

External Funding Opportunities and Income Generation

Report by Head of Finance

Summary: This report sets out details of potential external funding opportunities and income generation options open to the Authority, along with details of research into the indicative amounts that may be available from such sources. Member guidance is sought as to which of the potential areas for income generation merit further exploration.

Recommendations:

- (i) That the Authority continues to pursue its main sponsorship initiatives in partnership with the national parks through the medium of National Parks UK.
- (ii) That members provide guidance on the scope and limits for the Authority's 'commercial' approach to its activities.
- (iii) That priority for external funding is given to the priority projects including the potential improvement of public facilities at Whitlingham Country Park and dredging to improve water quality and depth.
- (iv) That engagement with New Anglia (the Local Enterprise Partnership), through which European and some other sources of government funding are being channelled, continues to be given a high priority.
- (v) That a further report to this Committee is made next year on the outcome of the Defra funded research on '*how national parks can maximise their funding from all sources*'.

1 Introduction

1.1 In response to recent discussions at member level, this report consolidates a range of information relating to external funding and income generation opportunities. Following the Chancellor of the Exchequer's recent Comprehensive Spending Review (CSR) announcement which included a reduction in Departmental Expenditure Limit (DEL) for Defra of 9.6% for 2015/16, work is underway across the Authority to begin to identify areas where a more commercial approach could be applied and additional revenue raised. Much of this work is at a very early stage and members' views are sought to help shape the Authority's approach to taking this activity forwards.

1.2 The report provides details of initiatives being undertaken at national level by National Parks UK, as well as an overview of the new initiative commissioned

by Defra to identify potential income generation options for National Parks and AONBs.

- 1.3 In addition the report brings together information about a number of areas of potential income that have been mooted for the Authority to explore in more detail, alongside details of information gleaned from research into income generation at other Local Authorities. Finally the report highlights a number of potential issues which will need to be considered when taking this area of work forwards.

2 Sponsorship

- 2.1 The potential for sponsorship to support national park activities is becoming clearer. Funding for the work of individual national park authorities appears less attractive to commercial partners, unless there is a very particular angle they wish to exploit, such as the discussions the Authority had with an Australian wine producer, Banrock Station, which did not progress because of the change in economic conditions. However, at the UK level the following has been achieved over the last year:

- 2.2 National Parks UK has:

- (i) Implemented phase 2 of a partnership with global footwear brand Merrell (www.merrell.com);
- (ii) Agreed a £120,000 licensing arrangement on a household product with Reckitt Benckiser (www.rb.com);
- (iii) Begun discussions with the Outdoor Industries Association (www.outdoorindustriesassociation.co.uk) with a view to further commercial sponsorship; and
- (iv) Started discussion about cooperation with other corporations such as Rolls Royce.

- 2.3 This work has shown the following:

- There is a series of potential income streams for national parks that are best exploited at a UK wide level, related to the public and corporate world. This complements more policy and agency-focused work at a country level and individual partnerships locally.
- Chairs of the NPAs have agreed that, following incorporation, National Parks UK should move towards registering as a charity.
- The success of the US National Park Foundation in raising funds for the American Parks, emergence of the new Canals and Rivers Trust and proposals for the new English Heritage charity point the direction in terms of a model or models for raising sponsorship and charitable donations. National Parks UK can provide the vehicle for raising money from these sources on a national scale and this is being actively pursued.
- At some stage, if it continues to be successful, the NPA Chairs will need to debate how to disburse the rewards of some this fundraising

work. One option is to give it out in fair shares, another is a graduated scale, a third would be a theme-based challenge fund. Funding partners might have a view on this as well.

3 Defra Income Optimisation Work

- 3.1 As part of the Civil Service Reform, the Cabinet Office has instigated a Contestable Policy Fund for Departments to bid into. Defra has bid for money and been successful in accessing £25,000 from the Fund, matched by £25,000 of its own money for a project to commission consultants to answer the following question: *'How can national parks and AONBs maximise their funding from all sources?'* Defra has issued an invitation to tender and National Parks England has welcomed the initiative – especially the opportunity to look at 'out of left field' ideas. The project will be completed this financial year, 2013/14 and should provide the Broads Authority with best practice advice and guidance.

4 European and Other External Funding Options

- 4.1 The Authority has a strong track record of pursuing and obtaining external funding, most recently from the Heritage Lottery Fund and European Interreg IIc programme (STEP and PRISMA). Significant lessons have been learned from STEP and PRISMA, and these will inform future funding bids. Opportunities for future bids for European funding, and investigation of other funding sources including funding via New Anglia the Local Economic Partnership (LEP), are currently being explored. The LEP is being used as a conduit for a number of government funding streams and it is proposed that engagement with the LEP be given a high priority.
- 4.2 The new Projects Manager post within the Strategy and Projects Team has a role in exploring and identifying possible external funding from all sources to deliver the Authority's priority projects, while the Head of Strategy and Projects is keeping abreast of the evolving EU funding opportunities (and has recently held a meeting making use of the Dutch consultants who supported STEP and PRISMA in order to gain an insight into their expectations for the next round of EU funding). Options for the Authority to access electronic and online grant information services are currently being examined.
- 4.3 It is however also important to recognise that external funding is generally not entirely "free" and there are often significant costs associated with both the bidding process(es) and the administration of any funding received. In addition, funding is generally not available for core (day-to-day) activity, and it is usually not possible to apply in a general sense, and so specific projects or programmes need to be worked up to support any bids. It is also likely to need a commitment of funds over a number of years which may then limit how that money could be spent if national circumstances change. External funding of this nature therefore needs to fit within and alongside existing organisational priorities, and the Authority should take care to avoid expending significant resources in chasing income that may not align with its core functions, or

which might require the use of limited existing resources to provide match funding.

- 4.4 The Authority has adopted a series of priority projects, including the enhancement of public facilities at Whitlingham Country Park and dredging projects to improve water quality and depth, which should have first call on external funding.

5 Visitor Giving

- 5.1 The Authority has been supporting the development of the Broads Trust, which began building a supporters list and implementing its 'Love the Broads' project last year in collaboration with local businesses. Although this visitor giving initiative does not raise funds which are directly available to the Broads Authority, it does represent a valuable resource which can support important local projects within the Broads area.

6 Revenue Income and Charging Options: Areas Proposed for Investigation

- 6.1 The following potential areas for raising further income have been identified as a starting point for consideration:

- Advertising and sponsorship:
 - Broads Authority property and working assets (including vessels, vehicles and plant and equipment);
 - Vessel licensing plates (toll plaques) and documents;
 - Other leaflets and publications; and
 - Broads Authority web site.
- Contracting out services:
 - Construction and river works;
 - Administration of licensing schemes;
 - Training; and
 - Design and publications.
- Consultancy;
- Greater commercial exploitation of Yacht Stations (sale of food, newspapers, ice creams, vending machines, etc.); and
- Commercial exploitation of Authority events.

- 6.2 The following areas may provide opportunities for the Authority to raise additional revenue through charging activity:

- Charging for pre application planning advice;
- Credit card fees¹; and

¹ The Authority is charged a fee every time someone pays for a service by credit card. A number of organisations and other local authorities have begun to charge “administration fees” for payments by credit card. The Authority therefore may wish to consider charging on to the customer the cost incurred when services are paid for by credit card. This is typically around 1.85% for the Authority. Potential issues around charging for credit cards are set out in section 7 below.

- Applying a minimum spend for card payment at TICs.

6.3 Research into some of the options identified in 6.1 and 6.2 above is already underway, although this is at a very early stage. These areas are included here to gather members' opinions on which of the areas identified should be investigated in further detail, and to gain an early steer on any which members' consider to be inappropriate or unfeasible.

7 Potential Issues to be Considered

Advertising and Sponsorship

- 7.1 Information published by other Local Authorities suggests that income from advertising on vehicles averages around £500 per vehicle, per annum, although figure is likely to include larger vehicles such as vans, buses and refuse vehicles. The BA fleet is comparatively small scale and made up of a variety of different vehicle types which may make selling advertising on the fleet as a whole more complicated. One option here may be to outsource management of advertising on the vehicle fleet to a third party provider, although this will inevitably impact on the revenue received.
- 7.2 An alternative approach used by some organisations is to seek vehicle sponsorship, saving on lease costs by obtaining 'free' vehicles from dealerships. Efforts to secure such sponsorship have to date proven unsuccessful although it may be that greater success could be achieved at the National Parks UK level. It should however be noted that this would not align with the Authority's most recent strategy of purchasing vehicles to achieve lower whole life costs and therefore might not be practical to implement in the short term.
- 7.3 It is difficult to assess the levels of interest and income that might be achieved from selling advertising on the Authority's vessels and plant, which might also prove more difficult to outsource in view of their more specialist nature. This area, alongside vehicle advertising, may merit further investigation although it must be emphasised that the potential income is likely to be relatively limited.
- 7.4 The question of advertising associated with tolls was considered as part of the 2010 tolls review. A number of issues with this proposal were identified at the time, including the potential system difficulties in including advertisements in any printed material and the major sensitivity around advertising on an individual's private property if advertising were proposed to be included on the toll plaques themselves. It is not considered practical to pursue this area further.
- 7.5 Some advertising is already carried in Broadcaster (which offsets the costs of production) and on the Enjoy the Broads website, although the revenue from these sources is limited due to the administrative costs associated with the advertising. Work is underway to identify ways in which this income could be maximised.

7.6 Information from other Local Authorities suggests large variations in the levels of income from website advertising that can be achieved (between £3,000 and £50,000 for main Local Authority sites). Estimates based on potential income of £10 per £1000 hits would suggest the Authority could hope to achieve income of around £2,350 per annum (based on website traffic in the twelve months to 05/09/2013).

7.7 In respect of all of the above, there are a number of wider issues which should also be considered:

- The Authority will need to take care not to be seen to be undercutting market rates for advertising, in line with DCLG guidance. This potentially means a need for specialist advice and / or an additional monitoring burden;
- The area of Local Authority advertising generally is subject to a certain level of scrutiny from the Department for Communities and Local Government;
- There would be a need to ensure any processes for accepting adverts are demonstrably fair and robust (similar to the Authority's tender processes) and members will want to be aware of the likely sensitivities around perceived endorsement by the Authority;
- The Authority will need to take a decision on whether this is a function it wishes to manage in house or externally, recognising that there may be a considerable administrative burden associated with in house but that outsourcing would have implications on levels of income likely to be achievable;
- Best practice experience in other Local Authorities suggests there is a need for a central resource to manage sponsorship and advertising activity in order to achieve the maximum impact – Local Authority assets are not seen as being a premium and will not generally sell themselves;
- The Authority would need to develop an advertising framework; and
- Best practice suggests that more success is likely by “packaging” a sponsorship / advertising offer (for example by including desirable sites with potentially less sought after ones) rather than selling advertising piecemeal. Work would therefore be required to identify what these more valuable assets might be.

Contracting out services

7.8 The Authority may, within relatively strict criteria, “sell” spare capacity across its services. However, the amount of capacity that would be available is likely to be very limited following the restructure of the organisation. Further work would be required to identify likely demand, and what level of spare capacity may exist.

7.9 Were the Authority to seek to act more commercially, for example by investing in additional resources to provide more capacity to deliver external services, this would need to be operated on commercial terms / at arm's length through

a company structure. Activity of this sort would have significant resource implications across the Authority.

Commercial exploitation of TICs and Yacht Stations

- 7.10 Improvements to stock for resale are being investigated with discussions on-going with (in particular) ice cream and water trade sellers to start selling refreshments. New branded items are being looked into but the design work needs to fit into the tight schedule of the graphics team. The following limitations impact the Authority's ability to make major changes to its retail offerings:
- Limited space in most locations for both shop front and storage;
 - Few outlets resulting in limited economies of scale; and
 - Inability to route visitors through a 'gift shop' with this being seen as part of the overall experience of time spent in a confined attraction.
- 7.11 It is unlikely that retail sales can represent a 'gold mine' for the Authority given the lack of space and the profile of visitors and their habits (they are not a captive audience as they would be in a large self-contained visitor attraction). However work is underway to improve stock and offer refreshments, although refreshments may only be possible in Hoveton due to a need to avoid conflicting interests with the café at Whittingham and a lack of space at How Hill and the yacht stations.
- 7.12 It would be helpful to have guidance from members on the limits of this commercial exploitation and the degree to which the Authority should compete with local private sector outlets. For example, the Lake District National Park Authority operates a fleet of day boats. Are there any circumstances when that would be appropriate for the Broads Authority to consider?

Charging

- 7.13 There are a number of issues to be considered when assessing the impact of recharging credit card fees:
- the addition of a surcharge or administration fee is likely to impact on collection rates as people may try to avoid paying or seek to use a different method of payment;
 - there is a question of the fairness of imposing a surcharge on income streams such as Tolls that customers have no choice in paying;
 - since April 2013 'excessive' credit card fees have been banned – charges may only represent the cost to the retailer of processing a payment;
 - there are likely to be costs associated with reprogramming the Tolls system to allow a credit card fee to be collected;
 - the Authority's current banking contracts may not allow for the recharging of credit card fees and could require renegotiation if this were to be pursued; and

- there is a possibility that applying a surcharge may lead to customers opting to use methods such as cash and cheque, which have higher internal processing and handling costs for the Authority.

8 Summary

8.1 Members' views are sought as to which of the areas identified in sections 6.1 and 6.2 merit further investigation, as well as feedback on any other potential areas of income that members feel should be considered by the Authority.

Background papers: None

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Broads Plan Objectives: None

Appendices: None