



Environment and Transport Select Committee
15th September 2011

Countryside Estate: Surrey Wildlife Trust's Asset Management Plan

Purpose of the report: Scrutiny of Services and Budgets/Performance Management and Review

This report is coming to the Select Committee following a Cabinet recommendation that Surrey Wildlife Trust produce a Property Asset Management Plan as part of the changes asked for in the way the contract is managed.

Introduction:

- 1 In 2002 Surrey Wildlife Trust (SWT) took on the management of the County Council's Countryside Estate with a payment made by the County Council which is now reducing on a sliding scale from 2006/07 until 2012/13 and then subject to review. The aim of the agreement was to protect the service on the Estate for the future and allow improvements to that service.
- 2 The Estate was leased to SWT in 2 leases, the first included the land and visitor facilities that formed the public service estate plus the sawmill and tied housing. The phase 2 lease covered the commercial property such as the farms and cafes. The County Council spent £1.5 million on the property before it was included in the leases to ensure they were all fit for purpose. In total the Estate extends to approximately 4,000 hectares of which 2,500 hectares are held freehold with the remaining area managed under Access Agreements from the owners of major landed estates in Surrey.
- 3 The underlying principal of the contract and lease with SWT was to give them the responsibility of managing the Estate to deliver the service in accordance with the contract allowing a reasonable amount of freedom to enable them to generate income that would not normally be available to the County Council. By including some of the commercial buildings in the lease

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this allows and incentivises SWT to generate an income from the property to cover repairs and maintenance and to support the core countryside service where there is a surplus.

- 4 The current governance arrangements include a Partnership Committee that meets twice a year to oversee the way the contract is working and to look at strategic issues. The Partnership Committee is comprised of a total of 11 representatives, from SWT, the County Council and a representative of the Access Agreement owners. In addition representatives from SWT and SCC meet regularly to monitor delivery of the contract. As set out below in paragraph 8 both the Audit report for 2011 and the review of the contract has recommended that the size of the committee is reviewed.
- 5 This report deals specifically with the property element of the recommendations from the Cabinet Report of 30th March 2010.

The Asset Management Plan

- 6 A review of the Service Contract was reported to Cabinet on 30 March 2010, the relevant recommendations concerning property as set out below will provide for a fund, which will be used to pay for repairs and maintenance of property and a proportion that will be allocated to support the delivery of the service. This will enable the County Council's contribution to be reduced in line with the Service Agreement without a reduction in service. The recommendations were that:
 - a) Surrey Wildlife Trust be required to prepare, keep under review and implement an Asset Management Plan for the repair and maintenance of structures on the Countryside Estate and maintain a sinking fund to finance major repairs and replacements identified in the Plan.
 - b) The Asset Management Plan and the arrangements for its review and implementation to be subject to consideration by the Environment and Economy Select Committee (now the Environment and Transport Select Committee) and the Member Asset Panel.
 - c) Subject to a satisfactory Asset Management Plan the restrictions in the contract that housing be handed back to the County Council when no longer used for staff be removed, all telecommunications mast income on the Estate be transferred to the Trust, and the Burford Bridge site be leased by the Council to the Trust subject to that income being put into the sinking fund.
 - d) The Partnership Committee to agree as advised by officers from the Council's Estate Planning and Management, on the allocation of funds from the Sinking Fund with priority given to the repair and maintenance of the property on the Countryside Estate.

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- 7 The Countryside Service as a whole was subject to a Public Value Review (PVR), which was reported to Cabinet on 1 March 2011. The relevant conclusions of which were:
 - a) That there should be a review of the land and buildings leased to the Trust to ensure the retention, and therefore maintenance liabilities, is justified by their public access benefit or income potential and where appropriate to withdraw assets from the contract. Following the completion of this and other reviews, a contract renegotiation process should be initiated.
 - b) There should be a review of partnership arrangements generally that will include a review of the Partnership Committee relating to the management of the Countryside Estate.

- 8 The Internal Audit carried out on the Countryside Management Contract included within its Management Action Plan:
 - a) That the role and size of the membership of the Partnership Committee be reviewed.
 - b) That Performance Indicators used to monitor the performance of the Trust be reviewed.

- 9 Combined, the recommendations from the Contract Review, PVR and Audit provide a framework for the Asset Management Plan. The Plan needs to contain key elements of these recommendations where appropriate.

- 10 Attached as Appendix 1 is the latest version of the Asset Management Plan, which sets out the work to date and the way the sinking fund will be established:
 - a) A Condition Survey was commissioned by SWT, which sets out the current condition of all the buildings excluding tracks and bridges. A separate survey will be commissioned for tracks and the County Council will provide a condition survey, to include a weight limit, for the bridges. This has been used to draw up a Repair and Maintenance Plan setting out a schedule for repairs and maintenance over the next 20 years, which could then be updated and rolled forward for the full period of the lease until 2052.
 - b) In addition the AMP sets out proposals for a sinking fund to be spent on the repairs and maintenance of the property. This would be made up of the extra income from the telecommunications masts, income from additional property leased to the SWT and from property that is retained by them specifically to generate income, for example under the existing terms of the lease, where a tied house is no longer required for staff, it should be returned to the County Council. Of the original 14 tied houses, 1 is vacant awaiting reletting to a service occupant, 1 has been surrendered on the termination of the tied housing contract and 5 have

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been let with the knowledge of the Council on the open market, The latter is not currently allowed under the lease so in order to regularise the situation it is proposed to amend the lease to allow this to happen. This income, plus agreed receipts from surplus properties would form the sinking fund.

Conclusions:

- 11 SWT has increased the income from property by c £100,000 per annum since it took over the management of the Estate. However this is not sufficient to carry out all the repairs and maintenance and provides no reserve for improvements. It is therefore important that the AMP is implemented as quickly as possible to prevent deterioration of the Estate and property. It is also important that this is done in conjunction with SCC to make the most of the skills and experience available on property management and procurement.
- 12 That the key work to be undertaken now is the finalising of the Repairs and Maintenance Plan by September 2011 to allow it to be presented to the next Partnership Committee, establish the Sinking Fund and to review the Partnership Committee and governance provision so that they pick up the AMP as a standing item on their agenda. The Repairs and Maintenance Plan would then be reviewed annually by the Partnership Committee to ensure it is delivering the required outcome.

Financial and value for money implications

- 13 Appendix B of the AMP shows a funding shortfall in the first year, based on the condition survey, of £288,516. Appendix C then shows an expected shortfall in subsequent years. The letter from SWT attached as Appendix 2 sets out the details of the proposed sinking fund and how it could cover the expected deficits in future years.
- 14 An assumption has been made that a portion of the income from property will continue to support the costs of delivering the service on the Countryside Estate as agreed between the parties. Therefore an annual sum of £80,000 has been taken out of the potential amount available for the sinking fund. It is suggested this should be subject to the approval of the Partnership Committee on an annual basis to ensure the revenue is spent in priority areas.
- 15 The payments to SWT under the lease are still reducing with a further £75,000 reduction over the next two years, 2011/12 and 2012/13. The aim of the contract was to ensure that SWT can generate sufficient income to maintain and improve the assets and the service delivered. The Asset Management Plan with the recommendations set out below would assist in achieving this objective.

Equalities Implications

- 16 No discernible implications for the 9 equalities strands have been identified as arising from this report.

Risk Management Implications

- 17 The key risk is that the AMP does not generate the income set out resulting in the property assets and the service deteriorating. The proposed tightening up of the governance process with an annual review of the Repairs and Maintenance Plan and the sinking fund will ensure that any risks are minimised and action can be taken at an early stage if necessary. Both SWT and SCC have identified this in their Risk Management Plans.

Implications for the Council's Priorities or Community Strategy/Local Area Agreement Targets

- 18 The AMP will help SWT to generate income to allow the delivery of the service for a lower cost to the revenue budget of the County Council contributing to the PVR requirement to reduce the costs of the contract in the medium to long term.

Recommendations:

- (a) That the Select Committee approve the AMP and a response be sent to SWT once the Members Asset Panel has made its comments. This should also release the additional income as set out in the Cabinet Report of 30 March 2010.
- (b) That SWT be required to set up the Sinking Fund by December 2011
- (c) The County Council and SWT will work together to identify the assets that are a financial liability or no longer required to fulfil a public service role or do not provide a return on capital and ensure the potential to let out buildings is maximised.
- (d) Governance arrangements need to be put in place for the Sinking Fund to ensure that money is appropriately applied to the fund and that any issues are highlighted at an early stage
- (e) The RMP needs to be regularly reported to SCC with annual reports to the Partnership Committee, including a regular update on the proposed use of income from property to support management of the Estate supported by relevant performance indicators.
- (f) That the size and constitution of the Partnership Committee be reviewed.

Next steps:

- a) To respond officially to SWT once the MAP has met.

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- b) To ensure that a member of Asset Strategy Unit joins the Contract Manager at regular meetings to put in place monitoring of property management and input into the annual report to the Partnership Committee.
- c) To make any necessary amendments to the lease and contract following the completion of the review.
- d) SWT to prepare a three year rolling programme of repairs and maintenance and agree the method of procurement with SCC.

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Sources/background papers:

Officer Report to Cabinet, Countryside Contract Review 30th March 2011

Appendix 1 The Surrey Wildlife Trust, Surrey County Council Countryside Estate Asset Management Plan

Appendix 2 Letter from SWT detailing the financial position for property repairs and maintenance.

Appendix 1

**Surrey Wildlife Trust
Surrey County Council Countryside Estate**

Property Asset Management Plan 2011

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1. Introduction and background

- 1.1 In 2002, Surrey County Council (SCC) and Surrey Wildlife Trust (SWT) entered into a 50-year Agreement for Services under which the Trust manages the SCC Countryside Estate on behalf of the Council. The objective was, and is, to deliver benefits to both parties and for the operation of the Contract to be a co-operative and mutually supportive partnership. The Service Contract between SCC and SWT delivers the Council's two main aims: **nature conservation** and **public access and benefit**.
- 1.2 To achieve the service delivery, the Service Contract provides for SWT to use and occupy SCC owned property via two leases whereby the land and buildings within the Countryside Estate are leased to SWT co-terminously with the Service Contract which places on SWT the obligation to manage the Estate. The Contract is delivered through a Service Delivery Specification (SDS) revised in March 2010 and the relevant section for property is set out in Appendix 1. The two leases are the Phase 1 lease covering the non commercial land and buildings and the Phase 2 lease covering the commercial land and buildings.
- 1.3 Underpinning the Contract were three principles:
- The Phase 2 properties would be managed more effectively and achieve a higher rental return than that which existed in 2002.
 - The net rental return would fund the repair and maintenance costs of the Phase 2 lease properties as well as the roads, tracks, bridges and car parks within the Phase 1 lease, and make a substantial contribution towards delivery of the main aims of the Service Contract.
 - The total expenditure on the Countryside Estate would be limited to all the funds raised through the Estate whatever the source and would be spent only on the Estate
- 1.4 The relevant obligations in the two leases, in summary, are firstly that the permitted uses are those for purposes connected with the Service Contract and in accordance with the SDS and Management Plans, and secondly the repairing obligations are to maintain the properties in accordance with the SDS and current Management Plan and unless otherwise required to meet the Council's landlord obligations in any letting or to keep the property in no worse condition as evidenced by a photographic schedule of condition.
- 1.5 The AMP should be seen within the context of the County Council's own Asset Management Plan produced in 2002 in accordance with government guidance. The 2002 partnership between SCC and SWT did not stipulate or anticipate the need for a strategic approach to properties

but in 2009 both parties agreed that SWT should produce an Asset Management Plan to compliment that of the County Council thereby ensuring the assets would be managed within an agreed strategic framework.

- 1.6 The AMP does not cover the open spaces, e.g. the commons, but focuses on the buildings, other built infrastructures, the commercial properties and the public car parks. The open spaces are covered by individual Management Plans. Although nature conservation and public access are the direct public benefits, the maintenance of buildings and structures is critical to the Council's property asset base.

2. Description of Properties

- 2.1 In general the Countryside Estate comprises 6,500 acres, has 30 residences, five let farms, historic and listed buildings, visitor facilities, roads, tracks and bridges, and a sawmill from which timber products are manufactured.
- 2.2 Most of the buildings and structures are pre 1945 and the last period of new build occurred in the 1960-70s. Many of the properties are situated in Norbury Park but otherwise there is a County-wide geographical spread. There is an extensive let estate (Phase 2 lease) raising income to support the service delivery and a small number of buildings (Phase 1 lease) occupied in hand directly required to deliver the Service Contract such as for example, visitor centres, historic features, operational bases and tied housing.

3. Current (2011) context

- 3.1 The AMP will need to take account of relevant pressures that occur during the life cycle of an asset and the timescale of the Service Contract between SCC and SWT (2002-52).
- 3.2 Currently the following trends and pressures are having an impact on the capacity of SWT to deliver some aspects of the SDS:
- 3.2.1 Addressing the long term back log which has arisen because the work undertaken by the County Council in 2002-04 was not based upon a full condition survey.
- 3.2.2 The increased cost of managing the Countryside Estate since the start of the contract in 2002 against the set decrease in the funds from SCC. The increases are due to, amongst other factors, new legislation, increased pressure and expectations from stakeholders and increased use of sites by the public.

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- 3.2.3 Lack of capital investment in the Countryside Estate since 2004 and lack of access to capital funds.
- 3.2.4 The substantially reducing funds available to the County Council, other authorities and public sector funding which has had an effect across the Countryside Estate.
- 3.2.5 SWT's wish to improve and enhance facilities for visitors eg toilets and visitor centres that are showing signs of deterioration and will need modernisation; this is also a reflection of the public's higher expectations of site facilities.
- 3.2.6 The expectation and requirement that responding positively to the increasing challenges of environmental sustainability, given it is a key objective of both the County Council and SWT, should be achieved where finances allow.
- 3.2.7 The limitations created by the inherited structure of some of the farm tenancies give less flexibility to maximise service benefits.
- 3.2.8 The commercial risk arising from a substantial part of the rental income coming from one source which has commercial vulnerabilities, as has been seen by the e-coli outbreak in Surrey having a detrimental affect on the income from Bocketts Farm.
- 3.2.9 The further deduction of £75,000 in the payments due under the Service Agreement in the next two years from SCC; this will place additional financial pressure on the Countryside Estate.

4. Objectives

- 4.1 In pursuance of the Trust's and SCC's vision the objectives of the AMP are:
- 4.1.1 To work in partnership with SCC to achieve the best facilities possible, within the resources available, for the community of Surrey.
- 4.1.2 To maximise the use of assets to advance the delivery of the SDS.
- 4.1.3 To manage the properties to an agreed specified standard, ensuring that systems and processes reflect best practice.
- 4.1.4 To ensure the leased land and buildings retain and where possible increase their financial and amenity relevance to the Countryside Estate.

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4.1.5 To produce an annual financial surplus that will support the service contract, and implementation of the SDS, and underpin future property maintenance and investment.

4.2 In order to achieve the objectives the following will be undertaken:-

4.2.1 Property maintenance work to set an appropriate long term standard in accordance with the relevant statutory requirements and repairing obligations set out in the leases.

4.2.2 A detailed per property assessment to identify the appropriate works, building on and confirming the broader results of the Stock Condition Survey that SWT carried out in 2010.

4.2.3 Maximisation of rental income within service level constraints and minimisation of bad debt and letting voids.

4.2.4 Investigation of improvement opportunities.

4.2.5 Adherence to good estate management practice.

4.2.6 Maintenance of full and proper records for all properties and structures.

4.2.7 Procurement of the correct professional and technical resources

4.2.8 Creation of a series of Performance Indicators to monitor the outputs from the AMP.

5. Performance Measures

5.1 Achievement of the objectives outlined above in 4.1 will be measured against the performance indicators set out in Module 6 against which SWT will report as requested to SCC on an annual basis in addition to quarterly updates to officers and biannual reports to the Partnership Committee (as outlined in the SDS).

6. Professional and technical resource

6.1 The present manner in which the Trust implements the objectives is via employment of a Property Manager, who is a Chartered Surveyor, responsible for implementing, overseeing and organising the property functions within SWT additionally procuring external specialist skills as required.

7. Operational Modules

- 7.1 The important elements of the AMP are outlined in an operational Module, which set out how those parts of the AMP will be delivered. These Modules will be updated as circumstances change and new Modules added as required.
- 7.2 In particular, being an important part of the AMP, a Repair and Maintenance Programme (RMP), Module 1, has been drawn up which will have an active five year period with a twenty-year lifespan; as a working document, it will change depending upon circumstances. It will be reviewed annually and activity reported to SCC as part of the Annual Partnership Reports.

The operational Modules are:-

1. Repair and Maintenance Programme
2. Sinking Fund
3. Capital strategy for improvement to and disposal of assets
4. Tied housing
5. Farm assets
6. In hand and operational use and infrastructure
7. Performance indicators

8. Summary

The intention of this AMP is to confirm that the procedures put in place by the Trust will safeguard and correctly manage the County Council's assets.

The AMP incorporates the need for a Property Enhancement Procedure as identified in the property section of the Service Delivery Specification agreed on 30 March 2010.

The development of the AMP has also highlighted the financial shortfalls, which need to be immediately addressed due to a considerable backlog of maintenance and repair work, despite regular expenditure, plus an ongoing shortfall in income against expenditure.

Prior to the transfer of property management to SWT, income from Phase 2 assets was directly attributed to the Countryside Estate and this financial support has continued since the commencement of the partnership in 2002. It is necessary for this financial input to continue in order, at least partly, to offset the reducing annual payments from the County Council under the terms of the service contract. There is a direct correlation between the level of financial support and the increased biodiversity and visitor experience, which are the fundamental reasons for the proper management of the Countryside Estate.

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The Trust has looked in some detail at how the backlog and future maintenance of the repair and maintenance programme could be funded. The disposal plan outlined in Module 2 would enable some of the released capital receipts from properties identified and surrendered to be used directly to support the asset value and maintenance of the remaining property assets. The advantage of this is that, in principle, the funds are found from within the Estate, thereby placing no additional demands on the County Council's budget. SWT will prepare individual business cases for the surrender of a property supported by the proposals for reinvestment of an agreed proportion of the capital receipt. This agreed amount would be allocated for a particular expenditure on the Estate.

In order to address the ongoing annual shortfall, the proposal agreed by SCC's Cabinet on 30 March 2010 was the creation of a Sinking Fund conditional on the production and approval of an AMP. The AMP has been written to satisfy this condition. The Sinking Fund will be created by the income from the following assets:

1. Income from telecommunication masts (as outlined in Module 2)
2. The Burford Bridge picnic site at Mickleham (conditions as outlined in Module 2)
3. Any new income (net of justifiable expenditure) from existing assets, such as tied housing, as approved by SCC and SWT

The Trust would take on the management costs and liabilities for these minor assets and therefore derive benefit from the income (as yet unquantified by SCC). It is acknowledged that the Sinking Fund income is dependent on approval by SCC of the AMP.

By creating the Sinking Fund the parties reinforce the need to have a clear strategy for reinvesting in property assets thereby giving financial support to the Service Contract.

Property Asset Management Plan: Modules

1. Repairs and Maintenance Programme (RMP)

To gain an overall and independent assessment, SWT commissioned a Stock Condition Survey from Fairclough and Company, Chartered Building Surveyors, which has formed the basis of the RMP.

The Survey took as its measure a 20 year repair standard that reflected the age, construction, use and status of the asset acknowledging SWT's liability span is for the next 42 years. The period of 20 years was chosen as a manageable period and would be capable, all things being equal, of being adapted for the following 22 years. The survey distinguished repair from replacement, considered a rebuild rather than a repair where appropriate and made assumptions about parts of the property which were inaccessible and could not be inspected.

Generally the Survey found that most properties are for their age and construction in average condition, a few in good condition and some, a higher number, in moderate condition. The survey did not include roads and tracks, car parks and bridges but an estimate for these elements has been included in the RMP. Within the next financial year, SCC has undertaken to commission a formal inspection of bridges, which will further inform the RMP figures.

The RMP largely reflects the survey but has been adjusted to take account of past experience and knowledge and the respective liabilities in each property's tenancy arrangements.

The summary spreadsheet, Appendix B, shows the cumulative totals for the first year, in which the backlog could be addressed, and then in Appendix C an average year thereafter is outlined based on the next five years of cyclical maintenance on the assumption that gross rent and cost deductions remain at the same relative levels. The total gross rent figure includes the rent (£49,680 pa) from the five tied houses, which have been let temporarily pending completion of the contract review.

In more detail, the figures have been produced in line with the following four priority spend statement which mirrors that of the County Council:

1. Risk of closure of building/premise and thus possible loss of SDS performance and income
2. Statutory, legal and regulatory obligation, e.g. tenancy obligations
3. Prevention of deterioration - long and short term
4. Cyclical work e.g. external redecorations.

The aim of the RMP is to shift from reactive and corrective maintenance to a planned preventative regime based on anticipated life-cycle estimates and the assumptions set out below. The chosen life cycles are mainly for budgetary

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planning purposes and may not be reflected in the actual spend as this will depend upon property specific circumstances at the time:

1. The present letting arrangements and the repairing liabilities.
2. The average period of replacement of kitchens and bathrooms is 10 years, with some exceptions, boilers 15 years, and sewage treatment plants are re-commissioned every 25 years.
3. External repairs and decoration implemented on average every 5 years and internal redecoration every 7 years.
4. Occupiers will meet their maintenance liabilities.
5. The assets remain physically as they are without any improvements or enhancements.
6. The repairing liabilities in the two head leases remain unaltered.

Major replacements and repairs are more costly and difficult to programme as part of the RMP and have therefore been included separately as a “major” in the spreadsheet. For information, a major has been defined by reference to cost and type of work or both together, and is either any expenditure over £7,500 regardless of its type or a one off replacement required for the duration of the lease and also likely to be a one off replacement for the lifetime of the asset.

Underlying the implementation will be the following practices:

1. Looking to effect long term rather than short term solutions.
2. Reviewing and reporting on that programme annually to reflect past performance and new demands.
3. Using SWT financial procedures, competent contractors and tendering procedures to ensure best value.
4. Meeting all legislative duties of care responsibilities, for example:
 - Environmental and clean water regulations
 - Asbestos Regulations
 - Waste disposal/hazardous waste regulations
 - Health and Safety legislation and requirements
 - Planning Acts and guidance notes
 - Listed building requirements

- Landlord and tenant obligations

The RMP is an active document which will evolve and change as circumstances dictate with a formal update reported to the Partnership Committee as outlined in paragraph 5 of the AMP.

2. Sinking Fund

The Countryside Estate Sinking Fund will be set up to provide funds to pay for repair and maintenance expenditure that is not covered by existing income and therefore requires additional sums out of the income listed in Paragraph 8 and repeated below. It will enable the expenditures to be spread thus avoiding undue pressure on SWT finances through disproportionate peaks and troughs. It is also intended to make the property portfolio self financing whilst also maintaining its financial support to the overall Countryside Estate.

The Sinking Fund will be created, and then financed on an ongoing basis, from the net annual rents of specifically identified properties to be included in the Phase 2 lease (outlined below); those rents will be dedicated solely to the Sinking Fund. Expenditure from the Sinking Fund will be restricted to large scale (major works) repairs and maintenance work on Countryside Estate buildings and infrastructure.

SWT's procedure will be for an annual report to be submitted to the Partnership Committee setting out a justification for the allocation of monies from the sinking funds.. If approval is given for funds then works will be carried out in accordance with SWT's financial procedures. An individual cumulative account will be kept of the Fund and an annual Sinking Fund report will be included in SWT's Annual Performance Report to SCC.

The identified properties and rents are:

- The telecommunication masts at Norbury Park, Stringers Common, Ockham Common (Boldermere car park) and Holly Farm. The rent to be included in the Sinking Fund will be the total lease rent received less £23,000 pa, the latter having already been taken into account in the service contract's financial formula.
- Burford Bridge Picnic Site, the Council having agreed a new lease with the lessees whereby they will fund the necessary refurbishment of the toilet unit in return for a new lease at a significantly reduced rent for a set period, thus impacting on the income of the sinking fund for that period.
- 5 tied houses currently relet on a commercial basis, namely 16 Brook Hill, Oxted plus 24,26,28 and 30 St Martin's Close, East Horsley.***

*** The total gross income from these 5 houses is currently included within the figures shown in Appendices B and C. If the net income is to be attributed to the Sinking Fund, the shortfall in Year 1 and subsequent years will increase and it will be necessary for the Sinking Fund to cover the shortfall before monies are put aside for majors as described above.

3. Capital Strategy and Disposal Plan

Capital Strategy

The purpose of this Capital Strategy is to identify the need for capital investment in order to enhance the service delivery, undertake large scale building works where significant improvement is or ought to be involved, and carry out property led improvements to the properties and letting arrangements beyond the scope of the annual revenue funds.

An enhancement is defined as a beneficial step change in the conservation and visitor services provision and can be an infrastructural as well as a service delivery change. An improvement to the physical fabric is defined as works beyond the definition of repairs as set out in the repairing covenants in the leases which might, for example be a new building, an addition to an existing building or a replacement of measurably higher standard; or a change of use releasing an increase in the asset's value.

The Strategy will identify assets, which can be released so that the embedded resources can be used to better effect for the delivery of the service and property aims. It will also enable opportunities to be taken to maximise the use and returns from the commercial assets, to lever in outside funds to achieve enhancements and improvements and to enable SWT to respond to mandated statutory and regulatory requirements which apply consequent on ownership.

Each application will be treated separately on its merits and will set out the justification which ideally should be set within a long term capital programme but will allow for unplanned and opportunistic cases to be brought forward. The application will identify the service and property benefits to be gained, the reason why SWT recommends the investment, the likely costs, and a funding proposal.

Currently the known and anticipated demand for a capital programme is:

- New waste water and slurry handling facilities at Norbury Park Farm,
- Works at Swanworth Farm to enable grazing across the countryside sites, many of which hold international nature conservation status.
- Rationalisation and upgrade of the standard of identified car parks and works partly to enable a charging regime to be introduced
- Upgrading specific roads and tracks at Norbury Park to reduce long term maintenance
- Refurbishment and possible relocation of the Newlands Corner Toilets and overall presentation of the visitor facilities.
- Reorganisation fund to allow for the appropriate release of assets

- Refurbishment of individual dwellings to release maximum rental return

Disposal Plan

In order to facilitate the Capital Strategy and to analyse the value of each property within the lease, assessing its worth to the service delivery and as part of the Council's property portfolio, SWT will prepare a disposal proposal . The plan will identify those properties, which in the opinion of the Trust are making either no, or insufficient contribution when judged against set criteria, and make proposals to the Council which SWT considers advantageous to the service delivery.

The set criteria will include the property's value to the SDS, the input resources and current and future income generation. It is anticipated that individual proposals will be made as and when the occasion and opportunity arises but set within a simple long term plan.

4. Tied Housing

A number of tied houses are included within the Phase 1 lease and are subject to clause 6.11 of the Phase 1 lease which states:-

“If any house comprised within the Tied Housing is no longer required for the occupation of an employee employed by the Trust or the Company and occupied by such employee for the better performance of the employee’s duties under the employee’s contract of employment then the Phase 1 Term insofar only as it shall relate to such house shall absolutely cease and determine upon the date of vacation of the house but without prejudice to the rights of either party against the other in respect of any antecedent breach of covenant”

At the time of the 2002 transfer there were 14 houses occupied by tied occupants. Since then, 7 have ceased to be so occupied and, of those, 5 are subject to short term lettings, 1 is vacant and will be relet within clause 6.11 and 1 has been surrendered to SCC. These arrangements reflect the fact that the present requirements might not represent the long term need for service occupation and are also pending the outcome of the service contract review which seeks inter alia to address financial shortfalls.

For information, the present tied houses are:-

Holly Farmhouse, Worplesdon
 Hempstead, Worplesdon
 2 Copse Edge Burpham
 Surrey Cottage Cobham
 The Cottage, Lilac Cottage and the Nursery, Norbury Park.

SWT’s approach is to seek to improve their service effectiveness while at the same time acknowledging the inherited contractual basis. As and when the contract ends, if vacant possession is not given on the date of termination, SWT will take immediate steps to regain possession by the normal lawful means, allowing a rent free period of three months. The Trust will consider exceptional hardship cases deciding them on grounds without detriment to the service contract balancing the short term requirements with the long term needs and the obligations contained in the lease.

When a tied house becomes vacant, the Trust will assess firstly whether there is a service occupancy need for the good of the service delivery for that house to remain occupied by a Trust employee employed in the delivery of the Council contract, and secondly whether the house is still suitable as tied accommodation due for example to its location or size.

In the first case, a service occupancy will be granted whereby no security of tenure or linkage with the contract of employment will be established but which will enable the employment of a sufficiently skilled and experienced employee which would otherwise be very difficult or impossible to achieve in Surrey. The

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Trust regards these employees as key workers. A commercial rent will be charged. Where no immediate need exists but the Trust considers there is a medium or long term need, the Trust will re-let to gain best rental return deciding on an individual basis whether an investment in improvements will give a satisfactory return in the time period available.

If the house is not deemed suitable to be retained as tied accommodation or as a service occupancy albeit on a commercial basis, it will be brought to the Council's attention and be subject to discussions about its surrender from the lease.

5. Farm Assets

There are five farms within the Countryside Estate, four of which are at present let on agricultural tenancies and one is in hand. One of the let farms is due to come back in hand in 2012 providing a short term tenancy is put in place. They are regarded as valuable assets whether let or in hand giving financial, biodiversity, landscape, access and promotional benefits as well as being a physically integral part of the Estate.

Of those currently let, a review has identified that some of the present letting arrangements, which existed at the time of transfer in 2002, may not reflect the current interests of SWT or SCC and therefore steps should be taken to seek a more appropriate tenancy structure. The plans are therefore:

Bocketts Farm: to enter discussions with the tenants to put into place a tenancy structure which will better allow the Farm to retain and improve its commerciality, enable long term investment, and to reduce the level of business risk not only for the farm itself but that associated with the Farm Park income.

Norbury Park Farm: to open a dialogue with the tenant with a view to creating an arrangement whereby both parties can make better use of the assets currently within the tenancy.

Swanworth Farm: to complete the process of gaining vacant possession and to take the Farm in hand so that SWT can sustain its own Farming practices to deliver directly the biodiversity and other benefits required under the service contract. A commercial rent will be paid by SWT giving no diminution in the commercial value of the farm. Some outlying farm buildings not required by SWT and separate lettings will be sought thus increasing the rental return. A decision regarding the only dwelling, the farmhouse, will be taken once the full extent of repair and improvement is known.

Shabden Park Farm: An approach will be made to the tenant with a view to assessing the present tenancy and seeing whether a more advantageous tenancy for both parties can be effected

Pond Farm: This small farm, in the middle of Wisley Common, is in hand and used directly by the Trust for its farming activities. When possession is gained of Swanworth Farm, Pond Farm will become important outlying grazing land while continuing to support directly the conservation management of Wisley Common.

Note: It is not appropriate at this stage to include further details in this section – much of the progress will depend on individual discussions with the present tenants and will inevitably involve commercial confidentiality.

6. In-hand properties and Estate infrastructure

In Hand properties

A small number of properties are used directly by the Trust to deliver the service contract or cannot be let out and thus have to remain in-hand. This number is minimised by way of an assessment of the service and operational requirements plus any opportunity cost and an investigation into alternative uses. The service requirement covers not only visitor facilities but also properties of a historic and landscape significance or which may be integral to the particular land holding.

The service properties are the same number as transferred in 2002, namely Newlands Corner visitor centre and toilet unit, Chinthurst Tower, Chatley Heath Semaphore Tower, Hatchford Woods Mausoleum, Norbury Park Sawmill, Lodge Farm Building, The Granary at Roaringhouse Farm, Brockham Limekilns and two associated outbuildings.

The present operational properties are the Countryside Depot East Horsley, the Nurseries and the Bothy Norbury Park, Chobham Common Management Office, and Pond Farm Barn.

Estate infrastructure

There are two main areas of infrastructure, which will give rise to regular expenditure, namely bridges and estate roads and tracks. The repair cost falls on the owner and is therefore transferred to SWT under the lease and the repairing covenants. A medium term repair and improvement programme will be incorporated within the RMP with the aim to effect a long term repair moving away from short term patch remedies.

7. Performance Indicators

As stated in paragraph 5 of the main AMP, the Trust's performance can be measured against the following indicators:-

1. The rental roll to match the relevant property sector benchmarks for rental performance.
2. Bad debts to be no more than 5% of the total rent roll in any one year and at any one time.
3. No formal notices of repair from whatever source.
4. Property letting occupation voids to be no more than 2 months in length in between lettings providing no major works of repair/decoration are needed.
5. Over a five year period all the properties are given an external repair and decorating contract as part of the total programme in line with the RMP with a minimum of 10% of properties being addressed in any one year.
6. The quarterly SWT Performance Report to include an annual update of the AMP detailing the status of activities, the use of the Sinking Fund plus the planned annual work programme.

It is within the Trust's current capabilities to manage the property portfolio and to meet these performance indicators and the objectives outlined in paragraph 5 of the AMP given that the financial shortfalls can be addressed as proposed.

Appendix A: Countryside Contract: Revised Service Delivery Specification: 30 March 2010.

	<u>Performance Target</u>	<u>Performance Indicator</u>	<u>Method of Reporting</u>	<u>Notes</u>	<u>Specification Schedule</u>
1.0	Asset Management				
1.1	SWT will maintain the condition of buildings in line with an agreed Asset Management Plan.	20 year Asset Management Plan agreed by SWT and SCC. Annual work programme produced each year for discussion between SWT and SCC. All minor and major maintenance work delivered to agreed Asset Management Plan and annual work programme	Annual performance report to be prepared jointly. SWT to supply data to SCC at least 3 weeks prior to Partnership Committee meeting. SCC to draft report including SWT comments. Verbal report to quarterly meeting (where possible to provide a written exceptions report)	Asset Management Plan to be prepared by SWT and agreed with SCC; Asset Management Plan to be kept under constant review. Annual meeting be held in November each year to agree the work programme for the following financial year Performance will be reported to quarterly Officers' meetings and to bi-annual meetings of the Partnership Committee to a schedule and a format to be agreed between SWT and SCC	Asset Management Plan
1.2	Property enhancements and the funding of enhancements to be agreed between SWT & SCC	All property enhancements delivered to property enhancement procedure	Proposals report to SCC Verbal report to quarterly meeting (where possible to	SWT to submit a business case for any potential enhancements. Procedure to be set out in property enhancement procedure. SWT will	Property enhancement procedure and business case

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	<u>Performance Target</u>	<u>Performance Indicator</u>	<u>Method of Reporting</u>	<u>Notes</u>	<u>Specification Schedule</u>
			provide a written exceptions report)	report S106 proposals and changes to licences and tenancies to SCC	
2.0	<i>Encroachments of adjoining landholders onto County Council land.</i>				
2.1	SWT will report new encroachments immediately to SCC	New encroachments reported to SCC Contracts Manager within 7 days	Encroachments form		
2.2	SWT will record encroachments on a database and will carry out a 10 year rolling programme to proactively identify encroachments	Encroachment database maintained	Changes noted on the encroachments database; database to be accessible to SCC	Database to be agreed between SWT & SCC Boundaries shown on lease plans will be reviewed by SCC and SWT	
2.3	SWT will support action taken on encroachments by SCC	Encroachments procedure complied with	Annual performance report	An encroachment procedure will be agreed between SCC and SWT and will be reviewed every 5 years.	Encroachments procedure

Appendix B - Income against Expenditure

EXAMPLE -Year 1 2011/12

Required Maintenance as per Stock Condition Survey		Deficit/ Surplus
Basic repair and maintenance	414,370	
Anticipated expenditure on car parks within the Countryside Estate	25,000	
Anticipated expenditure on roads and tracks within the Countryside Estate	20,000	
Sub total for RMP		-459,370
Costs of Managing the Property Portfolio		
Staff Costs	45,000	
Insurance	15,000	
Fees for Consultants/surveyors etc	13,000	
Sub total for Costs		-73,000
Expenditure is Funded by:-		
Gross Rental Income	323,854	
Less Minimum Financial Support to Countryside Estate	80,000	
Sub total for Expenditure		243,854
SHORTFALL in Year 1		-288,516

Appendix C - Income against Expenditure

EXAMPLE - Typical Year thereafter (based on current portfolio remaining intact)

Required Maintenance as per Stock Condition Survey		Deficit/ Surplus
Cyclical repairs and maintenance	149,454	
Majors works	46,100	
Car parks	12,000	
Roads and tracks	10,000	
Sub total for RMP		-217,554
Costs of Managing the Property Portfolio		
Staff Costs	45,000	
Insurance	15,000	
Fees for Consultants/surveyors etc	13,000	
Sub total for Costs		-73,000
Expenditure Funded by:-		
Gross Rental Income	323,854	
Less Minimum Financial Support to Countryside Estate	(80,000)	
Sub total for Expenditure		243,854
ANNUAL SHORTFALL		-46,700

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Date: 7 March 2011

Rod Edbrooke
Countryside Contracts Manager
Room 365 - Surrey County Council
County Hall
Kingston upon Thames
KT1 2DN

Dear Rod

COUNTRYSIDE ESTATE: PROPERTY ASSET MANAGEMENT PLAN

Please find enclosed the completed Property Asset Management Plan for consideration by the Asset Members Panel at their meeting in March. Although the date of this meeting has not been confirmed to us, we remain available and willing to attend should that be considered appropriate.

Considerable work has been put into the finalisation of this plan which is a structured and comprehensive strategy for the ongoing management of the County Council's Property assets as entrusted to Surrey Wildlife Trust as part of the Service Agreement.

Completion of this document complies with the requirement of the Cabinet Report dated 30 March 2010 and should enable the Contract Review process to be concluded.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Pearson'.

Mark Pearson
Director of Countryside Management
Surrey Wildlife Trust



Direct Dial: 01483 795487

E-mail:

Date: 7 March 2011

Rod Edbrooke
Countryside Contracts Manager
Room 365 - Surrey County Council
County Hall
Kingston upon Thames
KT1 2DN

Dear Rod

COUNTRYSIDE ESTATE: PROPERTY ASSET MANAGEMENT PLAN

During the recent meeting attended by yourself and Steve Evans with myself, Catherine Roberts and David Sayce, it was requested that in addition to the AMP document we should provide a summary proposal for how funds could be utilised to cover the shortfall identified within the Report.

It was specifically stated that this should be a separate document and not included within the AMP as it would have to include several assumptions.

The table below provides the information requested with these assumptions:-

- Disposal of Old Observatory in Spring 2011 agreed
 - net capital gain to SCC £750,000
 - 50% of net capital gain passed back to SWT
£375,000
- Net value of additional properties (masts and Burford Bridge)
assumption that net value is 80% of gross £32,000
- Monies from additional properties commences payment
in April 2011
- Rental return remains at its present level (allowing for normal
inflationary and other increases). This means in effective that
the number of properties in the phase 2 lease, commercial
properties, remains the same.
- Further conditional surrender of an asset(s) agreed on a case
by case basis; as an example, within 5 years, compensation
back to the Trust or sale with % of net capital gain passed back
to SWT £100,000

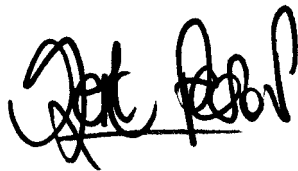
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	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Shortfall	(288,516)	(46,700)	(46,700)	(46,700)	(46,700)	(46,700)
Monies from Old Obs	375,000					
Monies from 2 nd disposal					100,000	
Additional properties	30,000	30,000	30,000	30,000	30,000	30,000
Net	116,484	(16,700)	(16,700)	(16,700)	83,300	(16,700)
Sinking Fund cummulative	116,484	99,784	83,084	66,384	149,684	132,984

I hope that this gives some indication of a solution to the shortfall and the ongoing annual deficit.

Yours sincerely,



Mark Pearson
Director of Countryside Management
Surrey Wildlife Trust