

Report to	Policy & Resources Committee
Date	27 June 2024
By	Head of Governance
Title of Report	Q4 South Downs Commercial Operations Limited Performance Report 2023/24

Note

Recommendation:

The Committee is recommended to receive and consider the Q4 South Downs Commercial Operations Limited (SDCOL) performance report 2023/24.

1. Introduction

- 1.1 The SDNPA considers it important as a publicly accountable body, to monitor its performance. The Policy and Resources Committee has terms of reference which include “To monitor and review the performance including financial performance of South Downs Commercial Operations Limited (SDCOL) in the context of its business delivery against the agreed operating agreement and annual business plan and make recommendations to the NPA as appropriate”.
- 1.2 Whilst this report calls on the committee to consider the content of the SDCOL performance report, the terms of reference for the committee include considering if the committee wishes to make any recommendations arising from its consideration of the report. Any such recommendations would be subject to a vote at the committee meeting.
- 1.3 The purpose of this report is to update the Policy & Resources Committee on the performance of South Downs Commercial Operations Limited during Quarter 4 (Q4) of 2023/24: 1 January to 31 March 2024. This report contains an update on SDCOL’s performance against the KPIs (**Appendix I**), which were approved by the Authority on 11 July 2023 alongside SDCOL’s business plan, and an update on SDCOL’s financial performance during this period.

2. Update on performance against KPIs

- 2.1 SDCOL continues to perform well against the majority of the KPIs, as set out in **Appendix I** that we are able to report on at this point in the year with the exception of the financial KPI. These include the following highlights:
 - Working with a new grazier, the conservation grazing on site has increased and the landscape and habitats are reaping the benefits as evidenced by the great number of cowslips this year and anthills appearing in mob grazed areas which brings the prospect of an increase in butterflies, particularly the Adonis Blue.
 - Use of mobility scooters across spring, summer and early autumn 2023 was good, however, very poor weather from November 23 to March 24 and substantial flooding on site severely limited the use of the scooters, resulting in the KPI not being met by the

end of the year. Whilst undesirable it is a result of the weather dependant nature of the site.

- The site has continued to support free activities for priority audiences and the target has been exceeded in this area. SDNPA events continue to be hosted on site and, although the target number of events was missed by one, this was due to onsite facilities being unavailable during Q4 due to SDNPA works on buildings being undertaken to improve their energy efficiency.
- Average spend per head in the Visitor Centre and food and beverage outlets has increased over the year and has remained high over the winter. As an average across the year the target of £1 per head has been exceeded by 40%.
- Remaining within 10% of financial projections is red rated as the end of year deficit (£194k) is a significant increase over the originally forecast deficit in the business plan (£63k). However, the year-end outturn is improved on 2022/23 where the deficit was £244k.

2.2 SDCOL's ability to deliver "a night under the stars" and overnight stays were always dependent on the opening of Foxholes Cottages, the Camping Barn and campsite. These had a soft opening with limited availability during Q4 whilst a procurement exercise for a specialist management company was undertaken. As of the date of this report the management company has taken over the running of the cottages, camping barn and campsite. All cottages are open and available to book and will be a source of income for the Company moving forward. Initial feedback from visitors during the first half of 2024 has been overwhelmingly positive with particular appreciation of the very special location of the cottages. The camping barn has also been in use by school groups.

3. Update on financial performance as at end of year

- 3.1 Sales in the Visitor Centre exceeding expectations over the year by nearly £23k above projected income. Income from Food Outlets also exceeded expectations by just over £6K. Efforts have been made to reduce the use of casual staff in these areas through temporary contracts with some success, but the cost of providing these facilities remains high.
- 3.2 Car Parking continues to be the most significant source of income for SDCOL. The income from onsite parking and income from being part of the Forestry Commission's annual pass scheme ended the year above projections by £13.5k.
- 3.3 Whilst income over the year was higher than projected very poor weather conditions and substantial flooding on site over the winter impacted visitor numbers on the site. There is a particular focus during 2024/25 in developing a less weather dependent offer at SSCP to encourage visitors throughout the year.
- 3.4 The first of the Foxholes Cottages opened to bookings during Q4 and a procurement process for a specialist management company was undertaken during this period. As of the date of this report, all three cottages, the Camping Barn and the Campsite are now being run by the specialist management company and are accepting bookings and, as mentioned in paragraph 2.2, will be a source of income moving forward.
- 3.5 A Countryside Stewardship Agreement was entered into during Q4, with the agreement starting from 1 January 2024. This is a 5-year scheme providing funding to continue and build on the very positive first 2 years of landscape and habitat management. Whilst initially expected to bring in approx. £500k over the five years, due to increases in payment rates this is more likely to total nearer £750k over the five years of the agreement, further contributing to the conservation and enhancement of this special landscape.
- 3.6 SDCOL budgeted for a loss in the 2023-24 financial year of £63k with a target to break even in 2024-25. Whilst the financial situation is improved over the Company's first year trading (where the total deficit for the year was £244k), the end of year deficit is higher than projected at £194k. Cost of sales and overheads have all been higher than projected, with utility costs contributing significantly to the deficit. Also, very poor weather conditions and substantial flooding on site over the winter impacted visitor numbers on the site.

3.7 The Company board and staff team at SSCP continue to make efforts to manage the operating costs of the site and to look at innovative ways to streamline operations and reduce costs, such as through reduced use of zero hours staff, where possible. However, some of the costs which have led to the deficit are due to factors outside of the Company’s control, such as energy costs and the weather. The Authority has worked hard to assist and has plans to install a Photovoltaic (PV) system on some of the buildings at Exceat. This will go some way to mitigate future energy costs and work is underway to have these installed during 2024/25. A focus of SDCOL during 2024/25 will be to provide a wider offer at SSCP which is not weather dependent with the aim of reducing the impact of poor weather on income.

4. Update on other matters

4.1 The management of the landscape has resulted in significant improvements in the habitats across the site, which have in turn produced a very noticeable increase in the number and variety of wildlife, such as the appearance of Water Crowfoot in the restored dew ponds and increasing numbers of Skylarks. With the securing of the Countryside Stewardship agreement, an improved grazing regime in place these positive impacts look set to continue.

4.2 Whilst the renovation and preparation of Foxholes Cottages, the Camping Barn and the campsite required a significant commitment of time, energy and resources to complete the results have been very positive. With the accommodation now handed over to a specialist management company, SDCOL is now able to, and intends over the coming year, to focus on consolidating visitor engagement across the site, developing a less weather dependent visitor offer, and delivering on the landscape enhancements through the Countryside Stewardship.

4.3 The installation of the new sewage treatment system at SSCP, whilst bringing a number of important benefits to the site, has reduced the car parking capacity at the site by approx. 25% for the duration of the works which are expected to last around 2 months. This will impact income from car parking and, on busy days where the car park reaches capacity could exacerbate some of the parking issues in the local area. The SSCP aim to mitigate this by providing clear guidance on no verge parking and directions to the next nearest car park at Friston Forest.

5. Other implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No further decisions are required as a direct result of this report.
Does the proposal raise any Resource implications?	There are no direct resource implications to this report, as the recommendations are to receive and consider only.
How does the proposal represent Value for Money?	As SDCOL is a Teckal company managing SSCP for the SDNPA, it is important that Members consider the performance of the Company against the KPIs to ensure the Authority’s assets are being effectively managed.
Which PMP Outcomes/ Corporate plan objectives does this deliver against	SSCP supports delivery of the majority of outcomes in the PMP and is a key area of work in the Corporate Plan contributing to the higher-level targets.
Links to other projects or partner organisations	The important relationship to note for this report is the relationship between the SDNPA and SDCOL. SDCOL being a Teckal Company is contracted to run SSCP.

Implication	Yes*/No
How does this decision contribute to the Authority's climate change objectives	The Authority's climate change ambition at SSCP is to lead by example through how it's working practices and how it operates at and manages SSCP. The report covers some climate action measures
Are there any Social Value implications arising from the proposal?	None
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	Yes – SSCP being a site attracting a large number of visitors significant works have been undertaken on site to ensure equality of opportunity as far as possible for visitors.
Are there any Human Rights implications arising from the proposal?	None
Are there any Crime & Disorder implications arising from the proposal?	None
Are there any Health & Safety implications arising from the proposal?	Whilst there are many H&S considerations at SSCP, there are no implications directly arising from this performance report.
Are there any Data Protection implications?	None

6. Risks Associated with the Proposed Decision

- 6.1 There are no direct risks associated with this performance report. Risks to the SDNPA and SDCOL are monitored on their various risk registers, including on the Corporate Risk Register which is overseen by the P&R Committee. However, it should be noted that the good performance of SDCOL is important to ensure SSCP can fulfil its potential both for nature and visitors. Also, as SDNPA is the sole shareholder of the Company, the financial performance of the Company ultimately impacts the SDNPA's financial position.

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Appendices	I. Q4 2023-24 SSCP KPI
SDNPA Consultees	Chief Executive; Director of Planning; Chief Finance Officer; Monitoring Officer.
External Consultees	None
Background Documents	None