BUDGET SETTING 2026/27

Summary: To (1) inform the Finance & Governance Committee of the process/timeline for setting the budget for 2026/27 and (2) outline the key priorities, ahead of the full budget presentation in February 2026.

Recommendation: That the Board notes the Paper.

Report by: Magda Glanowska – Head of Finance (HoF)

1. BACKGROUND

- This paper seeks to outline the process and timeline as well as highlight and discuss high level assumptions and priorities that will be considered as the budget is prepared, before these are finalised and approved by the Finance &Governance Committee in November.
- This paper has been circulated to the F&G Committee for their comments.
- **We welcome the Board's comments, recommendations, or concerns.**
- Any additional recommendations that are widely supported at this meeting will be taken into consideration when preparing the budgets.

2. PROCESS

- The starting point for 2026/27 budget setting will be the 2025/26 Reforecast 2 based on Q2 actuals (six months actuals to Sep 2025 and remaining six months forecast).
- Budget holders will receive budget assumptions and high-level priorities as agreed by the F&G Committee, and full support and guidance from the Head of Finance (HoF) during the process to be able to prepare budgets for their own department.
- The draft budget will be collectively reviewed by the Chief Executive's management team before the final review by the CEO and then F&G Committee.
- The budget will follow a bottom-up approach, with each budget holder preparing their own budget with support from the HoF which will be reviewed by the HoF and CEO before being presented to the F&G Committee and, ultimately, the Board.
- Budgeting for 2026/27 will start following the approval of Reforecast 2 which will take place at the F&G Committee meeting on 18 November 2025.
- During the November F&G Committee meeting, the Committee will discuss and agree final budget assumptions, high-level priorities, opportunities, and risks. The budgeting timeline will also be agreed.
- The draft budget will be presented and discussed at the F&G meeting in early February 2026 (date to be agreed).
- Following the Committee's recommendations and any final changes, the budget will be presented for the Board's approval and final adoption on 24 February 2026.

3. TIMELINE

- 6 October 2025 – Budget assumptions discussed by the CEO and HoF.
- 21 October 2025 – Board meeting – budget assumptions discussed.
- **18 November 2025 – Finance and Governance Committee meeting**:
  - Reforecast 2 presented and agreed
  - **Budget assumptions agreed** (priorities, opportunities and risks)
- **Mid-November 2025 to mid-January 2026 – Budgeting** (budget holders working together with the HoF on the budget and narrative, review and finalisation).
- **Mid-January 2026 – the Chief Executive's management team – draft budget review**
- Late January 2026 – CEO final review of the budget.

- **Early-February 2026 – budget review by the F&G Committee.**
- Mid-February 2026 – final amendments to the budget following the review and preparation of the summarised version for the Board's adoption.
- **24 February 2026 – Board meeting – the final budget presented for adoption.**

4. FUNDING

4.1. CORE

- **DEFRA:** We are still awaiting a confirmation from DEFRA for a 3-year determination as an outcome from the Comprehensive Spending Review in 2025 and the core settlement for FY26/27. Currently, there is no expectation for the DEFRA Capex Uplift funding to be available in FY26/27, however this has not yet been confirmed by DEFRA. FY25/26 core settlement was £529,744. Due to this uncertainty, the budget may have to be updated at a short notice.
- **Local authorities:** The Management Accountant has been in contact with the 15 local authorities regarding possibility of the funding to be increased in line with inflation (CPIH). Overall, the responses have been positive and we are awaiting responses from remaining local authorities. However, this will only be confirmed when the 15 local authorities have set their budgets. Funding received in 2025/26 was £162,187.
- **Natural England – National Trail:** It is assumed that funding from Natural England for the Cotswold Way will remain the same as the current year at £64,428.

4.2. NON-CORE (significant programmes/projects)

- **Farming in Protected Landscapes (FIPL):** the programme has been extended and will conclude as a grant programme on 31 March 2026 with the Advice and Guidance concluding on 31 March 2027. DEFRA has not yet notified us whether any funding has been secured for FY26/27 to extend grant programme or the Administration part. DEFRA FiPL allocation for FY25/26 was £1,369,084 (£909,813 – capital funding, £459,271 – revenue funding).
- **Removing Barriers (DEFRA programme):** There is no indication that DEFRA will be funding Removing Barriers in 2026/27, however in FY25/26 there was no expectations for it to be extended for that year but in end of March 2025 we were notified of this funding continuation (FY25/26 - £417k). The administrative delay on DEFRA part meant that allocation of the budget received is adversely impacted and a particular challenge in FY25/26 and we might have to end up returning an underspend.
- **National Lottery Heritage Fund (1) –** approved a £250,000 bid in April 2025 to support Caring for the Cotswolds for a three-year period until July 2028. We have received 50% of the grant upfront (£125,000) and we may receive the 30% (£75,000) at the very end of FY 2026-27. The project includes £130,000 towards small community grants, as well as resource for a dedicated Grants Coordinator and youth opportunities. Whilst the NLHF grant does not include full cost recovery, these costs are being covered by the Caring for the Cotswolds reserve. This approach was detailed in a paper that went to the F&G in May 2025 and was subsequently endorsed.
- **National Lottery Heritage Fund (2) –** in October 2025 we submitted a development phase application to the Landscape Connections scheme. If we are successful, it will allow us to employ a Project Manager who will plan, cost, and develop the delivery phase application. This will include critical feasibility work that will inform the larger delivery bid. If successful, the development phase will begin in January 2026 and take 18-months to complete with a budget of £221,000. There is a £7,000 match funding requirement

for CNL to input. Assuming NLHF follow the 50%, 30% and 20% format, we will receive £103,500 (50%) in FY 2025-26 and £62,100 (30%) in FY 2026-27. Should we be successful, the partnership took the decision to let National Trust recruit and employ the Project Manager because, as a registered charity, they are eligible to claim for full cost recovery.

- **National Lottery Heritage Fund (3) –** approved a bid in October 2025 towards a climate action project where CNL is a supporting partner. We will receive some funds that will go towards supporting the role of Outdoor Learning Officer, as well as a management fee. Timings and amounts to be confirmed.
- **Outdoor Learning Officer (OLO) –** the OLO is being supported from a range of sources. The biggest funder is the Ernest Cook Trust who are providing £20,000 a year for three years to support the role from September 2024 – August 2027. The OLO works with partners to co-create outdoor learning experiences for children and young people. In FY 2024-25, the OLO enabled CNL to have an enhanced role in delivering Generation Green with National Landscape Association. This generated £17,000 in profit, which went to CNL's general fund.
- **Water Restoration Fund –** through the Evenlode Catchment Partnership we have secured £78,000, which we are using to support a part time Water Restoration Officer. Over the next two years (until July 2027) we will be working on a range of milestones that includes direct delivery, as well as longer term research. We will receive £34,000 of the grant in FY 2026-27. This project includes CNL's 20% overheads figure as part of the budget.
- **General Point Regarding the National Lottery Heritage Fund:**
    - NLHF pay their grants in tranches of 50%, 30% and 20%. The first 50% of the grant is paid upfront. Grant recipients must then provide a satisfactory report and evidence of defrayal to release the next 30% of grant payment. The final 20% is paid in arrears, also on receipt of a report to evidence project completion and defrayal.
    - CNL is unable to claim full cost recovery from NLHF. It is considered an ineligible cost for organisations that are in receipt of public money, regardless of proportionality. This is where CNL would ordinarily seek overheads/ a management fee or similar to contribute towards organisational costs such as rent, utilities, insurance etc. CNL typically sets overheads at 20% of the combined employee costs of salary, NI and Pension.

5. TEAM RESOURCES

- The **Climate Action Lead** (Fred Constantine-Smith) was recruited in 2024 on a fixed-term contract until October 2025 and was partly funded by the DEFRA Capital Uplift. In 2025/26, it has been extended for a further 6 months until 31 March 2026. We don't expect to extend this role beyond that.
- **Finance & Programme Manager –** In September 2025, FiPL Project officer has left. This role is being replaced by a new role – Finance and Programme Manager, which we hope to be fully in place by early 2026. This will be a core-funded permanent full-time position.
- **A Grants Coordinator** role (Rebecca Foster) was recruited in September 2025, this role will be supported by NLHF as mentioned above.

- **Business Support Officer** (Maria Carter) was recruited in August 2025. This is a part-time fixed-term contract until 31 March 2026, with a potential to be extended if funds permit.
- **A Project Manager** role will be recruited if the NLHF Landscape Connections scheme bid is successful.
- An assumption of a **3.5% pay increase** for all employees will be built into the budget. We will give consideration to inflation on other purchases, e.g. tools, equipment and printing.

6. OTHER COSTS

- **Property –** in June 2025 we have entered a 10-year lease for our new head office at the Threshing Barn at Marsden Manor negotiating 2 months rent-free period. It is worth noting we have managed to capitalise the whole cost of the 10-year lease by using DEFRA Capex Uplift funds, and therefore significantly reducing pressure on core costs. Additionally, by moving to Marsden, CNL will have the organisational head-office, and more importantly the permanent and comfortable "home" that has been in such need. Marsden Manor offers best value for money as it's larger than the combined space used at Greystones and Robinswood, and more than The Old Prison. The rental cost of Marsden Manor compared to existing and previous leases (all including VAT) is as follows:

Premises	Rental Cost Per Annum (Including VAT)	Area	Cost per Square Foot
Marsden Manor	£22,000	2,795 sq ft	£7.87 per sq ft
Greystones and Robinswood Hill	£20,160*	Unknown**	Unknown**
The Old Prison	£33,236	1,184 sq ft	£10.08 per sq ft

*The rent is currently under review by GWT and likely to increase substantially.
** The basis of the lease for Greystones and Robinswood is per desk rather than area.

By moving to our new Head Office, we have consolidated other premises and vacated Greystones Farm in June 2025, and served a notice on Robinswood Hill in September 2025, our rental agreement with GWT will cease on 14th October 2025. We have made the decision to continue leasing Cotswolds Business Centre until 31 March 2027 with a break clause on 31 March 2026.

- We have also reduced barn storage to one single barn at Pindrup Farm (FY25/26 £4,950) and vacated both Unit 3A, Upper Cold Farm and Unit H, Hampnett Farm when the current licence ended on 31 December 2024 (FY24/25 £7,200) at the same annual cost.
- **Other costs/ considerations –** due to fact that we will be retendering for a new internal auditor, there will be additional costs involved of approx. £10k (this has been unspent in FY22/26 and will therefore be moved to FY26/27).
- **Voluntary Wardens -** the core funding support for the Voluntary Wardens will be reviewed and set accordingly due to expected core budgetary pressures.

7. TARGETS

- Due to ongoing uncertainty regarding DEFRA budget, the Board ideally needs to avoid significant headcount reductions. In order to do this, there may be a requirement to use some of the Development Fund (Designated Reserves), currently standing at £247k.

- We will strive to maintain a General Fund of between £70k and £80k in accordance with our Reserves Policy.

OCTOBER 2025