

Section 151 Finance cleared on:	
Legal cleared on	
Strategic Director cleared on:	
Cabinet Member cleared on:	

SURREY COUNTY COUNCIL

DRAFT REPORT TO CABINET



DATE: 23RD FEBRUARY 2016

REPORT OF: MR MIKE GOODMAN, CABINET MEMBER FOR ENVIRONMENT AND PLANNING & MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE

LEAD OFFICER: MR TREVOR PUGH, STRATEGIC DIRECTOR, ENVIRONMENT & INFRASTRUCTURE

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

SUMMARY OF ISSUE:

In the last report for Cabinet in June 2015 on this subject it was agreed that the recommendations for changes to the operation of the Agreement between Surrey County Council (SCC) and Surrey Wildlife Trust (SWT) would be brought to the November 2015 Cabinet with a recommendation for reducing the current payment that SCC annually pay the SWT to manage the Countryside Estate.

Negotiations with SWT have taken longer than anticipated and so this report was delayed until the February 2016 meeting. This report sets out the joint work between SCC and SWT to ensure that there is a Business Plan in place for the next five years, along with a Memorandum of Understanding between SCC and SWT to ensure that the requirements of the Agreement are clearly understood and can be effectively managed.

As part of the due diligence SCC have carried out a number of checks on the various plans produced by SWT which have shown that SWT have complied with all the requests from SCC in putting future plans in place to ensure effective management of the Countryside Estate (Estate) and a reduction in costs to the public purse.

In the event of any disagreement, the dispute clause of the Agreement would be activated leading to a mutually agreed resolution or the termination of the Agreement.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Approves the proposed way forward with a Memorandum of Understanding setting out the process for ensuring the Countryside Estate becomes financially self sufficient by 2021, and approves governance arrangements, Asset Management Plan, performance management and woodland management as described below, subject to the same changes being agreed by SWT Trustees and delegating completion to the Cabinet Member for Environment and Planning and the Strategic Director for Environment and Infrastructure in consultation with the Director of Legal and Democratic Services.

2. Approves the principles of the Business Plan for the next five years up to 2020/21.

REASON FOR RECOMMENDATIONS:

Approval of the recommendations will put in place a mechanism to make the Countryside Estate more efficient, while delivering improvements for visitors, reducing the Council's contribution to zero by 2020/2021, and agreeing the distribution of funds thereafter.

DETAILS:

1. The current Agreement was signed in 2002 and envisaged SWT increasing the income to manage the Estate and, to this end, the original Financial Formula required a £300,000 reduction in the base payment over the first ten years. This was achieved in 2012/13. Since then the payment has further reduced through savings of £100,000 per year agreed for 2014/15 and 2015/16. In addition, the payments have not been inflated year on year. The Estate that was leased to SWT includes 4 tenanted farms, a number of houses and commercial property which produce a rent role that forms part of the overall budget for managing the Estate. In the last year discussions with SWT have resulted in agreement that the Estate should become self sufficient by 2020/21 through demonstrating efficiency, developing income generating opportunities on the Estate and improving the facilities available for the public.
2. This report recommends approval of a Memorandum of Understanding between SCC and SWT that will clarify what is required from SWT enabling the SCC Estate to become financially self sufficient by 2020/21. In addition documents attached to the original Agreement have been updated to strengthen the management and performance monitoring process for the Agreement to ensure that an improving service to the public is delivered. That service will deliver on all the objectives of the SCC Corporate Strategy, by improving the residents' experience, providing more accessible sites to encourage people to visit for health and wellbeing and by improving the economic prosperity of rural businesses.
3. The proposed changes have been discussed with the Member Reference Group of the Environment and Transport Select Committee and subsequently with the Economic Prosperity, Environment and Highways Board. The proposals are summarised below and, where appropriate, described in full in specified Annexes attached to this report.
4. **Memorandum of Understanding (MoU)** - The MoU covers the commitment of SWT and SCC to work together to make the SCC Countryside Estate financially self sufficient by 2021. This covers the requirement for the Business plan to be agreed by both parties each year. It will however be a rolling 5 year plan so the progress of the income generating ideas can be seen and measured against the expectations. SWT have put in place a team who are developing and implementing income generating projects.
5. **Five Year Rolling Business Plan** - In line with the Financial Formula (included as Annex 2 in the June 2015 Cabinet report) the five year rolling Business Plan (the plan) presents a guaranteed saving for 2016/17 and an outline of the budgets for subsequent years taking into account the outline business cases for individual income generating projects, that are either worked up or in the process of being worked up. The plan reflects the agreed target of achieving nil revenue contributions from SCC by 2021, through the joint development of business cases to reduce costs, demonstrate efficiencies and generate additional income for the period 2016/17 to 2021/2022. The business plans will

be reviewed annually under the revised governance arrangements, which include an Annual Report to Cabinet.

6. **Business Cases** - The business plan is based on business cases being worked up to make the most of opportunities to generate income from activities and properties on the Countryside Estate. The Plan identifies business opportunities that are already being worked up into full business cases, while the annex to the Business Plan sets out further opportunities which will be assessed over the next year to see which ones are viable. Outline business cases are then submitted to SCC to determine whether they are viable and establish where investment would come from if required.
7. **Newlands Corner** - Phase 1 of the project to improve the visitor facilities at Newlands Corner is a key opportunity to improve the experience for all visitors and encourage a wider range of people to visit and enjoy more of the site. The income generated from this project will help to pay for managing the Estate and will be key in providing early returns in the Business plan. This provides a chance to develop some of the other plans which have a longer lead in time.
8. **Governance Arrangements** - were set out in the June report and attached to this report in Annex 2 is the first Annual Report on the Countryside Estate from SWT. This will be an evolving process but illustrates the annual performance reporting. KPIs and targets, defined in the Service Delivery Specification, are also reported quarterly so any issues can be picked up during the year.
9. **Asset Management Plan (AMP)** - SCC Property Services have carried out a due diligence process on the Stock Condition survey of built property and on the overall management of property on the Countryside Estate. This has involved an internal assessment of the stock condition and an overview of the potential of the estate to generate better return. The assessment confirms that the AMP is sound and, with the governance now in place, can be effectively monitored by SCC. A summary of the AMP was annexed to the June 2015 report to Cabinet.
10. Knight Frank were commissioned by SCC Property Services to assess a range of factors relating to SWT's management of the Estate including the AMP for the built property, woodland and the governance currently in place. The report concluded that there were some limited areas where SWT could improve, which have now been incorporated in their plans for the built environment, woodland and the 5 year business plan. Therefore the Estate will be managed as effectively as it could be. This provides an effective base for future management of the Estate.
11. **Supplemental Lease** - This will complete the intended lease of property already managed by SWT. A draft is currently with SWT's solicitors.
12. **Woodland Management Strategy** – Following the Forestry Policy that was drawn up last year and now has sign off from the Forestry Commission a strategic plan has been drawn up. The plan was prepared by a Forestry Consultant and is now awaiting sign off from the Forestry Commission. The plan shows that 1,150 hectares are currently managed and there is an estimated potential income in the next 5 years of £116,500 (Annex 3).

CONSULTATION:

13. Internal consultation has taken place with Legal Services, Property Services, Procurement, and the Cabinet Member for Environment and Planning has been involved throughout the negotiations.
14. A Member Reference Group from the Environment and Transport Select Committee and Economic Prosperity, Environment and Highways Board has been involved in the development of these proposals.
15. Briefing sessions have taken place with the local County Council, Borough Councillors and Parish Councillors regarding Newlands Corner.
16. The final proposals have to be considered by SWT Trustees.

RISK MANAGEMENT AND IMPLICATIONS:

17. The main financial risk is around the success of the business cases put forward each year. This will be a joint process between SCC and SWT, with SCC approving those cases and agreeing that they will provide an acceptable income for the following year. Monitoring during the year will quickly highlight any issues and allow the two parties to seek a remedy. A small Board will be established to assess the business cases, this will comprise of representatives from SCC and SWT. For example, there is currently a Board dealing with the Newlands Corner Project.
18. 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 they work collaboratively, have robust governance in place and develop clear plans for investment and returns for each party. There can be confidence in the management of this risk as proposed changes to the Agreement are based on principles accepted in writing by the SWT.
19. Investment in the property is essential to keep the assets maintained and to maximize income over the 37 years remaining on the lease; it is a full repairing lease and the terms of the Agreement require that the properties are maintained to a minimum standard comparable to the condition as at the inception of the lease. A further condition survey has been completed on all of the built property in 2015 and confirms that it is in a fair to good condition, this will now form the baseline for all further monitoring. The Property Asset Management Plan has been developed from that survey and will be monitored through the Service Delivery Specification and Key Performance Indicators to ensure that the land and buildings are properly maintained. (See the Annual Report 2014/15 in Annex 2).

Financial and Value for Money Implications

20. SCC and SWT are working on plans that will develop the income generating potential of the Estate to get it to a self funding position by 2021. Developing these opportunities will provide savings and also improve the visitor facilities for the public whilst helping 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.

21. The Council's current Medium Term Financial Plan (MTFP) includes countryside savings of £0.3m by 2016/17, including reduced support to SWT of £0.2m. The SWT Business Plan shows further savings equating to £759,000 over the next 5 years. The MTFP will be adjusted in light of the additional savings provided by this plan. 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.
22. SWT have demonstrated that they are committed to making this plan work by delivering savings in 2014/15 and 2015/16 and presenting a business plan that gets the Estate to financial self sufficiency by 2021. The plan is subject to the business opportunities delivering the income projected, however this risk is reduced by the development of a wide range of income generating ideas as well as back up plans should the main ones be delayed or fail to be realised.
23. The Property Asset Management Plan will help to ensure that plans are developed to maximise the benefits from property and ensure adequate financial provision is made for future property repairs and maintenance. The Supplemental Lease seeks to formalise existing arrangements and as such is not expected to impact on the council's finances.

Section 151 Officer Commentary

24. The S151 officer is continuing to work with Countryside officers to understand the implications and risks of the proposed changes, and this commentary will be updated accordingly. The SWT Business Plan sets out how a financially sustainable position could be reached by 2021, i.e. with no financial subsidy from SCC. This will require a number of proposals and business cases to be developed, and these will be assessed and commented on as they arise. Aside from improving visitor facilities at Newlands Corner, the proposals in the Business Plan, attached as a Part 2 item in view of the sensitivity of the financial information it includes. Where investment is sought from SCC, this would be subject to the Council's existing approval processes, including its Investment Panel and further Cabinet or Cabinet Member reports as required. The plan is subject to a number of risks and uncertainties and will require careful monitoring.

Legal Implications – Monitoring Officer

25. The Memorandum of Understanding (MoU) is not a legally binding document. The terms of the original Agreement will remain in force and unchanged by it. The MoU will set out the intentions of the parties in relation to the production of the 5 year business plan and annual review and clarify the way in which SWT and SCC will work together to make the SCC Countryside Estate financially self sufficient by 2021.
26. The other changes to the original Agreement in relation to the governance arrangements, the Asset Management Plan, the financial formula and woodland management will be dealt with by way of side letter and will form part of the Agreement and as such will be legally binding upon the parties.
27. 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, as appropriate.

28. Under Section 123 of the Local Government Act 1972, local authorities have the power to dispose of land in any manner they wish subject to the disposal being for the best consideration reasonably obtainable. For the commercial properties, a rental value will be expressed in the lease or consent from the Secretary of State will be required. For the non-commercial properties, the consideration will be the services provided by SWT in their management of the countryside estate.

Equalities and Diversity

29. 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:

30. 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.

Area assessed:	Direct Implications:
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	The improvements to visitor facilities will make the Countryside Estate more accessible and attractive to a wider demographic and should therefore bring benefits to the public health.
Climate change	No significant implications arising from this report
Carbon emissions	The woodland plans will contribute to the better management of our woodlands and development of woodfuel as a heating fuel.

Public Health implications

31. 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

32. 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:

Next Steps:

- SWT's Council is required to approve these changes.
- To delegate to The Strategic Director for Environment and Infrastructure and Cabinet Member for Environment and Planning the completion of the MoU.
- To set up the Board to work with SWT and assess the income generating opportunities and work them up into business cases.

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 The Five Year Rolling Business Plan 2015/16 to 2021/22 and
 Business Opportunities annexed to the Business Plan (Part 2
Annex 2 2014/15 Annual Report
Annex 3 Surrey County Council Countryside Estate Woodland Strategy 2015

Sources/background papers:

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

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