

Committee: FINANCE AND RESOURCES

Date: 7 FEBRUARY 2023

Report: INCOME GENERATION STRATEGY 2023-2026

### Purpose of the report

1. To agree the Authority's objective for income generation for the next 3 years, and the strategy for achieving that objective.

### RECOMMENDATION

2. That Members approve the Income Generation Strategy set out in **Annex B**.

### Strategic Planning Framework

3. The information and recommendation contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework:

- **Corporate Plan objectives**

*Plan and manage the Authority's work so as to make the most effective use of our resources, including generating sufficient income to maintain expenditure at the same level as 2014/15 in real terms across the extended National Park area;*

### Background

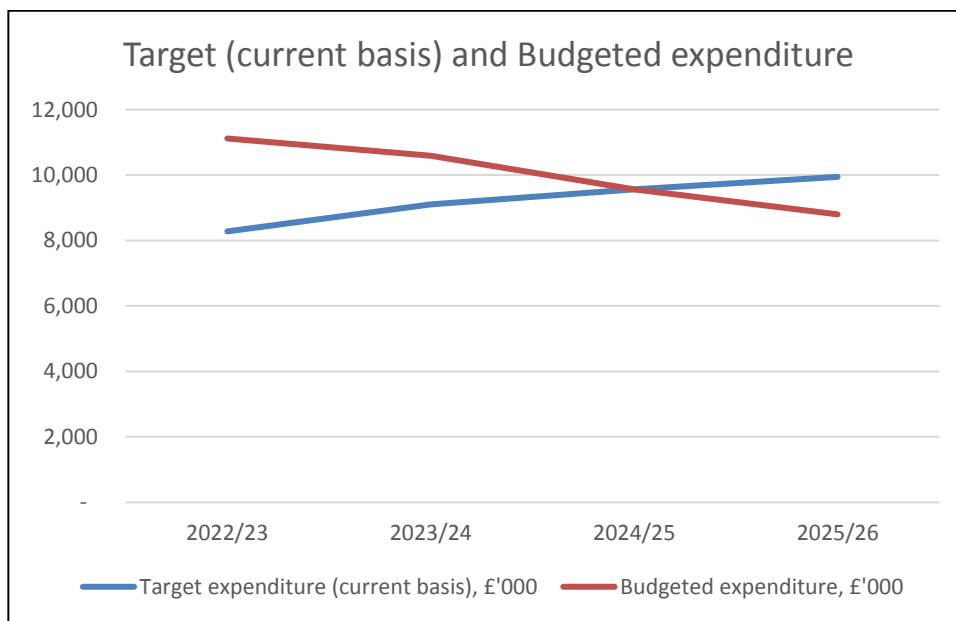
4. The current Income Generation Strategy (IGS), covering the period from 2018 to 2023, was the subject of a performance review reported to the Audit & Review Committee in November. That review contained extensive background information on the evolution of the IGS and much detail about income generation performance. The recommendations of that review are included at **Annex A**.
5. The purpose of the IGS is to supplement income from the Authority's Defra core grant **in order to achieve the Authority's Statutory Purposes and objectives**. The target within the current IGS is to "maintain the Authority's overall expenditure at the 2014-15 level, in real terms." This target takes into account the need to raise sufficient income to not only counter the impacts of inflation but also the fact that the area of the National Park increased by just under 24% in 2016.

## Considerations in drafting a new IGS

6. The main considerations are set out below and include coverage of the recommendations identified by the performance review (paragraph 4 above).

### (i) Setting a new income target

7. The current target, adjusted for current projections for CPI-based inflation, would require income sufficient to support expenditure of **£9.0m** in 2023/24, rising to **£9.8m** in 2025/26 (the **blue** line on the graph, below). The proposed budget (see earlier item on this agenda) is **£10.6m** in 2023/24, falling to **£8.8m** by 2025/26 (the **red** line in the graph, below)



8. The crossover point between these lines, which happens in 2024/25 on the above projection, marks the point where our projected expenditure starts to fall below target, and therefore the point at which we would need to find additional income to support expenditure: the gap we would need to fill by 2025/26 would be **£1.5m**.

9. That gap arises because, in the next two years, our three biggest external grant programmes (*Farming in Protected Landscapes (FiPL)*; *Grow Back Greener*, and the Westmorland Dales Landscape Partnership) are all scheduled to end. At this point in time it isn't unreasonable to project that additional (but-as-yet unknown) grant income, including the possible replacement for FiPL and Grow Back Greener programmes – will be confirmed. In which case, the budgeted expenditure line will follow a more level trajectory, remaining above the target line. This explanation is justification for **retaining the current IGS target, based on maintaining the real value of our spending across the National Park**.

10. As the Defra core grant is likely to remain 'flat' throughout the period, the amount of 'other' income we will need to raise will increase each year to absorb the whole effect of inflation (the core grant making no contribution to inflation). This approach looks sustainable at least until 2024/25 and - assuming other 'unknown' income is accessed - in 2025/26, but perhaps not beyond then.

11. The current income target has a slightly counterintuitive feel, in that it is measured in terms of expenditure achieved (rather than income received). However, the objective is to maintain the **impact** of the NPA's work (i.e. there is no point raising significant funding if it is then just sat in our bank account).

## **(ii) Which sources of income to pursue?**

12. The importance of maximising 'unrestricted' income (as opposed to income that can only be spent on specific activity) remains. Our approach would remain focused on income streams already identified in the previous IGS. This is based on the experience over the past decade of investigating a very wide range of potential sources of income, and finding that some (like local commercial sponsorship) are non-starters. So, the focus would be on:

- Grants;
- Fees and charges
- 'Green finance'

## **(iii) Delivery: capacity and flexibility**

13. Members will be aware that the process of developing grant bids can involve a lot of work and take a very long time to come to fruition. The approach to income generation from grants to date has been largely additive, in that the new income has been used to deliver new activity (generally done by new staff). Such grants have made little contribution to ongoing core costs or in helping to free up existing funding that can then be moved into programmes where attracting additional grants is difficult. Indeed, many grants require the Authority to contribute to the delivery of the projects they support, particularly in terms of staff time, so represent a further pressure on our core funding.

14. An outcome of this approach has been to create an increased and unsustainable pressure on staff resources in some parts of the organisation. Addressing these problems won't be easy, and will require an acceleration of the cultural change to achieve increased flexibility, both in the way that the workforce operates, and to our objectives, target setting and monitoring processes and in the way our corporate processes operate.

15. Although our current performance management system *does* allow for actions and objectives to change, this is a far from standard approach. Officers, through the best of intentions, invariably 'add' new actions when new grants are confirmed, rather than creating delivery capacity by cancelling existing ones. If new corporate actions replaced old ones more easily, we may be able to release any funding allocated to the earlier actions to the benefit of the wider budget. Equally importantly, the problem of trying to deliver ever-more activity with the same staff resources would start to be addressed.

16. The impact of the above could be to reduce the amount of core grant that is directed to those programmes that generate significant extra grant funding. This may be the situation for some 'priority' programmes, and although it might seem perverse to reduce the 'core grant –funded' part of their budget, the net result would still be a high, or very high, level of expenditure in those priority programmes.

17. Adopting the approaches suggested above would require Members to acknowledge that work programmes set at the start of each year would be more likely to change but not the corporate objectives they underpin. Members would need to support senior officers in this more fluid approach. The Authority's Core Value, of 'we will **do what we say we will do**' (Commitment') is an admirable one but over-adherence to this as a mantra and the lack of flexibility that would engender risks being counter-productive in achieving the best outcomes for the National Park.

18. The above focuses on the advantages some programmes appear to have in having readily available additional grant funding in their work area (e.g. FiPL). But this judgement is based very much on current performance, and it may be that some programmes are currently less entrepreneurial than others, such that the difference in income-generation performance may not be solely down to external opportunities. Managers responsible for programmes which, to date, have achieved lower levels of grant income will be encouraged to think more laterally and on a larger scale: most programmes now benefit from some form of additional grant funding, but some of these grants are small and the benefits accruing from them are incremental.

#### **(iv) Cost recovery and match funding**

19. Accurate costing for grant bids should take into account the full cost to the Authority of our involvement in a project, including staff and volunteer costs and overheads. A more rigorous approach should improve the affordability of bids by helping to avoid the Authority having to subsidise delivery of new grant-funded projects and to maximise any contribution they can make to core costs.

20. Some aspect of the above costs may be deemed the Authority's match funding contribution to a project: if that's the case the costs still need to be identified, so that we can understand the commitment we are making, and the relevant funding body is aware of our full match funding contribution. Some past bids identified match funding contributions simply as cash contributions to a project budget, and ignore the full cost to the Authority.

#### **(v) Commercial sponsorship and green finance**

21. Previous attempts at engaging directly with potential sponsors have demonstrated just how difficult it is to generate income from this source. However – along with the 14 other UK National Parks – YDNPA continues to be a member of National Parks Partnerships (NPP), which has the objective of seeking commercial sponsorship - in a wide variety of forms – for the collective behalf of all NPAs. The 'offer' of the UK NPA brand is a much more attractive proposition to sponsors and other interested parties, and NPP is able to provide sponsors with a central point of contact and co-ordination in any such arrangement.

22. This strategy assumes that we will maintain active membership of NPP as our primary mechanism for securing commercial sponsorship and green finance. New large-scale projects which will form part of our programme delivery from 2023 include the 'Revere' private finance programme and the BMW-sponsored EV charge points and nature recovery project.

## (vi) Charitable giving

23. In the light of the progressive erosion of the value of the Defra core grant since 2010, a number of NPAs have established local charities as a way of encouraging donations and to access grant funds for which public bodies such as NPAs are ineligible.

24. The success of these charities has been variable, with the 'leader' perhaps being the South Downs National Park Trust, which has generated £2m of project funding since it was established in 2018. Much of that Trust's work covers cross-over activity (in the sense that it would otherwise be typical of a NPA), including nature and conservation heritage, apprentices, and access; in this respect, it is very similar to the Yorkshire Dales Millennium Trust (YDMT). There may be some instances where the charity provides income to the NPA for specific activities, but – again – that's similar to our arrangement with YDMT.

25. Our working relationship with YDMT is operating well, and - in terms of its contribution to the National Park (as opposed to the Authority) - the Trust is clearly an effective partner in the delivery of the Management Plan. The IGS assumes this relationship will continue and the Authority will not seek to take a more proactive, direct approach to generating public donations/charitable giving for Authority projects.

## **Conclusion**

26. The revised IGS presented here builds on the previous version, taking into account the challenges and learning points from the last four years. A key difference from the previous Strategy is the emphasis on flexibility, in terms of programme outcomes and the use of staff and other resources, to ensure that workloads remain manageable within the resources we have and that we are able to take up new opportunities as they arise.

**David Butterworth**  
**Chief Executive**

21 January 2023

## Recommendations of the Audit and Review Committee

Recommendations to be considered in preparing the next IGS.

(i) Review the financial target of the IGS. Given that the future Defra core grant is unlikely to include an inflationary allowance, the amount of money we would need to find from other sources to maintain existing real-terms spending levels would increase substantially. Based on current inflation rates, the level of non-Defra income needed to continue the existing IGS target beyond 2022/23 would increase by over 50%, from £3.3m to £5.0m. This may be achievable, assuming that certain large grants continue or are confirmed. However, those grants make little contribution to the Authority's running costs (and can add to those costs), so there is a risk that the target is seen solely in terms of achieving a certain value for gross income, rather than – as was intended when the first IGS was written – as a means of supporting the Authority's planned activity.

(ii) Embed a more flexible approach to delivering grant-funded activity. This includes replacing agreed (corporate) Action Plan actions with new ones relating to the new grants, and reallocating of staff resources accordingly.

(iii) Consider whether to budget for 'planned' grant (but otherwise unknown / unconfirmed) income in years 2 and 3 of the Authority's Medium Term Financial Strategy (MTFS; = three-year budget). Caution is needed with this approach, to avoid the risk of having to make rolling annual cuts if such targets aren't achieved.

(iv) Consider whether programme managers can be set more explicit targets to increase external funding, particularly for those programmes which remain heavily reliant on core grant or where the level of other grant funding achieved so far has been limited.

(v) Continue to identify new opportunities (a development pipeline), and schedule their likely impact (financial, workload); may include:

- Involvement at some level in 'brokering' payments to farmers and landowners for environmental services (e.g. Biodiversity Net Gain);
- Acting more as a government agent (e.g. FiPL, CSF) for Defra's objectives;
- Opportunities from environmental markets, e.g. work funded by offsetting from development management activity elsewhere.
- Specific opportunities e.g. Coast to Coast National Trail

(vi) Maintain active membership of NPP as our primary mechanism for securing commercial sponsorship and to provide access to the 'Revere' private finance programme.

(vii) Review the Contingency Reserve. Calls on this ear-marked reserve resulting from income generation (e.g. budget shortfalls within projects, or problems with grant claims), have been negligible. A reduction in the value of the Reserve could fund the creation of a match funding reserve to give us access to new grant funding opportunities.

## Yorkshire Dales National Park Authority Income Generation Strategy 2023-2026

### What is this strategy for?

1. As a National Park Authority we have a clear vision of:
  - a. what we want to see achieved in the National Park (the objectives set out in the **National Park Management Plan**); and,
  - b. what we will achieve (the objectives set out in our **Corporate Plan** each year).
2. Historically, the funding to deliver our objectives has come mainly in the form of Core Grant from Government. However, since 2010, the steady erosion in the value of our core grant, a result of cuts and the impact of inflation, and the extension of the National Park, has led to a greater emphasis on finding other income sources to enable us to continue to deliver our objectives. In 2022 we have now reached the point where less than half of our activity is funded by Core Grant. This strategy sets out how this change in approach will be continued and consolidated.

### Our starting point

3. All the messages currently coming out of Government are that the public finances will remain under pressure. The Chancellor's Autumn Statement of November 2022 stated that existing departmental spending budgets under the 2021 spending round will be kept, with growth at 1% a year in the three years that follow, but that Departments will need to make efficiencies. The assumption in this Strategy is that our Defra Core Grant will remain flat at £5.2 million (with no allowance for inflation) for the next three years.
4. The Authority's total planned expenditure for 2022/23 was £11.2 million. The money to pay for this activity comes from the Defra Core Grant (£5.2 million); fees, charges and other grants (£5.3 million); and, Reserves (£0.7 million) derived from accrued non-Defra income.

### Where do we want to be?

5. Our aim is to continue the approach set out in the preceding strategy: **to avoid any further cut in the real value of the Authority's expenditure (£/km<sup>2</sup>) from a baseline of 2014-15**. Based on current inflation projections, achieving that objective would require the Authority to generate sufficient income (including the Defra core grant) to fund expenditure of £9.1 million in 2023/24, rising to £9.6 million in 2024/25 and to £9.9 million in 2025/26.
6. On the above basis, achieving the Authority's income generation objective would require £3.9 million of other income in 2023/24, rising to £4.7 million by 2025/26. These requirements would increase further if the core Grant were to be cut, and the targets in this Strategy would need to be revised accordingly.

7. There are two principles that underpin this strategy. The first is that the Authority should focus income generation on the delivery of the Statutory Purposes and our objectives; we should avoid the temptation to chase 'easy money if it does not deliver these objectives. The second is that we should not continue to seek funding where we have already attracted sufficient funding to deliver our objectives – simply because there might be considerable funding opportunities in a particular area of activity.

### What type of income are we looking to generate?

8. We will focus on three main types of income in addition to our core grant from Defra:
  - a. **other grants** that will help to deliver specific objectives set out in the National Park Management Plan; this is likely to be the main source of additional income during the life of this Strategy
  - b. **'unrestricted' income** from our own **fees and charges**. This sort of income remains vital: not only to support the running of some of the Authority's core services but also to support NPMP objectives that may be less attractive to grant-giving bodies. Current levels of such income – boosted by activity to increase these sources over the past decade – are probably close to their optimum level, so attention will focus on maintaining current levels and [being ruthless about] making adjustments for inflation.
  - c. **'green finance'** that will help to tackle the climate and biodiversity crises within the context of the Yorkshire Dales National Park. Initially, we will focus on supporting initiatives driven nationally by National Parks Partnership and Palladium as part of the Revere partnership.
9. We will review progress against our ambition each year, taking account of political and financial changes. This will be reported to the Authority as part of the annual budget submission.

### Where will the income come from?

10. Drawing on our experience over recent years, the table below shows the five areas of income generation that are open to the NPA, and identifies where we intend to focus our efforts.

Income Source	What are we going to do?
<b>1.Grants</b>	<p>Maximise funding opportunities by working with a range of partners. This includes dialogue with Defra to help to design opportunities that meet its objectives and that it might wish to fund.</p> <p>Prioritise those grant opportunities where the National Park Authority is eligible to apply and that deliver our Statutory Purposes and objectives and contribute to supporting existing staff costs and running costs.</p> <p>Continue to develop a 'pipeline' of major grant-funding bids each year.</p>



Income Source	What are we going to do?
	<p>Given the dependence of the current pipeline of projects on NHLF funding, seek to broaden the range of grant funders we target.</p> <p>Where possible, negotiate a daily rate for staffing costs that covers all overhead costs and minimises the administration involved with claiming grants and producing backup documentation</p>
<b>2. Charges</b>	<p>Continue to develop our retail offer at our National Park Centres in support of their principal aim of promoting understanding.</p> <p>Examine opportunities for increasing income from the Dales Countryside Museum.</p> <p>Review all fees and charges annually, to ensure that they keep pace with inflation and that income is optimised.</p>
<b>3. Fees for services</b>	<p>Charge fees for 'non-universal' services and review fees annually, in accordance with Authority policies</p> <p>Set 'commercial' rates for project management fees. This includes using correct and up to date values for staff and overhead costs that the Authority will incur in delivering grant-funded projects, so that such costs can be recovered as part of grant claims or can be recognised at their true value as a match funding contribution.</p> <p>Provide and charge for services to other bodies where the activities will help to meet the Authority's objectives.</p>
<b>4. Sponsorship</b>	<p>Maintain active membership of National Parks Partnerships</p>
<b>5. Green Finance</b>	<p>Maintain active membership of National Parks Partnerships</p> <p>Support the development of local and national 'green finance' projects through the Revere partnership.</p> <p>Set 'commercial' rates for project management fees.</p> <p>Provide and charge for 'green finance' services to other bodies where the activities (e.g. biodiversity off-setting; nutrient neutrality) will help to meet the Authority's objectives).</p>
<b>5. Donations and legacies</b>	<p>Maintain the current arrangement with the Yorkshire Dales Millennium Trust for management of donation schemes (including occasional legacies) on our behalf.</p>

## Organisational Development

### *External Engagement*

11. We need to ensure that the Authority's increasing reliance on external funding is recognised amongst potential funders, and that our prospective project partners know that we are committed to working with others to achieve our objectives. We will:

- Take every opportunity to ensure our communications highlight the fact that we are reliant on other sources of external funding to meet our objectives;
- Be open to, and explore opportunities for, working with other organisations or individuals to generate income that will help to achieve our shared objectives.
- Learn from others in relation to income generation and share this learning within our own organisation.
- Continue to develop a strong, mutually-beneficial partnerships with the Yorkshire Dales Millennium Trust and National Parks Partnerships.

### ***Internal Engagement***

12. Our increased emphasis on sourcing and using external funding to achieve our objectives is already embedded within the culture of the Authority. We now have a much better understanding of where the opportunities for income generation exist (or do not) across the range of our work. Professional officers remain best placed to spot further opportunities in their particular work programme.
13. We need to make sure that we retain momentum and further develop a culture in which there is a *shared* ownership (amongst staff, Members and volunteers) of our ambitions for income generation. But because we also now need to ensure that activity funded by earned income replaces activity that used to be funded by core grant, we need to accelerate a cultural change in the way that officers plan the delivery of the work associated with new grants: that it provides a replacement activity and not simply an addition to existing plans. To achieve this, we will:
- lead by example (with the Members and the Senior Officers at the forefront);
  - use our annual corporate planning cycle to plan, implement and review income generation activity within each of our work programmes and corporate services; the existing opportunities within this cycle – to revise and change targets and objectives – will be used in a more dynamic way than at present.
  - introduce a more robust approach to sharing information about project development to ensure that projects are not developed in programme ‘silos’. Many projects have the potential to deliver outcomes across a range of programmes, and more lateral thinking to engage programme managers – Authority-wide - when developing bids should help to optimise this effect.
  - Encourage greater flexibility in re-allocating existing staff resources to new projects, and include the associated cost as part of the funding bid and budget.
  - promote a ‘can do’ attitude, and reduce unnecessary bureaucracy wherever we can;
  - keep everyone informed of progress on our income-generation objective; recognising and celebrating the contributions that different teams make to achieving it.
  - Maintain a ‘pipeline’ of potential externally-funded projects that are in development

## ***Capacity building***

14. Generating income to support our work is already a 'fact of life' for many of our staff.

To further build capacity for this work, we will:

- offer appropriate training to help with any aspect of income generation, and ensure that the need for such training is considered through the annual staff appraisal process;
- create a culture of flexibility, such that we can deliver changes to agreed actions that are enabled through new grant funding, i.e. where there is replacement; this needs to be supported by active review of annual targets for officers so affected.
- use the annual corporate planning processes to identify and plan significant new income-generating activity each year, and to manage the workload of individual officers;
- focus greater emphasis on those programmes that have potential to access significant grant funding but for which – to date – progress has been limited or piecemeal.
- keep under review the level of staff resourcing available to deliver new grant-funded projects; where new grant funded work replaces other planned work, resources may continue to be appropriate at current levels, but the continued addition of new projects to existing workloads is not.
- Look to protect and enhance income generation assets.
- retain, and keep up-to-date, an on-line library of resources to support income-generation activity. E.g. project management
- use the 'Investors in People' standard to identify and then provide additional developmental support to help deliver this strategy.