**Item 8**

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**Surrey Hills Area of Outstanding Natural Beauty Board**

7 September 2022

**Annual Governance and Finance Report**

**Purpose of the report:**

To note governance actions and the outturn report for 2021/22 and agree the estimates for the period 2023/24.

**Recommendations:**

1. Note the Risk Register
2. Approve the outturn report for 2021/2022
3. Agree the core estimates for 2023/2024
4. **Introduction**
	1. **Defra’s Landscape Review.** In March 2022, the Surrey Hills AONB Board submitted comments on Defra’s consultation on the Government’s response to Julian Glover’s Independent Landscapes Review. Glover had called for an immediate doubling of AONB funding but Defra has only agreed a 3-year funding agreement for AONB partnerships with a 15% increase in 22/23 and flatlining for the next 2 years. Defra is setting up various working groups including securing private sector investment, advice on AONB Management Plans and governance.
	2. Defra is however investing Farming in Protected Landscapes funding into National Parks and AONBs. This funding is currently confirmed until March 2024 and is supporting the Programme Manager post and business support. It is hoped however that this funding will be extended by consolidating it within the new Environmental Land Management Schemes that Defra is currently designing. We also understand Defra is keen to fund access improvements, with a potentially significant capital pot over three years and revenue funding that could be used to support staff costs. There is no detail or confirmation of this yet but we are expecting a Ministerial announcement in September.
	3. The uncertainty with the pressure on Defra and local authorities’ finances means that budgets and staffing need to be reviewed and agreed annually. The possible extension of the Surrey Hills boundary could affect the Defra and local authority funding from 2025.

**2. Risk Register**

* 1. The Risk Register is reviewed annually and reported to the AONB Board’s AGM. It highlights what actions are undertaken to mitigate risks. Most of the scoring was Green which means that this should be subject to annual review but there are also amber areas which need to be monitored by the AONB Director on a quarterly basis and reported to the AONB Board as appropriate.
	2. In 2021/22, there were 2 areas of red risk which the AONB Board agreed required further measures to mitigate the risks. One was the website and additional resources were secured from Defra to commission a new website, which should be live by the beginning of October 2022. The second area was about the ability to distribute the Farming in Protected Landscapes programme in 2021/22, but Defra did allow National Landscapes (National Parks and AONBs) to reprofile the budgets.

**3. Surrey Hills Business Plan and Staffing Update**

* 1. Following the Surrey County Council restructure in 21/22, the Working Group Coordinator (0.4 fte) and the Office Manager (1fte) retired in December, with the finance function being replaced by Binal Patel in SCC Business Support (0.3 fte for Core and 0.3 fte for FiPL). The core posts also include the Surrey Hills Director, Rob Fairbanks (1fte); the Comms Lead, Emma Cole (1fte); and the Planning Adviser, Clive Smith (0.7 fte).
	2. The 15% increase in Defra funding over the next 3 years, meant the core budget had a headroom of circa £80,000 per annum until March 2025. The Defra Farming in Protected Landscapes budget also includes up to £59,000 that can be allocated to advice and promotion, and a further £34,000 for business support. This has enabled the following investment in staff resources:
* Programme Manager. Extend the secondment of Sarah Thiele using the core and FiPL budgets until at least March 2024, and potentially to manage any new Defra access improvement fund. If the additional funding does not materialise, this will reduce the need for the role and the time and costs will be allocated back to SCC accordingly.
* Surrey Hills Support Officer. We welcome Oliver Wild who started on 26th August. This will include coordination of the Working Groups.
* Environmental Land Management Adviser. Interviews will be held in September for this 1 FTE post on a 2 year fixed term contract funded out of FiPL.
* Surrey Hills Arts Programme Manager. This is a joint funded programme with Surrey CC Cultural Services managed by Ali Clarke. Following the strategic review presented to the June AONB Board meeting, the AONB Director is working with the Chair of the Advisory Panel and the Head of Surrey Arts to integrate the programme as part of a wider strategic review of the service.
* Surrey Hills Society Projects and Volunteer Coordinator. The AONB Budget had contributed £20,000 to establishing this post in 21/22 and will continue to contribute to support Christa’s role out of the core and projects budget, as resources allow.
	1. Working Groups and Surrey Hills Trust Fund. With the additional support, a priority will be to review and update terms of reference and membership of the Surrey Hills Trust Fund Panel and the following Working Groups which will report to the Surrey Hills AONB Board:

-Byways

-Mountain biking

-Equestrian

-Promoted Routes, including active travel

**4. Finance – Outturn and Estimates**

4.1 At the AGM the Board agrees the outturn report for the previous year’s accounts and agrees the core estimates for the following financial year. The 21/22 outturn report is set out in Annex 2 and the estimates for 23/24 are included in Annex 3 below. The funding formula is set out in the AONB Board’s Constitution (paragraph 71) with 75% of the core costs being met by Defra. The estimates assume a full budget spend as the Defra grant is paid on expenditure so cannot be “banked”.

4.2 The Core Outturn for 21/22 includes additional funding from Defra of which circa £28000 has been invested into the new website. The Project Outturn varies significantly from the estimates as Defra allowed partners to reallocate budgets into future years. There was also an additional £19000 from Natural England in 21/22 for the Nature Connections programme. Project Estimates expenditure and income is reduced in 23/24 as the funding for the 3 Facilitation Funds is coming to an end. This is a core area of work which will now be supported by FiPL and the new Environmental Land Management Adviser post.

**RISK ASSESSMENT**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **4****Very High** | **3****High** | **2****Medium** | **1****Low** |
| **4 DISASTER**Significant service failure / total loss of public confidence / fatality / major financial crisis. | RED16 | RED12 | AMBER8 | GREEN4 |
| **3 MAJOR**Significant service disruption / serious public criticism / serious injury / large financial cost. | RED12 | RED9 | AMBER6 | GREEN3 |
| **2 NOTICEABLE**Some service delivery disruption / reduced public confidence / minor injury / unplanned financial cost. | AMBER8 | AMBER6 | GREEN4 | GREEN2 |
| **1 MINIMAL**Minor service delivery disruption / adverse public comment / no injury / low financial cost | GREEN4 | GREEN3 | GREEN2 | GREEN1 |

Key

Score Colour Action

1 to 4 GREEN : Monitor

5 to 8 AMBER : Keep under review

9 to 16 RED : Need further mitigation or contingency plan**Risk Register - Updated August 2022**

| **No** | **Area** | **Description** | **Control Measures in place** | **Responsibility** | **Assessment – with controls in place** | **Further Control Measures** | **Responsibility** | **Assessment – WITH controls in place** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Likelihood** | **Impact** | **Score** |  |  | **Likelihood** | **Impact** | **Score** |
|  |
| 1a | Reputation | Loss of ability to act independently in the interests of the Surrey Hills AONB | Members act in interests of AONB and in line with the ConstitutionAONB Director and Chair to work with Defra and NE on guidance. | AONB ChairAONB DirectorConstitution Review Working Group | 2 | 3 | 6 |  |  |  |  |  |
| 1b | Reputation | Loss of reputation due to impropriety. | Operating under SCC Standing OrdersPR response | AONB ChairSCC Democratic ServicesComms Lead | 2 | 3 | 6 |  |  |  |  |  |
| 1c | Reputation | Lack of control over Surrey Hills brand with conflict and confusion between the Surrey Hills AONB Board and the Surrey Hills family. | Monitoring activity against AONB Management Plan to AONB BoardRegular liaison of Family ChairmanRegulation through monitoring and renewal of Trademark Licence AgreementRegular meetings of the Communications Group | AONB ChairSCC Democratic ServicesAONB ChairAONB Director and Comms LeadAONB Director and Comms Lead | 3 | 2 | 6 |  |  |  |  |  |
| 1d | Reputation | Website being a major interface with the public and stakeholders not being fit for purpose | AONB Comms updating content – to be launched end of September 2022 | Comms Lead | 2 | 2 | 4 |  |  |  |  |  |
|  |
| 2a | Performance | Lack of focus on strategy/ AONB Management Plan | Business Plan.Production of 5 year Management Plan. | ChairAONB DirectorAONB Director | 2 | 3 | 6 |  |  |  |  |  |
| 2b | Performance | Ineffective working relationship with the Family | Regular liaison of Family ChairmanRegular monitoring at AONB Board against AONB Management Plan | AONB ChairAONB Director | 2 | 3 | 6 |  |  |  |  |  |
| 2c | Performance | Failure to innovate or deliver best practice from other AONBs and National Parks | Regular liaison through NAAONB and regional Protected Landscapes.Team attending National Conference in September | AONB Director | 2 | 3 | 6 |  |  |  |  |  |
| 2d | Performance | Inadequate staff capacity - turnover, lack of training, inability to recruit. | Appraisals.Team meetings.Training programmes  | AONB Director | 2 | 3 | 6 |  |  |  |  |  |
| 2e | Performance | Major failure of IT Systems | Contract with IT maintenance engineer.Programme of Surrey County Council back up and replacement to keep hardware & software up to date. | Surrey County Council ICT Support Officer | 2 | 4 | 8 |  |  |  |  |  |
| 2f | Performance | Failure or dangerous malfunction of electrical equipment. | Annual check for all electrical equipment. | National Trust (as landlord) | 2 | 2 | 4 |  |  |  |  |  |
| 2g | Performance | Failure to ensure business continuity in the event of significant incident. | Surrey County Council Service Business Continuity Plan to be enacted, as appropriate | AONB DirectorSurrey CC Manager | 1 | 4 | 4 |  |  |  |  |  |
| 2h | Performance | Flexible office working  | Flexible working from home, Surrey Hills Estate Office and SCC officesWeekly time management working | AONB DirectorNT (as landlord) | 2 | 3 | 6 |  |  |  |  |  |
| 2i | Performance | Failure to deliver Farming in Protected Landscapes Programme in 21/22 | Assessment and appraisal of applications Ability to generate suitable applications and spend | AONB DirectorFiPL Lead, Business support | 2 | 2 | 4 |  |  |  |  |  |
|  |
| 3a | Financial | Lack of resources due to reduced Defra grant allocations.Reductions in reserves. | Detailed scrutiny of planned spending.Seek longer term funding agreements with Defra and local authorities.Broaden range of funding sources / generate more independent income.Seek efficiency savings. | AONB BoardChairBoard and AONB DirectorAONB Director | 2 | 3 | 6 |  |  |  |  |  |
| 3b | Financial | Lack of local authority funding and cost of SCC hosting | Detailed scrutiny of planned spending.Seek longer term funding agreements with Defra and local authorities.Broaden range of funding sources / generate more independent income.Seek efficiency savings. | AONB BoardChairmanBoard and AONB DirectorAONB Director | 2 | 3 | 6 |  |  |  |  |  |
| 3c | Financial | Poor planning, control and monitoring | Detailed scrutiny of proposed annual budget to match costs with resources.Review budget monitoring reports on a regular basis. | AONB BoardAONB DirectorBusiness Support |  1 | 3 | 3 |  |  |  |  |  |
|  |  |  |  |
| 4a | Governance | Failure to comply with corporate governance requirements (e.g. legal obligations, diversity agenda, health and safety requirements). | Surrey County Council Standing OrdersRegulationsCodes of ConductTraining & advice | AONB DirectorSCC Business Support | 2 | 3 | 6 |  |  |  |  |  |
| 4b | Governance | Failure to provide adequate level of HR support to staff. | Reduce team and dependency on Surrey County Council HR support | AONB Director | 1 | 2 | 2 |  |  |  |  |  |
| 4c | Governance | Failure to combat financial mismanagement, fraud, theft. | Surrey County Council Standing Orders followed | AONB DirectorSCC Business Support | 1 | 4 | 4 |  |  |  |  |  |
| 4d | Governance | Failure to ensure public and staff safety at external events. | Risk assessment undertaken for all events, but these should be delivered through partners.Surrey County Council public liability insurance in place. | AONB Director | 1 | 4 | 4 |  |  |  |  |  |
| 4e | Governance | Loss of leadership through election of Chairs | Election of independent AONB Chair and annual election of Vice-Chairman | SCC Democratic Services | 2 | 2 | 4 |  |  |  |  |  |

ANNEX 2 OUTTURN REPORTS

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| **SURREY HILLS - AONB (CORE)** |  |  |
| **OUTTURN REPORT FOR 2021-2022** |  |  |
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|  |  |  |
| --- | --- | --- |
|   | Estimate 2021/2022 £ | Outturn 2021/2022 £ |
| Core Staff Costs | 220605 | 251383 |
| Premises Costs | 5008 | 8590 |
| Service and Supply Costs | 24144 | 37728 |
| Transport Costs | 0 | 1118 |
| Other Costs | 11943 | 2048 |
|   |   |   |
| **Total Core Costs** | **261700** | **300867** |

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|  |  |  |
| Costs met by Non-DEFRA Core Contributions (25%) and Core Contributions (75%) |  |  |
|  |  |  |
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|  |  |  |
| --- | --- | --- |
|   | Estimate 2021/2022 £ | Outturn 2021/2022 £ |
| Surrey County Council | 26900 | 26900 |
| Guildford Borough Council | 5279 | 5279 |
| Mole Valley District Council | 5279 | 5279 |
| Waverley Borough Council | 5279 | 5279 |
| Reigate & Banstead Borough Council | 2640 | 2640 |
| Tandridge District Council | 2640 | 2640 |
| SCC Surrey Arts  | 21464 | 25076 |
| Pre-application Planning Advice | 3000 | 2147 |
|  |  |  |
| DEFRA Core (75%) | 189219 | 189219 |
| Additional DEFRA funding | 0 | 35992 |
|   |   |   |
| **Total Core Income** | **261700** | **300451** |
|  |  |  |
| Current year deficit / surplus | 0 | 0 |
| Previous year surplus | 18579 | 18579 |
| Balancing surplus | 18579 | 18579 |

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| **SURREY HILLS - AONB (PROJECTS)** |  |  |
| **OUTTURN REPORT FOR 2021-2022** |  |  |
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| --- | --- | --- |
|   | Estimate 2021/2022 £ | Outturn 2021/2022 £ |
| North Downs Facilitation Fund | 10000 | 7620 |
| Greenscape Facilitation Fund | 5300 | 17505 |
| West Surrey Greensands Facilitation Fund | 17000 | 14834 |
| FIPL | 438300 | 243370 |
| Surrey Hills Arts (other) | 0 | 1607 |
| Inspiring Views | 25500 | 10914 |
| Habitat | 0 | 10000 |
| Natural England Nature Connections |   0 |   19000 |
|  |  |  |
| **Total Project Costs** | **496100** | **324850** |
|  |  |  |
|   | Estimate 2021/2022 £ | Outturn 2021/2022 £ |
| Natural England Facilitation Fund | 32300 | 39959 |
| FIPL | 438302 | 280000 |
| Surrey Hills Arts other | 0 | 745 |
| Inspiring Views | 25500 | 9900 |
| Habitat | 0 | 14750 |
| Natural England Nature Connections |   0 |   19000 |
|  |  |  |
| **Total Project Income** | **524102** | **364354** |
|  |  |  |
| Current year surplus | 0 | 39774 |
| Previous year surplus FIPL | 0 | 36630 |
| Previous year surplus Surrey Hills Arts | 6151 | 5240 |
| Previous year surplus Inspiring Views | 10368 | 9354 |
| Previous year surplus Habitat | 0 | 4750 |
| Previous year surplus projects | 1122 | 1441 |
|  |  |  |
| **Total surplus** | **17641** | **57415** |

ANNEX 3 ESTIMATES

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|  | **SURREY HILLS - AONB (CORE)****ESTIMATES 2023/2024** |  |  |  |
|  | **TO BE AGREED BY SURREY HILLS BOARD ON 7th SEPTEMBER 2022** |
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| --- | --- | --- | --- |
|   | Estimate 2022/2023 £ | Estimate 2023/2024 £ | Estimate 2024/2025 £ |
| Core Staff Costs | 249000 | 264000 | 264000 |
| Premises Costs | 6545 | 6500 | 6500 |
| Service and Supply Costs (inc. website) | 32500 | 21000 | 21000 |
| Transport Costs | 2000 | 2000 | 2000 |
| Other Costs | 0 | 0 | 0 |
|   |   |   |   |
| **Total Core Costs** | **290045** | **293500** | **293500** |
|  |  |  |  |
|   | Estimate 2022/2023 £ | Estimate 2023/2024 £ | Estimate 2024/2025 £ |
| Surrey County Council | 26900 | 27707 | 27707 |
| Guildford Borough Council | 5279 | 5437 | 5437 |
| Mole Valley District Council | 5279 | 5437 | 5437 |
| Waverley Borough Council | 5279 | 5437 | 5437 |
| Reigate & Banstead Borough Council | 2640 | 2720 | 2720 |
| Tandridge District Council | 2640 | 2720 | 2720 |
| SCC Surrey Arts | 22075 | 24000 | 24000 |
| Planning Advice | 3000 | 3300 | 3300 |
| Natural England Funding | 5582 | 0 | 0 |
| DEFRA Core (75%) | 216953 | 216953 | 216953 |
|   |   |   |   |
| **Total Core Income** | **290045** | **293711** | **293711** |
|  |  |  |  |
| Current year deficit / surplus | 5582 | 0 | 0 |
| Previous year surplus | 24161 | 24161 | 24161 |
| Balancing surplus | 18579 | 18579 | 18579 |

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| **SURREY HILLS - AONB (PROJECTS)** |  |  |  |  |
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| --- | --- | --- | --- |
|   | Estimate 2022/2023 £ | Estimate 2023/2024 £ | Estimate 2024/2025 £ |
| North Downs Facilitation Fund | 10000 | 0 | 0 |
| Greenscape Facilitation Fund | 5800 | 0 | 0 |
| West Surrey Greensands Facilitation Fund | 17000 | 0 | 0 |
| Inspiring Views | 25500 | 0 | 0 |
| FIPL | 372992 | 371550 | 0 |
| Habitat | 8000 | 0 | 0 |
|   |   |   |   |
| **Total Project Costs** | **439292** | **388550** | **0** |
|  |  |  |  |
|  |  |  |  |
|   | Estimate 2022/2023 £ | Estimate 2023/2024 £ | Estimate 2024/2025 £ |
| Defra Facilitation Funds | 32800 | 0 | 0 |
| Inspiring Views | 25500 | 0 | 0 |
| FIPL | 372992 | 371550 | 0 |
| Habitat | 8000 | 0 | 0 |
|   |   |   | 0 |
| **Total Project Income** | **439292** | **388550** | **0** |
|  |  |  |  |
| Current year surplus | 0 | 0 | 0 |

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