

## MEDIUM TERM FINANCIAL STRATEGY

**Summary:** To introduce a framework for the new Medium Term Financial Strategy which the Finance Team will be working on with the Partnership Lead in Q2-Q3 FY26/27 with a view to be present a first draft to the F&G Committee at their meeting in November 2026 and for the final strategy to be endorsed by the Board at their February 2027 Board meeting.

**Recommendation:** The Board is asked to: note the introduction of a Medium-Term Financial Planning (MTFP) framework and support its development.

**Report by:** Magda Glanowska – Director of Finance and Corporate Services

**The below paper was presented to the Finance & Governance Committee on 21 May 2026 meeting and fully endorsed for recommendation to the Board.**

### BACKGROUND

Historically, the organisation has operated through an annual budget process supported by two in-year reforecast. Although medium term-planning has previously been discussed, this has been difficult to implement due to uncertainty around future DEFRA funding settlements.

As DEFRA funding represents approximately 80% of core funding, with the remaining 20% funded through local authority contributions, the absence of multi-year funding assumptions has limited the ability to undertake meaningful longer-term financial planning.

Indicative DEFRA funding assumptions are now available over a three-year period. Whilst these remain subject to change, they provide a sufficient basis to begin developing a proportionate Medium Term Financial framework.

The purpose of the framework is to strengthen longer-term financial sustainability, support strategic decision-making, and improve visibility of future financial pressures and opportunities.

### PRINCIPLES

The following principles are proposed to underpin the framework:

- a rolling three-year planning horizon reviewed annually to ensure resource allocation;
- use of prudent and realistic financial assumptions;
- separation of core operational funding and restricted project activity;
- alignment of financial planning with organisational priorities and the Management Plan;
- flexibility and scenario planning; and
- early identification of financial risks and sustainability challenges in order to support early identification of future budget gaps, financial risks, and potential staffing requirements to enable proactive management rather than reactive decision making.

In the longer term, CNL should also seek to strengthen financial resilience by diversifying income sources and reducing reliance on its single primary funding stream, DEFRA. This will be supported by the funding strategy, a component of this framework.

### KEY COMPONENTS

#### **Current Spending Strategy (RDEL and CDEL)**

How we spend the money we have and how we prioritise multiple requirements (decision tree).  
How do we ensure sustainability of the core business beyond the current financial year.

How do we ensure correct resource allocation and value for money.

### **Medium-Term Financial Plan**

The MTFP is expected to include:

- projected core funding and expenditure;
- budget and forecast categorisation review;
- staffing and inflation assumptions;
- reserves forecasts, available reserves including General Fund and Development Fund;
- known financial pressures and risks; and
- high-level assumptions relating to externally funded projects.

### **Reserves Policy**

Reviewed annually within the budgeting cycle (already existing).

### **Capital Spend and Investment Strategy**

Where relevant, the framework will identify significant future capital requirements and investment considerations. This will include Investment Strategy (already existing) and Land / Asset Acquisition Strategy (already drafted). How do we invest to save / maximise investments.

### **Funding Strategy**

In relation to funding strategy, CNL should seek to:

- prioritise larger and longer-term funding opportunities where appropriate;
- ensure appropriate overhead recovery and contribution towards core costs;
- focus resources on projects that are financially viable and strategically aligned;
- avoid overextending organisational capacity across multiple small-scale projects; and
- consider future opportunities for broader fundraising and income diversification arrangements and explore alternative funding mechanisms such as charitable structure if appropriate.

How do we financially future proof the core and how do we seek out new money. Funding Strategy will be developed jointly with the Partnership Lead.

### **Governance and Risk Management**

The development of a MTFP supports improved financial governance, risk management, and strategic oversight by providing greater visibility of the organisation's projected financial position beyond the annual budget cycle.

### **NEXT STEPS**

The next steps are:

- develop detailed content of the MTFP framework and an initial rolling three-year financial forecast;
- agree key planning assumptions; and
- present a draft Medium Term Financial Plan to the F&G Committee in November 2026.

JUNE 2026