

## PDNPA Commercial Strategy 2021 – 2024

### Introduction

Commercial Income is an important and vital source of funding. This strategy was commissioned in response to an internal audit report published on 3 March 2020, (*agreed action 1:1: "A commercial strategy will be developed between the Director of Commercial Development and Engagement and the Chief Finance Officer*), approved by Members, to provide an Authority wide holistic approach in selecting commercial opportunities to help achieve the overall targeted level of £500k of sustainable gross income identified in the Corporate Strategy 2019-24.

The corporate strategy has subsequently been up-dated and refreshed in November 2020 to take account of some significant changes since it was adopted in December 2018. The revised target, (KPI 13), is to generate £255k of sustainable gross income by 31 March 2024.

This reflects a more realistic target with the existing portfolio given 2019 was the seventh wettest summer on record and the estimated losses, (£646k), incurred from closure of our visitor services including cycle hire, for the majority of 2020 as a consequence of the pandemic.

The new target assumes a return to 2018-19 trading figures in 2022. Nevertheless, this is subject to no further lockdowns and favourable weather. MINTEL market research are not predicting full recovery for business until 2023 at the earliest.

**The overall outcome** of this document is to provide PDNPA members and internal audit confidence that our commercial approach for trading income and income generated by The Peak District Foundation, focuses on those areas likely to give the best returns, in a way that the portfolio contributes revenue for the delivery of our two purposes.

This document deliberately excludes other income including grants, environmental stewardship and partnerships. It also excludes efficiency savings.

### Context

The Authority in real terms has approximately 60% of the annual budget compared to 2010. PDNPA has a successful history of commercial trading from the very beginning with the sale of maps and guides for visitors starting at The Nags Head pub in Edale. Chart 1 overleaf shows as of 2018/19 (baseline for the corporate strategy), gross trading and charges, (internal support services primarily for visitor centres and cycle hire) was 13% or £2.36m of total PDNPA annual revenue.

Chart 2 reflects the breakdown of the trading income portfolio (excluding internal charges). The portfolio has nine services and is mixed including residential and commercial rents; car park; visitor retail, cycle hire, planning, corporate social responsibility and school visits. Approximately 70% of services are weather and visitor dependent hence the poor trading years in 2019 and 2020.

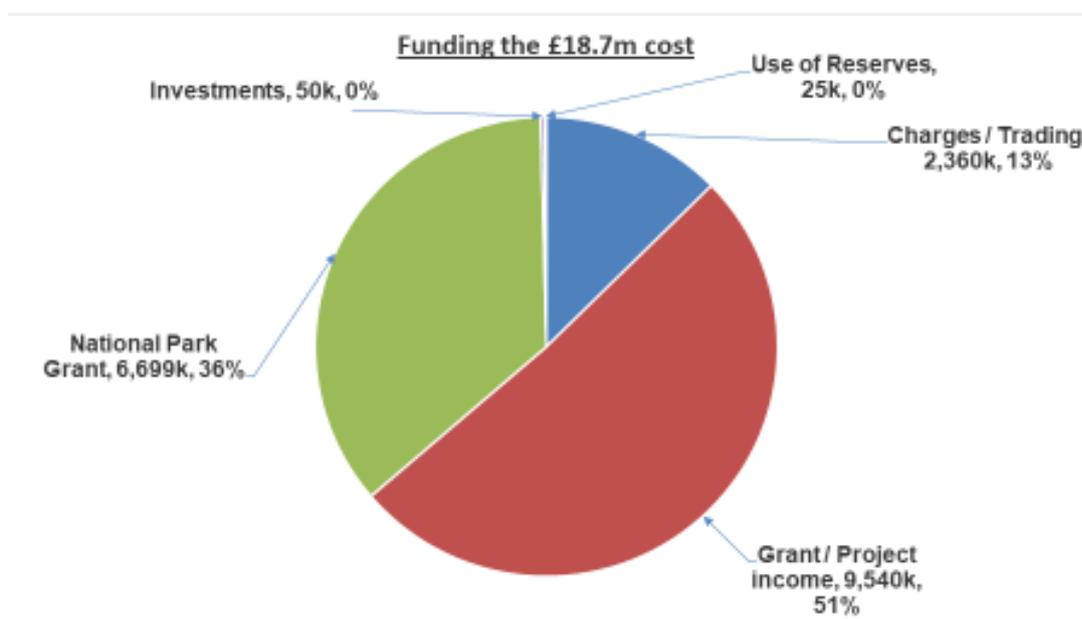
Nevertheless, rental (both residential and commercial from our estates) and car park income remain steady and constant. Development control (pre planning advice ) also provides a reliable income although as a statutory duty PDNPA is not in a position to actively market to drive more applications.

Evidence over the past 5 years demonstrates where targeted investment is planned and executed returns and margins can grow. For example cycle hire restored to a profitable operation and increases in retail turnover and spend per head from investments in Castleton and Bakewell visitor centres. (E.g. Castleton VC showed a +39% increase in gross turnover in the first year following refurbishment). In addition, these developments and others (e.g. Millars Dale station) are good examples of working within the capacity and character of each place.

This strategy builds on existing services the Visitor Services, Estates, Engagement and Planning teams currently deliver, and looks to future market trends identifying opportunities to diversify the current portfolio. It provides a balance between pioneering and realism especially in these unprecedented times with the coronavirus pandemic as well as always having an eye to our core purposes and social value, rather than sole monetary gain.

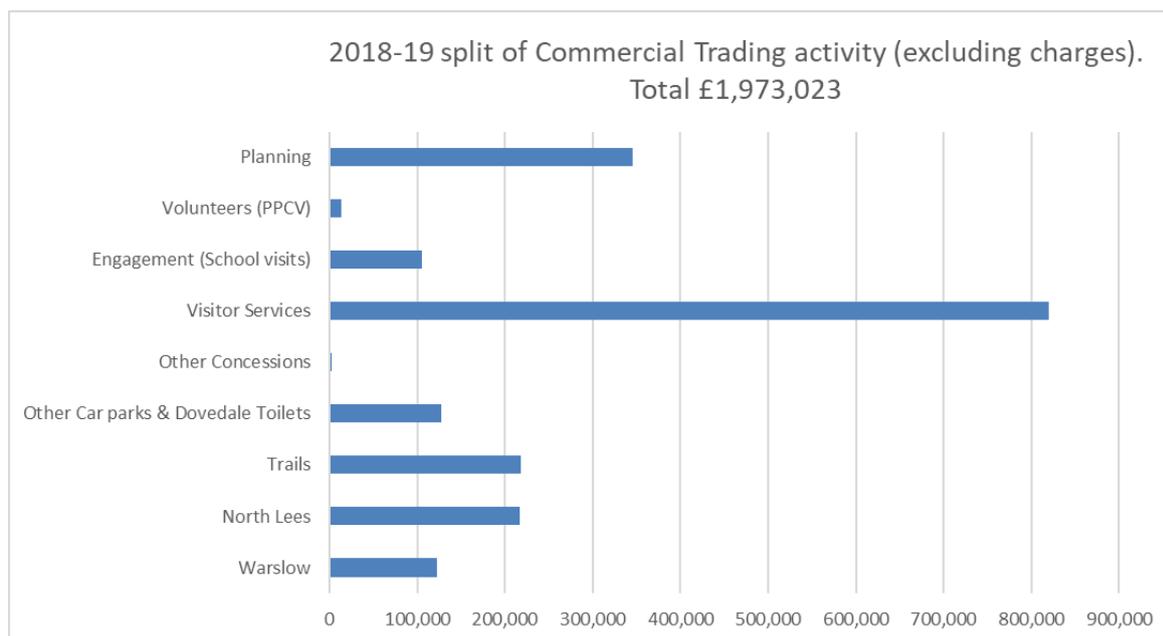
It is not about 'more of the same'. The aspiration is to set out where we currently are for the current corporate strategy period with an eye to the future. It sets out a direction of travel and a selection of commercialisation opportunities which with the right conditions and support increases the likelihood of the target being achieved.

**Chart 1 – showing the proportion of PDNP (gross) commercial income (blue)**



Whilst the figures and targets reflect gross income the important measure is a sustainable increase in **net** income which reflects expenditure (pay and non-pay costs). As we continue to implement this strategy we will begin to move towards reporting on net rather than gross income.

## Chart 2 – showing the corporate strategy baseline breakdown of gross commercial income.



NOTE: Planning is a statutory activity with charges associated with application processing tightly regulated

### Core Principles

- Commercial income benefits both PDNPA and national park management plan outcomes. We will seek to maximise sustainable net income from targeted investment, in line with best practice market performance, (% return) which can be incorporated into PDNPA annual revenue budgets with confidence.
- We will adopt a values driven approach to commercialisation, harnessing the tools and skills we have to develop a resilient and growth orientated portfolio that furthers National Park purposes, and PDNPA contribution to the social and economic well-being of communities.
- We will seek to develop the existing portfolio of products and services in a way that spreads risk and benefits from market trends. We will apply best practice commercial tests, alongside our values based approach, to determine whether to continue to hold, scale or exit.
- The Foundation is the fundraising vehicle of choice for the Peak District National Park, raising money and pooling resources for national park management plan outcomes.
- Working with National Parks Partnership we will seek to deepen partnerships with a targeted number of local and national UK business; universities and sponsors to take advantage of the growing natural capital services market focussing on nature based solutions providing ecosystem services for society (carbon; biodiversity gain and water benefits).

To achieve KPI 13 target of £75k (Authority trading) and £180k\* (Foundation – subject to Trustee approval) by 31 March 2024, three strategic pillars of activity are proposed:

**PILLAR 1** – Continuous improvement and **innovations in our current product and services** to so we recover from CoVid and optimise existing PDNPA trading revenue streams (Chart 2 on p.3).

The skills, expertise and track record for growing revenues from these services has been solid. Teams are continually working to improve current products and services including introducing new sustainable retail products; develop North Lees estate; introduce car parking charging for more car parks (in hand); expanding corporate volunteering opportunities.

The existing portfolio has a dependency on the weather and tourism. Therefore, sole reliance on this existing portfolio to increase income increases the risk of not achieving the KPI target.

**PILLAR 2 - Accelerate corporate support, major gifts and visitor giving via The Foundation.**

This raises income for 'the place'; the peak district national park. The foundation is the charitable fundraising vehicle for the Park raising funds to strategically invest in National Park Management Plan and corporate strategy outcomes. The foundation will capture money otherwise not available to PDNPA and is a more attractive fundraising proposition for supporters. The Authority will continue to place itself as the key delivery partner for the Foundation.

Fundraising income opportunities from this source, with 1yr history, requires patient investment. The scale of opportunity is good. If we converted 5% of visitor centre footfall to donating £3 this would result in £100k; converting 5% of visitors to the national park into £3 donors this would return c£2.3m.

The Foundation is supported financially via a 3yr grant funding agreement (£58kpa) from the Authority. This is to be reviewed in 2021/22. The focus looking ahead will be on high net worth contributions; increasing corporate sponsorship and visitor giving.

The Authority has invested significant time and energy establishing the foundation. Given the positive ROI of 1.5 in the first year, (£88k income with £58k investment from the PDNPA grant funding agreement), a new revenue stream and the scale of opportunity, strategically this vehicle should be given every chance to succeed.

**PILLAR 3 – Targeted diversification of the portfolio. Test and pioneer commercial partnerships at scale.**

At a national scale develop and implement net zero with nature investment platform with National Parks Partnerships to provide sustainable income for key landscape outcomes over 10-20 years. The ambition is to raise up to £200m from trading natural capital benefits including carbon; biodiversity gain, flood mitigation and water quality.

At a local scale the selected opportunities to progress are: Beyonk (on line platform for visitor experiences); scale the refreshed and relaunched on line visitor services shop including extending the sustainable product range.

## Commercial outlook (Threats and opportunities)

### Opportunities

- Staycation and visitor economy – market peak district / experiences. STEAM / Monsal trail data shows a steady rise in visitors. Likely to be high in 2021 and 2022 whilst confidence is low in overseas travel as a consequence of CoVid and Brexit. Opportunity to encourage greater spend per head and more overnight stays.
- Develop / re-orientate and market products for staycation market – high value experiences using staff expertise / supporting English national park collection / literary – cultural heritage tours. Delivery in partnership with a commercial expert partner.
- Welcoming and encouraging back new audiences who visited The Peak District for the first time during CoVid.
- Global and UK government drive, agreements and legislation to move to net zero carbon by 2050 or earlier. Opportunity, desire and need for business to invest in ecosystem services to achieve net zero carbon in protected landscapes such as National Parks.
- Nature based solutions and ecosystem services (carbon, biodiversity, water) at scale. Working with National Park Partnerships attract private and public investment to achieving net zero targets in protected landscapes. We have the skills, landowner relationships and landscapes at scale to attract and execute investment
- Cheap and innovative ‘green finance’ (£££). More products available to invest in nature based solutions.
- Increase in ethical, sustainable products that are sourced in the UK.
- National Parks have a strong brand and image. They are loved, valued and relevant to people’s livelihood and wellbeing.

### Threats

- Climate change and hotter, wetter summers. Visitor services and car park income is significantly influenced by weather patterns. Prolonged wet periods during the school holidays significantly reduce visitor numbers
- Continued government lockdowns as a consequence of the CoVid pandemic or similar.
- Too many visitors in the wrong place at the wrong time. Adverse impacts on communities and damage to nature compromising protect and respect messaging.
- Shrinking National Park Grant is placing increasing pressure on commercial services to be full cost recovery.

## Strategic Market Assessment

“Travellers will continue to show caution as long as COVID-19 persists; flexible rebooking, clear cancellation policies, insurance policies that cover travel disruption, and enhanced hygiene measures will remain essential in gaining travellers’ confidence. A high number of COVID-19 cases will also make more travellers opt for self-drive holidays, self-catering accommodation, rural destinations, and staycations. Although the path to recovery will be slow, the long-term outlook remains positive. Once the COVID-19 threat clears, consumers will prioritise experiences again, with holidays amongst the most desired activities”.

MARLOES DE VRIES, SENIOR TRAVEL ANALYST MINTEL REPORTS UK

Consumer spending will be unlikely to return to pre-COVID levels until 2023 at the earliest. Brands count. Today, compared to the recession in 2008-09, themes like health, wellbeing, sustainability, and social cohesion are ever-more important to consumers, making it easier for brands to create more meaningful dialogue with shoppers that transcend pricing as the economy faces continued hardship.

National Parks have a strong brand and wide recognition to drive revenue recovery through targeted marketing and messaging.

Market	Trend – indicator & opportunities
Rural Rentals (Commercial, residential, holiday lets)	<ul style="list-style-type: none"> <li>• Our estates rents have and remain a stable source of income. Agriculture rents likely to be static at best (CPO) as a consequence of transition from BPS to ELMS and BREXIT export trade.</li> <li>• Environmental schemes income is likely to reduce from £75k to £33k by 2024</li> <li>• More people are forecast to move from urban to rural areas following CoVid. The Peak district is ideally placed close to nearby cities to benefit from people looking to rent and buy in the national park.</li> <li>• Maximise Investment for rental (residential and holiday lets) for Warslow and N. Lees.</li> <li>• Loss of BPS income (£75k) by 2027 and rent reductions for telecoms masts.</li> </ul>
Retail	<ul style="list-style-type: none"> <li>• Growth in on line sales has seen a sharp increase during the pandemic.</li> <li>• Green behaviours are set to return with renewed vigour. 26% of people reported that the environment had become a higher priority for them since the outbreak. Opportunity to continue to extend sustainable product range and scale up our on line shop. Most likely with a commercial partner with expertise in on line retail and logistics</li> </ul>
Food and Beverage	<ul style="list-style-type: none"> <li>• Continues to be high priority focus for Marketing Peak District &amp; Derbyshire to promote local food producers.</li> <li>• Healthy snacking is forecast to rise (diet, nutrition and wellbeing) catering especially for the increase in vegans and vegetarians</li> <li>• Consumers making choices more on ethical and environmental values rather than price.</li> <li>• Opportunity to expand licensed concessions on our sites especially during busy times. Encourage farm tenants to diversify into high value food products.</li> </ul>
Visitor experiences	<ul style="list-style-type: none"> <li>• Continued broader shift towards experiences (active; recreation; cultural).</li> <li>• Holidays are 2<sup>nd</sup> highest saving priority suggesting when social distancing is relaxed holidays and experiences will be amongst the most desirable spending activities</li> </ul>
Development	<ul style="list-style-type: none"> <li>• Development of PDNPA own assets subject to Capital Strategy.</li> <li>• Refurbishment and maintenance of critical income generation assets</li> <li>• PDNPA to work with partners to influence recreation hubs and sustainable visitor management in line with policies and local development plans e.g. Peak Gateway investment and ambitions for Langsett as a recreation hub</li> </ul>
School Visits (day)	<ul style="list-style-type: none"> <li>• Highly competitive market with low prices and small margins.</li> </ul>

	<ul style="list-style-type: none"> <li>• PDNPA scaling back direct delivery of school visits. Diverse and young audience outcomes will be delivered via partners (e.g. Ambassador Schools) and via 100% grants or sponsorship from other sources.</li> <li>• Potential new opportunity (tbc) under countryside stewardship scheme</li> </ul>
Overnight stays / DoE	<ul style="list-style-type: none"> <li>• Increase in remote working community – digital nomads. 42% of people would combine with holiday if their employers let them. Providing excellent digital connectivity combined with experiences will encourage this group to stay longer. Target / package offers to residents e.g. camping pods / cycle hire particularly in quieter periods.</li> </ul>

Evidence base assessed: State of Tourism report; professional journal and media articles; PDNPA data and experience e.g. Monsal Trail; independent reports; INTEL market reports.

## High Level Delivery Plan

### Corporate Strategy 2019-24 – Revised Gross sustainable income targets & outline plan

Target figures over and above 2018-19 baseline. Bullets reflect new initiatives to increase income.

Portfolio themes	2019-20	2020-21	2021-22	2022-23	2023-24
<b>PILLAR 1</b> Expansion/ optimisation of existing services	<ul style="list-style-type: none"> <li>• Millars Dale goods shed development</li> <li>• New Car park enforcement contract (DD)</li> <li>• N.Lees (composite improvements)</li> <li>• Cycle hire (sales and service)</li> <li>• New products launched in Visitor centres</li> </ul>	<ul style="list-style-type: none"> <li>• Increase PPCV corporate work</li> <li>• Refurbish Bakewell VC</li> <li>• Renegotiate concessions</li> <li>• Seek investment for Ashbourne cycle hire</li> </ul>	<ul style="list-style-type: none"> <li>• Refurbish Derwent VC</li> <li>• Extend car park charges</li> <li>• Market testing visitor services</li> </ul>		
		Benchmark and optimise pricing →			
<b>PILLAR 2</b> Foundation	<ul style="list-style-type: none"> <li>• Foundation setup</li> <li>• Visitor giving</li> <li>• £70k for 70yrs</li> </ul>	<ul style="list-style-type: none"> <li>• Business partners / sponsors</li> <li>• High net worth</li> </ul>	<ul style="list-style-type: none"> <li>• Re-negotiate grant funding agreement</li> </ul>		
		Accelerate, scale and grow →			
<b>PILLAR 3</b> Diversification	<ul style="list-style-type: none"> <li>• Beyonk pilot</li> </ul>	<ul style="list-style-type: none"> <li>• Net zero with nature facility</li> <li>• Relunched on line shop</li> <li>• Beyonk BAU</li> </ul>	Design, build and grow with NPP & Palladium →		
			scale and grow →		
<b>TOTAL</b>	Recover baseline post Covid	Recover baseline post Covid	£0 PDNPA £90k foundation	£75k PDNPA £135k Foundation	£75k PDNPA £180k Foundation

NOTE: The total figures are forecasts and exclude diversification opportunities (PILLAR 3).  
Project delivery subject to CoVid restrictions and governance processes

Decisions to invest will be based on a business case by the appropriate governing group.

## **Skills. Competencies, Training and Development**

### **What we have:**

- A Foundation - registered charity established and growing, offering a more attractive, agile and tax efficient proposition with growing supporter base and fundraising/business expertise;
- Dedicated, professional and commercially experienced visitor service expertise (centres and cycle hire);
- Expert rural surveyors to develop built assets, leverage conservation grant funding schemes and negotiate tenancy agreements (supported by legal team);
- Marketing skills and capabilities (in house);
- Continuous improvement and product development culture;
- Agility to respond and adapt to external factors (e.g. moving cycle hire to sales and repairs during CoVid);
- Credible track record for delivering value and our purposes. E.g. Visitor services and PPCV (major corporation 5 yr. contract);
- Strong relationship with National Park Partnership to leverage sponsorship deals;
- Volunteer 'sales force'.

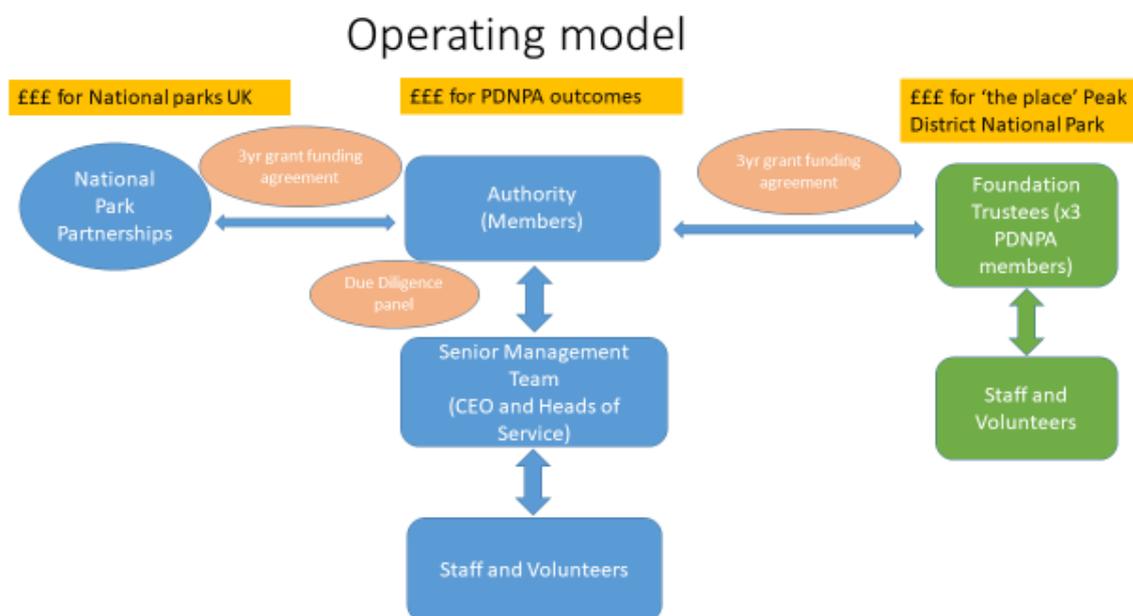
### **Skill gaps / challenges**

- Succession planning for rural surveyors (high likelihood of all expertise retiring in next 5 years) which supports important and stable tenancy and grant income for PDNPA estates;
- Expertise and know how to effectively commercialise data, brand and intellectual property. PDPNA do not have any baseline assessment;
- Capacity for new product and service development. Create space by further selling / consolidating services;
- Commercial training and development for key individuals e.g. Visitor services / digital retail marketing;
- Innovative Investment vehicles and finance to secure early mover benefits e.g. digital services such as the on line shop growth;
- Capacity for seeking out and making major grant and sponsorship applications.

## Strategic Risks

Risk	Mitigation
Failure to maintain and grow revenues as planned due to CoVid	Maximise government and partner financial support to reduce net losses from the pandemic. Continue to innovate with rapid implementation of alternative services e.g. cycle sales & repairs. Concentrate activity and investment to grow on line services.
Skills to promote commercial activity	Head of Engagement to work closely with CFO to maintain corporate oversight of corporate commercial revenues and flag issues early with CEO. Training programme to recognise need to develop commercial skills especially in visitor services and digital marketing.
Commercial portfolio narrow – too many eggs and risk in one basket	Accelerate and grow The Foundation. Diversify the commercial portfolio
Risk to reputation due to conflict of interest with two purposes / local communities and business	Due diligence panel with appropriate limits of delegated signoff. Clear ethics and commercial activity policy. Avoid opportunities which bring into direct conflict with partners / local business. E.g. procure concessions (as we do) rather than run cafes ourselves
Limited / No business development for diversifying commercial services because of a shrinking core resource footprint.	Apply talent programme to develop business critical projects. Build business development into sponsorship / external funding opportunities where possible. Work with partners who will invest in BD activity in return for a stake in the new service / operation e.g. Palladium with net zero with nature platform.
Change of capital investment principles which could undermine investment and returns for PDNPA owned assets.	HoF to revise and update the capital strategy taking into consideration the commercial strategy requirements. Continue to build relationship and delivery with NPP and nature based solutions platform. CEO, Officers and members to continue identifying opportunities for grant and match funding for projects.

## Governance



**Accountable officers:** (Management of services and continuous improvement and development of those commercial services)

**Pillar 1** – Existing services – Head of Engagement & Head of Asset Management

**Pillar 2** – Foundation – Head of Engagement

**Pillar 3** – Diversify Portfolio – Head of Engagement

The Head of Finance is responsible for reporting on all commercial revenues. Business partnering with Heads of Service are responsible for monitoring, analysis & forecasting their budget areas.

## Strategic Dependencies

- Asset management programme (development and disposal)
- Availability of resources (borrowing or capital reserves) to fund required capital expenditure.
- Standing orders / powers of competence and governance arrangements
- Change programme (2020-21) reducing staff capacity and investment from declining NP revenue grant in commercial skills, training and consultancy
- Marketing and digital capability to enable future delivery of existing commercial services
- Commercial products / services including supply chains should reflect aspiration to be carbon net zero by 2050 or earlier.

END

**Adrian Barraclough**

**Director of Commercial Development and Engagement**