South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

Report for:	NOTING
Contains Confidential or Exempt Information	NO

For Consideration By	SEWCJC
Report Title	2025/26 Final Outturn (Month 12) Revenue Budget
Report of	Strategic Director of Resources
Contact Details	james.howse@cardiffcapitalregion.gov.uk
Date to be Considered	July 2026
Implementation Date	Immediate
Affected Areas	All
Keywords / Index	Finance; Budget Monitoring

Report Summary

1. The report below sets out the South-East Wales Corporate Joint Committee (CJC) Revenue Budget position as at the 31 March 2026 (Month 12), which has recently been reported also to the Governance and Audit Sub Committee.

Recommendations

2. The SEWCJC is asked to:

   (1) Note the Revenue Budget position as at the 31 March 2026 (Month 12) as set out in the report;

   (2) Note that the final outturn revenue position is currently being finalised as part of the Statement of Accounts closedown and audit process.

Reasons for Recommendations and Options Considered

3. To provide details of the 2025/26 Final Outturn (Month 12) Revenue Budget Monitoring position.

Background

4. The 2025/26 Revenue Budget, totalling £6.699 million, was approved by the CJC in January 2025.

5. Since the approval of the 2025/26 Revenue Budget, the CJC has been successful in its application for Investment Zone funding (of some £160m over a 10 year period) and in March 2026, signed the grant offer letter. The program includes skills, business support, infrastructure, research and innovation and planning interventions focusing on the Semi connector and digital sectors within Cardiff and Newport areas. Since the Month 10 reporting position, revenue and expenditure items totalling some £4.326 million in relation to the Investment Programme have been identified and as a result incorporate into the 2025/26 Month 12 Revenue Budget position. The net position on the operational revenue budget being zero.

6. The draft CJC Statement of Accounts for 2025/26 (which includes the CJC's revenue position) have been provided to the CJC's external auditors in line with the agreed timeline and are currently subject to audit. The revenue outturn position for the 2025/26 financial year, as reported here, is therefore subject to the outcome of the 2025/26 Statement of Accounts audit. Further reports will be made to the sub-committee on this matter in due course.

7. It should also be noted that since the Month 10 reported revenue budget position, a small number of technical accounting adjustments have been made as part of the Statement of Accounts closedown process which have impacted and are reported below.

Key Considerations

8. Table 1 below sets out the Final Revenue Outturn (Month 12) position in respect of the approved 2025/26 Revenue Budget. This shows that actual expenditure incurred to the 31 March 2026 amounted to £11.109 million, representing a notional overspend of £4.409 million.

9. It should be noted however, that £4.326m of this notional overspend relates, as noted above, to the Investment Zone and is fully funded. Further details of the material variances (+/- £10k or 10% of the budget) are set out below.

Table 1: 2025/26 Gross Expenditure Budget Position – Month 12

	2025/26 Budget £	M12 Actuals £	M12 Commitments £	M12 Revised £	2025/26 Projection £	2025/26 Variance £
Chief Executive & Central Overheads						
Employees	224,211	99,803	123,668	223,471	223,471	(740)
Transport	270	400	0	400	400	130
Supplies and Services	44,165	72,776	2,211	74,987	74,987	30,822
External Audit Fee	97,375	361,641	0	361,641	361,641	264,266
Contingency	35,000	27,289	0	27,289	27,289	(7,711)
Sub Total	**401,021**	**561,908**	**125,879**	**687,787**	**687,787**	**286,766**
Regional Growth, Innovation & Investment						
Employees	1,727,523	1,024,069	1,234	1,025,302	1,025,303	(702,221)
Transport	4,100	5,699	247	5,946	5,946	1,846
Supplies and Services	8,165	4,421,946	91,579	4,513,524	4,513,524	4,505,359
Sub Total	**1,739,788**	**5,451,713**	**93,060**	**5,544,772**	**5,544,772**	**3,804,984**
Policy Impact & Partnerships						
Employees	1,633,499	1,116,714	152,974	1,269,689	1,269,689	(363,810)
Transport	2,630	11,315	0	11,315	11,315	8,685
Supplies and Services	376,735	1,086,382	(242,770)	843,612	843,612	466,877
External SLA	25,625	0	0	0	0	(25,625)
Sub Total	**2,038,489**	**2,214,411**	**(89,796)**	**2,124,616**	**2,124,616**	**86,127**
Resources						
Employees	1,146,101	1,225,577	(102,584)	1,122,993	1,122,993	(23,108)
Premises	61,500	66,529	(5,142)	61,387	61,387	(113)
Transport	1,875	932	0	932	932	(943)
Supplies and Services	175,615	(1,386,326)	1,752,719	366,393	366,393	190,778
External SLA	183,142	183,580	0	183,580	183,580	438
Capital Financing	13,325	752,807	(736,270)	16,538	16,537	3,212
Contingency	0	0	0	0	0	0
Sub Total	**1,581,558**	**843,100**	**908,723**	**1,751,822**	**1,751,822**	**170,264**
Legal & Governnace						
Employees	706,572	798,485	(13,802)	784,683	784,683	78,111
Transport	1,875	156	0	156	156	(1,719)
Supplies and Services	129,705	(266,363)	369,278	102,914	102,914	(26,791)
External SLA	100,310	112,200	0	112,200	112,200	11,890
Sub Total	**938,462**	**644,478**	**355,476**	**999,953**	**999,953**	**61,491**
Total	**6,699,318**	**9,715,609**	**1,393,341**	**11,108,950**	**11,108,950**	**4,409,632**

Funded By:

	2025/26 Budget £	M12 Actuals £	M12 Commitments £	M12 Revised £	2025/26 Projection £	2025/26 Variance £
Local Authority Contributions	(1,278,963)	(1,278,963)	0	(1,278,963)	(1,278,963)	(0)
Corporate Vacancy Factor	(275,000)	0	0	0	0	275,000
BBNPA Contributions	(2,992)	(2,992)	0	(2,992)	(2,992)	0
Government Contributions	(137,000)	(6,103,521)	4,900,000	(1,203,521)	(1,203,521)	(1,066,521)
Accumulated Interest on Balances Contribution	(1,289,363)	(1,781,608)	500,624	(1,280,983)	(1,280,983)	8,380
Programme Contributions	(2,284,000)	0	(6,427,734)	(6,427,734)	(6,427,734)	(4,143,734)
Project Contributions	(1,431,800)	(203,841)	(710,716)	(914,557)	(914,557)	517,243
Total	**(6,699,118)**	**(9,370,925)**	**(1,737,826)**	**(11,108,750)**	**(11,108,750)**	**(4,409,632)**

2025/26 Employee Related Variances

10. The 2025/26 budget reflected the updated resource allocations in respect of the CJC organisational restructure. Whilst existing staff members transferred cross to their equivalent roles on the 1 April 2025, the external aspect of the restructure was planned throughout 2025/26.

11. The Senior Executive Team opted to take a staged approach to this recruitment with Heads of Department highlighted as a priority. This recruitment is still ongoing with the CJC still carrying approximately 15% vacancies across the organisation.

12. This has resulted in an underspend in overall terms on employee budgets of £1.011 million, which when adjusting for the budgeted for corporate vacancy factor of £0.275 million, is £0.736 million under budget. It should be noted also, that this net underspend position is impacted not only be vacancies (and interim costs) but also by posts being (subsequent to the setting of the budget) funded through programmes such as the Investment Zone, as further explained below in paragraph 20, which further deflate reported revenue costs.

13. Current levels of vacancies are though still identified as a risk on the Corporate risk register and steps continue to be taken to recruit permanent solutions in key areas. That said the nature of the business in some areas (where funding commitments are project based and therefore time limited) and challenges in recruiting in high demand areas (such as legal and finance) make interim solutions more likely at least in the short term.

14. Interim and agency staff related costs, which are included in the employee cost line in Table 1, are reducing (at £0.684million in 25/26 compared to £0.957 million in the prior year), but further steps are being taken to mitigate further. This includes the recent recruitment of a permanent Head of Finance, and plans to revisit the recruitment of a permanent Strategic Director of Resources.

15. In addition, given the level of variance across employee cost budget lines, and the developments made in 2025/26 (and planned in 2026/27) with regards staffing levels, steps will be taken in advance of setting the 2027/28 revenue budget to review and realign employee based budgets where appropriate.

Chief Executive & Central Overheads (£287k overspend)

16. This Directorate covers the Office of the Chief Executive, the CJC's corporate contingency budget and central corporate costs.

17. At Month 12, the material variances are limited to the Supplies and Services budget heading and relate to:

- an overspend of £27k on the revised 2025/26 CJC's insurance premiums. The increased costs reflect the significant change to the CJC's headcount from the previous year;

- External Audit Fees: Audit Wales' estimated fees for both the Performance Audit (£22k) and the Financial Audit (£49k) have increased from the amounts included within budget.

- In addition, it has been identified as part of the Statement of Accounts closedown process that previous accounting treatment in the area of audit fees (which was to account for these fees on a cash rather than an accruals basis) was, in the opinion of the Section 151 Officer, sub optimal. Consequently, correcting for this (by accounting for fees owed but not paid at year end) has a one-off impact on the CJC revenue position. This has resulted in an overspend of £264k in 2025/26.

Regional Growth, Innovation & Investment (£3,805k overspend)

18. The focus of the Regional Growth, Innovation & Investment Directorate, includes Business Development, Inward Investment, Regional Talent & Skills, Infrastructure Development and Investment, including Investment Zone programme.

19. Since the budget was set and since Month 10, as noted above, the Investment Zone grant agreement was signed. As a result, expenditure of £4,326k (which is fully matched by grant funding) has been incurred and accounted for in the revenue budget outturn position here. In addition, £159k of Local Innovation Partnership Fund related expenditure (fully match funded) has also been incurred. Corresponding variance can also therefore be seen within the funding section of the revenue budget as noted below.

20. A knock-on impact on the above is that some £309k of employee costs are funded from these programmes and therefore netted off the employee cost lines here (within Regional Growth, Innovation and Investment specifically). In total, across all directorate employee cost budget lines, this (originally unbudgeted for) programme income accounts for £644k of reduced employee costs within this revenue budget outturn position.

Policy, Impact & Partnerships (£86k overspend)

21. The services provided by this directorate include Policy & Impact, the CJC statutory duties in respect of the Strategic Development Plan and the Regional Transport Plan, Innovation led investment, as well as the CJC's Communications & External affairs function.

22. The material variances at Month 12 relate to the Supplies and Services budget head which is overspend by £467k consisting of the following variances:

- A (notional) overspend of £206k on Events. It should be noted however that all but £73k of this is offset by additional sponsorship (included within the Project Contributions line). Further work being undertaken to maximise sponsorship income and also reviewing and realigning event commitments.

- An overspend of £92k on budgeted Marketing and Communications due to increased activity and participation in Events, and a requirement for

additional Public Relations support. It should be noted that a significant element of this relates to one off (and non-recurring events), however further work is being undertaken to forward plan and prioritise activity in this area.

- An overspend to the original budget for Fleet Decarbonisation of £151k which is fully funded by the Welsh Government in Government Contributions.

Resources (overspend of £170k)

23. The Resources Directorate provides key support services to the CJC's front-line delivery areas and includes finance & accounting services, support in respect of the people & culture function, as well as the CJC's programme delivery and performance reporting support function.

24. The main variances, as reported previously, relate to the costs associated with the Independent Review into the procurement challenge for Aberthaw. No further costs in this regard are anticipated.

Legal & Governance (overspend of £61k)

25. The remainder of the CJC's corporate support functions are structured within the Legal & Governance Directorate. These include legal services, democratic services (including cabinet and member support) and the CJC's corporate translation services support, to ensure the CJC remains compliant with the Welsh Language Act.

26. There is an overspend of £78k on employee costs due to a number of agency employees in this directorate that come with an increased premium. £172k has been offset by the support provided to capital projects, the costs of which can legitimately be capitalised. Previous attempts to recruit to these roles has proved challenging. Further permanent recruitment campaigns are planned in the near future.

27. The variance on Supplies & Services budget heads amount to an underspend of £27k and largely relates to an underspend of £34k on translation services.

2025/26 Funding Sources Variances

28. The budgeted for vacancy factor of £275k, given the underspends noted above, was not needed and therefore appears as a variance here.

29. Government contributions were £1.667 million ahead of budget due to addition one-off funds being received from Welsh Government for Capacity Building, the Local Area Energy Plan and the Regional Transport Plan.

30. Programme contributions are £4.144m ahead of budget. The main element of which related to the Investment Zone as set out above.

31. This and other income variances, ultimately result in a drawdown of accumulated interest on balances of £1,281k, which is £8k less than the budgeted figure of £1,289k.

Comments of the s.151 Officer

32. In overall terms, although on the face of it the revenue spend budget was significantly overspent in 2025/26, as set out above this is in fact due to successfully securing additional funding, largely in relation to the Investment Zone Programme which was not known at the time of setting the 2025/26 budget.

33. Critically, as shown above, the net impact of all revenue spend and income has seen a reduction in the CJC Accumulated Interest Balance Reserve (equivalent to our general fund) of some £1.281m against a budgeted for reduction of £1.289 million. In overall terms therefore the CJC has operated within the revenue budget for the 2025/26 financial year.

34. This marginal (at £8k) underspend would have been more in line with the Month 10 reported underspend, however I took the view, upon reviewing our accounting treatment for audit fees, that costs previously accounted for in future years needed to be included in the 2025/26 financial year, therefore causing a one off increase in cost this year.

Comments of the Monitoring Officer

35. Section 151 of the Local Government Act 1972 requires the Corporate Joint Committee to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs. The CJC's Section 151 Officer is the Strategic Director of Resources.

36. Regulation 17 of the South East Wales Corporate Joint Committee Regulations 2021 requires the CJC to establish and maintain a general fund and keep an account of receipts paid into and payments made out of that fund.

37. This regular report allows the CJC to prudently monitor its overall budgetary position in year and ensure compliance with those financial requirements.

Staffing Implications

38. Staffing implications arising from this report are set out above.

Equality, Human Rights and Community Cohesion

39. No adverse equalities implications have been identified.

Well-being of Future Generations

40. Regard has been had to the well-being duty arising under the Well-Being of Future Generations (Wales) Act 2015. No matters identified.

Welsh Language Implications

41. None.

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Meeting Date: 26 June 2026

Background Papers:

1. 2025/26 Annual Budget Report (Item 04: 27 January 2025)

Appendices: None