset by a contribution from Welsh Government relating to the secondment of the Head of Communications.
- **Contact Centre - £21k underspend** – An underspend has been achieved due to system and licence spend coming in below budgeted levels.
- **Strategic Change & Programme Assurance - £20k underspend** – The underspend is due to the capitalisation of the change management program.
- **Libraries, Hubs, and Community Learning** – This area is forecast to balance, with no significant variances expected.
- **Procurement - £27k overspend** – The overspend is due to higher than anticipated contract costs.

People				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(14)	(14)	0	0

The People sections is forecasting an underspend of £14k for the financial year. The principal factors contributing to this position area as follows: -

- **Organisational Development** - £15k overspend – The overspend is attributable to staff costs exceeding budget, primarily due to the inability to achieve vacancy factor savings.
- **Payroll & System Support** - £73k underspend – An underspend has been achieved as a result of a reduction in system and supplies & services expenditure of £39k alongside net staff saving of £27k arising from changes in hours and a payroll technician post being held vacant.
- **People Management** - £44k overspend – Additional costs have been incurred due to unachievable staff vacancy factor and extra staff resource being put in place to bolster team capacity.

Policy, Scrutiny & Customer Service				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(4)	14	0	0

Policy, Scrutiny & Customer Services is forecasting to overspend by £14k, broken down as follows:

- **Corporate** - £27k overspend – mainly due to the inability to achieve staff vacancy factor savings, SLT Pay award and an increase in subscription costs.
- **Scrutiny** - £4k overspend – unable to achieve staff vacancy savings.
- **GIS** - £21k underspend – saving in system and supplies & services spend.
- **Levies & Subscriptions** - £32k overspend – corporate subscription costs (WLGA, LGA) have exceeded available budget, in addition the authority has made the decision to renew the membership of New Local causing a further pressure as this budget was removed as part of 25/26 budget savings.
- **Performance & Data** - £12k underspend – due to staff savings from part year vacant posts.
- **Equalities & Welsh Language** - £3k underspend – the authority is due to enter into a new translation SLA with Torfaen Council in October, with current projections indicating that this will generate a 3k saving.
- **Community Safety** – Net £13k underspend – due to staff savings from part year vacant posts.

LAW & GOVERNANCE DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	64	69	0	0

CHIEF OFFICER COMMENTARY

Law & Governance is forecasting a £69k overspend, consistent with Update 1. The variance is mainly due to staffing pressures and income shortfalls across service areas. Officers are exploring measures to reduce the deficit and will report further at Update 3.

Democratic Services				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	39	27	0	0

Democratic services is forecasting to overspend by £27k, this is due to:

- **Members** - £37k overspend – primarily due to staffing costs where there is an overspend against superannuation contributions plus an inability to achieve vacancy factor savings, coupled with an increase in Mod Gov system charges.
- **Committee & Election services** - £10k underspend – due to part year staff vacancy savings in Elections partially offset by increased licence costs within the committee section.

Legal and Land Charges				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	25	42	0	0

Legal & Land Charges is forecasting to overspend by £42k, due to:

- **Legal** - £56k overspend – This is due to a projected reduction in fee income and the inability to achieve staff vacancy factor savings.
- **Land Charges** - £15k underspend – due to savings from a vacant part-time post.

RESOURCES DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(95)	(145)	0	0

CHIEF OFFICER COMMENTARY

At update 2, the Resources Directorate is forecasting a £145k underspend, increasing from the £95k underspend reported at update 1.

Within this forecast Commercial, Corporate & Landlord Services projects a £151k underspend, primarily due to staff vacancies, though this is offset by overspends in Investment Properties (£140k) and County Farms (£65k). Ongoing tenant and market engagement continues with the aim of reducing the level of vacant units. A detailed update on commercial and investment property performance will be provided to the Performance and Overview Scrutiny committee at the end of the financial year.

Finance forecasts a £24k overspend, mainly from increased bad debt provisions in Benefits (£23k) and Council Tax (£32k), partially offset by grant income and staff savings. ICT is forecasting a £18k underspend, driven by vacancy savings and managed costs.

Whilst the forecast overall is a positive one assurance is provided that all areas of overspend are subject to active and ongoing management. The directorate remains committed to robust financial stewardship and outperforming against budget by year-end such as to contribute to authority wide budget recovery efforts.

Commercial, Corporate & landlord Services

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(27)	(151)	0	0

Commercial, Corporate and Landlord services is forecasting to underspend by £151k, due to:

- **Investment Properties** - £140k overspend, due to:
 - **Newport Leisure Park** - £47k overspend – NLP is projecting a surplus of £276k in 25/26, however this is £47k below budget due to unbudgeted costs (such as electricity and rates) associated with a vacant unit. There is potential for this position to improve if a tenant can be found for the unit during the year.
 - **Castlegate Business Park** - £93k overspend – primarily due to increased operating costs associated with vacant units that fall to the authority to manage, including higher-than-expected rates, electricity charges, and one-off fees. As above there is potential for this position to improve if tenants can be found during the year.

- **Landlord Services** – £215k underspend – The underspend is primarily driven by staff savings from in-year vacancies, partially offset by a shortfall in rental income. The increase in underspend compared to update 1 is due to further staffing savings as our original forecast assumed two manager posts would be filled in October; however, these appointments have been delayed until January. In addition, three other vacant posts are now not expected to be filled this financial year, resulting in an additional **£121k** improvement in the underspend.
- **County Farms** - £65k overspend - Mainly due to void property costs of £50k from covering the running costs of vacant farms and cottages, which aren't included in the base budget (this issue is expected to resolve next year as a farm has been re-let and cottage disposals are being considered), and an increase in professional fees of £20k due to increased demand for valuations and succession reports needed for tenancy management. These have partially been offset by improved income of £5k.
- **Cemeteries** – £17k under spend primarily due to savings on supplies and services. There is potential that this could change if any unforeseen repairs or emergency tree works are required later in the year.
- **Building Cleaning & Public Conveniences** - £125k underspend – due to full and part-year staff vacancies as the service implements a restructure, as well as savings on maintenance and business rates in public conveniences.
- **Property Services** – On Budget – maintenance and rates overspend within office accommodation and a shortfall in external fees have been offset by employee underspends due to managed staff vacancies.

Corporate Health & Safety

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

Corporate Health & Safety – Break Even – No change from update 1 - all costs incurred in response to directorate H&S matters will be accommodated from within services and reported as part of their outturn position.

Finance

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(58)	24	0	0

The Finance division is forecasting to over spend by £24k, this is mainly due to:

- **Revenues, Systems & Exchequer** - £34k net overspend:
 - **Benefits** - £23k overspend - Housing Benefit subsidy is currently forecast to overspend by £64k, which represents an **adverse movement of £73k** compared to the position reported at update 1. This variance is primarily due to movements in the bad debt provision which reflects the current level of write offs and aged debt profile. This

overspend is partially offset by a reduction in non-pay costs and additional grant income totalling £41k, which has increased by £10k since update 1.

- **Council Tax** - £32k overspend – due to £16k of additional estimated service running costs, a £14k estimated top up of the bad debt provision for unpaid court cost, an £11k overspend relating to a residual budget pressure from the Finance restructure left against this cost centre and £3k unmet vacancy factor savings. These pressures are offset by one off Welsh Government grant income of £12k for the administration of this year's Retail Rate Relief scheme. The £20k increase since update 1 is largely attributable to the inclusion of the bad debt provision top up.
- **Charity Relief** - £3k underspend – projections indicate that 25/26 awards will be lower than budget.
- **Debtors** - £4k overspend - Unmet vacancy factor savings and additional National Insurance costs.
- **Cashiers** - £6k underspend – over spend on card payment fees of £26k have been offset by savings through reduced security carrier costs, holding off system developments and holding open, for a time, a cashier vacancy to generate an overall saving against this cost centre.
- **Revenues System Administration** - £18k overspend - no change from update 1, primarily due to increased annual contract costs for the Northgate system.
- **Financial Systems Support & Vat** - £35k underspend – mainly due to a £20k saving from vacant posts plus a £5k saving against the non-pay budget and £10k additional recharge income.

- **Finance** - £9k under spent - due to part year staff vacancies.

Information, Communication & Technology

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(10)	(18)	0	0

The ICT division is forecasting to underspend by £18k, this is due to:

- **SRS** – On Budget – a projected overspend on our SRS contribution of £15k due to increased O365 licence costs and PSBA line rental costs has been offset by a managed underspend on supplies & equipment.
- **Digital, Design & Innovation** – On budget – No Change from Update 1 - As of August 2025, the team moved under the Shared Resource Service (SRS) via the Cabinet-approved Digital, Data and Technology agreement. This caused a forecasted £33,000 overspend due to higher collaboration costs, exceeding the current budget. In line with Cabinet's decision, this shortfall will be covered by the IT reserve, so there is no negative effect on the Directorate's overall financial position.
- **Cyber Security Partnership** - £12k underspend - the Cyber Security Partnership has now transferred to SRS (from 1st September 2025), early projections indicate an in-year underspend of £12,000 due to vacancy savings.

- **Telephony** - £6k underspend – no change from update 1 – saving due to a reduction in call charges.

CORPORATE COSTS & LEVIES DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(27)	680	0	0
Coroners				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	18	18	0	0
Final levy is expected to be higher than budgeted due to additional requirements of the services following Chief Coroner review.				
Precepts & Levies				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(33)	(33)	0	0
Forecast saving due to the South Wales Fire Service precept being lower than originally anticipated for the financial year.				
Archives				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Corporate Management				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(13)	(67)	0	0
Unbudgeted income that cannot be attributed to services				
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	761	0	0

Funding shortfall in relation to increased employer's national insurance contributions. The final funding allocation received from Welsh Government was considerably short of the increased costs incurred.

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	486	541	0	0

Interest & Investment Income

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(257)	(257)	0	0

Cash balances have remainder high for a longer period than anticipated increasing investment balances and increasing underspend to £257k.

Interest Payable & Similar Charges

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	423	429	0	0

The rate payable on new borrowing has remainder at a higher rate than anticipated. Some additional longer term borrowing has also been taken slightly increasing overspend to £429k.

Charges Required Under Regulation

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(215)	(215)	0	0

Capital slippage funded from borrowing was higher than anticipated at the end of the previous year which has resulted in lower than anticipated charges.

Other Investment Income

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

Minor income received.

Borrowing Cost Recoupment

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	8	0	0

Minor unbudgeted variance that is offset by charges required under regulation				
Contributions to / from Reserves				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	535	576	0	0
An unbudgeted contribution to Council Tax Premium reserve is forecast and has increased since update 1. This will be mirrored by a corresponding underspend within Council tax.				
FINANCING	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(1,185)	(1,205)	0	0
Council Tax Reduction Scheme				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(400)	(420)	0	0
Anticipated underspend as in year caseloads are lower than the budget set.				
Council Tax				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(785)	(785)	0	0
The Council Tax Premium collection rate is currently higher than anticipated when setting the budget which results in forecast additional income of £576,000. Alongside this, the changes in the domestic registration list of properties chargeable has resulted in an increase of income forecast of £209,000.				
General Government Grants				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No Variance forecast				

2. 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 Balances (Surplus) / Deficit Position 2025/26 £000's	(B) Draw / (Contribution) on School Balances @ Update 1 £'000	(C) Draw / (Contribution) on School Balances @ Update 2 £'000	(A+B) Forecast 2025/26 Balances £'000
Cluster				
Abergavenny	1,351	635	817	2,168
Caldicot	(37)	641	826	789
Chepstow	989	26	(27)	961
Monmouth	144	407	392	537
Special	1,645	1,126	961	2,606

Total	4,092	2,835	2,970	7,061
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2.2. Collective School balances at the beginning of the Financial Year amounted to a deficit of £4,091,578. The anticipated further draw on reserves at Update 1 was £2,834,735, against a budgeted draw on reserves of £2,714,668, which resulted in a forecast deficit balance of £6,926,313 by year end. At Update 2, the draw on reserves has increased to £2,969,737, resulting in a forecast deficit balance of £7,061,052 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: 15	Total: 18	Total: 18	Total:	Total: 0
KHS VIII 3-19	KHS VIII 3-19	KHS VIII 3-19		
Gilwern	Gilwern	Gilwern		
Our Lady & St Michael's	Our Lady & St Michael's	Our Lady & St Michael's		
Ysgol y Fenni	Ysgol y Fenni	Ysgol y Fenni		
Caldicot School	Caldicot School	Caldicot School		
Rogiet	Rogiet	Rogiet		
Ysgol y Ffin	Ysgol y Ffin	Ysgol y Ffin		

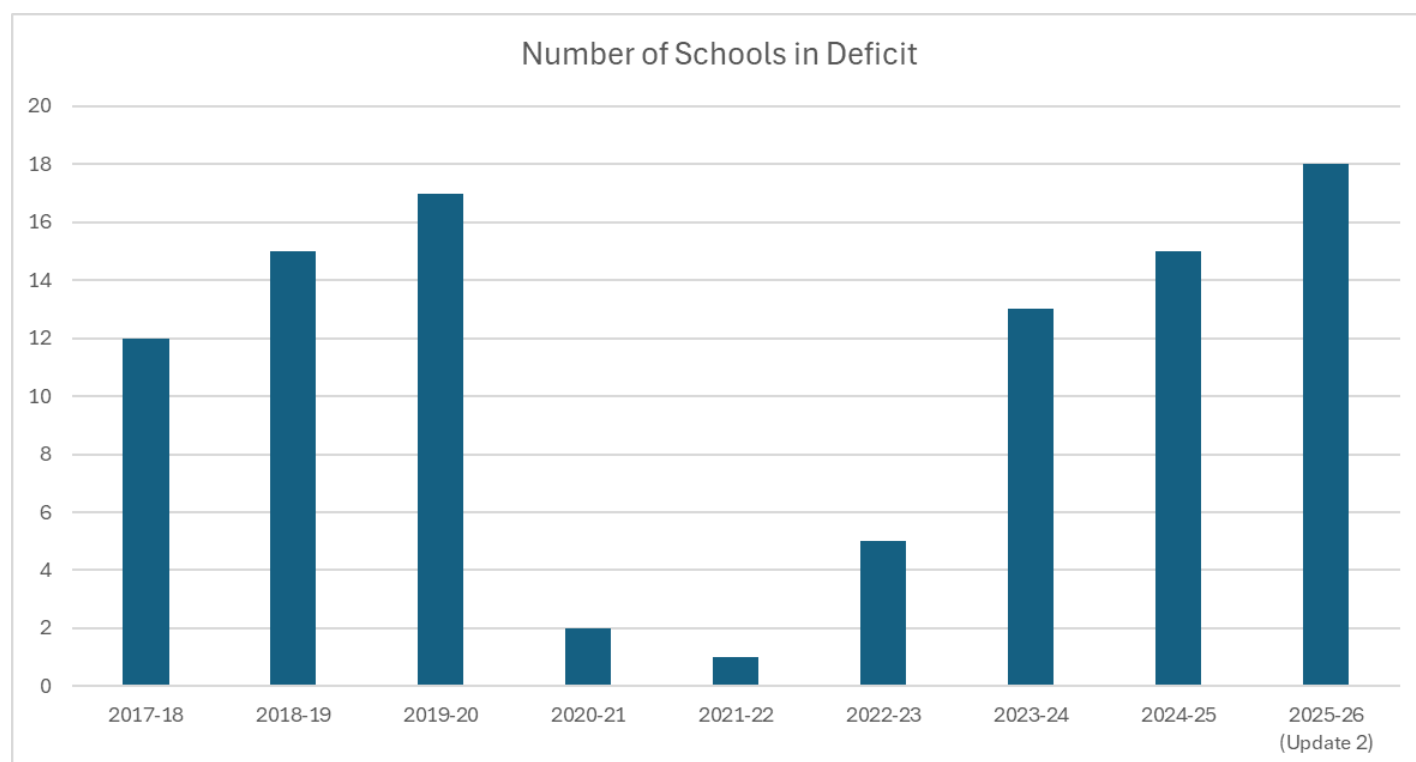
Chepstow School	Chepstow School	Chepstow		
The Dell	The Dell	The Dell		
Thornwell	Thornwell	Thornwell		
Kymin View		Kymin View		
Osbaston	Osbaston	Osbaston		
Overmonnow	Overmonnow	Overmonnow		
Ysgol y Trefynwy	Ysgol y Trefynwy	Ysgol y Trefynwy		
PRS	PRS	PRS		
	Castle Park	Castle Park		
	Monmouth Comprehensive	Monmouth Comprehensive		
	Cross Ash	Cross Ash		
	Llandogo			

- 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 2025/26 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	4,092
2025-26 (forecast)	7,061

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:



3. Forecast Capital Budget Outturn

3.1 The summary Capital forecast outturn position at Update 2 is as follows:

Category	Slippage B/F	Original Budget	Budget Adjust-ments	Slippage to 2025/26	Revised Budget 2025/26	Forecast Outturn	Over / (Under) spend
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	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Expenditure							
Capitalisation Directive	63	3,708	0	0	3,770	3,770	0
Development Schemes Over £250k	9,083	730	1,354	(4,073)	7,093	7,093	0
Development Schemes Under £250k	2,004	340	0	(1,163)	1,181	1,181	0
School modernisation programme	33	12,282	277	0	12,592	12,592	0
Infrastructure	3,958	6,076	829	(2,560)	8,303	8,303	0
ICT Schemes	272	463	(24)	0	710	715	6
Property Maintenance	1,967	2,409	579	0	4,955	4,955	0
Renovation Grants	192	900	341	0	1,432	1,432	0
LCHO	0	0	0	0	0	0	0
Section 106	1,454	288	0	(347)	1,394	1,394	0
Regeneration - Specific Grant Funded	6,009	500	10,369	0	16,878	16,853	(25)
Vehicles	0	1,500	0	0	1,500	1,500	0
Other	0	0	0		0		0
Total Expenditure	25,033	29,195	13,724	(8,143)	59,808	59,789	(19)
Financing							
Supported Borrowing	0	(2,432)	0	0	(2,432)	(2,432)	0
General Capital Grant	0	(3,046)	0	0	(3,046)	(3,046)	0
Grants and Contributions	(8,860)	0	(13,899)	0	(22,759)	(22,759)	0
S106 Contributions	(1,621)	(288)	0	347	(1,562)	(1,562)	0
Unsupported Borrowing	(13,661)	(18,069)	150	7,646	(23,933)	(23,914)	19
Earmarked Reserve & Revenue Funding	(272)	(103)	24	150	(201)	(201)	0
Capital Receipts	(619)	(3,758)	0	0	(4,376)	(4,376)	0
Leasing	0	(1,500)	0	0	(1,500)	(1,500)	0
Total Financing	(25,033)	(29,195)	(13,724)	8,143	(59,808)	(59,789)	19

3.2 The capital expenditure forecasted at outturn demonstrates a net underspend £19,000 this is primarily due to the following schemes:

Scheme	Budget £000's	Over / (Under) spend £000's	
IT Schemes	710	6	Businessworld upgrade over spend
Grant Schemes	16,878	(25)	An auxiliary power scheme for EV Meals on Wheels vehicles not required due to the specification of vehicles purchased

3.3 Capital Slippage

3.4 Capital slippage forecast for the year is £8.141 million. The principal schemes reporting slippage are:

Scheme Category	Scheme Name	Slippage £000's	Comment
Infrastructure	Wye Bridge Monmouth works	2,133	Design / Survey stage progressing, main construction works 2026/27.
Development schemes	Capital City Region	1,948	Confirmation awaited from SEWCJC of future capital funding profile.
Development schemes	Asset Investment Fund	1,781	Budget remains available to support any requirement for further capital investment at existing commercial investment sites.
Development schemes	Housing Provision Borrowing Headroom	779	Further housing purchases are unlikely to complete in 2025/26.
Infrastructure	Reconstruction of Bridges & Retaining Walls	359	Chainbridge Refurbishment - construction works for diversion routes need to be undertaken before the bridge is closed for refurbishment.
Development schemes	RE:FIT Programme	246	Delay to planned equipment replacement relating to de-carbonisation works.
Development schemes	Shire Hall/Monmouth Museum Move	234	Multi-year project due for completion in 2026/27.
Development schemes	Solar Farm Development Cost	150	Initial feasibility works have yet to be progressed.
Development schemes	Decarbonisation Investment	98	Delay to planned de-carbonisation works in energy management systems.
Infrastructure	Structural Repairs - PROW	68	Public Rights of Way bridge repair delays due to contractor procurement and internal resource availability.
Section 106 Schemes	Various S106 Schemes	347	Various community recreational improvement schemes are delayed.
Total		8,143	

3.5 Useable Capital Receipts Available

3.6 The table below outlines the latest forecast of capital receipts balances available to meet future capital commitments. Whilst overall balances remain healthy, it should be noted that all banked capital receipts have been committed to funding the indicative forward capital programme. Any further use will be dependent upon forecast capital receipts being realised.

Capital receipt balances	2025/26	2026/27	2027/28	2028/29	2029/30
	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April	6,083	1,810	1,330	375	428

Capital receipts used for financing	(606)	(50)	(50)	(50)	(50)
Capital receipts used to support capitalisation direction	(3,770)	(2,708)	(1,708)	0	0
Capital receipts Received	0	0	0	0	0
Capital receipts Forecast	103	2,278	803	103	103
Forecast Balance as at 31st March	1,810	1,330	375	428	481