

SURREY COUNTY COUNCIL**CABINET****DATE: 31 MARCH 2020****REPORT OF: MS DENISE TURNER-STEWART, CABINET MEMBER FOR COMMUNITY SAFETY, FIRE & RESILIENCE****LEAD OFFICER: KATIE STEWART, EXECUTIVE DIRECTOR OF ENVIRONMENT, TRANSPORT & INFRASTRUCTURE****SUBJECT: RETURNING THE COUNTRYSIDE TO RESIDENTS****SUMMARY OF ISSUE:**

This report sets out a proposed new delivery model for Surrey County Council's (SCC) Countryside Estate (CE) which returns the responsibility for visitor services and access to the Council. The CE was purchased 90 years ago to provide public benefit, recreation and landscape conservation. A free resource for residents, it offers 10,000 acres of accessible land and extensive opportunities to boost the health and wellbeing of residents. The proposed new model, alongside a new programme to enhance visitor experience and access, will return the countryside to the residents of Surrey.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Agrees the variation of the agreement with Surrey Wildlife Trust (SWT) for the management of the Countryside Estate in accordance with the proposals detailed in the report, noting the cost implications outline in paragraphs 34-38.
2. Delegates authority to the Executive Director for Environment, Transport and Infrastructure and the Executive Director for Resources in consultation with the Cabinet Member for Community Safety, Fire & Resilience and the Cabinet Member for Finance:
 - a. to enter into final negotiations with Surrey Wildlife Trust and complete the variation to the agreement, including the surrender of Phase 1 and 2 leases and regrant of lease.
 - b. to agree the implementation of transitional arrangements with Surrey Wildlife Trust for the management of Countryside Visitor Services and property management responsibilities pending completion of the variation.
 - c. to transfer the responsibilities for visitor services to Surrey County Council on the 1 April 2020 subject to 'call-in' arrangements.

REASON FOR RECOMMENDATIONS:

Approval of the recommendations to implement changes to the agreement with SWT, improves its effectiveness and efficiency. SWT are fully supportive of the proposed changes

as set out in this report. The countryside is a natural resource offering significant opportunities to support and benefit the health and wellbeing of residents.

DETAILS:

1. The Council's Countryside Estate (CE) 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 Council for public benefit, recreation and landscape conservation.
2. Since 2002, the Surrey Wildlife Trust has been managing the CE on behalf of SCC under a contract which includes responsibilities for delivering conservation and habitat management, visitor services, and managing a portfolio of residential and commercial properties that occupy land within the principal lease between SWT and the Council.
3. At the start of the contract in 2002, only 8% of habitat sites were deemed to be in a favourable condition, as monitored by Natural England. Due to the work of SWT, all sites are now in a favourable or recovering condition. Because of these improvements in the nature conservation of our sites, focus is beginning to shift to more effective maintenance of the sites and improving the visitor experience at these sites, ensuring residents are given the opportunities and means to access the countryside.
4. This approach has been adopted in order that the CE can make a more positive and direct contribution to the Council's 2030 Vision, and in particular the following objectives.

'Residents live in clean, safe and green communities, where people and organisations embrace their environmental responsibilities.'

'Everyone lives healthy, active and fulfilling lives, and makes good choices about their wellbeing.'

5. The current contract provides for the delivery of a range of conservation and habitat management outcomes, and includes responsibility for managing and maintaining all residential, commercial and other operational buildings located on the countryside estate.
6. Since 2015, SWT have operated within the terms of a separate Memorandum of Understanding (MoU) that implemented a financial framework that would enable the CE to become self-financing, reducing the burden on annual funding from the Council. It has seen the annual contribution from the Council for managing the CE reduce from over £1.2m per annum to £425,000 in 2018/19. This was further reduced to £250,000 in 2019/20, is scheduled to reduce to £100,000 in 2020/21 and nil in 2021/22.
7. Following the introduction of the MoU, the partnership pursued an active programme of developing new commercial opportunities including the introduction of charges for visitors to park in designated CE car parks, with the aim of bridging the financial gap between the overall costs of managing the CE and the annual budget contribution from the Council. However, despite these efforts, SWT have not been able to run the estate without a contribution of at least £400,000 from SCC. Therefore, reductions in service

delivery have been necessary in 2019/20 to accommodate SCC's reducing contribution as agreed above. A new delivery model is needed to ensure the estate can become self-sufficient.

8. The proposed new model, as set out below, is the result of negotiations between a multi-disciplinary team of SCC officers and SWT to realign management functions and responsibilities to best deliver the Council's 2030 Vision. SWT are fully supportive of the proposed new arrangements as it allows them to continue to focus on their core mission of delivering high quality conservation and habitat management, supported by the externally funded Natural England grant regime which will cover the full costs of the conservation activities going forward.
9. The current services provided by SWT on the CE will be realigned as follows:
 - **Conservation & Habitat Management:** Managed by SWT under a Deed of Variation to the current contract.
 - **Visitor Experience and Visitor Services:** Transferred back to the Council and managed in-house as part of a newly-formed Countryside Estate Operational Team.
 - **Property Management:** The transfer of relevant Countryside Estate properties to the Council or any directly or wholly owned subsidiary.

Conservation and Habitat Management

10. Conservation activities include restoring, recreating and improving habitats, supporting native species and halting the decline of threatened flora and fauna. The nature of the conservation functions to be delivered by SWT are subject to external funding from Natural England (and other external funding bodies). The funding criteria gives preference to applicants holding charitable status. Due to the nature of the associated funding regime and its application across the proposed new arrangements with SWT, the delivery and management of conservation & habitat management functions will be delivered at nil cost to the Council.
11. Funding from Natural England is conditional on SWT continuing to deliver conservation outcomes as set out in the 23 separate management plans that operate across the Countryside Estate. The management plans will form the core mechanism against which the Council will scrutinise and hold SWT to account for its performance under the terms of the new arrangements.
12. In order to allow SWT to focus on delivering conservation and habitat management it is proposed that the Council assumes responsibility for two key areas: the visitor experience, and property management services. Sections 13 to 22 of this report set out more details of what responsibilities will transfer to the Council and how they will be managed going forward.

The Visitor Experience and Visitor Services

13. How local residents and visitors experience our countryside is fundamental to the rationale for bringing visitor experience services back under the direct control of the council. In particular, creating an improved experience for all visitors will enhance the ability of residents to connect with their countryside in a range of ways, which will improve the current situation where much of the land and assets managed by SWT are considered to be 'not open to the public' because of their conservation designations.

14. From 1 April 2020 (subject to call in arrangements), the Council will assume responsibility for managing and delivering the following day-to-day functions and responsibilities:
- Providing **access for recreational purposes** – public rights of way (PROWs), permissive routes/horse rides/cycle routes, easy-access trails, promoted routes & trails, and the potential for hosting activities like community activities and physical activity programmes as typically run by organisations like the Scouts.
 - Providing **informed access** - information and signage, visitor centres (Newlands and Ockham).
 - Providing **safe access** – e.g. managing tree safety, bridges, fires on site, etc.
 - Providing **clean access** by collecting litter and managing fly tipping.
 - Providing car parking.
 - Providing on site services such as seating, cafes and toilets (Newlands and Ockham).
 - Protecting the estate from any encroachments by traveller incursions or adjacent landowners.
 - Responding to planning consultations which impact on the estate.
 - Customer liaison via all relevant channels.
15. In order to deliver the range of visitor services a new Countryside Estate Operational Team is being established, managed by the current Countryside Access and Operations Manager.
16. The proposed changes to visitor services will allow for the improvements in CE physical infrastructure and in key messaging to enable Countryside Estate to:
- provide experiences for local communities because it is locally accessible
 - support and promote health, well-ness and wellbeing
 - provide access to information in a range of formats about how to connect with nature and the countryside
17. In order to maximise the value of the CE in this way we will make substantial improvements to current visitor services. Therefore, the service has prepared a **Visitor Services Enhancement Programme** that supports a number of key objectives:
1. to make infrastructure improvements on every site so a visitor is able to make the most of their visits
 2. to promote the estate for use by residents
 3. to promote a wider range of activities available so there is something for every visitor
 4. to invest in the property on the estate where appropriate to enhance the visitor experience
18. The Medium Term Financial Strategy (MTFS) includes capital funding of £1.1m (£0.76m in 2020/21) and revenue transformation funding of £0.3m in 2020/21 to support the Visitor Services Enhancement Programme.

Property Management

19. The Countryside Estate comprises a diverse series of landholdings to protect the countryside and provide public recreational access for residents. Under the current contractual arrangements, the estate has been managed by SWT under a 50 year agreement and lease. SWT have no responsibilities for dilapidations, save for handing the properties back in a safe condition. Under the proposed changes the current

agreement will be amended, and a new lease issued for conservation works on land carried out by SWT. The commercial and residential properties will return to the Council, or its wholly owned subsidiaries, with SWT retaining one farm under lease – Pond Farm, required for operational reasons in pursuit of the delivery of their conservation and habitat management responsibilities.

20. In order to support the proposed changes, property condition surveys have been completed for all transferring residential properties (with similar surveys due to be completed for all transferring commercial properties by mid-March 2020).
21. The property surveys for the residential stock (not including the commercial units), shows that a significant initial investment is required to bring the properties up to a strong lettable standard. Consequently, further work is required to establish a robust and financially sustainable 'business case' that aligns with the Council's Corporate Landlord policy.
22. Work has already commenced to evaluate the optimal solution for the Council to hold, manage and invest in the homes in the longer term including whether to sell the homes when lettings vacancies occur. The review will investigate:
 - Whether the rental income from the property portfolio is sufficient to provide a good landlord service and fund the functions and responsibilities as set out in paragraph 14?
 - Will disposal options increase value to the Council including potential mitigations to prevent the Assured Tenancies becoming Secured Tenancies?
 - Whether there are opportunities for development or alternative use of properties on the estate that would complement the Visitor Enhancement Programme and create value to the Council?

CONSULTATION:

23. Consultation with residents during the 2030 Vision, revealed one of the most important aspects of Surrey that residents care about is the quality of Surrey's natural environment. Nearly 30% of survey respondents said they valued the green and open spaces in Surrey. Many people commented that having access to this green space and nature was a key part of the attraction of living in Surrey, and there was a strong desire to see this preserved. There were views that these spaces are essential to the health and wellbeing of people in Surrey, and offer families the opportunities to relax, explore and appreciate the natural environment.
24. However, an annual survey of visitors to the CE shows a stagnant pattern of visitors over the last 5 years. A visitor is typically an adult walking their dog. The number of children visiting the sites is particularly low at 17% compared with Country Parks nationally where this is 55%. Consultation with the Surrey Hills Areas of Outstanding Natural Beauty (AONB), Surrey Choices, Surrey Outdoor Learning Development (SOLD), SCC's Children's Families and Learning and Communities Department, and Active Surrey shows this pattern is replicated in their use of the sites. They are all keen to work with SCC to address this as well as ensuring the sites are fully accessible to and enjoyed by all Surrey residents.

25. Consultation with SWT has been extensive during the last 12 months in assessing the viability of the new delivery model, including a meeting with SCC's Leader and Cabinet Member for the Countryside in Autumn 2019. Agreement on the Heads of Terms demonstrates their commitment to varying the contract. Their Chief Executive has worked closely with their Chair of Trustees and SWT's Board of Trustees will formally approve the Heads of Terms on 23 March 2020.
26. SCC has Access Agreements with the Albury Estates, the Hampton Estate and the Wootton Estate. We have also consulted with these landowners who are all supportive of a vision to improve and enhance visitor services on the sites SCC manage.
27. Tenants of the property on the CE have also been consulted. A letter was circulated to all tenants in January 2020 when access to carry out structural surveys was requested, to inform them of the change in tenure and return of the management of the built property to SCC.
28. Internal consultation has taken place with the Council's Legal Service, Property Services, and Procurement, and the Cabinet Member for Community Safety, Fire and Resilience has been involved throughout the negotiations. The Cabinet Member for Community Safety, Fire and Resilience has also consulted with the Cabinet Member for Finance.

RISK MANAGEMENT AND IMPLICATIONS:

29. The main financial risk is securing funds from the property portfolio to support the ongoing revenue budget for visitor services. Current rental income from the estate is sufficient, although significant investment in the properties is necessary. As set out in paragraph 34 below, these costs can be accommodated within the Council's approved Medium Term Financial Plan. This risk needs to be balanced with the liabilities under the current contractual arrangements.
30. The working partnership between SWT and SCC is well established, reducing any reputational risk around delivery. Developing a new delivery model has shown that a variation to the agreement can be made to work for both parties providing we work collaboratively. A robust governance plan has been agreed by both parties in the Heads of Terms. SWT performance will continue to be monitored through the Service Delivery Specification and Key Performance Indicators as well as the Site Management Plans agreed with Natural England.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

31. The Council's Medium Term Financial Strategy (MTFS) includes a **revenue** budget of £0.125m in 2020/21 for the countryside estate, primarily to meet SCC's anticipated contribution to SWT under the current arrangement. The proposal set out in this report is that conservation and habitat management continues to be undertaken by SWT, funded by them or through grants that they will access. Visitor experience and property management services will return to SCC. The estimated revenue cost to SCC of providing visitor experience services, including countryside access and woodland management, is £0.486m for 2020/21, net of income from activities such as events, weddings, filming and timber sales. Property management services are expected to generate an income to SCC, currently estimated at £0.361m net of property management costs. Transfer costs are anticipated to be nil for each party, apart from the legal cost of varying the contract where each party will bear their own costs. Therefore, the net cost of services and properties proposed to return to SCC is £0.125m which is in

line with the council's approved budget, as set out in the table below. The new arrangements are supported by one-off transformation funding of £0.3m in 2020/21.

| Revenue funded countryside activity | 2020/21 Expected cost to SCC £000 |
|---|--|
| Conservation & Habitat Management: Managed by SWT under a Deed of Variation to the current contract. Costs are estimated at £0.58m and are expected to be met from SWT funds, and grants that SWT will access. | 0 |
| Visitor Experience Services: Transferred back to the Council, with costs partially offset by income from activities such as events, weddings, filming and timber sales. | 486 |
| Property Management: Transfer of relevant Countryside Estate properties to the Council, where they are currently expected to generate a net income, after meeting property management costs. Actual costs may vary from year to year depending on maintenance requirements, so this represents the expected average cost, and is subject to an assessment of options (paragraph 22). | (361) |
| Countryside estate revenue budget | 125 |

32. Provision has also been made within the council's approved MTFs for **capital** investment. The capital budget includes funding for the Visitor Services Enhancement Programme of £1.1m across 2020-25 (£0.76m in 2020/21). Further, the capital pipeline (comprised of schemes which require further development) includes provision for investment in countryside properties of £8m across 2020-25. At this point, subject to further property surveys and consideration of investment options, costs are not expected to exceed this amount.
33. As outlined in paragraph 22, further work will be undertaken to determine future options for properties returning to SCC, including establishing the requirement and business case for any investment in those properties, and whether any retained properties would be managed by the council directly or through a trading subsidiary. The financial operating model outlined above includes assumed net property rental income of £0.361m in 2020/21. If the property options review determines that properties are no longer available to generate rental income, or should the level of property management costs and/or rental income vary significantly, then a shortfall may arise. In that case additional funding may need to be identified to support visitor activities, or the extent and cost of those activities may need to be reviewed in line with available funding.
34. Should the contract continue under its current arrangements, the likely ongoing revenue cost to SCC until 2052 would be a minimum of £0.4m per annum, in addition to liabilities associated with properties.
35. Transfer of Undertakings (Protection of Employment) (TUPE) requirements have been assessed and SWT have provided written confirmation they do not consider TUPE to apply.

36. SCC has agreed with SWT to absorb the pension assets and liabilities of the SWT pension members (in surplus on an ongoing funding basis as of the 2019 valuation. This absolves the SWT of a pension deficit. The Surrey Pension Fund is agreeable to this proposal.

SECTION 151 OFFICER COMMENTARY

37. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium term financial outlook is uncertain as it is heavily dependent on decisions made by Central Government. With no clarity on these beyond 2020/21 our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
38. The Section 151 Officer supports the recommended changes, which are consistent with financial provision made within the Council's Medium-Term Financial Strategy. However, it should be noted that a number of assumptions have been made in relation to services transferring back to the Council, in particular property income and expenditure, and the actual costs will not be clear until a full review of property condition and options has been completed.
39. Section 123 Local Government Act 1972 provides that 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". This project, that is, the surrender of Phase 1 and 2 leases and regrant of lease satisfies section 123 of the Local Government Act 1972.

LEGAL IMPLICATIONS – MONITORING OFFICER

40. The Council entered into a contract with Surrey Wildlife Trust Limited (SWT) which commenced on 1 May 2002, the agreement was subsequently varied on 24 September 2004 to reflect changes to the service delivery specification. It has been agreed between the two parties that a further revision is required to reflect the transfer of Phase 1 and 2 leases back to the Council and also to formalise a further revision to the service specification - Clause 2.1 of the contract allows for those changes to happen.
41. The required document to reflect any contractual amendments is a Deed of Variation (DOV) as the original contract was signed and sealed as Deed, thus, any subsequent changes must be reflected in the format of a deed. In this instance, Heads of Terms (HOT), have been used to help facilitate the detail which needs to be contained within the DOV, and allows the parties to specify their requirements associated with the areas within the contract that require varying.

EQUALITIES AND DIVERSITY

42. The new model 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 Visitor Enhancement Programme are proposed.

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| ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS: |
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43. A full Environmental Sustainability Assessment (ESA) will be completed as part of the options appraisal arising from the planned transfer of residential and commercial properties to the Council currently managed under lease by Surrey Wildlife Trust.

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| PUBLIC HEALTH IMPLICATIONS: |
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44. Over 400,000 visitors access Surrey's countryside estate each year, participating in a range of physical and well-being activities. Any measure that retains and promotes access to the countryside is likely to generate positive public health outcomes.

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| WHAT HAPPENS NEXT: |
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45. Implementation of the transfer will consist of four different work streams:

- a) On the 1 April (subject to call in arrangements):
 - i) the new Countryside Operational team will take on the day to day responsibilities for visitor services on the estate
 - ii) at the same time, the Visitor Services Enhancement Programme for 2020/21 will commence
- b) Preparation for the formal transfer:
 - i) SWT will apply to the Charities Commission for permission to sign the deed of variation
 - ii) An options appraisal for the transfer of property will be carried out and arrangements for the formal transfer of property prepared
- c) Transitional arrangements for the management of the property and Norbury Park Sawmill by SWT whilst the legal transfer is being prepared.
- d) The deed of variation, surrender of the current lease and new lease will be signed with SWT which reflect the proposed new delivery model as set out in the report. Where relevant, new tenancies will be signed with tenants.

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Consulted:

Councillor Denise Turner Stewart, Cabinet Member for Community Safety, Fire and Resilience

Sources/background papers:

None

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