

SURREY COUNTY COUNCIL**CABINET****DATE: 23 JULY 2013****REPORT OF: MR JOHN FUREY, CABINET MEMBER FOR TRANSPORT,
HIGHWAYS AND ENVIRONMENT****LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR FOR ENVIRONMENT
AND INFRASTRUCTURE****SUBJECT: PROPOSED HOLDING OF A SHARE AND DIRECTORSHIP BY
SURREY COUNTY COUNCIL IN SURREY HILLS ENTERPRISES****SUMMARY OF ISSUE:**

Surrey Hills Enterprises (SHE) was established with the support of the Surrey Hills Area of Outstanding Natural Beauty Board (AONB Board) to promote the Trademark for the Surrey Hills to businesses in the area, promote those businesses and to support projects to deliver the Surrey Hills AONB Management Plan.

Surrey County Council has agreed that SHE may sub-licence the Surrey Hills Trademark to generate an income for reinvestment in the community. A condition of the exercise of this license is that the AONB Board will have a share in SHE and a directorship on its board. The AONB Board is a Joint Committee and as such is unable to hold the directorship or own a share in its own right. It is proposed that the County Council will hold these interests on its behalf.

RECOMMENDATIONS:

It is recommended that:

1. approval be given to the County Council holding a single share worth £1 in Surrey Hills Enterprises (SHE) on behalf of the Surrey Hills Area of Outstanding Natural Beauty Board (The AONB Board).
2. a Member be appointed to sit as Director on the SHE Board until May 2017 (length of the Council) and that future appointments be made by the Chief Executive in consultation with the Leader.

REASON FOR RECOMMENDATIONS:

SHE will be able to generate an income from trading which has to be invested in the company's activities or the community as it has been established with a community interest. Income in the early years will come largely from licensing of the Trademark Licence to local businesses. This will help to both promote the local businesses and the Surrey Hills brand.

The Community Interest means that all the profit made by SHE must be invested in the community defined in its Articles of Association. This structure also limits the fees and expenses that any Director is able to take, ensuring that as much as possible of the income will be invested in projects in the Surrey Hills. The aim is to distribute the profits as grants to projects that deliver the Surrey Hills Management Plan.

Background

1. The Surrey Hills Area of Outstanding Natural Beauty Board (AONB Board) is keen to find a way of implementing the aims of the Surrey Hills AONB Management Plan and funding the work of the AONB Board. The statutory duty of producing an AONB Management Plan rests with the local authorities who are covered by the AONB, this includes Surrey County Council (SCC), Tandridge District Council, Reigate and Banstead Borough Council, Mole Valley District Council, Guildford Borough Council and Waverley Borough Council. The AONB Board and unit were established to undertake that duty and ensure the Plan is implemented. Surrey Hills AONB Unit is a partnership hosted by SCC, which means the County Council is the accountable body for the funding and employing the staff.
2. In order to do that the AONB Board agreed to support the establishment of a Community Interest Company called Surrey Hills Enterprises (SHE). The role of the company is to promote the Trademark for the Surrey Hills to businesses in the area, promote those businesses and to support projects to deliver the Surrey Hills AONB Management Plan.
3. Support from the AONB Board to SHE has been given in the form of a secondment to SHE and help in promoting the company. In addition the County Council has agreed to licence the Surrey Hills Trademark to SHE for an initial period of three years with the option to extend the licence. SHE will then sub licence the Trademark to generate an income. This was agreed by the Cabinet Member in April 2013.
4. SHE has allocated a share to the AONB Board which the AONB Board has agreed can be held by SCC on its behalf. SHE has also offered a directorship to SCC. The Signing of the Trademark licence was made conditional on these two actions to ensure that the AONB Board could influence the actions of SHE in return for its investment. The AONB Board is a Joint Committee and as such is unable to hold the directorship or own a share in its own right. Holding a share in SHE and having a place on the Board will give the County Council, on behalf of the AONB Board a way of being directly involved in the running of the company in return for the support in getting SHE established.

Surrey Hills AONB Board and SHE

5. The Surrey Hills AONB Board is a Joint Committee of the local authorities covered by the AONB, Surrey County Council (SCC), Tandridge District Council, Reigate and Banstead Borough Council, Mole Valley District Council, Guildford Borough Council and Waverley Borough Council. Along with the National Trust and a number of advisory members. The AONB Board has been working for a number of years to establish more secure ways of funding the work of the AONB and its partners. However as it is not a legal entity in its own right this has involved establishing alternative structures to trade and encourage public engagement. In 2009 the Surrey Hills Society was established as a membership charity to promote the Surrey Hills via walks, talks and events and to encourage members to join and become volunteers.

6. The Board were still keen to have a way of trading and established Surrey Hills Enterprises Community Interest Company (SHE) on 21 July 2012 with the primary purpose of facilitating co-operation between and marketing of Surrey Hills businesses that support the promotion, conservation, and sustainable development of the Surrey Hills Area of Outstanding Natural Beauty. Part of SHE's role is to raise the profile and standing of the Surrey Hills to businesses, residents and visitors.
7. The range of activities in which it will engage include promoting and encouraging the use of the Surrey Hills branding and undertaking a variety of commercial activities that will generate income to support the overarching goals of the Surrey Hills AONB which are to:
 - Conserve and enhance the natural beauty of the area
 - Promote public understanding and enjoyment
 - Promote the community and economic well being
8. In order to do this SHE has already taken on the running of the Woodfair and the Woodfuel Conference. Both activities took place in the grounds of Birtley House in Bramley and were previously run by the Birtley House Group, (referred to in more detail below) with funding from a number of sources including the AONB grant fund. As the events grew it was decided by both parties that a company was needed to separate the events from the core business of the Birtley House Group. This coincided with a desire to develop a trading company to promote the Trademark. Therefore the new company was set up to cover both areas of work.
9. Licensing the Trademark to businesses in and around the Surrey Hills to develop the brand is a core area of SHE's work. The Trademark is owned by Surrey County Council as the host authority for the AONB, however the funding for developing the Trademark and registering it has come from the AONB Board. The AONB Board is funded by Defra and the Local authorities covered by the AONB, i.e. Surrey County Council, Waverley Borough Council, Guildford Borough Council, Mole Valley District Council, Reigate and Banstead Borough Council and Tandridge District Council. Defra funds 75% of the core costs with the Local Authorities' contributions in total, making up the remaining 25%. SCC's contribution to the total is £26,000 in 2013/14.
10. The AONB Board agreed in principle to licence the Trademark and to invest in SHE at its meeting in April 2012. The investment proposed was the value of one fulltime post for 18 months which is made up of a secondment of a person part time to SHE to act as the Business Development Manager and other support in cash and kind to make this up to the equivalent of a full time post. This equates to £71,000 over the full 18 months. Additional investment into the set up of the company has come from Birtley House Group.
11. SHE has been set up with a community interest and therefore any profits made by the company have to be reinvested in the community and any dividends and expenses paid to the directors and shareholders are limited by law to ensure that as much income as possible is used for community benefit. The County Council appointed Director will not receive any remuneration and in addition the SHE Board have agreed that none of the Directors will receive any remuneration.

12. Any assets vested in the company are locked into it. This prevents these assets being transferred to directors or shareholders.
13. Assets must be retained for use within SHE or if transferred out must:
 - Be sold at full consideration so SHE retains the value of the assets transferred
 - Made to another asset-locked body, which is specified in SHE articles of association
 - Is made to another asset-locked body with the consent of the regulator
 - Is otherwise used for the benefit of the community
14. The beneficiaries of the community interest are those people that live, work and enjoy the Surrey Hills Area of Outstanding Natural Beauty and its environs, including market towns and villages.
15. The company has been structured as a company limited by shares. There are currently two shares, one held by The Birtley House Group and the other to be held by the AONB Board. As stated above the AONB Board is not a legal entity in its own right and cannot hold the share, it was agreed by the AONB Board that the County Council could hold the share on their behalf. In order for the County Council to take on this responsibility a case is now being presented to The Cabinet to justify the investment in the company and demonstrate why the County Council should hold the share and appoint a director. This will also give the AONB Board the transparency needed to be sure that public money is being invested properly.

Business Case

16. SHE was initially established with two Directors, Simon Whalley and County Councillor Michael Sydney, Chairman of the AONB Board. Additional directors have now been recruited. The chairman of the Board of the Directors is Simon Whalley, Chairman of The Birtley House Group Ltd. that principally manages Birtley House Nursing Home and are the main partner in Birtley Brook Estates (BBE). BBE has hosted and supported the Surrey Hills Wood Fair over the last 3 years and is also sponsoring Surrey Hills Countryside Adventures as the educational arm of SHE. Simon Whalley has been seconded by BBE as the part time Executive Director to SHE, along with a part time financial adviser.
17. SHE is one of a number of structures that have been established to ensure that the Surrey Hills AONB is able to access the full range of funding available and is not totally reliant on public sector funding to carry out projects in the Surrey Hills. These structures will also help to raise awareness of the landscape of the Surrey Hills and its businesses. In addition to SHE, the Surrey Hills AONB group includes the Surrey Hills Society, and the Surrey Hills Trust, managed by Surrey Community Foundation. The diagram in Annex 1 outlines the organisations and how they relate to each other.
18. The Indicative profit and loss account from the business plan set out below, for SHE shows an income from licensing the Trademark of £18,500 in year 1 rising to £64,750 in year 3.

Indicative Profit and Loss Account for SHE			
	2012/13	2013/14	2014/15
Income			
Licensing the Trademark	£18,250	£58,500	£64,750
Other income	£4,671	£37,422	£42,380
Total Income	£22,921	£95,922	£107,130
Expenditure	£8,880	£60,371	£103,855
Profit/loss before tax	£14,541	£35,551	£3,275
P/L after Tax	£11,633	£28,440	£2,620
Notes			
<ul style="list-style-type: none"> • 2014/15 seconded staff are now directly employed • A key source of income in the early years is the Trademark Licensing • Other Income includes Countryside Adventures, events such as the Wood fair and Woodfuel Conference and income from providing woodland management advice. 			

19. The surpluses over the whole activity of SHE are likely to be relatively small initially. There was very little activity in 2012/13 and the income figures shown for the licensing the Trademark were not realised because the Trademark had not been licensed from the County Council. This surplus has to be invested in the community by funding activities in the Surrey Hills and delivering projects on the ground. A revision to the Business Plan is currently being drawn up, this will be approved by the Directors later this year.
20. Although the surpluses anticipated in the early years are small, these are expected to grow and importantly the activities of SHE will raise awareness and appreciation of the Surrey Hills, engaging businesses and the public in its work. Use of the Trademark will help to develop a brand that can be used to promote the County to visitors and residents, encouraging them to support local businesses and invest in conserving and enhancing their local landscape. In turn licensing the Trademark to local businesses is encouraging them to invest in the landscape through annual subscriptions.

Governance

21. SHE is an independent trading company with a community interest ensuring all surpluses are invested for the benefit of the Surrey Hills community. To ensure that this happens in a way that the AONB Board would like to see, SHE has the Chairman of the AONB Board on the company Board and would

like a representative from Surrey County Council, as the accountable body for the AONB and owner of the Trademark licence, as a director. The Board of SHE currently has on it Simon Whalley, Michael Sydney, the Chairman of the AONB Board, Mark Lebus, CEO of LC Energy, Ken Bare, who is a Trustee of The Surrey Hills Society, Tim Kenny, a local Rural Surveyor and landowner and Chris Howard, from VisitSurrey and Chairman of the Surrey Hills Society. The Directors will approve the Business Plan and therefore will have direct influence in the way the company is run.

22. The share in SHE will allow the County Council, as the Accountable Body for the AONB, to be involved in the operation of the company on behalf of the AONB Board, which has invested public money in setting SHE up. SHE will bring its annual report to the AONB Board meetings so that there is transparency in the way it operates.
23. In addition, the Trademark licence includes a report back annually from SHE on the sub licensing of the Trademark, who it is licensed to and the income generated. The initial licence from the County Council will be for three years to allow both parties to assess how the sub licensing works.

Financial Assessment

24. The AONB Board approved the secondment of a member of staff from the AONB Unit to the SHE from August 2012, agreeing the investment of £71,000 over 18 months to establish the CIC. The return on that investment is to see a promotion of the Surrey Hills through its Trademark and through activities in the AONB. The activities will promote the Surrey Hills, and its businesses as well as raise awareness of the AONB and generate a surplus that can be redistributed to projects to deliver the management plan.
25. The business plan is based on generating most of the income in the early years from sub licensing the Trademark. Initial marketing shows that there is an interest in subscribing to the Trademark which is likely to increase over time. Other activities in the business plan, such as the Wood Fair and Woodfuel Conference have been run for the last three years and grown over that period indicating that they are likely to achieve a profit in the next year. New ventures will be tried out separately.
26. There is a risk to the investment, however that is reduced by the governance which allows the relationship between SHE and the AONB Board to be reviewed. SHE is part of the Surrey Hills AONB family as shown in Annex 1, which includes the Surrey Hills Society and the Community Fund. It is important that they all work together to ensure that that they are all moving in the same direction. The Surrey Hills Management Plan is the plan that brings these organisations together to deliver projects in the Surrey Hills AONB.

<u>CONSULTATION:</u>

27. Consultation has taken place with the Surrey Hills AONB Board who approved this way forward on 17 April 2013. The Cabinet Member for Transport, Highways and Environment is a member of the AONB Board.

RISK MANAGEMENT AND IMPLICATIONS:

- 28. The key risks are: the use of the Trademark licence and the way SHE operates and whether it can succeed in its aims. If SHE misuses the Trademark then this will reflect on the County Council however the sub licensing of the Trademark is a key source of income to SHE and it will be building its own reputation on the use of the Trademark and promotion of other companies in the AONB. The initial limited period of the licence to SHE will allow both parties to assess how it works and reduces the risk to the County Council's reputation. The involvement of a number of people as Directors who already run other companies means that there is proven expertise in running the company which reduces the likelihood of it failing.
- 29. A further risk is that the income earned by SHE may all be used to run the company. The Community Interest of the company limits the level of remuneration the Directors may take and as stated the Directors have agreed they will not take any remuneration.
- 30. By holding a share in the company and holding a directorship, Surrey County Council, on behalf of the AONB Board, can ensure that there is a return on the public investment in establishing the company and be involved in planning any future expenditure to ensure that the accounts balance.
- 31. Each share in the company is worth one pound so the liability in the event of the company collapsing is limited to the value of the share that is unpaid.

Financial and Value for Money Implications

- 32. As set out above the AONB Board have invested £71,000 in establishing the company because they believe that it can support local businesses in the Surrey Hills and generate an income to support projects that will deliver the Surrey Hills AONB Management Plan.
- 33. The budget of the AONB is made up of contributions from the members of the AONB Board which includes a grant towards core costs of 75% from Defra. SHE was established to enable activities and events to be delivered in the AONB and to promote the brand.

Section 151 Officer Commentary

- 34. The Section 151 Officer confirms that the report has addressed the key financial issues and risks and notes that the Directors will be approving an updated business plan later this year. Once the staff secondment and other support being provided to SHE comes to an end, the profit available to support projects significantly reduces. In reviewing the updated and annual business plans, the Directors will need to ensure that costs are tightly managed and evaluate whether the activities are sustainable in the longer term.

Legal Implications – Monitoring Officer

- 35. The Monitoring Officer has been consulted and is satisfied with the proposal.

Equalities and Diversity

36. An EIA is not required for this decision. The report went to the Directorate Equalities Group on 10 June 2013 and they confirmed that an EIA was not required.

WHAT HAPPENS NEXT:

- If Cabinet agree to appoint a Director and to holding the share in SHE on behalf of the AONB Board then this will be actioned immediately after the decision.
- The Trademark Licence is now agreed between the parties and ready to be implemented, it will run initially for three years with monthly reports to the SCC on the progress with sub licensing and the income being received.

Contact Officer:

Lisa Creaye-Griffin, Group Manager: Countryside, 020 8541 9404

Consulted:

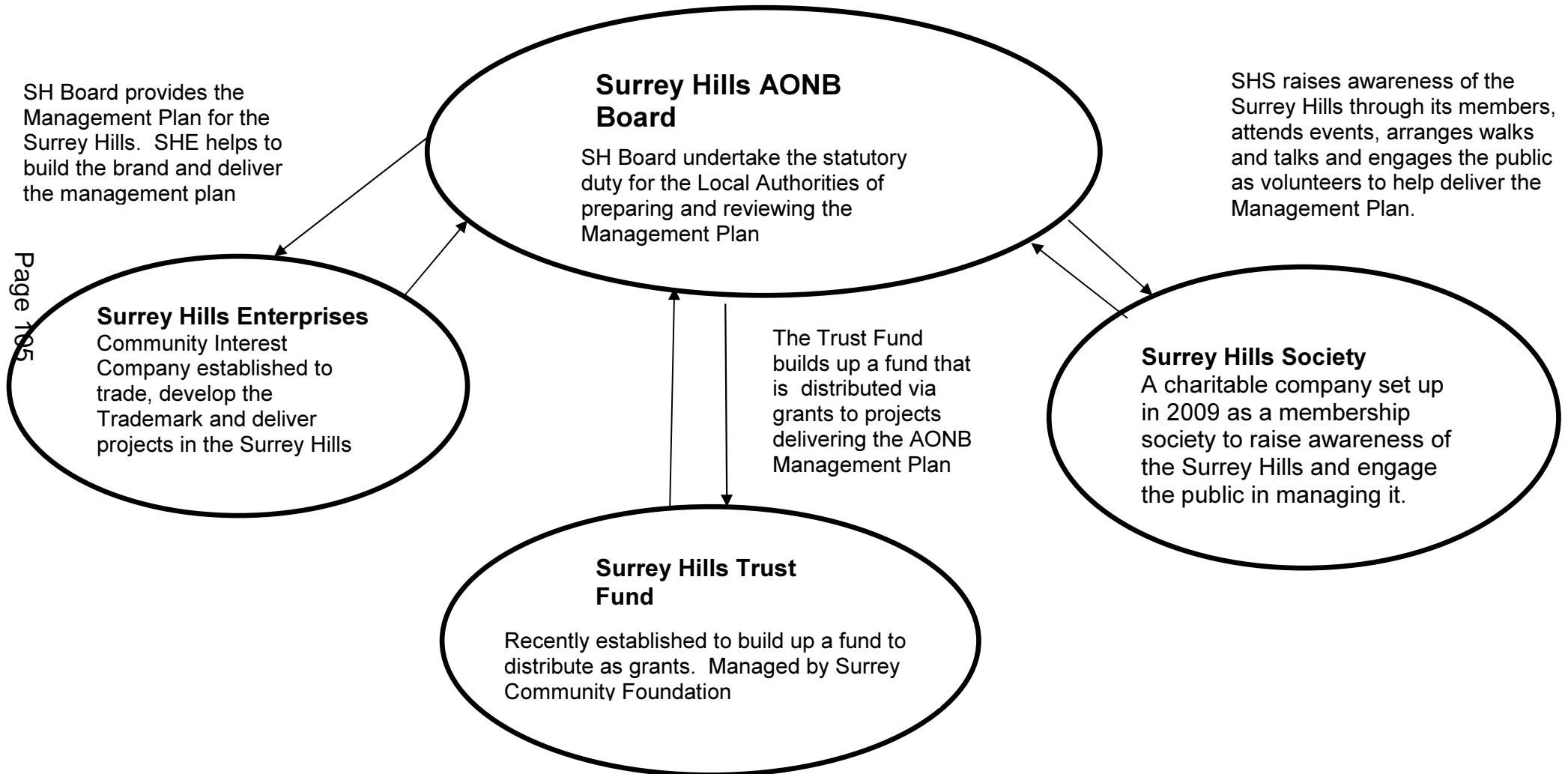
Surrey Hills AONB Board which includes the partners in the Surrey Hills AONB
Ann Charlton, Head of Legal and Democratic Services
Tony Orzieri, Financial Services
Trevor Pugh, Strategic Director for Environment and Infrastructure
Environment and Transport Select Committee
Simon Whalley, Chairman of Directors of the CIC

Annexes:

Annex 1 The Surrey Hills Group

Sources/background papers:

- Report to the Surrey Hills AONB Board (17 April 2013) Surrey Hills Enterprises Community Interest Company.
 - Report to the Cabinet Member for Environment and Transport on The Licensing of the Surrey Hills Trademark to Surrey Hills Enterprises Community Interest Company (13 March 2013).
-



Page 105

This page is intentionally left blank