



## Report to the Partnership for South Hampshire Overview and Scrutiny Committee

**Date:** 13 January 2021  
**Report of:** Paddy May, Solent Recreation Mitigation Partnership (SRMP) Board Chair  
Anna Parry, Partnership Manager  
**Subject:** Solent Recreation Mitigation Partnership (Bird Aware) Strategy and Financial Review

Summary of the report being presented to PfSH Joint Committee, 25 January 2021

### SUMMARY

The purpose of the report will be to seek approval from the Joint Committee for the Solent Recreation Mitigation Partnership 2021/22 budget request. This matter is considered annually by the PfSH Joint Committee.

The report will also present the findings of the first Strategy and Financial Review of the Partnership and seeks approval of these. These reviews will be repeated throughout the lifetime of the Strategy to ensure it remains relevant, is operating within its means and continues to represent best practice.

### RECOMMENDATION

It is RECOMMENDED that the Overview & Scrutiny Committee NOTES that the Joint Committee will be asked to:-

- a) NOTE and ENDORSE the Solent Recreation Mitigation Partnership's proposed budget for 2021/22.
- b) NOTE and ENDORSE the Solent Recreation Mitigation Partnership's proposal to move to a five-yearly monitoring programme if the results of the initial five years of annual monitoring indicate that the Partnership is having a positive effect.
- c) NOTE and ENDORSE the Solent Recreation Mitigation Partnership's proposal to move the Site Specific Project list to become something that's more 'live' past the award of the initial three years of grants; and
- d) NOTE and ENDORSE the Solent Recreation Mitigation Partnership's request for more active involvement from all Partners.

## **BACKGROUND AND SUMMARY**

1. The Solent Recreation Mitigation Partnership's (SRMP) work is wholly funded by developer contributions. The amount which will be received in the future cannot necessarily be accurately predicted, so a judgement needs to be made annually on an appropriate budget for the coming year. Information collected quarterly related to developer contributions received and annual planning permission data helps inform the budget for each coming year.
2. Additionally the board maintains a financial reserve to cushion the peaks and troughs in development activity and thus money received by the Partnership. This means that *if* income is lower than outgoings in 2021/22, in the first instance money from the reserves would be used to meet any shortfall.
3. Currently the Partnership is aware that there are a number of planning applications awaiting permission once a strategic solution to the nitrates issue is in place. This is having an impact upon our income, which is perceived to be temporary, and should resolve itself once a solution is established. Therefore the Partnership recognises that in accordance with the proposal endorsed by PfSH in September, it may have to temporarily draw upon funds from the in-perpetuity account to sustain activities throughout the coming year. As per the proposal, these will be replaced (with interest) at the first opportunity.
4. The proposed budget for 2020/21 includes a significant contribution to the in-perpetuity fund, leaving £882k for the implementation of mitigation measures. These measures include a team of five all year Rangers, further supported by three seasonal Rangers during the winter, a Brand and Communications Officer, a Dog Initiatives Leader and the Partnership Manager. For the second time, they also include funding 400k to support site specific projects as endorsed by the PfSH Joint Committee in July 2019. The in-perpetuity fund is part of the agreed strategy and vital to allow for the work of the Partnership to continue until 2114, whilst payments into the scheme are due to halt in 2034.
5. The budget will also fund the vital monitoring surveys and data collection activities which are due to take place during winter 2021/22. Furthermore, it provides for the development of targeted engagement activities with dog owners and walkers, as research shows that around 47% of all major disturbance incidences involve a dog off the lead.

### **Differences from 2020/21 Budget**

6. The proposed budget for 2021/22 sees a very similar request to that of 2020/21. This is because the Strategy is already in full delivery mode and therefore the main activities of the Partnership remain unchanged.
7. The monitoring budget that will be proposed is smaller this year than last, which reflects the fact that the planned monitoring for this winter (which will be largely paid for in the next financial year) will have the fieldwork element undertaken by the Rangers, with consultancy support for work planning and report writing. This is in line with the decision taken by the Project Board in June 2020 and reflects the fact that COVID is likely to impact on coastal access patterns and consequently any results will be anomalous and therefore won't feed into the initial five-year monitoring data.
8. It is proposed that the Dog Initiatives budget is less than previous years as to date this group has made an annual contribution to the costs of the access management assessments. As these are not taking place over the winter of

2020/21, they will not need paying for in the next financial year, hence this element has been removed.

## **STRATEGY AND FINANCIAL REVIEW**

9. The Bird Aware Strategy (also known as the Solent Recreation Mitigation Partnership Strategy) was endorsed by PfSH in December 2017 and came into operation on 1 April 2018, replacing an interim strategy which had been in operation since 2015.
10. At the time the Strategy was endorsed, it was agreed that as well as regular five-yearly reviews, an initial review of its effectiveness would take place within the first three years of operation. The report to Joint Committee will form the initial review of the Strategy.

### **Approach to Review**

11. With the exception of work related to financial matters pertaining to the Strategy the approach to the review has centred around an implementation review and a literature review of other similar mitigation schemes strategies.
12. As the Partnership is still collating the first five years' worth of operational monitoring data, this review has not sought to fundamentally change the overall approach to delivery. Further action may be taken once the results of this initial period are available and have been reviewed.

### **Financial Review**

13. During 2019/20 a financial review was undertaken of the Strategy. This identified that the original financial model may not be robust enough to bring in the required income to support all planned activities for the entirety of the in-perpetuity period.
14. This finding has been central to the Strategy Review as taking corrective action at this point is crucial to ensure that it remains fit for purpose for its lifetime.
15. The Bird Aware strategy mitigates the recreational impact of new housing up to 2034, but the mitigation measures need to be in place for the duration of the impact. The Partnership decided, in agreement with Natural England, that this 'in-perpetuity' payment should be calculated on an 80 year basis.
16. The strategy therefore includes a mechanism for funding the mitigation measures after 2034 when the developer contributions from those planned new homes will come to an end. A proportion of the money received each year from developer contributions is transferred into an investment fund. The 'in-perpetuity fund' will grow each year through those annual cash transfers and the interest earned with the intention that by 2034, the fund will be sufficiently large to fund the mitigation measures in-perpetuity.
17. The amount which needs to be transferred into the in-perpetuity fund each year to 2034 is determined by a number of key variables:
  - The annual cost of the mitigation measures during the ensuing in-perpetuity period
  - predicted interest rates during that same period
  - predicted rate of inflation
  - The number of planning applications in the designated area

- The rate of developer contribution per property
18. As part of this Strategy Review the financial review has been revisited and the assumptions behind the key variables have been reviewed. A key part of this work was getting the partner authorities to review anticipated annual planning applications to 2034 and incorporating this into the financial model.
  19. **The report to Joint Committee will state that the result is that the existing levels of contributions, along with the currently policy to raise them annually by the level of inflation, should enable the in-perpetuity fund to finance the work of the partnership over the full period.** However, any changes in the assumptions used can have a significant impact on affordability so regular monitoring is recommended to ensure the model reflect actual performance.
  20. The existing financial model is based on a flat rate contribution of £564 per dwelling as per the initial partnership arrangements. Subsequently a staggered contribution level was agreed from 2018/19 based on the number of bedrooms in a property. The staggered rates were intended to provide the same total income as the flat fee. As part of the review partner organisations have also included a breakdown of future planning applications with the expected number of bedrooms. Therefore the model has been updated to reflect the staggered contribution levels to ensure income forecasts reflect current practices.
  21. In the existing model no inflation has been added to income in the period up to 2034 despite the fact that annual inflationary increases are added to the contributions. The reasoning behind this is that the Partnership's costs from 2034 are presented at 2016 prices - so to inflate the income would not be consistent. Presenting the expenditure in 2034 at 2016 prices has a significant positive impact over the life of the model as the 2% inflation to 2114 starts from a lower base rate. In the later years of the model, due to the annual 2% increase, the partnership expenditure increases significantly so keeping the base low is beneficial. The model has been updated to include both inflation income and operating expenditure over the full in-perpetuity period.
  22. This means that the current annual contribution to the in-perpetuity fund will need to increase in line with inflation.
  23. A capital expenditure budget of £400K per year up to 2034 has been included in the model to implement mitigation projects across the region.
  24. It is proposed to keep inflation at 2% which remains the government's long-term target.
  25. The current Bank of England interest base rate is 0.1%. The Council's treasury advisors forecast that the Bank of England base interest rate will remain low for the foreseeable future. The model is based on generating interest of 0.5% for the next two years and then slowly increasing to around 3% by 2034. Long-term interest rate forecasts are rarely made due to the unpredictability of future economic conditions. The original model was predicated on interest rates slowly increasing from the current historic lows to a rate of 3% by 2034. In order for the current strategy to be affordable the long-term interest rate after 2034 will need to average 3.3%.

26. Currently the built-up partnership funds are held by Fareham Borough Council and returns are based on interest generated through their treasury function. A formal investment strategy for the partnership could be created focused on long-term returns. This could create more favourable returns at an appropriate level of risk over the life of the partnership.
27. **The assumptions and forecasts described above lead to a model that enables the work of the Partnership to continue for 80 years past 2034.** Changes to any of the inputs will impact on the modelling over the life of the partnership. If expenditure increases, this will need to be off-set against a variation such as an increase in income - for example as a fee increase in developer contributions or interest returns. If income was to increase, then the proposed expenditure of the Partnership could also increase.
28. The impact of Covid-19 on the economic climate could impact on the model in terms of the number of new developments being approved and the housing mix of those developments. It could also impact on the long-term inflation rates and interest rates. The model is very sensitive to changes in those rates over the long-term, therefore the economic impact of Covid presents a risk to the sustainability of the model. This will need to be appropriately monitored and reviewed as the situation develops.
29. The annual contribution to the in-perpetuity fund is based on the average annual planning application numbers in the period to 2034. If in any year the application numbers are above or below the average then the level of contributions available to contribute to the in-perpetuity fund can be managed through the use of other Partnership reserves. However, there is a risk that if planning applications are below the average then there will not be the resources available for the partnership to make the contribution at the level required in the model in a particular year. Over the period to 2034 the contributions should average out but there will be an adverse impact on interest received if contributions have to be reduced in the earlier years that are subsequently recovered in later years.

### **Celebrating Success**

30. The Bird Aware team is highly dedicated and motivated. Our people are utilising limited resources to make a positive impact in reducing bird disturbance along the Solent Coast. Feedback from coastal users has largely been very positive towards the aims of the Partnership and Rangers records show that around 95.9% of people they engage with are receptive to the key messages they share.
31. The Partnership has to a certain extent 'learnt on the job' and is now in a position to utilise experiences to date to optimise resources and plan productive engagement work throughout the entire year, with a strong focus on coastal interactions during the winter season.
32. Relationship building takes time, and the team have been able to build strong positive connections with key landowners and stakeholders across the entire coastal stretch. New contacts are still being found (particularly for those who lead coastal user groups such as sailing clubs and the like) and these are always welcome and engagement with them is nurtured.

33. The fact that the vast majority of developers are opting into the scheme to provide the mitigation required for their project to achieve planning permission indicates that it is also providing a useful mechanism for this sector.

### **Flagging up of non-financial concerns**

34. The report to Joint Committee, which will comprise the review will cover a number of other issues including disturbance monitoring, site specific projects and the ability of staff colleagues to reach out to the significant number of visitors to the Solent coastal area. The report will also include comment from Natural England as part of the review process.

## **RECOMMENDATION**

It is RECOMMENDED that the Overview & Scrutiny Committee:-

- a) NOTES that Joint Committee will be asked to:-
  - i. NOTE and ENDORSE the Solent Recreation Mitigation Partnership's proposed budget for 2021/22.
  - ii. NOTE and ENDORSE the Solent Recreation Mitigation Partnership's proposal to move to a five-yearly monitoring programme if the results of the initial five years of annual monitoring indicate that the Partnership is having a positive effect.
  - iii. NOTE and ENDORSE the Solent Recreation Mitigation Partnership's proposal to move the Site Specific Project list to become something that's more 'live' past the award of the initial three years of grants.
  - iv. NOTE and ENDORSE the Solent Recreation Mitigation Partnership's request for more active involvement from all Partners.

## **ENQUIRIES:**

For further information on this report please contact:-

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