

SURREY COUNTY COUNCIL

CABINET

DATE: 16 DECEMBER 2014

REPORT OF: MR MIKE GOODMAN, CABINET MEMBER FOR ENVIRONMENT AND PLANNING

LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR FOR ENVIRONMENT AND INFRASTRUCTURE

SUBJECT: THE AGREEMENT WITH SURREY WILDLIFE TRUST FOR THE MANGEMENT OF THE COUNTY COUNCIL'S COUNTRYSIDE ESTATE



SUMMARY OF ISSUE:

Surrey County Council (SCC) signed a 50 year agreement (the Agreement) with Surrey Wildlife Trust (SWT) to manage the County Council's Countryside Estate in 2002. Running with the Agreement is a 50 year lease for the land and buildings comprising the Estate. A review has recently been undertaken to assess the effectiveness of the Agreement and to set out changes which will improve the outcomes. Key areas of focus have been the management of built property, management of the woodlands and the opportunity to improve visitor facilities and generate income from the Estate. Attention on these areas will, in turn, help to move the management of the Estate to a self funding position, providing improvements for visitors and reducing costs.

RECOMMENDATIONS:

It is recommended that:

1. Cabinet notes the proposed changes to the Agreement set out in this report.
2. The details of the proposed changes to the Agreement are worked up by the Assistant Director of Environment and Infrastructure in consultation with the Cabinet Member for Environment and Planning.
3. A further report recommending the draft final terms for the Amended Agreement is brought to Cabinet for approval in April 2015.

REASON FOR RECOMMENDATIONS:

A draft set of high level terms have been agreed with Surrey Wildlife Trust which will ensure the County Council's Countryside Estate is managed in a more sustainable way in the future. This will, in turn, provide better facilities for the public whilst increasing the income generated from the Estate. This will allow the Estate to become self financing. The governance has also been reviewed to ensure that the implementation of these actions happens and their effectiveness is monitored.

DETAILS:

Background

1. The County Council's Countryside Estate comprises 6,206 acres (2,514 hectares) of land owned by the County Council, with a further 2,538 acres (1,028 hectares) managed under Access Agreements. The Estate has five farms, woodland, heathland and downland held by the County Council for public benefit, recreation and landscape conservation.
2. Following a procurement process to find a suitable partner to work with, a fifty year Agreement to manage the Countryside Estate was signed with SWT in 2002, which included a financial formula. The formula allowed for an incremental reduction in SCC's contribution that resulted in a £300,000 reduction in the base contribution between 2007 and 2012. The current review set out to establish the effectiveness of that Agreement.
3. A Countryside Management Task Group was set up by the Environment and Transport Select Committee (the Select Committee) in July 2012. The Task Group set out a series of recommendations in its report to the Select Committee of 6th March 2013, and subsequently to Cabinet on 26th March 2013, where the recommendations were agreed. There were five recommendations of which two are relevant to the Agreement with SWT.
4. The key recommendations which relate to the Agreement with Surrey Wildlife Trust (SWT) are set out below:
 - (i) The Strategic Director for Environment and Infrastructure reviews the contract between Surrey Wildlife Trust and Surrey County Council. This review should include:
 - All aspects of the contract;
 - The development and measurement of more clearly defined outputs that ensure value for money;
 - A review of the governance arrangements and;
 - The development of a communication strategy to promote the benefit of the partnership arrangements to Members of the County Council and Surrey residents.
 - (ii) Specific management plans are created for iconic locations in Surrey. These locations include such sites as Newlands Corner and Ockham. The plans will develop improved visitor facilities to encourage people to stay longer and enjoy the sites. In addition, it is planned to make local produce more available to a wider customer base through countryside sites. A programme of consultation will allow stakeholders to suggest improvements and comment on these plans.
5. A number of progress reports have been taken to the Select Committee which set out the ongoing discussions.

Proposals

6. Surrey County Council has drawn up a set of terms for the ongoing Agreement with Surrey Wildlife Trust. The terms have now been agreed in principle and are set out below:
7. **SCC Financial Contributions.** The current Financial Formula in the Agreement with SWT sets out the way in which the contribution from SCC is calculated. This allows for inflation to be added each year based on the SCC rate. In the last two years, inflation has not been added to the SCC contribution in line with payments on other contracts. The payment for 2013/14 was £959,000 for management of the Countryside Estate. The I agreed proposal with SWT is that the SCC contribution to the management of the Countryside Estate will be reduced by £100,000 in 2014/15, down to £859,000, and a further £100,000 in 2015/16, down to £759,000, with no inflation added in either year. In 2016/17, the financial formula will be reassessed based on the success of the commercial opportunities referred to below. This would give a saving of £200,000 in the base budget for the Countryside Service by 2015/16. The savings would be made by an increase in income and savings made in the management of the Estate, which are outlined in the Executive Summary in Annex 1.
8. From 2016/17 the intention will be to incrementally reduce the core contribution from SCC down to zero, by 2021, to achieve a self funding countryside estate.
9. **Governance.** Annex 2 sets out the Revised Governance for the Countryside Partnership Committee, including its Terms of Reference, and makes a clear distinction between the executive functions of the two organisations and the non executive function of the Partnership Committee. The Partnership Committee comprises five representatives from SCC and five from SWT, plus a representative of the owners of the Access Agreements. It was established as an advisory body in the original agreement but is not a formally constituted committee of the Council. The Partnership Committee cannot itself exercise executive powers on behalf of the Council. The role of the Partnership Committee will be to reach agreement on the direction, and action, the parties wish to take. Executive decisions will be referred back to the two separate organisations. The governance also includes a link back to the Select Committee and the Cabinet Member for SCC, in addition to the Trustees for SWT, to receive the Annual Report and comment back to the Partnership Committee. A further key change is to strengthen the link back to the executives of the County Council and the Wildlife Trust. This is to ensure that the Annual report is presented to the Select Committee and Cabinet.
10. **Financial and Risk Mechanism.** SWT and SCC will develop joint business cases for investment proposals, during 2014/15 and 2015/16, which will include the allocation of benefit to the relevant partners based on their investment and associated risks. The Executive Summary of the joint business plan in Annex 1 includes the budgets for 2014/15 and 2015/16 only, as the budgets for future years will depend on the implementation of commercial plans which are currently being developed. The financial position will continue to be monitored on a quarterly basis to ensure prudent financial management and enable any adjustments to be made quickly.
11. **Property Management.** The built property on the Countryside Estate, consisting of some 40 operational and income-generating properties, will

remain in SWT's management to be used to help deliver the service. This is subject to a joint management plan being agreed between SCC Property Services and SWT by 31st March 2015. That plan will then be monitored using the current income and expenditure for property, as the baseline. A representative from Property Services sits on the Officer Group of the Partnership to ensure that the current property plans are complied with. This will remain a key role for that representative under the governance structure. SWT are currently working to an Asset Management Plan, which was agreed by the Select Committee and the Members Asset Panel in September 2011, and a Repair and Maintenance Programme that comes out of that plan. These will be updated and become part of the new Property Management Plan. Delay to completing the revised plan will represent a risk to the income.

12. **Development Plans.** In order to achieve the reductions in core contribution set out above, and to get the Countryside Estate to a self financing position, SWT, in partnership with SCC, will pursue a range of commercial opportunities including the enhancement of the visitor facilities. Over the next year, development plans will be worked up for a number of key locations at Newlands Corner, Ockham and the Norbury Park Sawmill. Plans for other areas will be discussed with the relevant landowners.
13. **Woodlands.** Assessments of all the woodland on the Countryside Estate are currently being carried out by SWT and will form the basis of the Strategic Woodland Plan, which is to be completed by December 2015. In the meantime, SWT will complete a Woodland Policy by December 2014. SWT has employed an external forestry consultant to undertake the assessments and, furthermore, now has two members of staff with commercial forestry skills.
14. **Performance Indicators.** A new set of Key Performance indicators (KPIs) have been drafted and are attached as Annex 4, along with the revised Service Delivery Specification (SDS) in Annex 3. Comments from the Select Committee members have been taken into consideration in the version attached. These will be used to assess the effectiveness of the Agreement and the monitoring system in place. The KPIs will be measured on a quarterly basis and reported to the Surrey Countryside Partnership Committee (Partnership Committee), which is the form of governance set out in the Agreement with SWT. Monitoring of the Agreement is the responsibility of a member of staff in the County Council's Countryside Service. The Annual Report will be produced each year and will set out the performance against the SDS and KPIs. This will be received by the Partnership Committee and will then come to the Environment and Transport Select Committee for Scrutiny.

CONSULTATION:

15. A Member Reference Group from the Environment and Transport Select Committee has been involved in the development of these proposals.
16. The Countryside Partnership Committee has also had the opportunity to comment on the proposal at their meeting on November 10th. Their views are also reflected in the contents of this report.
17. The Trustees of SWT received the report on 24 November 2014.

RISK MANAGEMENT AND IMPLICATIONS:

18. The main financial risk in the next two years, for the SWT, is the potential failure to increase the income from the Estate. The savings to SCC in 2014/15 and 2015/16 are guaranteed, however, if SWT fail to generate the anticipated income over that period it will lead to pressure on their budgets. From 2016/17 onwards, the risk becomes a partnership risk and will relate to the success of the commercial plans which are currently being drawn up. For example, the development of visitor facilities at Newlands Corner and Ockham, plans to increase sales of timber and other produce from the Estate in addition to the commercial use of more of the buildings.
19. There is a reputational risk if the partnership fails. This review has shown that the Agreement can be made to work for both parties providing we work collaboratively, have robust governance in place and develop clear plans for investment and returns for each party.
20. Investment in the property is essential to keep the asset maintained over the period of the lease. SWT would be liable for dilapidations under the terms of the lease. The Property Management Plan will be monitored through the Service Delivery Specification and Key Performance Indicators to ensure that the land and buildings are properly maintained.
21. In order to achieve the required savings, capital investment is needed and there is a risk that this will not be available when it is required. This would lead to delays in the investment and, consequently, in generating income. SWT Trustees have provisionally agreed to put investment into work at Newlands Corner to generate income and, in addition, work with fundraising staff from both parties to ensure all available options are considered and pursued. A small task group of the Partnership Committee will be established to develop the commercial proposals.

Financial and Value for Money Implications

22. SWT and SCC have now agreed a plan that will develop the commercial use of the Countryside Estate to get it to a self funding position. Developing the commercial use will also improve the visitor facilities for the public and help to attract a wider range of visitors. This will form part of our aim to increase the number of people taking part regularly in physical activity.
23. SWT are guaranteeing savings for 2014/15 and 2015/16 that will reduce the pressure on other aspects of the Countryside Service, as it will help deliver the Medium Term Financial Plan savings and will allow time to develop internal income generating capacity.

Section 151 Officer Commentary

24. The stated savings (£0.1m in 2014/15 and a further £0.1m in 2015/16) help to achieve savings set out in the council's Medium Term Financial Plan and do so earlier than originally planned. Some savings are one off or time limited. Proposals for further sustainable savings may require additional investment, and will need to be reviewed and approved by the Council's Investment Panel. Details of these proposals, including any proposed changes to property management arrangements, will be reported to Cabinet in April. The Director

of Finance will work with Environment & Infrastructure as these proposals are developed.

Legal Implications – Monitoring Officer

25. The original agreement between SWT and SCC anticipates that amendments would be made to the Agreement during the 50 year term. It is anticipated that a Deed of Variation will be entered into when amendments to the agreement are agreed and Cabinet has approved the terms.
26. The Partnership Committee was established, under the terms of the original agreement, as an advisory board and to provide oversight to the management arrangements. It is not a formally constituted SCC committee and does not have any executive decision-making authority. Any formal decisions that have not been delegated to officers will need to continue to be made by the Cabinet, or Cabinet member, on the basis of recommendations from the Committee.

Equalities and Diversity

27. The Agreement makes appropriate provision for equality and diversity issues in terms of recruitment and public engagement. There are no discernible impacts arising from the changes to the Agreement at this stage. Equality Impact Assessments will be carried out as improvements arising from the Agreement are proposed.

Public Health implications

28. It is the aim of both SCC and SWT that, by improving the visitor facilities and making sites more attractive to local users, the number of people who partake in regular physical activities will increase.

Climate change/carbon emissions implications

29. There are no implications for climate change or carbon emissions from the review itself. Some of the commercial projects that come out of the review may have implications and these will be assessed as part of the project plans.

WHAT HAPPENS NEXT:

30. Next Steps:

- The details for the amendments to the Agreement will be drawn up.
- A progress report will be brought to the Environment and Transport Select Committee in March 2015.
- A further report recommending the final terms of the Agreement will be brought to Cabinet in April 2015 for a decision.
- Detailed amendments to the Agreement and lease will be drawn up over the following year.
- The Property Management Plan will be completed by 31st March 2015.
- The Strategic Woodland Plan will be agreed with the Forestry Commission by December 2015.
- The new Governance, Service Delivery Specification and Key Performance Indicators will be in place for January 2015 and will be reviewed annually.

Contact Officer:

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Consulted:

Surrey Wildlife Trust Trustees
Surrey Countryside Partnership Committee (The Committee established to steer the Agreement)
Environment and Transport Select Committee (ETSC)
ETSC Member Reference Group
Legal Service
Property Services
Financial Services
Director for Legal and Democratic Services

Annexes:

Annex 1 the Executive Summary of the Business Plan for the Countryside Estate. 2014-2019.

Annex 2 Service Delivery Specification.

Annex 3 Key Performance Indicators.

Annex 4 Revised Governance and Terms of Reference.

Sources/background papers:

- Task Group Report: Countryside Management, to the Environment and Transport Select Committee 6th March 2013.
- Task Group Report: Countryside Management, Cabinet 26th March 2013.

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