

Section 1	Revenue budget summary forecast
Section 2	Detailed service commentary
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Section 1 - Overall Revenue Position

Table 1: 2026/27 Revenue budget forecast by directorate

Service Area	Original Budget 2026/27	Budget Adjustments	Revised Annual Budget	Forecast Outturn	Forecast (Under) / Over Spend @ Update 1
	'000's	'000's	'000's	'000's	'000's
Social Care & Health	81,670	266	81,936	81,967	31
Learning, Skills & Economy	76,200	(28)	76,172	76,451	279
Infrastructure & Place	25,781	492	26,273	26,238	(35)
Place & Community Wellbeing	5,801	(13)	5,788	5,712	(76)
People, Performance & Partnership	6,893	211	7,104	7,207	102
Law & Governance	3,248	(1)	3,247	3,313	66
Resources	9,004	791	9,794	10,073	278
Corporate Costs and Insurances	5,264	(1,000)	4,264	4,399	135
Borrowing & Reserves	9,289	(717)	8,572	8,236	(336)
Service budgets	223,151	0	223,152	223,596	444
Precepts & Levies	30,551	0	30,551	30,551	0
Financing	(253,702)	0	(253,702)	(253,682)	20
Net General Fund (Surplus) / Deficit	0	0	0	464	464

Table 2: 2026/27 Revenue budget forecast by service

Service Area	Original Budget 2026/27	Budget Adjustments	Revised Annual Budget	Forecast Outturn	Forecast (Under) / Over Spend @ Update 1
	'000's	'000's	'000's	'000's	'000's
Adult Services	49,417	(148)	49,269	48,604	(665)
Children Services	25,698	220	25,918	26,512	594
Housing & Homelessness	2,846	200	3,046	3,304	257
Public Protection	1,949	18	1,967	1,918	(49)
SCH Support	1,760	(24)	1,735	1,630	(106)
Social Care, Health & Safeguarding	81,670	266	81,936	81,967	31
Economy, Employment & Skills	943	0	943	943	0
Emergency Planning	223	0	223	223	0
Individual Schools Budget	62,453	(28)	62,426	62,561	135
Resources	1,307	0	1,307	1,268	(39)
Standards	11,274	0	11,274	11,456	182
Learning, Skills & Economy	76,200	(28)	76,172	76,451	279
Infrastructure Management	1,304	(2)	1,302	1,245	(56)
Neighbourhood Services	3,152	(104)	3,049	3,049	0
Transport Services	12,618	234	12,852	12,872	20
Waste & Decarbonisation	8,707	364	9,071	9,072	1
Infrastructure	25,781	492	26,273	26,238	(35)
Culture and Community Learning	954	0	954	941	(13)
Countryside, Destination and Environment	1,300	0	1,300	1,271	(29)
Leisure and Wellbeing	1,536	0	1,536	1,536	0
Performance, Finance and Resources	1,760	(13)	1,747	1,679	(68)
Planning, Regeneration & Car parks	250	0	250	285	34
Place & Community Wellbeing	5,801	(13)	5,788	5,712	(76)
Chief Executives Office	3,236	29	3,265	3,422	157
People	2,076	141	2,217	2,148	(69)
Policy, Scrutiny & Customer Service	1,581	41	1,622	1,636	14
People, Performance & Partnerships	6,893	211	7,104	7,207	102

Democratic Services	2,097	0	2,097	2,140	43
Legal and Land Charges	1,151	(1)	1,150	1,173	23
Law & Governance	3,248	(1)	3,247	3,313	66
Commercial, Corporate & Landlord Services	2,242	(3)	2,239	2,445	207
Corporate Health & Safety	165	0	165	169	5
Finance	3,536	77	3,613	3,640	27
Information Communication Technology	3,061	717	3,778	3,818	40
Resources	9,004	791	9,794	10,073	278
Coroners	343	0	343	343	0
Archives	238	0	238	238	0
Corporate Management	462	0	462	462	0
Non Distributed Costs (NDC)	338	0	338	338	0
Strategic Initiatives	1,865	(1,000)	865	1,000	135
Insurance	2,018	0	2,018	2,018	0
Corporate Costs & Insurances	5,264	(1,000)	4,264	4,399	135
Interest and Investment Income	(804)	0	(804)	(779)	25
Interest Payable & Similar Charges	7,853	0	7,853	7,820	(33)
Charges Required under Regulation	6,273	0	6,273	6,129	(144)
Other Investment Income	0	0	0	(1)	(1)
Borrowing Cost Recoupment	(3,821)	0	(3,821)	(4,004)	(183)
Contributions to Reserves	735	0	735	735	0
Contributions from Reserves	(947)	(717)	(1,664)	(1,664)	0
Contribution from Council Fund	0	0	0	0	0
Borrowing & Reserves	9,289	(717)	8,572	8,236	(336)
Service budgets	223,151	0	223,152	223,596	444
Precepts & Levies	30,551	0	30,551	30,551	0
General Government Grants	(111,348)	0	(111,348)	(111,348)	0
Non Domestic Rates	(33,374)	0	(33,374)	(33,374)	0
Council tax	(118,335)	0	(118,335)	(118,085)	250
Council Tax Benefit Support	9,356	0	9,356	9,126	(230)
Financing	(253,702)	0	(253,702)	(253,682)	20

Net General Fund (Surplus) / Deficit	0	0	0	464	464
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Section 2 - Directorate – Service Variance Comments

SOCIAL CARE, HEALTH & SAFEGUARDING	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	31	0	0	0

With the first forecast of this new financial year, the overspend of £31k against the backdrop of a total budget allocation of £82m is a manageable position moving forward.

Even though Adults is showing an underspend of £665k, demand pressures remain mainly within care at home provision. Pressures are being continually masked year on year by various grant and external funding streams, such as £2.1m from both the Social Care Workforce Sustainability and Pathways for Care grants, which continue to support core costs. An additional ongoing concern is the RIF funding, for which we have £2.5m allocated this year, being the final year of current agreement. Of this RIF allocation, £2.2m funds staff that support core services and should the funding not materialise next year, this will result in the need to review and determine requirements to mitigate the possible financial pressure and calls on redundancies, while trying to maintain service provision.

Children's is predicting a £594k overspend mainly due to pressures within fostering, legal, respite care and the family time service, with looked after numbers increasing from 192 at the start of the year to 211 at the end of July. A delay in opening the new Children's facilities has reduced the projected savings in external placement costs. However, the delayed opening of facilities has helped to mitigate the extent of the overspend in this division.

From a budget perspective, Housing remains a relatively new addition to the directorate, and work is ongoing to better understand the underlying cost base. Pressures are arising from a combination of insufficient budget provision; costs associated with property hand-backs and Careline moving from 2G to 4G.

Adult Services

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(665)	0	0	0

The current underspend position demonstrates that demand is being proactively managed, with increased oversight of eligibility and investment in assessment and reablement capacity. Whilst this is delivering greater efficiency and responsiveness, service demand and greater complexity of need present an ongoing budgetary risk with unpredictable impact. This can be seen across the three integrated teams and the community learning disability team.

This reporting period has seen pressure arising within care at home, with both the number of weekly hours being provided and the cost of care increasing. Residential placements have remained stable during this period, but the overall trend remains upward. Key drivers include care and support requirements associated with hospital discharge, as well as the underlying ageing demographic and corresponding increase in the complexity of care needs people are experiencing.

Additional funding, with a combined total of £2.1m from the Delayed Pathways of Care and Social Care Workforce grants, and £2.5m of RIF funding, supports the 2026/27 adult services budget. Despite the risks associated with grant funding, it is being used to greatest effect across the workforce to support service priorities.

Some of the service pressures are being offset by vacancies within the operational teams, particularly social work posts within the integrated teams and in direct care. The service is currently managing to maintain service levels and is not

currently showing significant increases in waiting lists. However, there is ongoing recruitment activity, and the impact of vacancies is being closely monitored to ensure that emerging longer-term service needs are met and to ensure a sustainable workforce.

Children's Services				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	594	0	0	0

Within Children's Services, pressures are being felt within our in-house fostering service. On a positive note, this correlates with our efforts to ensure that in-house foster placements are fully utilised through increased support and with our drive to recruit more carers. Increasing fostering activity, however, does come at an increased cost to the service, with in-house fortnightly fostering payments increasing by £12.5k. Using in-house foster care secures better outcomes for children and avoids using more costly external providers.

The family time service is showing cost pressures; however, a recently approved report considers recruiting permanent staff on suitable contracts to alleviate the need to use agencies and pay additional enhancements. As recruitment will not take place until the second half of the year, any cost benefits will not materialise until the latter part of the year, or not fully until next financial year.

The children with disability budget is overspending by £200k, which relates to a small number of children with very high needs being supported to remain at home.

In general, increased pressure is being experienced within family support services which is indicative of the increased numbers of children who are being supported to remain with their families, rather than enter into children's placements.

The commitment to bolster the in-house legal team by two additional staff members has added to the overspend position, as budget must be released to the legal team to fund the posts. It is expected that once the posts have been appointed, there will be compensating savings through reduced need to send legal work to external solicitors, but this has yet to be quantified.

The service is currently developing two new residential facilities to increase the in-house provision of children's placements. These are predicated on a full-year annual budget. However, a delay in opening dates has led to slippage and the resultant underspend is being used to help mitigate service pressures. Once these facilities are operational, with target dates of October and November 2026, there will be increased opportunity to provide children with in-county placements and to offset current high-cost external placement costs.

After holding stable for a significant period, the number of children being looked after is currently showing an increase. Since this reporting period, numbers have increased to 218, from 211 at the end of July and from 192 at year-end March 2026. This is indicative of the current level of need within families and communities and represents some additional risk for the next period.

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

Housing remains a relatively new addition to the directorate, and work is ongoing to better understand the underlying budget pressures. There are a few cost centres where, historically, budget provision has been insufficient, leading to overspends. This is coupled with a strategic move to hand back properties, leading to repairs and void rent costs, which are contributing to the overall deficit position.

There is also an unexpected pressure in Careline from the move from 2G to 4G, which is a total pressure of £168k over two years, with £74k falling into this year as year one.

Public Protection

Outturn Forecast		Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s		(49)	0	0	0
Vacant posts and additional income have led to the projected underspend within this section. However, a service-wide review is in progress to evaluate current structures, workloads and future service requirements. Early indications have identified that targeted restructuring within key areas of Public Protection will be necessary to address recruitment, retention and workload challenges. Once this work develops, additional spend will look to utilise the allocated budget in future.					
SCH Support					
Outturn Forecast		Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s		(106)	0	0	0
Vacant posts within the finance team have been the main issue leading to the underspend.					
Learning, Skills & Economy Directorate		Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s		279	0	0	0
CHIEF OFFICER COMMENTARY					
The directorate's current position is an overspend of £279k. This is largely due to an increase in the rates for the new King Henry VIII 3-19 School building, which exceeded the budget by £116k, and a pressure of £185k in Early Years. Despite increasing the Early Years budget by £55k for 2026/27, the take-up of places is still exceeding the grant funding, resulting in a forecast overspend of £150k against the Expansion of Early Years Grant. Breakfast Club also continues to be a pressure, due to increasing staff and food costs and a decrease in income, resulting in an overspend of £40k. We have been able to mitigate the overspends by using a grant to offset staff costs.					
Economy, Employment & Skills					
Outturn Forecast		Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s		0	0	0	0
EES is currently reporting that it will meet budget at Update 1.					
Emergency Planning					
Outturn Forecast		Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s		0	0	0	0
Emergency Planning is currently reporting that it will meet budget at Update 1.					
Individual Schools Budget					
Outturn Forecast		Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s		135	0	0	0
The ISB is overspent by £135k at Update 1 due to the following: £116k increase in rates regarding the new King Henry VIII 3-19 School build					

- £19k of legal costs relating to schools

Resources

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

Resources is underspent by £39k, as a grant has been received and used to offset staff costs.

Standards

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	182	0	0	0

Standards is overspent by £182k at Update 1 due to the following:

- **£150k overspend re Expansion of Early Years Grant** – the Council continues to see excellent take-up rates for early education, with an increasing number of families choosing non-maintained childcare settings rather than local authority-maintained nursery provision. The Council has a statutory duty to secure a minimum of 10 hours of early education per week for eligible three- and four-year-olds. The funding rate payable to non-maintained settings is set nationally by Welsh Government; however, the grant allocation received is insufficient to meet the full cost of current take-up. The Council does not set the rate and does not top up providers where their normal fee-paying rate is higher, meaning settings absorb any difference. Given the statutory nature of the entitlement, parental choice of setting and the nationally set funding arrangements, the Council has limited ability to reduce this expenditure locally.
- **£40k overspend re Breakfast Club** – the number of children accessing Breakfast Clubs has remained fairly consistent over the last few years. However, staff and food costs have increased due to inflation and pay awards. Additional staff have also been required to cover long-term sickness and to support pupils with additional learning needs. In addition to the rise in costs, there has been a decrease in income. Although the number of pupils accessing the before-school care element of Breakfast Clubs has increased slightly since the previous financial year, the increase is not sufficient to cover the shortfall between actual expenditure and budget.

We have been able to reduce the overspend slightly by utilising grant income to offset staff costs.

INFRASTRUCTURE DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(35)	0	0	0

CHIEF OFFICER COMMENTARY

At Update 1, the directorate is forecasting a net underspend of £35k, reflecting a generally stable financial position across services.

Infrastructure Management is forecasting a £56k underspend, driven by managed staffing savings and increased Universal Free School Meals income within Schools Catering.

Neighbourhood Services is reporting a balanced position across all service areas.

Transport Services is forecasting a £20k overspend. Significant pressures within Fleet Maintenance, arising from increased vehicle hire, fuel and maintenance costs, are being substantially offset by savings and additional income. The overspend is further mitigated by a significant underspend within Passenger Transport, reflecting lower external contract

costs following service changes, reduced pupil numbers and contract rationalisation. The position remains subject to change following the start of the new academic year.

Waste & Decarbonisation is forecasting a marginal £1k overspend. Waste Services and Grounds Maintenance are currently reporting balanced positions, although Grounds Maintenance continues to face longer-term pressure from declining commuted sums income as historic developer agreements reach expiry. Increased Solar Farm income and staffing savings have helped offset pressures within Decarbonisation.

Overall, the directorate's financial position remains positive at this early stage of the year, although key risks relating to fleet costs, transport contract demand, waste contract costs and the reduction in commuted sums income will continue to be closely monitored and reported through future budget updates.

Infrastructure Management

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(56)	0	0	0

Infrastructure Management is forecasting a £56k underspend, due to:

- **Schools Catering** – £56k underspend – Schools Catering is reporting a £56k underspend, primarily driven by managed staffing savings and increased Universal Free School Meals income.
- **Infrastructure Management** – on budget.

Neighbourhood Services

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

Neighbourhood Services is forecasting a break-even budget at Update 1:

- **Highways Operations & External Clients** – on budget.
- **Streetlighting** – on budget.
- **Highways Design, Flooding & Road Safety** – on budget.

Transport Services

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	20	0	0	0

Transport Services is forecasting a £20k overspend due to:

- **Fleet Maintenance** – £255k overspend – the main drivers are vehicle hire costs, which are forecast to be £230k above budget due to increased service demand and accident damage cover, and fuel costs, which are expected to exceed budget by £110k due to increases in fuel prices over recent months. Maintenance, repairs and spare parts are forecast to overspend by £97k due to increased vehicle parts prices and higher levels of accident damage. In addition, there are unbudgeted costs of £33k relating to CENEX consultancy support to produce a fleet transition plan and £26k for the JAAMA Fleet Management System. These additional costs are partially offset by a number

of underspends, including a £42k saving from a vacant post, a £50k underspend on borrowing costs, £104k income from the sale of vehicles and a £46k increase in rechargeable income. Officers will continue to review fleet utilisation to mitigate the overspend and will provide an update at Update 2.

- **Corporate Pool Car Scheme** – £34k overspend – The scheme commenced in mid-April and initial uptake during the first quarter was lower than anticipated, resulting in expected savings not being achieved. Since July, usage has increased, and officers are undertaking a further promotional campaign to encourage additional users, alongside a review of vehicle locations to ensure they are sited in the most accessible and appropriate areas. It is anticipated that these actions will increase utilisation and help reduce the projected overspend by the end of the financial year.
- **Passenger Transport** – £268k underspend – This is primarily due to a forecast underspend of £409k on external transport contracts. External contract costs have reduced significantly over recent years, and the service is now seeing the full-year impact of the changes to eligibility distances that were implemented in September 2025. The number of contracts has reduced from 168 in September 2023 to 131 in September 2026, reflecting the successful transfer of some pupils onto public service bus routes and the consolidation of contracts where appropriate. In addition, pupil numbers have reduced by 116 over the same period.

The underspend on external contracts is partially offset by forecast overspends within the in-house PTU team of £140k. These include a £55k shortfall in private hire income and a £205k reduction in contract income resulting from the lower number of contracts from September 2026, offset by £120k of BNG administration grant income. There remains potential for the forecast position to change over the coming weeks as a result of contract amendments or hand-backs following the commencement of new contracts in September. Officers will continue to review staffing levels and vehicle requirements to ensure sufficient resources are available to accommodate any changes and will provide an update at Update 2.

Waste & Decarbonisation

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

Waste & Decarbonisation is forecasting a £1k overspend at Update 1:

- **Waste Services** – on budget – Early-year projections indicate that waste will be within budget, although recycling rates and contract charges can fluctuate during the year, which could impact outturn. Officers will provide an update at Update 2.
- **Grounds Maintenance** – on budget – Grounds Maintenance is currently forecasting a balanced budget position. The service is experiencing a reduction in income as annual payments from commuted sums, or developer contributions, continue to decline, with a number of agreements reaching the end of their typical 25-year term. This creates a budget pressure, as the service remains responsible for maintaining sites that have been adopted. Officers are currently identifying and implementing mitigating actions to offset this pressure and are therefore reporting a break-even position at this stage. However, the forecast remains subject to change as the year progresses, and a further update will be provided at Update 2.
- **Decarbonisation** – £1k overspend – Underspends arising from increased income generated by the Solar Farm and part-year staffing savings within the Decarbonisation Team have helped offset pressures relating to the non-achievement of corporate mileage savings.

PLACE & COMMUNITY WELLBEING	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(76)	0	0	0

CHIEF OFFICER COMMENTARY

Place and Community Wellbeing is forecasting a **net underspend of £76k** at Update 1.

The forecast position is primarily driven by underspends within Performance, Finance and Resources, Countryside, Destination and Environment, and Culture and Community Learning, partly offset by a forecast overspend within Placemaking, Regeneration and Car Parks. Leisure and Wellbeing is currently forecasting a balanced position. However, the service continues to carry substantial income targets across the leisure centre portfolio and, as this is an early monitoring update, income trends will continue to be reviewed closely throughout the year.

The directorate will continue to improve facilities and identify opportunities to increase participation, usage and footfall, supporting delivery of the current forecast position. There remains, however, a level of financial risk across the portfolio, particularly within front-line services where sickness absence must be covered to maintain service availability, alongside the requirement to deliver significant income targets.

In addition, the directorate is managing a significant programme of project delivery, including the refurbishment of the first-floor fitness suite at Caldicot Leisure Centre, the replacement skate park, the new accessible and visitor-focused Shire Hall development, regeneration projects including Transforming Towns and Pride in Place, and work associated with the adoption of the RLDP. These projects are central to improving facilities, supporting place-based regeneration and delivering wider community benefits, but they require continued oversight to ensure delivery remains on track alongside existing operational and financial pressures.

Culture and Community Learning

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(13)	0	0	0

Culture and Community Learning is forecasting a **£13k underspend** at Update 1. This is driven by a number of offsetting variances across the Culture service, with underspends in Markets and Tourist Information Centres partly offset by pressures within museums, attractions and Shire Hall.

- **Borough Theatre General** is forecasting a **balanced position**. This represents an improved position compared with the previous year's outturn, supported by changes to the staffing structure, increased marketing and sales support, and stronger income generation from a more diverse events programme.
- **Markets** are forecasting a **£30k underspend**. This is mainly due to staffing vacancies and the delayed implementation of the restructure, which are reducing forecast employee costs in-year. The position will need to be kept under review as the restructure progresses and staffing arrangements are confirmed.
- **Museums** are forecasting a **£29k overspend**, with service-level pressures largely offset by underspends elsewhere within the museums budget. The position reflects a small number of operational and staffing pressures, which will continue to be monitored as the year progresses, alongside the inability to deliver income expectations during the closure of Shire Hall.
- **Attractions** are broadly close to budget overall, with Old Station Tintern forecasting a **£2k pressure** and Caldicot Castle and Country Park forecasting a **£3k underspend**. The Old Station position reflects staffing being slightly above budget despite the 50% site lead arrangement. At Caldicot Castle, additional tree surveys and works are required due to the impact of weather over the last 18 months, but these costs are currently more than offset by the 50% site lead saving.
- **Tourist Information Centres** are forecasting a **£20k underspend**, with income currently ahead of budget. This is a positive contribution to the overall Culture position and helps offset pressures elsewhere in the service.
- **Learning and Volunteering** is forecasting a **£7k overspend**. This is due to staffing costs being slightly above budget, partly offset by income and other minor underspends within the service.

Countryside, Destination and Environment

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(29)	0	0	0
Countryside, Destination and Environment is forecasting a £29k underspend at Update 1. Countryside Access is forecasting a balanced position overall. Green Infrastructure and Nature Recovery is forecasting a £31k underspend. This reflects additional grant-funded activity, including Nature Networks and the Local Nature Partnership, partly offset by a pressure within Green Infrastructure from higher than anticipated supplies and services, vehicle-related costs and staffing where ERS income is not expected. Tourism is forecasting a small £2k overspend.				
Leisure and Wellbeing				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
Leisure and Wellbeing is forecasting a balanced position at Update 1. The service continues to monitor income across the leisure centre portfolio closely, as delivery of income targets remains a key area of financial risk. The refurbishment of Caldicot Leisure Centre is expected to create additional in-year costs, while the delayed opening of outdoor facilities at Abergavenny is placing pressure on income targets. These areas will continue to be reviewed as the year progresses.				
Performance, Finance and Resources				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(68)	0	0	0
Performance, Finance and Resources is forecasting a £68k underspend at Update 1. This is mainly related to the delayed implementation of the Business Support central support structure to the area management teams, which has created partial-year savings.				
Planning, Regeneration & Car Parks				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	34	0	0	0
Placemaking, Regeneration and Car Parks is forecasting a £34k overspend at Update 1. Development Management and Building Control is forecasting a £9k overspend. Building Control and Regulations is currently forecasting a balanced position, with income performing better than expected, although this may reduce over the winter months. Development Management is forecasting a small pressure, with income currently forecast in line with budget setting assumptions until the outcome of the RLDP hearing sessions is known. Planning Policy is forecasting a balanced position. Reserve funding has not been included in the current forecast but is expected to cover additional LDP-related costs arising during the year. Car Parks is forecasting a £26k overspend. This reflects increased costs, including higher fees, software costs, machine maintenance, car park maintenance and the inability to achieve employee efficiency savings. These				

pressures are partly offset by increased Penalty Charge Notice and pay and display income and most of which are outside of the sections control.

Regeneration is forecasting a **balanced position**. There is a potential pressure linked to employee-related savings, but this may be covered by additional income streams.

PEOPLE, PERFORMANCE & PARTNERSHIPS	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	102	0	0	0

CHIEF OFFICER COMMENTARY

People, Performance & Partnerships is forecasting a **net overspend of £102k** at Update 1. The position is mainly driven by pressures within the Chief Executives Office and Policy, Scrutiny & Customer Service, partly offset by an underspend within People.

The key issues driving the position within the Chief Executives Office are higher than budgeted staffing costs across both the Community Hubs and Communications teams, the overall inability to meet staff vacancy factors across all services, and the inability to achieve budgeted income targets.

Chief Executives Office

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	157	0	0	0

The Chief Executives Office is forecasting a **£157k overspend** at Update 1. The main pressures are:

- **Community Hubs – £117k overspend**, mainly linked to the service's inability to achieve staff vacancy factors, higher than budgeted staffing levels, increased premises costs and failure to achieve income targets.
- **Communications – £58k overspend**, due to higher than budgeted staffing costs, the inability to achieve employee-related savings and failure to achieve income targets.
- **Strategic Change and Programme Assurance – £44k overspend**, including a potential £27k Marches Forward contribution, subject to confirmation, alongside staffing cost pressures.
- **Procurement – £6k overspend**, due to increased corporate procurement agreement costs.
- **Community Education – £64k underspend**, reflecting long-term sickness and available engagement funding, with the position to be reviewed further as funding assumptions are confirmed.

People

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(69)	0	0	0

People is forecasting a **£69k underspend** at Update 1. The main areas contributing to the position are:

- **Payroll and System Support – £153k underspend**, due to vacant posts being held while staffing requirements are reviewed following the implementation of new software.
- **People Management – £46k overspend**, linked to unachievable staff savings, unbudgeted staffing changes, photography costs and reduced schools SLA income.
- **Occupational Health – £24k overspend**, due to increased service demand.
- **Organisational Development – £13k overspend**, reflecting unachievable employee-related savings and non-pay efficiency savings.
- **Corporate Training – £2k overspend**.

Policy, Scrutiny & Customer Service				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	14	0	0	0
Policy, Scrutiny & Customer Service is forecasting a £14k overspend at Update 1. The main pressures and offsets are: • Corporate Costs – £39k overspend, due to insufficient budget to support previous management structure changes and copyright licence costs. • Equalities and Welsh Language – £41k overspend, reflecting maternity leave cover and the delayed start of the planned Torfaen SLA arrangement. • CCTV – £30k overspend, due to the required wireless infrastructure upgrade in Monmouth Town Centre, with potential for capitalisation if capital budget becomes available. • Levies and Subscriptions – £13k overspend, due to the renewal of the New Local subscription. • Performance and Data – £35k underspend, due to an unfilled vacancy. • ASBO Co-ordinator – £31k underspend, due to vacant and part-time posts. • Partnerships Management – £28k underspend, due to savings from reduced hours for phased retirement. • Complaints – £16k underspend, due to an increased staffing budget being partly offset by professional and specialist fee commitments.				
LAW & GOVERNANCE DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	66	0	0	0
CHIEF OFFICER COMMENTARY Law & Governance is forecasting a £66k overspend at Update 1. This is primarily due to the inability to achieve the budgeted staff vacancy savings within Legal and Member Services. All other service areas are currently forecasting a break-even position. Officers will continue to explore mitigating actions to reduce the projected overspend and will provide a further update at Update 2.				
Democratic Services				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	43	0	0	0
Democratic services is forecasting a £43k overspend against budget, this is due to: • Members - £43k overspent – due to the inability to achieve staff vacancy factor savings. • Committee & Election services – On budget.				
Legal and Land Charges				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'s	23	0	0	0
Legal & Land Charges is forecasting a £23k overspend, due to: • Legal - £23k overspend – mainly due to the inability to achieve staff vacancy factor savings. • Land Charges – On Budget.				
RESOURCES DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	278	0	0	0

CHIEF OFFICER COMMENTARY

The Resources Directorate is forecasting an overspend of £278k at Update 1. Whilst this represents an early-year pressure, the position remains manageable and is not unexpected given a number of known cost and income risks across the directorate. The principal pressure relates to the Council's commercial property portfolio, particularly Castlegate Business Park, alongside a small number of service-specific budget pressures within ICT, Finance and Corporate Health & Safety.

As highlighted in the final outturn reporting for 2025/26, the directorate continues to face a challenging operating environment characterised by inflationary pressures, increasing technology costs and the need to maximise income from commercial assets whilst maintaining essential corporate services. Early intervention will therefore be critical.

During the remainder of the year, management action will be targeted at recovery planning within services reporting adverse variances, with particular focus on vacancy management, restriction on non-essential spending, maximising income opportunities, and mitigating risks within the commercial property portfolio.

Particular attention will be given to improving the financial performance of investment assets and ensuring that any emerging pressures are addressed at the earliest opportunity. Whilst risks remain, it is expected that proactive management action throughout the year will improve the forecast position and support delivery of a balanced outturn.

Commercial, Corporate & landlord Services

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	207	0	0	0

Commercial, Corporate & Landlord services is forecasting to overspend by £207k, this is due to:

Investment Properties - £227k overspend, due to:

- **Newport Leisure Park** – On Budget – Newport Leisure Park is currently forecast to remain on budget, with no significant issues identified at this early stage. Performance will continue to be closely monitored.
- **Castlegate Business Park** - £227k overspend – Castlegate is forecast to overspend by £227k due to anticipated changes in occupancy and increases in business rates, electricity costs and service charges. Negotiations also continue with a significant tenant to address rent and service charges, with an anticipated reduction in the tenant's occupation being seen as a necessary step to ensure payment obligations are met and the recovery of arrears. Further update will be provided at the next reporting period.

Landlord Services – £5k net overspend – Landlord Services is forecasting a net overspend of £5k across the department. Due to vacant units, we are projecting a rental income shortfall, together with associated unbudgeted void costs, across both the County Farms and Industrial Units portfolios, totalling £52k. These primarily relate to an isolated legal case and eviction at one MCC farm holding, and the re-letting of a vacant industrial unit. Both are projected to be reoccupied in late 26/27. This pressure has been largely offset by managed staffing savings as the service continues to implement its staffing restructure, with Phase 1 now underway. There remains potential for the projected outturn to change should vacant units be re-let during the remainder of the financial year, which would improve rental income performance and reduce ongoing void-related costs.

Building Cleaning & Public Conveniences - £25k under spend – Income is projected to increase as more sites have come back in-house.

Property Services – On Budget – a shortfall in external fee income has been offset by a managed underspend on employee costs.

Corporate Health & Safety

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
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Deficit / (Surplus) £'000s	5	0	0	0
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Corporate Health & Safety is forecasting a £5k overspend due to the inability to make staff vacancy savings.

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

The Finance Division is forecasting £27k overspend, this is due to:

- **Revenues, Systems & Exchequer** - £34k net overspend:
 - **Benefits** – £19k underspend - The under spend is a mix of additional subsidy costs, offset by a reduction in penalty cell costs for Homeless B&B placements and additional one off grant income. As it is still early in the financial year, forecasting with certainty remains challenging, as Housing Benefit placements can fluctuate and may impact the reported outturn position. Officers will provide a further update at Update 2.
 - **Council Tax** - £37k overspend – This is largely attributable to an anticipated £70k reduction in summons income, following changes Welsh Government have made to council tax recovery legislation. Offset by £33k one off Welsh Government grant funding.
 - **Debtors** - £10k underspend – Due to part year staff vacancy savings (post has now been filled) and an underspend in supplies & services.
 - **Cashiers** - £58k overspend - over spend is attributable to one off implementation and licence costs for the Civica system, resulting from a new contract.
 - **Revenues System Administration** - £19k underspend - The annual inflationary uplift in system software costs is lower than the percentage anticipated when setting the budget releasing an in-year underspend.
 - **Financial Systems Support & VAT** - £12k underspend – primarily as a result of part-year staff vacancies.
- **Finance & Audit** - £7k underspend – mainly due to part year staff savings in Finance regarding two vacant posts, that are currently in the recruitment phase.

Information, Communication & Technology				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	40	0	0	0

The ICT division is forecasting a £40k overspend, due to:-

- **SRS & Digital Programme Office** – £34k overspend – Currently forecasting a net overspend due to increases in software and licence costs.
- **Digital, Design & Innovation** – On budget.
- **Cyber Security Partnership** - £6k overspend – due to the unbudgeted cost of cyber security training software not included as part of partnership contribution.
- **Telephony** – On Budget.

CORPORATE COSTS & INSURANCES DIRECTORATE	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	135	0	0	0
Coroners				

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Archives				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Corporate Management				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Non-Distributed Costs				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
Strategic Initiatives				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	135	0	0	0
Current projections indicate that, because of late increases in unit prices and standing charges, the £135k corporate energy saving is not forecast to be achieved in 2026/27. Price and usage forecasts will continue to be reviewed and an updated position reported at Update 2.				
Insurance				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	0	0	0	0
No variance forecast				
BORROWING & RESERVES	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(336)	0	0	0
Interest & Investment Income				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	24	0	0	0
The weaker performance of liquid investments due to lower than budgeted rates has been partially offset by the stronger returns on pooled investment funds due to improvements in equities markets.				
Interest Payable & Similar Charges				
Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(32)	0	0	0

Lower than anticipated expenditure in the early part of the year has reduced short-term borrowing requirements, reducing interest spend. This underspend is reduced by the increased cost of taking borrowing due to higher than anticipated rates.

Charges Required Under Regulation (Minimum Revenue Provision)

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(144)	0	0	0

Largely due to slippage of capital expenditure budget from 2025/26 to 2026/27 reducing the requirement to make as much MRP as previously anticipated.

Borrowing Cost Recoupment

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(183)	0	0	0

The underspend is due to additional borrowing recoupment from services following finalisation of the purchasing financing mechanism for vehicles procured during 2025/26, that was not known about at the time of budget setting.

Contributions to / from Reserves

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

No variance

FINANCING	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	20	0	0	0

Council Tax Reduction Scheme

Outturn Forecast	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	(230)	0	0	0

The current level of awards remain steady indicating that there will likely be an underspend in this area.

Council Tax	Update 1	Update 2	Update 3	Update 4
Deficit / (Surplus) £'000s	250	0	0	0

The number of discounts and exemptions continues to increase. Also, seeing the continued impact of last year's floods, as the 12 month relief awarded runs into 2026/27.

General Government Grants

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

No Variance forecast

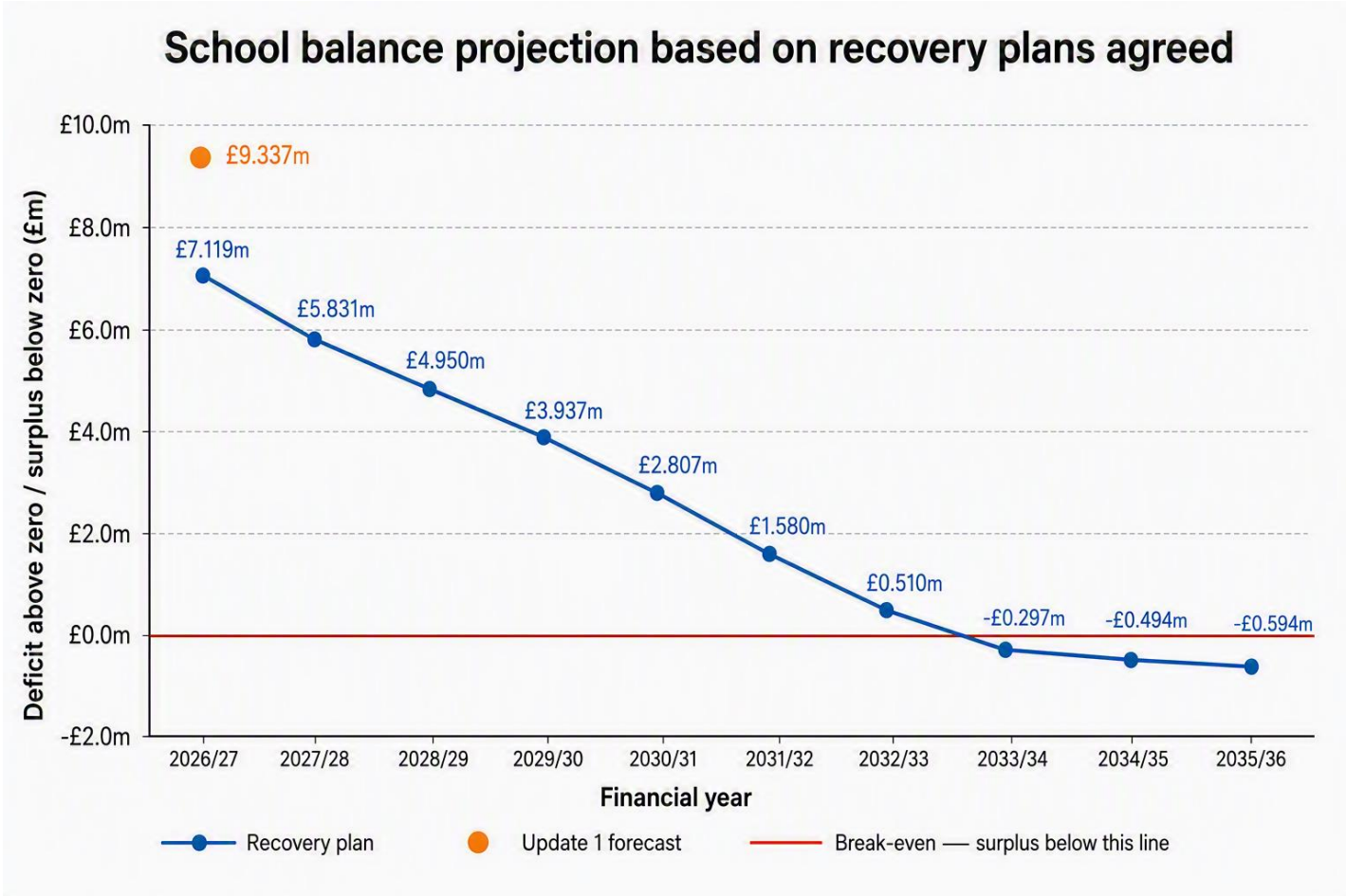
3. Section 3 – School Balances

- 3.1. A Board of Governors is responsible for managing each school's finances. The Authority also has a key responsibility for monitoring the collective financial position of schools and ensuring that schools in financial difficulty have credible and deliverable recovery plans. The table below shows the forecast schools' balances position by educational cluster at Update 1.

School Reserves	(A) Opening Balances (Surplus) / Deficit Position 2026/27	(B) Draw / (Contribution) on School Balances @ Update 1	(C) Draw / (Contribution) on School Balances @ Update 2	(D) Draw / (Contribution) on School Balances @ Update 3	(E) Draw/ (Contribution) on School Balances @ Update 4	(A+B) Forecast 2026/27 Balances
Cluster	£000's	£'000	£'000	£'000	£'000	£'000
Abergavenny	2,393	299				2,692
Caldicot	647	653				1,300
Chepstow	758	(124)				634
Monmouth	270	134				404
Special	2,813	1,494				4,307
Total	6,880	2,457				9,337

- 3.2. Collective school balances at the beginning of the financial year amounted to a deficit of £6,880,227. Schools are forecasting a further draw on reserves of £2,456,946 during 2026/27, compared with a budgeted draw on reserves of £2,439,914. This results in a forecast cumulative deficit balance of £9,337,173 by year-end, with eighteen schools forecast to be in deficit.
- 3.3. This represents a material deterioration in an already challenging position. The principal drivers continue to be the sustained impact of attendance, behaviour and additional learning needs, together with the staffing and specialist resource required to maintain appropriate provision. While these pressures are not unique to Monmouthshire, the scale and pace of the projected movement mean that the position cannot be viewed as a short-term timing issue and will require sustained corrective action over more than one financial year.
- 3.4. Recovery plans are now in place for schools forecasting a deficit balance. These plans show a gradual improvement in the collective position over the medium term, with the recovery-plan trajectory reducing the

cumulative deficit from £7.119m in 2026/27 to £0.510m by 2032/33, before moving into a modest surplus position from 2033/34 onwards. However, the Update 1 forecast deficit of £9.337m is £2.218m worse than the recovery-plan starting point for 2026/27. This means that, while the recovery plans provide an agreed forward trajectory, the latest forecast indicates a materially weaker starting position and reinforces the need for renewed review, support and challenge.



3.5. The following table shows the movement in the number of schools forecast to be in deficit during the year:

Start of year	Update 1	Update 2	Update 3	Update 4
Total: 19	Total: 18	Total:	Total:	Total: 0
King Henry VIII 3-19 School	King Henry VIII 3-19 School			
Gilwern Primary	Gilwern Primary			
Llantilio Pertholey CiW Primary				
Our Lady & St Michael's RC Primary	Our Lady & St Michael's RC Primary			
Ysgol Gymraeg y Fenni	Ysgol Gymraeg y Fenni			
Caldicot School	Caldicot School			

Castle Park Primary	Castle Park Primary			
Rogiet Primary	Rogiet Primary			
Ysgol Gymraeg y Ffin	Ysgol Gymraeg y Ffin			
Chepstow School	Chepstow School			
The Dell Primary	The Dell Primary			
Thornwell Primary	Thornwell Primary			
Monmouth Comprehensive	Monmouth Comprehensive			
Cross Ash Primary	Cross Ash Primary			
Kymin View Primary				
Osbaston CiW Primary	Osbaston Primary			
Overmonnow Primary	Overmonnow			
Ysgol Gymraeg y Trefynwy	Ysgol Gymraeg y Trefynwy			
Pupil Referral Service	Pupil Referral Service			
	Goytre Primary			

- 3.6. Attendance, behaviour and increased additional learning needs continue to impact schools. These pressures have required increased staffing and specialist resources to maintain appropriate provision, increasing the overall cost base. The Authority will therefore need to be satisfied not only that recovery plans are technically robust, but that they are being actively implemented and are capable of delivering the planned reduction in cumulative deficit over time.
- 3.7. The Authority will now undertake a targeted review of schools assessed as presenting the highest financial risk. This will test whether agreed recovery plans remain credible in light of the Update 1 position, whether planned actions are being implemented at pace, and whether assumptions around staffing, pupil numbers, grant funding and expenditure control remain robust. Where plans are not considered deliverable, or where financial performance continues to deteriorate, the Authority will consider proportionate support, challenge or intervention through its established school finance, governance and accountability arrangements.

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	6,880
2026-27 (Forecast)	9,337

- 3.8. The recent movement in overall schools in deficit is shown below. The position should be viewed in the context of one-off additional funding provided to schools during the pandemic and its immediate aftermath, which temporarily strengthened school balances and alleviated underlying budget pressures. As that temporary funding has fallen away, those underlying pressures have re-emerged. This underlines the importance of credible recovery plans being delivered over the medium term.

