

# 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. Students should carry out research into the sector and apply learning from the workbooks.

## **Exam: Developing Strategy and Data Analysis**

**Exam Sitting: September 2024**

# Advanced Material

**Assumed date for advance material is 7 August 2024.**

**YOUR ROLE:** You are a qualified CIPFA accountant. Recently you were hired as Commercial Manager by the Commercial Development department at FERA (Forest Education and Recreation Agency) in the country of Fortina. Your first major project is to conduct a detailed review of current and potential commercial income streams, to inform the preparation of FERA's 2026-2030 Commercial Plan.

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## **Exhibit 1 – Fortina: key information and map**

### **Introduction to Fortina**

Fortina is a landlocked country in central Europe with an area of about 49,000 km<sup>2</sup> and in 2023 it had a population of 6.4 million people. English is one of the two official languages and is widely spoken. The currency is the Fortina dollar (F\$), which is currently at parity with the Euro.

The capital city is Sielem in the west of Fortina. There are two international airports, one near Sielem and one near the city of Mornington, in the south of Fortina.

The Fortina economy is dominated by the timber industry, followed closely by services (notably financial services and AI development), tourism, wines, and agricultural products.

Fortina is renowned for its beautiful landscapes, from the mountainous north, with its downhill ski runs, through the forested hills of the centre, to the flatter plains in the south where the main agricultural and wine-growing area is located.

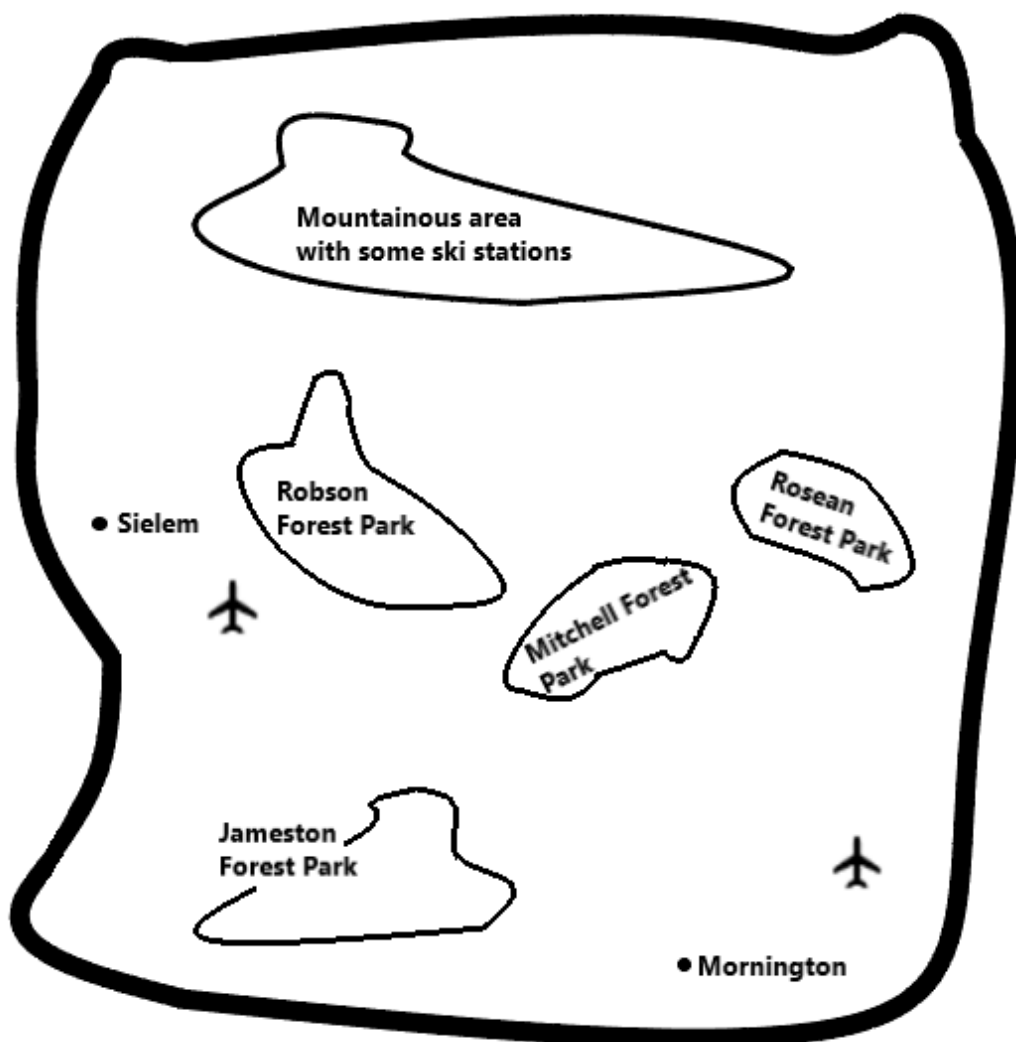
Forests cover 35% of the land in Fortina. Most forested land is owned by the government but 8,000 km<sup>2</sup> of it is in private ownership. Within the public forests the Fortina government has developed four forest parks: Robson Forest Park (938 km<sup>2</sup>) and Mitchell Forest Park (728 km<sup>2</sup>) in the central area; Rosean Forest Park (498 km<sup>2</sup>) in the far east of the central area; and Jameston Forest Park (558 km<sup>2</sup>) in the south of Fortina.

The largest lake in Fortina, Robson Lake, is in Robson Forest Park. It is used for sailing, canoeing and other water sports. There is a sailing school. In both Robson Forest Park and Jameston Forest Park there are riding schools. Whilst all the forests of Fortina are tourist attractions for Fortina residents who enjoy hiking, wild camping and cross-country skiing, the four forest parks are also major tourist attractions for overseas visitors who enjoy hiking, skiing, riding, sailing and camping.

## Recreational use of forests

Over the past decade public use of forests in Fortina for recreational pursuits such as hiking, mountain biking, cross-country skiing and snowshoeing has increased significantly. Over 20% of the teenage and adult populations in Fortina are more likely to regularly exercise outside now than they did ten years ago. Given the increasing focus on nature and wellbeing, it is anticipated that use of forests for recreation will grow even further over the coming years.

## Map of Fortina



## Maintenance and management of Fortina's forests

The Fortina Forestry Commission (FFC) is a department of Fortina's Ministry of Forestry and Agriculture (MFA). FFC's mandate is to protect, maintain and develop forests for the benefit of the environment as well as for the economy and population of Fortina. The FFC fulfils its mandate through its three executive agencies:

- **Forest Education and Recreation Agency (FERA)** which promotes public understanding of forests as an essential part of the country's biodiversity, and promotes the safe recreational and multifunctional use of public forests and the four forest parks. See **Exhibit 2** for more information on FERA.
- **Fortina Forest Management (FFM)** which maintains, improves and expands the four forest parks and the public forests. FFM also oversees the maintenance, improvement and expansion of forests in private ownership. FFM: protects forest wildlife, habitat and environment from human interactions, pests, diseases and climate change; provides grants for the preservation and expansion of forests; prevents the illegal felling of trees by issuing licences to fell, with heavy fines payable for unlicensed felling.
- **Fortina Forest Research (FFR)** which undertakes research into protecting trees from pests, disease and climate change.

## **Exhibit 2 - FERA (Forest Education and Recreation Agency)**

### **FERA's work**

Because it is an executive agency of the FFC, FERA's Board is appointed by the FFC but it enjoys delegated powers and responsibilities, and can set its own strategy.

In the four forest parks, as well as the public forests, FERA:

- provides patrols along the hiking, horse riding and cross-country skiing trails;
- delivers educational programmes;
- manages the use of forests by groups for wild camping, retreats and courses etc.

FERA works closely with the FFM, as there is a balance to be struck between FERA's promotion of the educational and recreational use of forests on the one hand and FFM's responsibility to manage public forests and the four forest parks on the other.

In supporting and generating income from educational and recreational use of public forests and the forest parks, FERA works in strategic alliances with various partners across Fortina. This includes local authorities, the Fortina Tourism Authority (FTA), various tour operators, and hiking and winter sports associations. FERA also encourages the provision of services by small enterprises, for example cafés in the forest parks, the sailing school at Robson Lake and the riding schools at the Robson and Jameston Forest Parks.

The head office of FERA is in Sielem where 20% of FERA's 450 staff are located, in the same building as the head office staff of FFC. The rest of FERA staff are on-site in the forest parks: patrolling them, especially in wintertime when cross-country skiing and snowshoeing are favourite leisure pursuits of Fortina residents, working in the visitor centres or leading educational programmes. FERA hires and trains volunteer ski patrollers each winter for the forest parks, usually the same people year after year.

FERA develops its strategic planning in five-year cycles with annual reviews. One element is the Commercial Plan. The most recent Commercial Plan was created in 2020 and covers the period 2021 to 2025. FERA is now starting to work on the 2026-2030 Commercial Plan.

## **Financial situation of FERA**

FERA is partially funded by the FFC, however the level of this funding has been decreasing over the last ten years. FERA's board believes that soon FERA will be expected to become completely self-financing. For this reason, FERA has appointed a Commercial Manager to support the work of its Commercial Director, and has instituted an in-depth review of its commercial income. FERA is not currently in deficit but its reserves are running low, so its objective is to continue increasing its commercial income year on year.

## **Current commercial income streams**

Current commercial income streams for FERA include:

- Entrance fees to the forest parks.
- Licence fees to use the cross-country ski trails at the forest parks.
- Fees payable for camping in the forest parks.
- Fees from the sailing school on Lake Robson.
- Fees from each of the riding schools in Robson and Jameston Forest Parks.
- Fees from the two cafés in each of the forest parks.
- Sales of merchandise and books in the two shops in each of the four forest parks.
- One-off donations received from families for benches installed at look-out points in the forest parks which are dedicated to their loved ones. The donation is F\$3,000 for each bench.
- Nominal charges for educational programmes and walking tours provided by FERA at various public forests.

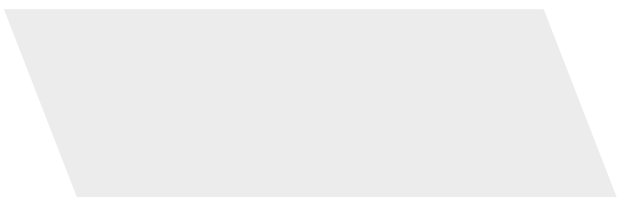
- Usage fees from private individuals and organisations offering approved walks, talks and courses in the forest parks.

### FERA's commercial income 2019-2023 (actual)

The income generated by current income streams is as follows:

Income stream	2019	2020	2021	2022	2023
	F\$'000	F\$'000	F\$'000	F\$'000	F\$'000
Entrance fees to forest parks	3,755	2,890	3,260	4,321	4,989
Licence fees for cross country skiing in forest parks	789	650	820	978	1,023
Camping fees	150	closed	167	230	379
Fee from sailing school	14	closed	15	16	17
Fees from 2 riding schools	28	30	31	33	35
Cafés at visitor centres x 8	67	closed	75	89	120
Shops at visitor centres x 8	120	shops closed	132	143	167
Donations for dedicated benches	Not offered	15	21	18	24
Educational programmes and walking tours by FERA	12	Not provided	15	16	22
Usage fees from individuals and organisations offering walks, talks etc	8	None approved	10	12	13
<b>Total</b>	<b>4,943</b>	<b>3,585</b>	<b>4,546</b>	<b>5,856</b>	<b>6,789</b>





Extracts from a report on the status of most of these income streams are included in **Exhibit 3**.

**Exhibit 3 – Extracts from a report on commercial income streams included in the 2021-2025 FERA Commercial Plan**

**Report prepared by:** Sanjay Wilson, Commercial Director, FERA

**Date:** 20 January 2024

**EXTRACT 1:**

The status of each of the existing income streams that were included in the 2021-2025 FERA Commercial Plan is as follows:

**Entrance fees to forest parks**

Car parks at the forest parks are free, but a fee is charged for users to enter the parks themselves in order to keep some level of control over the number of people entering the parks. Annual season tickets are available. Licences to ski in the forest parks are separate. The aim was to increase the cost of entrance to the parks each year.

Status: Prices have been increased by 2% in each year as per plan, with the exception of 2020 given Covid-19 lockdowns and the need for people to get out into the fresh air.

**Licences for cross-country skiing**

A licence is required to ski in the four forest parks. Day, weekend and annual licences are available. The aim was to increase the licence fees.

Status: Prices were increased by 2.5% in 2024. The majority of existing licence holders renewed and new licences were issued.

## **Camping fees**

A camping site is available in each of the four forest parks. It was planned to build a further camping site in each park. It was also planned to increase the cost of camping by 1.5% per annum.

Status: One further camping site has been built and opened in Robson Forest Park; an additional one is almost complete in Jameston Forest Park. Environmental campaigners have protested about the proposed camping sites in Mitchell and Rosean Forest Parks as they consider these to be too commercial and to do nothing to stop the pollution of the forest.

## **Cafés at visitor centres**

There are two visitor centres at each forest park. They each have a café. The cafés are owned and operated by private businesses who pay a fixed fee under their contracts with FERA.

Status: It was intended to change the fee structure in contracts with the café owners that were up for renewal, such that they would pay a lower fixed fee plus a percentage of their takings. This did happen with the owners of two of the cafés but the owners of the other cafés resisted the change.

## **Shops at visitor centres**

Each of the two visitor centres in each forest park has a shop that is owned and run by FERA. The plan proposed an expansion of FERA merchandise and the inclusion of a general gifts section related to forests.

Status: A buyer was hired to source appropriate items for the general gifts range and this is slowly being introduced as a trial into the shop in Robson Forest Park, as it is the biggest park and has the largest number of users. This trial meant buying in small quantities which had an adverse impact on margins.

## **Dedicated benches**

The plan was to increase the amount and number of one-off donations from families for benches dedicated to their loved ones at look-out points in the forest parks.

Status: the number of benches has increased and the one-off donation has increased to F\$3,000, however there are some environmental concerns. Benches are good to have in selected places for people to rest after a walk uphill or at attractive views, however there is no desire to have a lot of benches in the parks.

## **Educational programmes and walking tours**

The plan was to increase the number of educational programmes and walking tours provided by FERA at various public forests whilst retaining the pricing at a nominal charge.

Status: The number of educational programmes and walking tours provided by FERA at various public forests has been increasing.

## **Usage fees**

Usage fees are levied on private individuals and organisations offering approved walks, talks and courses in the forest parks. The plan was to increase the level of fees.

Status: The usage fees charged have increased.

## **EXTRACT 2:**

### **Potential new income streams**

The 2021-2025 Commercial Plan stated that potential new income streams should be identified and evaluated.

Status: Progress on this point is the appointment of a Commercial Manager and the official launch of a formal review of current and potential income streams, starting in September 2024.

## Exhibit 4 – Organisations relevant to the review of FERA’s commercial income

**Ministry of Forestry and Agriculture (MFA)**



**Fortina Forestry Commission (FFC)**

**Director:** Penelope Mizzi



**Forest Education and Recreation Agency (FERA)**

**Director:** Michael Spinelli  
**Commercial Director** – Sanjay Wilson  
**Operations Manager** – Louise Becks  
**Finance Director** – Frida Jagger  
**Marketing Director** – Isabelle Monk  
**Digital Lead** – Geoff Benson

## **Exhibit 5 –Terms of reference for the review of FERA’s commercial income**

### **Minutes of meeting on 29 July 2024**

#### **Attendees from FERA:**

Michael Spinelli (Director)

Sanjay Wilson (Commercial Director)

Frida Jagger (Finance Director)

Isabelle Monk (Marketing Director)

The meeting took place to determine the terms of reference for a review of FERA’s current and potential commercial income.

#### **Terms of reference for the review**

The meeting agreed the following terms of reference for a review of commercial income to be headed by the Commercial Manager:

- Review the 2021-2025 Commercial Plan to identify income streams that have not been actioned or which are not on track, and investigate why.
- Assess the continued viability of current commercial income streams and identify those that should be promoted more heavily, those that could be outsourced and those that should be abandoned.
- Identify potential new income streams and assess the likely success of these.
- Review past and planned marketing actions.
- Make recommendations for the further digitalisation of the work of FERA for the benefit of FERA staff as well as for users of public forests and the four forest parks.

## **Exhibit 6 – Key points from a PESTLE analysis for FERA**

An external firm of consultants conducted a high-level PESTLE analysis in June 2024 to understand the macro-environment in which FERA operates. The key findings were as follows:

### **Political**

The Fortina government is:

- committed to preserving biodiversity, promoting the wellbeing of its citizens and combatting the effects of climate change and global warming;
- a signatory to multilateral agreements on climate change.

### **Economic**

- Increasing reductions in government funding and thus a need to increase income generated from non-government sources.
- Unemployment in Fortina is at extremely low levels.
- Interest rates are at 3%.

### **Socio-demographic**

- Increasing relative affluence of Fortina citizens over the long term.
- Increasing interest in nature and environmental issues.
- An ageing population in Fortina 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’ working lives, due to working from home, are increasingly getting outdoors in the evenings and weekends.
- Trend towards working from home, accelerated by Covid-19, eliminates commuting time and therefore gives people more leisure time.

## **Technological**

- The shift to remote working presents cyber-criminals with increased opportunities to exploit organisations – for example by disabling systems or stealing data.
- Increased trend towards automation of FERA's administrative activities to improve performance and reduce errors.
- Digital marketing facilitates knowledge of target clients so FERA can potentially target promotional activity using digital platforms.
- Increased use of robotics and Artificial Intelligence.

## **Legislation**

- New laws on the environment have created protected zones within public forests and the forest parks, and given powers to reduce public use if deemed necessary to the wellbeing of the forest habitat. In time this could lead to limits being put on the number of people able to access forest parks at any one time and the types of activities that could be carried out there – for example wild camping, retreats and burials.

## **Environmental**

- Flooding is expected to increase because of climate change, which is also expected to result in longer periods of drought, impacting the use of forests for hiking.
- Reduced snowfalls in the winter months, which reduces the possibility of cross-country skiing or snowshoeing.
- Fortina has signed up to various global initiatives to halt the loss of biodiversity which stresses the importance of maintaining its forests while ensuring appropriate public use.
- The Fortina government is increasingly extending the protected zones within its public forests and within the four forest parks. By designating specific zones for various activities it hopes to achieve a balance between human needs and ecological



preservation. Some areas have been designated 'zones of silence' where visitors are not permitted at all, in order to protect particularly fragile habitats and endangered species. Zoning of protected areas brings challenges such as conflicting land-use interests, insufficient enforcement, and ensuring the dynamism of ecosystems by monitoring that changes in the ecosystems are not compromised by visitor numbers and where visitors go.

- Balancing conservation goals with economic development will require careful planning between FERA and FFC.

## **Exhibit 7 – FERA’s digitalisation status (email)**

**Date:** 25 June 2024

**From:** Geoff Benson, Digital Lead, FERA

**To:** Michael Spinelli, Director, FERA

Good morning Michael

At your request my team has looked at the level of digitalisation in FERA and also researched how forestry departments in other countries are making use of digital technologies to benefit head office staff, staff in the field and users of forest parks.

FERA is increasingly making use of digital technologies, including the use of chatbots on the website, mobile technology out in the public forests and forest parks (although we could be doing more with that), and some limited use of the Internet of Things. We are working on introducing dynamic pricing where algorithms take over the task of using data to price entrance fees to the forest parks at busy times, although you then get into the argument of whether we’re running a business or managing a public service. We’re also looking at offering Augmented Reality and Virtual Reality experiences for users in visitor centres.

I’ll provide specific examples from other countries in the meeting you’ve called to discuss this topic later in the month.

Regards,

*Geoff*