

Report to **South Downs National Park Authority**  
Date **17 October 2024**  
By **Nature-based Solutions Manager**  
Title of Report **Green Finance / Nature-based Solutions Update**

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**Recommendation: The Authority is recommended to:**

**1. Note and endorse the Authority's ongoing Green Finance / Nature-based Solutions work**

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**1. Introduction**

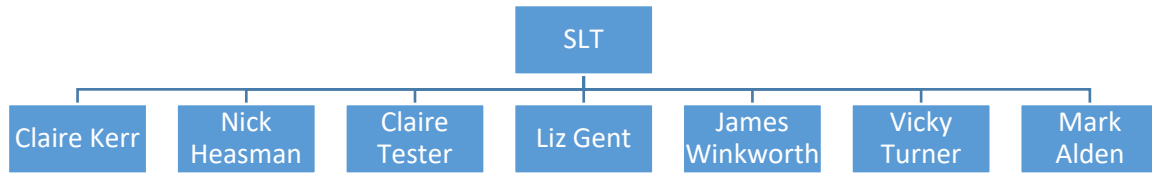
- 1.1 The UK Government, through its 25 Year Plan for the Environment (2018) and more recently the DEFRA Environmental Improvement Plan (2023) sets ambitious targets for nature's recovery. This includes the realisation that to achieve these targets would need £500 million per year of private finance to pay for it by 2027 rising to £1 billion a year by 2030. The Authority's response to this was our 33% by 2030 and Net Zero by 2040 environmental targets.
- 1.2 Furthermore, in March 2022 the Authority, took the decision to include Nature-based Solutions (NbS), sometimes referred to as Green Finance, in its Corporate Plan. Through a cross-organisation initiative, this approach added habitat banking as a method of delivering meaningful nature restoration projects across the National Park aligned to Lawtonian Principles of *bigger, better and more joined up*. Natural England describe Habitat Banking as, *sites where habitat is created in advance, prior to any loss occurring, which will be secured and managed long-term*. This empowers landowners and land managers to be able to monetise natural capital on privately owned land to finance nature recovery and generate an additional income stream to supplement traditional farming income. Through this mechanism the Authority has, to date, secured 550ha of land devoted to nature.
- 1.3 Our NbS work is now established as one of the delivery mechanisms to achieve the corporate priorities of nature recovery, climate action, rural economy & thriving communities, delivered in part through the statutory planning function. This work seeks to make the best use of both the compliance and the emerging voluntary markets utilising the Authority's existing powers in legislation and recovering our costs in doing so.
- 1.4 Following completion of its first full year of operating (1 April 2023 – 31 March 2024) coupled with the success of the Green Finance Summit hosted by the SDNPA on 23 May 2024, this report seeks to update Members on the progress of the NbS work and the arrangements to ensure sound practice and good governance.

**2. Legislation, Governance and Policy Context**

- 2.1 The emergence of both compliance and voluntary nature markets has acted as the catalyst for National Parks to consider a nature-based solutions approach to pursuing its overarching Defra objectives. These nature markets currently include Biodiversity Net Gain (BNG), Nutrient and Water Neutrality, and Voluntary Biodiversity Credits; with Natural Flood Alleviation and Woodland Carbon being likely future markets.

- 2.2 The Authority works on biodiversity projects with landowners in the South Downs National Park (SDNP) in pursuit of the first purpose of the National Park to *conserve and enhance the natural beauty, wildlife and cultural heritage of the area*.
- 2.3 The Environment Act 2021, Town and Country Planning Act 1990 and The Conservation of Habitats and Species Regulations 2017 (as amended) ('The Habitats Regulations'), provide the legislative framework for BNG and Nitrates & Phosphates offsetting provision. As the Local Planning Authority (LPA) and the roles and responsibilities, therein, power is afforded for nitrate or phosphate offsetting and BNG to be secured through the planning system.
- 2.4 This work contributes to the delivery of both the Partnership Management Plan (2019 – 2024) and Corporate Plan priorities as well as delivering against the Defra Protected Landscape Targets and Outcomes Framework (2024) and targets embedded in the recently published UK National Parks Synthesis Report (2024). A list of these outcomes and targets can be found in the table in section 8.
- 2.5 The Authority, as the Local Planning Authority for the SDNP, may enter into legal agreements (planning obligations agreed between the LPA and a person with an interest in land) under Section 106 (s106) of the Town and Country Planning Act 1990. Land for both BNG and nutrient compensatory measures are secured through s106 agreements to effect land use change, typically from intensive agriculture to new space for nature. As part of these agreements the Authority commits to monitor the land for a specified period of time and in a specified manner. The Authority enters into these agreements with the aim of recovering and enhancing nature in the SDNP and seeks to recover the costs associated with the s106 agreement through the charging of the monitoring fee.
- 2.6 In addition to its statutory planning function as a Local Planning Authority, The Authority, through its Countryside and Policy Management Directorate, is also able to offer additional services to landowners to support them with the aim of recovering and enhancing nature. As landowners are not always able to make the significant upfront financial commitment usually required to deliver on the s106 agreements, the Authority works closely with them and may undertake additional services with or for the landowner. These services can include providing support on habitat management plans, marketing plans for units/credits, undertaking due diligence checks, or other services which directly support landowners to bring forward land for nature recovery and enhancement and deliver on their environmental aspirations.
- 2.7 When providing these discretionary services, the SDNPA enters into a contract with the landowner for the provision of these services in relation to the land secured through the s106 agreement. The Authority seeks to recover its costs for the provision of these services. In recovering its costs over time, rather than recovering the total cost upfront, which as described above can be onerous for a landowner, the SDNPA accepts a percentage of the sales of the units/credits for the lifetime of the contract. This does mean the recovery of costs is dependent on the sales of the units/credits, so the Authority has taken a prudent approach in its assessment of the costs, expected sales of units/credits, and the income the Authority can therefore expect.
- 2.8 The NbS work is overseen by a dedicated internal group called the 'NbS Board'. The Terms of Reference set out that the Board looks to:
- Provide a forum to oversee the NbS work.
  - Provide advice and support to the NbS operational team.
  - Oversee the governance of NbS work in relation to wider strategic goals such as Nature Recovery, Corporate Plan delivery and Income Generation.
  - Ensure cross organisational support and ownership for the NbS work.
- 2.9 The NbS Officer Board consists of senior managers with expertise including planning, land and countryside management, income generation, project and financial management from across the organisation and meets on a quarterly basis. The Board makes recommendations to the Senior Leadership Team on strategic matters of principle, the operational budget and

annual allocation to the NbS Reserve, to ensure provision is made for the long-term monitoring commitments the Authority signs up to as part of the s106 agreements.



**3. Financial Management**

- 3.1 The NbS service generates income for the Authority either through the receipt of monitoring fees which seek to recover the Authority’s costs in monitoring the ReNature Schemes secured through s106 agreements, or through costs recovered on discretionary services to landowners in support of nature recovery and enhancement on other land secured by the s106 agreement.
- 3.2 Prior to March 2022, when s106 agreements for securing land in this way first appeared, legal agreements were being entered into by the SDNPA which committed the organisation to then unknown or underfunded long-term obligations. Through its NbS work, the true cost of compliance monitoring was calculated and applied in all legal agreements from that point onwards, to ensure all monitoring costs under these agreements were properly funded.
- 3.3 All income received is initially allocated to an NbS cost centre. It is then allocated to either the Authority’s general funds to cover in year costs of providing the service or to the NbS Reserve (formerly Green Finance Reserve). By entering into long term legal agreements as a Local Planning Authority, either for 30 years or 125 years, depending on the nature market and requirements for monitoring and assessment, the Authority is cognisant that it is committing to long-term liabilities for compliance monitoring of each ReNature Scheme it secures. Each year, as part of the budget round and as took place last year, the amount to be allocated to the NbS Reserve is considered based on agreements the Authority has entered into.
- 3.4 Up to 31 March 2024, the Authority had eight agreements with landowners and had generated £294,939 of income, of which £167,000 was allocated to the NbS Reserve to finance the long-term liabilities of compliance monitoring.
- 3.5 To date during the current financial year (1 April 2024 – 31 March 2025) the Authority has entered into a further agreement with one landowner and the NbS Service has generated a further £173,874. The target for the financial year is three agreements in total and £382,000 towards the Authority’s costs in delivering the service. The allocation of income to the NbS Reserve or general funds will be considered as part of the budget round.

**4. 2023/24 & 2024/25 NbS Update**

4.1 Year 1 2023/24 Targets versus Achievements

	Target	Achieved
Secured ReNature Schemes (Ha)	435 ha	502 ha
Income Generated (Ha)	£300,000	£294,939

4.2 Year 2 2024/25 Targets versus Achievements so far.

	Target	Achieved (end of Q2)
Secured ReNature Schemes (Ha)	435 ha	48 ha
Income Generated (£)	£382,000	£173,874

- 4.3 The ReNature Schemes delivered to date through this service total 550 hectares and represent diverse, well-designed, and well-connected habitats all of which are aligned to the Lawton Principles. These include, grassland, woodland, hedgerow and scrub habitats.
- 4.4 The Authority is in discussions with a variety of landowners to bring forward new sites. There are 12 schemes, totalling a potential 259ha, looking to engage with the Authority solely as the LPA, and a further 5 schemes, totalling potentially over 400ha, which are seeking an additional service from the Authority.
- 4.5 The Green Finance Summit took place on 23 May at the South Downs Centre, Midhurst with over 130 delegates. During the Green Finance Summit, the Authority announced the creation of the country's newest nature market, Voluntary Biodiversity Credits (VBC). In the weeks that followed the announcement, The SDNPA successfully secured £99,705 of grant funding from the Natural England Investment Readiness Fund (NEIRF) administered by the Environment Agency. This external funding is to enable the development of the infrastructure required to create, establish and operate the new nature market whilst also fully funding for a fixed 12-month period, a Project Officer (Nature-based Solutions Officer) to operate and assist in accelerating the establishment of VBC in the first year.

## **5. Update on Voluntary Biodiversity Credits (VBCs)**

- 5.1 Voluntary Biodiversity Credits (VBCs) are a way for corporate buyers to formally purchase a credit of biodiversity enhancement from a ReNature Scheme. A report in June 2023 by Oxfordshire Local Nature Partnership commented that the BNG (compliance) market will likely only account for 10% of the funding needed to meet the nation's 30 by 30 target, emphasising the importance and need for other markets. The Authority has partnered with [Earthly](#), a consultancy who looks to empower organisations to tackle climate and biodiversity collapse, to look to create and establish a new nature market that seeks to both accelerate nature's recovery and increase opportunities to attract private finance to landowner's ReNature Schemes. External funding has also been secured to support the creation of a national register for VBC providing assurance over quality and upkeep, the same as Natural England's BNG register does for the compliance market. VBCs are significantly smaller in both size and cost than traditional BNG units making them much more accessible to corporate buyers.
- 5.2 The Authority is leading the way with VBC and the first ever ReNature Scheme for both Compliance BNG and VBC, totalling nearly 19ha, has recently been secured through a s106 agreement. The first sale of VBC by a corporate buyer has already been secured on this scheme.

## **6. Update on wider Nature-based Solutions work**

- 6.1 Work continues to progress at pace to deliver significant and meaningful landscape led nature recovery across the South Downs through a variety of nature markets funded by private finance. The role of the SDNPA in the delivery of these ReNature Schemes will vary depending on whether the Authority is acting solely as the LPA, providing a statutory service through its Planning Directorate, or if it is providing an additional service to landowners and land managers through its Countryside and Policy Management Directorate.

### Set-up Service

- 6.2 The Authority has a partnership with Rural Solutions Ltd to deliver a set-up service known as 'ReNature Through Planning'. This addresses the aspiration to engage with and support our traditional partners in the region, to share learnings and to build closer working relationships to deliver a co-ordinated and larger approach to nature recovery and climate action in the region, funded through nature finance. To date, we have successfully assisted two local authorities whose administrative boundaries cross our own, with advanced talks ongoing with a further local authority. In addition to this we are working with National Parks Partnership to roll out a co-ordinated, concise and free to access version of the set-up service to all national parks in England, following numerous requests. Welsh national parks

are also interested in adopting our approach to tackle the challenges they face around nutrient neutrality.

#### Woodland and Water

- 6.3 Over the past year, The South Downs Woodland Platform has been created in partnership with Palladium under the National Parks Partnerships (NPP) Revere Programme. Following the successful securing of funding from various sources during the 2023/24 financial year, the final stages of development have now been completed with the aim of launching this and planting new woodland in the near future. The innovative Woodland Platform looks to address and, where possible, remove the key barriers to woodland planting witnessed in the South Downs, such as a disproportionate administrative burden and a lack of economic viability coupled with the unmitigated risk of planting failure due to extreme weather events.
- 6.4 All woodland planting delivered through the South Downs Woodland Platform would be registered with the UK Woodland Carbon Code for quality assurance and would generate verified high integrity carbon credits which would be available to purchase by businesses and organisations of all sizes, from all sectors, who are looking to off-set their carbon emissions which they are unable to reduce themselves.
- 6.5 As a direct result of the Green Finance Summit, discussions are progressing to explore how the Authority may be able to play a role in unlocking private finance to deliver carefully located natural flood alleviation schemes across the national park.
- 6.6 Finally, Members will be interested to note a recent visit from Defra who were eager to hear more about our approach to NbS and how we use nature finance to unlock nature recovery at scale. Defra officials were very interested in how this model demonstrates our organisational culture of 'doing more with less' at a time where our settlement from Defra is witnessing real time significant reductions year on year whilst our action against the dual crises of our time, nature depletion and climate change, become ever more urgent.

### **7. Next steps and Future Targets**

- 7.1 Work will continue on the pipeline ReNature Schemes we are working to deliver and fund through private finance unlocked through the various nature markets operating within the South Downs.
- 7.2 Over the next year we will work to establish the new nature market for VBC supported by a newly appointed Nature-based Solutions Officer, externally funded as described above, whilst continuing to support the other nature markets that landowners in the SDNP are able to provide.
- 7.3 We will continue exploring collaboration opportunities internally: e.g. Local Plan Review working with colleagues to identify opportunities to embed a high integrity woodland carbon plus off setting option in the local plan to support our Carbon Net Zero new build policies. We will support the creation of the sustainable procurement policy again offering high integrity woodland carbon plus off setting options for prospective bidders who are unable to meet their Net Zero targets, and supporting colleagues to encourage farmers to adopt nature friendly farming practices in pursuit of the 1,622 ha per year target of regenerative agriculture by 2040 as outlined in the recent NPs Synthesis Report (2024).
- 7.4 We will continue exploring collaboration opportunities externally: e.g. working with NPP to roll out a similar approach to our own NbS across other Protected Landscapes, work with Defra to establish methods to use nature finance to fund nature recovery, continue to support neighbouring LPAs in becoming BNG Ready (arming them to maximise the opportunities to delivery environmental gains from statutory planning powers) and promote closer working relationships to deliver co-ordinated nature recovery networks across administrative boundaries, and supporting Clean Growth UK and other similar climate action groups by providing reliable local carbon off setting opportunities for local businesses and organisations who are on their journey to Net Zero.

**8. Other implications**

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	<p>The Authority, as part of the s106 agreements, enters into long-term monitoring commitments for periods up to 125 years. The NbS Reserve, which is reviewed annually, has been created to ensure the Authority has made financial provision to meet these commitments. The day-to-day delivery on these commitments and other obligations is delivered through the Authority’s current staff structure. All funds not allocated to the NbS Reserve are therefore allocated to the Authority’s general funds with the aim of covering in year costs incurred in providing the service.</p> <p>Officers also support a variety of other initiatives delivering nature recovery and enhancement as part of their day-to-day activities. The NbS Service looks to, where appropriate and within our powers, recover the Authority’s costs incurred in providing certain discretionary services.</p>
How does the proposal represent Value for Money?	<p>The NbS work articulated in this report delivered, through existing resources, nature recovery and climate action in pursuit of organisational objectives. This work also generates income to cover the Authority’s costs in providing various discretionary services.</p>
Which PMP Outcomes/ Corporate plan objectives does this deliver against	<p>PMP Outcome 1: Landscape and Natural Beauty                      PMP Outcome 2: Increasing Resilience                      PMP Outcome 3: Habitats and Species                      PMP Outcome 8: Creating Custodians                      PMP Outcome 10: Great Places to Work                      Corporate Plan Priority: HLT 1.3                      Corporate Plan Priority: HLT 1.4                      Corporate Plan Priority: HLT 5.1                      DEFRA PL Targets and Outcomes Framework: Target 1                      DEFRA PL Targets and Outcomes Framework: Target 5                      DEFRA PL Targets and Outcomes Framework: Target 6                      DEFRA PL Targets and Outcomes Framework: Target 8                      UK National Parks Synthesis Report: 525 ha of new woodland per year                      UK National Parks Synthesis Report: 1,622 ha of nature friendly farming per year</p>
Links to other projects or partner organisations	<p>Defra, District and County Councils in and around the SDNP, Protected Landscapes (National Parks and National Landscapes), Earthly, National Parks Partnerships (NPP).</p>

<b>Implication</b>	<b>Yes*/No</b>
How does this decision contribute to the Authority's climate change objectives	The NbS work delivers on climate change objectives through delivery against the 525 ha per yr target for woodland planting, the 1,622 ha per yr of nature friendly farming, and the creation of high integrity and verified local woodland carbon to enable organisations and SME's to off-set their scienced based carbon emissions, they have been unable to reduce, in local woodland schemes that support the wider economy.
Are there any Social Value implications arising from the proposal?	None
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	In setting up the NbS service, the Authority has considered potential impacts on persons with protected characteristics under the Equality Act 2010. Each individual agreement entered into would have its own assessment of any impacts carried out. Any reasonable adjustments to enable access into this service by any persons will be made as appropriate on a case-by-case basis.
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?	None
Are there any Data Protection implications?	The Authority would collect personal data for the purposes of the agreements it may enter into with landowners and in order to deliver services for landowners. Agreements contain relevant data protection provisions. Advice is sought as required from the Authority's Data Protection Officer and the Authority's Solicitors.

**9. Risks Associated with the Proposed Decision**

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>
Unfunded long-term obligations around compliance monitoring	low	high	The NbS Reserve has been created to ensure provision is made for the long-term monitoring commitments the Authority has signed up to as part of the s106 agreements. This is not unusual. As these commitments are directly aligned to the Authority's priorities and targets, these obligations are delivered through the Authority's current staff structure. As such, all funds not allocated to the NbS Reserve are allocated to the Authority's general funds with the aim of covering in year costs incurred in providing the service.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>
Poor quality or condition habitats	medium	low	The robustness of the s106 legal agreement the Authority utilises for securing land use change includes within it very clear step in rights should such a failure occur. Should a landowner continually not meet the obligations of the s106 agreement, the Authority, as the LPA, would look to enforce those obligations.
Conflict of Interest	medium	High	There is the potential for a conflict of interests where the Authority is acting, on the one hand to deliver the statutory monitoring service for a fixed fee, and on the other to deliver the additional discretionary services for which the Authority seeks to recover its additional costs. The creation of and adherence to clear systems and processes to address potential conflicts of interest is vital to ensure the integrity of the Authority in delivering the NbS Service. A clear demarcation of roles and division of responsibilities between the Planning and CPM Directorates are in place.
Governance	Low	medium	Establishment of a dedicated NbS Board comprised of experienced senior officers to oversee all NbS work and report to SLT. Performance reporting to Policy and Resources Committee and risks managed as appropriate at either team, directorate, or corporate level.

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Appendices	None
SDNPA Consultees	Chief Executive; Director of Countryside Policy and Management; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services.
External Consultees	None
Background Documents	<a href="https://www.southdowns.gov.uk/climate-action-hub/achieving-net-zero-south-downs/">https://www.southdowns.gov.uk/climate-action-hub/achieving-net-zero-south-downs/</a> <a href="https://www.southdowns.gov.uk/climate-action-hub/what-do-we-mean-by-net-zero/">https://www.southdowns.gov.uk/climate-action-hub/what-do-we-mean-by-net-zero/</a> <a href="https://www.naturerecovery.org/wp-content/uploads/2023/08/BNG-report-final-29-June-2023.pdf">https://www.naturerecovery.org/wp-content/uploads/2023/08/BNG-report-final-29-June-2023.pdf</a> <a href="#">Biodiversity Net Gain Brochure (blog.gov.uk)</a>