

Report to **Policy & Resources Committee**
Date **19 February 2026**
By **Interim Chief Finance Officer**
Title of Report **Budget Monitoring Report 2025/26: Month 9**
Note

Recommendation: The Policy & Resources Committee is recommended to:

- 1. Note the 2025/26 Revenue Forecast position as at month 9 of a net £0.181m below budget variance.**
 - 2. Note the 2025/26 Capital Forecast position as at month 9 being an underspend of £2.703m as explained in paragraph 3.8 and appendix 2 to the report.**
 - 3. Note the Reserves position as at month 9, as set out at Appendix 3.**
 - 4. Note the Treasury Management overview and position as at month 9, 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 9 (December 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 9 (December 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 9 is a net below budget variance of (£0.181m) which represents an improvement of (£0.481m) from the month 6 above budget forecast variance of £0.300m. The month 9 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 6 Variance £'000	Directorate	2025/26 Budget Month 9 £'000	2025/26 Forecast Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
238	Corporate Services	2,758	2,692	(66)	-2.41%
35	Growth & Organisational Development	1,937	2,003	66	3.38%
(41)	Seven Sisters Country Park	(72)	(100)	(28)	39.05%
158	Landscape & Operations	2,402	2,542	140	5.82%
(90)	Placemaking	3,844	3,553	(292)	-7.60%
0	Strategic Projects	183	183	0	0.00%
300	Total Directorate Budget	11,052	10,872	(181)	-1.64%
0	National Park Grant	(9,626)	(9,626)	0	0.00%
0	Contribution to/from Reserves*	(1,426)	(1,426)	0	0.00%
300	Total Authority Budget	0	(181)	(181)	

*includes £510k agreed at budget setting and £870k budget carried forward from 2024/25.

- 3.2 Since the Month 6 forecast was produced, a review of investment income has been undertaken, resulting in a positive variance of (£0.279m) against the budget. The latest performance is set out in the Treasury Management overview in the main body of the report.
- 3.3 **Salaries** – As in previous years, the approved salary budget of £7.034m includes a 10% turnover rate (applied for an 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 work which can be capitalised, such as development projects or infrastructure improvements. The actual value of staff pay that could be capitalised has been lower than originally budgeted for, and represents a shortfall of £0.252m against what can be allocated to Capital. The forecast spend on salaries is currently £7.563m, an above budget variance of £0.529m. This shortfall is primarily made up of the reduction in the budget due to capitalisation and the omission of the Members Allowances £0.148m.
- 3.4 It should be noted that the forecast represents known staffing levels at the time of review. At 31 December 2025 there were 139 FTE's which included 3 apprentices, and 9 FTE on temporary/fixed term contracts. There were 8 vacant posts across all departments as at the month 9 position, some of which will be filled in this financial year. 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.
- 3.5 Other revenue variances are outlined in Appendix I to the report.
- 3.6 The table below sets out the movement between month 6 and month 9.

Service	Forecast	Forecast	Movement	Explanation of Main Movements
	Variance	Variance		
	Month 9	Month 6		
	£'000	£'000	£'000	
Corporate Services	(66)	237	(303)	Improved investment interest forecast by (£0.279m). Revised staffing cost figure in Property due to vacancy not being filled in 25/26, and forecasted spends have not been realised. Overspends in IT due to Co-Pilot.
Growth & Organisational Development	66	35	31	Includes movement of cost centres from Landscape & Operations.
Seven Sisters County Park	(28)	(41)	13	Costs of Health & Safety tree works and building/plant repair costs.
Landscape & Operations	140	158	(18)	Movement of cost centres to Growth & Organisational Development, and forecast Capital income and expenditure has been moved to a Capital cost centre.
Placemaking	(292)	(90)	(202)	Increase in CIL admin income and planning applications, and reductions in consultant and legal fees
Strategic Projects	0	0	0	
National Park Grant	0	0	0	
Total Authority Variance	(181)	300	(481)	

Capital Programme

- 3.7 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.
- 3.8 The spend forecast at month 9 is £4.463m against a budget of £7.166m giving a variance of £2.703m. This predominantly is a result of four 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.
- 3.9 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.
- 3.10 New Projects – Since the last report, the Board will note that there is an allocation of £107k to Foxhole Cottages refurbishment. This allocation (from Defra Capital and from the SSCP's operational budget surplus) covers the work for this current financial year to bring the cottages to an acceptable standard for letting. There is a further requirement for capital funding in the new financial year to complete the works. This will be met, if possible, from Defra Capital funding, once our allocation for 2026-27 is known.

- 3.11 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, the exact figures which can be released will form part of the outturn report to P&R for 2025/26.
- 3.12 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.

Reserves

- 3.13 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.
- 3.14 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: £1.859m, including a £0.672 minimum working balance which must be maintained to demonstrate financial prudence and resilience;
- 3.15 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.
- 3.16 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.
- 3.17 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 is forming part of the budget setting process for 2026/27, following the January 2026 budget workshop.

Treasury Management Overview and Position

- 3.18 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 report provides a mid-year update on the performance against benchmarks and the key indicators in the Authority's Treasury Management Strategy for the first nine months of the year.

Economic Overview

- 3.19 An overview of the economic landscape at as December 2025 is provided by Brighton & Hove City Council's Treasury Advisors, MUFG. As widely expected, the Bank of England (BoE) cut Bank Rate by 25bps from 4.00% to 3.75% at its December 2025 meeting; consistent with futures markets having already priced in the change prior to the decision. The result and voting split also broadly held in line with expectations, with the fall in inflation in November persuading Governor Bailey to swing back to voting for a rate cut in a 5-4 split. The other four votes were cast by the four more hawkish members of the Committee all opting to keep

rates unchanged. While it will present a full assessment of the Budget at its February meeting, the Committee confirmed earlier commentary that the policies would likely cut 0.4% to 0.5% off inflation by the middle of 2026, while subsequently nudging it higher in future years.

Investments

3.20 There has been no change to the total value of investments held with external counterparties of £13.500m since the previous update at Month 6, although some maturing loans have been reinvested during the period. The Authority’s investment portfolio of £14.730m as at 31 December 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 (£1.230m as at 31 December 2025)

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

Investment Performance and Risk

3.22 The table at Appendix 4 summarises the performance of these investments to 31 December 2025. The actual average interest rate earned in Q3 was 4.53%. Yields on the Authority’s investment portfolio have continued to reduce reflecting both the recent reduction to the Bank of England base rate and market expectations of further cuts, however yields still continue to outperform benchmark rates.

3.23 The Authority uses the Sterling Overnight Index Average (SONIA) as a benchmark against its investment performance. The average benchmark rate for Q3 was 3.94% compared to an average investment rate achieved of 4.53%. The investment rate therefore over-performed the benchmark by 0.59%. The portfolio is expected to continue to outperform the benchmark for the remainder of the financial year.

3.24 The security of the Authority’s investment portfolio has been monitored to month 9, 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 99.950% probability that the Authority will get its investments back). The actual indicator ranged between 0.010% and 0.014%. The indicator remains well within limits and the parameters for the Annual Investment Strategies have been met in full during the year to date with no breaches.

Borrowing

3.25 The 2025/26 Capital Strategy identified no borrowing need for the Authority. This is not forecast to change as at Month 9. 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

3.26 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.

3.27 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 M9 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*

- 3.28 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. The Authority did not have any external borrowing as at 31 December 2025 and these borrowing limits were not breached during the period.

2025/26 Borrowing Limits	Authorised Limit £'000	Operational Boundary £'000
Indicator set	3,100	2,800
Maximum borrowing during the period	0	0
Variance (Headroom)	3,100	2,800

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 committee/full authority?	No
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.

Implication	Yes*/No
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: I. 2025/26 Revenue Key Variance by Directorate

2025/26 Revenue Key Variance by Service

2. 2025/26 Capital Forecast
3. 2025/26 Reserves Position
4. 2025/26 Treasury Management Performance
5. Explanation of Key Terms

SDNPA Consultees:

Chief Executive Officer; Director of Placemaking; Head of Governance and Monitoring Officer; Legal Services; Head of Finance and Corporate Services.

External Consultees:

None

Background Documents:

Information in this report is taken from audited Financial Management Information Systems maintained by the Corporate Financial Services provider, Brighton & Hove City Council.

This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedure.