

Item: 09

Title: Approval of 2026/2027 budget and medium-term financial plan

Gweithredu / Action required	Consideration and approval
Amseru / Timing	Annual
Argymhelliad / Recommendation	<p>The Board is asked to:</p> <ul style="list-style-type: none"> • Approve the 2026/2027 revenue budget. • Approve an increase in the organisation’s fixed cost base in principle, within the approved 2026/2027 budget and medium term financial envelope, to support additional permanent capacity in priority areas, with the Executive team determining the final number, nature, phasing and timing of any roles, subject to affordability and in year delivery considerations. • Note the indicative medium term financial position for 2027/2028.
Risg / Risk	Reputational and financial risk
Cyllid / Finance	This paper sets out the proposed 2026/2027 budget and medium term financial outlook.
Amcan Cynllun Corfforaethol / Corporate Plan Objective	To grow and improve as an organization.

Ecwiti, Amrywiaeth a Chynhwysiant / Equity, Diversity & Inclusion	The financial reporting format is intended to be accessible and transparent, supporting understanding and effective scrutiny
Cyfathrebu / Communications	Please tick one of the following boxes if this activity will have an impact on: Internal: our people <input checked="" type="checkbox"/> External: our customers/partners/stakeholders <input checked="" type="checkbox"/> External: our organisation's reputation <input checked="" type="checkbox"/>
Cymeradwyaeth / Approval/Clearance	Alyson Thomas (Chief Executive)
Trafodaethau/ Penderfyniadau Blaenorol / Previous discussions/decisions	The Audit and Risk Assurance Committee considered the draft 2026/2027 budget and medium-term financial plan in March 2026.
Awdur/ Author	Katie Holliday, Director of Finance
Dyddiad / Date	26 March 2026
Cefndir / Background	<p>This paper sets out the proposed revenue budget for 2026/2027, alongside an overview of the medium term financial position for 2027/2028. It builds on the detailed financial update and medium-term financial planning work presented to the Audit and Risk Assurance Committee in March 2026. The Audit and Risk Assurance Committee did not raise any concerns regarding the affordability or sustainability of the proposed 2026/2027 budget.</p> <p>The purpose of this paper is to seek Board approval of the 2026/2027 budget and to provide assurance that the proposed financial plan is affordable, aligned to organisational priorities, and supports delivery of Llais' statutory functions.</p> <p>It provides a comprehensive overview of the organisation's income and expenditure budgets, key financial risks, and the resources required to deliver its annual plan.</p> <p>It highlights the budgetary context, including challenges and opportunities, and seeks the Board's approval to ensure Llais remains on course to fulfil its strategic objectives.</p>
Welsh Government Budget Allocation – 2026/2027	

In January 2026, Welsh Government confirmed Llais' revenue budget allocation for 2026/2027 at £8.648m. This represents:

- an increase of £221,000 compared with the draft 2026/2027 budget issued in October 2025; and
- an uplift of £353,000 relative to the final 2025/2026 budget.

This confirmed funding position provides a more stable basis for forward planning and has informed the development of the 2026/2027 budget and the indicative outlook for 2027/2028.

Manylion / Detail

Overview of the 2026/2027 Budget

The proposed 2026/2027 budget (Appendix 1) has been developed through detailed engagement with budget holders and reflects emerging operational plans for the year ahead.

Key features of the 2026/2027 position include:

- forecast total expenditure of £8.313m
- forecast Welsh Government income of £8.648m.
- a forecast underspend of £334k, providing financial headroom within the year.

The budget includes provision for:

- staffing costs aligned to agreed establishment levels and pay assumptions;
- accommodation, digital, professional fees, and service level agreements required to support delivery; and
- continuation of the NHS Wales Shared Services Partnership SLA in its existing form.

To note: Costs associated with the Centreprise IT multiservice provider contract

have been included to 31 March 2027. It is anticipated that subject to a full tender exercise, this contract will cease and the associated support will be moved to a new contract, with any resulting savings being redirected to support CRM development.

Medium term financial planning

A medium-term financial plan covering 2026/2027 and 2027/2028 has been developed and refined through engagement with budget holders. This work has focused on ensuring that resources remain aligned with organisational priorities while maintaining financial sustainability over the medium term.

To support financial sustainability:

- proposals for new permanent posts or long-term contractual commitments must be funded through recurrent savings or demonstrable increases in income; and
- forecast expenditure has been informed, where possible, by a zero-based review of budgets.

Where zero based budgeting was not feasible, forecast expenditure has been uplifted in line with the Office for Budget Responsibility's forecast inflation rate for 2026 of 2.5%.

Welsh Government has confirmed that the NHS Agenda for Change pay award for 2026/27 will be a 3.3% consolidated increase from 1 April 2026, which has been reflected in staff cost assumptions. A consolidated cost of living award of 3% has been built in for 2027/2028.

Resourcing considerations and capacity risks

The medium-term financial plan forecasts an underspend of £334k in 2026/2027 and £108k, assuming a flat line budget, in 2027/2028 (or £282k assuming a small inflationary uplift of 2% in 2027/2028). This position reflects a stable and sustainable financial model and provides the Board with an opportunity to consider whether the organisation's fixed cost base should be increased through targeted investment in additional permanent staffing.

This financial headroom indicates that limited, targeted growth in staffing costs can be accommodated at this point without introducing undue financial risk. It also provides an opportunity to address known and sustained capacity pressures across the organisation.

While Llais continues to operate within its approved budget, these capacity constraints are impacting on the organisation's ability to maximise its organisational impact. Sustained capacity pressures have been identified in some key areas, affecting our ability to:

- deliver our complaints advocacy service equitably across regions
- drive forward our organisational development and change programme
- maintain strong internal financial controls and deliver timely and accurate financial reporting
- further develop and maintain our records management and information governance arrangements
- support the development of our digital & IT infrastructure and maintain strong cyber security arrangements

in ways that ensure ongoing compliance with statutory, regulatory, and audit expectations.

5 additional roles have therefore been identified for potential permanent recruitment, responding to the identified areas where sustained capacity pressures present a risk to delivery and impact, organisational resilience and the effectiveness of the overall assurance framework.

The Board is therefore asked to approve an increase to the organisation's fixed cost base in principle, within the approved 2026/2027 budget and medium term financial envelope, to support additional permanent capacity in priority areas with responsibility for determining the final number, nature and timing of any roles sitting with the Executive team, subject to affordability, phasing, and in year delivery considerations.

2027/2028 outlook

The indicative financial position for 2027/2028 remains broadly stable, subject to funding assumptions and inflationary pressures. The medium-term plan assumes:

- continuation of current service delivery models;
- inflationary uplift of 3%; and
- no significant structural changes to funding.

Further refinement of the 2027/2028 position will take place during 2026/2027 as part of routine financial planning and engagement with Welsh Government.

Capital budget

Consistent with the approach taken to managing in year funding challenges, Llais has not been provided with a capital budget allocation for 2026/2027 at the outset of the financial year. Welsh Government has indicated that capital requirements should be considered on a needs led basis, with funding requests submitted where there is a clear business case and demonstrable requirement.

This approach recognises that capital needs may arise during the year as the organisation continues to review its estate and operational infrastructure. Where this occurs, Llais will engage with Welsh Government colleagues to seek approval for capital funding to support specific, time limited requirements.

In 2025/2026, Llais was not initially allocated a capital budget. However, following further engagement, Welsh Government agreed to provide capital funding to support specific organisational requirements, including:

- £50,000 to support the development of a new website
- £25,000 to support leasehold improvement works in Baglan Bay Innovation Centre

For 2026/2027, a request for capital funding has been submitted to support the renewal of the Gwent regional office lease. As Llais continues to evaluate its estate and negotiate new lease arrangements, it may be necessary to submit further capital funding requests to ensure that non-government leases are accounted for

appropriately and in line with relevant accounting standards.

Grant in Aid (Cash)

The Welsh Government Governance Framework specifies that cash grant in aid must not be drawn down in advance of need, as retaining excessive amounts of cash represents an inefficient use of public funds. Any unspent grant in aid retained at month end or year end must remain within 4% and 2% respectively of the total cash grant in aid awarded for the year.

For 2026/2027, Llais will continue to manage cash drawdown in line with these requirements. After accounting for non-cash costs within the overall revenue allocation, the organisation's grant in aid requirement will be profiled across the year to support operational delivery while ensuring compliance with Welsh Government cash management expectations.

The Welsh Government has confirmed that Llais' grant-in-aid settlement will be £8,523,000. It is acknowledged that this figure may be increased depending upon the value of Llais' creditors within the financial statements.

Summary

The proposed 2026/27 budget is affordable, balanced, and aligned with Llais' Annual Plan priorities. The organisation is forecast to remain in a stable financial position, with modest headroom that provides flexibility to address emerging risks and pressures.

The medium-term financial plan provides assurance over sustainability while highlighting areas where strategic investment may now be required to support delivery and impact, and maintain Welsh public sector governance and assurance standards.

Recommendations

The Board is asked to:

- Approve the 2026/2027 revenue budget.

- Approve an increase in the organisation's fixed cost base in principle, within the approved 2026/2027 budget and medium term financial envelope, to support additional permanent capacity in priority areas, and delegate authority to the Executive to determine the final number, nature, phasing and timing of any roles, subject to affordability and in year delivery considerations.
- Note the indicative medium term financial position for 2027/2028.