

Report of Audit Wales

Subject: Audit Wales Report on Income Diversification

Summary

To receive the report from Audit Wales on Income Diversification.

Introduction

Audit Wales undertakes a programme of performance auditing. For 2022-23 one element of this work focused on Income Diversification, with a focus on **“Has the Authority established effective systems to consider and approve whether and how it should pursue new opportunities to optimise income?”**

The work was based on interviews, both internally and externally and a questionnaire.

The high-level conclusion was that:

“The Authority is strengthening its capacity to pursue new income streams but has not agreed principles to determine their level of ambition.”

Audit Wales have made the following recommendation:

R1 Undertaking income diversification requires National Park Authorities to have enough capacity, the right skills and robust but agile systems to be in place. We recommend that the Authority:

- use our self-evaluation tools (Appendix 1) to identify its existing strengths and weaknesses, and develop a strategy for income diversification; and
- as part of its strategy for income diversification set SMART performance measures and appropriate governance systems to ensure adequate monitoring and scrutiny of delivery of the agreed action plan resulting from its self-evaluation

There is a requirement for us to include an Organisational Response to the recommendations and we have agreed to implement the recommendation.

Presentation

Officers from Audit Wales will attend the meeting to present the report and discuss this work with Members. A copy of the report is included as an Annex.

RECOMMENDATION:

Pembrokeshire Coast National Park Authority
National Park Authority – 21 June 2023

Members are asked to receive, note and present any views on the Audit Wales report on Income Diversification.

(For further information, please contact Tegryn Jones at Tegrynj@pembrokeshirecoast.org.uk)

Income Diversification – Pembrokeshire Coast National Park Authority

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This document is also available in Welsh.

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Summary report

Summary

What we reviewed and why

- 1 As part of the Auditor General's work programme for 2022-23 we reviewed how Pembrokeshire Coast National Park Authority (the Authority) is diversifying its income streams to support the delivery of its statutory responsibilities.
- 2 National Park Authorities have two statutory purposes under the [Environment Act 1995](#): to conserve and enhance the natural beauty, wildlife and cultural heritage of the National Parks; and to promote opportunities for the understanding and enjoyment of the special qualities of the Park by the public. They also have a duty to seek to foster the social and economic wellbeing of the local communities, and therefore play a key role in encouraging rural sustainable development and supporting the local economy.
- 3 National Park Authorities in Wales receive income through several different means. The Welsh Government sets the Authority's approved level of net revenue expenditure for the year and pays 75% of this in National Park Grant. The remaining 25% can then be raised by the Authority by issuing a levy on the constituent Local Authorities. Further income is derived from bids and grants, the sale of assets, trading activity, fees, and interest from financial instruments.
- 4 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. **Exhibit 1** shows that this trend is set to continue with the provisional allocation remaining static for the next two years. Considering inflation, this represents a real-terms cut in grant.

Exhibit 1: Welsh Government Core Grant 2022-23 to 2024-25

National Park Authority	2022-23 – Final	2023-24 – Proposed	2024-25 – Proposed
Bannau Brycheiniog	£3.109 million	£3.109 million	£3.109 million
Eryri	£4.120 million	£4.120 million	£4.120 million
Pembrokeshire Coast	£3.249 million	£3.249 million	£3.249 million
Total	£10.479 million	£10.479 million	£10.479 million

Source: Welsh Government

- 5 National Park Authorities have been increasingly reliant on alternative sources of funding in recent years, including grant-funded projects and new income streams. The Welsh Government has encouraged this direction of travel, previously setting out its expectation that National Park Authorities in Wales should increase the level

of revenue generated through appropriate commercial activities¹. However, recent Audit Wales reviews have found that this is not without risk². For example, new income streams from increasingly diverse sources place pressure on officers to manage them, and financial management systems need to work effectively to monitor spending within available resources.

- 6 Ultimately, National Park Authorities need greater financial resilience to effectively deliver against the ambitious agenda set out by the Welsh Government's Minister for Climate Change³. Doing this requires Authority Members and officers to have the right vision, skills and expertise to set out a strategy for income diversification. In parallel, robust governance arrangements must provide appropriate and effective scrutiny to help appraise the risks and rewards of any proposed new activity.
- 7 This review sought to assess whether the Authority has the right vision and systems in place to diversify its income streams, ensuring ventures are planned, managed and delivered effectively without compromising its ability to fulfil its statutory purposes and duty.
- 8 We undertook the review during the period November 2022 to March 2023.

What we found

- 9 Our review sought to answer the question: **Has the Authority established effective systems to consider and approve whether and how it should pursue new opportunities to optimise income?**
- 10 Overall, we found that the Authority is strengthening its capacity to pursue new income streams but has not agreed principles to determine their level of ambition.

¹ Welsh Government, July 2018, [Valued and resilient – Priorities for Areas of Outstanding Natural Beauty and National Parks, Welsh Government, July 2018](#)

² Audit Wales, [Pembrokeshire Coast National Park Authority - Review of resilience](#), May 2021

³ Welsh Government Minister for Climate Change, [National Park authorities: term of government remit letter, Welsh Government Minister for Climate Change, May 2022](#)

Recommendations

Exhibit 2: recommendations

The table below sets out the recommendations that we have identified following this review.

Recommendations	
Self-evaluation tool	
A strategic approach to income diversification	
R1	<p>Undertaking income diversification requires National Park Authorities to have enough capacity, the right skills and robust but agile systems to be in place. We recommend that the Authority:</p> <ul style="list-style-type: none">• use our self-evaluation tools (Appendix 1) to identify its existing strengths and weaknesses, and develop a strategy for income diversification; and• as part of its strategy for income diversification set SMART performance measures and appropriate governance systems to ensure adequate monitoring and scrutiny of delivery of the agreed action plan resulting from its self-evaluation.

Detailed report

Part 1 – Diversifying income – the risks and challenges facing National Park Authorities

- 11 Generating income has always been a significant part of the operation of National Park Authorities. Whilst core funding is available for the day-to-day activities, along with levy funds from principal councils, National Park Authorities have always raised funding for specific projects. However, funding constraints in recent years have resulted in a shift in expectations with public bodies needing to generate more income directly to continue to deliver against their core responsibilities. This can be a tricky balance to achieve, and Authorities require a sound strategic approach to generate income within the framework of their core duties. This is something that many public bodies are grappling with⁴.
- 12 Authorities must ensure when deciding on their strategy for income diversification that they consider how best to balance the needs of local and national stakeholders and the sensitivities of undertaking alternative commercial ventures in the unique environment of a National Park. The type of activity pursued, and the associated risks need to be carefully considered. **Exhibit 3** sets out the continuum of risk for income generation.

Exhibit 3 – risk continuum for income diversification by National Park Authorities

Low risk	Medium risk	High risk
Bids for defined projects and grants which the National Park Authority has a track record and history in securing and delivering.	Ensuring current assets and services used as a core income generating tool break even as a minimum and generate a surplus wherever possible by, for example, reducing cost, raising charges, attracting new customers and/or not providing subsidies.	Entering into entirely new commercial ventures in non-traditional areas which may be in competition with others in the National Park

Source: Audit Wales

- 13 Traditionally, National Park Authorities have tended to focus on diversifying their existing income streams and income from assets rather than exploring entirely new opportunities to diversify their income, including new commercial avenues with higher levels of risk. Continuing with this traditional approach is in itself getting increasingly risky, because it places too much reliance on a diminishing source of

⁴ [Commercialisation in Local Government \(audit.wales\)](https://www.audit.wales/publications/commercialisation-in-local-government), October 2020

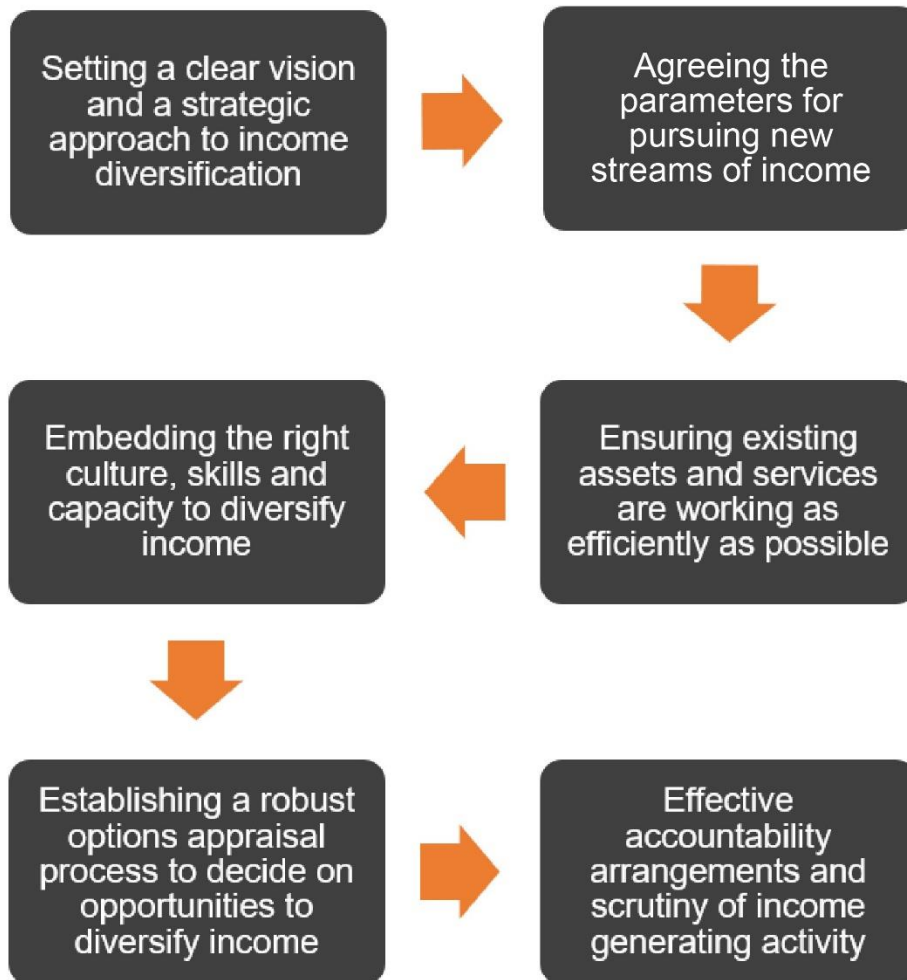
income. Beyond this, some other options pursued by National Park Authorities vary in terms of the risks they present:

- low-risk approaches involve Authorities investing considerable resources into securing bids which match the Authorities' strengths, where officers possess the skills, capabilities and experience to deal with familiar activities. These are project led where the Authority has achieved a level of success previously. Bids are usually for specific amounts of funding with clear objectives. Some risks associated with this approach include overburdening the Authority's corporate capacity if the knock-on impact of delivering multiple grant funded projects is not properly considered. Authorities that secure income from existing assets that have been carefully assessed so they are not in direct competition with alternative providers are also deemed to be low risk.
- medium-risk approaches can involve consideration of different activities, such as enhancing the commercial performance of existing assets. For example, optimising retail spaces in information centres, or increasing car parking charges. Key to this are fundamental considerations around the agreed level of subsidy invested in assets and services, and how surpluses are reinvested.
- higher-risk approaches would be characterised by a more fundamental shift into areas of commercial activity that lie outside the Authority's traditional boundaries. Risks arise from Authorities being more exposed to downturns in the external market, especially when in competition with other private commercial operations in the Park. These non-traditional routes are likely to include aspects of activity that do not directly benefit the Authority's objectives, so are reliant on making a significant return on investment to help fund the wider work of the Authority.

14 Key to all approaches to income diversification is to pursue options with 'eyes wide open' – taking well-managed risks where appropriate; being prepared to stop if something is not working, and staying true to your core objectives and purposes. Our report on Commercialisation in Local Government⁵ identifies the fundamental building blocks for public bodies in taking forward a more diverse approach to income generation. The next section of this report is structured around these building blocks which are summarised in **Exhibit 4**.

⁵ Audit Wales, [Commercialisation in Local Government](#), October 2020

Exhibit 4 – the key building blocks of income diversification



Source: Audit Wales

Part 2 – Income diversification in Pembrokeshire Coast National Park Authority

- 15 We reviewed the arrangements at Pembrokeshire Coast National Park Authority (the Authority), looking at current performance by the Authority against each of these fundamental questions when considering management of existing income streams and consideration of new income streams. Our key findings are set out below.

Ensuring existing assets and services are working as well as they can

- 16 There is no agreed definition at a strategic level of what constitutes income diversification. At one level, it can simply mean operating assets and services more efficiently by, for example, reducing cost, raising charges, or attracting new customers and users. Key to this is agreeing the level of subsidy provided to services and assets and considering doing so in a way that reflects the 'true' cost of running assets and reinvesting any surpluses appropriately.
- 17 The Authority's asset portfolio is directly linked to the opportunities available to it in terms of income diversification. Assets can be run in a safe, low risk way that cost money to run, but directly deliver on the Authority's objectives. At the other extreme, assets operate in ways that contribute very little directly in terms of the Authority's purposes, but they make a significant profit that is then reinvested in the Authority's bottom line.
- 18 Operation of existing assets and services, with a focus on growing these gradually is likely to involve less risk, knowing that the relevant officers and Members have acquired the knowledge to operate and scrutinise the activities over time. However, facilities that help generate income can require significant revenue to sustain the service, along with ongoing capital investment to maintain and restore buildings. Authorities must have clear objectives for these facilities, with clear expectations of whether the services these provide can, or should, generate profit, or if they will require ongoing subsidies to maintain. Or it may be that some facilities running costs exceed return they get which can make them financially unviable. In these circumstances, selling the asset may be more appropriate, or a building may be better served in the hands of the local Community through an asset transfer.
- 19 Guided by a trading strategy, asset management policy and fundraising strategy, the Authority generated around £2.17 million in 2021-22, an increase of 94% from £1.12 million in 2010-11 (in real terms, this equates to £1.38 million, an increase of 57%)⁶. The Authority's visitor centres have individual Business Plans, which now contain more of a commercial focus than previous years and specify the need for assets to maximise commercial income generation with specific opportunities

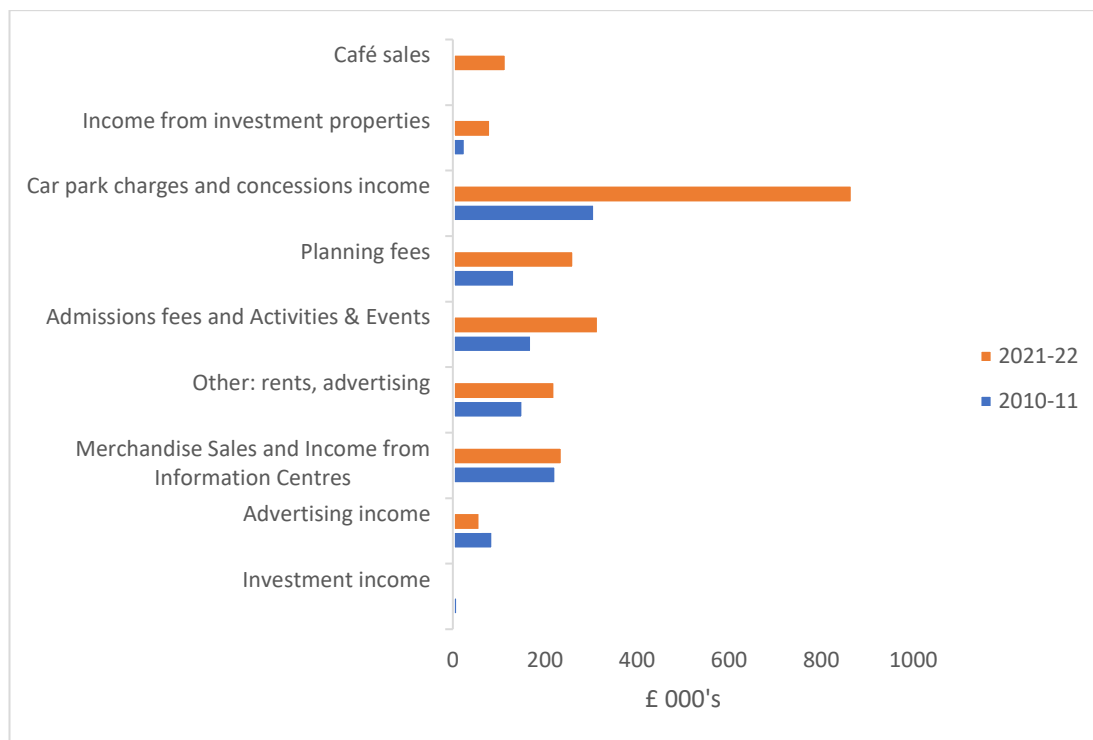
⁶ Office for National Statistics, Real terms calculation using [GDP deflators at market prices](#), June 2022

outlined for future consideration. While these plans align well with the Authority's strategic aims, the Authority could strengthen its approach by developing and adopting an overarching commercial strategy covering all service areas. There is limited evidence that the Authority has formally embedded learning from previous income generation in plans, although this is done informally in specific service areas.

- 20 The Authority currently generates commercial income from merchandise sales, car park charges, concessions, admissions fees to its three visitor centres, in addition to fees from its statutory Planning service (see **Exhibit 5**). Most Authority-generated income streams have increased since 2010-11, with car park charges, earnings from concessions and income from investment properties seeing the largest increases since 2010-11. Income from planning fees and admissions fees, activities and events has also increased significantly. In recent years, income generated from information centres increased by 21.2%, rising from £519,222 in 2019-20 to £629,104 in 2021-22⁷. Advertising income reduced over the same period, although the Authority's 'Coast to Coast' publication, its main advertising outlet, allows the Authority to communicate its messages to over one million readers, and the Authority is prepared to subsidise the publication if required.
- 21 Two of the three Authority visitor centres are now subsidised and only one generates more income than the centre costs to run. There is some disagreement amongst Members whether subsidising these services is acceptable given Carew Castle is the only centre making a profit. It is important that the Authority clearly identifies the impact that subsidising services has on the organisation's overall finances, and balances these considerations with its strategic relevance and contribution. If the strategic value of providing subsidised services outweighs their financial contribution, then that is a choice for the Authority to make and an entirely reasonable one, as long as the implications of these decisions are identified and agreed.
- 22 Similarly, there are opportunities to generate more income from tenancies, maximising the potential of the land, but this would need a clear mandate from Members and senior leaders to pursue this approach.

⁷ This includes periods where services were not open to the public due to the impact of COVID-19. Unaudited accounts for 2022-23 note that in the first full year of 'normal' trading post pandemic, information centre income rose to £724,689.

Exhibit 5 – Authority-generated income 2010-11 to 2021-22



Source: PCNPA Draft Statement of Accounts 2021-22

- 23 To ensure the Authority is making the most of its existing assets, it needs to review and agree the levels of subsidy it deems appropriate for each facility and service, and formally agree targets and performance outcomes, so there is no ambiguity over whether they are achieving what they need to. Members have highlighted the need for more granular data on the financial performance to ensure they can scrutinise performance and make evidenced decisions.

Agreement of parameters for pursuing new streams of income

- 24 As with any public body trusted with the stewardship of taxpayers' money, the Authority must consider ethics in how it spends money and uses resources. This is an important consideration with regards to income diversification. The Authority's statutory purposes under the Environment Act underpin its very existence and provide a good ethical framework for the pursuit of new income streams.
- 25 If the Authority chooses to pursue new forms of income, it needs to establish clear thresholds of what sectors, industry or services it is willing to move into and establish what areas the Authority would choose not to pursue work in. Knowing up front the extent of what is considered acceptable for the Authority gives clarity to all on what pursuing new income means for you, but also what it is not. The bottom

line is that the Authority needs to be mindful of how its choices could affect local communities and businesses.

- 26 In determining this, there are some key questions that need to be answered. For instance, should the Authority:
- Only pursue activity that builds on existing services, or should it enter entirely new areas of operation?
 - Only work within its geographical boundaries, or should it consider opportunities elsewhere?
 - Compete with local businesses, the third sector or other public bodies?
 - Only look to recover all costs associated with the activity or seek to maximise profits?
- 27 When considering the ethics of income raising, the Authority is familiar with the sensitivities around this with its core activities, in particular when bidding for grants, where there is formal sign-off of project bids which include a consideration of their strategic value. However, there was no consensus among the Members we spoke to on what income-generating projects should be pursued and what should be avoided, and it was accepted that the Authority has yet to agree the ground rules for pursuing new income going forward.
- 28 When establishing these parameters, the Authority should also consider the current local market, ensuring any direct competition with private enterprises does not risk the stability of their businesses and the wider local economy, especially within such a confined geographical area. Although this has not been formally appraised, officers we spoke to were aware of where they are likely to be in competition, and such issues are a key consideration of any proposals to raise new income.
- 29 Formally agreeing clear parameters and modelling future market activity would improve efficiency of decision making and provide operational staff with clear guidance when seeking out additional forms of income generation.

Clarity of vision and strategic approach

- 30 All involved in decision making must be clear on what constitutes a successful outcome from any commercial venture. Authorities must be clear on these expected outcomes to ensure all involved know how far to push securing high levels of financial return.
- 31 Whilst there is more of an understanding of the need to pursue new income streams in the Authority, and work undertaken to embed income raising into key roles, the Authority is yet to establish its risk appetite for income generation and agree how this fits with its statutory purposes and duty.
- 32 While it is positive that the Authority has empowered staff to propose ideas to pursue new income streams, which has helped foster creativity, the lack of formal strategy creates uncertainty and does not support staff to come forward with proposals that fit strongly with the ethos of the Authority's work in this area. Setting

a vision and clearly defining both the commercial and strategic benefits of its approach to income generation will allow the Authority to identify both the opportunity to generate income, but also the wider benefits of pursuing an option within the National Park.

- 33 The Authority's relatively stable reserves position and core funding from the Welsh Government have allowed it to manage within its means until now. However, with ongoing financial restraints in the public sector and the ongoing impact of inflation, the Authority predicts a budget shortfall of £1 million over the next two years. Consequently, it needs to generate additional income, given reductions to the core budget and traditional funding streams are likely to be a key financial risk in the medium term.

Embedding the right culture, skills and capacity to diversify income

- 34 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 Parks, and it is important that the Authority equip itself with the right people with the skills to do this well. For example, people who can undertake robust options appraisals and cost modelling, who are skilled at making a compelling case for pursuing options and who can identify and mitigate risk in unfamiliar or new areas. Currently the Authority lacks officers with this specialist knowledge.
- 35 We found that while the Authority has some staff that have experience in developing and managing commercial activities and generating income, there is more work to be done to create the right culture and create capacity to enhance this work. For example, we found that although income diversification is part of the Head of Finance portfolio, the Authority has no dedicated lead officer with detailed experience of developing entirely new commercial ventures.
- 36 The Authority acknowledges that a barrier to effective income generation is the limited dedicated capacity it has available to support this work. Positively, therefore, it has revamped key job descriptions to include specific responsibilities for maximising commercial income, which signals a more enterprising approach. For example, income generation has been included in Heads of Service roles as part of the recent restructuring of services, and the Authority is seeking to recruit staff with commercial expertise. This cultural shift will take time to bed in as posts are filled.
- 37 The Authority's senior team will need to take the lead on income diversification and communicate any change of direction clearly to individual service areas. They will need to ensure that staff with these wider and enhanced roles that cover commercial income generation are provided with support and training to be able to:
- undertake robust options appraisals and cost modelling;
 - make a compelling case for pursuing options based on sound data analysis;
 - and

- identify and mitigate risk in unfamiliar or new areas of business.
- 38 In addition, to ensure risk is effectively managed will require the Authority to equip senior officers and Members with the right skills to oversee and scrutinise decisions and commercial activity that involve public money.
- 39 The Authority will also benefit from sharing expertise with other Authorities where possible, to help alleviate capacity shortages. Work to collaborate with other partners to generate income has been limited to date, although the Authority has begun to appoint roles that are shared with other Authorities. The Authority helped establish the UK National Parks Partnership, and associated charitable Trust, which is providing an opportunity to work together to seek new income opportunities.

Establishing a robust options appraisal process

- 40 An effective options appraisal will identify the most appropriate set of actions needed to achieve desired outcomes. It 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.
- 41 Currently, most investment, project and bid proposals are initially reviewed and approved in principle by the senior leadership team and for formal consideration and approval by Members at Authority meetings. The Authority has a Commercial Group, which has the potential to act as the formal body for managing and overseeing future income generation activity, although this will need to be formalised and the parameters of its role agreed. For instance, our review of minutes found that agenda items are mostly informal and lacked detail, with no specific action points being agreed or timescales for delivery recorded. The group could play a more central role in income generation going forward.
- 42 Some Members cited a lack of Member expertise as the biggest barrier to developing new income streams and have indicated further training on issues like private finance, risk and budgeting, as critical in pursuing new income streams.

Effective accountability and scrutiny of income-generating activity

- 43 Effective scrutiny of income diversification is important because, at its best, it can contribute to good decision making and ensure the Authority is spending money wisely.
- 44 We found that currently Members do not feel they have sufficiently detailed commercial information on various services, for example, on detailed income versus expenditure activity. This limits their ability to scrutinise and challenge performance and hold officers to account. In addition, because there is no agreed income or commercial strategy, the Authority has not set sufficient targets or measures of success for all of their income generating activities.

- 45 Alongside many other National Park Authorities, the Authority has established an independent charitable Trust. The Trust plays an increasingly important role in supporting the work of the Authority and raises its own income to support projects in line with the Authority's strategic aims. Some of its successes include:
- 80 families attending an event organised under the First 1,000 days project – aimed at delivering outdoor play to pre-school children;
 - exceeding a fundraising target by more than double, enabling them to plant 6,000 trees and restoring hedgerows to increase biodiversity (Wild about Woodlands project);
 - providing 'Force for Nature' grant funding to 12 community sites;
 - summer Rangers engaging with over 5,000 people during the main holiday season;
 - restoring 132 hectares of meadows over 13 sites as part of the 'Make More Meadows' project and;
 - delivering six teacher training events for 160 teachers and engaging with over 500 pupils for its Outdoor Schools project.
- 46 Despite investing considerable time and effort in agreeing and establishing the Trust, Authority staff and Members now see the Trust as an integral vehicle for generating income. The Authority's accounts record an income of £84,000 in 2021-22 as a return from various Trust projects, based on an approximate investment of £6,000 during the year. While the Trust has increased its income year on year, the amount generated (£109,803) is relatively small in comparison to similar Trusts in other National Parks.

Part 3 – Good practice in income diversification

South Downs National Park Authority

- 47 Whilst each National Park Authority operates within their own environment and asset base, there are examples where Authorities have taken forward income diversification. These examples are intended to illustrate ways this can be achieved, in order to stimulate potential ideas locally. They both demonstrate the importance of setting a strategic vision and providing clear leadership on income diversification.
- 48 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.
- 49 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.
- 50 In 2023-24, South Downs National Park Authority has set an ambitious target to raise £2.5 million in 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

- 51 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 – they are 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 commercialisation 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'.

Appendix 1

Self-evaluation checklist

Exhibit 6: setting a clear vision and a strategic approach to income diversification and generation

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have an agreed corporate Authority-wide approach to income diversification and generation.		
We have a clear set of principles and values that set out what we are trying to achieve through income diversification.		
We focus on social value and 'ethical' investment principles in our income diversification and generation work.		
Our approach to income diversification is part of a 'bigger picture' and not seen as outside core Authority activity.		
We have embedded income diversification within programmes of long-term transformation.		
We are clear on the benefits and risks of income diversification for local communities, visitors, the local economy and local businesses.		
We have clearly defined what income diversification is and is not for the Authority.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
Our approach to income diversification is aligned with our statutory purposes and duty.		
Our approach to income diversification is integrated and linked with wellbeing objectives, National Park Management Plan objectives, and other key Authority strategies.		
We are seeking to ensure that income diversification and generating activities deliver more than just profit and make a wider contribution to our local area and communities.		
We have identified who is accountable for decision making on income diversification and generation; it is clear where the 'buck stops'.		

Exhibit 7: agreeing the parameters for pursuing new streams of income

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We are going to pursue income diversification and generating activity that is aligned with our statutory purposes and duty.		
We are going to pursue income diversification and generating activity that supports delivery of the objectives in our National Park Management Plan.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We are going to pursue income diversification and generating activity that builds on our existing services.		
We are going to enter entirely new areas of income diversification and generating activity.		
We are going to pursue income diversification and generating activity only within our geographical boundaries.		
We are prepared to pursue opportunities in other areas beyond the Park's boundaries.		
We are comfortable with competing with local businesses.		
We are comfortable with competing with the third sector.		
We are comfortable with competing with Local Authorities.		
We are looking to recover all costs associated with the activity.		
We are seeking to maximise profit generation.		
We are clear on how we will use the profits we create.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have agreed what is an acceptable level of risk for individual income diversification and generation ventures.		
<p>When considering and approving a venture we know:</p> <ul style="list-style-type: none"> • how much risk we face; • how much risk we will take; and • how much risk our stakeholders are comfortable with us taking. 		
We have involved visitors, communities, businesses and other stakeholders to help us define what income diversification and generation should look like for our National Park Authority.		
<p>We understand the impact of diversifying income streams on:</p> <ul style="list-style-type: none"> • The ecosystem of the Park • Visitors • Our communities • Businesses • Partners • Stakeholders 		
We have gauged what is affordable for our visitors and communities.		
We communicate effectively internally and externally what income diversification and generation are for this National Park Authority and what they are not.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have established a set of ethical and socially responsible standards for income diversification and generation.		
We insist suppliers, lenders, and partners act in accordance with our ethical and socially responsible standards.		

Exhibit 8: ensuring existing assets and services are working as efficiently as possible

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have an agreed vision of what it means for us for our assets and services to work optimally.		
All existing assets and services align with our statutory duties and purpose.		
All existing assets and services are helping to achieve our National Park Management Plan objectives.		
We are clear that all assets and services must either be cost neutral, provide a profit for the Authority or help the Authority to achieve its purpose, duty and objectives.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have an appropriate asset management policy, and this is integrated with other relevant strategies including our income diversification and generation strategy.		
We regularly review our existing asset base and dispose of assets that are not financially or strategically benefiting the Authority or are unlikely to do so in the future.		
We have the right workforce capacity and skills in place to optimise generation of income from our existing assets and services.		
We have agreed the level of subsidy provided to services and assets and do so in a way that reflects the 'true' cost of running assets and reinvest any surpluses appropriately.		
We have a clear policy on how profits/surpluses generated are used, including investing to make services more profitable in future.		
We have put in place income targets where appropriate.		
Processes around assets and services are regularly reviewed to ensure they provide value for money eg making use of economies of scale in procurement.		
For each asset, we are clear on the balance between generating income and providing a service.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
Governance processes include a regular review of the financial cost and strategic benefit that existing assets and services bring for the Authority.		

Exhibit 9: embedding the right culture, skills and capacity to diversify and generate income

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have prioritised the creation of a commercial culture and entrepreneurial mindset within the Authority.		
We have set realistic expectations on what income diversification and generation are for us, and this is clearly understood by all parts of the Authority.		
We understand that income diversification and generation are part of 'how we do things around here,' and this is reflected in our values.		
We have committed, highly visible leaders, with clear income diversification and generation goals.		
We have a strong officer management team that is clear on income diversification and generation who support delivery of our goals.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have set clear expectations that decisions relating to income diversification and generation will be taken transparently and as soon as it is appropriate to do so.		
There are high levels of commitment to work together to deliver the Authority's income diversification and generation vision and strategies.		
We have the right experience, knowledge and skillset required to successfully pursue income diversification and generating activities.		
We have enough officers to undertake income diversification and generation work.		
We have officers in the right services and with the required seniority to undertake income diversification and generation work.		
We can recruit the right people with the right skills to deliver our income diversification and generation work.		
<p>We have set out how the Authority will equip elected members and officers with the key skills to successfully deliver and scrutinise income diversification and generation including:</p> <ul style="list-style-type: none"> • Analysing markets and demand • Marketing and sales • Pricing and trading 		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have a training programme that is equipping our officers and members to undertake income diversification and generation work.		
We have defined and clarified roles, responsibilities and the legal powers for pursuing income diversification and generating activity.		
We have taken legal opinion to support all aspects of income diversification and generating activity and especially on how to treat profits raised, and officers are clear on how to address this.		
We can draw on and utilise the skills and knowledge of our local businesses and stakeholders to help us develop our workforce to become more commercially skilled.		
We have an open and honest learning culture to help the Authority learn from investment decisions from elsewhere and use this information to shape our approaches.		

Exhibit 10: establishing a robust options appraisal process to decide on opportunities to diversify and generate income

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have a clear options appraisal process for deciding on each income diversification and generating option.		
<p>Within the options appraisal, we always:</p> <ul style="list-style-type: none"> • clearly define our objectives, the constraints/risks, the potential rewards and what we want to achieve; • gather enough information to fully understand the options being considered; • consider a wide range of options for the venture in question; • include consideration of the risk of ‘doing nothing’; • assess and analyse options using an agreed rating/scoring matrix; and • select the appropriate option based on our analysis. 		
We make transparent decisions based on good-quality information when deciding on each income diversification and generation option.		
We implement the decision that has been taken on completion of an options appraisal effectively and in a timely manner.		
We have robust performance management arrangements in place to monitor delivery of the selected option.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
<p>We have established an appropriate due - diligence process, and we use this to support us when approving options and managing risks. Our due-diligence assessment leads us to:</p> <ul style="list-style-type: none"> • set realistic and achievable targets and business plan goals; • research and assess the market and identify where we are positioned; • assess where the market is heading and how this will affect the value/success of our venture; • identify and analyse who are our strongest and weakest competitors and assess how we will perform against them; • identify our customer base and profile likely usage and demand for our venture; • evaluate our prospects for reaching our projected revenues and in what period; • identify average price fluctuations historically; • forecast prices in the future; and • model revenue spend and capital spend. 		
<p>Our options appraisal process includes a specific assessment of how any ventures we approve will deliver social value for the Authority.</p>		
<p>We review the effectiveness of our decisions and undertake post-implementation evaluation to check that the objectives we set are being delivered.</p>		

Exhibit 11: effective accountability arrangements and scrutiny of income diversification and generating activity

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We have a training programme that is equipping our elected members to effectively scrutinise commercial ventures and other means of diversifying and generating income.		
We have clear and appropriate governance structures to evaluate, scrutinise and approve income diversification and generation.		
We have mainstreamed and integrated scrutiny of income diversification and generation into our corporate governance arrangements.		
We act in a transparent way, and everyone is clear on how decisions on approving income diversification and generation options are made and by whom.		
We have a confident decision-making culture and elected members are not afraid of challenging officers and holding people to account.		
Those who make decisions on income diversification and generation are accountable for their choices and are held to account through clear governance arrangements.		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
<p>We receive good quality information to:</p> <ul style="list-style-type: none"> • judge whether we should approve an income diversification and generation option; and • monitor and fully evaluate performance of our income diversification and generation options. 		
<p>We draw on and utilise experts to help us scrutinise income diversification and generation options.</p>		
<p>Our scrutiny is adding value and not unnecessarily slowing down the decision-making process.</p>		
<p>We undertake pre-decision scrutiny work to help shape choices.</p>		
<p>We undertake post-decision scrutiny work to ensure what we approve is working.</p>		
<p>We set targets and measures of success to judge improvement over time, and monitor these when they have been agreed.</p>		
<p>We risk assess activity and ensure the same level of governance and accountability arrangements extends to all high-risk income diversification and generation activity consistently.</p>		
<p>We have effective delegation arrangements for approving low-risk income diversification and generation activity.</p>		

Issues for us to consider	Yes, we are clear on this, and no further work is required	No, there is more work for us to do
We scrutinise all our income diversification and generation ventures to ensure they are delivering for the Authority.		
Our monitoring and evaluation of income diversification and generation ventures explicitly focus on what social value is being delivered.		
We share learning and draw on evidence from other National Park Authorities in Wales and elsewhere to learn what works, what does not, the risks we face and the potential rewards.		

Appendix 2

Methodology

- A review of cumulative audit and inspection knowledge and experience
- Document reviews
- Interviews with key officers and Members
- Interviews with relevant national and local organisations, including key partner organisations
- Survey of Authority Members to assess their views on income diversification
- Interviews with other National Park Authorities to identify good practice



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

Organisational response

Report title: Pembrokeshire Coast National Park Authority – income maximisation

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