

Monmouthshire Scrutiny

Performance and Overview Scrutiny Committee ~ Feedback to Cabinet of Meeting held on 29th September 2026

Report Item: 2026-2027 Financial Update Report

Key Issues raised by the Committee:

- Will the 3.5% teachers' pay rise in Wales be funded in the same way as England? Is a similar reduction anticipated in employer contributions to the Local Government Pension Scheme, and what would the financial implications be?

Response from Head of Finance/Deputy Section 151 Officer

The council expects a similar reduction in Teachers' Pension Scheme contribution rates, but this will be offset through Welsh Government funding so will not create a direct saving to the authority. Local Government Pension Scheme contribution rates were agreed around 12 months ago at 3% lower than previous rates for the next three years. The reduction is already benefiting the budget and reflects the strong position of the pension fund.

- The latest local authority forecast overspend of £464k masks significant pressures including £614k of undelivered savings and £442k shortfall in children's placement savings. School deficits are now forecast at £9.337m over budget, which is £2.456m worse than the previous quarter. What specific interventions are being triggered for the highest-risk schools? At what stage is a recovery plan considered no longer credible and replaced with a different approach?

Response from Head of Finance/Deputy Section 151 Officer

The worsening school deficit position has been transparently reported and reflects a long-term trend, not a new issue. Recovery plans are in place and are being actively monitored by governors and officers. The purpose of the review is to provide assurance that existing plans remain realistic and responsive to changing circumstances. Schools retain responsibility for managing their budgets, with support provided by the council. The key question now is whether existing plans remain realistic or whether fundamentally different solutions need to be considered, which will be explored through the further review.

- Over the last five years, school balances appear to have moved from a surplus position of around £2.3m to a deficit position approaching £10m. Is this correct? The Chief officer for Children and Young People's description of the situation as a "crisis engulfing nearly every local authority in Wales" including MCC, and earlier reports describing it as a "very serious

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financial risk" for the authority indicate the heightened scale of concern. More information is requested on the contingency funding available to schools. What will the planned review of the highest-risk schools involve, particularly regarding the adequacy of recovery plans and any additional support, challenge or intervention required? Does the director's statement that a teacher and teaching assistant can no longer be assumed in every classroom mean schools will need to reduce teaching assistant provision?

Response by Head of Finance/Deputy Section 151 Officer

The deterioration in school balances is not recent. The position had already been worsening before the pandemic. Around 2016-17 there were 12 schools in deficit. By 2019-20, before the pandemic, there were 15 schools in deficit and the overall position had moved into deficit. The pandemic period temporarily altered the trend because schools received significant additional funding from government.

Additional Response by Chief Officer for Children and Young People

The pressures facing schools are being experienced across Wales, not just in Monmouthshire. Discussions with Directors of Education across Wales indicate that demand pressures and funding pressures are being felt in virtually every local authority. These pressures are contributing to ongoing discussions about additional ALN (Additional Learning Needs) funding from Welsh Government.

The authority retains small contingency funds to support schools where pupils with additional learning needs arrive outside the normal funding cycle. Most ALN funding is already delegated directly to schools. The contingency fund is limited and has been heavily drawn upon. Changes expected to Welsh Government funding arrangements mean these contingency pots are likely to be fully allocated to schools in future, leaving no centrally held contingency funding for additional requests.

The council has statutory powers to issue warning notices where a school loses control of its budget. Schools would be given an opportunity to respond and implement recommendations. Ultimately, the authority could remove budget delegation and take control of a school's budget. However, this would create significant practical and resource challenges because the council would then be responsible for managing financial decisions within a school it does not operate day-to-day.

The authority does not fund a teaching assistant in every Key Stage 2 classroom through its funding formula. Teaching assistants are funded where there is an identified Additional Learning Need (ALN). If schools choose to place teaching assistants in classes beyond what the funding formula supports, that creates budget pressure for the school. Schools may need to review staffing and class structures to ensure they remain affordable. Examples

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include combining small classes where pupil numbers allow while remaining within class-size regulations. Future funding regulations are expected to provide greater transparency about what school funding is intended to cover.

- What coaching, in addition to training, is available to help governors and headteachers manage school budgets and deliver financial recovery?

Response by the Chief Officer for Children and Young People

Governors play a critical role in financial management, safeguarding and providing support and challenge to school leaders. There is no formal coaching programme specifically for governors. Where schools face significant challenges, officers work closely with Chairs of Governors and Headteachers through ongoing discussions and support, which effectively takes a coaching-style approach. Through the Monmouthshire Association of School Governors, governors are encouraged to raise concerns and seek support when needed.

- Where has the council reached with its review of surplus school places? Is this work being undertaken across all school clusters as part of improving the financial position?

Response by the Chief Officer for Children and Young People

Monmouthshire's schools operate within four clusters centred on the secondary schools. Abergavenny and Caldicot currently have a broadly appropriate level of surplus places. Monmouth and Chepstow have significant surplus places. Officers are reviewing September pupil numbers, live birth data and future demand. Further proposals will be developed for Monmouth and Chepstow, but more local engagement and analysis are needed before options are brought forward. Addressing surplus places is recognised as an important factor in delivering education more sustainably and efficiently.

- Why is the Council reporting a £464k revenue overspend when school balances are forecast to move to a cumulative deficit position of £9.337m by 31 March 2027, including a forecast £2.456m deterioration during 2026/27? In the interest of accuracy and transparency, shouldn't the actual local authority forecast overspend be combined with the school deficit forecast for 2026/27? Is the 10-year school recovery forecast still credible given deficits have worsened by around 30% since this forecast was produced just a few days ago? Was there ever a 5-year, or even 1-year forecast showing deficits reaching today's level?

Response by Head of Finance/Deputy Section 151 Officer

That is a valid point, however school and non-school budgets are reported separately because schools hold delegated budgets and are responsible for managing them. Both positions are reported together in the report and neither is being hidden. The 10-year forecast is intended to provide strategic oversight and track progress over time. The

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worsening starting position raises valid questions about whether recovery assumptions remain realistic. A significant proportion of the deficit sits within a small number of schools, which will be the primary focus of future recovery action.

- The question is whether residents would see the position as a combined financial pressure on the authority. The issue extends beyond a handful of schools, noting all four secondary schools and 18 schools overall are forecasting deficits.

Response by Deputy Chief Executive/Section 151 Officer

I acknowledge concerns about the underlying financial pressures. The council is applying all available levers to address school deficits. School deficits and non-school budgets should remain separate because responsibility for managing school deficits sits primarily with schools. Recovery plans exist for all schools in deficit and are being reviewed. Significant financial pressures also exist outside education, particularly in children's services, adult services and transport. Both the schools challenge and wider council financial pressures require equal attention.

- Castle Gate Business Park continues to show a forecast overspend of £227k. What are the discussions with significant tenants about? If negotiations go well, what impact will that have on the overspend? If they do not go well, what is the downside risk?

Response by Deputy Chief Executive/Section 151 Officer

Castle Gate remains a focus because of vacant floor space (around 38,000 sq ft). The council is actively seeking tenants and working with Cardiff Capital Region to attract high-value occupiers. Details of negotiations cannot be discussed publicly due to commercial confidentiality. A further update report on the investment property portfolio, including Castle Gate, will be brought to scrutiny later in the year, with commercially sensitive details likely considered in private session.

- Are reported pressures representing ongoing recurring resource pressures?

Response by Deputy Chief Executive/Section 151 Officer

The overspend is primarily driven by vacant units. Unoccupied space results in lost rental income and service charges falling to the council rather than tenants. Improving occupancy is the key way of reducing the ongoing pressure.

- Passenger transport is showing a £268k underspend due to Home to School Transport eligibility changes. Are savings being achieved at the expense of pupils experiencing late buses, non-arrivals and overcrowding? Could contingency arrangements be considered for pupils affected?

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Response by Chief Officer for Infrastructure

- Savings have been achieved by increasing use of public bus services. Routes are being monitored and dedicated transport introduced where overcrowding exists. Increased use of public buses has been driven by the £1 fare scheme. The authority has moved entitled learners from some congested services to dedicated buses. Officers have travelled on routes and found some pupils standing despite seats being available.
- A member raised concerns about buses not turning up.
- If seats are available, should drivers require pupils to sit down rather than allowing them to stand?

Response by Chief Officer for Infrastructure

Officers will continue to challenge operators and investigate reported service failures. Public bus services operate under different rules from dedicated school transport. Public buses are permitted to carry standing passengers up to a regulated capacity. Drivers can ask passengers to sit down but cannot compel them to do so. Officers have witnessed drivers asking students to sit, with some choosing not to.

- The Chair suggested the council may wish to explore stronger guidance or representations to Welsh Government on the issue of standing pupils/passengers.
- Several service overspends are attributed to failure to achieve staff vacancy factor savings.
- What does this mean? Are staff vacancy assumptions and savings targets being reviewed to ensure they remain realistic?

Response by Head of Finance/Deputy Section 151 Officer

The vacancy factor is a budget assumption that a proportion of posts across the organisation will be vacant during the year through turnover, retirement or recruitment delays. It is not linked to specific posts but applied as a general budget-saving assumption across the authority.

- Looked After Children numbers have risen by around 13-14% in recent months. What has driven this increase? Is there a route to reducing the numbers again?

Response by Chief Officer Social Care and Safeguarding

- Numbers had previously been stabilised but have increased since the start of the year. A key factor has been several large sibling groups entering care. Some children have also moved into Monmouthshire already requiring care and support. Wider pressures on

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families and communities are increasing demand on children's services. The issue is not solely due to one trend but a combination of individual family circumstances and broader societal pressures.

Chair's Conclusion:

The Chair thanked members and officers for their contributions and noted that the topic would likely be explored further under the Director's Report.

Points requiring a further response by the Cabinet Member:

None.