

Financial Sustainability Review – Bannau Brycheiniog National Park Authority

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Summary report

Why we did this audit

Our audit duties

- 1 Bannau Brycheiniog National Park Authority (the Authority) has to put in place arrangements to get value for money for the resources it uses, and the Auditor General has to be satisfied that it has done this.
- 2 We undertook this audit to help discharge the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations Act (Wales) 2015.

Our objectives for this audit

- 3 To provide assurance that the Authority has proper arrangements to support its financial sustainability.
- 4 To explain the Authority's financial position and the key budget pressures and risks to its financial sustainability.

Why financial sustainability is important

- 5 A combination of factors including the rising cost of delivering services and increased demand for some services is placing significant pressure on local government finances.
- 6 Despite these pressures, National Park Authorities (NPAs) are still required to set a balanced budget whilst delivering on statutory duties and the term of government remit letter. NPAs also provide a range of non-statutory services that communities rely on.
- 7 In this context, it is important that NPAs develop a strategic approach to their financial sustainability over the longer term, to help them to secure value for money in the use of their resources.

What we looked at and what does good look like¹

- 8 We reviewed the Authority's strategic approach to support its financial sustainability, its understanding of its current financial position, and its

¹ Defined as 'what should be' according to laws or regulations, 'what is expected' according to best practice, or 'what could be', given better conditions.

arrangements for reporting and oversight of its financial sustainability. This audit was limited to a consideration of the arrangements that the Authority has put in place to support its financial sustainability. It was not a review of the Authority's wider financial management, or of the individual financial decisions that the Authority has made or intends to make.

- 9 We recognise that some factors which will impact on the Authority's financial sustainability will be beyond the scope of this audit, as this audit focused on the arrangements that the Authority is putting in place. Factors may include the amount, and timing, of funding made available by the Welsh Government to the Authority.
- 10 We also recognise the unprecedented financial challenges that public bodies have faced for many years and are likely to continue to face for at least the medium term. This includes the public sector funding pressures that followed the financial crisis in 2008 and the impact of the pandemic both at the time and its continued aftereffects. More recently, NPAs have also faced significant real-terms reductions in spending power as a consequence of the fastest increase in inflation for decades. Alongside all of these events, there have also been changes in the demand for some services. These factors are largely outside the control of any individual NPA.
- 11 Against this longer-term background of financial challenges NPAs have needed to respond to more recent challenges at pace. We understand that, inevitably, some of the specific details of how financial pressures will be tackled over the medium term are still to be determined. This report sets out our view on the Authority's financial arrangements and, where appropriate, where we think these could be strengthened to help improve the Authority's financial sustainability over the medium term. Our report should be viewed in the context of these wider and longer-term financial pressures.
- 12 The audit sought to answer the overall question – **Does the Authority have proper arrangements to support its financial sustainability?** To do this, we looked to answer the following questions:
 - Does the Authority have a clear strategy for its long-term financial sustainability?
 - Is the Authority's financial strategy supported by a clear understanding of its financial position?
 - Do the Authority's reporting arrangements support regular oversight of its financial sustainability?
- 13 The audit criteria that we used to assess the Authority's arrangements against each of our questions are set out in **Appendix 1**. This has been informed by our cumulative knowledge, as well as drawing on some publications produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).



Our audit methods and when we undertook the audit

- 14 Our findings are based on document reviews and interviews with senior officers and the Authority Chair. We also met with Welsh Government officials responsible for NPAs. The evidence we have used to inform our findings is limited to these sources. We undertook this work between February and April 2025.



What we found

- 15 Overall, we found that **the Authority understands that its financial position is unsustainable unless action is taken, but has not yet addressed it**. We set out below why we reached this conclusion.
- 16 The Authority understands that its financial position is not sustainable but has not yet taken action to address it. Officers have set out clearly that the Authority has a structural deficit that needs to be addressed. The Authority has forecasted that the 5% increase in the National Park Grant in 2025-26 will result in a deficit of £0.8 million in its revenue budget for 2025-26. This represents 15% of its 2025-26 revenue budget. Additional revenue funding by the Welsh Government in recent years has largely helped the Authority to meet the costs of funding the deficit. However, as this extra funding is not guaranteed in future years, it is not sustainable for the Authority to place reliance on it. The Authority also relies on the additional grant funding to avoid using its financial reserves.
- 17 The Authority held £2.7 million of usable reserves not restricted by law at the end of 2023-24². This represented 58% of the Authority's net spending in 2023-24. Reserves are usually built up where funding is not spent during the year. For example, this could be due to funding being awarded late in the year or expected costs being lower than budgeted. Officers have clearly stated that the impact of the deficit on the Authority's financial position is not sustainable. This is due to its reserves being relatively small in total size, despite being relatively high as a proportion of net spending. As a result, unforeseen significant cost pressures, such as litigation or property damage, may significantly drain reserves.
- 18 A comprehensive understanding of funding pressures and financial risks is important to help develop a well-informed financial strategy. It also helps a strategy to meet the scale of the challenge faced. The Authority has shown in its reporting to members that it is clearly aware of its position, such as in its sensitivity analysis. However, it has not taken steps to address it. This is a risk to its medium to long-term financial sustainability.

² Our definition of usable reserves differs to the Authority's. For additional information and context see the [Local Government Financial Sustainability Data Tool](#).

- 19 The Authority lacks a clear approach to address its anticipated budget gap or to improve its financial sustainability. The Authority plans its budget annually and does not have a medium-term financial plan. This leads to a short-term focus in its financial planning. It has identified some potential savings to reduce its deficit but is at an early stage of considering them. This means the Authority has not yet measured the scale or impact of savings on its well-being objectives and statutory duties. The Authority has started to consider other ways of raising money, but is not clear on by how much or how soon this will improve its financial position. We recognise that extra in-year funding from the Welsh Government in previous years has reduced the need for the Authority to take action to improve its longer-term financial sustainability. However, it is not sustainable for the Authority to place reliance on this funding in future years..
- 20 A clear, well-informed and agreed financial strategy is important to identify how the Authority will respond to anticipated future funding pressures. Especially how it will meet its projected deficit in the short, medium, and long term. Without a strategy, it is difficult for the Authority to have assurance that it will address its deficit in a planned and well-managed way that will secure value for money. It also increases the risk of short-term decisions that do not provide value for money over the longer term.
- 21 The Authority supports members in understanding the financial position with clear mechanisms for reporting. Members also have the opportunity to give their views on, and gain further understanding of, the Authority's financial situation through an informal member working group with senior officers.
- 22 Clear and regular reporting is important to enable effective oversight and scrutiny of the Authority's financial position, and actions taken to improve its financial sustainability. However, without taking action to address the issues highlighted in financial reports, the extent to which they can help improve the Authority's financial sustainability is limited.



Our recommendations for the Authority

Exhibit 1: our recommendation for the Authority

Recommendation

- R1 The Authority should urgently put in place medium-term planning financial planning arrangements to determine and set out how it will address its anticipated budget gap (**Paragraphs 19 and 20**). This should include:
- 1.1 considering the impact of different options on its well-being objectives and statutory duties; and
 - 1.2 arrangements for regular oversight and scrutiny of financial plans, and progress in implementing them to address the Authority's anticipated budget gap.

Appendix 1

Audit questions and criteria

Exhibit 2: overall question: Does the Authority have proper arrangements to support its financial sustainability?

Level 2 questions	Criteria
Does the Authority have a clear strategy for its long-term financial sustainability?	<ul style="list-style-type: none">• The Authority has clearly set out its strategic approach to support its financial resilience over the short, medium, and long term.• The Authority has a medium-term financial plan.• The Authority's strategic approach is widely understood and supported by members and senior officers.• The Authority has considered a wide range of options to improve its long-term financial sustainability, including by comparing with other bodies.• The Authority has identified all the savings it intends to make to meet its funding gap over the medium term, supported by well-evidenced plans based on reasonable assumptions.• The Authority's strategy includes the strategic use of reserves to manage its savings programme over the medium term.• The Authority has modelled the anticipated impact of its financial strategy over the medium term (eg potential service reductions and Authority levy levels on principal councils).
Is the Authority's financial strategy supported by a clear understanding of its financial position?	<ul style="list-style-type: none">• The Authority has calculated its funding gap over the short to medium term based on reasonable assumptions.• The Authority has benchmarked its assumptions with appropriate comparator bodies.• The Authority has a good understanding of its key budget pressures in the medium and the long term.• The Authority has a track record of successfully addressing key budget pressures.• The Authority has identified the key risks to its financial sustainability and has put in place mitigations.

Level 2 questions	Criteria
<p>Do the Authority's reporting arrangements support regular oversight of its financial sustainability?</p>	<ul style="list-style-type: none"> • It is clear who is responsible for monitoring the Authority's financial position, including its sustainability over the medium to long term. • The Authority regularly reports its financial position to members to enable oversight and scrutiny. The Authority has arrangements to transparently report the impact/anticipated impact of its financial strategy on the achievement of its corporate objectives to members and other stakeholders on local communities. • The Authority's savings plan includes what has been agreed, how much progress has been made in implementation and links to both its budget and medium-term financial plan. • The Authority regularly reports progress in delivering planned savings to members to enable oversight and scrutiny.



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