

NOTE. This document has been corrected since first being published and differs from the hard copy circulated to members.



TOURISM SUPPORT STRUCTURES

A REVIEW FOR LEICESTER CITY AND
LEICESTERSHIRE COUNTY COUNCILS

JANUARY 2016

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EXECUTIVE SUMMARY

This is a review of tourism support structures undertaken for Leicester City and Leicestershire County Councils. We were commissioned to evaluate the effectiveness of current tourism support arrangements and to explore and make recommendations on future governance, management and delivery options. The contracts the two Councils currently have with Leicester Shire Promotions Ltd (LPL) to provide tourism support across the sub-region are due to expire shortly.

We have undertaken the review in consultation with key people in the sector from public, private and cultural sector organisations, by interviews, online survey and a workshop.

We heard very positive views about the progress of tourism in the region and about ambitious plans for further investment and growth. But we also heard there is a need for clear leadership of tourism to match the ambition. LPL is perceived not to be 'at the top table' where policy and decisions are made, and the scope of its work has narrowed and is restricted by its contract. It is no longer tasked with the place marketing it once undertook. Stakeholders believe that the destination lacks a strong and clear brand and narrative to underpin collaborative promotion.

Overall we found the destination recognises a need for change. There is a strong sense that more needs to be done collaboratively and together. There is support for an effective destination management, development and marketing body that is better connected with strategic decision-making, especially with the Leicester and Leicestershire Enterprise Partnership (LEEP) and the City and County Councils.

Our review describes three potential destination management models for this region. Examples of the models in practice elsewhere indicate that each is a feasible way forward.

The first two options are **public sector-led**. They are

1. **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.
2. **A local authority controlled company**, either newly created or formed by a transfer of LPL with the agreement of its Board into local authority control.

The rationale for the public sector-led approach is that leadership in destination development, 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, however, the support and participation of the wider tourism, hospitality, cultural and academic sectors which are critical to its success. We therefore recommend that it maintains a distinct identity that sector partners can recognise and support and in whose management and operational planning they share. In the first option we recommend formation of a strong **Advisory Board** to include senior non-public sector persons. In the second option the **Board of Directors** appointed by the local authorities should include persons representing the breadth of the sector as well as the local authorities, and should manage the company with a significant degree of independence.

Our preference between these models is for the local authority controlled company; it gives the destination management function a clearer identity and a form of governance that acknowledges the ongoing partnership with the industry. If formed by a transfer of LPL it will make it easier to maintain ongoing activities and customer relationships with businesses.

The third option is an independent not for profit company:

- 3. A reformed Public Private Partnership** - an independent body on the model of LPL, but with a broader remit and closer relationships with the local authorities, as a partner not just a contractor for services. It would be at the top table in policy development, helping to identify investment priorities and opportunities, and creating the narrative for place marketing.

The body's closer relationship with local government would be reflected by inclusion of one or more elected members on its Board. The feasibility of this model could be established via a new procurement process, challenging the LPL Board to establish how LPL would structure itself to deliver the expanded remit. It would need to show how income would be generated and grown. The process may of course attract an alternative provider or establish that this model is not feasible, or not feasible at a cost that the local authorities are prepared to support.

The evident risk is that the process will take time and will extend the period of uncertainty for LPL and the wider sector before a permanent solution is agreed and operational.

The **funding of destination management** will continue to require public sector support. In our view the new arrangements will require funding from the local authorities at or above present levels for the next two to three years at least. Other opportunities for income need to be vigorously pursued and include a membership scheme and corporate partnerships, buy-in to tactical marketing activities, delivery of programmes for the Business Improvement Districts, projects undertaken for partners, VisitEngland programmes, and UK and EU funds administered by LLEP.

1 INTRODUCTION

The brief for this report, from Leicester City and Leicestershire County Council, commissioned an independent review of the effectiveness of current tourism support arrangements whilst exploring and making recommendations on future governance, management and delivery options. It was to consider how future arrangements can assist the delivery of priorities identified in the Leicester and Leicestershire Enterprise Partnership's (LEEP's) Tourism Sector Growth Plan. The review is also to consider options for efficiency savings and explore the range of funding sources including income generation.

The immediate context of the review is the impending expiry of the contracts the two Councils have with Leicester Shire Promotions Ltd (LPL) to provide tourism support across the sub-region. The existing contract ends in March 2016 with an option to extend the contract for a further two years. The review is not about the performance of LPL - though perhaps inevitably views on that subject were expressed to us - but about the appropriateness of the structure to deliver whatever is needed to advance the growth in tourism and hospitality.

Our aim in this review is to provide advice and recommendations to the local authorities, based upon evidence and analysis. It is to enable them to make their decisions about the most appropriate destination management structure, to understand the implications, and assist them to lead the process of establishing the chosen model.

OUR PROCESS

The review was commissioned in November 2015 and we have worked throughout with a small Steering Group of officers from the City, County and Harborough District Councils and LLEP. We studied current policy and performance documents from the public bodies and LPL. We held more than 20 structured conversations, mostly face to face but with some by telephone, with key persons in the sector across the region, including public, private and cultural sector organisations.

We devised and ran an online survey designed to allow businesses of all types to comment on what kinds of activity they most value. The survey picked up views of smaller businesses, particularly accommodation providers who were probably under-represented in other aspects of the consultation. With 72 responses the sample size was not sufficient to be a definitive expression of views but provides a useful snapshot of opinion.

We identified a number of models for destination management, drawing from our own experience of setting up and working with Destination Management Organisations (DMOs) around the UK, and by researching a number of comparator organisations (details of a number are given in the appendix to this report). Around 24 senior people

from organisations across the sector attended a workshop held in December at Curve in which they identified the scope of what a DMO in the region should do and the priorities for tourism support activity. They went on to analyse the pros and cons of the DMO models that we had identified.

Following the workshop we summarised our findings in an interim report to the Steering Group, in order to discuss and refine the options which we present at the conclusion of this final report.

2 THE CURRENT POSITION

THE CURRENT DMO AND DESTINATION MANAGEMENT

Leicester Shire Promotions (LPL) is a private, not-for-profit company formed in 1993. It is a partnership between the public and private sectors. It is governed by its own Board of Directors and employs a Chief Executive and staff.

The company has from the outset received funding from Leicester City Council and (later) Leicestershire County Council. In recent years the funding has moved from a grant and service level agreement basis to a contract following a procurement exercise and tender for specific services. This change has, in the view of LPL and others, changed the relationship from one of a partner and chief adviser to the local authorities to the paid provider of a limited range of services. LPL is no longer perceived to be 'at the top table' where policy and decisions are made. It developed a Destination Management Plan for Leicester and Leicestershire in the early days of the LLEP, but that has not been adopted by the Councils and the City has subsequently developed its own Tourism Action Plan. The scope of activity has narrowed; LPL is no longer tasked with the wider place marketing that it once undertook. The level of funding from the local authorities is declining; that and the time-limited contract creates uncertainties for LPL in forward planning and has contributed to recent job losses.

Other local developments in destination management and development are as follows:

- ▶ LLEP has researched and developed a Tourism and Hospitality Sector Growth Plan which includes its intention to support investment in tourism attractions and infrastructure; it is also establishing a Tourism strategy group to develop the LLEP strategic approach.
- ▶ The City Council has published a Tourism Action Plan, stating its ambition to establish the city as a primary visitor destination by 2020
- ▶ The City Council has also established a Tourism Forum with responsibilities for delivery of the Action Plan and the promotion and development of the tourism industry in the city.
- ▶ It has established a separate Visit Leicester website and runs the Visit Leicester Information Centre.
- ▶ A Tourism Partnership has been established in the county, supported by LPL, to steer activities.
- ▶ The County has two LEADER programmes (East Leicestershire and Hinckley and Bosworth) and tourism is one of the priorities within their Local Development Strategies.
- ▶ Five District Councils - Melton, Harborough, Charnwood, North West Leicestershire and Hinckley and Bosworth have tourism partnerships which have developed district tourism blueprints with input from LPL
- ▶ Harborough is the one Council with its own, recently appointed a Tourism Officer hosted by LPL.

OUTLOOK FOR TOURISM

We heard very positive views about the progress of tourism in the region - perceptions borne out by data. There has been an overall growth of 20% in volume of visits and 40% in value over the last 5 years, and hotel occupancy levels in the holiday season are high. Perceptions of the destination are improving and momentum is building, according to consultees, not least because of the world-wide attention generated by the King Richard III discovery; but it is important to push on and build on that success.

We heard of a strong attractions offer in City and County and of ambitious plans in place for over £100m in new investment. The VisitEngland Product Development Fund was seen as an opportunity. Consultees suggested the region should seize the opportunities for greater events and business tourism, though citing a shortfall in appropriate hotel rooms as a constraint.

The LLEP Tourism and Hospitality Growth Sector plan targets a 50% growth in the value of tourism to £2.2bn by 2020 with 10,000 increase in jobs. It proposes to support a major capital investment fund and a fund for SMEs to enable expansion in capacity of the sector and unlock major obstacles to growth.

Ambitions and prospects of this scale will require robust and authoritative delivery mechanisms and strengthen the case for an effective destination management, development and marketing body.

VIEWS OF CURRENT DESTINATION MANAGEMENT

A number of consistent messages emerged through this review. The most compelling were that:

- ▶ There needs to be clear leadership for tourism to match the ambition for the destination.
- ▶ Marketing is working well for some but brand and narrative is not compelling enough nor clear enough for the majority of stakeholders.
- ▶ The connection of tourism support with major strategic decision-making, especially within the LLEP, City and County Council should be improved.

While this was not a review of LPL per se, inevitably views about the effectiveness of LPL were expressed. There were many who commended the performance of LPL, the knowledge which existed within it and evidence of effective marketing. But others felt distant from LPL, disengaged and questioned the impact of marketing and other activities. For some there seemed a low level of trust or confidence in LPL. Whatever the reasons, the leadership deficit and feelings of poor engagement with stakeholders are an obstacle to concerted destination management.

The survey, reflecting views weighted towards small and accommodation businesses, indicated the highest priority is sales and marketing but reinforced the view that overall

performance fell short of their expectations. Survey respondents also valued the more traditional services of Visitor Information which came second in their priorities.

Encouragingly 66% of survey respondents suggested they would be prepared to support tourism activity with funding. 18% of the total indicated they might invest the lower amounts (up to £100), 8% were prepared to pay £100-£250, 11% (£250-£500), 8% (£500-£1000) and 21% (£1000+). Many businesses recognised that while they would help to fund activity the calibre of leadership to drive things forward is critical to their engagement and support.

Overall we found a destination in which there is a recognised need for things to change. There is a near universal belief in the prospects for the destination and a very strong sense that more needs to be done collaboratively and together.

SWOT

This table summarises the findings from the one to one consultations, survey and workshop on destination management and marketing.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ▶ Alignment of LLEP, City, County and Districts a force for good ▶ Strong political leadership in the City and County considered positive and indicative of drive and ambition for area ▶ Campaigns such as Stay Play Explore working well for some stakeholders ▶ Tourism knowledge in LPL well regarded ▶ LPL delivers support and advice to businesses 	<ul style="list-style-type: none"> ▶ Perceived leadership deficit. Unclear who is leading and whether all are working together. ▶ Perceived marketing under-performance ▶ No clear place brand and narrative ▶ Narrow targets for LPL (bednights) ▶ Multiple online destination tools indicative of lack of joined up approach ▶ Lots of different bodies – not always pulling together
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ▶ LPL has more to offer but contract limits scope ▶ Business willing to invest but need leadership and a focus on marketing and sales ▶ Prospect of Combined Authority ▶ BIDs – existing & new with an interest in tourism ▶ Destination Marketing should work in wider areas - inward investment, students/universities etc. ▶ Potential to work beyond county boundary on market development 	<ul style="list-style-type: none"> ▶ Investment tied up in servicing visitors in traditional channels such as VIC rather than in attracting new visitors ▶ Diminishing local authority funds ▶ Business investment easy to say – difficult to do ▶ Political boundaries can impact delivery while tourists see no boundaries ▶ Funding and contract uncertainty limits LPL's ability to plan effectively

3 WHAT NEEDS TO BE DONE

FINDINGS AND PRIORITIES

The workshop was asked 'What should a DMO for Leicester and Leicestershire concentrate on? What are the main needs to be met, and opportunities to be exploited'.

In the discussions that took place, the workshop identified its top priorities for action by a DMO. In order of priority they were:

- ▶ Strategic Leadership
- ▶ Brand and Narrative
- ▶ Partnership & Collaboration
- ▶ Events Bidding & Coordination including business tourism
- ▶ Marketing & Sales
- ▶ Research & Intelligence
- ▶ Product Development & Destination Management
- ▶ Information

Drawing on the discussions in the workshop, our consultation with stakeholders and our own research we expand on each of these in turn.

STRATEGIC LEADERSHIP

There is a widespread view that a clear strategy and ambition needs to be articulated. As there are already City, LLEP and District Tourism Plans the requirement maybe focus rather than gap-filling as arguably too many plans and too much detail cloud the real priorities for action. The development of a Destination Management Plan for the region that projects forward at least 10 years would be a way of addressing this issue.

But it was particularly leadership and vision that was identified as required to inspire the many different stakeholders to work together to support the development and promotion of tourism.

BRAND

Many consultees said they had an insufficiently clear idea of the narrative used to sell Leicester and Leicestershire to prospective visitors or journalists. Even where they had some ideas of what this might be, they recognised that there was no unified message that they could get behind or amplify through their own sales and marketing activity.

A destination brand is really about all the things that someone feels, thinks or imagines when they hear about a place and should not be confused with a simple logo or tagline. Many destinations with successful brands have a much richer narrative to draw upon in

describing their brand that can be shared and adopted by local business. Developing a brand and associated toolkit for the destination could make a real difference by improving marketing performance and uniting the industry.

PARTNERSHIP & COLLABORATION

The idea that the destination is stronger by working together was universally accepted. However most also recognise that different elements of the industry and the public and private sectors do not always agree on priorities.

There may be a choice to be made by a DMO on whether to seek to represent all tourism businesses or focus effort on those with potential to invest and deliver the biggest impacts in visitors and jobs. The majority of the tourism enterprises are small and have negligible or no funds for marketing. The top 10% of tourism providers by size will probably contribute most of the potential joint marketing investment. If the focus is firmly on the latter it will determine the market segments and the way the marketing budget is spent.

Some destinations offer basic support to all business regardless of whether they pay anything much and a separate package of support and collaborative work for more strategic investors. This raises the question of DMO membership; should it be pursued in this region? There are several models of DMO membership, including tiered schemes with benefits relating to size of business and investment. A judgement will always be required as to whether the advantages of a scheme outweigh the costs in time and communications with the businesses. Alternatives are a higher level membership or corporate partnership only or for no membership but a shopping list of activities from which business can pick and choose.

It is striking that a number of major potential partners appear not to be closely involved in destination management activities. The universities and transport providers are two examples where there may be shared ambition in terms of marketing, profile, branding and destination offer. A revised arrangement for tourism support should consider how the major strategic partnerships can be developed.

One area of agreement common to all, including by the local authorities, is that administration boundaries are meaningless to visitors. The opportunities are not confined to just Leicester and Leicestershire. Collaboration should extend to areas and to DMOs across the wider region wherever market interests are shared.

LPL is credited for maintaining valuable working relationships with VisitEngland and VisitBritain. These should be maintained in whatever tourism structure is adopted.

EVENTS, BIDDING & COORDINATION

Growth in the Convention Bureau type activities and successful bidding for conferences was held up as an area of progress in recent years. With investment in facilities and with easy access to London and good rail links, growth in business tourism events should remain a central plank of future plans.

Similarly the potential of the group travel market was identified by many as an area of potential growth that requires planning and co-ordination.

The need for Leicester and Leicestershire and its constituent tourism providers to work together to increase awareness and conversion of enquiries was illustrated by a desire for more coordination and collaboration, for example at trade shows.

MARKETING & SALES

A common view expressed through the consultation was that marketing is insufficient and is not doing a good enough job of helping prospective visitors know what the area has to offer.

A decision needs to be made about where the focus for activity should sit. There is a strong argument for the function to lean more heavily **towards awareness and inspiration** and for the business sector to handle **conversion and booking**. Arguably that is where interventions by a DMO have the greatest impact even if that means stopping doing some things they may have done for a long time, or which a large number of smaller businesses would still like them to do.

There is a clear link between this priority and the one of brand and narrative; marketing activities are unlikely to succeed without an effective brand in place.

RESEARCH & INTELLIGENCE

Tourism businesses recognise that research and insights help deliver effective marketing, but invariably seem to expect this is something the public sector should provide. It is unsurprising that it ranks low in the priorities but we nonetheless believe it is essential. There were suggestions, appropriate in our view that the focus of market intelligence should be on markets closer to home. With London an hour away by train and tens of millions of people within a 90 minute drive time that should be where, in the short term at least, research, intelligence and marketing efforts are focussed.

Much of the existing research looks backwards to 'how the destination has performed'. A greater emphasis on looking forward is needed - on horizon scanning to identify insights and opportunities to be capitalised upon for market advantage. Many stakeholders suggested learning lessons and borrowing good ideas from other destinations to improve the experience that Leicester and Leicestershire offers.

PRODUCT DEVELOPMENT AND DESTINATION MANAGEMENT

Product development in attractions and public realm has made a real difference to tourism performance in recent years. But the expectation of visitors continues to rise all the time. Accommodation development for example came out very strongly as something which may be needed to support future growth ambition.

Being fleet of foot, able to recognise opportunities and bring them forward, as happened with King Richard III requires leadership, ambition and determination. In the future the DMO should have a role in identifying opportunities, showing where the experience falls short and where the gaps exist. Many of the attractions already have capital investment programmes in place but aligning these to other strategic investment decisions such as highways, signage and wayfinding can make a big difference to their overall success. The DMO should be able to help with external funding applications, liaison with LLEP and VisitEngland.

INFORMATION

Changes to consumer habits, technology and the introduction of a host of other intermediaries have largely rendered obsolete the traditional ways that destinations provided information. Destinations need to rethink their information strategy in ways that reduce cost, increase value to tourism businesses and meet the needs of modern visitors. For example

- ▶ Most information is available online and most visitors have smartphones. The challenge is not so much to put accurate information on the destination's own websites as to ensure it gets onto other people's websites, onto social media, Google, TripAdvisor, You Tube, Mumsnet and so on
- ▶ Mobile information services (including bikes) enable staff to be where the visitors are (including at events) , not visitors having to go to a fixed location
- ▶ Some destinations use volunteers as Greeters to support the welcome to visitors
- ▶ Really useable on-street maps and directional guidance such as those introduced as Legible London are invaluable visitor information
- ▶ Partner tourism businesses can provide a simple information service through Tourism Information Points.

POTENTIAL FOR A BROADER PLACE MARKETING ROLE

The qualities that make a place attractive to a visitor or conference organiser often convince those making decisions about study, business expansion, relocation or inward investment. The underlying narrative of a place has to be coherent and consistent whether for a leisure break or a business investment, albeit with different emphases and highlights. Both are part of the public face and brand-building for the place.

The rethink of tourism support is an opportunity to consider a broader place-marketing function, a concept advocated repeatedly by consultees. There are a number of

examples of DMOs that have been integrated into, or become, wider place-marketing organisations, such as Marketing Manchester, Marketing Birmingham and Make it York. They align tourism marketing with the profiling needs of the local authorities and LEP, companies, universities and colleges in a collaborative and cost-effective way.

4 MODELS FOR DESTINATION MANAGEMENT AND MARKETING

We have examined several potential models for a future destination management model. The workshop provided an opportunity to examine the strengths and weaknesses of each approach and to test their suitability to fulfil the roles that stakeholders require. Here we describe the main models in broad terms and refer to their perceived pros and cons.

COMMERCIAL MODEL

An increasing number of DMOs have little or no public sector core funding and are entirely private sector run, though mostly as not for profit companies. In most cases these are 'legacy' organisations that have lost public funding but have re-invented themselves to serve their members' interests. On the plus side they are seen to be:

- ▶ Fast and responsive
- ▶ Lean and keen
- ▶ Commercially rather than politically driven
- ▶ Able work cross border on visitor/ industry led view of destination
- ▶ Free from state aid restrictions
- ▶ Able to retain continuity of knowledge, experience and business relationships where evolving from an existing DMO

Their limitations are felt to be:

- ▶ Lack of an imperative for strategic focus or vision
- ▶ Able to deliver only what business will pay for, and so dominated by short term ROI on marketing
- ▶ Unlikely to be able to sustain broader destination marketing and brand development
- ▶ Not well-placed to deliver place marketing
- ▶ In danger of 'silo' working
- ▶ Compelled to spend much time chasing financial contributions - most of which will be small unless they can engage the big players
- ▶ Subject to variable and unpredictable cashflow

Examples of this model

Visit Cornwall (as recently re-structured), Visit Northumberland, and Visit Shropshire.

Conclusion

Our conclusion is that the commercial model would not be able to deliver key aspects of destination management that stakeholders are keen to see.

BUSINESS IMPROVMENT DISTRICT

In this model destination management activity is largely or completely funded and managed by a Business Improvement District (BID) company, or by a Tourism BID (TBID) in which only tourism and hospitality businesses contribute to the business levy.

Given the existing patchwork of BIDs in Leicestershire, and the City of Leicester BID about to go to ballot, with different agendas and gaps in coverage it is not feasible for a DMO for the whole area to be constituted as a BID. But there will be opportunities for strong partnerships between the DMO and BIDs wherever agendas overlap and the potential for funding from the BIDs for destination marketing and management.

Examples of the TBID model: Inverness and Loch Ness and Greater Yarmouth

Examples of generic BID companies: Plymouth Waterfront and Lincoln BIG which both fund and manage substantial tourism activity in broader programmes.

Comparator information and lessons: Lincoln BIG - Turnover c £1.3m – 50% on Marketing and Events, 17 full and Part-time Staff.

- ▶ The BID process brings with it valuable disciplines in terms of communications, collaboration and business planning.
- ▶ Retail and wider tourism sectors share many objectives and should work more closely together on marketing and destination management.
- ▶ BIDs seem to work best for limited and well integrated spatial footprints

Conclusion

The BID model will not be the basis for a destination management function in this region but BIDs can be very important supporters and partners in destination activity, and a DMO can be a delivery partner for parts of a BID programme.

PUBLIC PRIVATE PARTNERSHIP

This is the existing model in Leicester and Leicestershire. The question will be whether the model can be reformed to take on the full role including place marketing, with a closer relationship to public sector bodies and with an acknowledged leadership position in destination management. The advantages of this model are seen to be:

- ▶ The opportunity for continuity with LPL - avoiding disruption of a new set-up and allowing continuation of relationships with industry and retention of knowledge and experience
- ▶ Independence and arms-length operation
- ▶ Represents all interests with buy-in from both public and private sectors
- ▶ Can be the prime channel of communication between private and public sector partners - can be the honest broker
- ▶ Able to take on a broad role including place marketing on behalf of all sectors
- ▶ Can access external funding sources and take on commercial work

But on the downside:

- ▶ Stakeholders may perceive that no change has occurred
- ▶ More is being asked of the body while public funding is reducing
- ▶ If public sector commitment wanes it may undermine private sector support
- ▶ Uncertainty about the number and willingness of big private players to buy-into the partnership at a significant level
- ▶ May still be subject to periodic tendering creating uncertainties

Comparators

Aberdeen and Aberdeenshire Tourism Company; Budget c£2m; Staffing 8-10 FTE – 40% of budget. A merger of three pre-existing DMOs in the interests of better collaboration, cost-effectiveness and coherence of the marketing message.

Lessons: Existing organisations and structures can be remodelled to deliver a revised set of activities and outcomes, allowing continuity and seamless transition. Major commitment by public sector has drawn very positive response from major private and voluntary sector partners to effect step change in tourism. Inclusive approach to wider industry very important to achieve early and comprehensive buy-in.

Comparator: Marketing Cheshire, which covers Chester, Cheshire and Warrington, is a not for profit company that delivers tourism support in the region. Originally heavily supported by the RDA, it has now developed a close relationship with the LEP to whom it provides a variety of marketing and business engagement services and with whom it has established a joint holding company '871 Growth'. It has 15 staff (not including TIC) and a turnover of approximately £2m. Around 50% of its costs are on staff and establishment.

Lessons: Falling local authority funds cannot automatically be made up by the private sector despite an improving visitor economy; Relationship with LEP underpins

credibility as a Place Marketing agency; Activity and approach driven by a clear and concise Destination Plan.

Conclusion

The existing model could be re-modelled to serve a different remit, but only if it has the clear backing and support of all sectors.

PUBLIC SECTOR -LED ORGANISATION

Departmental Model

The traditional destination management model was a tourism section or department within a local authority. It typically has sat alongside or within a department for economic development, regeneration, culture, arts, museums or similar services.

Over the past decade or so this model has been largely replaced by other models (mainly those described above) but some examples remain, notably where tourism is a large proportion of local economic activity such as Brighton, Blackpool and other coastal resorts. While some are adept at securing private sector revenue to support activity it can be more challenging when an organisation is part of the local authority. The benefits of this model include:

- ▶ Opportunity to integrate destination management with other local authority functions e.g. planning, culture, transport
- ▶ Potential to reduce overheads e.g. premises and support services
- ▶ Back-up resources and cover such as legal, financial, IT
- ▶ Political buy-in and leadership
- ▶ Single point of control and management
- ▶ Business can be persuaded to contribute if outputs and outcomes are delivered

However the challenges of this approach are:

- ▶ Perceptions of political interference
- ▶ May be remote from private sector input and influence – business may feel excluded and therefore not buy into activities
- ▶ Local authority support is dependent on the perceived value of tourism locally
- ▶ Uncertainties and changes in political control
- ▶ Typically higher overheads and on-costs than are found in other organisations
- ▶ Decision making speed can be affected by the political process

Comparator:

Visit Brighton is a local authority tourism organisation that sits with the Conference Centre/Venues team. Staff of 14 and budget of £850k of which the authority provides £530k. 500 businesses in partnership with the organisation which provides marketing, information, and convention bureau and destination management support. Declining

local authority budget and set to decline further. Staffing costs of between 50%-70% are unsurprising - tourism activity especially media, convention bureau, partnership needs people. Brand Toolkit and Brand Narrative successfully enhance and amplify activities of individual businesses.

Conclusion

There are clear advantages and disadvantages to this model. The deciding factor is largely the strength of political commitment locally and whether this translates into financial support.

Local Authority Controlled Company

Another way for the public sector to lead is by establishing and supporting a local authority controlled company. The local authorities retain ultimate responsibility for the actions and finances of the company but appoint a Board of directors to run its activities. In destination organisations of this model the Board comprises prominent business, academic and tourism figures and representatives of the local authority. Typically the Board is chaired by a private sector figure.

This model gives important reassurance to industry that politics will not dominate operations and that commercial expertise is at the centre of company. At the same time the public sector can be assured that the objectives of the company are aligned with its strategic aims

Where a number of local authorities, such as in a Combined Authority, own the company it may be regarded as a 'Teckal' company. That status gives some exemption from usual requirements to follow open procurement processes that are problematic in this context, and it also gives powers for a degree of service provision to the private sector. Legal advice should be taken.

Comparators:

Make it York. Until 2015 Visit York was an independent company and public private partnership operating as a destination marketing organisation. In that year it became a local authority controlled company and took on functions and some staff from the local authority for economic development promotion, events and place-marketing. The choice of a local authority controlled company rather than a local authority department model was made to ensure continuing private sector involvement and support. It continues to be a membership organisation with 700 members, generates income through marketing activity and publications and receives funding also from the local authority. The Board appointed by the Council includes both local authority and private sector members, and there is a larger Visitor Economy Steering Group open to all sectors that acts as an advisory body.

Marketing Manchester is a public sector controlled company, a subsidiary of Manchester Growth Company which is answerable to the Greater Manchester Combined Authority and to the Greater Manchester LEP. Its remit is to increase the

interest in, and visitors to Manchester, by positioning the city-region as a vibrant international destination, which acts as a gateway to the UK. Together with MIDAS (inward investment agency), it promotes Manchester as one of Europe's leading business destinations, whilst also supporting the enhancement of the tourism product in Greater Manchester through the development of its tourism infrastructure. Marketing Manchester has its own (subsidiary) Board led by a private sector Chair and including prominent public, private and cultural sector directors. It is a membership body with over 400 paying members.

5 WAYS FORWARD

Our consultations showed clear support for change and strong backing for a DMO with a broad remit including place marketing. This was true both for public sector and private sector organisations. Some smaller businesses would probably be content with a commercial model DMO focusing just on sales and marketing activity. But that would not deliver the leadership and coordination that most consultees want, and we have doubts whether it would generate sufficient revenue to be an effective organisation.

We therefore see the following options for the future, each of which in our view are provided they have the support of both public and private sectors.

A PUBLIC SECTOR -LED DMO - WITHIN A LOCAL AUTHORITY

The rationale for the public sector-led approach is that leadership in destination management and development, infrastructure investment and place marketing have become central objectives of the local authorities and LLEP, are difficult to specify and risky to contract out and are thus best under direct control. Moreover they are intertwined with policy objectives in economic development, planning, place-making, transport, culture etc. With direct control the local authorities can ensure destination management is integrated and central to its policy development and the investment plans of the LLEP.

The risks in adopting this model are an adverse reaction by private sector partners, perceptions that they have lost influence and that destination management is being driven by politics. We believe therefore that the destination function must retain a distinct identity that private sector partners can recognise and support. There should be a discreet unit with a distinct name - such as Marketing Leicester and Leicestershire (MLL)¹. Its income and expenditure should be ring-fenced and reported on separately, so it is clear that marketing and projects income is recycled into activity supporting the destination.

The private and cultural sectors must share in management and operational planning. Currently, one local authority would need to lead the function on behalf of the others. Plans are progressing, however, for a Combined Authority which could appropriately be the ultimate governing body. We would recommend formation of a strong Advisory Board to the local authorities to include senior non-public sector persons and possibly be chaired and led by a private sector figure.

¹ Marketing Leicester and Leicestershire or MLL is used here as a working title.

MLL and its staff would be employed by a local authority. We anticipate that any staff transfer of from LPL would be subject to Transfer of Undertakings Protection of Employment (TUPE) regulations but the client should take appropriate legal advice.

Staff appointments would be by the local authority or Combined Authority in consultation with the Advisory Board. It is critical that a credible person is in place as soon as possible to lead management of the function.

The transfer of destination marketing may raise challenges about the powers of the local authorities to trade and provide commercial marketing services as LPL currently does via its website and packaging of product through its Stay Play Explore promotion, generating a significant part of its income. There are also state aid restrictions against subsidising commercial activity. There may therefore be need for a complementary local authority trading company for those activities with accounts kept separate to demonstrate that no public subsidy has been applied. The trading company could be serviced by MLL staff recharging their time and costs to it. Legal advice should be taken.

LOCAL AUTHORITY CONTROLLED COMPANY

Another way for the public sector to lead is through establishing and supporting a local authority controlled company. The local authorities would retain ultimate responsibilities for the actions and finances of the company but appoint a Board of directors to run its activities. In comparable destination companies on these lines the Board comprises prominent business, academic and tourism figures and representatives of the local authority. Typically the Board is chaired by a private sector figure.

As mentioned above this variant addresses the need to retain private and other sector support and participation in destination management which is fundamental to its success. That should be achieved by the DMO operating with a significant degree of independence under a strong cross-sector Board. As a company under the control of the Combined Authority it should be able to receive public money and operate without the complications and restrictions of public procurement rules. We anticipate the relationship and outputs would be formalised in a service level agreement.

The company could be newly formed but a better solution might be to bring the existing LPL company under local authority control with the approval of its current Board and with necessary changes to its Memorandum and Articles. A change of company would signal the new beginning. That move would minimise disruption to ongoing activity and to existing relationships with industry. It could allow staff to transfer on existing conditions without application of TUPE. If all parties were in agreement the transfer could be undertaken quite quickly.

A REFORMED PUBLIC PRIVATE PARTNERSHIP

The model is an independent not for profit company, as now, but with a broader remit and changed relationship with the public sector. The ending of current contracts with LPL would provide an opportunity to specify new contract terms that major on leadership and embrace the full proposed remit for the DMO.

In this model the DMO would be a partner of the local authorities, not just a contractor for services. It would be seen to be at the top table in policy development, helping to identify investment priorities and opportunities, creating the narrative for place marketing. It would also represent and be guided by the key industry organisations. It would be the prime channel of communication between the public and private sectors. The company's closer relationship with local government would be reflected by inclusion of one or more elected members on its Board.

The testing of the feasibility of this model via a new procurement process would challenge the LPL Board to establish how LPL would structure itself to deliver the expanded remit. It would need to show how income would be generated and grown. The process may of course attract an alternative provider or establish that this model is not feasible, or not feasible at a cost that the local authorities are prepared to support.

The evident risk is that the process will take time and will extend the period of uncertainty for LPL and the wider sector before a permanent solution is agreed and operational .

FUNDING

There is a minimum scale for an effective destination organisation with a broad agenda. Soundings with Chief Executives of destination organisations suggest an annual budget of £1m is the minimum to make an impact in a competitive world; there is no maximum of course, and some DMOs have larger budgets. ²

LPL is one of the bigger DMOs in this country, as judged by turnover reported to have been about £1.4m in 2015. Of that just under £400,000 was from the City and County Councils. Income from other sources is very important to LPL enabling it to deliver additional project activity whilst contributing to core costs and staff resources. The Stay Play Explore programme generated about 42% of 2105 income. A further 25% has come

² Aberdeen and Aberdeenshire budget c £2m a year. Marketing Cheshire turnover c. £2m a year. Lincoln BIG turnover £1.3 m (but not all on marketing and events). Marketing Birmingham (2014-15) £7.6m but significant part from European funding programme. Visit Kent (2014--15) £1.9m including private sector in-kind and European support. York turnover c.£2m. Nottingham turnover not known but local authority contributions of £200,000 each by City and County Councils and £50,000 from a district council. Wiltshire Council contributes £500,000 a year.

from externally financed projects including an Arts Council project for Foxtan Locks. Such projects are time-limited and therefore income levels are unpredictable.

It is a fact that no substantial destination organisation in the UK (other than TBIDs) operates without significant public funding. Businesses are generally prepared to contribute to marketing that directly leads to business and profit for them, but are reluctant to fund wider destination marketing or management activity³. From the comparator case studies and from our knowledge of DMO funding, we are clear that MLL, whether an independent company or a public-sector led operation, must be able to rely on financial support from the local authorities for the foreseeable future. In our view the local authorities will need to support MLL at current levels or above for at least the first two to three years.

However all local government budgets are under pressure with future reductions in prospect. MLL will need to grow its income from other sources to achieve a broader, sustainable financial base. That will not be easy, but LPL has a track record of income generation on which MLL should build. MLL and business leaders will need to work hard to persuade the industry of the value and necessity of collective action and contributions.

There are several possible sources of work and revenue for MLL to consider:

- ▶ **BIDs:** potential for funding from the BIDs in the City (if ballot successful) and in the County for destination marketing and profiling, destination management and events, and for specific campaign activity (such as Christmas shopping).
- ▶ **Externally funded projects:** delivering projects for attractions and events with RDP, HLF or ACE or similar funding, such as the Foxtan Locks and the Loogaborooga Literature Festival projects undertaken by LPL.
- ▶ **Visit England programmes:** the Product Development Fund and marketing supported by Growth Fund money.
- ▶ **UK and EU Investment funds administered by LLEP:** delivery of projects arising from its Tourism Sector Growth Plan
- ▶ **Tactical marketing activity** - commercial buy-in to campaigns and product packaging.

³ There are academic studies that explain why businesses are unwilling to fund broader destination management and development activity; one consideration is that if some businesses collectively promote the destination there is every temptation (unless such support is compulsory) for others to free-ride on those businesses' contributions. This creates a market failure which public subsidy addresses. See *The Economic Rationale for Government Intervention in Tourism*, Adam Blake and Thea Sinclair, Christel DeHaan Tourism and Travel Research Institute, University of Nottingham

- ▶ **Trading activities** - providing marketing services, event management, web design etc to individual organisations and businesses and other bodies including individual local authorities
- ▶ **A Paid Membership scheme:** many destination organisations have a membership scheme, sometimes termed a partnership scheme. They are a way of engaging and communicating with businesses and provide a target market for sales of marketing opportunities. Membership fees raise income in return for a package of benefits such as inclusion on websites, social media and other marketing materials, features in press and PR, access to training and networking and use of the image library. However paying members expect a level of service with a significant cost to provide, and creating a paying membership from scratch is a long process and hard work, to be considered carefully before starting.
- ▶ **Corporate Sponsors and Investors:** Many destination organisations have enlisted large businesses as supporters. Airports and airlines are significant supporters (Manchester, Birmingham), as are other transport companies (Eurotunnel and South Eastern Railway in Kent), and large attractions (Chester Zoo and Chester Racecourse in Cheshire). Business supporter schemes or 'clubs' can attract businesses and professional practices such as lawyers that value the profile and may offer in-kind support.

The DMO will need to consider these and any other avenues of income generation for inclusion in a **Business Plan** to be developed before the new destination management arrangements are operational.

PROGRAMME DELIVERY

The DMO will need to consider how it will deliver its work programme. Much of the work is staff-intensive, particularly web and social media work, engagement with business partners, and conference bureau activity. The Business Plan process should review the pattern of delivery and consider what needs to be done in-house and whether some out-sourcing would be beneficial. Out-sourcing partners could include other DMOs, attractions and venues in the area that already have marketing functions, and commercial companies. Aspects of the wider remit, such as brand and narrative development for the destination and place marketing may call for specialist assistance.

SUMMARY OF RISKS

These risks apply in varying degrees to each of the options for change.

Risk	Mitigation
Potential adverse reaction from industry and stakeholders. Will they regard the 'new' DMO as 'their' body and continue to support it? Loss or partial loss of customer base.	Clear Strategic, Representation, Communications and Governance role in terms of reference for (Advisory) Board together with open recruitment. Wide industry consultation on new destination plan and MLL business plan
Perceptions of political interference and loss of entrepreneurial ethos/ ability to move quickly	Separate operational unit with clear terms of reference
Need for a credible leader of new function to be in place as soon as possible	Early appointment process and clear job and person specification
LPL could choose to continue as a commercial operation only, leading to fragmented activity and the public-sector -led model not having industry support and trading contributions.	Early dialogue with LPL on its business options (including TUPE), which will help determine primary roles and responsibilities for new lead body. NB there will always be commercial entities who can help MLL deliver its overall strategic programme
Increased establishment costs. LPL staff becoming local authority employees will acquire pension rights, grading rights - difficult for any successor organisation outside the local authority to carry.	LA owned companies can negotiate Ts&Cs at variance to standard LA Ts&Cs
Sustainability - pressure on local authority budgets increasing	5 year business and funding plan with reassurance of support as far as possible.
Tactical marketing activity which is important for many businesses may be downgraded	Outsource/ facilitate market-led tactical campaign activity from private sector within strategic marketing guidelines

CONCLUSION

We have described the need for change and three possible approaches, setting out their advantages and implications. The examples of these models in practice elsewhere indicates that they are feasible ways forward.

If the client local authorities are minded to adopt a public sector-led approach they must very quickly consult with their industry partners including the LPL Board, Tourism Forums and Partnerships and the LLEP to meet any concerns and establish their support.

In our view the DMO needs to retain a clear identity, whether as a discreet unit within the Council or as a local authority controlled company. We prefer the controlled company approach for giving the DMO a clearer identity and a form of governance that acknowledges the ongoing partnership with the industry. If formed by a transfer of LPL it will make it easier to maintain ongoing activities and customer relationships with businesses.

If the local authorities are minded to test the feasibility of a reformed public private partnership they must begin discussions with LPL on that process as soon as possible, mindful that it will create a longer period of uncertainty for all concerned before a solution is reached.

Whatever the model to be pursued, the client should as soon as possible develop a detailed Transition Plan followed by a detailed Business Plan.