

SUBJECT:	FINANCIAL UPDATE REPORT
MEETING:	PERFORMANCE & OVERVIEW SCRUTINY COMMITTEE
DATE:	30th June 2026
DIVISION/WARDS AFFECTED:	ALL

1. PURPOSE:

- 1.1 To provide Cabinet with information on the Authority's final financial results for the 2025/26 financial year in respect of the revenue budget, capital programme, and associated reserves position.
- 1.2 To update Cabinet on the early indicative progress against the 2026/27 revenue budget.

RECOMMENDATIONS TO PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE:

- i. That the Performance and Overview Scrutiny Committee scrutinise the results for the 2025/26 financial year in respect of the revenue budget, capital programme, and associated reserves position, and early indicative progress against the 2026/27 budget;
- ii. That the Committee as part of their role assesses whether effective budget monitoring is in place; the extent to which budgets are spent within the agreed budget and policy framework, including the reasonableness of the explanation for variances and; consider the achievement of progress in meeting budget savings targets.

2. RECOMMENDATIONS (to Cabinet):

That Cabinet *recognises*:

- 2.1 A final net revenue budget surplus of £1.068 million after transfers to earmarked reserves, which will be added to the Council Fund to ensure it is maintained at 5% of the Council's net expenditure budget. This represents a modest net surplus position after the majority of the gross in-year underspend has been applied to strengthen reserves and manage future financial risks.

- 2.2 As part of final outturn, £3.020 million of the gross revenue underspend will be transferred to earmarked reserves to strengthen the Council's financial resilience, improve capacity to manage future risks and volatility, and support planned investment in digital priorities, transformation activity and wider risk mitigation. This provides additional flexibility to support the Council's medium-term financial position and planned change priorities.
- 2.3 School reserve deficits increased by £2.788 million during the year, resulting in a cumulative year-end deficit of £6.880 million. This reduces the overall benefit of the positive year-end outturn and will continue to require close monitoring as part of the Council's wider financial resilience arrangements. Nineteen schools were in deficit at year-end, and all continue to operate with recovery plans agreed with the Local Authority.
- 2.4 The final outturn improved by £2.942 million since Financial Update 3, driven by late grant funding, stronger service outturns in some areas, and favourable treasury, financing and corporate movements.
- 2.5 While the year-end position is favourable, it was supported in part by one-off funding and corporate movements. Significant underlying pressure remains in demand-led and income-sensitive services, including children's social care, housing and homelessness, passenger transport, fleet, planning and building control, and Additional Learning Needs, which remain key risks for 2026/27.
- 2.6 Total capital expenditure for the year was £32.515 million, with a net underspend of £1.23 million, mainly reflecting lower vehicle replacement spend than budgeted, small timing differences on new grant-funded schemes, and additional grant funding reducing the call on core budgets.
- 2.7 Capital slippage requests total £45.22 million, including £1.88 million that will be re-purposed to create a capital contingency budget for 2026/27 to mitigate scheme risks or address emerging capital priorities.
- 2.8 There are early indications of cost pressures against the 2026/27 revenue budget, particularly within council tax collection, property, fleet and commercial property investment budgets. These will require close monitoring and prompt mitigation by services to help maintain a balanced outturn position during the year.
- 2.9 That Cabinet **approves:**
- The strategy to replenish reserves as outlined in Section 7, including the allocation of £3.020m to Earmarked reserves, and £1.068m to the Council Fund.

- The use of £3.55 million in capital receipts to fund eligible revenue expenditure under the Welsh Government’s “flexible use of capital receipts” direction (**Appendix 4**).
- The capital slippage requests of £45.22 million (**Appendix 2 - Section 4**), acknowledging the factors that delayed project delivery.
- The capital budget revisions detailed in **Appendix 7**, reflecting finalised external funding awards for the year.

KEY ISSUES

2025/26 revenue outturn headline position

The Council closed 2025/26 with a prudent and controlled outturn, delivering a modest net surplus after strengthening reserves:

- **£4.1 million gross revenue position** before transfers to earmarked reserves, supported in part by one-off grant funding, favourable treasury movements and corporate factors
- **£3.0 million transferred to earmarked reserves** to strengthen resilience, manage future risks and support planned change
 - **£1.0 million net surplus** transferred to the Council Fund to maintain 5% reserve cover

- **The in-year improvement has enabled targeted reserve replenishment to support financial resilience and planned change.** The Council continues to manage service pressures in children’s social care, housing and homelessness, passenger transport, fleet, planning, building control and Additional Learning Needs.

Resilience strengthened, but key risks remain

- The outturn enables the replenishment of key reserves, including **Information and Communications Technology, Programme of Change and Risk Mitigation**, increasing resilience against future shocks and supporting planned investment in priority transformation and digital activity.

- **School balances continue to require close monitoring**, with deficits worsening by **£2.8 million** in-year to a cumulative year-end deficit of **£6.9 million**, reducing the overall benefit of the positive outturn.

Capital programme and delivery

- **Capital expenditure totalled £32.5 million**, with a modest net underspend driven mainly by vehicle replacement timing, grant timing differences and additional external funding reducing the call on core budgets
- **£45.2 million of capital slippage** is requested into 2026/27, reflecting the rephasing of a large multi-year programme rather than a loss of funding, alongside the creation of a **£1.9 million capital contingency** to manage emerging risks and priorities

Looking ahead to 2026/27

- Early 2026/27 pressures are indicated in **council tax collection, property services, fleet and commercial investment properties**. **School balances** also remain a key area for close monitoring, with recovery plans expected to take time to translate into an improved overall deficit position, while the wider economic and public spending outlook remains challenging.

Overall message

- The 2025/26 outturn is a **positive but prudent year-end position**: one-off improvement has been used to strengthen reserves and financial resilience, but it does **not remove the underlying structural pressures** or the need for continued close financial management through 2026/27 and beyond.

3 Context

- 3.1 The 2025/26 budget round reflected the sustained period of increased levels and complexity of demand within School ALN provision, and Adults and Children's social care, which were addressed through significant base budget increases.
- 3.2 The budget set by Council in March also had to take account of a number of wider pressures that continued to affect the Council's operating environment:
- The wider socio-economic landscape and cost of living challenges that continue to have an impact on our communities, with a consequential increase in demand for Council services, and impact upon income generating services.
 - The wider public sector challenges which impact upon Council services, notably within Health where efforts to improve patient pathways impact upon the level and complexity of demand for Social care.
 - Headline inflation rates remaining above UK Government targets, with some discrete areas of Council services continuing to experience cost pressures on supplies and services.
 - In continuing efforts to combat inflation, interest rates have remained higher for longer and above previous UK Government forecasts.
- 3.3 These factors increase demand for supportive Council services, place pressure on income-generating services, heighten risks around debt recovery, and contribute to a higher-cost operating environment.

4 Revenue budget outturn position

4.1 Full Council approved a total revenue expenditure budget of £236,778,000 for the 2025/26 financial year. This is inclusive of £28,352,000 of precepts or levies for Police, Fire, and Community Council services that are paid directly to these organisations. The Council's net controllable revenue budget spent on delivering Council services is therefore £208,426,000.

4.2 The final revenue budget outturn shows continued improvement against the revenue budget from earlier forecasts:

Financial Update	Over / (Under) Spend
1	£533,000
2	(£29,000)
3	(£1,146,000)
Final	(£4,088,000)

4.3 At outturn, a gross underspend of £4.088 million is reported before transfers to reserves, representing a 1.7% favourable variance against the total revenue budget. An improvement of £2.942 million since Financial Update 3.

Directorate	Budget £000's	Outturn £000's	Forecast Overspend / (Underspend) £000's	% Variance to budget
Social Care, Health & Safeguarding	78,198	76,073	(2,125)	-2.7%
Learning, Skills & Economy	72,698	73,070	372	0.5%
Infrastructure	21,251	20,956	(295)	-1.4%
Place & Community Wellbeing	5,638	5,030	(608)	-10.8%
People, Performance & Partnerships	6,324	6,242	(82)	-1.3%
Legal & Governance	3,088	3,143	55	1.8%
Resources	8,452	8,690	239	2.8%
Debt financing, reserves, precepts & levies, insurances	41,545	40,134	(1,411)	-3.4%
Expenditure to be financed	237,193	233,339	(3,855)	-1.6%
Financing	(237,193)	(237,427)	(233)	0.1%
Total	0	(4,088)	(4,088)	-1.7%

- 4.4 The majority of directorates improved by year-end, reflecting additional grant funding, active in-year budget management, service mitigations, favourable income performance in some areas, and lower costs in selected corporate budgets.
- 4.5 However, the improved overall position continues to mask significant underlying pressure in demand-led services, particularly children's social care, housing and homelessness, passenger transport, fleet, planning and building control, and Additional Learning Needs. It is also important to recognise that the final outturn was supported by a range of one-off factors, including unbudgeted grant funding and favourable corporate movements, which do not remove the ongoing financial risks for 2026/27.
- 4.6 The principal areas of variance across service budgets are summarised below. This section is intended to highlight the main drivers of the outturn position, with full service-level detail provided in **Appendix 2**.
- 4.7 **Adult Social Care** closed the year with a significant underspend, largely due to the full utilisation of additional external funding, including Pathways of Care Transformation funding, Social Care Workforce Sustainability funding and further late-year regional funding. This was alongside in-year management action and service mitigations. While the outturn is favourable, underlying demand, care market pressures and rising unsecured client debt remain important financial risks into 2026/27.
- 4.8 **Children's Social Care** remained under pressure during the year, although the service closed broadly within budget. Placement costs were mitigated through fostering and kinship arrangements, grant support for unaccompanied asylum-seeking children, and the continued delivery of planned savings. However, significant pressure remains from external legal costs and reduced grant support for family services, and the service remains exposed to any new high-cost demand entering the system.
- 4.9 **Housing Services** continued to report an overspend, reflecting the cost and complexity of providing temporary accommodation and the delayed opening of Severn View. Whilst bed and breakfast usage remains low, the service continues to face pressure from voids, repairs and maintenance, private leasing costs, reduced rental income and wider homelessness demand. A more detailed review of the budget position and mitigating action is being taken forward in 2026/27.
- 4.10 Within **Learning, Skills and Economy**, the main pressure related to Additional Learning Needs, particularly the Local Authority Individual Development Plan budget and the contingency budget, where demand for support has continued to increase. This was partly offset by lower spend on independent placements and some lower bespoke support costs later in the year. School reserve deficits also worsened during the year, underlining the continuing budget challenge within the school's sector.

- 4.11 Within both **Infrastructure, and Place & Community Wellbeing**, the overall position was mixed. Pressures remained in fleet maintenance, passenger transport, planning, building control and some homelessness-related budgets, reflecting demand growth, income shortfalls, reactive maintenance and operational disruption. These were more than offset by favourable positions in waste, highways, schools catering, decarbonisation, leisure, parking income and other income-generating services, resulting in underspends at overall directorate level.
- 4.12 Within **Resources**, the overall outturn reflected generally strong budget control across the directorate, with vacancy savings and restraint on non-essential expenditure helping to support the wider corporate recovery position. However, this was partly offset by a prudent year-end provision in relation to the Council's commercial investment portfolio, particularly Castlegate Business Park, together with a corresponding transfer to reserves to provide cover for future risks and pressures associated with commercial property investment.
- 4.13 A number of services reported favourable positions by year-end, notably within **Leisure and Wellbeing, Schools Catering, Decarbonisation**, parts of **Highways**, and several corporate budgets. These improvements were generally driven by stronger income performance, staffing savings, grant income and lower than anticipated costs, and they helped offset pressures elsewhere in the revenue budget.
- 4.14 A specific cost pressure during the year related to the increase in employers' National Insurance contributions. Although funding support was subsequently confirmed, this did not fully meet the additional cost in 2025/26 and therefore added to the financial challenge considered through the budget process.
- 4.15 Pay award pressures were also managed during the year. Whilst both NJC and teaching pay awards were above budget assumptions, the additional in-year financial support received meant that these pressures could be accommodated without further material deterioration in the outturn position.
- 4.16 Debt financing costs moved favourably during the year, reflecting higher average investment balances, stronger investment returns and lower than anticipated borrowing requirements for much of the year. However, this was partly offset by a weaker council tax income position than budgeted, due to increased discounts and exemptions, although the overall financing position still closed favourably because of the lower call on the Council Tax Reduction Scheme budget.
- 4.17 Eligible revenue expenditure of £3.55 million was supported through capital receipts under capitalisation direction. This continues to provide important short-term support to the revenue budget, although medium-term financial planning assumes a tapering down of this support over time.

- 4.18 As part of the approved revenue budget, services were required to bring forward and deliver savings totalling £10,701,000. At outturn 92.6% (£9,908,000) of these were achieved. Full details of progress against individual savings targets can be found at **Appendix 3** to this report.
- 4.19 **Storm Claudia** created additional in-year revenue costs of £543k across a range of services, reflecting the Council's response, recovery and reinstatement activity. These costs are included within the directorate positions reported in this section. The cost of repairing the damage sustained at the Council's owned assets at Osbaston Primary, Overmonnow family learning centre and Drybridge House will be fully covered by insurance.
- 4.20 A claim was submitted to Welsh Government under the Emergency Financial Assistance Scheme, and grant support of £88k has now been received. This funding is reflected within the corporate outturn position.
- 4.21 Separate support payments totalling £288k were made to households and businesses affected by the storm. These were fully funded by Welsh Government grant and therefore did not add pressure to the Council's revenue outturn.
- 4.22 The longer-term capital impact of Storm Claudia remains uncertain. However, £4.142m of Welsh Government flood recovery funding has been secured to support the repair of major landslip events caused by the storm, including sites at Llanthoney Valley, Forest Coal Pit and Cwmyoy. The full extent of longer-term damage across the Council's infrastructure assets will take time to assess, and this continuing uncertainty will need to be managed carefully within the wider capital programme.
- 4.23 **Robustness of budget forecasting during the year:**

Table 3: Budget forecasting at formal reporting periods

2025/26 Budget forecast in £000's	Total Over / (Under) Spend	Social care & Health	Learning, Skills & Economy	Infrastructure	Place & Community Wellbeing	Resources	People, Performance & Partnerships	Law & Governance	Other
Update 1	533	1,074	40	(61)	141	(95)	99	64	(729)
Update 2	(29)	149	169	(314)	(21)	(145)	48	69	16
Update 3	(1,146)	(477)	462	(473)	(83)	(151)	6	76	(506)

Final	(4,088)	(2,125)	372	(295)	(608)	239	(82)	55	(1,604)
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- 4.24 The most significant movements in forecasting during the year were within Social Care and Health, where the position improved from a £1.074 million overspend at Update 1 to a £2.125 million underspend at outturn, and within the 'Other' category, which contains corporate, treasury and financing budgets. Other directorates were comparatively more stable, although there were still notable changes within Learning, Skills and Economy, Place and Community Wellbeing, and Resources between reporting periods.
- 4.25 Forecasting remained challenging during the year because a number of the largest budget areas were affected by factors that were difficult to predict with precision and which changed late in the financial year. These included late notification and maximisation of grant funding, particularly within adult social care and corporate budgets; volatile demand-led pressures in services such as ALN, children's social care, housing and passenger transport; uncertainty around income levels in planning, building control, leisure and council tax; and the year-end effect of corporate adjustments and reserve movements.

5 School Balances

- 5.1 School balances deteriorated further during 2025/26. Collective school balances stood at a deficit of £4.092 million at the start of the year, and schools drew down a further £2.788 million by outturn, resulting in a cumulative deficit balance of £6.880 million being carried forward into 2026/27. While this is a worsening position, it is not unexpected in all cases, as some schools are implementing planned structural changes, particularly to staffing, that can take time to deliver and may initially deepen deficits before recovery is achieved.
- 5.2 The number of schools in deficit increased from 15 at the start of the year to 19 at outturn. This position worsened through the year, with 18 schools forecast to be in deficit at each of Updates 1 to 3 before a further school moved into deficit at year end. The year-end movement therefore reflects both continuing underlying financial pressure and the fact that some recovery strategies require changes that do not generate an immediate in-year benefit.
- 5.3 The overall deficit position remains concentrated in a relatively small number of settings, with the largest pressures sitting within secondary-age provision and the pupil referral service. Year-end balances also show that deficits are not confined to one part of the sector, with a mixed position across school phases and a number of primary schools also carrying deficit balances. All schools in deficit have agreed recovery plans with the Local Authority, and those plans continue to be subject to regular monitoring, support and challenge. For 2026/27, schools have been asked to set budgets that reflect a realistic path to recovery over time, recognising that this will not be achievable in a single year in all cases.

5.4 Underlying pressures continue to reflect the lasting impact of the pandemic on attendance, behaviour and increased Additional Learning Needs, alongside wider pay and cost pressures. These factors have increased the staffing and specialist support required within schools and continue to place strain on budget recovery. This is not unique to Monmouthshire and reflects a broader challenge facing school funding and financial resilience across Wales. The Authority will continue to work closely with schools to support sustainable medium-term recovery plans and to engage constructively at a national level on the longer-term funding issues affecting the sector.

Table 4: Movement in Schools balances

School balances by setting Deficit / (Surplus)	1st April 2025	Draw upon reserves	31st March 2026
	£000's	£000's	£000's
Comprehensive schools	1,366	305	1,671
3-19 / Middle	1,386	855	2,241
Primary schools	(306)	461	155
Pupil Referral Service	1,645	1,167	2,813
Total	4,092	2,788	6,880

5.5 **Appendix 2** provides the detailed explanation of the reasons for service variances to budget, the full movement in school balances, and details of progress against the Authority's capital programme during the year.

6 Reserves

6.1 The level of the Council Fund reserve stood at £10.89 million at the start of 2025/26, excluding delegated school balances. This represented 5% cover as a proportion of the Council's 2025/26 net revenue budget and was in line with the approved Medium Term Financial Strategy. Following the 2025/26 outturn, £1.068 million of the remaining net surplus will be transferred to the Council Fund so that this core reserve is maintained at 5% of the Council's net revenue budget for 2026/27.

6.2 Alongside the transfer to the Council Fund, the outturn position also enables the replenishment of key earmarked reserves. As set out in paragraph 6.3, this includes proposed transfers of £267,000 to the Information and Communications Technology Reserve, £253,000 to

the Programme of Change Reserve and £2.5 million to the Risk Mitigation Reserve. These transfers strengthen the Council's overall resilience against future financial risks and volatility, while also increasing capacity to invest strategically in priority service areas through digital investment, transformation activity and other planned change programmes.

6.3 Proposed reserves rationalisation and replenishment:

	£000's	
Gross revenue budget surplus	-4,088	
Transfer to ICT Reserve	267	To replenish the reserve to support essential technology investment, and other priority digital investment.
Transfer to Programme of Change Reserve	253	To increase capacity within the reserve to support planned transformation activity and invest-to-save work.
Transfer to Risk mitigation reserve	2,500	To strengthen the Council's resilience against future financial risks, volatility and unforeseen pressures.
Net revenue budget surplus	-1,068	
Transfer to Council fund	1,068	To maintain 5% cover of 2026/27 revenue budget
Final balance	0	

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

Table 6: Reserves projection based on 2025/26 outturn and the latest financial modelling

31st March	2025	2026	2027	2028	2029	2030
	£000's	£000's	£000's	£000's	£000's	£000's
Council Fund	10,885	11,953	12,849	13,813	14,849	15,963
School Balances	-4,092	-6,880	-6,880	-6,880	-6,880	-6,880
Earmarked Investment Reserves	3,048	3,450	1,976	1,707	1,536	1,433
Earmarked Risk Reserves	2,640	5,207	5,119	5,031	4,943	4,854
Earmarked Partnership Reserves	1,912	1,564	1,414	1,289	1,339	1,389
Service Reserves	2,191	5,288	5,320	5,778	6,263	6,776
Total useable revenue reserves	16,584	20,581	19,798	20,738	22,050	23,536

6.5 A detailed breakdown of useable revenue reserves is shown at **Appendix 6**.

7 **Capital budget**

7.1 Capital expenditure totalled £32.515 million for the year, with a net under spend of £1.23 million reported.

7.2 This mainly reflects lower vehicle replacement spend than budgeted, a small underspend on new grant-funded schemes where funding could not be fully applied within the year, additional grant funding reducing the call on core budgets, and smaller underspends within the infrastructure and property maintenance programmes.

7.3 After allowing for capital financing adjustments, £1.867 million of budget is available to be repurposed to create a capital contingency budget for 2026/27 to mitigate scheme risks or address emerging capital priorities.

7.4 **Capital slippage – Appendix 2 (Section 4)** details capital schemes requiring slippage into next financial year.

7.5 By their nature, capital schemes are often delivered over more than one financial year, and some reprofiling is expected as project timelines respond to changes in scope, procurement, delivery sequencing and external dependencies. In total, 79 schemes are requesting slippage into 2026/27, amounting to £45.21 million. This represents just over half of the total capital budget for the year.

7.6 A high-level summary of the principal reasons for slippage is set out below by scheme classification.

Scheme name	Slippage £000's	Comment
Infrastructure schemes	4,821	Slippage mainly reflects the rephasing of larger highways, bridge, public rights of way and wider infrastructure works into 2026/27 and beyond, where delivery timescales have moved because of ongoing design and investigation work, grant timing, supply chain and resource constraints, weather-related disruption, and the need to align works with wider programme activity and procurement sequencing.

Development schemes	8,213	Slippage mainly reflects the rephasing of larger multi-year development schemes where delivery has moved because of revised regional programme timescales, dependency on external approvals, site and property identification issues, feasibility and design work taking longer than planned, and capacity constraints affecting project mobilisation.
Schools & Education	5,269	Slippage mainly reflects the profiling of major school projects across multiple years, with some schemes still progressing through final delivery stages, summer completion programmes, grant timing differences and the need to align spend with construction and implementation milestones.
Insurance schemes	4,987	Slippage reflects the timing of major insured reinstatement works, where claims are underway but the main contract works are scheduled into 2026/27 in line with insurers' programme and delivery timescales.
ICT Schemes	274	Slippage mainly reflects rephasing of technology replacement and system projects where delivery is dependent on external partners, decommissioning or final development work, and where some budgets are being carried forward to support the next phase of implementation.
Budget contingency	1,867	This budget reflects released capital resources that are proposed to be carried forward into 2026/27 as a contingency to help manage emerging scheme pressures, delivery risks and new priorities arising during the year.
Property Maintenance	1,353	Slippage mainly reflects the timing of planned maintenance works across the property estate, with some schemes carried forward to meet the forward programme of works and to align delivery with operational access, contractor availability and wider property priorities.
Renovation Grants	601	Slippage mainly reflects lower than planned take-up and delivery of grant-funded works within the year, driven by contractor capacity, staffing support constraints and late funding timing, with budgets carried forward to meet committed demand in 2026/27.
Section 106	1,322	Slippage reflects the need to carry forward unspent developer contributions where approved schemes were not fully delivered within the year, so that committed works can be completed in 2026/27 in line with the relevant funding conditions.

Specific Grant Funded	16,275	Slippage mainly reflects grant-funded schemes where expenditure has moved into 2026/27 because of delivery rephasing, scheme timing changes, dependency on external approvals or commissioning, and the need to match spend to grant conditions and implementation milestones.
Capitalisation Directive	223	Final qualifying revenue expenditure was slightly lower than budget and will be carried forward to support the 2026/27 programme.
Total	45,218	

- 7.7 The capital programme continued to be affected by both internal and external delivery constraints during 2025/26. These included limited internal capacity, challenges in securing external professional support, some supply chain disruption, and the practical difficulties of managing in-year grant allocations that carry specific conditions around eligible expenditure and compressed delivery timescales. Over time, such factors may give rise to additional financial consequences, particularly through inflationary pressures and the implications for capital financing.
- 7.8 **Capital budget revisions** – During the financial year, the Council received a number of new grants and external contributions to support capital investment that were not included in the original approved capital budget. In addition, a number of existing grant-funded budgets have required adjustment as final allocations and delivery timescales have been confirmed. **Appendix 7** sets out the proposed revisions requiring Cabinet approval in accordance with the Council’s financial procedures.
- 7.9 **Capital receipts** – The table below sets out the capital receipts available to support future capital commitments. The current balance of banked capital receipts is fully committed, leaving limited flexibility to support additional capital investment. This also means that the use of capital receipts to support the revenue budget through the capitalisation direction is expected to taper to zero over the medium term.
- 7.10 A significant capital receipt of £2.5 million was received in December 2025 in relation to the sale of the site of the former Mounton House School, Pwllmeryic, Chepstow.

Table 5: Capital receipts balances

Capital receipt balances	2025/26	2026/27	2027/28	2028/29	2029/30
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	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April	6,083	4,540	3,291	2,336	1,680
Capital receipts used for financing	(606)	(595)	(50)	(50)	(50)
Capital receipts used to support capitalisation direction	(3,547)	(2,931)	(1,708)	(708)	0
Capital receipts to meet redundancy costs	0	0	0	0	0
Capital receipts Received	2,610	0	0	0	0
Capital receipts Forecast	0	2,278	803	103	103
Forecast Balance as at 31st March	4,540	3,291	2,336	1,680	1,733

8 2026/27 revenue budget – early update

8.1 Budget Context

- 8.2 The Council entered 2026/27 facing a continued challenging financial environment. The cost of delivering services remained under pressure from inflation, pay growth, higher interest rates, supply chain issues, and continued volatility in service demand, particularly within social care, education and housing. Wider cost of living pressures also continue to affect residents and, in turn, demand for Council services and the performance of some income-generating budgets. More broadly, the wider economic backdrop remains uncertain, with global instability and domestic economic pressures continuing to influence inflation, interest rates and the outlook for public finances. Against that backdrop, constructive engagement on the future local government funding position will remain important to help ensure that future settlements properly reflect the level of demand and cost pressures facing councils.
- 8.3 Cabinet's draft budget proposals for 2026/27 were built around estimated cost increases of £16.8 million, equivalent to around 8% of the Council's budget. These proposals prioritised the protection of frontline services and targeted additional investment in key areas, including social care, education, Additional Learning Needs, preventative services, highways resilience and support for vulnerable residents.
- 8.4 The final 2026/27 budget was balanced through a combination of increased Welsh Government funding, Council Tax, service efficiencies, reform and income measures. The final Welsh Government settlement provided an increase of 4.4% for Monmouthshire, equivalent to around £6.15 million, with only a minor technical adjustment at final stage. Alongside this, the final budget includes £3.5 million of service efficiencies and reforms, a 5.95% increase in County Council Tax, and continuation of the Council Tax Reduction Scheme to protect those on lower incomes.

- 8.5 The approved budget for 2026/27 continues to prioritise investment in frontline services. This includes further investment in school budgets, preventative children's services, social care, Additional Learning Needs, Welsh-medium education, infrastructure maintenance, and services that support community wellbeing and resilience. Core resident services such as waste collections, leisure centres, recycling centres, libraries and community hubs have been maintained. Following consultation feedback, the final budget also included additional capital investment, phased over three years, to further address potholes and improve the condition of the County's road network.
- 8.6 While the 2026/27 budget has been set on a balanced basis, the medium-term outlook remains very challenging. Significant financial risks remain around service demand, pay awards, specific grant funding, school reserve deficits, income collection, debt recovery and wider economic conditions. The national fiscal outlook also points to a tightening in public spending over the following two years, which is likely to make future funding settlements more difficult across local government. The Council therefore enters 2026/27 with a balanced budget, but one that still requires continued close financial management, delivery of approved savings and reform plans, and ongoing monitoring of the wider operating environment.
- 8.7 **Early indications**
- 8.8 The main early variances identified by services relate to a small number of areas. These include pressure on **council tax collection**, reflecting the same issues seen in 2025/26 around higher levels of discounts and exemptions; pressure within **property services**, due to increased maintenance costs and business rates within office accommodation together with a shortfall in external fee income, albeit partly offset at this stage by vacancies that are expected to be filled; pressure within **fleet**, driven by increased costs of vehicle hire, maintenance, and fuel; and pressure within **commercial investment properties**, where vacant units are resulting in the Council having to meet utilities and other holding costs.
- 8.9 **School balances** remain a significant near-term risk. Although recovery plans are in place, there is a realistic prospect that the overall deficit position could deteriorate further before it begins to improve. This reflects the timing lag in delivering staffing and structural changes, continuing pressures from pupil numbers, attendance, behaviour and Additional Learning Needs, and the fact that some schools will need to invest management capacity and take difficult decisions before savings are fully realised. The key financial objective is therefore not simply immediate deficit reduction, but to ensure that recovery plans are credible, actively monitored and capable of moving schools onto a sustainable path over the medium term.
- 8.10 Close monitoring and prompt mitigation will be essential to maintain financial stability throughout the remainder of the year.

8.11 Remaining budgetary risks for 2026/27

8.12 Alongside the above early indications, there remain key specific budgetary risks that have the ability to further impact upon the revenue budget during 2026/27. These sit within a broader backdrop of economic uncertainty, continued volatility in inflation and interest rates, and a more constrained outlook for public spending over the medium term, all of which may influence the level of future funding available to local government.

Increasing service demand	Volatile demand in social care, education and housing could create material in-year pressure.
Funding	Late or adverse grant decisions could leave unfunded cost pressure.
Annually allocated grant funding	Unconfirmed annual grants create service, staffing and delivery risk.
Service reforms	Savings and reform delivery must land early to secure full-year benefit.
Pay awards	National pay settlements remain uncertain and could exceed budget assumptions.
School reserve deficits	School deficits remain a resilience risk and recovery will take time.
Income and Debt recovery	Income collection remains exposed to household affordability and weaker recovery rates.
Economic factors	Inflation, interest rates and wider economic shocks could increase costs quickly.
Labour market	Workforce shortages may increase staffing and commissioning costs.

9 RESOURCE IMPLICATIONS:

9.1 The report sets out the resource implications arising from revenue and capital budget activity during the year. There are no additional resource implications arising directly from the recommendations in this report.

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

10.1 This report provides Members with information on the Authority's revenue and capital outturn position and does not, in itself, give rise to any direct equality or future generations implications.

CONSULTEES:

Senior Leadership Team
Performance & Overview Scrutiny Committee
Cabinet Members

BACKGROUND PAPERS:

Appendix 1 – Summary revenue budget service variances
Appendix 2 – Revenue and capital outturn report including school budgets
Appendix 3 – Performance against budgeted savings
Appendix 4 – Capitalisation directive schedule
Appendix 5 – Movement in individual school balances
Appendix 6 – Projected useable revenue reserves
Appendix 7 – Capital budget revisions requiring Cabinet approval

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Appendix 1 – Summary of service variances

Directorate	Over / (Under) Spend (£,000s)	% Variance to budget	Over spend	Under spend
Social Care, Health & Safeguarding	(2,125)	-2.7%	Children's services £148k – external legal costs, reduced family support grant and continuing demand pressures.	Adult services £2,617k – additional external funding, including Pathways of Care Transformation, Social Care Workforce Sustainability and late-year regional funding, alongside management action.
			Housing & Homelessness £465k – temporary accommodation, voids, repairs and maintenance, private leasing costs, delayed opening of Severn View and reduced rental income.	Support / Public Protection £122k – staffing savings, grant offset and small favourable service variances.
Learning, Skills & Economy	372	0.5%	Standards / ALN £307k – pressure on LA IDP and Contingency Pot 2 budgets, plus pressures in Early Years, Breakfast Clubs and staffing.	Economy, Employment & Skills £129k – additional income.
			School support / central budgets £216k – Increased business rates, lower photovoltaic recharge income, teacher pension costs and smaller staffing pressures.	Individual Schools Budget £23k – lower centrally held rates costs partly offset by additional year-end pressures.
Infrastructure	(295)	-1.4%	Facilities & Fleet £411k – fleet maintenance pressures from hire, repairs, fuel and software; passenger transport pressures from demand and contract costs.	Neighbourhood Services £281k – favourable positions in waste, highways and related services.
				Catering & Decarbonisation £426k – schools catering, decarbonisation and other favourable service variances.
Place & Community Wellbeing	(608)	-10.8%	Planning / car parks £252k – income shortfalls and related pressures.	Leisure & Wellbeing £715k – improved income and favourable leisure activity.
				Countryside / other services £145k – staffing savings and grant-supported income.
People, Performance and Partnerships	(82)	-1.3%	Chief Executive's Office £25k – staffing and income pressures in communications, procurement and programme assurance.	People / Policy / Customer £107k – staffing savings and lower non-pay costs.
Law & Governance	55	1.8%	Democratic Services £32k – staffing and election/by-election related costs.	None of note
Resources	239	2.8%	Commercial, Corporate & Landlord Services £361k – commercial property and landlord service pressures, including vacant unit costs.	Finance £90k – staffing savings, grant income and systems-related underspends.

Directorate	Over / (Under) Spend (£,000s)	% Variance to budget	Over spend	Under spend
				ICT / Corporate H&S £32k – vacancy savings and reduced supplies and services.
Corporate costs & levies	(793)	-2.7%	Coroner service / non-distributed costs £57k – levy increase and minor corporate cost pressure.	Strategic initiatives / corporate £850k – late Welsh Government support, corporate adjustments and lower than expected levies.
Debt financing, Council tax, reserves, insurances	(852)	-0.4%	Council tax £345k – higher discounts and exemptions than budgeted.	Treasury / financing / CTRS £1,197k – stronger investment returns, lower borrowing requirement and lower call on the Council Tax Reduction Scheme.
Year-end surplus	(4,088)	-1.7%		