



Income Generation

Peak District National Park Authority

Internal Audit Report 2019/20

Business Unit: Commercial Development & Outreach
Responsible Officer: Director of Commercial Development & Outreach /
Director of Corporate Strategy & Development
Service Manager: Chief Finance Officer
Date Issued: 3 March 2020
Status: Final
Reference: 69120/003

	P1	P2	P3
Actions	0	1	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

Income generation is of increasing importance to allow the Peak District National Park Authority (PDNPA) to maintain the delivery of projects and services. The authority in real terms has approximately 60% of the annual budget compared to 2010.

In order to deliver key outcomes outlined in the Corporate Strategy, the Authority has identified a KPI focussed on generating sustainable income. By 2024 the authority aims to generate an extra £500,000 sustainable gross revenue income.

The Authority aims to develop plans to maximise income without compromising the special qualities of the National Park. This includes a combination of maximisation of existing income opportunities, such as car parks and visitor centres, and growing the authority's commercial enterprises.

In February 2019 the Peak District National Park Foundation was created. The Foundation is a registered charitable incorporated organisation (CIO) registered with Charity Commission. It is governed by seven Trustees, three are members of PDNPA, with two PDNPA part time staff helping to manage the charity and support the Trustees in delivering their fundraising ambitions to support PDNPA projects.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensured that:

- The Peak District National Park Foundation has appropriate governance arrangements in place. The Foundation helps to generate sustainable income for the Peak District National Park Authority.
- New commercial opportunities to generate sustainable income for the Peak District National Park Authority are being explored.

Key Findings

The Peak District National Park Foundation (The Foundation) was initially registered with the Charity Commission in February 2019. The key aim was to build on goodwill to raise funds in order to conserve and enhance the National Park. All fundraising is available to receive gift aid and therefore receives 20% more on donations compared to receiving donations directly to the Peak District National Park Authority (PDNPA). The Foundation is also able to have a more flexible approach to fundraising due to the wider range of projects it can support and the grants it is able to apply for. This will allow for an increase in sustainable income to be received by the PDNPA.

The Foundation has a signed constitution in place outlining how it will be governed. The Foundation is governed by a board of seven trustees. Three are appointed annually by the PDNPA. The remaining four are recruited based on their skills and experiences relating to the projects and fundraising campaigns. The day to day activities of the Foundation are managed by the PDNPA's Fundraising Manager and Fundraising

Development Officer, who are seconded from and funded by the PDNPA. This is based on a grant agreement in place between PDNPA and the Foundation for the provision of administration, communication, IT and Finance support. This enables the PDNPA to have significant impact while allowing the foundation to have sufficient independence to be registered with the Charity Commission. The Foundation is relatively new and is still developing its role and profile. However, once established the relationship between the costs of operating the foundation and the additional funds the foundation generates should be appropriately managed to ensure maximum value is generated from the fundraising of the foundation.

A fundraising campaign named #70kfor70 is in progress. There are currently 12 projects that are being directly supported by the Foundation which contribute towards the aims and work of the PDNPA. The projects are not only PDNPA projects as this would contradict with charity status which stipulates that fundraising cannot be directly for a statutory organisation. The Foundation has currently raised approximately £30,000 since February 2019, with an overall target of £70,000 by April 2021. #70kfor70 is aimed to develop supporter engagement, credibility and insight to inform future plans.

There are a range of commercial opportunities that are being explored to generate sustainable income in addition to fundraising through the Peak District National Park Authority Foundation. This includes continuing to submit and be awarded grant applications; beginning to receive corporate sponsorship and fundraising through existing operations such as planning charges, visitor centres, car parks, cycle hire, other fees and charges. By 2024, the authority aims to generate an extra £500,000 sustainable gross revenue income. However, a net revenue income target will be more appropriate in relation to providing a contribution to the general activities of the Authority.

During testing we found there is no overarching commercial strategy to identify and outline the commercial opportunities that will create sustainable income for the PDNPA. There are controls in place where all relationships that have a financial value of £5000 or more are required to be reviewed by the authority's Due Diligence Panel. Having a Due Diligence Panel in place ensures there is a fair and consistent vetting of prospective sponsorship or giving proposals. Developing an overarching commercial strategy would allow for a holistic approach in selecting commercial opportunities. It would enable resources to be used effectively and increase the likelihood of the commercial opportunities successfully being entered into. It would also help the authority to achieve the overall targeted level of sustainable gross income.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Commercial strategy

Issue/Control Weakness

There is not an authority wide commercial strategy in place.

Risk

The targeted level of sustainable gross income is not achieved.

Findings

Income generation is of increasing importance to allow the PDNPA to maintain the delivery of projects and services. The authority in real terms has approximately 60% of the annual budget compared to 2010. The Authority has identified a KPI focussed on generating sustainable income. By 2024, the authority aims to generate an extra £500,000 sustainable gross revenue income. Measuring and analysing the net revenue income will highlight the income the authority has generated that is profit.

A range of commercial opportunities are being explored to generate sustainable income. These include:

- Fundraising through the Peak District National Park Authority Foundation;
- Continuing to submit and be awarded grant applications;
- Beginning to receive corporate sponsorship;
- Fundraising through existing operations such as planning charges, visitor centres, car parks, cycle hire, other fees and charges.

There is no overarching commercial strategy to identify and outline the commercial opportunities that will be pursued to create sustainable income for the authority. All relationships that have a financial value of £5000 or more are required to be reviewed by the authority's Due Diligence Panel. The Due Diligence Panel ensures there is a fair and consistent vetting of prospective sponsorship or giving proposals. Due to commercial opportunities such as corporate sponsorship not being developed to the stage of being reviewed by the panel, there is no guarantee they will be accepted and deliver sustainable income.

Developing an overarching commercial strategy would allow for a holistic approach in selecting commercial opportunities. This would enable resources to be used effectively and increase the likelihood of the commercial opportunities successfully being entered into; therefore helping achieve the overall targeted level of sustainable gross income.

Agreed Action 1.1

A commercial strategy will developed between the Director of Commercial Development & Outreach and the Chief Finance Officer.

Priority

2

Responsible Officer

Director of
Commercial
Development &
Outreach

Timescale

To be confirmed

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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