

# Annex1: Financial Formula

## 1. Formula

The financial formula will be amended as follows:

- The SCC contribution for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015 will be £859,000.
- The SCC contribution for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 will be £759,000.
- SWT will present a proposal quantifying SCC's requested contribution for the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017, and thereafter annually, by 1<sup>st</sup> December of the preceding year (commencing with 1<sup>st</sup> December 2015). This shall form part of a profit and loss forecast produced annually for the next 5 years.

The parties have agreed a target of reaching zero SCC contribution by 2021 and will jointly develop commercial opportunities, source the investment required to fund the commercial opportunities and evaluate the value for money of existing services, within the agreement, to enable the delivery of this target.

During the period 2016/17 to 2020/21 the parties will also develop business cases for the remainder of the agreement period, specifying returns to each party.

## 2. Business Plan

As part of the annual proposal, SWT will submit detailed business cases for approval of commercial opportunities where the parties had previously authorised an outline business case.

Outline business cases shall include an overview of the opportunity i.e (description, scope, key deliverables) alongside income projections and costs derived from desk research, with key risks.

Detailed business cases shall include detailed analysis of options considered (future lifecycle income/costs based on expert input and evidence. It shall include any investment required and payback period. Furthermore, a resourced implementation plan and risk management plan will also be included.

Detailed business cases shall include a proposal for the sharing of any forecast surplus generated between the parties. This will take into account their respective financial commitment/investment, the costs borne by each to implement the initiative alongside the ongoing cost to manage it post-implementation.

Both the outline and detailed business cases shall be approved by the Delivery Body and ratified by the Partnership Committee (established under new governance arrangements – see Annex 2). Approval of any required investment shall also be subject to each party's internal governance requirements.

SWT shall, initially, provide a detailed business case by 1<sup>st</sup> July 2015 for approval for the following initiatives:

- Developments at Newlands Corner.
- Holiday lets in Norbury Park.
- The caravan site in Norbury Park.

SWT shall also provide outline business cases for the following, by 15 September 2015, alongside detailed business cases by 1<sup>st</sup> December 2015 for:

- Forest Holidays site in Norbury Park.
- Semaphore Tower.
- Newlands Corner visitor facilities.
- Ockham Visitor facilities.
- More commercial management of the woodlands.

Thereafter, further outline and detailed business cases will be developed on an annual basis; the outline case to be completed by 1<sup>st</sup> August and the detailed case by 1<sup>st</sup> December each year (it is recognised that timely delivery of detailed business cases is subject to circumstances outside the parties control that may cause delays and could not have been reasonably anticipated).

### **3. Existing services**

The parties will evaluate the value for money of the existing services that form part of the contract on an ongoing basis. The scope of this will cover:

- The effectiveness of SWT procurement (materials, equipment, services).
- Efficiency of existing operations.
- Whether the operations are delivering the required outcomes specified in the Service Delivery Schedule (SDS).

The parties will agree upon the most appropriate mechanism to determine value for money on a case by case basis, which may include, but will not be limited to, benchmarking and market testing.

Where the value for money of the existing services is not achieved, the parties will agree a plan of action to rectify this. However, if this is not possible or the plan does not deliver within a reasonable timescale to be agreed by the parties, the parties may elect to use an alternative provider if this achieves better value for money.

In line with the commercial opportunities timescales, a report outlining the areas, which have been suggested should be evaluated, will be submitted to the Delivery Body (established under new governance arrangements – see Annex 2) for approval by 1<sup>st</sup> August each year. The outcome of the evaluation will be completed by 1<sup>st</sup> December of the same year and shall include any necessary action plan.

### **4. Process for Bidding to Investment Funding from Surrey County Council**

Any investment from the County Council will be subject to its existing internal processes, including review by the Investment Panel and a report to Cabinet, or Cabinet Member, as required.