



**CABINET – 23<sup>RD</sup> NOVEMBER 2016**

**PLACE MARKETING ORGANISATION – OUTLINE BUSINESS PLAN**

**REPORT OF THE CHIEF EXECUTIVE**

**PART A**

**Purpose of the Report**

1. The purpose of this report is:
  - i. To report on outcomes of the tourism review process and on proposed arrangements for the delivery of tourism support services across Leicester and Leicestershire, including proposals regarding the future of Leicestershire Promotions Ltd. which is currently funded to provide tourism services.
  - ii. To present an outline business plan for the establishment of a local authority owned Place Marketing Organisation (PMO) covering the geographical area of Leicester and Leicestershire.

**Recommendations**

2. It is recommended that -
  - (a) The County Council working with Leicester City Council jointly establishes a Place Marketing Organisation (PMO) by way of a Teckal-compliant Company Limited by Guarantee to deliver Place Marketing, Inward Investment and Strategic Tourism across Leicester and Leicestershire;
  - (b) The 3-year outline business plan (appended to this report) is approved, noting the final business plan will be further refined and approved by the PMO Board of Directors once the company is established;
  - (c) Final governance arrangements, including proposed appointments to the Board of Directors, together with the Articles of Association and Members Agreement for the PMO (developed by the respective legal teams) will be submitted to a future Cabinet meeting for approval.

### **Reasons for Recommendations**

3. Officers from the County and City Councils have been reviewing arrangements in comparable cities and counties and it is clear that many successfully promote their respective areas through a shared set of messages and communication channels. The proposed PMO would lead and co-ordinate this activity.
4. The outline business plan summarises proposals in relation to company set-up and functionality and will need to be further developed and refined prior to final approval by the PMO Board of Directors.
5. Further stakeholder engagement needs to take place prior to the final governance arrangements being proposed. The Articles of Association and Members' Agreement will set out the objects of the PMO Company and the relationship between the members of the company (i.e. the City and County Councils).

### **Timetable for Decisions (including Scrutiny)**

6. The Scrutiny Commission will consider this report at its meeting on 16<sup>th</sup> November 2016 and its comments will be reported to the Cabinet.
7. Final governance arrangements for the PMO will be produced in consultation with the Economic Growth Board (currently acting as the shadow Combined Authority). The Articles of Association and Members Agreement will be developed by the respective Councils' legal teams. Both will be reported to the Cabinet early in 2017.
8. The planned formation date for the new company is 1<sup>st</sup> April 2017.

### **Policy Framework and Previous Decisions**

9. The County Council's Strategic Plan 2014-2018 clearly recognises the importance of engaging with potential investors and enhancing and promoting the local tourism offer, therefore enabling economic growth through the provision of jobs, increased development / infrastructure and increased resident and visitor spend across Leicestershire. It also acknowledges the importance tourism plays in enhancing and protecting the County's natural, historic and cultural offer.
10. 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, and the promotion of the County and its economic opportunities internationally and nationally to potential investors.

11. The Leicestershire Rural Framework 2014-2020 identifies tourism as a key priority rural sector, as do the two LEADER<sup>1</sup> Local Development Strategies in the County (East Leicestershire and Hinckley and Bosworth).
12. On 1<sup>st</sup> March 2016 the Cabinet approved a preferred model for the governance, management and delivery of tourism support services. This was subsequently the subject of consultation with partners, tourism businesses and residents and further analysis of the options, as a result of which some of the original recommendations were amended.
13. On 17<sup>th</sup> June 2016 the Cabinet agreed that the establishment of a local authority owned company to deliver tourism support services should be further explored and a business plan developed. The report considered by the Cabinet also pointed to the benefits of widening this activity to incorporate place marketing and inward investment functions.

### **Resource Implications**

14. The County Council's Medium Term Financial Strategy (MTFS) includes an annual budget of £175,000 per annum in 2016/17 and 2017/18 for tourism support (the funding in 2016/17 is contracted to Leicestershire Promotions Ltd). From 2018/19 this reduces to zero as part of the Chief Executive's Department budget savings. The proposal to set up a PMO would require resource not yet identified in the MTFS. Further details are provided in Part B of this report.
15. The PMO will be a separate legal entity and hence liable for its own debts. However, should the Company be in financial difficulties, the City and County Councils would be required to consider the reputational implications of external debts.
16. The Director of Corporate Resources and Director of Law and Governance have been consulted on the content of this report.

### **Circulation under the Local Issues Alert Procedure**

17. None.

### **Officers to Contact**

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<sup>1</sup> LEADER is a European funding programme designed to support rural development by providing grants to small businesses and communities.

**PART B****Background****Tourism Support Services Review**

18. In November 2015 the City and County Councils jointly commissioned an independent review to evaluate the effectiveness of current tourism support arrangements and to explore options for future governance, management and delivery. The findings of this study were reported to Cabinet on 1<sup>st</sup> March 2016, and it was agreed that:
- i. the strategic governance of tourism should be led by the Leicester and Leicestershire Combined Authority, noting that this would require approval by the Combined Authority Committee once established;
  - ii. the strategic management of tourism should be managed by one or both of the lead local authorities (Leicester City and Leicestershire County Councils) on behalf of the Combined Authority;
  - iii. a Tourism Advisory Board should be established which would provide business insight and guidance from the sector to the Combined Authority;
  - iv. the delivery of tourism support services, including tactical marketing and campaigns should be delivered both through staff employed by the lead local authorities and by commissioned services.
19. Feedback from the public consultation was broadly in agreement with i), ii) and iii) above. In terms of the delivery of tactical marketing and campaigns there was support for the effectiveness of the current model and a majority of respondees cited the importance for a future model to be independent and have a commercial focus.
20. In June 2016 the Cabinet recommended that a local authority owned company model be further explored and that a business plan be developed for consideration at a future meeting.

**Leicestershire Promotions Ltd.**

21. Current tourism support has largely been delivered via Leicestershire Promotions Ltd. (LPL). Both the County and City Councils have contracted with LPL for a number of years. The cost of the current contract for the County Council in 2016/17 is £175,000; the equivalent contribution from the City Council is £195,000. Both contracts end on 31 March 2017.
22. LPL recently submitted a proposal to the County and City Councils that effectively outlined a future for LPL that would enable it to continue without 'core' funding from either authority from April 2017. This initiative to propose a more financially self-reliant model for LPL is welcomed.

23. These positive discussions and subsequent conclusions have taken place between the County Council, City Council, the LPL Board Chair and Chief Executive and the direction of travel is broadly agreed by all parties. This approach was endorsed by the LPL Board at its meeting on 26<sup>th</sup> October 2016 and has subsequently been confirmed in writing from the LPL Board Chair.
24. LPL has indicated its intention to focus on delivering tactical marketing campaigns which could include:
  - Short and extended leisure break activity.
  - Event bidding and conference support services
  - Product development activity – mainly in the districts
  - Event development and delivery
  - Support for town centres and Business Improvement Districts (BIDs).
25. It is understood that one or more of the district councils in Leicestershire is putting arrangements in place to purchase future LPL services.
26. LPL will also be in a position to deliver specific tourism support services commissioned by the new Place Marketing Organisation via a competitive procurement process. The County and City Councils are committed to working closely with LPL and wider partners to ensure the new arrangements work effectively to maximise the growth of tourism, avoid duplication and provide clarity on respective roles for wider stakeholders, especially business. Further conversations with LPL are required to consider any priority services that may be 'at risk' through the new arrangements.

### **Place Marketing Organisation (PMO)**

27. City and County Council officers have been reviewing arrangements in comparable cities/counties and it is clear that many successfully promote their respective areas to business investors, leisure and business tourists and to students and potential workforces through a shared set of messages and communication channels. Examples include Marketing Birmingham, Marketing Manchester and Marketing Nottingham and Nottinghamshire. These arrangements invariably engage other key stakeholders such as universities and leading business professionals and are delivered through bodies that have distinct identities and brands.
28. Following consideration of arrangements elsewhere it is now proposed that strategic tourism, inward investment and place marketing activity are included within the remit of a new Place Marketing Organisation (PMO) owned by the County and City Councils and working to strategic priorities agreed by the Combined Authority, once established.
29. An outline business plan for 2017-20 including proposed governance and staffing arrangements; functionality; an indicative budget; and timeline is included as the Appendix. This will be further developed over coming months and reported to the Economic Growth Board (currently fulfilling the role of

shadow Combined Authority) for comment prior to final approval by the PMO Board of Directors once the company is established.

30. The Articles of Association and Members Agreement will be produced with support from the respective authority legal teams. These will set out the strategic objectives and decision-making process, including member voting rights, to be executed by the PMO Board of Directors. Decisions relating to local authority financial contributions, amendments to the Articles of Association, Members Agreement or wind-up of the company will be reserved for the respective authority's political decision-making processes. It is intended that the County Council's Assistant Chief Executive will be the nominated senior officer on the PMO Board of Directors.

### **Resources**

31. County Council contributions to the PMO are proposed in the outline business plan as £475,000 for its first three years. This includes £175,000 from the 2017/18 MTFS and £175,000 from Economic Development earmarked funds (see paragraph 32). The funding gap is therefore £125,000 (summarised in the table below). This gap will be addressed as part of the MTFS refresh process for the period 2017/18 to 2020/21 which is currently taking place.

Funding Requirement	2017/18	2018/19	2019/20
Current MTFS	175	Nil	Nil
PMO Proposal	125	100	75
Funding Surplus/(Gap)	50	(100)	(75)

32. £175,000 has been committed over three years to provide match funding for a sub-regional ERDF<sup>2</sup> Collaborate for Business Growth project (further details are provided in the Appendix). This has been funded through the County Council Economic Development earmarked funds which were approved in February 2016 as part of the MTFS. These funds will transfer to the PMO and support:
- i. the expansion of a County-wide inward investment service (£100,000);
  - ii. the provision of tourism sector development and tourism business support activity (£75,000).
33. Over the 3-year business plan period it is expected that income streams will be developed and used i) to replace ERDF resource once the project expires and / or ii) to reduce further City and County contributions from 2020/21 if that is considered to be feasible and desirable and / or iii) to expand the service offer of the company. Targets for income generation will be established as part of a Year One PMO workplan.

<sup>2</sup> European Regional Development Funding which is part of the Leicester and Leicestershire Enterprise Partnerships European Structural Investment Fund allocation for 2014-2020.

## **Partnership Working**

34. The new arrangements provide an opportunity to build on a good foundation and track record of partnership working within Leicestershire. There are currently a number of bodies in the County that have a valuable tourism role to play at a local level including District Councils, District Tourism Partnerships (currently in Melton, Harborough, Charnwood, North West Leicestershire, and Hinckley and Bosworth), the three town centre BIDs (Melton Mowbray, Loughborough and Hinckley) and the National Forest Company. It is important that, moving forward, the relationships with these bodies, and LPL, are strengthened to help the County's visitor economy grow.
35. Other key relationships for the PMO include those with Visit Britain and the Midlands Engine Promotion strand to maximise promotional and funding opportunities at a national and regional level respectively.
36. The County Council has been working closely with the City Council Inward Investment team to promote opportunities for investors in Leicestershire; and has committed £100,000 over three years as match funding for the inward investment strand of the Collaborate for Business Growth ERDF project. This will enable an additional member to be recruited to the team and enhance capacity to support existing and future investors, working with district councils, developers and large investor opportunities including Horiba MIRA employment zone and the proposed Loughborough and Leicester Science and Innovation Enterprise Zone.
37. Key deliverables for Year One of the PMO will be to commission a Destination Management Plan and Place Marketing Strategy. These will be led by the Tourism Advisory Board and Place Marketing Group respectively and will drive the activities delivered by the PMO along with wider stakeholders including the District Councils and Leicester and Leicestershire Enterprise Partnership (LLEP). A key theme for the development of these plans will be broad stakeholder engagement; final sign-off for the plans will be the responsibility of the Combined Authority.

## **Conclusion**

38. The arrangements outlined in this report provide an exciting opportunity to reshape how the County Council delivers place marketing, inward investment and tourism across the sub-region. The proposed model has been carefully developed in response to the key themes that emerged through stakeholder consultation, including the requirement for strategic tourism support to be more closely aligned with broader economic development functions including inward investment. There will be a greater focus on place marketing through broader engagement with partners and stronger political involvement of all nine local authorities through the Combined Authority once this is established sometime in Spring 2016 if the current planned timeline is adhered to.

39. In addition, LPL's proposal to continue without core funding from the local authorities provides the continued opportunity for strong private sector engagement in tactical marketing for the sub-region, whilst the Tourism Advisory Board will provide the platform for the private sector to influence the Council's strategic approach and priorities.
40. Key risks associated with the establishment and sustainability of the proposed new Company have been carefully considered and are highlighted in Paragraph 42 along with mitigating actions. The new approach described in this report is considered to be the best way forward to maximise efficiencies and deliver an enhanced service across the sub-region. These risks will continue to be managed throughout the transition to the new arrangements.

### **Background Papers**

Leicestershire and Leicestershire Strategic Economic Plan

<http://ow.ly/YkCVd>

Leicestershire Rural Framework

<http://ow.ly/foa5305XZte>

Report to the Cabinet, 1<sup>st</sup> March 2016 "Tourism Support Services Review"

<http://ow.ly/l3Mb305RBF0>

Report to the Cabinet, 17<sup>th</sup> June 2016 "Tourism Support Services Review" and minutes of that meeting

<http://ow.ly/Hgce305RBOM>

<http://ow.ly/5N5C305RBVY>

### **Appendix**

Outline Business Plan

### **Equality and Human Rights Implications**

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

### **Risk Assessment**

42. The table below highlights the key risks for the establishment and sustainability of the PMO, along with mitigating actions. It will be the responsibility of the PMO Board of Directors as part of the final business plan to continue to manage a company risk management plan.



### Key risks for the establishment, sustainability and liabilities of the PMO

Potential Risk	Implications	Mitigating Action
Stakeholder engagement and participation	The success of the PMO will require significant stakeholder engagement through its advisory groups and beyond. Development and implementation of the Destination Management Plan and Place Marketing Strategy will also be dependent on stakeholder involvement.	Stakeholder relationship management will be embedded in the workings of the new PMO, its team, governance structures and delivery.
Non establishment of the Combined Authority (CA)	This would impact on the governance structures.	In the absence of the CA it is proposed that the existing Economic Growth Board would fulfil this function.
Weakening partnership working with the City Council	This could negatively impact on commitment to the proposed arrangements or hinder the effectiveness of the PMO.	Current partnership working with the City Council is strong and this is expected to continue.  Regular briefings will be held at the required levels to ensure ongoing commitment to the activities delivered through the PMO.
Destination Management Organisation status of the new PMO	The benefits of being a recognised DMO are currently unclear and the national criterion appears dated; it does not take account of changes in how Destination Management is now being delivered at a local level, nationally.	Further conversations are required with Visit Britain and LPL to identify any national requirements and criteria for DMO status.
Potential loss of existing services	There are some services currently being delivered by LPL that may be lost through this transition.	Further work needs to be undertaken to identify services that are at risk and a future priority. LPL, the PMO and wider partners will be required to work collaboratively to develop solutions in these instances.
ERDF funding approval and contract in place	Non approval of the project would significantly reduce the PMO budget.	The project has been appraised and is to be recommended to the decision-making panel shortly, it will then require final approval from the Leicester and Leicestershire European Structural Investment Fund Committee.  A project board has been established and processes are being designed to commence the project immediately upon approval.

*continued -*

Potential Risk	Implications	Mitigating Action
Sustainability of future funding	Funding for the outline business plan covers 2017-20. Income generation beyond 2020 will be essential for the continuation of the company.	Targets for income generation will be established as part of a Year One work plan. A range of sources will be explored: membership subscriptions; trading / sponsorship; partner contributions; other public funding sources that can be bid for.  NB: income generated through trading activity is limited to no more than 20% of overall income.
Council liabilities in the event of Company financial difficulties or closure	Should the Company enter financial difficulties, the City and County Councils would be required to consider the reputational implications of external debts and whether to settle these. The Councils could also consider writing off any monies owed directly to them.  If employees are employed directly by the Company, rather than through a secondment arrangement, there may be additional liabilities in the event of redundancies.	An indicative budget is included in the outline business plan which is considered sufficient to fund Company operations for the first three years. In addition, targets for income generation will be established in the Year One work plan.  A Members Agreement will be produced and agreed by Cabinet which will provide exit provision (monetary and staffing) for Company owners. This will include ensuring that any liabilities for provision currently funded by the City Council which transfer to the PMO will remain the liability of the City Council on exit.