

CABINET – 1ST MARCH 2016

REPORT OF THE CHIEF EXECUTIVE

TOURISM SUPPORT SERVICES REVIEW

PART A

Purpose of Report

1. The purpose of this report is to seek agreement for a preferred option for future tourism support services, including associated governance and delivery arrangements, following the findings of an independent review jointly commissioned by the County Council and Leicester City Council. Three possible options for tourism support are set out in Part B of this report and the recommendations below represent a combination of Options 2 and 3.

Recommendations

2. It is recommended that:
 - (a) The preferred option for the strategic governance of tourism is that it should be led by the Leicester and Leicestershire Combined Authority, noting that this will require approval by the Combined Authority Committee once established;
 - (b) A Tourism Advisory Board be established to provide business insight and guidance from the sector to the Combined Authority;
 - (c) The preferred option for the strategic management of tourism is that it should be managed by one or both of the lead local authorities (Leicester City and Leicestershire County Councils) on behalf of the Combined Authority;
 - (d) The preferred option for the delivery of tourism support services, including tactical marketing and campaigns is that these should be delivered both through staff employed by the lead local authorities and by commissioned services;
 - (e) The Chief Executive be requested to consult with stakeholders on the preferred option/s outlined in (a) to (d) above with the feedback to be considered as part of the final determination of the future model for tourism support services; and

- (f) The Chief Executive be requested to explore the option of establishing a trading organisation which could undertake commercial and/or bidding activity and a report be submitted to a future meeting of the Cabinet.

Reasons for Recommendations

3. A Local Authority led approach reporting to the Combined Authority would enable all nine local authorities in the Combined Authority area to have strategic oversight and influence of future tourism services.
4. The proposals would provide a coordinated approach with aligned resources across the city, county, and districts and the Leicester and Leicestershire Enterprise Partnership. Private sector partners would be engaged and contribute via the proposed Tourism Advisory Board, and the approach would enable alignment with other place-marketing activity such as Inward Investment.
5. As the proposed model involves no contractual obligations it would be possible to review and modify the approach in the future, as circumstances require.
6. Consultation will enable key stakeholders to express their views on the options, and these will be considered as part of determining the final recommended model.
7. The establishment of a local authority owned trading company could enable opportunities for income generation which would support the future sustainability of the preferred model. However further consideration of this option is required.

Timetable for Decisions (including Scrutiny)

8. The Scrutiny Commission was advised of the review in September 2015 and will consider a further report at its meeting on 6 April 2016.
9. The Economic Growth Board currently fulfils the function of the Shadow Combined Authority and considered a report on potential considerations for the devolution deal at its January 2016 meeting. The report outlined the potential for Tourism and Place Marketing to strengthen the credibility of the Leicester and Leicestershire Devolution Deal through demonstration of a commitment to closer collaborative working both locally and with government departments.
10. It is anticipated that a detailed report will be brought to the Cabinet in June 2016. This will include feedback from the options consultation with stakeholders, any staffing and funding implications associated with implementing the final recommended option, and an appraisal of the risks and benefits of establishing a trading organisation.

Policy Framework and Previous Decisions

11. The County Council's Strategic Plan 2014-2018 clearly recognises the importance of tourism in enabling economic growth through the provision of employment, increased visitor spend and promoting Leicestershire as a place to live, work and do business. It also acknowledges the importance tourism plays in enhancing and protecting its natural, historic and cultural offer.
12. The County Council's Enabling Growth Plan 2015-2018 outlines how the economic priorities in the Strategic Plan will be implemented, and includes targeted support for the growth and expansion of the visitor economy.
13. The Leicestershire Rural Framework 2014-2020 identifies tourism as a key priority rural sector, as do the two LEADER Local Development Strategies in the County (East Leicestershire and Hinckley and Bosworth).
14. Following a review of tourism support within Leicestershire it was agreed by the Cabinet on 8 May 2012 to externally procure these services. Leicestershire Promotions Ltd (LPL) won an open tender exercise to supply tourism services for the County Council for three years commencing April 2013, with an optional 2-year extension for 2016/17 and 2017/18.

Resource Implications

15. On 17th February 2016 the County Council approved its Medium Term Financial Strategy which includes an annual budget of £175,000 per annum in 2016/17 and 2017/18 for tourism support. From 2018/19 this reduces to zero as part of the Chief Executive's Department budget savings. The requirement to meet these savings has been a key driver for this review.
16. The existing 3-year contract with Leicestershire Promotions Ltd was due to expire on 31st March 2016; this was extended to 30th June 2016 to enable the independent review and there is the option to extend this further if required. The City Council's contractual arrangements with LPL have been aligned with the County Council's to allow for collaboration and a smooth transition into new arrangements.
17. The review, covering Leicester as well as the County, indicates that implementing its findings will require local authority funds for at least the next two years. However, it also identifies other opportunities for income to be pursued which include a membership scheme and corporate partnerships, buy-in to tactical marketing activities, projects undertaken for partners, and UK and EU funds administered by the Leicester and Leicestershire Enterprise Partnership (LLEP). The survey conducted as part of the review showed that 66% of respondents indicated they would be prepared to support tourism activity with funding in the future.
18. As stated above, a report will be brought to a future Cabinet meeting outlining the outcome of the options consultation and an appraisal of any staffing and/or resource implications of implementing the final recommended option.

19. The County Solicitor and Director of Corporate Resources has been consulted on the content of this report.

Circulation under the Local Issues Alert Procedure

20. None.

Officers to Contact

Tom Purnell, Assistant Chief Executive
0116 305 7019 tom.purnell@leics.gov.uk

Louise Driver, Economic Growth Team Leader, Chief Executive's Dept.
0116 305 6973 louise.driver@leics.gov.uk

PART B

Background

The Value of Tourism in Leicester and Leicestershire

21. According to the Scarborough Tourism Economic Impact Model (STEAM) the sector is estimated to be worth £1.57 billion to the local economy and attracts over 25 million people to Leicester and Leicestershire each year.
22. There are approximately 2,000 firms supporting over 30,000 jobs of which 2,500 are supported by in-bound visitors. The sector is the key provider of first jobs for young people and provides opportunities for those who wish to work part-time.
23. The level of growth in this sector over the past 5 years has been 13% with the last two years growth double that of the East Midland's average. The growth in tourism employment in 2011-2013 has been 17.65%.

LLEP Tourism Sector Plan

24. The Leicester and Leicestershire Enterprise Partnership (LLEP) is a strategic body led by a Board of local government and business leaders as well as senior education and third sector representatives. Its remit is to drive forward local economic regeneration and growth, including by working with the Government and local businesses.
25. The LLEP has identified Tourism as one of its 8 priority sectors, and commissioned a Tourism Sector Growth Plan in 2015. The Plan proposed a number of key actions that have been further explored through this review, including:
 - Better coordination of major capital investment to the sector;
 - Establishing a strategic framework led by a new sub-committee, which will also develop cross-border initiatives in the tourism sector;
 - Seeking resources to continue and enhance destination marketing;
 - Supporting major inward investment into the tourism and hospitality sector;
 - Linked to the above, seizing the potential for greater business tourism within the City and County.
26. The Plan also sets ambitious growth targets for the sector including 10,000 new jobs to be created, 35 million visitors and a sector value of £2.2 billion by 2020.
27. A key driver for the review was to ensure that the most effective governance and delivery arrangements are in place to implement the actions identified in the sector plan, and thus maximise the economic contribution that tourism makes to Leicester and Leicestershire.

Independent Tourism Review

28. In November 2015 Leicester City Council and the County Council jointly commissioned Blue Sail (a tourism consultancy and a strategic marketing agency) to conduct an independent review to evaluate the effectiveness of current tourism support arrangements and to explore and make recommendations on future governance, management and delivery options. The review also considered how future arrangements can assist the delivery of priorities identified in the LLEP's Tourism Sector Growth Plan, options for efficiency savings, and explored the range of funding sources. A full copy of the final report is appended to this report.

Consultation

29. Blue Sail interviewed representatives from the City and Council Councils, LLEP, District Councils and stakeholders from venues and attractions in the City and County ranging from large to small sized businesses. The method of engagement included over 20 one-to-one interviews, a workshop, and an on-line survey with over 70 respondees from tourism enterprises.
30. The key Leicester and Leicestershire strategic documents which highlight the importance of the tourism and hospitality sector and tourism blueprints developed by district-based tourism partnerships were reviewed. Case study models from other UK comparable geographies were explored and referenced.

Consultation Findings

31. Overall the review recognised a need for change, and a strong sense that more needs to be done collaboratively and together. There was support for an effective destination management, development and marketing body that is better connected with strategic decision-making, especially with the LLEP and the City and County Councils. The top priorities identified for this body include:
 - Clear strategic leadership of tourism to match the ambition and determination;
 - Need for a strong, clear brand and narrative for the destination;
 - Support for an effective destination management, development and marketing body that is better connected with strategic decision-making (City, County and LLEP);
 - Need for improved marketing of what the area has to offer and a defined focus for support activity to create awareness and inspiration leaving the business sector to handle conversion and booking;
 - Potential for a broader place marketing role e.g. Marketing Manchester, Marketing Birmingham, and Make it York;
 - Potential growth in event bidding and group travel through planning and coordination;
 - Product development in attractions and public realm that can make a real difference to tourism performance;

- The ability to make external funding applications, liaise with the LLEP and Visit England.

Options for Tourism Support

32. Following extensive consultation the review describes three potential destination management models. Examples of the models in practice elsewhere indicate that each is a feasible way forward. They are:

Option 1: Reformed Public Private Partnership - an independent not-for-profit company similar to the Leicestershire Promotions Ltd model but with a broader remit and a greater involvement in policy development.

A revised specification for an externally procured model would need to include a requirement for a closer relationship with the local authorities as a partner not just as a contractor of services. It would require the procured organisation to be included in policy development, identification of investment priorities and the creation of the narrative for place marketing. The procurement process may attract a new provider, but could equally establish that this model is not feasible, or not feasible at a cost the local authorities are able to support. The risk of this approach is that the process will take some time and extend the period of uncertainty before a permanent solution is agreed and operational.

Option 2: A destination management function within a local authority - initially a department in a lead authority with a view to a subsequent move to the control of the proposed Combined Authority.

The rationale for this approach is that leadership in destination management, infrastructure investment and place marketing have become central objectives of the local authorities and LLEP, and are intertwined with policy objectives in economic development, planning, transport, culture, etc. With direct control the local authorities can ensure destination management is integrated and central to its policies and the investment plans of the LLEP. The destination function must retain the support and participation of the wider tourism, hospitality, cultural and academic sectors which are critical to its success. It is recommended that this could be achieved through the formation of a Tourism Advisory Board to include senior non-public sector persons. Any new model would need to maintain a distinct identity that sector partners can recognise and support, enabling management and operational planning to be shared.

Option 3: A local authority controlled company - similar in function to Option 2 but established as a Teckal company¹ owned by the City and County Councils.

¹ A Teckal Company is owned by a number of local authorities to deliver a common service, making it possible to be exempt from external procurement rules. It can offer the same services commercially but only up to a limited turn over.

The company would be managed with a degree of independence with a Board of Directors, representatives of the sector, appointed by the local authorities. It would be Teckal compliant, i.e. the Councils could award work and contracts to it without a competitive procurement process.

Option 3 gives a clear identity and a form of governance that acknowledges the ongoing partnership with the industry.

Conclusion

33. Entering into a new contract with an external provider could limit flexibility to adapt to future changes including availability of public sector funds, new local governance arrangements and the need to better align tourism with wider place marketing and inward investment functions. **Option 1 is therefore not a preferred option.**
34. The potential establishment of a Combined Authority in autumn 2016 provides an opportunity to incorporate the strategic governance of tourism and place marketing within a Leicester and Leicestershire Devolution Deal. This would demonstrate a commitment to closer collaborative working on tourism from all nine local authorities. It would allow for a coordinated and aligned approach to maximising the effectiveness of City, County, district and LLEP resources. The strategic management of tourism and place marketing would be managed by one or both of the lead authorities on behalf of the Combined Authority.
35. It is recognised that the Combined Authority would require expertise from the sector to ensure that the place marketing narrative, strategic tourism priorities and investment priorities meet economic growth and industry opportunities and aspirations. There will also be a requirement for the public and private sectors to work together to generate funds to support sustainable delivery. A Tourism Advisory Board including senior non-public representatives from the sector and reporting to the Combined Authority is considered the best approach to achieving this. **A combination of Option 2 and Option 3 is preferred.**
36. In terms of direct delivery of tourism support services e.g. tactical marketing and campaigns, further consideration of potential delivery options is required. Therefore, the City and County Councils wish to further explore the option of a local authority owned company in more detail, including the legal, financial and staffing implications.
37. The final recommendation will be brought to a future Cabinet meeting and will take account of stakeholder views on these options.

Background Papers

LLEP Tourism and Hospitality Sector Growth Plan
<http://ow.ly/YkCPo>

Leicestershire and Leicestershire Strategic Economic Plan

<http://ow.ly/YkCVd>

Leicestershire Rural Framework

<http://www.oakleaves.org.uk/uploads/rural-framework-2014-2020-final-draft.pdf>

Report to the Cabinet, 8 May 2012 “Review of Tourism”

<http://ow.ly/YkFC7>

Appendix

Tourism Support Structures – A Review for Leicester City and Leicestershire County Councils (Final Report January 2016, Blue Sail)

Equality and Human Rights Implications

38. There are no equality or human rights implications arising from the recommendations in this report.

Partnership Working and Associated Issues

39. This report has been written following consultation with a wide range of partners and stakeholders. The recommendations outlined in this report build upon good partnership working with the public and private sector along with strengthened local governance through a Combined Authority led approach.

Risk Assessment

40. A full risk assessment of the transitional period and possible establishment of a Teckal Company (if this emerges as the preferred ‘delivery’ option) will be reported at a future Cabinet meeting.