South East Wales Corporate Joint Committee

Report for:	ACTION
Contains Confidential or Exempt Information	NO

For Consideration By	South-East Wales Corporate Joint Committee
Report Title	2026/27 Annual Budget
Report of	Liam Hull, Strategic Director of Resources
Contact Details	Liam.Hull@cardiffcapitalregion.gov.uk
Date to be Considered	26 January 20256
Implementation Date	1 April 2026
Affected Council Areas	All
Keywords / Index	Budget, Staffing, Resource

Report Summary

1. The report sets out the South-East Wales Corporate Joint Committee's Revenue Budget for 2026/27.

Recommendations

2. The CJC is asked to:

2.1 Approve the 2026/27 Operational Budget of £7,669,570

2.2 Approve the utilisation of £1,486,830 Treasury Management Revenue Contribution

2.3 Approve Local Authority contributions of £1,342,912 to include a 5% increase on 2025/26 contributions

2.4 Approve Bannau Brycheiniog National Park Authority (BBNPA) contributions of £3,040

2.5 Approve the proposed 2026/27 Wider Investment Fund budget & indicative programme to 2029/30 as set out in the report

2.6 Note that a Medium-Term Financial Plan (MTFP) will be brought to a future meeting of the CJC

Reasons for Report

3. The report sets out the South-East Wales Corporate Joint Committee's (CJC) Revenue and Capital Budgets for 2026/27 and seeks approval of the amounts payable by the South-East Wales Constituent Councils and the Bannau Brycheiniog National Park Authority (BBNPA) in respect of:
    - 2026/27 Strategic Planning Budget Contributions;
    - 2026/27 CJC General Budget Contributions; and
    - 2026/27 CCRCD Local Authority Partner Contributions.

4. The report should be read in conjunction with the corresponding report entitled 'SEWCJC Annual Business Plan 2026/27' which sets out the relevant delivery activity.

Reasons for Recommendations & Options Considered

<u>Background</u>

5. The South-East Wales CJC Establishment Regulations came into force on 1 April 2021 and established a corporate legal entity comprising of the 10 South-East Wales Local Authorities, which are also members of the Cardiff Capital Region (constituent councils) and, for the purposes of the Strategic Development Plan (SDP), the Bannau Brycheiniog National Park Authority (BBNPA).

6. The 2025/26 budget was prepared on the basis of consolidating the previous CJC functions and the CCRCD operations together for the first time and establishing a staffing structure with sufficient levels of capacity and capability to resource a public body. This has continued for 2026/27.

7. The CJC Statutory Guidance sets out the accounting and reporting arrangements applicable to the set-up and operations of the SEWCJC. Furthermore, the guidance clearly sets out the relevant legislative frameworks which apply to all CJCs, with CJCs seen as "a member of the Local Government family". This means that the CJC is subject to the same regulatory framework provisions as Local Authorities in respect of all financial and accounting matters.

8. The new duties of the CJC have not received any core funding (recognising that some one-off funds have been received) which presents the organisation with a significant and unsustainable resource pressure.

9. In prior years, this budget pressure has been managed through underspends on the staffing budget as a result of keeping a high number of vacancies. Whilst this is again likely to be achieved in 2025/26, it presents an ongoing corporate risk to the organisation.

Proposed 2026/27 Revenue (Operational) Budget

10. The 2026/27 Annual Revenue Budget has been prepared on a component basis, in line with the 2025/26 budget, which brought together the previous Statutory Duties Budget and City Deal Budgets at a presentational level to reflect the CJC's position as a public body.

11. This approach brings increased visibility to members and greater levels of accountability to budget holders.

12. A zero-based budgeting approach was taken, with all budget holders challenged on the level of resource required.

13. The statutory responsibilities of the CJC have not received any core funding and being able to meet our statutory responsibilities in this environment continues to be incredibly challenging.

Table 1 – 2025/26 Revenue Operational Budget Requirement

	2026/27
Chief Executive & Central Overheads	
Employees	221,575
Transport	270
Supplies and Services	77,473
External Audit Fee	167,565
Contingency	35,000
Sub Total	**501,883**
Regional Growth, Innovation & Investment	
Employees	1,593,448
Transport	4,100
Supplies and Services	5,065
Sub Total	**1,602,613**
Policy Impact & Partnerships	
Employees	1,896,132
Transport	2,854
Supplies and Services	778,317
External SLA	0
Sub Total	**2,677,303**
Resources	
Employees	1,463,005
Premises	67,650
Transport	1,385
Supplies and Services	185,850
External SLA	210,484
Capital Financing	15,000
Contingency	0
Sub Total	**1,943,374**
Legal & Governnace	
Employees	762,042
Transport	1,190
Supplies and Services	56,755
External SLA	124,410
Sub Total	**944,397**
Total Budget Requirement	**7,669,570**

14. It is important to note that sitting beneath this organisational budget, distinct funding budgets will be maintained to ensure compliance with CJC regulations and City Deal contractual obligations.

15. It is not possible to draw a direct comparison to last year's directorate budgets as the organisational restructure completed in quarter 4 of 2024/25 moved various departments to different directorates and would therefore skew the analysis. It is therefore more appropriate to compare by expenditure type.

16. The table below sets out the expenditure type comparators between 2026/27 and 2025/26 noting that some of the variances are offset by increases in funding.

Table 2: Prior Year Revenue Budget Comparison

	2026/27	2025/26	% Change
Employees	£ 5,936,203	£ 5,437,906	9%
Premises	£ 67,650	£ 61,500	10%
Transport	£ 9,799	£ 10,750	-9%
Supplies & Services	£ 1,103,460	£ 734,385	50%
External SLA	£ 334,894	£ 309,077	8%
External Audit Fees	£ 167,565	£ 97,375	72%
Contingency	£ 35,000	£ 35,000	0%
Capital Financing	£ 15,000	£ 13,325	13%
Total	**£ 7,669,571**	**£ 6,699,318**	**14%**

Material Variance Analysis

Employees

17. Alongside the cost of living pay award and incremental salary drift, there are additional roles that are required due to new areas of responsibility, for example Regional Transport. These new areas come with additional income to partially offset the impact on the revenue budget. There is also a continuing increased corporate overhead to manage the contractual obligations, statutory and company law requirements of the organisation, as new major programmes such as the Investment Zone are brought online.

Premises

18. The increase in the premises budget is based on an estimated increase at this stage in the process.

Supplies & Services & Contingency

19. The key reason for the increase in supplies and services is to include a dedicated events budget to help attract investment into the region. This is partially offset by the CCR Partnership Programme, which will bring

sponsorship income into the organisation. Alongside this, some of the additional responsibilities mentioned in paragraph 17 come with an additional supplies and services overhead, and again are offset by additional income.

External Audit Fees

20. External Audit fees are set by Audit Wales and are outside of the control of the CJC. The complexity of the CJC's Statement of Accounts and a greater requirement for Performance Audit work now that the CJC has been established are the key reasons for the increase.

Funding Sources

21. At the time of writing, there is still some uncertainty over the implications of certain funding elements, including funding of our statutory responsibilities.

22. With this in mind, we have only considered funding sources where we have a high degree of certainty at this point in time. Those funding sources are detailed in the table below:

Table 3: Funding Sources

Funded By:	
Local Authority Contributions	1,342,911
BBNPA Contributions	3,000
Programme Contributions	2,284,000
Government Contributions*	630,000
Project Contributions	1,572,829
Corporate Vacancy Factor	350,000
Treasurry Management Revenue Contributions	1,486,830
Total Funding	**7,669,570**

23. *Government contributions include areas where we have a high degree of confidence that they will be received. If they aren't received, the corresponding cost (in employees and supplies and services) would not be incurred, meaning an overall nil effect on the revenue budget.

24. In addition to this, any further obligations, would need to come with sufficient income to fully fund those obligations, ensuring a nil effect on the overall revenue budget.

25. Table 4 above identifies the requirement to utilise £1,487k of in year treasury management income to underwrite a funding shortfall in the absence of clarity on further sources of funding.

26. Whilst this should be seen as an option of last resort and is not a long-term resourcing solution, the analysis below demonstrates that utilising resources

at this level for the medium-term is possible whilst still allowing for balances to increase:

Table 4: Analysis of Interest on Balances

	2026/27	2027/28	2028/29
Estimated Opening Balance	711	1,124	1,437
Use of Funds	(1,487)	(1,487)	(1,487)
Expected Interest	1,900	1,800	1,700
Estimated Closing Balance	**1,124**	**1,437**	**1,651**

27. This £1,487k funding shortfall and the utilisation of interest as an underwrite provides a baseline for us to finalise the budget. Further engagement with key stakeholders will be undertaken to try and reduce / eliminate that funding gap through other funding sources.

Local Authority Contributions

28. There is provision within the Joint-Working Agreement to increase Local Authority Contributions by up to 5% per annum to account for inflationary challenges. Given that there has been no increase implemented for a number of years, it is proposed that a 5% increase is implemented for 2026/27. This has been initially discussed with the CJC and the Section 151 Officers of the Local Authorities. The impact of this increase is included in the table below:

Table 5: Local Authority Contributions

	25/26 Amount	Proposed 26/27
Blaenau Gwent	£ 58,167	£ 61,075
Bridgend	£ 120,882	£ 126,926
Caerphilly	£ 151,039	£ 158,591
Cardiff	£ 303,922	£ 319,118
Merthyr Tydfil	£ 50,216	£ 52,727
Monmouthshire	£ 78,550	£ 82,478
Newport	£ 127,912	£ 134,308
Rhondda Cynon Taf	£ 200,361	£ 210,379
Torfaen	£ 77,638	£ 81,520
Vale of Glamorgan	£ 110,276	£ 115,790
	£ 1,278,963	**£ 1,342,912**

BBNPA Contributions

29. BBNPA contributions are calculated based on an agreed percentage (0.60%) of the Strategic Development Plan Budget and this has been calculated as £3,040.

CCRCD Wider Investment Fund 2026/27

30. The CJC's Capital Programme consists of the capital component of the CCRCD Wider Investment Fund. The fund totals £445 million capital over a 10-year period and is a fully funded programme i.e. capital expenditure is funded from a combination of the £325 million approved HM Treasury capital grant and £120 million capital contributions approved by the 10 constituent councils.

31. 85% (£423 million) of the total fund is now committed to 32 Projects and Programmes in delivery, with around 50% of those commitments relating to investments that will deliver a return in-line with the fund's evergreen principle.

32. Therefore, the 2026/27 Wider Investment Fund Budget reflects a key phase in the maturity of the Fund's investment strategy, with annual sums in the region of £62 million profiled to be spent each year, over the next 2 financial years.

33. Table 7 outlines the proposed 2026/27 budget and to assist with medium term planning, the indicative budgets for the following 4 financial years (to 2029/30) are also set out, along with the proposed funding strategy over this period.

Table 6: Proposed 2026/27 Wider Investment Fund Budget and Indicative Programme to 2030/31

	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Indicative Programme Expenditure				
Top Slice - City Deal Budget Contribution	1,644	1,640	1,520	459
Top Slice - programme Development & Support	332			
Approved Projects - revenue	3,528	1,483	340	163
Future Revenue Projects	90	90	260	
Sub Total Revenue Expenditure	**5,594**	**3,213**	**2,120**	**622**
Approved Projects - Capital	45,740	38,089	20,331	7,425
Future Capital Projects	11,428	21,460	28,762	43,746
SubTotal Capital Expenditure	**57,168**	**59,549**	**49,093**	**51,171**
Total Investment	**62,762**	**62,762**	**51,213**	**51,793**
Grants & Contributions				
HMT Grant - Revenue	(5,594)	(3,213)	(2,120)	(622)
Sub Total Revenue Funding	**(5,594)**	**(3,213)**	**(2,120)**	**(622)**
HMT Grant - Capital	(52,000)	(52,000)	(10,000)	(10,000)
LA Partner Contributions - Capital	(5,168)	(7,549)	(39,093)	(41,171)
Temp Borrowing 'Cost of Carry'				
Sub Total Capital Funding	**(57,168)**	**(59,549)**	**(49,093)**	**(51,171)**
Total Funding	**(62,762)**	**(62,762)**	**(51,213)**	**(51,793)**

WIF Top Slice Budget (Revenue Funding)

34. The CCR Cabinet have resolved that up to 3% of the Wider Investment Fund (over a 20-year period) is set aside to meet the costs associated with Programme Development & Support and is referred to as the WIF 'Top-Slice'. This amounted to £14.74 million of which £9.05 million is projected to be spent by the 31 March 2026. The balance of £5.60 million has been split, with an allocation of £5.26 million being allocated to support the CCRCD revenue budget in 2026/27 and the balance (£0.33 million) being allocated on an equal basis to Programme Development & Support (£0.33 million per year) for next year.

Approved and Future Projects (Revenue and Capital)

35. The 2026/27 budget of £62.76 million has been set to reflect the profiled spend of approved revenue and capital projects based on individual profiles known at this time. However, it is acknowledged that the spend on projects is dynamic for a number of reasons. For example, a number of allocations relate to Investment Funds, some operated internally by CCRCD, other managed by external professional fund managers. In both instances forecasting spend is challenging as the decision to award funding can be impacted by a number of external factors, many of which are outside the control of the fund managers.

36. Whilst a range of mitigation measure are in place to help manage the position, the general risk of spend being higher or lower than forecasted has been highlighted to Local Authority s151 Officers and +/- 10% tolerance suggested to aid their local budget management decisions.

37. Sums allocated to the 'Future Revenue and Capital Projects' budget lines are designed to capture the potential funding requirements of the pipeline of projects progressing through the Wider Investment Fund assessment and approval process.

WIF Funding Strategy and Affordability Envelope

38. The sums allocated represent the amounts available to be spent in 2026/27, with future year budget allocations being updated accordingly to reflect current and approvals, as well as assessing the deliverability of the overall spend profile. This will ensure that the fund remains affordable and within its approved envelope at all times, as decisions to approve projects are made through the year.

39. Funding strategy is based on using the HMT Capital Grant as the 'first call', LA £120m second and LA Cost of Carry third.

40. The total expenditure for the 2026/27 WIF Budget is £62.76 million. It is proposed that this level of expenditure is funded as follows:

- Drawdown of HM Treasury Revenue Grant: 5.59m
- Drawdown of HM Treasury Capital Grant: £52.0m
- Drawdown of Council Contributions: £5.17m

41. A breakdown of individual Local Authority Capital Contributions for 2026/27 is shown in the table below:

Table 7: Local Authority Capital Contributions for 2026/27

Local Authority	£'000
Blaenau Gwent	238.8
Bridgend	487.9
Caerphilly	618.4
Cardiff	1,226.2
Merthyr Tydfil	203.6
Monmouthshire	317.4
Newport	507.4
Rhondda Cynon Taff	815.1
Torfaen	315.2
Vale of Glamorgan	437.9
Total	**5,168.0**

42. To aid cashflow management of the CJC all revenue & capital contributions will be invoiced on 1st April 2026.

43. Finally, it should be noted that the actual funding applied will be dependent on the nature and timing of project expenditure and may differ from the proposed sums for the reasons outlined above. The CJC will be provided with regular project performance reports, supplemented by quarterly budget monitoring statements, where matters such as progress against delivery plans and budgets can be assessed and the proposed funding arrangements can be reviewed as appropriate.

Funding Beyond 2026/27 & Financial Resilience

44. Whilst utilising treasury management interest for 2026/27 is a sustainable position, as outlined in paragraph 26, this is an option of last resort and serious consideration must be given over the coming months to how the statutory responsibilities of the CJC can be funded sustainably.

45. A Medium-Term Financial Plan will be developed and brought to a future CJC meeting. This is likely to show a funding gap over the medium-term if the CJC is adequately to meet all of its statutory duties.

46. This longer-term consideration will need to be informed by discussions with Government regarding longer-term core funding and will need to be guided by independent advice on the size and scale of capacity required to run a public body of this nature.

47. As part of this, it is important that due consideration is given to the strength of the CJC's Balance Sheet and the level of Usable Reserves it has at its disposal to meet unexpected costs. The vast majority of reserves built up in recent years have been utilised to fund revenue budget shortfalls and specific one-off events. Only nominal levels of non-ringfenced balances are projected to be held at the end of 2026/27.

Pre CJC Scrutiny

48. Ahead of this report being brought to the CJC for approval, a draft revenue budget was considered by the Governance & Audit Sub-Committee at its meeting of 16 December 2025.

49. The sub-committee expressed concern about the ongoing lack of core funding for the CJC's Statutory Obligations and recognised that, in the circumstances, the utilisation of in-year Treasury Management income was appropriate.

Comments of the Strategic Director of Resources and Section 151 Officer

50. This report sets out the revenue budget requirement, along with the associated funding contributions. This includes a recommendation to utilise £1,487k in year Treasury Management income.

51. It should be noted that this should not be seen as a long-term sustainable option and serious consideration should be given over the coming months to how the statutory responsibilities of the CJC can be funded sustainably.

52. Without due consideration there is a risk that delivery of statutory duties and wider contractual obligations of CCR would become unsustainable in the medium to long-term.

Comments of the Strategic Director of Legal and Governance and Monitoring Officer

53. The report appropriately flags that reliance on in-year treasury management income to underwrite a funding shortfall should be treated as a short-term mitigation and not a sustainable approach to funding statutory duties. This will likely be kept under active review through regular budget monitoring and the corporate risk register

Equality, Diversity, and Inclusion

54. The Equality Act 2010 (Public Authorities subject to the Public Sector Equality Duty) (Wales) Order 2021 amended Part 2 of Schedule 19 to the Equality Act 2010 to provide that Corporate Joint Committees are subject to the Public Sector Equality duty set out in Section 149 of the Equality Act 2010.

55. The Equality Act 2010 (Authorities subject to a duty regarding Socio-economic Inequalities) (No. 2) (Wales) Regulations 2021 amended section 1 of the Equality Act 2010 in order to add Corporate Joint Committees to the list of relevant authorities subject to the Socio-Economic Duty.

56. The Committee must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under the Act; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not.

57. The characteristics protected under the Act are:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion or belief;
- sex; and
- sexual orientation.

58. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

59. The socio-economic duty requires public bodies to, when making decisions of a strategic nature about how to exercise its functions, have due regard to the

desirability of exercising them in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage.

60. Officers are of the view that the decisions recommended in this report will have a positive equalities impact by reducing the inequalities of socio-economic disadvantage.

Well-being of Future Generations

61. The Corporate Joint Committees (Amendment of the Well-being of Future Generations (Wales) Act 2015) Regulations 2021 bring CJCs within the scope of Parts 2 and 3 of the Well-being of Future Generations (Wales) Act 2015.

62. The Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies to carry out sustainable development, meaning the process of improving the social, economic, environmental and cultural well-being of Wales by taking action aimed at achieving the well-being goals of:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales

and by acting in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

63. In order to act in accordance with the sustainable development principle, when exercising its functions, the Committee must take account of the following things:

- the importance of balancing short term needs with the need to safeguard the ability to meet long term needs;
- the need to take an integrated approach to achieving the well-being goals;
- the importance of involving others with an interest in achieving the well-being goals and of ensuring those persons reflect the diversity of the population of the region;
- how acting in collaboration with others could assist to meet the region's well-being objectives;
- how deploying resources to prevent problems occurring or getting worse may contribute to meeting the region's well-being objectives.

64. In developing the Recommendations of this report, regard has been had to the well-being duty arising under the Well-Being of Future Generations (Wales) Act 2015 ('the Act').

Welsh Language Implications

65. The Welsh Language Standards (No.1) Regulations 2015 (Amendment) Regulations 2021 bring Corporate Joint Committees within the scope of the standards specified by the No.1 Regulations.

66. In accordance with the Welsh Language Standards (No.1) Regulations 2015, consideration has been given to the impact the recommendations made in this report may have on opportunities for people to use and promote the Welsh Language, whether the proposals treat the Welsh Language more or less favourably than the English Language, and opportunities for increasing the positive effects, or decreasing the negative effects, of the proposals on the Welsh Language.

67. This report will have a positive impact on Welsh language considerations as it increases our internal capacity for compliance with Welsh Language Standards.

Climate Change Considerations

68. The proposals in this report will have a positive impact in this regard, as it will consolidate our staffing structure and resource it appropriately to deliver against our strategic objectives, of which net zero and the climate emergency play a prominent role.

Links to CCR Priorities

69. The revenue budget and WIF budget will ensure that the CCR Annual Business Plan can be resourced effectively, enabling the CJC to be best placed to deliver against its strategic objectives and statutory responsibilities:

- COMPETITIVE - Enable businesses within our priority sectors and public services to achieve higher levels of productivity through innovation-led growth.
- CONNECTED - Invest in cutting-edge digital and physical infrastructure and grow the green economy through investing in and promoting companies, technologies and community initiatives that are embracing the de-carbonisation agenda.

- RESILIENT - Maximise ‘good growth’ by ensuring prosperity is shared and spread across the Region and take direct steps to reduce the economic and social disparities between our places.

Staffing/Workforce Implications

70. The staffing element of this budget was approved at the November Committee and allows for the implementation of a staffing structure that brings stability to the organisation. As part of this process, any employees with acquired employment rights would be recognised as permanent employees, where appropriate.

Appendices

None

Background Papers

None

Liam Hull, Strategic Director of Resources

26 January 2026