Advanced Material

This Advanced Material contains a pre-seen case study provided to students prior to the exam date. Students should familiarise themselves with the Advanced Material before they sit the exam. The Advanced Material provides key information and forms the basis of the requirements set out in the exam day materials.

Exam: Developing Strategy and Data Analysis (DSDA)

Exam Sitting: September 2023
YOUR ROLE: You are a qualified CIPFA accountant working for the Department of the Environment in the country of Verdania. You are currently assigned to a multi-disciplinary team tasked with developing a 10-year strategic plan that includes addressing the need to significantly enhance revenues for Verdania’s Rivers and Lakes Agency (RLA).

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Exhibit 1 – Verdania: key information and map

**Verdania**

Verdania is a small, landlocked country in central Europe. English is one of the two official languages and is widely spoken. The currency is the Verdania dollar (V$).

Verdania is renowned for its beautiful forests, rivers and lakes which are sources of revenue for the Verdanian Forestry Commission and for the Rivers and Lakes Agency (RLA). They are a major tourist attraction both for Verdanian residents and for visitors from overseas.

The capital city is Bleiden in the east of the country, through which flows a large river, the River Souna. Verdania’s two largest lakes are Lake Morgan in the hilly north and Lake Wilson in the flatter south. The town of Mapstone is on the south-eastern edge of Lake Wilson where there is a privately run complex (the Jerrard Complex) comprising restaurant, shop, bicycle repair facility and toilets. There are two wetlands areas on the shores of Lake Wilson, each of which has a visitor centre (Russell and Cavendish) owned by the RLA. The south-eastern town of Farchester is the centre of a well-developed canal network which extends across the south and central parts of Verdania, though many of the canals have fallen into disuse. Those which are still navigable are used for transporting goods as well as for leisure. These are maintained and managed by the Verdania Canals Agency. A separate study into the development of the canal network is to commence in early 2024.

Landowners may own short strips of some of the rivers that flow through their land, however the remainder of the rivers, lakes and wetlands are the property of the Verdanian state.
Management of rivers and lakes

The Verdania Department of the Environment (VDoE) has responsibility for maintaining:

- forests and woodlands (managed by the Verdanian Forestry Commission)
- the canal network, which is managed by the Verdania Canals Agency (VCA)
- rivers, lakes and wetlands, which are managed by the Rivers and Lakes Agency (RLA).

RLA is responsible for the maintenance, development and promotion of Verdania’s two large lakes, its two wetlands and over 1,000 kilometres of rivers, streams and smaller lakes that are used for commercial and recreational purposes.
Both the RLA and the VCA are agencies of the VDoE. They work in strategic alliances with different partners across Verdania. This includes local authorities, the Verdania Tourism Authority (VTA), various tour operators and water sports clubs.

The head office of the RLA is in Bleiden where 65% of the agency’s staff are located. The rest of the staff are on site in the wetlands around Lake Wilson, at Lake Morgan and at key points on the River Souna.

**Strategic planning**

The RLA has in the past planned on five-year cycles. In 2018 it produced a five-year Commercial Plan and a five-year Development Plan for approval by the VDoE. In 2023 it was decided that the two documents would be merged into a 10-year Strategic Plan with annual reviews. A multi-disciplinary team has been put together to develop the commercial elements of the first 10-year Strategic Plan. A public consultation will take place before the plan is finalised and sent to the VDoE for approval.

**Recreational use of rivers, lakes and wetlands**

The Director of RLA made the following statement in the first five-year development plan in the late 90’s, which is still valid today:

“Our rivers, lakes and wetlands add significant economic value at a local and national level on an annual basis. Their benefits can be measured in economic terms: tourists coming to our country; income from licences for their use. They can also be measured in terms of their value to society and to peoples’ quality of life. Our rivers, lakes and wetlands are an integral part of our urban and rural landscapes, rich in biodiversity and cultural heritage.”

Lakes are used for boating and sailing by private owners and clubs. Given the dramatic scenery around Lake Morgan there are also large tourist boats that cruise around it. Many rivers are used for mooring leisure boats, for fishing, for paddle sports (eg canoeing, kayaking
and rowing) and, in some sections, for white water rafting. The River Souna running through Bleiden, whilst a working river, also has tourist boats, rafting on a more turbulent section of the river, and paddleboarding. The wetlands are havens for local and visiting birds and attract birdwatchers who make use of the various hides as well as people who simply like to walk around the tracks through the wetlands.

The RLA provides access to rivers and lakes through marinas, jetties, moorings, piers, slipways, steps, navigation markers and locks, as well as a range of waters’ edge infrastructure such as towpaths, bridges, car parks, walking and cycling trails, fishing areas and bird hides.

**Economic value of the rivers, lakes and wetlands**

In 2022 RLA estimates that the benefits derived from the existence and maintenance of rivers and lakes contributed V$560m to the Verdana economy.

As well as supporting direct employment, tourism and recreation, the rivers, lakes and wetlands also encourage entrepreneurs to provide: sporting services; accommodation in campsites, caravan parks and small hotels; restaurants, convenience stores and bicycle repair facilities etc. These activities themselves bring increased employment opportunities.

The table below shows non-governmental income for the RLA derived from the activities it provides on rivers and lakes.
## The RLA Non-government income from rivers, lakes and wetlands (V$m)

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fishing: rod licences/permits/day tickets</td>
<td>1.2</td>
<td>1.4</td>
<td>0.8</td>
<td>0.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Boat hire</td>
<td>46.0</td>
<td>47.5</td>
<td>54.0</td>
<td>52.3</td>
<td>54.2</td>
</tr>
<tr>
<td>Boating/sailing etc licences (individuals)</td>
<td>17.6</td>
<td>18.9</td>
<td>21.2</td>
<td>17.0</td>
<td>16.4</td>
</tr>
<tr>
<td>Boating licences for tourist boats (River Souna and Lake Morgan)</td>
<td>23.0</td>
<td>26.0</td>
<td>24.3</td>
<td>18.2</td>
<td>18.6</td>
</tr>
<tr>
<td>Boating/sailing etc licences (clubs and leisure organisations)</td>
<td>12</td>
<td>13.3</td>
<td>15.3</td>
<td>8.7</td>
<td>8.9</td>
</tr>
<tr>
<td>Mooring licences</td>
<td>6.5</td>
<td>6.2</td>
<td>6.9</td>
<td>7.1</td>
<td>7.5</td>
</tr>
<tr>
<td>Licences to use towpaths for commercial purposes</td>
<td>5.4</td>
<td>5.6</td>
<td>6.1</td>
<td>6.2</td>
<td>8.5</td>
</tr>
<tr>
<td>Admission fees to the Cavendish and Russell wetlands on Lake Wilson</td>
<td>36.0</td>
<td>37.8</td>
<td>39.0</td>
<td>18.0</td>
<td>32.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>147.7</td>
<td>156.7</td>
<td>167.6</td>
<td>128.4</td>
<td>147.4</td>
</tr>
</tbody>
</table>
Exhibit 2 – Agencies involved with rivers and lakes in Verdania

Department of Culture and Heritage

Department of the Environment

Verdania Tourism Authority

Rivers and Lakes Agency (RLA)

Verdania Canal Agency (VCA)

Director: Sara Smith
Marketing Director: Phil Symonds

Director: Michael Spinelli
Operations Manager – Louise Becks
Finance Director – Fred Glitter

Director: Mehrin Patel
Exhibit 3 – Terms of reference for the strategic planning team

(minutes of meeting)

Date: 24 June 2023

Attendees:

RLA:
Operations Manager – Louise Becks
Finance Manager – Fred Glitter

Verdania Tourism Authority (VTA):
Marketing Director - Phil Symonds

Strategic planning team lead – Jade Tuckman

Current planning practices
The 2018-2023 Commercial and Development Plans take account of the current challenges and priorities for the RLA.
The absence of an integrated, strategic, long-term plan has meant that the RLA has been planning in the short term and not taking account of longer term challenges and opportunities. Although planning over a ten-year period requires more research and analysis, it will enable a more comprehensive and ambitious approach to be taken.

Funding levels
Funding levels from government have declined to a point where the RLA has a long-term deficit and no reserves. There is thus an imperative to strengthen current sources of non-government income and identify new ones.
Demand for water-related recreation

Over the past decade public demand for water-related recreation has increased significantly with popular activities being canoeing, boating and swimming as well as walking by the banks of lakes and rivers. In a landlocked country like Verdania, lakes and rivers are the only location for water-related recreation. Nearly 10% of the youth and adult populations in Verdania regularly exercise more outside now than they did ten years ago. Participation in most water-related recreation activities is expected to grow further over the coming years, given a trend towards staycations and a focus on nature and wellbeing.

Terms of reference for the strategic planning team

The meeting agreed the following terms of reference for the multi-disciplinary strategic planning team:

- Review the 2018-2023 Commercial and Development Plans to identify any items that have not been actioned or which are not on track to meet their delivery date, and investigate why.
- Assess the sustainability of current non-government income streams
- Identify additional income streams and explore the likely success of these.
- Make recommendations for further digitalisation of management of the recreational use of rivers, lakes and wetlands in Verdania

This study excludes canals as they will be the subject of a further study carried out by another team. This is scheduled for 2024.

Overall aims

The aims of the RLA 2018-2023 Commercial and Development Plans are:

- to increase the use of rivers, lakes and wetlands in Verdania for recreational purposes;
- to attract increasing numbers of visitors whilst preserving natural habitats and keeping pollution to extremely low levels.

Achieving these aims will also: bring employment to more rural areas; promote the creation of new businesses; sustain existing businesses; play a key role in enhancing people’s wellbeing.

The four strategic themes are:

**Management & maintenance** To manage and maintain our rivers, lakes and wetlands and deliver safe and reliable access for all.

**Environment & heritage** To conserve, enhance and promote our natural resources and habitats and to promote biodiversity.

**Development & income** To develop sustainable income streams to compensate for the reductions in government funding.

**Organisation & people** To strengthen our organisational capabilities with engaged employees working towards a shared vision.

Commercial plan: non-government income streams

**Fishing: rod licences/permits/day tickets**

To fish legally in Verdania a rod licence plus a permit or day ticket are required. The permit/day ticket gives the holder permission to fish in the chosen water. A permit/day ticket cannot
be purchased without a rod licence. Fishing is a popular national pastime in Verdania and is a good source of income for RLA. Short-term and tourist rod licences are also available at a higher cost. These are aimed at Verdanians who do not regularly fish, and at tourists. The RLA needs to increase prices and increase take-up.

**Status:** Prices were increased by a modest 2% in 2021. The number of licences etc issued has decreased since then.

**Boat hire**

RLA owns many boats for leisure use. Sailing boats are available for hire from Rockish on Lake Morgan and Mapstone on Lake Wilson. Paddle boats of various types are available for hire at various points on both of these lakes as well as on the River Souna in Bleiden. The RLA needs to increase the prices and increase take-up.

**Status:** Prices were increased by a modest 3% in 2021. The hire of sailing and paddle boats has increased since then.

**Boating/sailing licences for individuals and tourist boats**

Boating/sailing etc on rivers and lakes requires a licence for small boats owned by individuals. A licence is also required for the large boats which take tourists around Lake Morgan or along the River Souna in Bleiden. The RLA needs to increase the prices and increase take-up.

**Status:** Prices were increased by just 2% in 2021. The number of licences issued has decreased since then.

**Boating/sailing licences for clubs and leisure organisations**

These include canoe clubs, white water rafting companies and paddleboarding companies. The RLA needs to increase the prices and increase take-up.

**Status:** Prices were increased by 2% in 2021. The number of licences issued has remained
Mooring Licences

Mooring licences are licences for people mooring their boats on rivers and lakes. The RLA needs to increase the prices and increase take-up. It also needs to monitor the licences and issue fines when boat owners moor boats without a licence.

**Status:** Prices were increased by 5% in 2021. The number of licences issued has remained stable since then. Some 100 fines were issued.

Licences to use towpaths for commercial purposes

The RLA supports enterprises such as bicycle repair sheds, coffee huts and ice cream vans alongside rivers and lakes by granting operating licences so that new and existing businesses can operate on the towpaths. These licences generate a modest revenue which support RLA’s work programmes.

**Status:** licences continue to be granted.

Cavendish and Russell wetlands

RLA charges admission fees to the Russell and Cavendish wetlands centres near Lake Wilson. Research needs to be undertaken to find out what income-generating activities are operated in similar wetlands in other countries that could also be pursued in Verdania. There is a need for a new visitor centre at Russell wetlands and refurbishment of the existing visitor centre at Cavendish wetlands.

**Status:** A benchmarking exercise was undertaken in February 2023 to find out the income sources of other wetlands. Exploring these further will be part of the remit of the strategic planning team. The visitor centre at Cavendish wetlands has been refurbished. It is possible that the private owners of the Jerrard Complex at Mapstone will expand to build and manage a brand new visitor centre at the Russell wetlands.
Identifying and developing new income streams

New income streams need to be identified and evaluated.

Status: No progress made on this item other than a benchmarking study for wetlands.

Development plan: developing the rivers and streams in Bleiden

A range of water-related recreation facilities on Bleiden’s rivers and streams should be developed, including the new, privately-funded Bleiden Sports Lakes, to the north of Bleiden, which will include provision for rowing, canoe sprinting and training, and national water sports events. The Bleiden Sports Lakes will connect to the River Souna. Facilities will include a 300m white water competition course and an international standard paddle sports course for kayaking, canoeing etc. The courses will be entirely artificial with the construction of a new water body and the white water will be created through a system of pumps. This should be ready for late 2022.

Status: The area to be used for this development has been secured and development has started, however there were strong public protests. Although resolved, they have delayed the development. The private company that was to develop the Bleiden Sports Lakes has since gone out of business.
Exhibit 5 – High Level PESTLE analysis

A high level PESTLE analysis was undertaken in 2022 to understand the environment in which the RLA operates. The study was undertaken by an external firm of consultants. The key findings were:

**Political**
- The Verdania government is committed to preserving biodiversity, promoting the wellbeing of its citizens and combatting the effects of global warming.

**Economic**
- COVID-19 resulted in reduced use of rivers, lakes and wetlands for recreation due to the need for social distancing. This reduced revenues.
- Reduction in government funding and thus a need to increase income generated from non-government sources.

**Socio-demographic**
- Increasing relative affluence of Verdania citizens over the long term.
- Increasing focus on the 'experience economy' where services take precedence over material goods.
- An ageing population in Verdania with a growing interest in activities associated with health and wellbeing and with spending time in nature.
- Some younger people experiencing increasingly sedentary and 'indoors' lifestyles due to working from home.
- Trend towards working from home, accelerated by Covid 19, eliminates commuting time and therefore gives people more leisure time.
• People being more conscious of their carbon footprint and cutting back on travel, combined with Covid 19, has led to a growing trend of ‘staycations’.

Technological
• The mass shift to remote working presents cyber-criminals with gateway opportunities to exploit organisations to disable computers, steal data or use a breached computer as a launch point for other attacks.
• The generation of renewable energy has significantly increased globally. With its abundance of fast-flowing rivers the RLA could have a key role to play.
• Increased trend towards automation of RLA’s administrative activities to improve performance and reduce errors.
• Digital marketing facilitates knowledge of target clients so RLA can potentially target promotional activity using digital platforms.

Legislation
• Local laws relate to prevention of flooding and steps to be taken to mitigate the effects of flooding and also of drought.
• RLA works in strategic alliance with local authorities and as such has to take account of the potential impacts of bye-laws regarding charging structures, boating and fishing licences, mooring rules and health and safety issues etc.

Environmental
• Global warming could bring more ice and snow melt which will impact water levels in rivers and lakes in the north of Verdania.
• Flooding might increase or there may be longer periods of drought which could impact the wetlands.
• Verdania has signed up to various global initiatives to halt the loss of biodiversity which stresses the importance of maintaining its rivers, lakes and especially the wetlands.
Exhibit 6 – Report on benchmarking exercise (extracts)

A benchmarking exercise conducted in January 2023 aimed to discover best practice in terms of events held by organisations responsible for wetlands in other countries, notably the UK.

Some of the activities that the strategic planning team could evaluate when considering new sources of income at the two wetlands centres include:

- Photography courses
- Crafting courses e.g. Bird sculptures, Needle felting
- Wetlands safaris – dawn, daytime, sunset, night-time
- Canoe safaris – dawn, sunset
- VIP experiences
- Wildlife walking tours
- Lodges with accommodation
- Wild camping
Exhibit 7 – Recreational use of rivers, lakes and wetlands – the scope for digitalisation (email)

Date: 25 July 2023

From: Louise Becks, Operations Manager, RLA

To: Jade Tuckman, Strategic Planning Team Lead

Hi Jade,

In a meeting yesterday my team had a lengthy discussion about using more digital technologies to support the RLA’s income-generating operations, which I know you are working on at the moment.

We agreed relevant technologies could include robotics, AI, the Internet of Things, cloud computing, mobile technologies and digital marketing. Harnessing the power of digital technologies would be beneficial both for the staff involved in managing and running operations on lakes and rivers, and at the wetlands centres, and for the people using the rivers and lakes for leisure – whether just simply for strolling nearby or for using any of the activities that we, and many companies, offer.

Best

Lou