

## CAIRNGORMS NATIONAL PARK AUTHORITY AUDIT AND RISK COMMITTEE

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### FOR DISCUSSION

**Title: CRITERIA FOR ASSESSING PRIVATE FINANCE PROPOSALS**

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#### **Purpose of Paper**

1. This paper supports discussion by the Committee on the criteria which may be adopted by the Authority for entering into any form of commercial partnership, private financing arrangement or sponsorship with a private company. The criteria may equally be used in considering potential funding arrangements with a charity set up by a commercial entity for its Corporate Social Responsibility purposes, as the charitable entity will nevertheless remain clearly linked with the private finances and profit sources resourcing that charity.

#### **Decision Required**

2. **The Committee is invited to consider the ideas and suggestions set out in this paper and to advise on whether the overall direction set out seems appropriate for the development of a formal process for preliminary evaluation of potential commercial partnerships by the Authority.**

#### **Context**

3. The Committee has discussed at a previous meeting the potential for approaches to the Authority by commercial companies to seek to sponsor the Authority and / or specific project activities delivered by the Authority. The Committee agreed that there would be merit in establishing a set of criteria against which commercial sponsorship or funding proposals might be assessed in order to provide a degree of objectivity and transparency in assessment of any such proposals, and also to provide clarity to commercial entities on the standards and criteria that would be expected of them as partners with the Authority.
4. Any evaluation of partnership proposals would of course also have to include appropriate due diligence assessments of company standing and legal consideration of the specific terms of partnership. However, such activities are resource intensive. The development and adoption of a set of commercial partnership evaluation criteria provides an initial filtering mechanism, through which preliminary and high level assessment of the fit of a proposed partnership with the Authority's core principles

and may be undertaken. Consideration of proposals against the criteria also allows for impacts on strategic risk management to be assessed.

### **Corporate Plan: Vision, Mission and Values**

5. Our Corporate Plan represents an appropriate start point for consideration of criteria for commercial sponsorships. As stated in the Plan, our vision, mission and values are important statements of what the organisation wants to achieve and how we go about achieving it. It will be crucial that a commercial sponsor or partner is fully aligned with these visions and values to avoid conflict and potential reputational damage. In developing a set of criteria for engaging with the commercial sector, the following aspects of our vision, mission and values would appear to be the most important elements.

#### **Our Vision**

6. “An outstanding National Park, enjoyed and valued by everyone, where nature and people thrive together.”
7. Working within this vision, criteria for commercial sponsorship suggested are that the proposed terms of partnership must:
  - Criteria 1:** Represent a real increase in value of the Cairngorms to the people of Scotland.
  - Criteria 2:** Offer a means through which the Authority and its commercial partner can create a significant improvement in the capacity for nature and people to thrive together.

#### **Our Mission**

8. The key element of our mission in this context would appear to be to bring “people together toward a common purpose”. Developing a strategic partnership with a commercial entity offers the Authority, as a leader in environmental management and sustainable community and rural economic development, to bring a new organisation into the fold in working toward the objectives of the Authority which has not previously been active in this area. The proposed terms of the partnership could seek to ensure that:
  - Criteria 3:** The proposed partner can demonstrate a real, integral step change in its organisational mission as an entity which, while continuing with its commercial operations, is committed to do so sustainably.
  - Criteria 4:** The proposed partner can demonstrate a strategic objective of working to establishing real and sustainable value from its operations for Scotland’s rural environment and the sustainable development of its economy and communities.
  - Criteria 5:** On the basis of these previous two criteria, the proposed partner can demonstrate a real and meaningful alignment between its organisational mission and that of the Cairngorms NPA.

## **Our Values**

9. An alignment through commercial sponsorship or other significant income stream with a commercial partner can have a significant impact on the perceived values of an organisation. The Authority is “an open, inclusive, innovative and professional organisation that behaves with integrity”. The Authority will also operate “in an environmentally friendly way that provides leadership in this area”. In developing a commercial relationship with a partner, the following potential criteria may be adopted to ensure alignment with the Authority’s values:

**Criteria 6:** The proposed partner can demonstrate a set of established organisational values that already align with the Authority’s values, or can demonstrate a commitment at the highest level of executive and non-executive management that the partnership established with the Authority is a key means of implementing aligned values within the partner organisation.

**Criteria 7:** The proposed partner demonstrably has, or is using the partnership as a key means of implementing, core values which place environmental sustainability and acting on the climate emergency at the heart of its strategic plans and objectives.

**Criteria 8:** The proposed partner has, or seeks to implement through the partnership, operational methods that seek to act on the climate emergency.

**Criteria 9:** The proposed partnership will demonstrably contribute toward a target of net zero emissions in Scotland by 2045.

## **Risk Management**

10. The Committee has identified in its initial discussions that commercial partnerships inherently represent strategic risk around the Authority’s reputational management. At the same time, such partnerships and the access to funding help address and mitigate a long-standing strategic risk around funding dependency of the investments made in the Cairngorms NP on government grants and potential decline in EU grants. As such, while there is continued merit in pursuing the grant dependency mitigation action of seeking diversification in income streams, as may be achieved through commercial sponsorships, there will be a new strategic risk management issue created around the management of the Authority’s reputational impacts from these partnerships. It is therefore appropriate to consider a further partnership appraisal criteria on this point, whereby the Authority might evaluate whether there is:

**Criteria 10** In the opinion of the Authority, such a strong pre-existing negative public perception of a proposed partner that an agreement could not be presented as a positive forward step irrespective of the merits of the partnership terms and objectives.

**Criteria 11:** In the opinion of the Authority, a clash or conflict of interest with existing policy objectives or partnership arrangements exist which would preclude the partnership arrangements from moving forward. This consideration includes the Authority’s relationship

with Scottish Government and also relationships with and through National Park Partnerships (NPP).

**Criteria 12:** An explicit commitment by the proposed partner to communicate and engage with the Authority on a regular basis at a senior level, with a view to managing individual and shared communications around the project and the partners' operations more widely in order to ensure that the partnership adds reputational value to all participants on a consistent and ongoing basis.

11. An aspect of reputational management will relate to the freedom, and perceived freedom, of the Authority to invest its resources according to the Authority's own priorities. In assessing proposals, the Authority will wish to ensure that:

**Criteria 13:** Any proposed restrictions in uses of funding offered through the partnership are minimal and acceptable.

### **Next Steps**

12. These suggested criteria are presented for initial discussion by the Committee. It is not possible in developing a set of criteria to evaluate partnership proposals to remove subjectivity in assessment. However, the establishment of a set of criteria does allow a consistent and transparent preliminary assessment of any partnership proposals to be undertaken. The Committee is invited to consider whether the proposals now put forward are taking a reasonable direction to support the evaluation of any commercial partnership proposals which may come forward. Any addition, amendment or refinement to the proposed set of criteria by members would be welcomed.
13. Following consideration by the Audit and Risk Committee, the proposed partnership evaluation criteria will be considered further by Management Team in light of members' comments and suggestions. Thereafter, the proposals will be taken through appropriate governance structures for adoption.

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