

Date: 4th September 2019
Report: Governance and Finance Report
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Purpose of Report

To note governance issues and to present the outturn report for 2018/19 and the estimates for the period 2020/21 based on the agreed Core Costs.

Summary

1.1 Risk Register. The Risk Register 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 areas (Amber) which need to be monitored by the AONB Director on a quarterly basis and reported to the Statutory Members Group, as appropriate. Government funding was highlighted a risk in 2015 but the Government has confirmed that it will protect AONB funding until 2020 and it is anticipated that local authority funding will be subject to the 25:75 formulae set out in the AONB Board's Constitution. If however the Defra settlement is significantly reduced (eg more than a 7% cut), due to a change in Defra policy, the AONB Board will need to consider further actions by lobbying Government, reviewing the core costs and restructuring. The Officers Working Group considered the Risk Register at its last meeting. A copy is available on request. The Government's response to Glover should have major implications on the Risk Register (see AONB Unit Report item 1.1).

1.2 Business Plan. The updated Business Plan will be reviewed in November in line with the priorities set out in the AONB Management Plan. This will be considered by the Statutory Members Group and presented to the AONB Board meeting on 4th December. In the meantime the AONB team and project funding will continue to be allocated for the AONB Working Groups and Project Groups that have been agreed by the AONB Board and highlighted in the strategic Business Plan (2014 – 2019).

1.3 Reserves Policy and Surrey County Council hosting. The ability for the AONB Unit to build a restricted reserve is limited. The main funding for the unit comes from Defra, which has to be restricted to projects and cannot be spent on reserves. The Statutory Members Group will therefore be considering the reserves policy related to covering perhaps 3 months running costs of the AONB Unit and arrangements to reduce Surrey County Council's potential liability regarding staff redundancy. The Statutory Members Group has already advised that as a matter of policy the AONB should in future avoid, if practicable the direct employment of staff outside of the core business of the AONB Unit to avoid the cost and complications of redundancy. In the meantime the AONB Unit will continue to allocate one day a week of its Office and Finance Manager's time to support Surrey CC Countryside work. This will be flexible to ensure that the AONB Unit has enough time when it is needed. This will be reviewed as part of the review of the Constitution and Business Plan.

1.4 Finance – Outturn and Estimates

Every year at the AGM the Board agrees the outturn report for the previous year accounts and agrees the core estimates for the following financial year. In line with the funding formula set out in the AONB Board's Constitution (paragraph 71) and the 5 year Business Plan (2014 – 2019), the estimates demonstrate how we can afford to maintain the core staff resource.

Salaries are based on the employment of the Director (1 FTE), Office Manager (1 FTE), Communications Officer (0.8 FTE), Planning Adviser 0.6 FTE), and Project Assistant/Grants Administrator 0.4 FTE). A 1.5 % inflation increase has been added in line with the current year SCC agreement, plus £3.5k for travel and subsistence and training for the whole unit. Part of the cost of the Project Assistant will now need to be funded from the Projects budget in order to balance the salary costs.

The National Trust has introduced a rental cost for Warren Farm Barns. This cost and the service charge is currently being negotiated and includes 60 hours use of the meeting room. In order to reduce rental costs the team has moved into one room to reduce the square footage. Use of the meeting room above the 60 hours may be charged which could lead to a slight increase in running costs, but could be mitigated by reviewing catering costs. Surrey County Council Estates Management is now negotiating a new license with the National Trust and the general heads of terms advised by the Statutory Members Group.

The estimates assume a full budget spend as the Defra grant is paid on expenditure so cannot be “banked”. It is acknowledged that we are uncertain of what our budgets will be for the future because of severe pressure on Defra and local authorities’ finances. Therefore budgets will still need to be reviewed and agreed annually. The current Defra 4 year funding agreement ends after this financial year 2019/20 and a new agreement will be negotiated nationally.

Recommendations

Members are asked to:

1. Note the update on governance
2. Approve the outturn report for 2018/2019; and
3. Agree the core estimates for 2020/2021

**SURREY HILLS - AONB (CORE)
OUTTURN REPORT FOR 2018-2019**

	Estimate 2018/2019	Outturn 2018/2019
	£	£
1) Core Staff Costs	169,297	173,076
2) Communications	9,912	15,081
3) Running Costs	12,858	4,070
Total Core Costs	192,067	192,227

Costs met by:

4) Non-Defra Core Contributions (25%)

Surrey County Council	26,900	26,900
Guildford Borough Council	5,279	5,279
Mole Valley District Council	5,279	5,279
Waverley Borough Council	5,279	5,279
Reigate & Banstead Borough	2,640	2,640
Tandridge District Council	2,640	2,640
	<i>48,017</i>	<i>48,017</i>
5) Defra Core (75%)	144,050	144,050
Other Income	0	1,820
Total Core Income	192,067	193,887
<u>Deficit/Surplus</u> current year	0	1,660
Deficit / <u>Surplus</u> previous year – Core	16,941	16,941
Balancing Deficit / <u>Surplus</u>	16,941	18,601

- 1) Core staff costs (Director, Office Manager, Planning Adviser, Comms, Project Asst).
- 2) Communications, including website development
- 3) Running costs including property service charges, meeting costs, general office costs
- 4) 25% of budget pro-rata as per Constitution
- 5) 75% of budget as per Constitution

SURREY HILLS - AONB (PROJECTS)
OUTTURN REPORT FOR 2018-2019

	Estimate	Outturn
	2018/2019	2018/2019
	£	£
Working Groups/Projects	39,401	39,401
SEEPL/NAAONB	56,000	54,356
North Downs Facilitation Fund	12,800	8,703
Greenscape Facilitation Fund	15,521	12,679
Cycle Trail – London Marathon Trust	19,000	16,481
Surrey Unearthed	145,000	76,804
Other Expenditure	0	1,605
Total Project Costs	287,722	210,029
 <i>Costs met by:</i>		
Defra Working Groups/Projects	39,401	39,401
SEEPL/NAAONB	56,000	54,356
Natural England -Facilitation Funds	28,321	21,382
London Marathon Trust	19,000	16,481
Arts Council England – Unearthed	145,000	76,804
Other Income	0	0
Total Project Income	287,722	208,424
<u>Deficit</u>/Surplus current year	0	-1,605
Deficit / <u>Surplus</u> previous year SEEPL/NAAONB (ringfenced)	5,140	5,140
Deficit / <u>Surplus</u> previous year – Projects	10,853	10,853
Balancing Deficit / <u>Surplus</u>	15,993	14,388

Estimates

ESTIMATES 2020/2021

TO BE AGREED BY SURREY HILLS BOARD ON 4th SEPTEMBER 2019

SURREY HILLS - CORE FUNDING	Revised		
	Estimate	Estimate	Estimate
	2019/2020	2020/21	2021/22
		£	£
1) Core Staff Costs	175,550	175,453	175,355
2) Communications	4,960	5,008	5,057
3) Running Costs	11,557	11,606	11,655
Total Core Costs	192,067	192,067	192,067
<i>Costs met by:</i>			
4) <u>Non-Defra Core Contributions (25%)</u>			
Surrey County Council	26,900	26,900	26,900
Guildford Borough Council	5,279	5,279	5,279
Mole Valley District Council	5,279	5,279	5,279
Waverley Borough Council	5,279	5,279	5,279
Reigate & Banstead Borough	2,640	2,640	2,640
Tandridge District Council	2,640	2,640	2,640
	48,017	48,017	48,017
5) Defra Core (75%)	144,050	144,050	144,050
Total Core Income	192,067	192,067	192,067
Deficit/Surplus current year	0	0	0
Deficit / <u>Surplus</u> previous year - Core	18,601	18,601	18,601
<u>CORE</u> Balancing Deficit /<u>Surplus</u>	18,601	18,601	18,601

- 1) Core staff costs (Director, Office Manager, Planning Adviser, Comms, Project Asst). In order to balance the Core budget, part of the Project Assistant salary will be taken out of Working Group/Project budget
- 2) Communications, including website.
- 3) Running costs, including property service charges, meeting costs, general office costs. From October 2018 includes rent. The amount is currently being negotiated.
- 4) 25% of budget pro-rata as per Constitution.
- 5) 75% of budget as per Constitution

Estimates

SURREY HILLS - PROJECT FUNDING			
	Estimate 2019/2020	Estimate 2020/2021	Estimate 2021/22
		£	£
1) Working Groups/Projects	42,557	42,557	42,557
2) SEEPL/NAAONB	56,000	56,000	56,000
3) North Downs Facilitation Fund	12,800	12,800	5,300
4) Greenscape Facilitation Fund	15,521	14,572	0
5) Cycle Trail	2,000	0	0
6) Surrey Unearthed	26,000	0	0
Other expenditure	1,000	0	0
Total Project Costs	155,878	125,929	103,857
<i>Costs met by:</i>			
1) Defra Working Groups/Projects	42,557	42,557	42,557
2) SEEPL/NAAONB	56,000	56,000	56,000
3/4) Natural England – Facilitation Funds	28,321	27,372	5,300
5) London Marathon Trust – Cycle Trail	2,000	0	0
6) Arts Council England – Sy Unearthed	26,000	0	0
Total Project Income	154,878	125,929	103,857
Deficit /Surplus current year	-1,000	0	0
Deficit / Surplus previous year - SEEPL/NAAONB (ringfenced)	5,140	5,140	5,140
Deficit / Surplus previous year - Projects	9,248	8,248	8,248
PROJECTS Balancing Deficit / Surplus	13,388	13,388	13,388

- 1) Business Plan agrees to prioritise spend on Working Groups
- 2) South East & East Protected Landscape Coordinator seconded to National Association for AONBs with full reimbursement
- 3&4) Natural England funded projects
- 5) London Marathon Trust Funded Project
- 6) Arts Council England Funding