

Item: 12

Title: Finance Update – September 2026

weithredu / Action required	For information and assurance. The Board is asked to note the September financial position and support the proposed approach to managing expenditure through to year end.
Amseru / Timing	Quarterly
Argymhelliad / Recommendation	The Board is asked to: • note the September 2026 financial position, including the current forecast deficit of approximately £134,000 after identified savings and mitigations; • note that applying the £42,000 adjustment for qualifying lease costs would reduce the forecast deficit to approximately £92,000 and, if the customer relationship management (CRM) system capital funding request is also approved, the indicative deficit would reduce further to approximately £52,000; and • support the proposed approach to strengthened scrutiny of expenditure and management of the year-end position.
Risg / Risk	Financial, operational, digital and workforce risk.
Cyllid / Finance	This paper provides an update on the September 2026 financial position, the potential year-end deficit, the savings and mitigations identified, the remaining risks and the action being taken to manage expenditure through to year end.
Amcan Cynllun Corfforaethol / Corporate Plan Objective	To grow and improve as an organisation.
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 ☒ External: people, communities and partner organisations ☒ External: our organisation's reputation ☒
Cymeradwyaeth / Approval/Clearance	Jason Smith, Corporate Director for People and Resources
Trafodaethau/ Penderfyniadau Blaenorol / Previous discussions/decisions	Board finance update, May 2026; Audit, Risk and Assurance Committee (ARAC) finance update, July 2026; and Executive Team consideration of the developing 2026/27 position.
Awdur/ Author	Katie Holliday, Director of Finance
Dyddiad / Date	07 October 2026

Executive summary

The financial outlook for 2026/27 has been affected by three factors:

- additional workforce and specialist capacity costs;
- essential CRM remediation; and
- a mismatch between the Centreprise managed service contract costs in the resource budget and the related non-cash funding. This followed Welsh Government's decision not to support the requested transfer between funding categories.

Each factor could have been managed through targeted action during the year. Together, they have created a more significant challenge and reduced the flexibility within the approved budget.

The July reforecast identified a potential year-end deficit of £300,000. A detailed review of expenditure and delivery plans subsequently identified £166,000 of savings and mitigations, reducing the current forecast deficit to approximately £134,000.

Welsh Government has confirmed that Llais may submit a request for capital funding towards eligible CRM remediation costs, with reasonable confidence that approximately £40,000 will be supported. Llais has also identified approximately

£42,000 of qualifying lease costs, and Welsh Government has noted this position.

Neither adjustment is reflected in the current forecast. Applying the lease adjustment would reduce the deficit to approximately £92,000 and, if CRM capital funding is also approved, to approximately £52,000. These are planning scenarios rather than the current forecast position.

The position is challenging but manageable.

Planned expenditure will continue to be scrutinised, recognising that some actions reduce capacity or defer activity. Essential services, legal and contractual obligations, critical controls, cyber security and essential CRM remediation will be maintained.

N.B. - Financial and accounting terms used in this paper are explained in Appendix 1.

Reporting position

September financial performance and significant variance

The table below shows Llais' overall performance.

September position	Position / commentary
Approved allocation	£8,648,000 This comprises £8,281,000 of resource funding and £367,000 of non-cash funding. The non-cash funding is restricted to qualifying accounting costs and is not available to offset the forecast resource deficit.
Actual expenditure and profiled budget to 30 September	Actual expenditure: £4,214,000 Budget to date: £4,245,000 Variance: approximately £31,000 surplus
Latest annual forecast resource outturn	Resource budget: £8,281,000 Forecast resource expenditure: £8,415,000 Forecast deficit: approximately £134,000
Non-cash and resource forecast positions	The non-cash funding forecast shows a surplus of approximately £183,000, mainly because the Centreprise costs are now being met from the resource budget and the corresponding transfer

	from non-cash to resource funding was not agreed.
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	The resource forecast shows a deficit of approximately £134,000, reflecting the wider issues outlined in this paper.
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The updated forecast reflects the £166,000 of savings and mitigations already identified. It also distinguishes genuine savings and pressures from timing differences and expenditure already committed but not yet reflected in the accounts.

Points to note within the figures to September 2026

Digital, Data and Technology

The CRM remediation work is expected to be delivered mainly during the latter part of the financial year. The additional cost therefore does not materially affect the September expenditure position but is included in the forecast to year end.

Underspend

The approximately £31,000 underspend at the end of September does not indicate an expected year-end underspend.

The in-year budget profile and forecast have been refreshed using actual expenditure to date and the latest expected timing of planned activity; this does not change the approved annual budget.

Based on current delivery plans and expected costs from October to March, including expenditure weighted towards the latter part of the year, forecast expenditure exceeds the resource available unless further planned activity is reduced or deferred.

How the pressure has developed

The Board approved a balanced budget for 2026/27 based on the information available at the time. The forecast has since been affected by three significant factors.

Workforce

Additional workforce and specialist capacity costs have arisen from agency backfill for long-term sickness absences where roles could not safely be left vacant, agency cover while job evaluation was completed, and specialist IT consultancy retained earlier in

the year to develop the Digital strategy.

The IT consultancy ended in August 2026, and job evaluation of the Band 4 job description, which applies to several posts currently filled by agency workers, concluded on 7 October. Recruitment to the substantive posts can now begin. Agency cover will be managed through the transition, with substantive appointments expected to take effect during December and January.

Moving to substantive appointments should reduce agency reliance but may create further unbudgeted costs through agency transfer fees or appointments above the bottom of the relevant pay band.

Essential CRM remediation

The customer relationship management (CRM) system health check identified £70,000 of essential remediation work in addition to the £50,000 already budgeted.

Managed Service Provider (Centreprise)

The Centreprise managed service contract originally combined three elements:

- leased equipment,
- the IT service desk, and
- software.

When the contract began, the cost of each element could not be separately identified. At that stage, the full contract was therefore accounted for within Llais' non-cash budget, which is used for specific accounting costs rather than day-to-day expenditure funded from the resource budget.

The leased equipment was subsequently removed from the contract because it did not provide value for money, and replacement laptops were purchased in March 2026. Once the lease element had been removed, the remaining service desk and software costs could no longer be treated as non-cash and therefore had to be met from the resource budget. This change in treatment would have arisen in any event when the lease, software and service elements were separately identified and priced under a future contract.

Welsh Government was informed of the Centreprise position in February 2026, before the start of the financial year, when Llais requested a corresponding reduction in its non-cash budget and increase in its resource budget.

Initial discussions suggested that the pressure might be managed through this adjustment. Welsh Government was later unable to support the request. This followed

the transfer of Llais from the Social Justice Main Expenditure Group (MEG) to the Health and Social Care MEG, alongside wider funding pressures after the change of administration.

The resulting pressure therefore reflects a change in the funding context rather than an issue that was identified only after the 2026/27 budget had been agreed.

By the time the 2026/27 budget was prepared, the remaining Centreprise service desk and software costs were known to be resource costs and were included within the resource expenditure budget.

They do not therefore appear as a separate pressure against the Period 6 resource budget. The effect is instead seen in the non-cash position, which is forecasting a surplus of approximately £183,000 because the corresponding reduction in non-cash funding and increase in resource funding was not agreed.

These factors, together with other movements across the organisation, contributed to the overall forecast resource pressure. The approximately £134,000 is the net forecast deficit after all current expenditure forecasts, savings and mitigations have been taken into account.

It cannot be attributed reliably to any single factor because the Centreprise funding mismatch, essential CRM remediation, workforce costs and other movements interact across budget lines, while the identified savings and mitigations reduce the organisation-wide position rather than being allocated against individual pressures.

Savings, mitigations and forecast position

A detailed review of expenditure and delivery plans identified £166,000 of savings and mitigations, reducing the potential year-end deficit from £300,000 to approximately £134,000.

The £166,000 is not additional funding; it represents reductions already reflected in the latest forecast through vacancy management and other workforce savings, deferred development and improvement activity, lower forecast operating costs and contract efficiencies.

The approximately £134,000 therefore represents the prudent current forecast position before Llais applies the potential lease adjustment and Welsh Government confirms any CRM capital funding.

The estimate is based on a detailed review of actual expenditure, vacancies, existing commitments and current delivery plans, and is supported by identifiable

management actions and updated forecasts.

Some actions reduce Llais' capacity or delay planned work and do not resolve the recurring budget position. This may limit the organisation's ability to listen to people and communities, represent their interests and deliver planned improvements.

Forecast movement	Amount	Status and assurance
Initial forecast pressure	£300,000	Identified through the July reforecast and driven mainly by the three risk events described in this paper.
Savings and mitigations identified	(£166,000)	Workforce savings, deferred activity, lower operating costs and contract efficiencies.
Forecast pressure after identified mitigations	Approximately £134,000	Current forecast deficit after identified savings and mitigations, before Llais applies the lease adjustment and Welsh Government confirms any CRM capital funding.
Potential capital funding submission to Welsh Government	(£40,000)	Welsh Government has confirmed that Llais may submit a capital funding request for eligible CRM remediation costs. A request for approximately £40,000 will be submitted for consideration. No approval has yet been received.
Budget treatment of qualifying lease costs	(£42,000)	Llais has identified approximately £42,000 of qualifying lease costs based on the underlying lease arrangements and applicable budget requirements, and Welsh Government has noted Llais' position.
Indicative 2026/27 deficit after the lease adjustment and, if approved, CRM capital funding	£52,000	Applying the £42,000 adjustment for qualifying lease costs would reduce the current forecast deficit to approximately £92,000. If the £40,000 CRM capital funding request is also approved, the indicative deficit would reduce further to approximately £52,000.

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Workforce costs have contributed to the forecast pressure, particularly through agency backfill, specialist capacity and the transition to substantive appointments. The latest staff-cost forecast also reflects updated profiling, actual expenditure to date, vacancy assumptions and workforce-related mitigations. The staff-cost line should therefore be read as part of the overall forecast position rather than as a simple standalone measure of the underlying workforce pressure.

Risks and management response

The main remaining uncertainty relates to the workforce position.

The specialist IT consultancy has ended. However, the CRM remediation and Centreprise contract remain essential for service continuity, cyber security and access to systems, so they cannot simply be removed from the forecast. This leaves little flexibility to meet further pressures during the rest of the year.

Every remaining commitment should be considered against Llais' priorities and the expected year-end position, including spending within approved budgets or areas forecasting an underspend. Before work is commissioned, there should be a proportionate assessment of what is required, the full cost, intended outcomes, capacity needed and the consequences of delay. This is not about reducing future budgets where an underspend arises this year. It is about directing resources to the organisation's highest priorities.

This approach is not intended to create a blanket spending freeze or prevent agreed activity from proceeding.

Essential services, legal and contractual obligations, critical controls, cyber security and essential CRM remediation will continue, with expenditure deferred only where this can be done without creating a greater operational risk, delaying essential delivery or increasing future costs.

Financial control and assurance

Finance is working with budget holders to test the latest forecast against delivery plans, outstanding commitments, vacancies and the expected timing of expenditure, rather than relying solely on the year-to-date position shown in the accounts.

Finance will continue to monitor the underlying assumptions and incorporate emerging workforce costs once there is sufficient certainty over their value and timing.

Cash and grant-in-aid will continue to be monitored against the approved profile as part

of routine financial management.

We will continue to ensure that no new permanent post or recurring contractual commitment is made without an identified recurring funding source. Expenditure associated with the pressures and mitigations in this paper remains subject to the organisation's established approval, procurement and financial-control requirements.

Finance will promptly escalate any significant worsening of the forecast, change in assumptions, lack of Welsh Government agreement or risk to essential delivery. This will be reported through the Executive Team and the appropriate Board assurance route.

Next steps

- Complete the in-person budget-holder reviews scheduled between 8 and 20 October, testing commitments and planned expenditure against delivery priorities.
- Use the Executive Team meeting on 22 October to review the updated forecast, the assumptions supporting it and the remaining risks through to year end.
- Complete the evidence needed to support the formal request to Welsh Government for capital funding towards eligible CRM remediation costs.

Looking ahead - 2027/28

Looking ahead, the 2027/28 plan will need to reflect the organisation's underlying cost base rather than assume that vacancy savings or unused contingencies will continue to provide financial flexibility.

The pressures described in this paper reflect a clearer understanding of the systems, infrastructure and capacity required to deliver effectively, and of the organisation's underlying recurring cost base.

The important next step is to bring workforce, delivery and financial planning together, while recognising that the organisational strategy currently being developed will influence how quickly priorities for 2027/28 can be agreed and translated into deliverable and fully costed plans.

The practical priorities are to:

- plan for the full cost of workforce decisions, including transfer fees and realistic appointment points;
- establish an Executive-led planning timetable, with engagement from the wider team, so that delivery priorities and indicative costs are developed as early as

the strategy allows; and

- require significant activity to set out its scope, outcomes, outputs, ownership, capacity, timescale and whole-life cost.

These arrangements should link to the revised Financial Control Procedures and the annual delivery-planning process.

Conclusion and recommendation

Overall, the position remains manageable, provided budget holders work collectively to identify where budgets can be released and agree any necessary changes to planned delivery.

Contracts supporting the delivery of core services will also continue to be scrutinised to identify opportunities to secure savings during the latter part of 2026/27 and in future years, while ensuring that essential services and operational resilience are maintained.

The Board is asked to:

- note the September financial position, the £166,000 of savings and mitigations identified, and the remaining risks to the year-end forecast;
- note that applying the £42,000 adjustment for qualifying lease costs would reduce the forecast deficit to approximately £92,000 and, if the CRM capital funding request is also approved, the indicative deficit would reduce further to approximately £52,000;
- support the strengthened scrutiny of remaining expenditure, including approved budgets and areas forecasting an underspend; and
- note the action being taken to manage the position and strengthen planning for 2027/28.

Appendix 1: Guide to financial terms

Term	What it means in this paper
Resource funding	Funding available for day-to-day running costs, such as staff, services, software and other operating expenditure.
Non-cash funding	Funding provided for specific accounting costs such as depreciation or most lease-related costs. It cannot be used for general day-to-day expenditure.
Capital funding	Funding for eligible investment in assets or systems that provide benefit beyond the current financial year. It cannot normally be used for routine running costs.
Budget profile	How the annual budget is spread across the months of the year, based on when expenditure is expected.
Forecast	The latest estimate of the financial position expected at year end, using actual expenditure to date and anticipated future costs.
Outturn	The final financial position at the end of the year. A forecast outturn is the current estimate of that final position.
Deficit	The amount by which forecast expenditure is greater than the funding available.
Surplus or underspend	The amount by which expenditure is lower than the funding or budget available. An in-year underspend does not necessarily mean there will be an underspend at year end.
Variance	The difference between actual or forecast expenditure and the relevant budget.
Savings and mitigations	Actions that reduce forecast expenditure or help manage a financial pressure, including lower costs, vacancies, efficiencies or activity being deferred.
Committed expenditure	Costs that Llais is already contractually or operationally expected to pay, even if they have not yet appeared in the accounts.
Recurring cost or funding	A cost or source of funding expected to continue in future financial years, rather than being a one-off item.