

Item: 11

Title: Finance Report – Month 9 – 2024/25

Gweithredu / Action required	Report for information
Amseru / Timing	Routine
Argymhelliad / Recommendation	It is recommended that the Board note the Finance report for the 9-month period ending 31 December 2024.
Risg / Risk	Reputational and financial risk
Cyllid / Finance	N/A
Amcan Cynllun Corfforaethol / Corporate Plan Objective	To grow and improve as an organization.
Ecwiti, Amrywiaeth a Chynhwysiant / Equity, Diversity & Inclusion	N/A
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	Joanne Bolton (Strategic Director of Operations & Corporate Services)
Trafodaethau/ Penderfyniadau Blaenorol / Previous discussions/decisions	N/A
Awdur/ Author	Katie Holliday, Director of Finance
Dyddiad / Date	15 January 2025
Cefndir / Background	
The Board and Audit and Risk Assurance Committee receive periodic financial reports on monthly and cumulative expenditure compared to the Interim Financial Plan.	

The Interim Financial Plan 2024/25 sets out the financial resources required to enable Llais to deliver its annual plan. The financial plan is set to ensure that expenditure does not exceed the income from the Welsh Government.

The Audit and Risk Committee reviewed and scrutinised a financial report on 13 December.

Manylion / Detail

2024/25 Financial report at month 9

As at the end of December, a cumulative underspend of £160,000 is reported, which is 2% of Llais' total budget.

This underspend is predominantly due to staff vacancies and the timing of non-pay expenditure. Any staff underspends due to vacancies during the 9 months, have been reallocated to a contingency expenditure category.

The underspend mentioned above includes a £100,000 contingency (unallocated budget). Of this £100,000, £40,000 will be allocated to support the use of the Organisational Change Policy to support the planned office relocations and related staff relocation costs. Additionally, Llais must maintain a 'buffer' within the contingency budget to address any business-critical, unplanned, or unforeseen events that may arise.

A significant financial risk related to dilapidations is emerging due to the office relocations.

The Welsh Government has confirmed that, in line with Central Budgeting Guidance, dilapidations expenditure will be allocated to the resource budget in the year the invoice is paid. However, this practice conflicts with accountancy standards, which require dilapidations to be provided for on the balance sheet and released when the associated works are completed, effectively offsetting the expenditure.

Therefore, if the dilapidation expenditure occurs this financial year it will impact on this year's resource budget. The Welsh Government is being engaged with to provide support with the dilapidation costs. It is highly unlikely that there will be sufficient contingency budget to cover the related expenditure.

Dilapidations surveyors are in the process of being hired and it is anticipated that an update on potential costs will be available by mid-February.

As a guide, based on NHS estimates of dilapidation costs, £58,000 has been provided on Llais' balance sheet, which will be released at year end, but we envisage they may be higher.

In-year funding challenges recognised by the Welsh Government

During the Welsh Government and Llais partnership meetings it has been acknowledged that Llais' baseline funding remains at 2022/23 pay and price levels and that there was no budget submission put forward within the 2024/25 Welsh Government budget for the additional funding requirements for Llais, to cover 2023/24 and 2024/25 pay and price pressures. The cumulative impact of these two pay increases is an additional 10.78% on employment costs to 31 March 2025, compared to when the budget was initially set by the Welsh Government.

The 2024/25 cost of living pay award created a budgetary pressure of £320,000. The Welsh Government has provided an additional £97,000 of funding to support the impact of these costs and the 2025/26 allocation has been uplifted to incorporate these costs.

In addition, £88,500 has been provided to support the office moves. This funding is dependent upon Llais moving into Welsh public sector offices and the costs associated with the move must relate to 2024/25.

Cash management

Welsh Government require:

“Cash grant-in-aid must not be drawn down in advance of need as retaining excessive amounts of cash is an inefficient use of public funding. Any unspent grant-in-aid retained each month and at the end of the year must be kept within 4% and 2% respectively of the total cash grant-in-aid awarded for that year.”

The bank balance at the end of December was £182,000. Over the final quarter of the year, £1,695,000 remains to be drawn from the Welsh Government.

Due to the value of the 2023/24 creditors that were paid using cash provided during this financial year, including the 2023/24 VERS scheme, and because Llais is fully utilising the 2024/25 allocation, it is highly likely that Llais will be required to request additional Grant in Aid (cash) from the Welsh Government. Forecasts for the year end are currently being prepared and will be shared with the Welsh Government.

2025/26 budget

The Welsh Government has confirmed that Llais will be provided with an uplift of 3% compared to the 2024/25 baseline funding, which equates to an additional £205,000 of funding. Llais' new baseline budget would then be £7,928,000. It is anticipated that this budget will be approved by the Senedd as part of the Welsh Government's final budget in February 2025.

The UK Government confirmed, as part of the UK Autumn Budget, that devolved governments would be provided with additional funding to help mitigate the cost of increased employers' National Insurance contributions, over and above the funding allocated in the UK Budget. The level of support to Welsh Arm's Length Bodies is yet to be confirmed, but likely to be the same.

The budget provided by the Welsh Government is £312,000 less than that requested in Llais' estimate submission. The Executive Team have scrutinised the budget submission in comparison to the Welsh Government's December draft budget announcement. Action is underway to model options and scenarios taking into account the potential impact on delivery.

Next steps

The above notes the ongoing funding challenges for both 2024/25 and 2025/26. The next steps will be to continue discussions with the Welsh Government:

- to seek additional 2024/25 resource funding for dilapidation costs.
- to seek additional cash (Grant in Aid) due to previous years accruals. (cost included in resource budget expenditure for 2023/24, but cash transaction (grant in aid requirement) was in 2024/25.
- about the final budget allocation in 2024/2025, highlighting the financial challenges and the impact on our development and delivery of our strategic plan if the final budget allocation for 2025/2026 remains as set out.

