

DRAFT OPERATING BUDGET 2026/27 – COVER PAPER

Summary: To present Draft Operating Budget for the financial year 2026/27, including the Reserves Policy. The Finance and Governance Committee has reviewed the Budget in details and recommended that it is presented to the Board for adoption.

Recommendation: That the Board notes and adopts the 2026/27 Draft Operating Budget.

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

1. BACKGROUND

- This is the most prudent scenario Budget prepared with the acknowledgment that some figures are based on assumptions that may change as more information becomes available. Budget assumptions, process and timeline were reviewed and presented to the Board during the October 2025 meeting.
- This paper seeks to discuss and review the Draft Operating Budget before it is presented to the Board for their adoption in February 2026, along with the Reserves Policy (which has been presented at the last F&G Committee).

2. PROCESS

- The starting point for 2026/27 budget setting was the 2025/26 Reforecast 2 based on Q2 actuals (six months actuals to Sep 2025 and remaining six months forecast).
- The Head of Finance worked with all Budget Holders so that a bottom-up approach was followed. The Draft Operating Budget was collectively reviewed by the Head of Finance and CEO.
- The Draft Budget is now being presented for review by the F&G Committee. In particular, attention should be focused on the reserves' movements, consolidated income statement and core income statement.
- Following the Committee's recommendations, the Draft Budget will be presented to the Board for final adoption in February 2026.

3. REVENUE**3.1. FUNDING - CORE**

- **DEFRA:** We are still awaiting confirmation of 2026/27 core allocation from DEFRA along with the 3-year determination. We have based this budget on the same core allocation as FY25/26, i.e. £529,744. We are also awaiting news whether there will be any CAPEX allocation for FY26/27.
- **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 £77k (this includes additional £12k capital as this year, which is yet to be confirmed). CEO has been in touch with Natural England and DEFRA to open discussions around this funding as we have not had any increases in the last 10 years and this budget is running now at small deficit.

3.2. FUNDING – NON-CORE

- **FiPL** – we have been notified that the programme is extending for additional 3 years until March 2029, however no allocations have been yet provided by DEFRA apart from Advice & Guidance which had previously been extended to 31 March (£119k allocation). For that reason, only Advice and Guidance has been included in the budget. We will revise the budget once the allocations are known.

- **Ernest Cook Trust (ECT)** - ECT are funding 50% of the role of Outdoor Learning Officer, the three-year role to co-create outdoor learning experiences for children and young people (funding £20k). This programme will be in its third and final year.
- **Removing Barriers (DEFRA)** – we haven't been notified about the extension to this programme therefore there is no budget in FY26/27.
- **National Lottery Heritage Fund (NLHF)** – Landscape Connections, this is a new project £179k that was approved by Lottery in Dec 2025. £110k to be received in Q4 FY25/26 as a prepayment for FY26/27 and additional £62k income expected in Q4 FY26/27. Project Manager will start in Apr / May 26 and employed by National Trust ("NT"). NT will invoice CNL on a quarterly basis for salary, NI, pension and full cost recovery. Expenditure of £70k in professional fees.
- **Caring for the Cotswolds** - £78k. If we award and pay grants at the expected level, we should receive the 2nd grant instalment from NLHF of £75K. The claim is made retrospectively. This year will see a significant increase in grant making, in line with expectations.
- **Water Restoration Officer** -£42k. Income from three scheduled claims in Jun, Oct and Jan. Expenditure will be similar to previous year. Overheads will accumulate over the FY and then will be balanced from the restricted fund at the end of the FY.

3.3. OTHER INCOME

- **Glorious Cotswold Grasslands (GCG)** – up by £80k vs previous year due to more budgeted income including 2,500 tonnes of seed collected (100ha restored), £25k Wessex Water Grant, 90ha of restoration privately funded and other smaller projects.

4. RESERVES

- As per the Board's approved Reserves Policy, we are striving to maintain the General Fund at £70-£75k which is c.5% of total operating costs. Additional measure is to keep combined General Fund plus the Development Fund (within Designated Funds) at c. £180k which combined are classed as total available reserves. It is our aim to keep the total available reserves at minimum of 90% of the agreed target (£162k).
- The Draft Operating Budget (most prudent scenario) predicts a General Fund of £70k and £106k in Designated Funds of which £80k is the Development Fund (see *Appendix A*). Total available reserves are budgeted at £150k which is slightly below our minimum target. Please note this is the most prudent scenario so this is not a massive concern currently. We are constantly pursuing new opportunities and are hopeful that we will not have to use as much of the Development Fund as in this budget scenario. We will keep in line with the Reserves Policy for the General Fund.

5. KEY RISKS AND OPPORTUNITIES

- The budget is based on a number of key assumptions that also carry some potential risk. The following list highlights those key risks and potential opportunities that may impact the budget.
- **Risks:**
 - The 80/20 rule with respect to funding from Defra being conditional on it being no more than 80% of our overall funding. The remaining 20% of core funds comes from local authorities. This could be a significant concern for the future.
 - DEFRA Core grant and Las contributions not being sufficient to cover core overheads and over-reliance on Capex e.g. this year capex covered £20k IT support costs, Marsden and Pindrup lease and significant proportion of Climate Action Lead and Business Support Officer salary costs.

- **Opportunities:**
 - Lower costs or higher income in the final quarter of 2025/26, that result in the **increased reserves carried forward**. We will know this once March MAs (Q4) are completed in mid-April 2026.
 - Additional income generated from **Glorious Cotswold Grasslands** operation.
 - **Capex uplift in FY26/27** which would enable to capitalise IT costs and some of Climate Action Lead salary costs.
 - **NLHF – Caring for the Cotswolds (CftC)** – The scheme pays for a dedicated Grants Coordinator, as well as 20% hosting costs. The budget includes 0.5 days of James Webb's. The project started in April 2025 and will run for three years.
 - **Additional unbudgeted grants** / funding received.

6. MITIGATING FACTORS

Although the Board is asked to approve a deficit budget, we have identified a number of mitigating factors, of which some of them are listed in the Opportunities section above. We have already been notified that there is DEFRA Capex allocation for FY26/27, and in most likely scenario it will be similar amount to current year. This would allow us to capitalise a number of 'core' costs such as:

- IT costs c. £20k
- Climate Change Consultants and Professional Fees c.£10k
- Significant portion of Climate Lead salary costs
- Significant portion of GCG salary costs
- Portion of Business Support Officer salary costs
- Tools & equipment costs c.£10k

Additionally, once 3-year DEFRA allocation is received, we will be able to prepare medium-term financial plan and look ahead into next 2-3 years and build our fundraising strategy around this.

Once allocation for Capex, FiPL and Access (if any) for FY26/27 are received, we will revise the budget. The revised budget will be reviewed and approved by the F&G Committee at their next meeting in June 2026.

In the meantime, we will continue to pursue additional opportunities and funding ensuring any bids for new work include minimum 20% hosting fee to release pressure on core budget.

7. CONCLUSION

- It is recommended, that the Draft Operating Budget is adopted by the Board with a caveat that it is subject to a potential revision which would be approved by the F&G Committee if required and the Board notified at the subsequent Board meeting.
- We will pursue the opportunities as listed above with the aim of reducing the necessity of using much of the Development Fund to fund the core deficit. If not enough opportunities listed above materialise, we will challenge the budgets at Reforecast 1.
- We will strive to maintain a General Fund of between £70k and £75k in accordance with our Reserves Policy.
- Once the outcome of the risks and opportunities is known, we will revise the Budget for any major impacts (e.g. DEFRA Capex, FiPL). The smaller updates will be done as part of the Reforecast 1, following Q1.

SUPPORTING PAPERS

- Appendix A – Reserves Movements

- Appendix B – Income and Expenditure
- Appendix C – Reserves Policy

Magda Glanowska, Head of Finance
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