

# **SURREY COUNTY COUNCIL AUDIT REPORT**

**Review  
of  
Countryside Management Contract  
2011/12**

Prepared for: Jenny Isaac, Assistant Director Operations, Highways and Countryside

Prepared by: Brianna Luscombe, Lead Auditor

Sue Lewry-Jones  
Chief Internal Auditor  
Surrey County Council  
County Hall  
Kingston upon Thames  
Surrey  
KT1 2EA

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## Internal Audit

## Countryside Management Contract - 2011/12

**Additional circulation list:**

External Audit	Audit Commission
Countryside Contracts Manager	Rod Edbrooke
Senior Finance Manager	Susan Smyth
S151 Officer	Sheila Little
Strategic Director Environment and Infrastructure	Trevor Pugh
Risk and Governance Manager	Cath Edwards
Audit and Governance Committee	All
Cabinet Member for Environment	Lynne Hack
Chairman of Environment and Transport Select Committee	Steve Renshaw
Procurement	Derek Lancaster

**Glossary:**

CIPFA	Chartered Institute of Public Finance and Accountancy
SWT	Surrey Wildlife Trust

**Audit opinions:**

<b>Effective</b>	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Some Improvement Needed</b>	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Major Improvement Needed</b>	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Unsatisfactory</b>	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

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**1. INTRODUCTION**

- 1.1 In May 2002, Surrey County Council (the council) entered into a legal agreement with the Surrey Wildlife Trust (SWT) for the management of the countryside estate. Under this agreement land owned by the council is leased to the Trust for 50 years and SWT manages the land and property. SWT also manages access agreements with private landowners on behalf of the council.
- 1.2 In 2009/10, SWT received approximately £1,033,000 from the council, £461,000 in grants from various bodies and £376,000 in rent and other income from the estate. For this amount, SWT manages the council estate which totals 4,000 hectares. 2,500 hectares of the estate is owned by the council (including Norbury Park, Chobham Common, Wisley, Ockham and Worpleson Commons). Approximately 1,500 hectares of the estate is managed through access agreements with private owners and includes Newlands Corner, Wotton and Puttenham Commons.
- 1.3 In March 2011, a number of allegations were raised by members of the public. The allegations regarding Swanworth Farm and Norbury Park Saw Mill have already been subject to review by Internal Audit. A summary of the findings from this review is discussed in the management summary below.
- 1.4 A review of the Countryside Management Contract was included as part of the 2011/12 Annual Audit Plan and was undertaken following agreement of the Terms of Reference included at Annex A. This report sets out the findings and recommendations of the review. The completed Management Action Plan accompanies this report as Annex B.

**2. WORK UNDERTAKEN**

- 2.1 Internal Audit held discussions with Operations, Highways and Countryside (Countryside) Staff to understand and document issues. Internal Audit also met with SWT representatives at their headquarters.
- 2.2 Internal Audit reviewed the contract and lease with SWT, financial and performance reports, quarterly contract monitoring meeting minutes between the council and SWT, Partnership Committee minutes, and other relevant documentation including correspondence sent by council members and members of the public.
- 2.3 Internal Audit performed benchmarking with other county councils in England using the Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking data and Natural England statistics.

**3. MANAGEMENT SUMMARY**

- 3.1 The audit of the Countryside Contract with Surrey Wildlife Trust (SWT) involved a review of contract management and governance arrangements and relevant allegations raised by various parties including members of the public.
- 3.2 Contract Management and Governance Arrangements  
It was found that the contract's governance arrangements including the size and role of the partnership committee could be refined.
- 3.3 SWT delivers the service in accordance with the Service Delivery Specifications and to the agreed standard. However, the council is still struggling with a poorly drafted contract and performance reporting and indicators still require improvement.
- 3.4 In 2009/10, CIPFA benchmarking and analysis by Internal Audit revealed that the council's open spaces (of which the countryside estate forms a major part) achieved a performance ranking of 93% (high is good) and a cost ranking of 15% (low is good) when compared to other county councils in England. It would appear from data that the contract is ensuring value for money for the council in the management of its countryside estate.

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- 3.5 The council, however, still needs to ensure that its processes such as the setting of contracts, contract management and governance arrangements do not inadvertently add extra costs to the contract for itself and SWT and weaken its ability to deliver value for money.
- 3.6 Swanworth Farm and Norbury Park Saw Mill  
It was found by Internal Audit that the initial decisions to close the Norbury Park Saw Mill and to not renew the lease with Mr Bullen at Swanworth Farm appeared to be reasonable.
- 3.7 The aim of the contract with SWT is for the management on behalf of Surrey County Council of the Countryside Estate and it is worth noting there is nothing to suggest in the contract or the associated lease that SWT cannot make such decisions within this scope.
- 3.8 It was found, however, that the handling of the decisions by SWT could have been improved. Specifically, it was noted by Internal Audit that early involvement by the council and the partnership committee in formulating a communication plan and providing advice and assistance in the implementation of both decisions would have been beneficial to SWT.
- 3.9 The opinion given following this review is that there is **Some Improvement Needed**.
- 3.10 A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.

#### 4. FINDINGS AND RECOMMENDATIONS

##### 4.1 Contract Clauses

###### Finding

The contract with Surrey Wildlife Trust (SWT) was drafted in 2002. It was adapted from other more commercially focused contracts as it was the first time the council had entered into such arrangements with a third sector body involving substantial transfers of council property and staff.

In 2009, the previous review undertaken by Internal Audit found that the contract was poorly drafted (particularly the service delivery specifications and performance indicators). This has meant that the operation of the contract has not been as effective and efficient as it could have been.

The current audit found that in comparison to best practice in other jurisdictions that the contract with SWT did not include:

- The purpose of the contract (including objectives and outcomes); and
- The scope of the services to be provided (including quantity and quality).

These clauses form the basis of the contract and are fundamental to its operation. While the contract with SWT has still functioned without these clauses, this is largely due to the efforts of both Countryside Staff and SWT to resolve difficulties in their absence.

###### Risk

If the contract's purpose and scope of services to be provided are not set out in the contract, there is an increased risk that the contract will not be as effective or efficient as it could be.

###### Recommendation

It is recommended that the contract with SWT be varied to include clauses relating to the purpose of the contract and the scope and services to be provided.

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**4.2 Performance Reporting**Finding

In the last audit report in 2009, there were findings relating to the performance measures. Specifically, it was found that the performance indicators were largely input based and did not reflect the intended outcomes of the contract. Revised Service Delivery Specifications (including performance indicators) were developed after the last audit as part of the contract review undertaken by the service.

The revised performance indicators have not improved and are still input focused such as "Encroachment Database maintained". They also do not reflect the intended outcomes of the contract such as increasing the number of volunteers and visitors to sites or improving the condition of the land and properties.

The reports presented at the partnership committee are still time consuming (though they have shortened in length). The reports still require input and lengthy responses by both the council and SWT. This could be improved by developing a simple template for SWT to fill in and provide variance explanations and commentary where necessary.

Risk

If performance reporting is not efficient and effective, there is an increased risk that poor performance will not be dealt with a timely or cost effective manner.

Recommendation

It is recommended that

- Performance indicators are reviewed to ensure they are outcome based and reflect the intended objectives of the contract (i.e. Number of Volunteers, Visitor Satisfaction, or the Percentage of SSSI land that is favourable or unfavourable but improving); and
- Performance Reports are reviewed to make them less time consuming by including a template.

**4.3 Role of Partnership Committee**Finding

The contract's partnership committee meets twice annually in July and December. The committee consists of 5 representatives each from the council and SWT and an Access Agreement representative.

The committee is an advisory committee. The role of the committee as outlined in its constitution is to play a part in:

- developing the policies and approach to sustainable management of the agreed areas of land and property
- developing the image and profile of the partnership
- developing and supporting appropriate initiatives
- building public and political support
- ensuring identifiable achievements
- aiming to secure a year on year increase overall in finance available for the management activities
- mediation.

In practice, the committee receives and discusses performance reports. The committee also regularly has 13 – 16 people (including council members, SWT trustees, council and SWT staff and the access agreement representative).

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It is the opinion of the auditor that the number of representatives is not proportional to either the size of the contract or the limited role of the committee in practice. Monitoring and contract management arrangements impose costs on both the council and SWT. Monitoring and contract management arrangements should be in proportion to the size, nature and risk level of the contract.

Risk

If governance structures are not in proportion to the nature and size of the contract, there is an increased risk that the council and SWT incur unnecessary costs.

Recommendation

It is recommended that the role and size of membership of the partnership committee be reviewed.

**5. ACKNOWLEDGEMENT**

5.1 The assistance and co-operation of all the staff involved was greatly appreciated.

## TERMS OF REFERENCE

### Countryside Management Contract 2011/12

#### BACKGROUND

In May 2002, Surrey County Council (the council) entered into a legal agreement with the Surrey Wildlife Trust (SWT) for the management of the countryside estate. Under this agreement land owned by the council is leased to the Trust for 50 years and SWT manages the land and property. SWT also manages access agreements with private landowners on behalf of the council.

In March 2011, a number of allegations were raised by members of the public. The allegations regarding Swanworth Farm and Norbury Park Saw Mill have already been subject to review. The remaining allegations relating to the finances, service delivery and governance of the contract have been incorporated into the proposed audit.

#### PURPOSE OF THE AUDIT

To ascertain whether systems are in place to ensure the following:

- The contract's governance arrangements are appropriate and robust;
- SWT delivers the service in accordance with the Service Delivery Specifications and to the agreed standard; and
- The contract ensures value for money.

#### WORK TO BE UNDERTAKEN

Discussions to be held with council Staff and SWT representatives to understand and document any changes to processes, which have taken place since the last audit. Audit testing was undertaken in order to ascertain whether the systems in place are effective and working as expected. The audit will also assess what progress has been made to address recommendations made in the last audit report.

#### OUTCOMES

The findings of this review will form a report to Surrey County Council management, with an overall audit opinion on the effectiveness of systems in place and recommendations for improvement if required. Subject to the availability of resources, and the agreement of the auditee, the audit will also seek to obtain an overview of arrangements in place for:

- Data quality and security;
- Equality and diversity;
- Value for Money;
- Business continuity, and
- Risk management.

The outcome of any work undertaken will be used to inform our future audit planning processes and also contribute to an overall opinion on the adequacy of arrangements across the council in these areas.

#### REPORTING ARRANGEMENTS

Auditor:	Brianna Luscombe
Supervisor:	Diane Mackay
Reporting to:	Jenny Isaac, Assistant Director Operations, Highways, and Countryside
Audit Ref:	A03220 / 2011/12