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**Date issued:** February 2025

Dear Catherine and Aled,

## Progress in delivering the Auditor General's Statutory Recommendations

As you are aware, in his report of February 2021, the Auditor General made statutory recommendations to Bannau Brycheiniog National Park Authority (the Authority) following his review of the change programme. Since then, he has indicated that he would follow up progress in delivering these recommendations, which we did in March 2022 and most recently in May 2023.

This letter sets out our most recent review, completed through interviews with you and senior officers, as well as reviewing Authority minutes and other key documents. We focused on the three core issues we identified in our last letter:

- progress in delivering actions to respond to the Auditor General's recommendations;
- work to strengthen governance and decision-making; and
- organisational capacity and resilience to deliver improvement.

**We have found that a lack of organisational capacity and resilience presents a significant risk to the future sustainability of the Authority and its ability to deliver the Auditor General's recommendations**

For the three core issues set out above, our conclusions are:

- the Authority is constrained by a lack of organisational capacity and its financial position, although it has made some progress in delivering its priority actions.
- whilst officer-member relations have improved, some members are still not fully engaged in scrutiny and decision making. A lack of organisational capacity and resilience presents a significant risk to the future sustainability of the Authority

We set out below the evidence underlying these conclusions.

### **The Authority is constrained by a lack of organisational capacity and its financial position although it has made progress in delivering its priority actions**

We found that there has been some progress since our last review. For example, the Authority has also produced an Income Diversification Strategy to improve its finances in the long term. Since our fieldwork, the Authority has approved a revised Scheme of Delegation. This was a priority action previously identified during our review. Other key documents, such as a risk framework and a governance and assurance framework, have also been developed since our last review.

However, despite this progress, we are concerned that the current financial position of the Authority may constrain it to the point where it is unable to implement its current plans and make all the improvements needed to secure its future sustainability.

The Authority has considerably lower levels of reserves relative to its operating costs than the other two National Park Authorities (NPAs) in Wales. For 2023-24, Bannau Brycheiniog's ratio of usable reserves not restricted by law to its net cost of services was 58%<sup>1</sup>. Both of the other Welsh NPAs have ratios above 100%. This means that the Authority has a significantly weaker financial position to build from.

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<sup>1</sup> The definition of reserves and method used is consistent with our [financial sustainability data tool](#).

The number of partners that the Authority needs to work with, in part due to its geography, adds to this challenge and requires investment in capacity to meaningfully work in partnership. The Authority has the largest number of statutory partners of Welsh NPAs. Engagement is required from the nine principal councils within the park boundaries, in addition to several Corporate Joint Committees and Public Service Boards. This requires a significant time commitment by officers and makes alignment of objectives and activities challenging in practice. This increases the risk of duplication and not identifying and taking opportunities to secure multiple benefits. It also adds to the capacity constraints that the Authority is currently experiencing.

Organisational capacity and resilience also significantly limit the ability of the Authority to implement change. There are significant capacity gaps at many officer levels. This has meant that senior leaders have carried out duties below their grades, which is inefficient and further limits their capacity to carry out their intended roles. It also limits the ability of officers to balance the Authority's desire to deliver its management plan and the Welsh Government's policy objectives, whilst also addressing its governance, financial, and capacity issues. Certain posts being left unfilled (eg Health & Safety and complaints officers) also increase the risk of legal issues for the Authority.

We also heard during our fieldwork that the lack of organisational capacity has placed significant pressure on officers, impacting on their morale and wellbeing, and as a consequence organisational resilience. This has the potential to exacerbate the risks associated with a lack of organisational capacity, and has reduced the ability of the Authority to implement its management plan. Delivery of many key functions depends on individuals and, when they leave the Authority, those functions may not be replaced due to difficulties with retention and the viability of posts in the Authority's financial context. The Authority has, however, appointed a Head of Finance and Resources and created other roles to begin to broaden capacity. It has also taken steps to improve staff wellbeing.

The Authority has taken the view that its financial position limits the extent it can invest to ease capacity limits. However, the Authority has not resolved how it will address its gaps in capacity, and, as a consequence, its resilience. The concern for the financial sustainability of the Authority was raised repeatedly during our fieldwork. There is also a lack of clarity in the timescale for implementing the remaining priority actions to respond to our recommendations, despite four years having passed since we issued our recommendations.

Consequently, there are significant risks that the Authority cannot deliver its strategic plans as currently set out. This includes its National Park Management Plan and its annual Business Plan. Senior officers recognise that the scope of the Authority's Business Plan may need to be reduced to make it more realistic. They are also considering whether all 12 business plan priorities are realistic given capacity constraints.

### **Whilst officer-member relations have improved, some members are still not fully engaged in scrutiny and decision making**

Relationships between Authority members and officers continue to be, overall, respectful and constructive. Members are generally supportive of the Authority's direction of travel and some members are highly engaged with the Authority's work. For example, some contribute to specialist working groups on topics such as the development of a charitable arm and future accommodation.

However, not all the Authority's members are fully engaged in their role on the Authority. Member attendance to full Authority meetings is 81.7% overall, but significantly lower by council-appointed members (73.8%) compared to Welsh Government-appointed members (97.1%). We also heard during our fieldwork that some elected members do not engage effectively with the Authority and its work. This limits the extent to which they can effectively input into decision-making and scrutiny, and risks weakening the effectiveness of governance arrangements. This links to the findings and recommendations in our recent report [Governance in National Park Authorities](#), which we will also follow up on in due course.

### **Next steps**

In conclusion, we believe insufficient progress has been made to provide assurance that the Authority will address the Auditor General's statutory recommendations. The lack of progress and concerns raised pose a significant risk that the Authority does not have proper arrangements in place to secure value for money in its use of resources. We have decided not to make additional recommendations at this stage, but we would expect to see additional action taken to address the Auditor General's statutory recommendations as a matter of urgency.

Partly because of our findings from this work, we have included a financial sustainability review of the Authority within our audit programme for the current financial year to provide assurance over the Authority's arrangements. We will work with officers to arrange our fieldwork in due course. Following the completion of this work, we may make further recommendations or consider further our approach to

following up progress by the Authority. We have copied this letter to the Welsh Ministers to make them aware of our findings.

Yours sincerely,

Gary Emery

Director for Local Government