

Report of: Head of Finance & Fundraising

Subject: Authorise and approve the Budget for 2026-27, Prudential Indicators, Investment Strategy and Treasury Management Policies.

Decision Required: Yes

Recommendation:

The Members are asked to:

- a. Approve the budget for 2026-27 as presented.
- b. Note the financial forecasts for 2027-28 to 2029-30.
- c. Approve the Prudential indicators for 2026–27 to 2028–29 as set out in this report.
- d. Approve the Financial Reserves policy and the Investment Strategy & Treasury Management Statements for 2026-27.

1. Key Messages

- 1.1.1 Note the budgeted deficit of £544k for 2026-27 as presented in the report.
- 1.1.2 Note that the Prudential Indicators demonstrate that the Authority's capital plans for 2026–27 are affordable, prudent, and sustainable.
- 1.1.3 The S151 Officer advises that general reserves should be maintained at no less than £1,400k. This minimum level has been determined following consideration of the full range of strategic, operational, and financial risks facing the Authority.

2. Background

2.1 The Revenue and Capital Budget for 2026–27 is a core element of the Authority's strategic planning and performance framework. Financial decisions for the forthcoming year are considered within a medium-term context to ensure the Authority can continue to deliver its statutory purposes and strategic priorities in a sustainable manner. The budget process provides a forward assessment of the cost of maintaining existing service levels, the resources expected to be available, and any funding gaps that will require management action.

2.2 The Prudential Code indicators are statutory financial measures that all local authorities, including National Park Authorities in Wales, must calculate and report

annually. These indicators demonstrate that capital spending and borrowing plans are affordable, prudent, and sustainable. They form part of the CIPFA Prudential Code, which governs the management of capital investment and debt across the public sector.

2.3 Section 25 of the Local Government Act 2003 requires local authorities to consider the adequacy of reserves when determining their annual budget requirement. The appropriate level of general reserves is a matter of professional judgement and is examined in detail later in this report.

2.4 Section 12 of the Local Government Act 2003 provides the Authority with the power to invest for any purpose relevant to its functions or for the prudent management of its financial affairs. In exercising this power, authorities must invest surplus funds prudently, prioritising security and liquidity ahead of yield. The Authority's investment strategy and treasury management statement set out how these principles will be applied and are discussed in more detail within this report.

3. Consultation

All budget holders have contributed to the budget-setting process, supported by consultation with Members through the budget workshop.

4. Strategic Policy Context

The information and recommendations contained in this report are consistent with the Authority's statutory purposes and its approved strategic policy context.

5. Financial considerations

The financial considerations and implications are discussed in wider detail in the report.

6. Risk & Compliance Considerations

The key risks are discussed in wider detail in the report.

7. Impact on our Public Sector Duties

7.1 Integrated Assessment Completed: No

7.2 Equality, Socio-Economic, Health and Human Rights Impacts

7.2.1 Authorisation of the budget & policies is a technical process and will support the Authority to fulfil its Public Sector Equality Duty.

7.3 Welsh Language Impacts

7.3.1 Authorisation of the Budget and policies is a technical process and has no impacts on the number of Welsh speakers or compliance with Welsh Language standards but enables the Authority to fulfil its duties under the Welsh Language Measure.

7.4 Section 6 Biodiversity Duty and Carbon Emission Impacts

7.4.1 Authorisation of the Budget and policies is a technical process that will support the Authority to fulfil its Section 6 Biodiversity Duty and elements of wider activities that support decarbonisation. The technical process has no impacts on Carbon Emissions.

7.5 Well-being Goals for Wales and 5 Ways of Working (Sustainable Development Principles) Impacts

7.5.1 Authorisation of the Budget and policies is a technical process that supports the Authority to conduct its strategic priorities in support of the Well-being Goals for Wales and the Sustainable Development Principles.

8. Conclusion

8.1 That Members.

- a. Approve the budget for 2026-27 as presented.
- b. Note the financial forecasts for 2027-28 to 2029-30.
- c. Approve the Prudential indicators for 2026–27 to 2028–29 as set out in this report.
- d. Approve the Financial Reserves policy and the Investment Strategy & Treasury Management Statements for 2026-27.

9. List Background Documentation:

Welsh Government, final budget 2026-27

The Local Government Act 2003

The Local Authorities (Capital Finance & Accounting) (Wales) Regulations 2018

Statutory Guidance on Local Government Investments

CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

World Economic Forum Global Risks Report 2026

Zurich Municipal Global Risks Report & Impact on Public Sector

Joint Report of the Chief Executive and Head of Finance and Fundraising

**The Revenue and Capital Budgets for 2026-27 and Forecasts
2027-28 to 2029-30**

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Introduction

The Draft Revenue & Capital Budget for 2026–27 forms a central component of the Authority’s strategic planning and performance framework. Financial decisions for the coming year must be considered within a medium-term context, ensuring that the Authority can continue to deliver its statutory purposes and strategic priorities sustainably. The budget process provides a forward view of the cost of maintaining existing service levels, the resources likely to be available, and any funding gaps that will require management action. Regular review and updating ensures the budget reflect changes in the National Park Grant, wider funding streams, Welsh Government priorities, and the Authority’s own strategic and operational objectives.

Objectives of the Draft Revenue and Capital Budgets 2026–27

The Draft Revenue and Capital Budgets have been developed to:

- Identify and prioritise organisational objectives so that resources are aligned with the Authority’s strategic direction.
- Provide clear projections of income and expenditure, enabling Members to understand the financial implications of maintaining current service levels.
- Set out planned capital investment, including the timing and funding of capital projects.
- Establish a robust framework for decision-making, ensuring that financial choices are transparent, evidence-based, and sustainable.
- Apply sensitivity testing and risk analysis to key assumptions, enabling the Authority to understand potential financial pressures and plan appropriate mitigation.

Strategy

The development of the Authority’s Draft Revenue and Capital Budgets for 2026–27 has taken place against a backdrop of sustained financial pressure across the public sector. The National Park Grant (NPG) from the Welsh Government and the levy from Pembrokeshire County Council has remained constrained and reflects wider government funding challenges. Previous approved budgets have already highlighted that the Authority’s medium-term financial outlook will remain difficult, reflecting the cumulative impact of historic real-terms reductions in core funding alongside significant increases in operating costs.

Meeting these pressures requires a disciplined and proactive approach to financial management. The Authority must continue to identify efficiencies, maximise opportunities to secure non-core funding, and reprioritise expenditure within services to ensure resources are aligned with strategic objectives. In response, the Authority has adopted a financial strategy built around the following principles:

- Maintaining a balanced budget position by ensuring that planned expenditure does not exceed available resources.
- Strong financial management, including regular monitoring of the Authority’s financial position and timely corrective action where emerging pressures are identified.
- Asset maintenance, ensuring the capital programme supports the upkeep of key operational and income-generating assets to protect long-term value.

- Maximising the resource base by making best use of physical assets, digital tools, and staff capacity.
- Value for money, through continuous review of budgets to ensure resources are targeted at priority outcomes and deliver demonstrable benefit.
- Maximising income streams while managing financial risk, including exploring new funding opportunities and strengthening existing revenue-generating activities.

Emerging and Key Risks Impacting the 2026 Annual Planning Cycle

1. Overview

The 2026-27 annual planning cycle is taking place against a backdrop of heightened global uncertainty. The risk environment is increasingly characterised by interconnected macroeconomic, geopolitical, technological, regulatory and environmental pressures. These risks create a complex and fast-moving financial exposure. Recent analysis highlights that these risks can cascade across supply chains, affect financial performance and operations, and that historical data alone is no longer sufficient for forecasting. For Members, this means that annual plans need to be flexible, risk-adjusted, and supported by forward-looking modelling to ensure resilience under multiple plausible scenarios.

2. Macroeconomic and Geopolitical Risk Landscape

Global and national volatility continues to influence cost structures, supply chains, and revenue predictability. National (UK and Wales) political change, geopolitical tensions, sanctions, and trade disruptions remain material drivers of financial instability. These developments are often outside management's control but have direct consequences for operational and financial performance.

Key exposures

Supply chain fragility and cost volatility driven by geopolitical conflict.

- Uncertain demand conditions in key markets.
- Inflationary pressures affecting procurement and operating costs.
- Regulatory change and focus of a potential new government in Wales.

3. Technology, AI, and Cybersecurity Risks

Technology-driven risks continue to accelerate. There is increasing need to navigate cyber threats, AI-driven disruption, and transition to more digital operating models.

Key exposures

- Rising cyberattack frequency and sophistication.
- Legacy systems increasing operational vulnerability.
- Rapid AI adoption requiring new skills, governance, and investment.

4. Regulatory and Compliance Risks

Regulatory expectations continue to evolve & increase, particularly in areas such as Environmental, Social & Governance reporting, data protection, and AI governance. These changes can require operational and financial adjustments.

Key exposures

- Increased compliance & administrative costs from new and increased reporting requirements.
- Uncertainty around future regulatory changes.
- Heightened scrutiny of data governance and operational resilience.
- Creating barriers for change, innovation and agility.

5. Climate and Environmental Risks

Climate-related risks are now recognised as material financial risks. They arise both from physical impacts (e.g., extreme weather) and transition impacts (e.g., regulatory shifts, carbon pricing).

Key exposures

- Operational disruption from climate-related events.
- Increased insurance and mitigation costs.
- Risks affecting supply chains and long-term asset values.
- Increased costs of climate change resilience

6. Internal Planning and Operational Risks

Internal processes can amplify external risks when planning relies heavily on historical data or lacks cross-functional/organisational working. Forward-looking methods are now essential to capture the interconnectedness of risks and their drivers.

Key exposures

- Forecasting models not suited to volatile environments.
- Siloed planning reducing organisational agility.
- Inconsistent risk culture limiting timely decision-making.

7. Core Financial Risks: Cost, Revenue, and Liquidity

Traditional financial risks remain central but are intensified by the broader risk environment.

Key exposures

- Cost inflation and supply chain-driven overruns.
- Revenue volatility due to market uncertainty.
- Liquidity pressures during economic downturns.
- Future availability of Central and Welsh Government funding.

8. Conclusion

A conservative risk posture has been adopted for the 2026-27 cycle. Although recent international events have already created uncertainty. This means that future investment and budgetary decisions will need to be reconsidered on an ongoing basis.

The Members will need to:

- Support multi-scenario planning (baseline, downside, severe) and robust liquidity stress testing.
- Ensure adequate contingency reserves for cost shocks and ensure contingency buffers in place.

- Monitor geopolitical developments and impact as part of risk reviews.
- Prioritise cybersecurity investment and resilience testing.
- Support capital allocation for digital transformation and workforce reskilling.
- Maintain flexible budget allocations for regulatory change.
- Strengthen compliance and cross-functional coordination without compromising on innovation and reducing organisational agility.
- Ensure regulatory risk is embedded into strategic planning.
- Integrate climate scenarios into long-term planning.
- Oversee investment in resilience and adaptation measures.
- Ensure climate-related disclosures and reporting remain compliant and credible.
- Require clear contingency plans for revenue shortfalls.
- Ensure alignment between risk appetite and investment decisions.
- Monitor emerging risks, including those arising from macro trends and geopolitical developments.

Draft Revenue and Capital Budgets 2026–27

Key Planning Assumptions and Budget Parameters

The Draft Revenue and Capital Budgets for 2026–27 have been prepared in line with the approved budget strategy and reflect the discussions held with Members during the budget workshops. In establishing the net cost of continuing existing services, the following assumptions and factors have been applied.

1. Budget Preparation and Scrutiny

- All Heads of Service and budget holders received draft budgets based on eight months of actual expenditure to November 2025 and four months of projected expenditure to March 2026, as adjusted for inflation.
- Budget holders were invited to review, challenge, and amend their budgets prior to approval to support greater accuracy and transparency.

2. National Park Grant and Levy

- The National Park Grant includes a confirmed 4% increase (£138k) for 2026–27, with assumed annual inflationary uplifts of 3% in subsequent years.
- This results in an equivalent increase in the levy for 2026–27 of £54k.

3. Pay and Staffing Costs

- A 3% pay award has been assumed for 2026–27, equating to an additional cost of £155k. This may prove insufficient given current inflationary pressures and wider global uncertainties.
- Salary budgets reflect current staffing levels, approved new posts for 2026–27, and known spinal point increments. Spinal point progression adds approximately £118k.
- Members' allowances have been increased by 6.4% in line with the Commission's recommendation.

4. National Insurance and Other On-Costs

- NIC thresholds and rates reflect the increased 15% rate introduced in 2025–26.

- No additional compensation income is assumed, noting that the one-off payment received in 2025–26 is unlikely to recur.

5. Inflation and Cost Pressures

- General inflation of 3% has been applied across all non-pay budgets, with specific adjustments where required.
- Notable increases include:
 - Legal and LDP costs
 - Insurance premiums, which have risen by a minimum of 9% due to a deteriorating loss ratio (motor insurance and employers' liability +18%)
 - Rates

6. Income Assumptions

- Admission and merchandise income has been uplifted to reflect planned price increases.
- Car park income has been increased by £302k to reflect revised charges for 2026–27 and expected increased income.
- Planning fee income is expected to rise by 52% compared with 2024–25 (an additional £132k), following Welsh Government fee changes introduced in December 2025.

7. Project Funding and Grant Dependencies

- All project-funded activities are assumed to be fully financed through external grants or earmarked reserves.
- Some projects currently have funding gaps and remain at risk of closure if funding is not secured. These include:
 - Pembrokeshire Outdoor Schools (PODS): £35k deficit
 - First 1000 Days: £27k deficit
- Confirmed Trust funding included in the budget:
 - Gwreiddiau/Roots (Jan 2026–Jan 2027): £20,000
 - Next Generation (Jan 2026–Dec 2027): £14,071
- Additional funding applications are pending but not included:
 - PODS: £30,416
 - First 1000 Days: £24,395
 - Gwreiddiau/Roots: £5,000

8. Service Reductions and Activity Closures

The following activities have been removed as part of required budget reductions:

- No Activities & Events budget
- Removal of the Head of Regenerative Tourism budget
- No e-bike budget
- No budget for the Seasonal Tourism Team

9. Partnership Contributions and Corporate Commitments

- The Authority's contribution to PCC for public toilet maintenance (£121k) continues for 2026–27 and 2027–28.
- Corporate sponsorship commitments (e.g., Visit Pembrokeshire, Ironman) continue.

10. Insurance and Pension Assumptions

- Insurance provision has been increased by 18% due to higher employer liability ratings and motor insurance costs linked to claims history.
- No movement is assumed in pension, revaluation, or accrued holiday reserves.

11. Use of Reserves

- The budget includes the use of earmarked reserves to support revenue expenditure and address the remaining deficit.
- £62k of earmarked reserves is allocated to specific project costs for 2026–27.
- The overall budget is constructed on the basis that earmarked reserves will be used to ensure the general reserve remains at the recommended minimum level of £1.4m.

2025-2026 Revenue Budget Update and Forecast Outturn

The Revenue Budget for 2025–26 was approved by the Authority in March 2025 and is set out in Appendix 1. As highlighted during the January 2026 budget workshop, the Authority’s financial position throughout the current year has continued to be affected by uncertainty. Despite this, the overall outlook for 2025–26 has improved materially.

Additional Welsh Government Funding

The Authority has received confirmation of additional Welsh Government revenue funding of £610k for 2025–26. Combined with higher-than-anticipated bank interest income, better trading activity together with cost reductions, this additional funding is expected to ensure that the Authority achieves a balanced revenue position for the year, excluding movements in pensions and other reserves.

2025-26 Budget Forecast @ 31-01-2026	£000's	£000's
Original net Budget (Deficit)		-566
Movements:		
Net underspends	-22	
Additional WG revenue settlement	610	
		588
Forecast deficit based on 10 month actual and 2 month budget		22
Revised revenue forecast Net (Deficit)/Surplus		22

Forecast Outturn Position

The latest forecast indicates a surplus of £22k after accounting for capital grants and capital expenditure as noted in the table above. This represents a substantial improvement compared with the previously projected deficit of £471k. (December 2025 budget report).

As a result of this improved position:

- The General Reserve is expected to increase from £1.623m to £1.645m by 31 March 2026.
- Following an additional £697k capital settlement from Welsh Government in March 2026, the Capital Receipts Fund will be carried forward to support future capital investment.
- A further £41k will remain within the Unapplied Capital Grants Fund, also to be carried forward.

Reserves Position

Earmarked Reserves are forecast to reduce to £5.396m by year-end, reflecting planned use to support approved projects and commitments. This will result in total usable reserves of £7.339m at 31 March 2026, representing a reduction of £1.076m (12.7%) compared with the previous year (see page 17).

National Park Grant (N.P.G) & Levy

The Welsh Government published its Draft Budget 2026-2027 in November 2025, with a proposed increase in the National Park Grant of 4%. The Welsh Government agreed the final budget for 2026-2027 in January 2026. Despite this increase of 4% (24-25: 5%), it is worth noting the total reduction between 2010-11 and 2026-27 in cash terms has been £150k effectively year on year. When the consumer prices index is applied the overall reduction in real terms since 2010-11 equates to 44.81% or circa £2.3m.

	£000's			
	2010-11 £'000	2026-27 £'000	Total £'000	% Increase
NPG	3,463	3,549	86	
Levy	1,154	1,183	29	
Total Cash Funding Reduction	4,617	4,732	115	2.49%
Consumer Prices Index				
	2010/11	Jan 2026		
	92.2	139.5		-47.3%
Total Reduction				-44.81%

In today's terms, £4,617k would equate to £6,897k.

Savings, Efficiencies and Additional Authority Generated Income

Managing Reductions in Core Funding

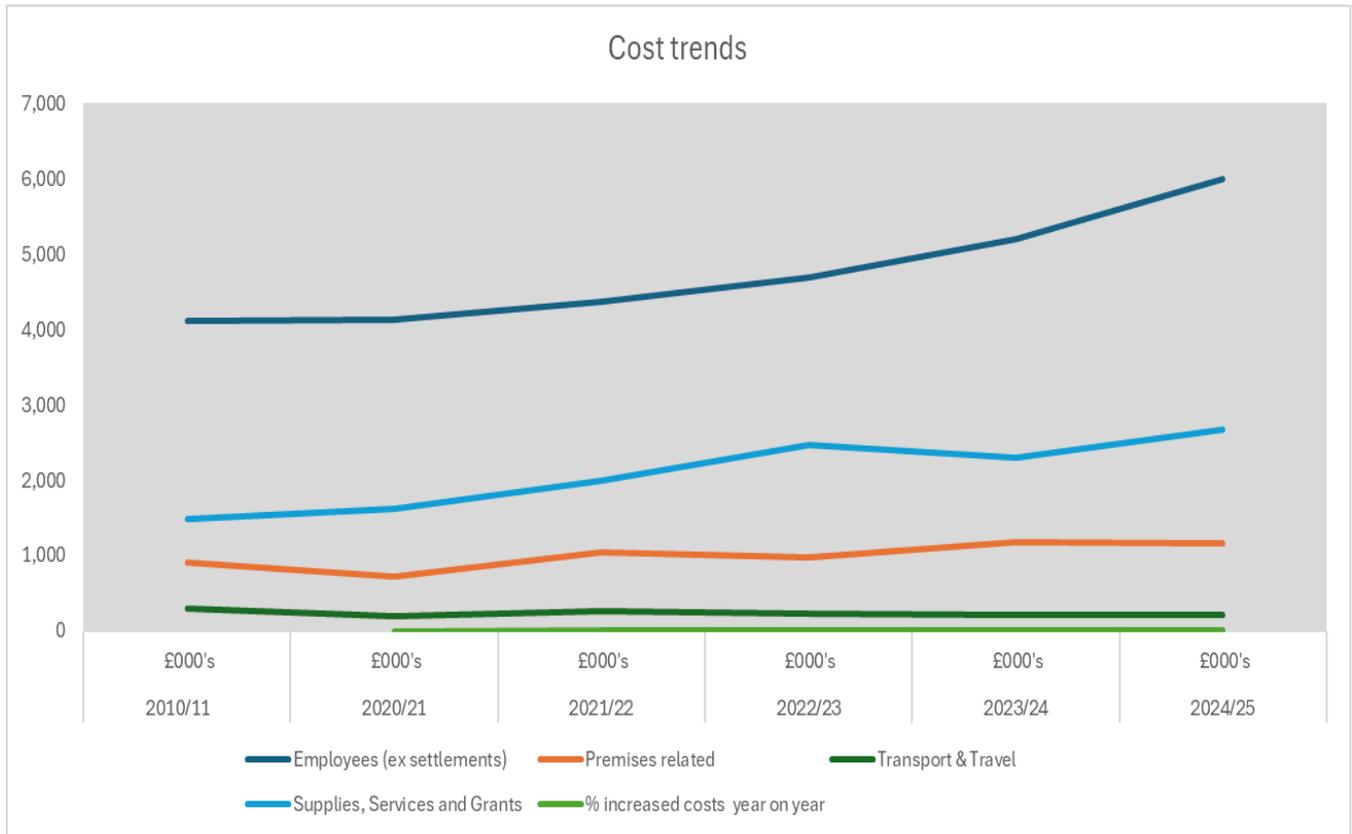
The Authority has mitigated the impact of reductions in core funding through a combination of cost control measures and targeted income generation. Additional income has been secured from the Information and Heritage Centres, car parks, increased bank interest, and a range of project-specific grants from external organisations. The supplementary Welsh Government settlement of £610k for 2025–26, has been critical in ensuring that the Authority avoids a deficit position for the year.

Cost Structure and Financial Pressures

The Authority's high-level cost structure, drawn from the audited accounts, highlights several key trends:

- Employee costs consistently account for almost 60% of total expenditure. This proportion increased in 2024–25 following the implementation of the pay and grading review.
- Inflationary pressures—driven initially by the post-pandemic environment and subsequently by the Russia–Ukraine conflict—have contributed to rising operating costs across the organisation.
- Cost containment measures have been applied in several areas, resulting in real-terms reductions to budgets. Property maintenance is a notable example, where reduced investment has contributed to a gradual decline in the condition of Authority assets.
- While inflation has eased over the past year, this reflects a slower rate of price increases rather than a reduction in underlying costs. The wider global and UK economic environment remains volatile, and future cost pressures cannot be discounted.
- Transport and travel costs have decreased over the period, due to the introduction of pool cars and a sustained organisational focus on reducing travel expenditure.

	2010/11		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		Mov ent	Move ment
	£000's	%	£000's	%	£000's	%										
Employees (ex settlements)	4,114	60%	3,968	62%	4,140	62%	4,379	57%	4,695	56%	5,204	59%	6,007	60%	1,893	46%
Premises related	907	13%	729	11%	717	11%	1,043	14%	975	12%	1,170	13%	1,162	12%	255	28%
Transport & Travel	299	4%	198	3%	196	3%	264	3%	220	3%	205	2%	209	2%	-90	-30%
Supplies, Services and Grants	1,489	22%	1,526	24%	1,625	24%	1,988	26%	2,464	29%	2,305	26%	2,679	27%	1,190	37%
TOTAL REVENUE COST	6,809	100%	6,422	100%	6,678	100%	7,674	100%	8,354	100%	8,884	100%	10,057	100%	3,248	100%
% increased costs year on year			3%		4%		15%		9%		6%		13%			



Yearly Average Staffing Levels														
2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024-25
141	135	134	133	125	123	120	124	123	129	126	133	136	145	139

Income Generation and the Impact of Real-Terms Reductions in Core Funding

The sustained real-terms reduction in core funding up to 2022–23, combined with rising operating costs, has required the Authority to significantly increase the level of income it generates to maintain core service delivery. Over the period from 2010–11 to 2024–25, Authority-generated income has increased by £1.659m, reflecting both the scale of the financial challenge and the organisation’s proactive response.

Trends in Income Sources

Most income streams have grown over this period, supported by deliberate pricing strategies designed to keep pace with inflation and maintain financial resilience. Key contributors to this growth include:

- Increased income from trading activities through inflation-aligned pricing.
- Improved returns from investments
- Higher rental income from Authority properties

However, not all income sources have followed this upward trend. Advertising income and timber sales have both declined, reflecting market changes and reduced demand.

Outlook for 2026–27

Further growth in Authority-generated income is anticipated in the 2026–27 budget. This is expected to arise from:

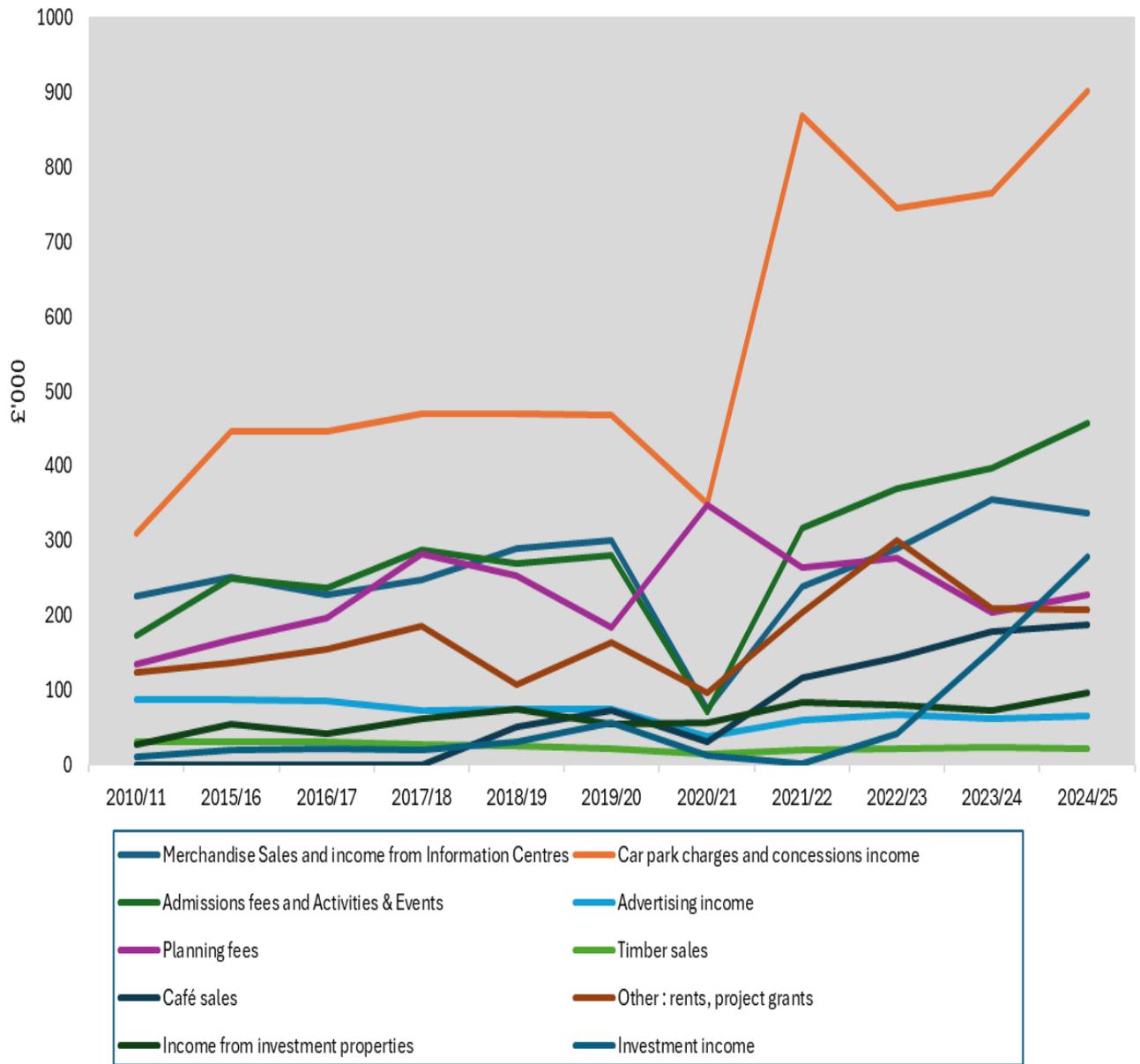
- Additional price increases across trading activities
- A significant uplift in planning fee income
- Significant uplift in car parking income

These increases will be essential in offsetting ongoing cost pressures and supporting the Authority's financial sustainability.

AUTHORITY GENERATED INCOME	2010/11	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Movement (14 years)	Movement (14 years)
Merchandise Sales and income from Information Centres	225	260	252	227	248	289	300	75	239	289	356	337	112	50%
Car park charges and concessions income	309	404	446	447	470	470	468	350	869	745	765	901	592	192%
Admissions fees and Activities & Events	172	200	249	237	287	269	280	71	317	369	397	457	285	166%
Advertising income	88	88	88	85	72	75	74	38	60	67	61	66	-22	-25%
Planning fees	135	173	168	197	283	253	184	347	264	277	204	228	93	69%
Timber sales	30	79	31	31	28	25	22	15	20	21	24	21	-9	-30%
Café sales	0	0	0	0	0	51	72	31	117	144	179	187	187	367%
Other : rents, project grants	123	149	136	154	185	107	163	97	203	300	209	207	84	68%
Income from investment properties	28	51	55	42	62	74	54	57	83	80	73	97	69	246%
Investment income	11	10	19	21	19	31	57	13	2	41	155	279	268	2436%
TOTAL LOCAL INCOME	1,121	1,414	1,444	1,441	1,654	1,644	1,674	1,094	2,174	2,333	2,423	2,780	1,659	148%
Movement year on year		3%	2%	0%	15%	-1%	2%	-35%	99%	7%	11%	19%		

The graph below illustrates the above.

Authority Generated Income



Note: 20/21 was the pandemic year with 21/22 an exceptional year of trading following reopening and continued restriction of foreign travel.

Summarised Revenue Budget 2026-2027 and forecast for 2027-28 to 2029-30.

The summarised revenue budget for 2026–27 is presented below and reflects the detailed discussions held during the January 2026 budget workshop. The budget has been prepared on the basis that both income and expenditure—including the National Park Grant and levy—will increase by 3% per annum from 2027-28.

Draft Budget	Final Budget	Forecast Budget		
	2026-27	2027-28	2028-29	2029-30
	£000's	£000's	£000's	£000's
Baseline gross expenditure	11,032	11,032	11,363	11,704
Payrise/Inflation etc	0	331	341	351
Contribution to PCC	122	122	0	0
Local Generated & Grant Income	-5,816	-5,990	-6,170	-6,355
Gross Budget	5,338	5,494	5,534	5,700
NPG	-3,549	-3,655	-3,765	-3,878
Levy	-1,183	-1,218	-1,255	-1,255
Earmarked reserves	-62	0	0	0
Deficit	544	620	514	567
Forecast @ 25-26	1007	1174	1346	

Forecast Position

The 2026–27 budget shows an operating deficit of £544k, compared with a deficit of £566k in 2024–25. Similar deficits are projected over the following three years, reflecting ongoing financial pressures.

Use of Reserves

To achieve a balanced position, the budget assumes the use of specific earmarked reserves. This approach provides short-term stability but is not sustainable over the medium term without structural changes.

Forward Strategy

Over the next two years, the Authority will need to implement a programme of continued cost-reduction measures, efficiency improvements, and a strengthened income-generation strategy to reduce reliance on reserves and support long-term financial resilience.

Further Detail

A full breakdown of service-area budgets is provided in Appendix 2.

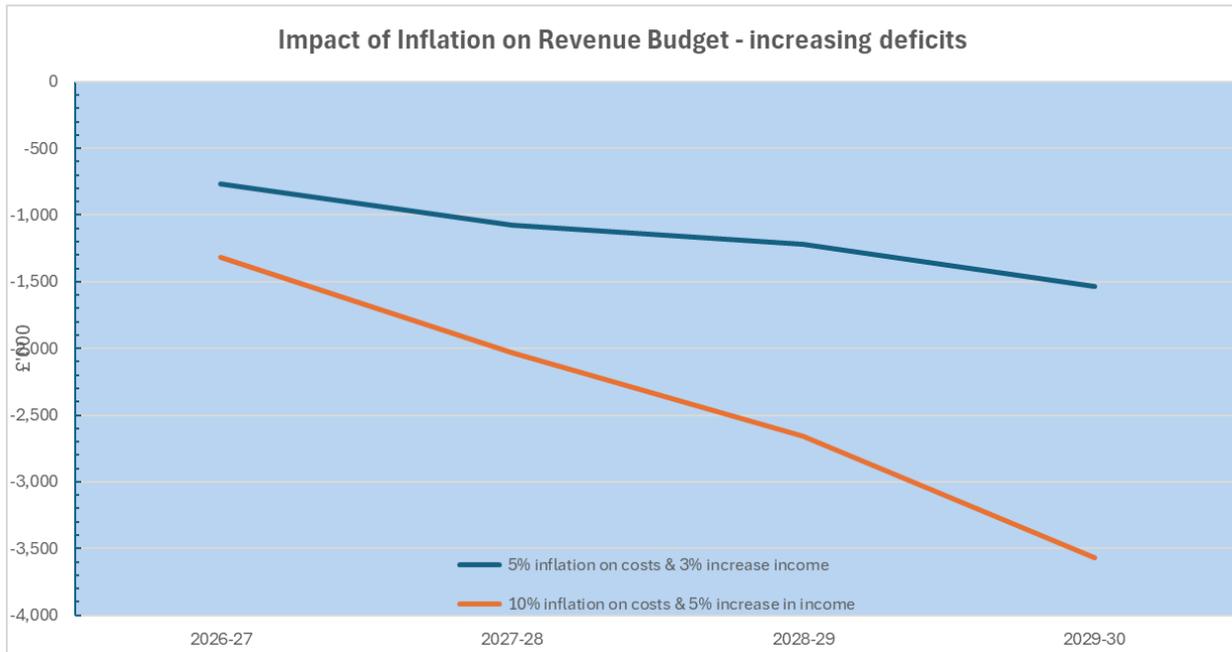
Sensitivity Analysis and Forecasts 2027-2028 to 2029-30

The forecasts above assume a 3% year on year inflation in both costs & income. However, given global uncertainties, the following scenarios have been calculated:

1. Inflation @ 5% for 26-27 onwards with income increasing by 3%:
2. Inflation @ 10% for 26-27 onwards with income increasing by 5%.

£'000	2026-27		2027-28		2028-29		2029-30	
	5%	10%	5%	10%	5%	10%	5%	10%
Inflation								
Baseline gross expenditure	11,032	11,032	11,253	11,804	11,816	12,985	12,406	14,283
Payrise/Inflation etc	221	772	563	1,180	591	1,298	620	1,428
Other Items	122	122	122	122	0	0	0	0
Local Generated & Grant Income	-5,816	-5,816	-5,990	-6,107	-6,170	-6,412	-6,355	-6,733
Gross Budget	5,559	6,111	5,946	7,000	6,236	7,871	6,671	8,979
NPG	-3,549	-3,549	-3,655	-3,726	-3,765	-3,913	-3,878	-4,108
Levy	-1,183	-1,183	-1,218	-1,242	-1,255	-1,304	-1,255	-1,304
Transfer from EMRs	-62	-62						
Deficit	765	1,317	1,072	2,032	1,216	2,654	1,538	3,567

A significant rise in inflation without a corresponding uplift in the National Park Grant would materially worsen the Authority's projected deficits. This would accelerate the drawdown of reserves and reduce available cash holdings, limiting the Authority's financial resilience. Sustained pressure of this kind would, over the longer term, constrain the Authority's ability to maintain current levels of service and operational activity.



Recent funding patterns over the past two years indicate that Welsh Government has applied only modest inflationary increases to the National Park Grant. If inflation were to rise more sharply, there is a significant risk that the NPG and other income streams would fail to keep pace, resulting in widening deficits. While the Authority has historically been supported through additional supplemental grants that have helped prevent forecast deficits from materialising, underlying financial pressures remain.

High inflation driven by global events, combined with income growth that has not matched rising costs and the impact of the Pay & Grading review, has created a structural deficit within the Authority's finances. This structural imbalance will continue to place pressure on reserves unless long-term corrective measures are implemented.

Draft Capital programme

Draft Capital Programme 2026-27		Draft Budget	Funded by EMR	Capital Receipts/Grants/Grants unapplied
Carew Castle Enhancement & Access	b/fd	71,716	71,716	
Castell Henllys Ramp & drainage	b/fd	38,032	38,032	
Castell Henllys Roundhouse	b/fd	60,000	60,000	0
OYP security upgrades	b/fd	20,000		20,000
OYP M&E replacement including BMS (Building management system)		200,000	0	200,000
Llanion Fire doors	b/fd	40,000		40,000
Llanion lighting system	new	20,000	20,000	
Llanion PV canopies	b/fd	160,000		160,000
Ty Mawr Porthgain windows & doors	new	50,000	50,000	
IT upgrades		25,000	25,000	
Total		684,748	264,748	420,000

The Authority's Capital program is part of the Authority financial planning and is based on the Authority's corporate objectives, operational need, making prudent investments and the availability of internal and external funding. Details of the capital programme are:

- **Castell Henllys Programme.**
This is planned works for improvements to drainage and access ramps brought forward from previous years. It also involves the replacement to the thatched roof of one of the roundhouses which has reached end of life.
- **Carew Castle Enhancing Visitor and Interpretation.**
This has been brought forward from prior years and plans are currently with CADW for approval. This work relates to improvements to the physical access on-site and will add to the visitor experience and understanding of Pembrokeshire's historical and cultural heritage. It will allow access to as much of the Castle as possible and help increase visitor numbers. The Authority will prioritise a range of physical infrastructure works to improve the accessibility of the site for visitors with mobility problems and/or for families with pushchairs.
- **Oriel y Parc (OYP) security upgrade**
This cost is to replace & upgrade security equipment at the venue which is currently delayed due to resource issues.
- **OYP Decarbonisation work**
This aims to replace the property's underground heating and building management system as it has reached the end of life.

- **Llanion PV Canopies**
This work will contribute towards reducing the costs of the Authority and aims to build solar canopies in the car park to generate electricity.
- **Llanion Park Fire Doors & lighting**
Brought forward from the previous year this is to meet H&S improvements at the Llanion Park offices. Fire doors are to be replaced in a phased approach as well as the fire/security lighting.
- **Ty Mawr Porthgain**
This expenditure is for essential maintenance works including the replacement of windows.
- **IT upgrades**
This aims to maintain continuous improvements in the Authority's IT systems.

Financial Reserves and Balances.

The Authority must maintain a prudent level of working balances to ensure sufficient cash flow for both planned commitments and unforeseen expenditure. The General Reserve, built up from prior-year underspends, is available to support any approved expenditure. As a minimum, this reserve should represent 5% of the net budget. Following a review of the 2025–26 budget, the minimum level was increased from £750k to £1,400k, reflecting approximately three months of core operational salary costs (excluding externally funded projects). Forecast reserves is noted below:

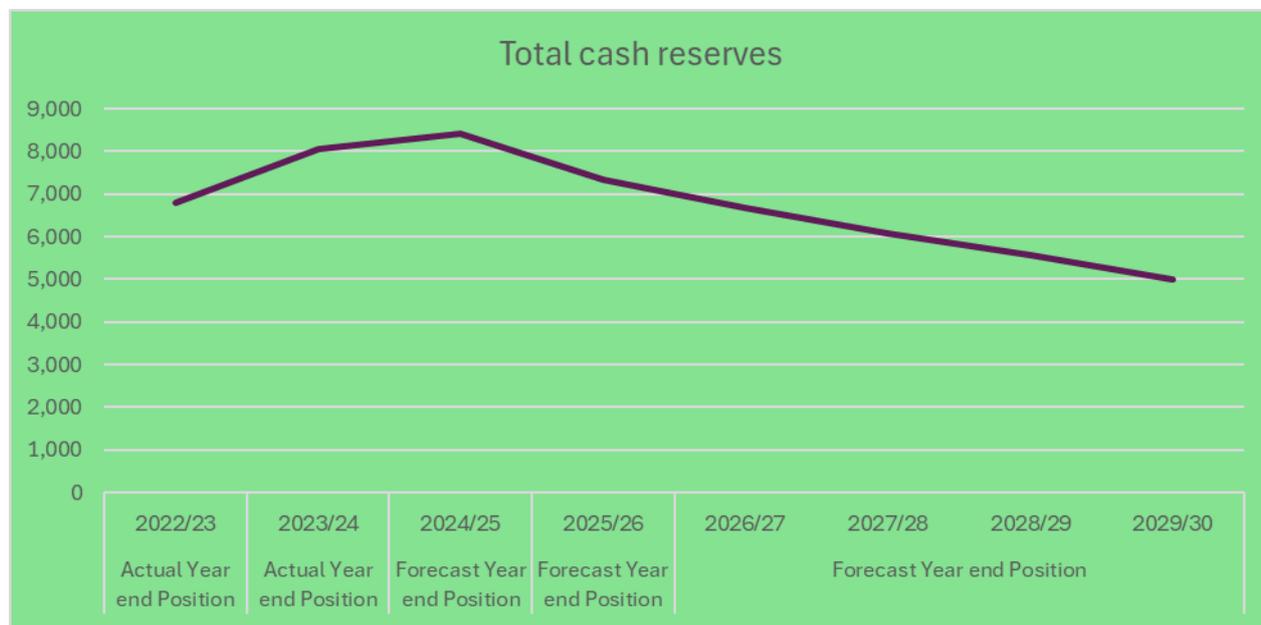
£000's

	Actual Year end Position	Movement	Actual Year end Position	Forecast Moveme nt	Forecast Year end Position	Forecast Movement	Forecast Year end Position	Forecast Moveme nt	Forecast Year end Position
	2022/23	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27
General Reserves	1,142	74	1,216	407	1,623	22	1,645		1,645
Capital Receipts	389	-61	328	-71	257		257		257
Unapplied Capital Grants	319	633	952	-327	625	-584	41	-41	
TOTAL	1,850	646	2,496	9	2,505	-562	1,943	-41	1,902
Earmarked Reserves:									
Receipts In Advance	2,175	656	2,831	649	3,480	-13	3,467	-62	3,405
Authority Created Reserves	2,761	-18	2,743	-314	2,429	-501	1,928	-544	1,384
Total	4,937	638	5,575	335	5,910	-514	5,396	-606	4,790
Total cash reserves	6,787	1,284	8,071	344	8,415	-1,076	7,339	-647	6,692

Earmarked Reserves have been accumulated over several years from revenue funding and are set aside for specific projects or purposes. The Capital Reserve comprises receipts from historic capital disposals and is restricted for capital expenditure only. The table below summarises the anticipated cash-based reserves at the end of 2025–26 and the projected balances at the end of 2026–27. The General Reserve is expected to stand at approximately £1.645m at 31 March 2027.

The Capital Receipts Reserve, currently £257k and used to fund capital expenditure, is expected to be carried forward into 2026–27 due to the availability of alternative capital grant funding.

Balances within Earmarked Reserves, which support the capital programme, specific projects, and the revenue deficit, are forecast to reduce from £5.910m at 31 March 2025 to £5.366m by 31 March 2026. This reflects planned use of reserves and contributes to the downward trend illustrated in the accompanying graph.



Conclusion

The final Welsh Government budget for 2026–27 confirms a 4% increase in the National Park Grant. Despite this uplift, the Authority continues to face significant financial pressures arising from inflation, the impact of the Pay & Grading review, and the ongoing real-terms reduction in core funding. Measures have already been taken to reduce expenditure, slow recruitment, and discontinue selected projects. Even with these actions, the Authority must set an operating deficit of £544k for 2026–27—an improvement on earlier forecasts but still a challenging position.

The Authority’s current cash reserves provide short-term capacity to absorb this deficit. However, revenue projections beyond 2026–27 indicate continued financial strain, and

reliance on reserves is not sustainable over the medium to long term. To strengthen financial resilience, the Authority will need to pursue a combination of:

- discontinuing activities that are no longer financially viable or strategically essential.
- improving operational efficiency
- delivering further cost savings
- expanding income-generation opportunities
- securing additional external grant funding

These actions will be critical in restoring financial balance and reducing the structural deficit over the coming years.

Recommendations

That Members:

- **APPROVE the budget for 2026-27 as presented.**
- **NOTE the financial forecasts for 2027-2028 to 2029-30.**

Prudential Code Indicators

The Prudential Code indicators are a set of statutory financial measures that local authorities (including National Park Authorities in Wales) must calculate and report each year to demonstrate that their capital spending and borrowing plans are affordable, prudent, and sustainable. They form part of the CIPFA Prudential Code, which governs how public bodies manage capital investment and debt.

Purpose of Prudential Indicators

Prudential indicators help Members and stakeholders understand whether the Authority's capital investment plans:

- are affordable within available resources.
- are prudent in terms of borrowing and long-term commitments.
- are sustainable over the medium-term financial plan.
- maintain acceptable levels of risk.

They also ensure transparency and enable comparison across authorities.

Core Prudential Indicators

While the exact set can vary slightly between England and Wales, the following indicators are the standard suite required under the CIPFA Prudential Code.

1. Capital Expenditure

The total planned capital spending for the year and the medium-term period. This shows the scale of investment the Authority intends to undertake.

2. Capital Financing Requirement (CFR)

A measure of the Authority's underlying need to borrow to finance capital expenditure. It reflects the cumulative impact of past and planned capital spending that has not yet been financed.

3. Authorised Limit for External Debt

The maximum level of external borrowing and other long-term liabilities that the Authority may legally incur. This is a statutory limit and cannot be exceeded.

4. Operational Boundary for External Debt

A practical working limit for expected borrowing during the year. It is set lower than the authorised limit and reflects normal operating activity.

5. Ratio of Financing Costs to Net Revenue Stream

Shows the proportion of the Authority's net revenue budget that is committed to servicing debt (interest and repayment). This is a key affordability indicator.

6. Gross Debt and the CFR

A check that gross external debt does not exceed the CFR over the medium term. This ensures borrowing is only undertaken for capital purposes.

7. Incremental Impact on Council Tax (or Levy)

Shows the estimated change in the levy (for National Park Authorities) arising from new capital investment decisions. This helps Members understand the revenue implications of capital plans.

8. Maturity Structure of Borrowing

Sets limits on the proportion of debt that matures in different time bands. This avoids excessive refinancing risk in any single year.

9. Investments Indicators

Required under the Treasury Management Code, but reported alongside prudential indicators:

- Total principal invested
- Security, liquidity, and yield measures
- Limits on non-treasury investments (e.g., commercial property)

Why These Indicators Matter for the Authority

For a National Park Authority with limited borrowing powers and a reliance on grants and reserves, prudential indicators:

- demonstrate that capital plans are affordable without destabilising revenue budgets.
- ensure Members understand the long-term implications of capital decisions.
- provide assurance to Welsh Government and auditors.
- help manage risk in a period of declining real-terms funding and rising costs.

They also support strategic decisions about whether to use reserves, seek external funding, or defer capital projects.

As the Authority is debt free and there are no proposals at this time to undertake borrowing, (due to the capital expenditure plans being financed either by revenue funds, external grant aid or capital receipts), then many of the indicators are not relevant.

Prudential Indicators 2026–27 to 2028–29

For Approval by the Authority

This section presents the full suite of Prudential Code indicators for 2026–27 and the medium-term period to 2028–29. These indicators demonstrate that the Authority's capital investment plans are affordable, prudent, and sustainable, in accordance with the CIPFA Prudential Code. They reflect the Authority's capital programme, its continued policy of avoiding external borrowing, and the planned use of capital grants, earmarked reserves, and capital receipts to fund investment.

1. Capital Expenditure

Planned capital expenditure over the medium term is summarised below. These figures reflect approved projects and anticipated grant-funded schemes.

Year Capital Expenditure (£000)

2026–27 685

2027–28 0

2028–29 0

Capital expenditure will be financed through a combination of capital grants, earmarked reserves, and capital receipts. No unsupported borrowing is planned.

2. Capital Financing Requirement (CFR)

The CFR represents the Authority's underlying need to borrow for capital purposes.

Year CFR (£000)

2026–27 0

2027–28 0

2028–29 0

The CFR remains at zero throughout the planning period, confirming that the Authority does not intend to borrow to finance capital expenditure. Except in the short term, net external borrowing should not exceed the total Capital Financing Requirement in the previous year plus the estimates of any additional Capital Financing Requirements for the current and the next two financial years.

3. Authorised Limit for External Debt

This is the statutory maximum level of external debt the Authority may incur. This limit is not a limit that the Authority would expect to borrow up to on a regular basis, rather it is a maximum permitted limit available should the need arise during the year in relation to an unexpected need, either for capital or revenue purposes – an example being short-term borrowing pending receipt of external grant. The Authorised Limit determined for 2026-27 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

Year Authorised Limit (£000)

2025–26 1,000

2026–27 1,000

2027–28 1,000

The limit provides capacity for short-term cashflow borrowing if required, although none is anticipated.

4. Operational Boundary for External Debt

This represents the operational boundary for any external debt that may be incurred during the year. Breaches of the Operational Boundary would give early warning for corrective action to avoid a breach in the Authorised Limit of the Authority.

Year Operational Boundary (£000)

2025–26 250

2026–27 250

2027–28 250

The boundary reflects prudent cashflow management assumptions.

5. Ratio of Financing Costs to Net Revenue Stream

This indicator measures the proportion of the revenue budget required to service debt.

Year Ratio (%)

2026–27 0.0%

2027–28 0.0%

2028–29 0.0%

With no borrowing, the Authority incurs no financing costs. It is worth noting that under IFRS 16 the Authority recognized long term debt of £98k in respect of rights of use assets. The amount required to finance this cost is less than 0.05%.

6. Gross Debt and the CFR

This indicator confirms that gross external debt does not exceed the CFR.

- Gross external debt: £0
- CFR: £0
- Compliance: Fully compliant

7. Incremental Impact on the Levy

This indicator shows the impact of new capital investment decisions on the levy.

Year	Incremental Impact (£)
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2026–27	0
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2027–28	0
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2028–29	0
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Capital expenditure is fully funded from grants and reserves; therefore, there is no impact on the levy.

8. Maturity Structure of Borrowing

Although the Authority has no external borrowing, the following limits are set to manage future risk should borrowing be required.

Maturity Band	Lower Limit	Upper Limit
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Under 12 months	0%	100%
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1–2 years	0%	50%
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2–5 years	0%	50%
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5–10 years	0%	50%
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Over 10 years	0%	50%
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9. Investment Indicators

These indicators relate to the management of surplus cash balances.

a) Total Principal Invested

Projected investment balances reflect the planned use of earmarked reserves.

Year	Investment Balance (£000)
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2026–27	6,692
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2027–28	6,072
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2028–29	5,558
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b) Security, Liquidity, and Yield

- Security: Priority is given to low-risk counterparties such as UK banks, building societies, money market funds, and the UK Government.
- Liquidity: Sufficient funds are retained in instant-access accounts to meet operational cashflow requirements.
- Yield: Interest income is forecast at £235k for 2026–27, reducing as reserves decline.

c) Non-Treasury Investments

The Authority holds no commercial investments and does not plan to enter into non-treasury investment activities.

Conclusion

The Prudential Indicators demonstrate that the Authority's capital plans for 2026–27 are affordable, prudent, and sustainable. The Authority remains debt-free, capital expenditure

is fully funded from grants and reserves, and investment balances remain sufficient to support cashflow requirements over the medium term.

Recommendation

Members are asked to approve the Prudential Indicators for 2026–27 to 2028–29 as set out in this report.

Investment Strategy 2026-2027

The remainder of this report presents an Investment Strategy for 2026-2027 in compliance with statutory guidance and in support of the prudential borrowing system.

Section 12 of the Local Government Act 2003 gives the Authority power to invest for “any purpose relevant to its function under any enactment or for the purposes of the prudent management of its financial affairs”. The prudent management of its financial affairs is included to cover investments which are not linked to identifiable statutory functions but are simply made in the course of treasury management – being the type of investment undertaken by this Authority. Authorities are required to invest prudently the surplus funds held, with priority given to security and liquidity rather than yield.

This Strategy also supports CIPFA’s *Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes*.

The combined Investment Strategy & Treasury Management Policy for 2026-2027 follows.

Recommendations

That Members:

APPROVE the Financial Reserves and the Investment Strategy & Treasury Management Policies for 2026-27 (attached).

Background documents

Welsh Government, final budget 2026-27

The Local Government Act 2003

The Local Authorities (Capital Finance & Accounting) (Wales) Regulations 2018

Statutory Guidance on Local Government Investments

CIPFA’s Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

For further information please contact Head of Finance & Fundraising on 01646 624900.

Pembrokeshire Coast National Park Authority

**Financial Reserves Policy
2026-2027**



Financial

Reserves Policy

1. Purpose

Pembrokeshire Coast National Park Authority is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Authority will determine and review the level of its general fund balance and earmarked reserves.

Section 25 of the Local Government Act 2003 requires local authorities to have regard to the level of reserves needed to meet estimated future expenditure when calculating their annual budget requirement. It is the responsibility of the Head of Finance and Fundraising to advise on the level of reserves that should be held, and to ensure that there are clear protocols for the establishment and use of any earmarked reserves.

The Head of Finance and Fundraising is required to advise on an appropriate level of reserves that should be held, based on judgements about matters and considering all relevant local circumstances.

2. Reserves

The Authority holds three cash backed reserves: the General Fund, Capital Receipts reserve and Earmarked Reserves.

General Fund

This consists of working balances and general contingency sums which do not have any restrictions as to their use. They can be used to smooth the impact of significant pressures, offset the budget requirement for a finite period if necessary, or held in case of unexpected events or emergencies. It is a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. It forms part of the General Fund balance.

Capital Receipts

This reserve is a reserve created by the accumulated of funds received from receipts of the Authority's assets. The balances can only be used to fund capital expenditure.

Earmarked reserves

This reserve is a means of building up funds, or earmarked reserves, to meet known or predicted future requirements – these are accounted for separately but remain legally part of the General Fund.

This policy sets out the framework for the use and management of reserves, in accordance with the Code of Practice on Local Authority Accounting in the United

Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies. Earmarked reserves will be established on a “needs” basis, in line with planned or anticipated requirements. As outlined in the Financial Regulations, approval to set up a reserve must be sought and Authority and the report which seeks this approval must identify the purpose of the reserve and how it will be used. Expenditure from reserves, outside of planned budgetary expenditure, can only be authorised through the Virement process, as outlined in the Authority’s Financial Standards.

Reserves can only be used once and so should not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

All earmarked reserves are recorded on a central schedule held by Financial Services which lists the various earmarked reserves and the purpose for which they are held and shows the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balance. This schedule of earmarked reserves is detailed below.

CIPFA guidance on Local Authority Reserves and Balances advises that a statement reporting on the annual review of earmarked reserves should be made to Authority, at the same time as the budget is approved.

3. Working balances

The level of general reserves or working balances is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building working balances will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

Setting the level of working balances is one of several related decisions in the formulation of the annual budget. The Authority must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its corporate risk register.

As a guide, the advice of the S151 Officer is that working balances should be maintained above a baseline minimum level of £1,400,000. In practice, in determining the precise level of reserves above this minimum, the S151 Officer has considered all the strategic, operational and financial risks of the authority.

An assessment of these risk assumptions, and relevant factors to be considered to address them, is set out in the table overleaf.

Risk items and issues to be considered.

Budget assumptions	Issues to consider
<i>The treatment of inflation and interest rates</i>	<i>The overall financial standing of the authority (e.g. level of borrowing, debt outstanding), including ability to respond to unexpected cost</i>
<i>Estimates of the level and timing of capital receipts</i>	<i>The Authority's track record in budget and financial management of changes in property market</i>
<i>The treatment of demand-led pressures</i>	<i>The Authority's capacity to manage in-year budget pressures and strategy for managing demand and service delivery in the longer term</i>
<i>The treatment of planned efficiency savings</i>	<i>The strength of the financial information and reporting arrangements and contingency plans should efficiencies not be achieved</i>
<i>The financial risks inherent in any significant new funding partnerships, major contractual arrangements or major capital developments</i>	<i>The Authority's virement and end-of-year procedures in relation to budget under/overspends. Risk management of partnership or outsourcing arrangements</i>
<i>The availability of other funds to deal with major contingencies and the adequacy of provisions</i>	<i>The adequacy of the authority's insurance arrangements to cover major unforeseen risks</i>
<i>The general financial climate to which the authority is subject</i>	<i>External factors such as future funding levels will influence the authority's ability to replenish reserves</i>

If, in very extreme circumstances, all general reserves were exhausted due to unforeseen spending pressures and commitments within a particular financial year, the Authority would be able to draw down from any uncommitted earmarked reserves to provide short-term resource cover, although this would not be relied upon as the sole solution, and monthly forecasting against budget plans should already have identified that corrective action would be needed and action taken to review in-year budgets.

4. Opportunity cost of holding reserves.

In addition to allowing the Authority to manage unforeseen financial pressures and plan for known or predicted liabilities, there is a benefit of holding reserves in terms of the interest earned on funds which are not utilised. This investment income is fed into the budget strategy. However, there is also an "opportunity cost" of holding funds in reserves, in that these funds cannot then be spent on anything else. As an example, if these funds were used to repay debt or support capital investment, the opportunity cost would equate to the saving on the payment of interest and the minimum revenue provision, offset by the loss of investment income on the funds. Using reserves in this way would, however, leave the Authority with fewer funds to either manage unexpected risks or provide the resources to fund the planned expenditure for which the reserves were originally earmarked.

Given these opportunity costs of holding reserves, it is critical that both the number and amount held in reserves continues to be reviewed each year as part of the budget process, to confirm that they are still required and that the level is still appropriate.

Pembrokeshire Coast National Park Authority

**INVESTMENT STRATEGY and
TREASURY MANAGEMENT POLICY STATEMENT
2026-2027**



Investment Strategy & Treasury Management Policy Statement 2026-2027

1. INTRODUCTION

1.1. The Authority adopted CIPFA's Code of Practice for Treasury Management in Local Authorities. The Code sets out a framework of operating procedures for both Members and Officers to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the Authority. This Strategy also complies with statutory guidance on Local Government Investments.

1.2. The Authority defines its treasury management activities as:

"the management of the Authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.3. This Authority regards the successful identification, monitoring and control of risk to be the most important criteria by which the effectiveness of its treasury management and investment activities will be measured. Accordingly, the major focus of the analysis and reporting of treasury management decisions and transactions will be on their risk implications for the Authority, with priority given to the security and liquidity of its investments.

1.4. This Authority also acknowledges that effective treasury management should provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, but always in the context of effective risk management.

2. RESPONSIBILITIES

2.1. The responsibilities for Investment & Treasury Management are defined as follows:

- (a) The Authority shall review and consider this Strategy in advance of the start of each financial year.*
- (b) The Head of Finance and Fundraising shall ensure that satisfactory arrangements are in place for the delivery of this Strategy.*
- (c) The Chief Executive (National Park Officer) shall be responsible for all investment and treasury management activities, for ensuring that these activities are documented and resourced.*

(d) *The Head of Finance and Fundraising where appropriate, shall ensure all investment and treasury management activities are in accordance with statutory requirements and CIPFA's Code of Practice for Treasury Management in the Public Services, and for ensuring that an annual Treasury Management report is presented to the Performance Review Committee.*

3. APPROVED METHODS OF RAISING FINANCE

3.1. Short Term (up to 1 year):

- Money markets
- Other local authorities
- Bank overdraft
- Internal funds

3.2. Long term (over 1 year)

- Public Works Loans Board
- Money Markets
- Leasing

However, other than for short-term cash flow requirements, there are no plans to raise external debt during 2026-27. Notwithstanding this, the Authority is obliged to set limits for external debt - and approve such limits, as follows, in setting the 2026-27 budget in March 2026.

Authorised Limit for External Debt	Actual	Actual	Actual	Estimate	Estimate
	2022/23	2023/24	2024/25	2025-26	2026/27
Borrowing	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other long-term liabilities – leases right of use assets	0	0	98,000	96,000	94,000

Operational Boundary for External Debt	Actual	Actual	Actual	Estimate	Estimate
	2022/23	2023/24	2024/25	2025-26	2026/27
Borrowing	250,000	250,000	250,000	250,000	250,000
Long term liabilities – leases right of use assets	0	0	98,000	96,000	94,000

3.3 The Maturity Structure of Borrowing prudential indicator is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. In view of the Chief Financial Officer's recommendation in the 2026/27 budget report not to raise any long-term borrowing for the period, it is not necessary to set upper and lower limits for the maturity structure of borrowing. This will be reviewed annually.

4. APPROVED ORGANISATIONS FOR INVESTMENT

4.1. The surplus cash resources of the Authority are such that investment will be limited to specified investments through accounts held with the Authority's Bankers. If surplus cash resources increase significantly in the future, alternative investment

sources may be considered and included in this Policy Statement at that time, requiring the formal approval of the Authority.

4.2. The credit rating of institutions holding the Authority's investment will be checked by the Head of Finance and Fundraising periodically via Standard and Poors' website and a recommendation as to any action necessary in the event of a change in rating shall be made.

4.3. In terms of Treasury Management, interest rate risk management is a top priority for local authority management. While fixed rate borrowing and investment can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance may justify, or even demand, retaining a degree of flexibility using variable interest rates on at least part of a treasury management portfolio. Operational Boundaries for the exposure to interest rate risks are set below, to support the target interest receivable on short-term investments (built into the revenue baseline budget) of £235,000.

- Upper limit for variable rate exposure – 100%
- Upper limit for fixed interest rate exposure – 75%

This means that the Head of Finance and Fundraising will manage fixed interest rate exposures within the range 0% to 75% and variable interest rate exposures within the range 0%-100%.

4.4. In view of the low level of cash available for investment, it was the Chief Financial Officer's recommendation in the 2026-27 budget report that only short-term investments be entered into for the period.

5. TREASURY MANAGEMENT PRACTICES

5.1. The following Treasury Management Practices will guide treasury management activities:

- **TMP1 – Treasury Risk Management.**
Adequate cash balances will be maintained in the Authority's business account to fund the daily payments made from the account. Surplus cash balances will be invested only via minimum risk avenues.
- **TMP2 – Best Value & Performance Measurement**
Treasury management decisions will be made about achieving best value, and performance will be measured in terms of achieving budgetary targets whilst limiting risk.
- **TMP3 – Decision Making & Analysis**
Decisions will be made as and when necessary, in a manner that balances cash requirements with cash surpluses whilst maximising investment returns and minimising risks. These decisions will be made within the boundaries set by the Authority's treasury management policies and statements.
- **TMP4 – Approved Instruments, Methods and Techniques**
Surplus cash on the Authority's business account will, at the end of every banking day, automatically be transferred to a higher interest No Notice

Business Account. The Authority may also transfer funds to other reputable U.K. Financial Institutions which offer more attractive rates of return. These institutions must however have the same or superior Standard & Poors verified credit rating.

- TPM5 – Treasury Management Organisation
The Head of Finance and Fundraising will undertake the day-to-day Treasury Management activities, consulting with the Chief Executive (National Park Officer) to consider longer-term issues as and when necessary.
- TMP6 – Reporting Requirements
Performance will be assessed as part of the Authority's budget performance monitoring. A report will be presented at the year-end comparing actual investment income with budgeted income.
- TMP7 – Budgeting, Accounting, Audit
Investment income from treasury management decisions is included within the Authority's budgets and accounts and is subject to inspection as part of the annual audit. Interest due on borrowings is also accounted for within the Authority's accounts.
- TMP8 – Cash and Cash flow Management
The annual budgeting process will determine expenditure levels and sources of finance. Daily, consideration will be given to the timing of cash receipts and cash payments. The Authority's Bankers telephone banking service and on-line banking service will be used to facilitate daily cash flow reviews.
- TMP9 – Money Laundering
Money laundering will not be undertaken by this Authority.
- TMP10 – Staff Training & Qualifications
Staff training will be discussed at least within the annual appraisal process, although requests for training will be considered at any time. Essential staff qualifications are determined by the Authority as part of the recruitment and selection procedures.
- TMP11 – Use of External Service Providers
The Authority will manage its treasury management arrangements without the use of external service providers.
- TMP12 – Corporate Governance
The provision for annual reports on treasury management to the Authority's members forms a key part of the corporate governance arrangements in authorities.

This Strategy will be in force for the financial year 2026-27.

Appendix 1 - Summarised Revenue Budget 2025/26

	£000's
Baseline gross expenditure	9,990
Local Generated & Grant Income	-4,485
Gross Budget	5,505
NPG	-3,412
Levy	-1,137
(Deficit) for the year	956
Transfer from general reserves	-390
Net budget	-566

PCNPA	Budgeted	Budgeted	Budgeted	Budget
2025-2026 DRAFT BUDGET	Expenditure	Income	Net cost	Budget 24-25
	£	£	£	£
Development management & planning	892,433	-352,866	539,566	767,857
Forward planning & communities - planning	303,683	0	303,683	
Conservation	1,639,882	-1,096,876	543,007	640,374
Promoting understanding	2,664,601	-1,435,581	1,229,020	1,156,124
Recreation & park management	928,157	-1,126,237	-198,080	-344,045
Conservation of the Historic & Cultural Env't	102,300	-36,253	66,047	119,154
Support services	2,197,768	-456,130	1,741,639	1,718,068
Democratic Rep & Management	231,550	0	231,550	555,126
Corporate mangt	485,400	-28,200	457,200	
Rangers & Estates Management	1,246,840	-142,441	1,104,399	1,261,121
Core funding, interest & EMR	-702,152	-4,749,121	-5,451,273	-5,364,608
	9,990,461	-9,423,705	566,757	509,171

Appendix 2 – Summary Budget 26-27 by category

Pembrokeshire Coast National Park Authority

Budget 2026-27 by category

Reporting Book: ACCRUAL
As of Date: 31/03/2026

	Year Ending 31/03/2027
	<u>Budget 26-27 V2</u>
Revenue	<u>10,547,957</u>
Cost of Revenue	<u>260,914</u>
Gross Profit	<u>10,287,043</u>
Operating Expenses	
General and Administrative Expenses	1,275,419
Marketing and Advertising Expenses	186,119
Depreciation and Amortization Expense	729,396
Payroll and Related Expenses	6,909,668
Utilities and Facilities	1,443,698
Operating and Maintenance Expenses	633,353
Management Fees	91,764
Insurance	102,186
Total Operating Expenses	<u>11,371,603</u>
Other Income (Expense)	
Interest Income	234,688
Other Income	
MIRS Depreciation	708,152
Liberty Pay Donations	336
Donations	3,547
Mobility Scooter Donation	650
Other Income	45,832
Purchase Card Rebate	3,654
Rents Received	122,000
Wayleaves & Easements	800
RHI / FiT Payment Income	18,000
Trfr FROM earmarked resvs	62,000
Total Other Income	<u>964,971</u>
Other Expenses	
Project costs	(516,018)
SDF Grant Payments	(37,069)
Grants to other bodies/orgs.	(116,586)
Coast Path - internal recharge	10,295
Total Other Expenses	<u>(659,378)</u>
Total Other Income (Expense)	<u>540,281</u>
Net Income (Loss)	<u>£ (544,279)</u>

Appendix 3 – Summary Budget 26-27 by department

Pembrokeshire Coast National Park Authority
PCNP Budget by Department
As of March 31, 2027

	Net Expenditure Year Ending 31/03/2027
	Budget 26-27 V2
I&E - By Dept	
Departments by Cost Centre	
Conservation of the Natural Environment	
DEP301 - Head Nature Recovery	340,845.00
DEP323 - Cilrhedyn	125,868.00
DEP600 - Conservation	326,730.00
DEP602 - Marine Environment	8,905.00
DEP900 - Restricted Fund projects Inv Species	0.00
DEP902 - Restricted Fund projects SLSP Wild Coast	0.00
DEP904 - Restr Fund project SLSP Nature (25-27)	0.00
DEP905 - Restricted Fund projects - LP4N	0.00
DEP907 - Restricted Fund projects NNF4	76,745.00
DEP923 - RF Project - Ffermio Bro Pembrokeshire	0.00
DEP924 - RF Project - Ffermio Bro Gower	0.00
DEP906 - Restricted Fund projects NNF3	0.00
DEP917 - RF projects - Nat Designated Landscapes	0.00
Total Conservation of the Natural Environment	879,093.00
Conservation of the Cultural Heritage	
DEP410 - Archaeology in the Park	78,676.00
Total Conservation of the Cultural Heritage	78,676.00
Development Control	
DEP100 - Development Management	524,982.00
Total Development Control	524,982.00
Forward Planning & Communities	
DEP110 - Development Planning	348,052.00
Total Forward Planning & Communities	348,052.00
Promoting Understanding	
DEP130 - Health & Wellbeing	53,229.00
DEP200 - Carew Castle Visitor Centre	(15,426.00)
DEP201 - Carew Castle Tearoom	(34,689.00)
DEP211 - Oriell y Parc Visitor Centre	396,354.00
DEP268 - Ebike Scheme	0.00
DEP212 - Castell Henllys Visitor Centre	158,815.00
DEP213 - Coast to Coast	2,699.00
DEP221 - Communications & Marketing	336,670.00
DEP230 - Head Regen Tourism	25,092.00
DEP231 - Learning & Inclusion	50,106.00
DEP241 - Activities & Events	0.00
DEP302 - Head of Inclusion & Engagement	111,021.00
DEP640 - Graphic Services	103,143.00
DEP908 - Restricted Fund projects Get Outdoors	2,824.00
DEP909 - Restricted Fund projects - PODS	0.00
DEP910 - Restricted Fund projects - 1st '000 days	1,621.00
DEP911 - Restricted Fund projects - Roots	(787.00)
DEP912 - RF projects - Roots to Recovery	0.00
DEP913 - Restricted Fund projects - Pathways	9,337.00
DEP914 - SLSP I&E 2025-2027 Collaborative Project	0.00
DEP915 - RF projects - SLSP Sust Tourism	0.00
DEP919 - RF Project-BB Unlocking Nature & History	0.00
DEP920 - RF project - Next Generation/Youth Voice	0.00
DEP925 - RF Project - Routes to Discovery	0.00
Total Promoting Understanding	1,200,009.00

Recreation & Transport

DEP140 - Sustainable Transport	81,771.00
DEP370 - National Trail Officer Bid	3,185.00
DEP371 - National Trail Maintenance	54,824.00
DEP375 - Coastal Path Capital Works (Comp. Fund)	0.00
DEP380 - Inland Rights of Way	119,316.00
DEP800 - Car Park Operations	(782,784.77)
DEP916 - Restricted Fund projects - Access	0.00

Total Recreation & Transport**(523,688.77)****Rangers, Estates & Volunteers**

DEP320 - Countryside team North	280,954.00
DEP321 - Countryside team West	243,218.00
DEP322 - Countryside team South	254,734.00
DEP360 - Ranger Services	226,607.00
DEP365 - Seas'1 Tourism Team	0.00
DEP650 - Estate Management	9,447.00

Total Rangers, Estates & Volunteers**1,014,960.00****Democratic Representation & Management**

DEP700 - Corporate Activities	193,531.00
DEP710 - Chief Executive's Office	104,707.00
DEP715 - Democratic Representation	241,367.00
DEP716 - Corporate Governance	141,724.00
DEP717 - PCNP Trust	5,111.00
DEP755 - National Parks Wales	11,839.00
DEP757 - SNPS Conference	2,000.00
DEP926 - Future Landscape Wales	0.00

Total Democratic Representation & Management**700,279.00****Management & Support Service Costs**

DEP500 - Director P D & E	99,063.00
DEP501 - Director Nature/Tour	100,134.00
DEP601 - Admin Services - Llanion	275,368.00
DEP605 - Performance Management	51,912.00
DEP610 - Legal Services	116,867.00
DEP620 - Finance Services	244,928.00
DEP630 - I.T. Services	430,352.00
DEP660 - Fund Raising	85,611.00
DEP670 - Building Maintenance & contracts	276,671.00
DEP680 - Head Decarbonisation	75,093.00
DEP720 - Fleet	121,381.00
DEP740 - Human Resources	284,377.00
DEP901 - Restr Fund projects SLSP Decarb 22-25	0.00
DEP903 - Restr Fund project SLSP Carbon (25-27)	(165,000.00)
DEP918 - RF Project - Brilliant Basics Newport	0.00

Total Management & Support Service Costs**1,996,757.00****Total Departments by Cost Centre****6,219,119.23****Total I&E - By Dept****6,219,119.23****Revenue - taxation & non specific grant income etc**

DEP705 - CIES	(4,966,688.00)
DEP750 - MIRS	(708,152.00)

Total Revenue - taxation & non specific grant income etc**(5,674,840.00)****NET DEFICIT****544,279.23**