

Report to **Policy & Resources Committee**
Date **20 November 2025**
By **Interim Chief Finance Officer**
Title of Report **Budget Monitoring Report 2025/26: Month 6**
Decision

Recommendation: The Policy & Resources Committee is recommended to:

- 1. Note the 2025/26 Revenue Forecast position as at month 6 of a net £0.300m above budget variance and that this is currently being met by a reduction in unrestricted reserves.**
 - 2. Note the 2025/26 Capital Forecast position as at month 6 being an underspend of £3.150m as explained in paragraph 3.9 and Appendix 2 to the report.**
 - 3. Note the Reserves position as at month 6, as set out at Appendix 3.**
 - 4. Note the Treasury Management overview and position as at month 6, as set out at Appendix 4.**
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1. Introduction

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for the 2025/26 financial year on the 27 March 2025. In accordance with financial procedures, reports on the Authority's projected income and expenditure compared with the budget shall be submitted at least quarterly to Policy & Resources Committee. This report sets out the Authority's 2025/26 forecast financial position as at the end of month 6 (September 2025).
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were also approved by the Authority at its meeting on 27 March 2025. In accordance with financial procedures, the Policy & Resources Committee shall receive quarterly treasury management update reports. This report provides an overview of the current economic and treasury management position as at the end of month 6 (September 2025) 2025/26.

2. Policy Context

- 2.1 The revenue and capital budgets are developed in accordance with the authority's agreed budget framework alongside the Corporate Plan and the Partnership Management Plan (PMP) in order to ensure that the budget aligns with the authority's priorities and objectives. The budget monitoring process reports on variances against approved budgets to identify changes and resource requirements at the earliest opportunity.

3. Issues for consideration

Revenue Forecast

- 3.1 The 2025/26 forecast revenue outturn as at month 6 is an adverse variance of £0.300m. The month 6 forecast has been developed following a review of current and anticipated changes in staffing, as well as other significant known variances. A summary of the forecast revenue

position is provided by service area below and the revenue movement between budget and forecast and the key variances by service are provided in Appendix I.

2025/26 Month 4 Variance £'000	Directorate	2025/26 Budget Month 6 £'000	2025/26 Forecast Month 6 £'000	Forecast Variance Month 6 £'000	Forecast Variance Month 6 %
220	Corporate Services	2,703	2,941	238	8.81%
153	Growth & Business Development	1,819	1,854	35	1.92%
(30)	Seven Sisters Country Park	(72)	(113)	(41)	57.14%
(137)	Countryside Policy and Management	2,634	2,792	158	6.00%
(201)	Planning	3,844	3,754	(90)	-2.33%
0	Strategic Projects	125	125	0	0.00%
5	Total Directorate Budget	11,052	11,353	300	2.72%
0	National Park Grant	(9,626)	(9,626)	0	0.00%
0	Contribution to/from Reserves*	(1,426)	(1,426)	0	0.00%
5	Total Authority Budget	0	300	300	

*includes £510k agreed at budget setting and £870k budget carried forward from 2024/24.

- 3.2 There has been an increase in spend forecast since month 4 of £0.295m, in part relating to unforeseen ill health retirement costs and a lower level of capitalised salaries being able to be applied to the capital programme. The Authority is facing an overspend of £2.72% or £0.300m, this would need to be funded by the reserves of the authority and is part of the latest reserves position outlined later in the report. This is in addition to the £0.510m contribution from reserves approved in March 2025, which included funding for specific activities such as the Local Plan and Partnership Management Plan as well as balancing the budget gap identified at that point.
- 3.3 Consideration needs to be given as to how this can be managed and reduce the need to call on reserves. A full review of the use of reserves based on the month 6 forecast position will be undertaken to mitigate the overspend and ultimately lower the use of reserves.
- 3.4 Measures taken now to manage this overspend will have a direct impact on the Medium-Term Financial Plan, if the overspend cannot be managed downwards then it reduces the flexibility in the revenue budgets available to mitigate future years pressures. There are still 6 months remaining of the year and so a clear action plan is required to ensure the authority balances its budgets by year end.
- 3.5 The table below sets out the movement between month 4 and month 6.

Service	Forecast Variance Month 6 £'000	Forecast Variance Month 4 £'000	Movement £'000	Explanation of Main Movements
Corporate Services	237	220	17	BHCC Contract variation £27k, £10k consultants, Salaries £16k, £10k general repairs on buildings
Growth & Business Development	35	153	(118)	Consultants fees
Seven Sisters County Park	(41)	(30)	(11)	Reduced income £10k due to part closure of the cottages, £5k on rainwater tank
Countryside Policy & Management	158	(137)	295	Revised method for capitalisation of salaries £210k, £18k Dew pond creation, revised FiPL cost £28k, staffing £54k
Planning	(90)	(201)	111	£105k to OLA's, £81k ill health retirement, agency £30k, Legal fees to be funded from Reserves (£30k), S106 fees (£20k)
Strategic Projects	0	0	0	
National Park Grant	0	0	0	
Total Authority Variance	300	5	295	

3.6 The most significant element of the budget relates to staffing and salary costs. Paragraph 3.2 and 3.3 outline some of the detail regarding salary budgets whilst Appendix I provides further detail on the other elements of the budget. The approved Revenue salary budgets for 2025/26 include a 10% net turnover rate (applied for average of 9 weeks of the financial year), which reduces the overall salary budget by (£0.129m). In addition, a proportion of the salary budget has reduced (£0.459m) to cover those members of staff who are directly involved in capitalisable work, such as development projects or infrastructure improvements. The actual capitalisable value, following data collection for the first half of the financial year, was lower than forecast. The net salary forecast across all services is £0.391m above budget at Month 6.

3.7 It should be noted that the forecast represents known staffing levels at the time of review. At 31 July 2025 there were 138.72 FTE's, which included 1 apprentice, 5.02 FTE on fixed term contracts and 6.6 on temporary contracts. There were 5 vacant posts across all departments as at the month 6 position, with many of the vacant posts in the process of being filled. The staffing structure is kept under continuous review and the replacement of vacancies and creation of new posts are only agreed following Senior Leadership Team approval where there is a clear operational requirement and sufficient budget identified. No organisation can expect to operate at full complement and a moderate level of turnover is anticipated.

3.8 Other revenue variances are outlined in Appendix I to the report.

Capital Programme

- 3.9 The SDNPA is engaged in delivering several revenue and capital programmes funded from internal and external sources. The table in Appendix 2 shows all current projects that are in delivery during this financial year which use available Authority resources. The table sets out the source of funding, spend to date, forecast spend and variance.
- 3.10 The spend forecast at month 4 is £4.020m against a budget of £7.170m a variance of £3.150m. This predominantly is a result of two externally funded projects being delivered over multiple years, the budgets for these projects will be reprofiled to future years. The impact is nil on the authorities’ resources as they are externally funded.
- 3.11 The Committee will be aware that Defra made available £2m of capital funding that we need to execute by the end of the financial year. Members will also be aware authority was delegated at the 8 July NPA meeting to manage this on an agile basis to ensure that this deadline is met. Included in this sum is funding for:
 - a. Centurion Way - This project has been progressing since 2014-15 financial year with a number of sources of funding including FIPL, Partners, SDNPA’s reserves, CIL, The Trust and Section 106.

Table 3 – Centurion Way Funding	£’000
Department for Transport Grants	652
Local Authority Contributions	69
Other Agencies	180
CIL	138
SDNPA Reserves	1,351
Subtotal reported at 19 Sept P&R Committee	2,390
DEFRA Capital 2025/26	465
CIL 2025/26	390
Total	3,245

- b. Salary Capitalisation – Initially a higher target was set to recover capitalised salary costs from the capital budget to support revenue costs. However, having gathered data for the first half of the financial year, this target has been reduced, which has had an impact on the revenue position in month, which has been reported in this paper. This has released funds for further capital projects, however.
 - c. New Barn Cottage - New Barn Cottage is an SDNPA owned asset at SSCP which is being returned to use after being left derelict for some years. Funding for New Barn Cottage was originally agreed at £0.207m from the 2023-24 underspend. Whilst work started in 2024-25, the bulk has been delivered in 2025-26 with the funding now sourced from the Defra Capital allocation, which can release back the £0.207m into the authorities unrestricted reserves. The total allocation is £0.302m, of which £0.285m has been spent to date and it is anticipated to be fully spent by the end of the financial year. This is intended to bring in a rental income in due course.
- 3.12 SDNPA Carry forwards - £0.215m was agreed at July 2025 NPA meeting (Agenda Item 15) to fund the ongoing delivery of these projects. This is part of the total £0.870m carry

forwards approved at the July 2025 NPA meeting. Included in this is the Midhurst Shoring Up provision which is set aside to deal with costs arising from The Angel Hotel fire in March 2023. It is expected that a substantial proportion of these funds will be recoverable in due course, with a proportion already being received by the authority. When this does happen, this provision will be able to be released back to the unrestricted balances of the SDNPA.

- 3.13 External Contributions – some projects are wholly funded from external contributions; these are detailed in Appendix 2. Two major projects are listed below for further detail.
- a. Downs to the Sea - This project, which started in 2024 is running until the end of 2027. £2.480m of funding has been raised (NLHF £1.700m and £0.794m from various sources including CIL, Trust and external organisations) is to restore and protect ponds and wetlands. Spend to date is £0.050m.
 - b. SAMM - The SAMM project is delivered through funding from East Hampshire District Council and Wealden Town Council over a maximum of 5 years, generating £0.765m of income over that period which contributes to salary and non-pay costs.
- 3.14 New Projects – since the last report to P&R in September a new project has been added to the capital programme, subject to approval. The relates to the Foxhole Cottages at SSCP which are due for refurbishment in this financial year. Recent work with architects and contractors set this cost in the region of £0.200m to tackle a full refurbishment. Sources of funding for this will be considered and include:
- SSCP's revenue surplus
 - Any capacity in the Defra Capital programme that may be released from undeliverable programmes
 - A call on the unrestricted reserves.
- 3.15 If it is considered that the SSCP surplus or reserves are required to fund the programme this falls outside of the scope of delegated authority that was given in July whereby schemes can be managed within the DEFRA capital grant. If upon assessment there is no DEFRA capital grant available approval will be sought, financial implications being set out in the Budget Monitoring Report for month 9.

Reserves

- 3.16 A schedule of reserves held by the Authority is provided at Appendix 3, which gives the purpose, movement, and balance of each reserve. The movements in reserves in 2025/26 to date are shown below and at Appendix 3 for information. The creation of reserves and any transfers to and from reserves must be approved by the Authority. The use of reserves must be in accordance with the approved purpose of each reserve.
- 3.17 The Reserve Table at Appendix 3 sets out reserves under headings that categorise the level of control and influence the Authority has over each type of reserve. The table shows that the Authority holds approved and recommended risk reserves of: £1.403m, including a £0.672 minimum working balance which must be maintained to demonstrate financial prudence and resilience.
- 3.18 Capital Reserves of £0.094m to manage the timing of capital payments across financial years and £8.346m in relation to S106, CIL and other agreements over which the Authority does not have direct control.
- 3.19 The reserves over which the Authority has direct influence and control are therefore General Reserves which have been fully allocated, and referenced as 'Earmarked Reserves', currently stand at £2.040m to meet approved projects and programmes.
- 3.20 A thorough review of these reserves is required; reserves are being earmarked for specific projects which could be released to support the authority's Medium Term Financial Strategy. This review should take place as part of the budget setting process for 2026/27.

Treasury Management Overview and Position

- 3.21 The 2025/26 Treasury Management Strategy (which includes the Annual Investment Strategy) was approved by full Authority on 27 March 2025. This section of the monitoring

report provides an update to the Authority on the performance against the treasury strategy and indicators.

- 3.22 The performance of the Authority's treasury management activity to Month 6, against benchmarks and the key indicators in the Authority's Treasury Management Strategy, as approved by Full Authority at its meeting of 27 March 2025, are set out below.

Economic Overview

- 3.23 As widely expected, the Bank of England (BoE) kept Bank Rate unchanged (4.00%) at its September meeting. The accompanying policy statement emphasises that "a gradual and careful" approach is most appropriate, whilst leaving the door open to continuing rate cuts in the future. Recent positive comments from Bank Governor Bailey on the economy and labour market, compounded by weaker than expected September inflation figures, have reinforced market expectations are that the next cut will take place in the February meeting. Expectations of a potential second cut have grown, with current pricing for this oscillating between the meetings in April or June.

Investments

- 3.24 The Authority's investment portfolio of £15.985m as at 30 September 2025 is made up of the following:

- £1.500m fixed deposit held with Lloyds Corporate Markets
- £12.000m loans to other Local Authorities (6 authorities at £2m each)
- The remaining balance is invested via Brighton & Hove City Council (£2.485m as at 31/9/2025)

- 3.25 The parameters for the Annual Investment Strategies were met in full during the period with no breaches.

Investment Performance and Risk

- 3.26 The table at Appendix 4 summarises the performance of these investments to 30 September 2025. The actual average interest rate earned to month 6 was 4.93% (compared to 5.51% average to M6 2024/25). Investment returns have continued to fall as investments secured at peak rates mature, to be replaced with investments at prevailing rates. This is, however, in line with projections made at month 6 2024/5.

- 3.27 The Authority uses the Sterling Overnight Index Average (SONIA) as a benchmark against its investment performance. The average benchmark rate Months 1-6 was 4.19% compared to an average investment rate achieved of 4.93%. The investment rate therefore over-performed the benchmark by 0.74%. The portfolio is expected to outperform the benchmark in the short term, however yields will continue to compress as loans mature (88% of the portfolio held on 1/4/25 will mature by month 8).

- 3.28 The security of the Authority's investment portfolio has been monitored to month 6, to assess the risk of loss. These risks were assessed using the financial standing of the groups invested in, the length of each investment, and the historic default rates. The investment strategy sets an allowable risk level of 0.050% (i.e. that there is a 99.95% probability that the Authority will get its investments back). The actual indicator ranged between 0.007% and 0.013%. The indicator has remained unchanged since M4 due to the continued high proportion of the portfolio held in secure local authority investments.

Borrowing

- 3.29 The 2025/26 Capital Strategy identified no borrowing need for the Authority. This is not forecast to change as at Month 6. The Authority's cumulative borrowing need to date is expected to continue to be met internally. This is cost effective, and an assessment has been made to ensure that the cash balances remain an appropriate size to maintain this internal borrowing position, but this will be carefully monitored.

Prudential Indicators

- 3.30 The below tables show the indicators that were agreed as part of the 2025/26 Treasury management Strategy and the actual indicators for the year.

- 3.31 The Capital Financing Requirement (CFR) is the cumulative unfinanced capital spend. There is no external borrowing, and therefore the CFR is 100% funded through internal borrowing.

Capital Financing Requirement (CFR) (Underlying Borrowing Need)	Original Estimate 2025/26 £m	forecast as at M6 2025/26 £m
Opening Balance*	1,200	1,202
New Borrowing	0	0
Minimum Revenue Provision	(22)	(22)
Closing Balance – underlying borrowing	1,178	1,180
External Borrowing as at 30 September 2025	-	0
External Borrowing as a % of CFR	-	0%

*excludes long term leases

- 3.32 The below table shows the borrowing limits agreed for 2025/26. The authorised limit is the maximum external debt that the Authority can enter into. The operational boundary is the limit that the external debt is not expected to exceed during the year, although can be exceeded temporarily for operational reasons. This operational boundary was exceeded for six working days during the period to meet temporary liquidity requirements in advance of maturing investments. The Authority did not have any external borrowing as at 30 September 2025.

2025/26 Borrowing Limits	Authorised Limit £'000	Operational Boundary £'000
Indicator set	3,100	2,800
Maximum borrowing during the period	2961	2961
Variance	139	(161)

4. Options & cost implications

- 4.1 By continuously identifying and explaining variances against budgets, the Authority can identify risks, changes and new resource requirements at the earliest opportunity. A below budget variance at the end of the financial year would represent an increase in reserve levels and have implications for the Medium-Term Financial Strategy of the Authority.

5. Next steps

- 5.1 Annual budgets are approved by the National Park Authority (NPA). Budget monitoring is a key component of the Authority's overall performance monitoring and control framework and is reported at least quarterly to the Policy & Resources Committee.

6. Other implications

Implication	Yes*/No
Will further decisions be required by another	No

Implication	Yes*/No
committee/full authority?	
Does the proposal raise any Resource implications?	Yes. Budget monitoring requires action plans to mitigate above budget variances to ensure that the Authority does not overspend on its available resources. A below budget variance at the end of the financial year could increase reserve levels and may have implications for the Medium-Term Financial Strategy of the Authority.
How does the proposal represent Value for Money?	Internal controls and governance are in place to ensure the economical, efficient, and effective use of resources.
Which PMP Outcomes/ Corporate plan objectives does this deliver against	None
Links to other projects or partner organisations	No
How does this decision contribute to the Authority's climate change objectives	None
Are there any Social Value implications arising from the proposal?	No
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	There are no implications arising directly from this report. The Authority's equality duty shall be considered in respect to all expenditure and programmes undertaken by the National Park Authority.
Are there any Human Rights implications arising from the proposal?	No
Are there any Crime & Disorder implications arising from the proposal?	No
Are there any Health & Safety implications arising from the proposal?	No
Are there any Data Protection implications?	No

7. Risks Associated with the Proposed Decision

- 7.1 There are no risks directly associated with this report as the recommendations are for noting only.

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Appendices:	<ol style="list-style-type: none">1. 2025/26 Revenue Key Variance by Directorate and 2025/26 Revenue Key Variance by Service2. 2025/26 Capital Forecast3. 2025/26 Reserves Position4. 2025/26 Treasury Management Performance5. Explanation of Key Terms
SDNPA Consultees	Chief Executive; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services, Head of Finance and Corporate Services.
External Consultees	None.
Background Documents	<p>Information in this report is taken from audited Financial Management Information Systems maintained by the Corporate Financial Services provider, Brighton & Hove City Council.</p> <p>This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedure.</p>

