Monmouthshire Scrutiny

Performance and Overview Scrutiny Committee ~ Feedback to Cabinet of Meeting held on 9th June 2026

Report Item 5: 2025-2026 Financial Outturn Report

Key Issues raised by the Committee:

- Why are some primary schools with significant deficit balances not reducing those deficits despite recovery plans, while other schools hold healthy surpluses? Does this raise concerns about the effectiveness of the recovery plans?

  Response: Councillor Callard (Cabinet Member for Resources) advised that school deficits have been a recognised risk for several years, largely due to staffing costs. Schools with fewer pupils receive less funding but may still need similar staffing levels. Recovery plans are long-term, but it is concerning that some deficits continue to grow. Schools, governors, education and finance teams must ensure prudent spending and delivery of recovery plans.

  Will McLean (Chief Officer for Children and Young People) advised that deficits may rise short term before recovery measures take effect. ALN pressures, support costs beyond central funding, staffing volatility and exceptional long-term absences are all contributing to ongoing financial pressures in some schools.

- What are the current council tax and business rates collection rates compared with last year, and what is the outlook for next year?

  Response: Jonathan Davies (Head of Finance) advised that council tax collection remains a live financial risk in 2026–27 due to collection performance, affordability pressures, rising discounts and exemptions, and growing arrears. In 2025–26, collection performance created a pressure of about £345,000, offset by favourable movements elsewhere. Small collection rate changes can significantly affect Council finances, so recovery will be balanced with residents' cost-of-living pressures and closely monitored.

- Are any financial pressures or services currently being masked by one-off grants, reserves or other temporary funding that could create problems next year?

  Response: Councillor Callard responded that social care remains one of the Council's largest financial risks. Demand in social care can fluctuate significantly, and even small increases in high-needs cases can create substantial financial pressures. The position will continue to be monitored through in-year budget monitoring reports. This remains one of the most volatile areas of Council spending.

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- Are there any emerging financial risks not fully reflected in the report that officers are concerned about?

  Response: Councillor Callard advised that social care demand remains a key emerging risk because of the potential for rapid changes in costs and demand. Jonathan added that Council tax collection remains a significant ongoing risk and is included within the live risk log.

- Given the growing demand and rising costs of the Pupil Referral Service (PRS), how much of the increase is due to worsening pupil needs versus mainstream schools being unable to cope? What is the average length of time pupils spend in the PRS before returning to mainstream education, and what are the future capacity risks?

  Response: Will advised that PRS demand has risen since the pandemic due to exclusion risks, failed specialist placements and increased anxiety, mental health and wellbeing needs. The service offers bespoke support and has improved returns to mainstream education, though some pupils stay for several years. Work continues on a sustainable financial model, with average stay data to follow.

- Is society facing a wider problem, with growing anxiety and mental health challenges among young people creating long-term risks for future generations?

  Response: Will replied that schools are investing in support such as nurture provision and ELSAs, while mainstream schools work to become more inclusive. Transitions, especially from primary to secondary, remain challenging, and anxiety and wellbeing issues affect many learners, not only those with ALN. Inclusive mainstream provision is key, but adds financial pressure.

- The report shows a £2.668 million surplus associated with the Welsh Medium School and Nursery. Is this money still available for development of the school or a future site?

  Response: Will advised that the funding was allocated to development work at Overmonnow and Usk, but site issues mean the original programme will not proceed as planned. Discussions with Welsh Government's Welsh-medium division are ongoing, and any future development would require a further capital funding bid.

- Does funding follow a pupil when they are permanently excluded and move into the Pupil Referral Service (PRS)?

  Response: Will confirmed that a proportion of the school's funding follows the pupil. The remaining Average Weighted Pupil Unit (AWPU) allocation for the year is transferred. However, the funding received is often much lower than the actual cost of supporting a pupil with complex needs in the PRS.

- To what extent does the favourable financial outturn depend on one-off grants, treasury gains, capital receipts and other non-recurring funding streams?

  Response: Jonathan advised that the Council still faces significant underlying pressures. One-off and unbudgeted grants, particularly from Welsh Government, helped support services and offset costs that would otherwise fall on core budgets. A precise figure is difficult to calculate because funding was spread across services, schools and corporate budgets. Continued Welsh Government engagement remains important.

- The committee needs a clearer understanding of how dependent the Council is on these non-recurring sources of funding. Can officers provide further information?

  Response: Jonathan agreed to provide further information. He confirmed the 2026–27 budget does not assume unknown future grants. Planned capital receipts are built into the medium-term financial strategy and are being reduced over time. Some grants are stable, while annual allocations create uncertainty, particularly in social care.

- The report shows an overspend on fleet maintenance and breakdown costs, while there is also underspend in the capital programme for vehicle replacement. How is this being reconciled and how will the Council break the cycle of maintaining an ageing fleet rather than replacing it?

  Response: Deb Hill-Howells (Chief Officer for Infrastructure) advised that vehicles are being replaced, with some refuse vehicles leased due to Welsh Government's 2030 ultra-low-emission expectation. Current electric refuse vehicles cannot yet meet Monmouthshire's operational needs, and low-emission options are significantly more costly. Extra costs also arise from breakdowns, accident-related hire and temporary replacements. A Fleet Management Board is reviewing costs, utilisation, fleet size and driver behaviour to improve efficiency and reduce spending.

- Is the issue with ultra-low-emission vehicles a supply problem or a capability problem?

  Response: Deb confirmed this is a capability issue, as current electric refuse vehicles lack the range needed for Monmouthshire's geography. The Council is working with Cenex to review routes and operating models for a future transition to ultra-low-emission vehicles.

- Has the Council received any indication of additional funding from the Welsh Government supplementary budget announced recently?

  Response: Councillor Callard advised that initial indications suggest that additional education maintenance funding will be available to local authorities. At the time of the meeting this appeared to be the only confirmed additional funding stream. Members would be updated if further information became available.

- Capital slippage (£45 million) appears high relative to the £32 million capital programme spend. What does capital slippage mean, why does it occur, and should the committee be concerned that projects are not being delivered as planned?

- Response: Jonathan advised that most slippage reflects rephasing of approved multi-year projects, not cancellation or lost funding. Delays arise from grant conditions, approvals, design, procurement, contractor availability and internal capacity. Funding is generally carried forward, while some schemes require further affordability and deliverability review. The 2026–27 focus will be improving delivery and profiling of major schemes.

- Why is the Council using £3.55 million of capital receipts to support revenue expenditure, and what is the rationale behind this approach?

  Response: Jonathan confirmed the funding is being used under approved capitalisation flexibility arrangements to support organisational change, service redesign and transformation. This avoids using revenue reserves, though reliance on capital receipts is being reduced as future receipts are limited. Officers view it as an important tool for delivering efficiencies while protecting reserves.

- Has the Council done enough to strengthen project management capacity to improve delivery of major capital schemes?

  Response: Jonathan advised that project delivery capacity remains an important factor in capital programme performance. The organisation is continuing to focus on strengthening delivery, improving profiling and ensuring schemes can be completed within available resources. There is a need to match ambition with realistic delivery capacity.

- Has the Council acted on previous concerns that major capital projects were not receiving sufficient dedicated project management, and could this be contributing to delays and slippage?

  Response: Deb advised that infrastructure projects, especially bridges and structures, will remain a major capital pressure. Three dedicated project managers are being recruited and are expected in post by September to oversee schemes such as Llanfoist Bridge, Old Wye Bridge and other major projects. This should reduce reliance on consultants and improve delivery, accountability, communication and reporting, with a further scrutiny update expected later in the year.

- Earlier you mentioned that reliance on capital receipts is becoming restricted in future years. What does this mean?

  Response: Jonathan advised that capital receipts are finite and forecast to reduce significantly over the medium term. As a result, support for organisational change through capitalisation is being reduced, leaving less flexibility to fund transformation and revenue-funded change. Future financial planning must reflect this reduced support.

Chair's Conclusion:

The Chair concluded that the committee had robustly scrutinised the report, welcomed the positive year-end position while focusing on school deficits, one-off funding, capital slippage, use of capital receipts and future resilience. Members were particularly concerned that school deficits had risen from around £4 million to £6.9 million and sought clarity on how far the favourable outturn relied on grants, treasury gains and capital receipts. Previous Full Council concerns about major capital project delivery and dedicated project management were noted. The Chair welcomed recruitment of dedicated project managers and stressed the need for better delivery and clearer communication with residents and businesses, acknowledging that Monmouthshire's bridges and structures will continue to pressure capital resources and project management capacity.

Points requiring a further response by the Cabinet Member:

- Requested further information on the Council's dependency on these non-recurring funding sources, noting that understanding the scale of this support is important given the uncertainty of future grant funding.

- Sought clarification on the high level of capital slippage (£45 million) compared with annual capital expenditure (£32 million), asking whether this reflected delivery issues or normal reprofiling of projects.

- Queried the rationale for using £3.55 million of capital receipts to support revenue-funded transformation and organisational change activities.

- Sought clarification on comments about the Council's diminishing pool of capital receipts and the implications for future financial resilience and transformation programmes.