



CABINET – 17 JUNE 2016

REPORT OF THE CHIEF EXECUTIVE

TOURISM SUPPORT SERVICES REVIEW

PART A

Purpose of the Report

1. The purpose of this report is to present the outcome of a consultation exercise concerning the Tourism Support Service within Leicester and Leicestershire and to recommend future tourism governance and delivery arrangements across Leicester and Leicestershire.
2. The Cabinet previously considered a report on 1 March 2016 and agreed to consult on a preferred option for tourism governance and delivery. The proposals in this report take account of the consultation responses on that preferred option.

Recommendations

3. It is recommended that -
 - a) The outcome of the consultation exercise be noted;
 - b) The strategic governance of tourism be led by the Leicester and Leicestershire Combined Authority, noting this will require approval by the Combined Authority once established;
 - c) In the event that the Combined Authority is not established for any reason, that the Economic Growth Board, currently acting as the shadow Combined Authority, will fulfil the strategic governance function;
 - d) A Tourism Advisory Board, including public and private sector members' representative of the tourism sector, be established to provide strategic guidance and sector expertise directly from the tourism sector to the Combined Authority;
 - e) The establishment of a local authority owned company to deliver tourism support services and to undertake commercial and / or bidding activity (Option 3) be further explored;

- f) A detailed and comprehensive business case and transition plan for (e) above be developed and a report submitted to the Cabinet in October 2016 regarding future arrangements for the delivery of tourism support services;
- g) It be noted that subject to the above the new arrangements will commence on 1st April 2017, and that in order to maintain services in the interim period, the existing tourism support services contract with Leicestershire Promotions Ltd has been extended from 30th September 2016 to 31st March 2017.

Reasons for Recommendations

- 4. A combined authority led approach will enable all nine local authorities in the Combined Authority (CA) area, together with the Leicester and Leicestershire Enterprise Partnership (LLEP) to have strategic oversight and influence over future tourism support services. This approach has been supported by responses through the public consultation.
- 5. In the event that the CA is not established through a Parliamentary Order as is currently anticipated it would be appropriate for the Economic Growth Board (EGB), currently acting as the shadow CA, to fulfil the strategic governance function.
- 6. A Tourism Advisory Board would give public and private sector stakeholders and representatives of the sector, a clear voice in shaping Leicester and Leicestershire tourism priorities. This approach received support through the public consultation.
- 7. Following the public consultation and further consideration by council officers it is proposed that the management and delivery of tourism support services be through a local authority owned company, rather than through a local authority in-house department as stated in the previously identified preferred option. Factors that support this change include:
 - i. The majority of responses through the consultation disagreed with a solely in-house local authority approach;
 - ii. A local authority in-house department would be unable to undertake commercial and / or bidding activity which will be important for the any model's future sustainability;
 - iii. A local authority owned company enables a joint city and county model to be implemented and commercial income to be generated;
 - iv. Positive discussions have been held with private sector representatives from the Leicestershire Promotions Ltd Board regarding this model.
- 8. More time is required to identify the best company model and to develop a full business and transition plan and it is therefore recommended that a further report is made to the Cabinet and Leicester City Council when all the

implications and potential risks associated with a local authority company model have been fully examined.

Timetable for Decisions (including Scrutiny)

9. The Scrutiny Commission will receive this report at its meeting on 15th June 2016 and its comments will be reported to the Cabinet.
10. A detailed business and transition plan will be considered by the Cabinet in October 2016 before a final decision is made on the future tourism support delivery model. It is intended that a proposed new model will be implemented by 1 April 2017.

Policy Framework

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).

Previous Decisions

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.
15. At its meeting on 1st March 2016 the Cabinet approved a preferred model for the governance, management and delivery of tourism support services. This was subsequently consulted on with partners, tourism businesses and residents. As a result of this consultation and further analysis of the options some of the original recommendations have been amended within this report.
16. The Economic Growth Board currently fulfils the function of the Shadow Combined Authority and has considered and in principle approved the inclusion of Tourism and Place Marketing within a future Devolution Deal.
17. The Scrutiny Commission was advised of the tourism review in September 2015 and considered a progress report during the public consultation period at its meeting on 6 April 2016. A view was expressed at the meeting that the

report before the Commission had not adequately taken account of risk and how the tourism function would look in 3-5 years' time.

18. In response, the relevant advice (including legal, human resource and commercial) is being taken and a full business case will be developed following approval of the revised preferred option in paragraph 2 d). Initial funding implications and risks are identified in Table 1.

Resource Implications

19. On 17th February 2016 the County Council approved its Medium Term Financial Strategy (MTFS) 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.
20. The existing 3-year contract with Leicestershire Promotions Ltd was due to expire on 31st March 2016; this has subsequently been extended to 31st March 2017 to provide adequate time for new arrangements to be agreed and implemented. The City Council's contractual arrangements with LPL have been aligned with the County Council's ensuring that a Leicester and Leicestershire approach is being adopted.
21. A full financial assessment will be undertaken as part of the business plan and will be reported to Cabinet in October 2016. This will identify the cost of the proposed option as well as the funding required to deliver it. The MTFS 2016/17 to 2019/20 does not identify resources for this purpose.
22. The Director of Law and Governance and Director of Corporate Resources have been consulted on the content of this report.

Circulation under the Local Issues Alert Procedure

23. None.

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PART B

Background

Independent Tourism Review

24. 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.
25. The report proposed three feasible options for future delivery of tourism services, these are:
 - i. **Option 1:** A reformed public-private partnership (procurement of a refined tender specification);
 - ii. **Option 2:** A destination management function within a local authority;
 - iii. **Option 3:** A local authority controlled company, either newly created or formed by a transfer of LPL with the agreement of the Board into local authority control.
26. The findings of this study were reported to the Cabinet on 1st March 2016.

Previous Decision

27. In March 2016, the City Executive and County Council's Cabinet approved a preferred model for the governance, management and delivery of tourism support services. This included the strategic governance of tourism to be led by the Combined Authority and supported by a Tourism Advisory Board, and for the delivery of tourism services to be provided by one or both of the lead local authorities (Leicester City and Leicestershire County Councils) with some commissioned services.
28. It was agreed that these recommendations should be consulted on and that officers should also explore the option of establishing a trading organisation.

Consultation Responses

29. The County Council on behalf of the City and County Councils consulted on the above recommendations with stakeholders between 4th March 2016 and 15th April 2016. The councils were particularly interested to receive views from stakeholders active in the tourism sector. In total 86 responses were received: 42% were from tourism businesses; 27% from residents; 12% from council staff and 20% from other stakeholders. More than 80% of survey respondents that could be identified by post code were county-based; with the highest numbers in Melton and Charnwood districts.
30. In addition to the survey responses, 22 letters and emails were received by the County Council from city and county based stakeholders. These were

from local tourism businesses, district partners, country parks, parish councils, the Chamber of Commerce and others. Ten of those that sent written correspondence also responded to the consultation survey.

31. A consultation report has been produced by the County Council's Business Intelligence Service to summarise the findings from both the formal survey and other written correspondence. This is attached as Appendix A. A summary of common themes include:
- i. There was good support for a Combined Authority model; however some respondents expressed concerns about risks associated with non-establishment of a Combined Authority;
 - ii. The establishment of a Tourism Advisory Board was welcomed by businesses with many suggesting with the right representatives this could be an opportunity to effectively shape and influence the tourism industry;
 - iii. Many tourism businesses commonly cited that the current model is effective and were concerned that expertise would be lost if delivery transfers to a new model;
 - iv. There were concerns from both city and county businesses as to whether either authority would have the breadth of knowledge and skills to cover the interests of the city and county as a whole. Therefore a combined model was generally preferred rather than a single local authority lead;
 - v. Many respondents cited the importance for a future model to have a commercial focus.
32. Some respondents did express concern that the consultation was based on the Councils' preferred option/s and not all three options put forward in the Blue Sail report. A minority of respondents felt there was not enough information available to them, particularly with regard to the Combined Authority and the local authority owned company options.

Options Analysis

33. In consideration of the views and suggestions made through the public consultation, this section proposes the County Council's response and highlights where it is recommended that amendments are made to the previously agreed preferred option/s.

Combined Authority

34. Most respondents agreed with the recommendation that the strategic governance of tourism should be led by the Leicester and Leicestershire Combined Authority, highlighting that this approach would help to improve the profile of tourism, and that the CA would have the required skills and information to align tourism strategy to wider economic initiatives. It is therefore recommended that this approach is continued, subject to approval by the CA itself once established.
35. However, concern was raised regarding the implications if the CA was not approved by Government, or for other reasons did not come to fruition. In

this instance it is now recommended that the Economic Growth Board currently acting as the Shadow CA fulfils this function.

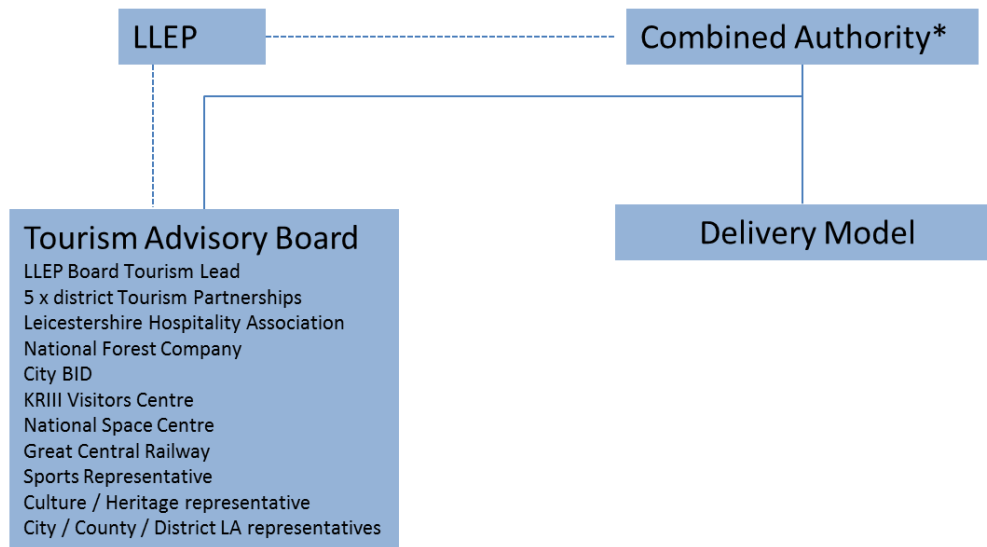
36. In summary, the CA would be responsible for:
- i. The development of a cohesive strategy that meets public, private and community needs, maximising spend within the leisure and business tourism economy. The development of a Destination Management Plan¹ for Leicester and Leicestershire would be an early priority;
 - ii. Aligning and prioritising public sector resources and wider policies / services to maximise the economic outcome of tourism;
 - iii. Identifying and exploiting collaborative opportunities to deliver better outcomes for less, and hence developing an effective and sustainable model for the future.

Tourism Advisory Board

37. In addition, there was strong support through the consultation for a Tourism Advisory Board (TAB) to be established, providing an opportunity for all stakeholders to shape and influence tourism in Leicester and Leicestershire, especially capturing the views of tourism businesses. It is therefore proposed that this approach continues.
38. The TAB would be a high-level strategic advisory body pooling expertise and intelligence from across the sector. Members would be identified to ensure good representation of the sector including enabling representation from existing tourism groups and partnerships.
39. In summary, the TAB would be responsible for:
- i. Pooling expertise and intelligence from across the sector to inform strategic decisions in relation to tourism made by the CA;
 - ii. Advising the LLEP Board on tourism-related economic interventions to support the wider Leicester and Leicestershire economy;
 - iii. Facilitating relationships and opportunities through cross-border working including with the Coventry and Warwickshire area and Midlands Engine 'Promotion' strand.
40. A proposed list of TAB members and outline governance structure of the CA / TAB model is illustrated in Figure 1.

¹ A **Destination Management Plan** (DMP) is a shared statement of intent to manage a **destination** in the interests of the visitor economy, over a stated period of time, articulating the agreed roles of the different stakeholders and identifying clear actions that they will take.

Figure 1: Proposed Governance Structure



** Subject to agreement by the CA Committee when established (or Economic Growth Board in the interim).*

Delivery Model Options Analysis

41. Three broad options were proposed in the Blue Sail report and following the public consultation and further analysis by officers these have been reviewed below.
42. **Option 1:** A reformed public-private partnership (procurement of a refined tender specification).

Whilst the tourism consultation has evidenced significant support from tourism businesses for existing arrangements, there is also support from public and private partners to work together to find a model that all stakeholders can buy-in to and support. In establishing future delivery arrangements, sustainability will be a key factor, and whilst LPL has generated good turnover figures, generated largely through the 'Stay Play and Explore' short break holidays, there has been limited progress made to increase income which could help to support core delivery and hence facilitate reduced public sector contributions.

The continuation of having to undertake expensive and protracted procurement processes for funds to be allocated to support tourism activity is unsustainable with current funding pressures, and provides an ongoing level of uncertainty for both the public and private sector. Having a wholly private sector owned company also inhibits opportunities for maximising the benefits of aligning resources to other local authority functions e.g. inward investment, economic development, transport, planning, place marketing. The uncertainties associated with this model could also limit the development and delivery of a strategic long-term approach to place marketing and tourism.

For the reasons outlined above this model is not a preferred option.

43. **Option 2:** A destination management function within a local authority.

The majority of consultation responses disagreed with the management and delivery of tourism support services being brought into one of the lead local authorities. This view was particularly evident from the business community. The reasons for this included:

- That this approach would inhibit the ability to generate income through commercial activity and / or bidding, including concern regarding the potential loss of existing commercial activity delivered by LPL;
- The view that the management and delivery of tourism should be undertaken via an arms-length independent organisation.

A number of responses also suggested that a combined city and county approach would be preferential to a single local authority lead to ensure that the requirements of all tourism activity both urban and rural are equally accounted for. Concern was expressed regarding the potential loss of specialist expertise.

For the reasons outlined above this option is no longer a preferred option.

44. **Option 3:** A local authority controlled company

Unfortunately the responses to the consultation survey questionnaire were inconclusive concerning the potential creation of a local authority controlled company, with no more than 50% of respondents neither disagreeing nor agreeing. This could be in part due to the limited information available on the detail of this model at the time of the consultation. However, more key stakeholders including some District Councils, Leicestershire Promotions Ltd and the Leicestershire Hospitality Association have identified this as a model that they would be willing to work with the local authorities to develop.

On further exploration this model does also help to address many of the issues raised elsewhere in the consultation including:

- i. The need for a sub-regional model rather than single local authorities lead that can understand the needs of both the urban and rural visitor economy;
- ii. The need to align tourism support to broader economic development functions and strategy;
- iii. The ability to generate income from a wide range of public, private and commercial sources;
- iv. The ability to extend the remit of the model to include inward investment and place marketing, if there is an appetite to do so either immediately or at a later stage;
- v. Where TUPE applies existing staffing expertise could be transferred to the new arrangements.

- vi. There is potential to transfer existing projects and activity into the new arrangements and the councils will be working closely with LPL, district councils and key stakeholders over the coming months to ensure a robust transition plan is developed.

For the reasons outlined above this model is now the preferred option.

Local Authority Owned Company Model

45. A comprehensive business plan will be produced along with a detailed examination of the legal, human resource and financial implications of a local authority owned company model. However, initial advice has suggested that a two-company model may be preferable:
 - i. a Teckal company to deliver strategic services on a non-profit-making basis; and
 - ii. a trading company to enable more tactical and commercial activity to take place
46. It will also be important to consider how the private sector is engaged within any new company structure.
47. In summary, the company model would be responsible for:
 - Developing a strong, clear brand and narrative for the destination.
 - Supporting effective partnership and collaborative working within the sub-region and beyond.
 - Strategy development, sector research and intelligence.
 - The development of a Destination Management Plan for the sub-region.
 - Marketing Leicester and Leicestershire to create awareness and inspiration, including on-line and through social media.
 - Continued growth in event bidding and group travel through planning and coordination.
 - Product development in attractions, events and festivals that can make a real difference to tourism performance.
 - To liaise with public and private sector partners to establish a sustainable funding model.
 - Executive support for the Tourism Advisory Board and reporting to the Combined Authority and LLEP on tourism priorities and performance.
48. An early analysis of the benefits, funding implications and risks of this approach are illustrated in Appendix B. A detailed business plan and transition plan will be brought to a future cabinet meeting.

Conclusion

49. Tourism is a key priority sector for Leicester and Leicestershire, and its economic potential has been significantly enhanced with recent events including the reinterment of King Richard III and the success of Leicester City Football Club. There is an opportunity to develop a sustainable and

memorable narrative that will attract visitors, businesses, investors and students to the area for years to come. The City and County Council are committed to developing a tourism support service that can maximise the economic benefits of this unique opportunity.

50. However, it is recognised that a more strategic and long-term approach to tourism is required. The model needs to be adaptable to changes in wider governance structures, funding and priorities and needs to be more closely aligned to broader economic policy decisions through the LLEP and local authorities. The Combined Authority model supported by a Tourism Advisory Board and local authority company model provides an excellent opportunity to strengthen collaborative working, align resources and raise the profile of tourism within economic and wider planning decision-making.
51. The achievements and hard work of LPL to date is well-recognised and the new arrangements will aim to build on some of the good work carried out thus far. In particular the positive engagement by stakeholders and LPL throughout this review clearly indicates the commitment from all partners across the sector to support its continued growth.

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>

Report to the Cabinet, 1st March 2016 “Tourism Support Services Review”

[http://politics.leics.gov.uk/Published/C00000135/M00004600/AI00046821/\\$ReviewofTourismReviewStructures.docxA.ps.pdf](http://politics.leics.gov.uk/Published/C00000135/M00004600/AI00046821/$ReviewofTourismReviewStructures.docxA.ps.pdf)

Tourism Support Structures Jan 2016 - Blue Sail Consultants

[http://politics.leics.gov.uk/Published/C00000135/M00004600/AI00046821/\\$AppendixReviewofTourismStructuresamended.pdfA.ps.pdf](http://politics.leics.gov.uk/Published/C00000135/M00004600/AI00046821/$AppendixReviewofTourismStructuresamended.pdfA.ps.pdf)

Appendices

Appendix A - Tourism Support Services – Consultation Report May 2016

Appendix B - Option 3 Benefit and Risk Analysis

Equality and Human Rights Implications

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

Partnership Working and Associated Issues

53. 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

54. 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.