

<b>Section 151 Finance cleared on:</b>	<b>xx/xx/15</b>
<b>Legal cleared on</b>	<b>xx/xx/15</b>
<b>Strategic Director cleared on:</b>	<b>xx/xx/15</b>
<b>Cabinet Member cleared on:</b>	<b>xx/xx/15</b>

## SURREY COUNTY COUNCIL

### CABINET



**DATE:** 23 JUNE 2015

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

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

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

#### **SUMMARY OF ISSUE:**

In 2002 Surrey County Council (SCC) signed a 50 year agreement (the Agreement) with Surrey Wildlife Trust (SWT) to manage the County Council's Countryside Estate. Land and building comprising the Estate were leased to SWT for the same period. In December 2014, following a thorough review of the effectiveness of the Agreement, Cabinet approved a set of proposed changes. Since December officers have worked closely with SWT to develop a revised Agreement which will provide improvements for visitors while reducing costs, aiming at a self funding position for the Agreement by 2021. This report seeks approval to implement changes to the Agreement to achieve these aims.

#### **RECOMMENDATIONS:**

It is recommended that:

1. Cabinet approves the proposed variations to the Agreement, as described in paragraph 3-7 of this report.
2. Cabinet delegates authority to the Cabinet Member for Environment and Planning, in consultation with the Strategic Director and Director for Legal and Democratic Services, to enter into final negotiations with SWT to vary the Agreement.
3. Cabinet requires the Cabinet Member for Environment and Planning to submit a further report in April 2016, seeking approval for a Business Plan, aimed at reducing the Council's financial contribution to zero by 2021, and agreeing the distribution of funds thereafter.

## **REASON FOR RECOMMENDATIONS:**

Approval of the recommendations will implement changes to the Agreement with SWT which improve its effectiveness, deliver improvements for visitors and aim to reduce the Council's contribution to zero by 2021.

## **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, downland and a number of residential and commercial properties held by the County Council for public benefit, recreation and landscape conservation.
2. This report seeks approval for variations to the Agreement with SWT, based on principles approved by Cabinet in December 2014. The proposed variations have been discussed with a Member Reference Group of the Environment and Transport Select Committee. The proposals are summarised below and, where appropriate, described in full in specified Annexes attached to this report.
3. **Financial Formula (Annex 1)** - The revised formula provides certain savings in SCC contributions in 2015/16, to £759,000 in accordance with the Council's Medium Term Financial plan. The formula then reflects the agreed target of achieving nil revenue contributions from SCC by 2021, through the joint development of business plans for the period 2016/17 to 2020/21. The business plans will be reviewed annually under the revised Governance arrangements described in Para 4.
4. **Governance Arrangements (Annex 2)** - The revised Governance arrangements will be based on:
  - Closer joint working between SCC and SWT, recognising the wider objectives and priorities of each body.
  - Robust oversight and accountability for strategy, performance and resource management.
  - Continuous improvement using revised indicators and metrics.
  - Improved delivery mechanisms to drive change.
  - Periodic (at least annual) reporting back to SCC.
5. **Asset Management Plan (AMP) (Annex 3)** - Built property will be managed in accordance with a joint AMP in a format consistent with SCC property management policy, based on advice from SCC Head of Property. The AMP will manage property based on the principles of:
  - Efficient operational property, consistent with the aims of the Agreement.
  - Retained value and optimised returns for properties held for investment purposes, consistent with the aims of the Agreement.
  - Joint development plans for key locations, aimed at increasing returns through the Agreement and achieving the targets set under the Financial Formula.

6. **Performance Management (Annex 4)** - The revised Governance Arrangements described above, will include effective performance management through two key processes:
  - Service Delivery Specification - This will provide confidence and certainty as to the activities which will be carried out under the agreement and serve as a foundation for the development of business cases, improvement plans and performance mechanisms.
  - Key Performance Indicators - A revised set of indicators will enable outcomes and performance to be monitored and managed more effectively.
7. **Woodland Management Plan** - This Joint Plan will ensure effective long term management of woodland within the Estate, including increased value from wood products. It will be produced by December 2015.

#### **CONSULTATION:**

8. Internal consultation has taken place with Legal Service, Property Services, Procurement, and Finance and the Cabinet Member for Environment and Planning has been involved throughout the negotiations.
9. A Member Reference Group from the Environment and Transport Select Committee has been involved in the development of these proposals.
10. SCC/SWT Partnership Committee was informed in June 2015
11. The proposals will be considered by SWT Council in July 2015.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

12. The main financial risk is whether the income generating plans can achieve financial sustainability for the Estate by 2021. SCC has agreed to work with SWT to develop these plans, so both parties will have an interest in ensuring that they are successful. Initial plans are already worked up to the position where investment will shortly be sought. It is essential that these projects have comprehensive business cases attached to them so the investment and return criteria can be evaluated and the risks mitigated. Strong business cases should drive clear investment routes.
13. 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.
14. Investment in the property is essential to keep the asset maintained over the 37 years remaining on the lease and is in the interest of SWT as they 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.

### **Financial and Value for Money Implications:**

15. SWT and SCC are working on plans that will develop the income generating potential of the Countryside Estate to get it to a self funding position. The Council's Medium Term Financial Plan includes countryside savings of £0.3m by 2016/17, including reduced support to SWT of £0.2m. Developing these opportunities 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.
16. The investment needed for these plans will be agreed between the parties for each business case. Any investment from SCC would be subject to a robust business case, including an assessment of risks, and approval through the Council's normal process including its investment panel, and any decision required by members would be the subject of future reports.
17. SWT have demonstrated that they are committed to making this plan work by delivering savings in 2014/15, with further plans for 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. SWT are also actively working with SCC to develop income generating plans.

### **Section 151 Officer Commentary**

18. To be provided on final draft.

### **Legal Implications – Monitoring Officer**

19. The original agreement between SWT and SCC anticipates that amendments would be made to the Agreement during the 50 year term. It is proposed that a Deed of Variation will be entered into when amendments to the agreement are agreed and Cabinet has approved the terms.
20. 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**

21. 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.

### **Other Implications:**

22. The potential implications for the following Council's priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

**Note: still subject to review.**

<b>Area assessed:</b>	<b>Direct Implications:</b>
Corporate Parenting/Looked After Children	No significant implications arising from this report
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report
Public Health	No significant implications arising from this report
Climate change	No significant implications arising from this report
Carbon emissions	No significant implications arising from this report

### **Public Health implications**

23. 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.

**Note: still subject to review.**

### **Climate change/carbon emissions implications**

24. 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.

**Note: still subject to review.**

### **WHAT HAPPENS NEXT:**

Next Steps:

25. SWT Council will receive a report of the proposed Amendments in July 2015 and their comments will need to be considered before the final amendments are completed.
26. The changes to the terms of the Agreement will be incorporated into a variation of the Agreement.
27. The Supplemental Lease will be completed.
28. The Strategic Woodland Plan will be agreed with the Forestry Commission by December 2015.
29. The new Governance, Service Delivery Specification and Key Performance Indicators will be reviewed annually in accordance with the varied agreement.
30. A report will be presented to Cabinet in April 2016 seeking approval for a Business Plan, for the period 2016/17 to 2020/21, aimed at reducing SCC's contribution to zero.

**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  
SCC Legal Service  
SCC Property Services  
SCC Financial Services  
SCC Procurement Services  
SCC Director for Legal and Democratic Services

**Annexes:**

Annex 1	Financial Formula
Annex 2	Governance Arrangements
Annex 3	Asset Management Plan (AMP)
Annex 4	Performance Management

**Sources/background papers:**

- Cabinet Report 20<sup>th</sup> March 2010 Countryside Contract Review
- Cabinet Report 16<sup>th</sup> December 2014: The Agreement with Surrey Wildlife Trust for the Management of the County Council's Countryside Estate
- Environment and Transport Select Committee 23<sup>rd</sup> April 2015: The Agreement with Surrey Wildlife Trust for the Management of the County Council's Countryside Estate