South Downs National Park Authority

Agenda Item 16

Report PR24/25-38

Report to	**Policy & Resources Committee**
Date	**23 June 2025**
By	**Interim Chief Finance Officer**
Title of Report	**Revised Capital Programme**
Decision	

Recommendation:

The Committee is recommended to recommend that the National Park Authority:

1. **Approve the revised Capital Programme 2025/26 and additional budget requirement of £0.902m as detailed in paragraphs 3.6;**
2. **Delegate authority to the Chief Executive Officer, in consultation with the Chair of the Authority, to vary the Capital Programme 2025/26 and to approve project plans as necessary as required by the SDNPA's Financial Procedures;**
3. **Delegate authority to the Director of Landscape and Strategy, in consultation with the Chair of the P&R Committee, to agree arrangements for the procurement of and to authorise the entering into of contracts of a value of £0.200m or greater to deliver the Capital Progamme 2025/26;**

The Committee is recommended to:

4. **Note the process for monitoring and evaluating capital projects and the reporting schedule on the delivery of the Capital Programme as set out in paragraph 5.1; and,**
5. **Note the retention of previously agreed reserves to be held on the balance sheet for a decision to be made on their use as part of the 2024/25 Outturn report to be considered by the National Park Authority in July 2025.**

1. Introduction

1.1 The purpose of the report is to make the committee aware of the implications of the change in grant funding regime that South Downs National Park Authority (the Authority) will be receiving during the financial year 2025/26. The report sets out the capital programme for the remainder of the 2025/26 financial year and how the Authority plans to deliver the programme. The Committee is recommended to recommend the capital programme to the National Park Authority for approval along with delegations to support the effective delivery of the capital programme.

1.2 The Capital Strategy was approved as part of the budget report presented to NPA on 27 March 2025. It was at this meeting and reported as part of the 2025/26 budget setting paper that DEFRA had confirmed the National Park Authorities' grant allocations for the 2025/26 financial year; this resulted in the core revenue grant reducing for the Authority by £0.860m for the year, resulting in a core grant of £9.626m, representing a reduction of 8.2% from 2024/25. However, it was announced it was to be replaced by additional capital grant funding to offset the impact of lost revenue. There is no requirement to revise the whole Capital Strategy for 2025/26, this report is outlining an update to the capital programme only for the financial year.

1.3 The revenue element of the grant has remained broadly static in cash terms for a number of years (with the exception of a few non-recurring additional allocations in year), and it is considered that given inflation, the revenue grant is in the region of 50% of the value the SDNPA received at its inception in 2010/11.

1.4 The new capital grant the Authority is due to receive is £2.000m. As set out further in the report this will fund the revised capital programme of £1.594m and an element of costs which can be capitalised of £0.406m, which in previous years was recognised as revenue but are in fact costs eligible to be capitalised.

2. Policy Context

2.1 The Authority's revenue grant allocation funds approximately 70% of the proposed revenue budget for 2025/26. It is proposed that the capital grant funds in full the Authorities capital programme for the year. The budget has been developed in accordance with the authority's agreed budget framework alongside the Corporate Plan and the Partnership Management Plan (PMP) to ensure that the budget aligns with the authority's priorities and objectives. In addition, it was further informed by two Member Budget Workshops (December 2024 and January 2025) in order to align with the Corporate Plan.

3. Issues for consideration

3.1 There are many implications arising from the change in grant funding which are outlined below:

New Capital Grant 2025/26

3.2 DEFRA have announced they will increase the capital grant which the Authority will receive to £2.000m. This is broken down into two elements, the first being £0.860m to replace the lost revenue and £1.100m for additional capital, representing growth and potential opportunities for the Authority.

3.3 The increase in capital funding allows the Authority to approach funding in a different way by capitalising eligible costs to capital projects or applying the REFCUS accounting policy, for which the precedent has been set through the adjustments made during the 2023/24 accounts. It also allows for the existing funding of the capital programme to be switched from reserves to the new grant. The impact of doing this means a higher level of general reserves available to mitigate the estimated deficit in 2026/27 previously reported to the NPA in the MTFS.

3.4 It is important to be aware that any capital grant unspent by the end of the financial year (31st March 2026) will need to be returned to Defra. This generates a considerable time pressure to deliver the programme in time, which introduces the risk of not only losing the funds but also missing opportunities to invest in other projects which may have been delivered.

2025/26 Capital Programme

3.5 The Capital Strategy in the budget paper from 27 March 2025 set out the proposed capital programme for 2025/26, this detailed a programme of £0.692m, plus the capitalisation of revenue costs where eligible. Table 1rovide specific detail of the update to capital works and projects to be undertaken in 2025-26, referred to as the Capital Programme 2025/26 the source of funds and the Corporate Plan Objectives supported through the investment.

3.6 The Capital Programme 2025/26 currently estimates spend to meet the capital grant. The previously approved a capital programme was £0.692m, this has now increased by £0.902m to £1.594m. The committee are asked to approve the increase in budget.

Capital Programme Table 1:	**Original Budget for 2025/26 £'000**	**Revised Budget for 2025/26 £'000**	**Budget increase to be approved £'000**
Acquisition of Flails	165	165	-
South Downs Centre and Sevens Sisters Energy Efficiency	79	100	21
QECP Partnering Arrangement	40	-	(40)
National Park Signage Project	2	23	21
New Barn Cottage Improvement Works	207	282	75
South Downs Centre External Decorations	25	-	(25)
SSCP Car Park	50	300	250
SSCP Fencing	94	94	-
Fleet vehicle acquisitions	30	30	-
Centurion Way		400	400
Centurion Way improvement of asset		50	50
SSCP Roof	-	100	100
SSCP Foxhole Cottage asset completion	-	50	50
Total Capital Budget	**692**	**1,594**	**902**

3.7 To mitigate the risk of having to return the capital grant the Authority will need to be agile and able to act swiftly in the delivery of projects which will complete within the 2025/26 financial year. To do so the Authority has a project pipeline which has a number of projects that could be delivered should any of those listed in Table 1 not progress sufficiently. The value of these projects on the project pipeline is currently approximately £0.313m. In order to be able to deliver the spend of the capital grant in year it is proposed that officers be delegated authority by the National Park Authority to vary the capital programme as necessary, should any project listed in table one prove to be unfeasible to deliver by the end of the financial year, and approve any associated project plans and procurement arrangements as required by the Authority's Financial Procedures and Contract Standin Orders.

3.8 Given this proposed change to the Authority's project approval processes it will be important to provide regular updates to Members on delivery and spend against the capital programme. Project and budget monitoring will be done monthly with project managers and budget holders and quarterly reporting will be to the Committee through the regular financial monitoring process which will include any revisions to the capital programme along with a schedule of decisions taken and the financial impact associated with those decisions. This will provide scrutiny and assurance that decisions are being taken in line with the Authority's Financial Regulations, Procedures and Standing Contract Orders.

3.9 Having a fully funded capital programme from the grant will also result in a further decision for the Authority to make as there were four areas of capital spend which were to be funded from reserves. The value of these is £0.330m.

3.10 The treatment of this sum requires consideration in line with the impact of the previous year's financial outturn position which is anticipated to be considerably more favourable than reported at Month 10 of 2024/25 and the spending review announcement. A recommendation on the treatment of the freed-up funding will be included in the 2024/25 Outturn report which is due to be presented to NPA on the 8th July 2025.

Reduced Revenue grant

3.11 The updated capital programme utilises the additional capital element of the grant however there is still £0.860m that is available to support the reduction in core revenue funding. Under the capital accounting policies, the Authority is permitted to capitalise revenue costs, there is a strict criterion for this to happen which centre around the delivery of new assets or the enhancement of an existing one.

3.12 Through the budget setting process spend which meets the criteria was identified, this includes the capitalisation of salaries such as the time spent by Rangers and project managers time spent supporting new capital initiatives. For 2025/26 this is considered low risk for the Authority having identified the non-complex items.

3.13 The audit of SDNPA's 2023-24 accounts identified that a number of projects delivered through our revenue programme should be considered capital under the Revenue Expenditure Funded by Capital Under Statute (REFCUS) accounting policy, which is applicable to local government bodies. REFCUS also sets out that the Authority can capitalise expenditure that is made on assets that are not owned or controlled by the Authority.

3.14 Therefore, where we are delivering assets or improving assets on property owned by other bodies (including private landowners, developers, community property etc) this expenditure can be capitalised subject to CIPFA guidelines (the Public Finance governing body). This gives us the opportunity to engage more with a number of partners to deliver our PMP and corporate plan objectives for the Park.

3.15 The application of this accounting policy has enabled the Authority to fully utilise the new capital grant.

Other funding streams

3.16 For context, it is important to be aware that the Authority also has other funding streams which deliver projects across the National Park and which are taken into consideration in the preparation of the capital programme. These various sources of funding are outlined below.

CIL and S106 Reserves

3.17 Historically capital investments across the National Park have been funded largely from reserves held by the SDNPA. The CIL and S106 reserves are clearly defined in terms of their application, and these have supported some capital projects in the past (including Centurion Way).

Other reserves

3.18 Where past underspends have been available and recognised in our unrestricted reserves, these funds have sometimes been used to fund capital projects and purchases for the SDNPA and beyond. This will have included investment in fleet, equipment and premises.

Other Government Grants

3.19 The SDNPA is in receipt of a number of other grants from central government including (but not limited to)

- FiPL – Farming in Protected Landscapes
- Countryside Stewardship
- Access for All

- Biodiversity Net Gain in Planning

3.20 Some of these grants have capital elements and are transparent about how they should be allocated through the terms of the grant.

Trust income

3.21 The South Downs National Park Trust has funded a number of specific capital projects since 2017, including:

- Trees for the Downs
- Centurion Way
- Machinery and equipment

3.22 It is expected that in 2025-26 and beyond, whilst some capital support from the Trust will still be forthcoming, support from the Trust will be sought to support more revenue-based expenditures or projects that do not fulfil the Defra capital criteria. This would have the impact of reducing the impact of the lost revenue income from 2025-26.

4. Options & cost implications

4.1 There is an option of not granting delegation as set out in the recommendations. If this option was to be taken forward it would impact the ability of officers to act in an agile way and deliver the capital programme in the timescales required to spend the capital grant allocation for 2025/26. Amendments to the capital programme would need to be approved at each Cabinet meeting, potentially resulting in significant delays to capital expenditure. Should the grant not be fully spent in 2025/26 there is a knock-on impact for 2026/27 where funding is likely to be needed to be identified from the Authority's existing resources, in the absence of any assurance surrounding future years capital grant allocation.

4.2 Budget options and their cost implications have been considered and developed in the context of the medium-term financial position of the Authority and priorities informed by Members' Budget Workshops to align with the Corporate Plan and PMP. This report is an update to the budget paper from 27th March 2025.

5. Next steps

5.1 Should the proposed approach to the delivery of the capital programme be recommended to the NPA and agreed it should be noted that amendments to the capital programme and decisions on procurement will be made outside Committee and NPA. It will therefore be important to provide regular updates to members through the Authorities regular financial monitoring process referred to as Targeted Budget Monitoring (TBM). In these updates revisions to the capital programme will be presented alongside a schedule of decisions taken with the financial impact associated with those decisions. This will provide scrutiny and assurance that decisions are being taken in line with the Standard Financial Regulations, Standard Financial Procedures and Standing Contract Orders.

5.2 Any project being considered for the capital programme will be required to demonstrate an assessment of the revenue consequences of delivering the capital project. This may include insurances, monitoring costs, maintenance of the assets created etc. These revenue consequences will be considered at the time of approval of the project and will feed into the budget setting exercise and the medium-term financial strategy.

5.3 It is proposed that all projects for inclusion on the capital programme will be reviewed by the Capital Working Group and, if the proposed delegation set out above is agreed, approved by the Chief Executive, in consultation with the Chair of the Authority.

5.4 All projects will be monitored through the Performance Management Framework and financial reports will be generated and reviewed monthly with Project Managers and the Finance Officer for inclusion in internal financial reporting. The Project Management Framework will link each project with corporate plan and Partnership Management Plan objectives for the SDNPA.

5.5 Evaluation at the end of the project will be carried out through the Project Management Framework.

5.6 The Capital Working Group will also receive and review submissions for the project pipeline, where new submissions are to be made and considered for implementation if necessary.

5.7 Part of the Medium-Term Financial Plan for the Authority is to review its revenue profile and develop external funding to a position where the Defra revenue grant is matched in value. The recent appointment of the Director of Business Development and Growth will explicitly support this aspiration. The planned impact of this is for the reduction in the revenue grant to be mitigated by new and additional income streams. This may take a number of years to reach full maturity.

5.8 In addition, it should be noted that there are opportunities to reduce the revenue budget in the light of consistent underspend at the end of each financial year. An informal target to remove £0.300m of budgeted non pay spend in year in 2025-26 through quarterly review of management accounts is initiated as part of the monthly financial processes.

5.9 Defra are anticipating guidance from the Government's Comprehensive Spending Review in July 2025, which will inform a three-year settlement for National Parks, which we are expecting to be informed of late in the 2025-26 financial year. The three-year settlement is generally welcomed by National Parks because it offers us unprecedented opportunities to plan for both revenue and capital spend over the medium term, without the uncertainty of previous years.

5.10 However, there is as yet no indication of precisely what that 3-year settlement will be, but the expectation is there may be a further cut to revenue, while capital may be maintained at the £1.1m level.

6. Other implications

Implication	**Yes*/No**
Will further decisions be required by another committee/full authority?	Yes – by the National Park Authority.
Does the proposal raise any Resource implications?	Resources to deliver the capital programme will be met from existing resources or will form part of the business case for the delivery of the capital programme and funded by the grant income.
How does the proposal represent Value for Money?	The report makes the best use of the DEFRA capital grant for 2025/26.
Which PMP Outcomes/ Corporate plan objectives does this deliver against	The paper provides an update on resources across the Corporate Plan priorities and PMP objectives.
Links to other projects or partner organisations	None
How does this decision contribute to the Authority's climate change objectives	The paper provides an update on resources available for climate change initiatives across the Corporate Plan priorities and PMP objectives.
Are there any Social Value implications arising from the proposal?	There are no implications arising directly from this report. Social value implications will be considered as part of any needed procurement processes.

Implication	Yes*/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 taken into account in respect to all expenditure and programmes undertaken by the National Park Authority.
Are there any Human Rights implications arising from the proposal?	None
Are there any Crime & Disorder implications arising from the proposal?	None
Are there any Health & Safety implications arising from the proposal?	There are no implications arising directly from this report, the Authority has a duty to ensure that Health & Safety is taken into account in all its activities.
Are there any Data Protection implications?	No

7. Risks Associated with the Proposed Decision

7.1 Describe any risks associated with the recommendation including possible risks to delivery, budgets in the table below.

Risk	Likelihood	Impact	Mitigation
Delayed delivery of capital programme beyond 31st March 2025	2	2	Use of reserves previously earmarked to fund the capital programme
Not delivering the approved capital programme by the end of 2025/26.	2	2	Use of reserves previously earmarked or other Authority resources to fund the capital programme

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Appendices:	None
SDNPA Consultees:	Chief Executive; Director of Landscape and Strategy; Director of Planning; Monitoring Officer; Legal Services, Head of Finance and Corporate Services

External Consultees:	None
Background Documents:	Agenda Item 11 Report NPA24/25-32