

Income Diversification for National Park Authorities in Wales

September 2023

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

Income diversification for National Park Authorities in Wales	4
Drawing on its recent work on income diversification, Audit Wales looks at the challenges facing National Park Authorities in pursuing new income streams which support the delivery of their statutory duties and purpose	4
Key findings	8
Good practice in income diversification	16
Looking to the future – how the Welsh Government could support National Park Authorities	18
Appendices	
1 Methodology	20

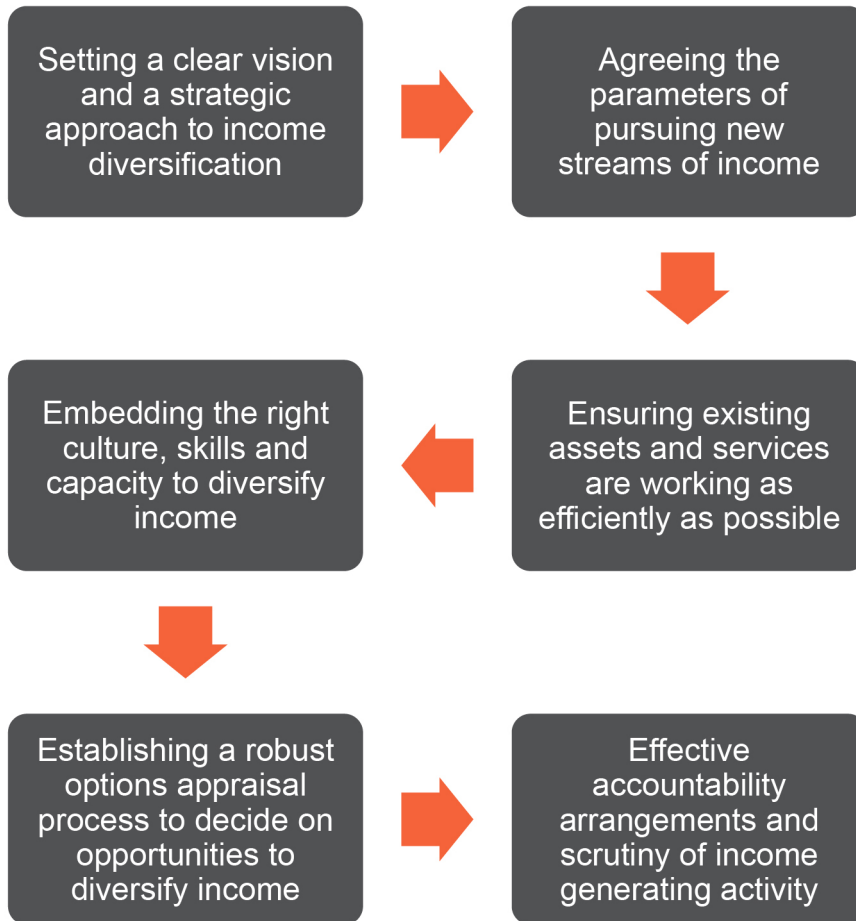
Income diversification for National Park Authorities in Wales

Drawing on its recent work on income diversification, Audit Wales looks at the challenges facing National Park Authorities in pursuing new income streams which support the delivery of their statutory duties and purpose

- 1 National Park Authorities in Wales receive income through a number of different means. The Welsh Government sets the Authority's approved level of net revenue expenditure for the year and pays 75% of this in a National Park Grant. The remaining 25% is raised by issuing a levy on the constituent local authorities. Further income can be derived from bids for additional grant funding, the sale of assets, trading activity, fees, and interest from financial instruments.
- 2 Austerity has led to a real-terms reduction in the level of Welsh Government National Park Grant in recent years and, subsequently, the relative amount they can raise through the levy. National Park Authorities in Wales do not have the same powers or commercial freedom as unitary authorities under the Local Government and Elections (Wales) Act 2021, however, there is potential for all three National Park Authorities to do more than they currently do.

- 3 Given the financial constraints facing the National Park Authorities' traditional grant revenue in the coming years, continuing with traditional ways of working, without recognising the need to further diversify income streams, is risky and will make meeting the Welsh Government's remit letter priorities challenging.
- 4 In 2022-23, the Auditor General published three reports on how each of Wales' National Park Authorities are diversifying their income streams to support the delivery of their statutory responsibilities. These reviews investigated how each National Park Authority is responding to the challenge of real-terms diminishing Welsh Government funding. These reviews identified the progress that each National Park Authority has made in increasing its non-Government funding streams and how well placed it is to pursue new funding streams in the future.
- 5 Our reviews identified six key building blocks, each of which is essential for National Park Authorities when they are diversifying their income streams **(Exhibit 1)**.

Exhibit 1: the building blocks of income diversification



6 The funding challenges facing National Park Authorities in Wales are likely to necessitate the diversification of income over the coming years. This is not easy nor is it without risk. But not meeting this challenge poses a potentially greater risk. The continued reliance on diminishing sources of public funding is unsustainable and risks undermining the Authorities' efforts to safeguard and conserve some of our nation's most treasured natural assets.

- 7 The remainder of this paper summarises our assessment of each National Park Authority's effectiveness against these key building blocks. For the more detailed findings please access each of the individual reports which can be found on our [website](#). We also conclude the report with a suggested way forward and some actions for the Welsh Government to consider to better support income diversification by National Park Authorities.

Key findings



Clarity of vision and strategic approach

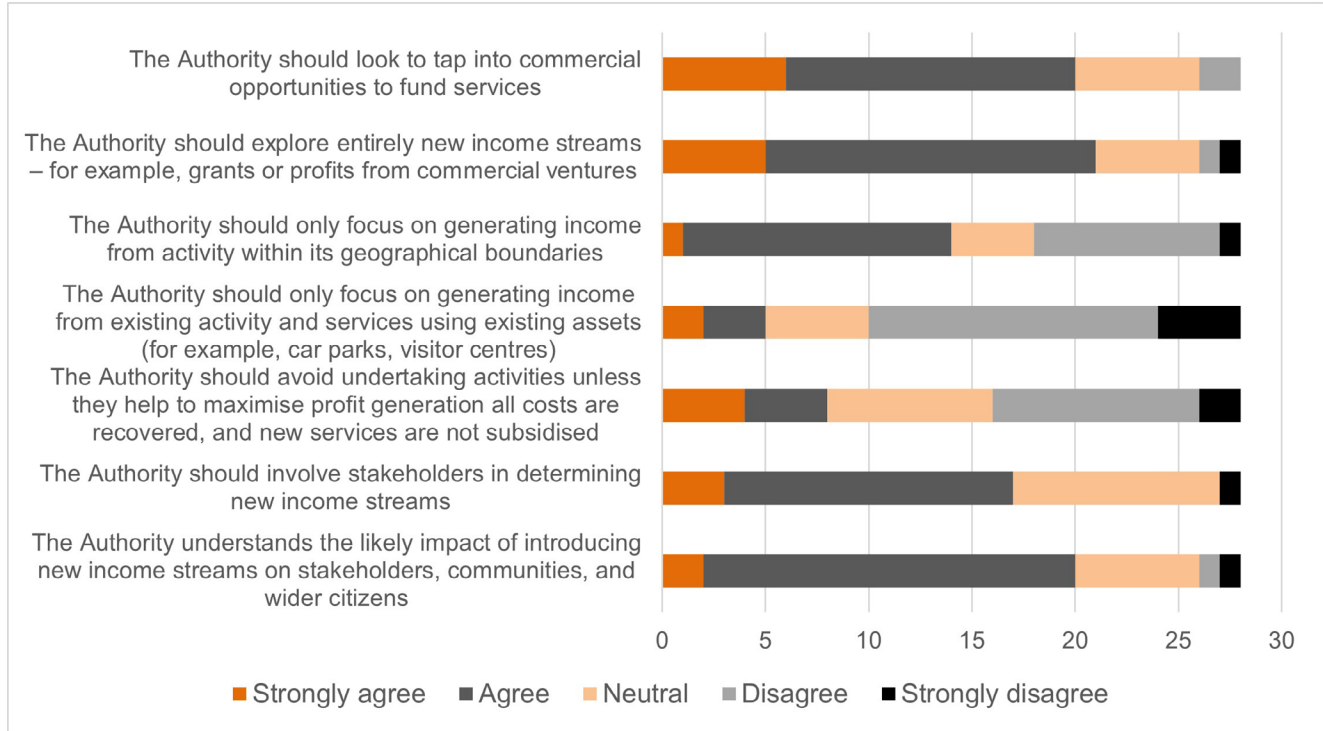
- 8 For a National Park Authority to optimise its income streams, it is essential to plan and set out its vision for income generation. Those involved in decision making must be clear on what constitutes a successful outcome from any new ventures and the amount of risk that the Authority is willing to take in order to secure this outcome. And it is essential that the Authority understands and sets out how all their income streams will support the delivery of its statutory purposes and duty.
- 9 We found that none of the National Park Authorities in Wales has set out an overarching strategy for income generation and only one has specifically prioritised work on pursuing and delivering new and more commercial income streams. Bannau Brycheiniog has set out a strategic vision for income diversification, however, this is very high level and has not yet been translated into action. We conclude that all three National Park Authorities in Wales have further work to do to make income diversification a priority in line with the Welsh Government's expectations. In particular, they have yet to establish their risk appetite for income diversification and agree how this fits with their statutory purposes and duty.
- 10 As part of our local reviews, we carried out a survey of members at all three National Park Authorities in Wales. When we asked, 'Does your Authority have a corporate policy or strategy on income diversification?' responses were mixed. Despite none of the National Park Authorities having a corporate policy or strategy on income diversification, 16 of the 28 responding to our survey stated that their authority did. This indicates a lack of understanding of the National Park Authorities' strategic approach by members. In addition, 19 of the 28 survey respondents told us they did not know if their Authority has an agreed level of risk with respect to income diversification. Notwithstanding, the majority of members have confidence in their senior leaders to be able to deliver on this agenda.



Agreement of parameters for pursuing new streams of income

- 11 For all three National Park Authorities, it is clear that ethical considerations are of the utmost importance when making decisions on new income streams. We found that all three are clear that any new income streams must support delivery of their National Park Management Plans and not compromise their ability to fulfil their statutory purposes and duty.
- 12 All three National Park Authorities have also considered other ethical boundaries in determining future income generation choices such as not being politically aligned, not competing with local businesses and selling predominantly local, ethically sourced produce at their visitor centres. However, none of the National Park Authorities has formally agreed and set out their parameters for pursuing new income streams.
- 13 From our fieldwork, however, it was not always clear that National Park Authorities fully appreciate that optimising commercial income will also mean having to change some aspects of organisational culture, the way the organisation currently operates and how it provides services. For example, trying new things to earn commercial income brings with it varying degrees of risk and there is always the prospect that entering into entirely new commercial ventures will not always be successful. National Park Authorities therefore need to be prepared for that and be clear what their risk appetite is in relation to this work. This was echoed in our survey work, and it is clear that there is some variation in members' views on how and where their authority should focus efforts on diversifying income – **Exhibit 2**.

Exhibit 2: National Park Authority members’ views on what income diversification should look like in their Authority



Source: Audit Wales survey of members in Welsh National Park Authorities, March 2023



Existing assets and services

- 14 A National Park Authority’s asset base can determine the type of opportunities available to it in terms of income generation. We found that National Park Authorities have a mixed approach to generating income from existing assets and services. All three National Park Authorities in Wales currently generate income from their assets. This has been more effective with some assets than others; for example, car parks have historically been a reliable source of income.
- 15 We also found that there are some assets that have good potential for generating income, for example, use of land for commercial filming. However, this potential is not currently being fulfilled due to a lack of strategic vision and the officer capacity and skills to maximise income generation.

- 16 Some key assets, such as information centres, often do not generate sufficient income to cover their costs and consequently need to be subsidised. However, given they provide customer-facing services and support the National Park Authorities to deliver their statutory purposes and duty, it is clear they are important services that need to be provided. National Park Authorities also own some heritage assets, for example, Plas Tan Y Bwlch, which require significant subsidy to operate.
- 17 Outside Wales, some National Park Authorities which have a strong record of income generation achieve this in part by a rigorous analysis of their asset portfolio and an uncompromising policy on the disposal of assets which are not fit for purpose without significant investment, are no longer viable in terms of their current operating environment or are not delivering adequate strategic or community benefits.
- 18 Looking forward therefore, National Park Authorities in Wales should carry out a cost-benefit analysis of their assets and identify where they can maximise and grow income; where it is appropriate to subsidise services or assets; and where they should consider alternative uses or disposal.

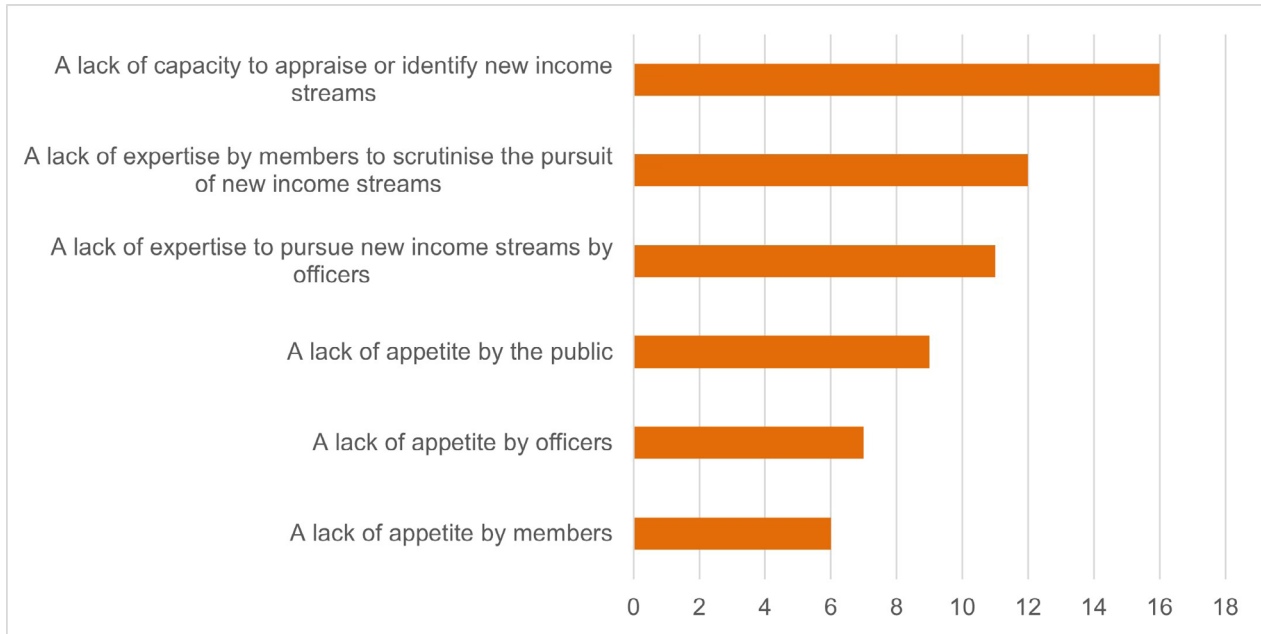


Culture, skills and capacity

- 19 The experience, knowledge and skillset required to successfully pursue new income generation activities are not those that are traditionally associated with the work of National Park Authorities, and it is important that the authorities equip themselves with the right people with the skills to do this well. It is important that both officers and members 'buy in' to their Authority's vision and strategy for income generation and understand the risks of not diversifying their income streams.
- 20 All three National Park Authorities in Wales employ officers whose role includes responsibility for generating income. In some cases, these are tightly defined and focussed on specific programmes of work or activity; for example wardens in Eryri. In others, it is a responsibility for a wider group of officers; for example, the Heads of Service in Pembrokeshire Coast.

- 21 We also found that, generally, where income generation has been prioritised, it has followed traditional lines of activity and has focussed on optimising charging for some defined services and trading. Much of officers' work still prioritises identifying and applying for grants for discrete projects. This approach risks being unsustainable in the current public funding climate.
- 22 Linked to the lack of strategy for income diversification, none of the National Park Authorities have ventured significantly into growing commercial activity in entirely new areas of work. This indicates that they have previously been risk averse with respect to income generation, but probably also reflects a lack of financial pressure in previous years.
- 23 We found that all three National Park Authorities lack capacity to pursue new income streams. Only Bannau Brycheiniog has specifically created a dedicated officer post to focus purely on commercialisation, in recognition of capacity being overstretched in core service areas and the importance of becoming more commercially minded in the changing public finance landscape.
- 24 Work to collaborate with other partners to generate income has been limited to date, although there have been some shared posts and some successful ventures with the not-for profit and private sectors. For instance, the work of the independent charitable Trust developed in Pembrokeshire by the National Park Authority. There is obviously potential from the three National Parks to develop and share expertise with each other to help improve capacity.
- 25 Our survey of National Park Authority members found that respondents consider a lack of capacity to be the most significant barrier to developing new income streams (**Exhibit 3**).

Exhibit 3: National Park Authority members' views on the barriers to developing new income streams¹



Source: Audit Wales survey of members in Welsh National Park Authorities, March 2023

¹ Members were asked to select up to three barriers. This question received responses from a total of 28 members (of the 50 in post at the time who were invited to respond).



Options appraisal process

- 26 An effective options appraisal process will help members and senior officers to identify the most appropriate set of actions needed to achieve desired outcomes. To be effective, the appraisal process needs to have the right information and data to consider and decide on the right option. It should clearly show how the commercial opportunity contributes to delivering corporate objectives.
- 27 All National Park Authorities in Wales have established internal working groups to oversee project development and management work. Their remit has, however, been more focussed on grants and operational delivery issues rather than developing and evaluating potential activity in new commercial areas.
- 28 Historically, these systems have mostly been used for approval and other governance of grant bids and have not been tested in terms of challenging and scrutinising options for pursuing entirely new commercial activities. Notwithstanding, these forums could widen their remit to take on such a role and they could potentially be used for options appraisals in the context of diversifying income.
- 29 While these systems and approaches have proved suitable in the past, they will need to be refreshed to ensure they are able to deliver more challenging and risky ventures of commercialisation going forward. There will also need to be some clear cost benefit analysis processes introduced and an upskilling in officer and member skills and abilities to be able to undertake appraisals.



Accountability and scrutiny of arrangements for overseeing our income diversification work

- 30 Effective scrutiny and oversight of income diversification are important because they contribute to good decision making and ensure that authorities are spending money wisely.

- 31 All three National Park Authorities in Wales have established performance reporting systems. While these have been appropriate for overseeing work in the past, we do not believe they are robust enough to mitigate the risks associated with diversifying income and pursuing more commercial activity.
- 32 While all authorities regularly report on their financial position and performance, these are heavily geared to income and expenditure on existing services. Even here, however, we found there are still shortcomings. For example, there is limited reporting on financial performance of individual assets to show their true performance and whether they generate a deficit or a surplus.
- 33 To undertake thorough commercial scrutiny in potentially very different non-traditional areas of work will require authorities to scrutinise and analyse entirely new data – for instance markets and demand; the potential cost-benefit of options; and comprehensive pricing and trading considerations. These are new skills for many members and officers.
- 34 We also observed some weaknesses in existing systems and approaches which will need to be addressed to support effective governance of income diversification going forward. These include:
 - agreeing an income or commercial strategy, with appropriate and relevant targets and measures of success for all of their income generating activities;
 - being able to report relevant, timely and sufficiently detailed information to enable proper scrutiny; and
 - establishing key commercial indicators to be able to evaluate and scrutinise options in the future.
- 35 National Park Authority members who responded to our survey have mixed views on how clear and appropriate their Authority's processes are for scrutinising income diversification proposals. This aligns with discussions we have had with members which indicate that Authorities in Wales have fundamentally good systems which have worked well in previous years, but that are not sufficiently robust for income diversification and hence will require further development and refinement. Similarly, Authority members have mixed views on their skills and knowledge around income diversification, indicating further training may be necessary.

Good practice in income diversification

South Downs National Park Authority

- 36 In recent years, South Downs National Park Authority has developed a multi-stranded strategy for diversifying its income with the aim of making its work more sustainable. For example, the ownership of Seven Sisters Country Park was transferred to South Downs National Park Authority from East Sussex County Council in July 2021. In order to maximise the commercial opportunity offered by this investment, South Downs National Park Authority has incorporated a Trading Company, South Downs Commercial Operations Ltd. The first phase of work on Seven Sisters Country Park consists of an investment of just under £2 million (by the South Downs National Park Authority and the independent charitable trust, South Downs National Park Trust) and focuses on ensuring the facilities are in place to effectively meet visitor numbers and to care for the landscape.
- 37 South Downs National Park Authority has a target to increase the proportion of the National Park managed for nature from 25% to 33% with the aim of renaturing 13,000 hectares of land by 2030. Together with the Authority, South Downs National Park Trust launched a ReNature Campaign in July 2021. They plan to restore 1,000 hectares per annum through projects which support landowners to secure private funding, changing current land management practices in favour of nature.
- 38 In 2023-24, South Downs National Park Authority has set an ambitious target to raise £2.5 million self-generated income per annum. The aim is to support delivery of its Partnership Management Plan (PMP), through bids to statutory sources and support for the South Downs National Park Trust in continuing to build a sustainable income stream of donations and legacies.

Lake District National Park Authority

39 In its 2021-22 Statement of Accounts, Lake District National Park Authority received £5.79 million in government grants and contributions but also generated £10.27 million in income from other sources. While the Lake District National Park Authority has a significant asset portfolio – valued at £35 million – it is also prioritising work on optimising income, operating to a set of principles which help to maximise the returns on their assets. These principles closely adhere to the building blocks of income diversification in **Exhibit 4** and are relevant to all National Park Authorities and include:

- a commercial strategy, the delivery of which is scrutinised by a Commercial Strategy Board and a working group of members and officers to oversee commercial activity;
- a rigorous analysis of its asset portfolio and an uncompromising policy on the disposal of assets which are not bringing adequate benefit to the Authority;
- a culture which recognises the importance of income generation for national park authorities;
- strong leadership buy-in which is helping to inspire a ‘can do’ mindset throughout the organisation; and
- a positive culture and environment which encourages innovation and risk taking but ensures staff feel ‘safe to fail’.

Looking to the future – how the Welsh Government could support National Park Authorities

- 40 In the individual reports for each National Park Authority in Wales, we recommend that each Authority should use our self-assessment checklists to identify their strengths and weaknesses and use this information to inform their future strategy and vision on income diversification.
- 41 Drawing on this set of reviews, it is also clear that there are common and important issues that need to be addressed if National Park Authorities are to successfully deliver new income. With this in mind, we believe that the Welsh Government should use this report to understand the current challenges and barriers facing National Park Authorities seeking to diversify their income streams. Based on these findings, the Welsh Government should consider and clearly define:
- its vision and ambition for income generation by National Park Authorities in Wales at a national level;
 - the level of risk it is comfortable with National Park Authorities in Wales taking on, and other parameters for pursuing new income streams;
 - the support it will provide to National Park Authorities with respect to the skills required to pursue, and provide scrutiny of, income diversification; and
 - how it will facilitate collaboration between National Park Authorities in Wales to be able to pursue joint income generation initiatives.



Appendices

1 Methodology

1 Methodology

We undertook three individual reviews in Bannau Brycheiniog, Eryri and Pembrokeshire Coast National Park Authorities during the winter of 2022-23. Our methods included:

- consolidating our cumulative audit knowledge and experience.
- a survey of members in all three Welsh National Park Authorities. We invited all the members in post at the time of the survey to respond. As there were four Welsh Government member vacancies at this time, we sent this survey to a total of 50 members. We received responses from 28 members across all three National Park Authorities.
- reviewing data and key documents.
- interviewing officers and elected members in each National Park Authority.
- interviewing key officers in partner organisations including officers from other National Park Authorities in the United Kingdom.
- keeping in regular contact with the land, nature and forestry division in the Welsh Government.



Audit Wales
1 Capital Quarter
Tyndall Street
Cardiff CF10 4BZ

Tel: 029 2032 0500

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and
telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.