

**CABINET – 23 JUNE 2016****PLACE MARKETING ORGANISATION – GOVERNANCE
PROPOSALS****REPORT OF THE CHIEF EXECUTIVE****PART A****Purpose of the Report**

1. The purpose of this report is to seek the Cabinet's approval to the proposed governance arrangements, Members' Agreement and Articles of Association for the new Place Marketing Organisation (PMO) and to the proposed appointments to the Company's Board of Directors.

Recommendations

2. It is recommended that:
 - (a) The governance arrangements set out in paragraphs 20 to 27, the Members' Agreement attached as Appendix A to this report, and the Articles of Association attached as Appendix B to this report, be approved;
 - (b) The proposed appointments to the Company's Board of Directors as set out in paragraph 23 of this report, be approved;
 - (c) That the Chief Executive, following consultation with the Leader of the Council, be authorised to approve the final version of Schedule 2 and the Appendix of the Members' Agreement, which will be finalised following further discussions with the City Council and prior to the formation of the PMO.

Reasons for Recommendations

3. Prior to the establishment of the PMO company as agreed by the Cabinet in November 2016, the governance arrangements and supporting company documents (i.e. the Members' Agreement and the Articles of Association) must be agreed by both the County and City Councils.

Timetable for Decisions (including Scrutiny)

4. Subject to the Cabinet's approval of the governance arrangements, Articles of Association and Members' Agreement, the planned formation date for the the PMO is 1st July 2017.
5. The PMO will work to strategic priorities set by the Combined Authority (CA), but this is subject to the CA's approval of this role once it has been established. In the meantime, the PMO will receive strategic direction from the Economic Growth Board, which it agreed to at its meeting on 5th December 2016.

Policy Framework and Previous Decisions

6. 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.
7. The County Council's Enabling Growth Plan 2015-2018 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.
8. The Leicestershire Rural Framework 2014-2020 identifies tourism as a key priority rural sector.
9. In 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.
10. On 17th 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 taking account of the benefits of widening this activity to incorporate place marketing and inward investment functions.
11. In November 2016 the Cabinet supported the establishment of a PMO by way of a Teckal-compliant company Limited by Guarantee which would be jointly owned by the County and City Councils and which would lead on place marketing, inward investment and strategic tourism across Leicester and Leicestershire.

Resource Implications

12. There are no further resource implications arising from this report, in addition to those already reported to the Cabinet at its meeting on 16 November 2016.

Circulation under the Local Issues Alert Procedure

13. None.

Officers to Contact

Tom Purnell
Assistant Chief Executive
Tel: 0116 305 7019
Email: tom.purnell@leics.gov.uk

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

PART B

Background

Tourism Support Services Review

14. During 2016 the City and County Councils undertook a review of how tourism support services were delivered across Leicester and Leicestershire. The review included extensive consultation with public and private stakeholders, along with analysis of approaches in comparable destinations.
15. Key messages that emerged included: the need for a strong, clear brand and narrative for the destination; a destination management and marketing body that is better connected with strategic decision-making; and the benefits of aligning resources which promote the area to visitors and investors.

Place Marketing Organisation

16. Following the review, in November 2016 the Cabinet agreed to the establishment of a new Place Marketing Organisation (PMO) to be owned jointly by the County and City Councils which would deliver place marketing, inward investment and strategic tourism services across Leicester and Leicestershire. It also agreed a three year outline business plan for the organisation.
17. The Members' Agreement and Articles of Association for the PMO have since been developed in consultation with the legal teams of both the County and City Councils and with the support of jointly commissioned independent legal advice. Consideration has been given to the most appropriate and effective governance arrangements for the PMO to support the achievement of its strategic priorities whilst ensuring the Company will be Teckal compliant and engages with wider stakeholders. These documents are attached to this report as Appendix A and B respectively.
18. The Members' Agreement (Appendix A) is a legal document signed by the founder Members (the County Council and City Council) which sets out their respective roles and responsibilities and the decision-making processes of the company. The Articles of Association (Appendix B) provide the written rules for how the Company will be run.
19. Points to note in terms of the governance and decision-making arrangements contained in the proposed Members' Agreement are summarised below.

Proposed Governance Arrangements

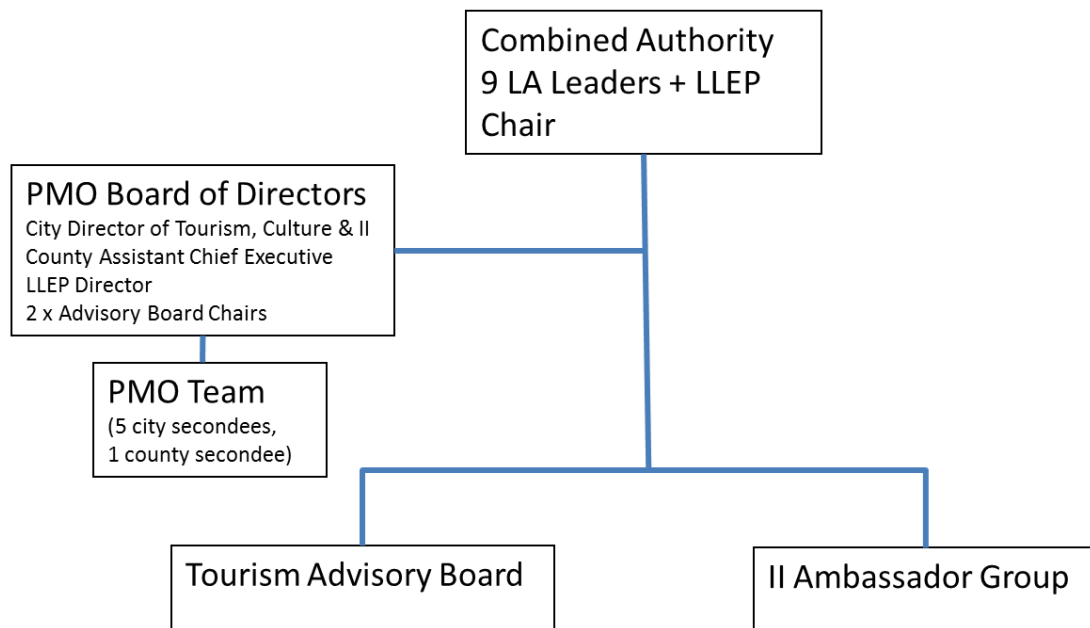
Strategic Governance

20. The new PMO will receive strategic direction from the CA, subject to approval by the CA of this role once established. In the interim, this will be provided by the Economic Growth Board acting as the shadow CA. It is proposed that the CA and the PMO will be supported by two advisory boards: a private sector led Tourism Advisory Board which is currently being established; and an existing private sector led Inward Investment Ambassadors Group. The advisory boards will enable the PMO to take full account of the views of local industry experts (including those who run visitor attractions) and other key stakeholders (such as district councils) in carrying out its work. An outline of the proposed strategic governance structure is illustrated in Figure 1 below.

Company Governance

21. The new PMO will be registered as 'Marketing Leicester and Leicestershire Limited' and jointly owned by the City Council and County Council as the founder Members. New Members can be admitted by the unanimous approval of the existing Members. The Company will be limited by guarantee and will meet the joint control in-house or '*Teckal*' exemption rule which will allow local authority funding to be directly transferred to the Company to achieve the strategic priorities set by the CA. (Note: To ensure the Company remains '*Teckal*' compliant trading or commercial activity will be limited to no more than 20% of the Company's turnover.)
22. It is proposed that the Company's Board of Directors will include:
- Mike Dalzell, The Director of Tourism, Culture and Inward Investment at the City Council
 - Tom Purnell, The Assistant Chief Executive at the County Council
 - Mandip Rai, The LLEP Director at the LLEP
23. It is proposed that the chairs of the two Advisory Boards are also invited to join the Board of Directors.
24. The chair of the Board of Directors will rotate each year between the City and County Councils, commencing with the City Council for the first 12 months.

Figure 1: PMO Governance Structure



Decision Making Process

25. To ensure that the Company meets the '*Teckal*' exemption rules, the following requirements need to be met:
 - (i) The Company Members jointly exercise control over the Company which is similar to that which they exercise over their own departments;
 - (ii) More than 80% of the Company's activities are carried out in the performance of the tasks which are entrusted to it by its Members;
 - (iii) Any decision-making bodies of the Company are composed of (but not limited to) representatives from both Company Members (i.e. representatives from both Leicester City and Leicestershire County Council);
 - (iv) The Company Members are jointly able to exert decisive influence over the strategic objectives, and the significant decisions of the Company;
 - (v) The Company does not pursue any interests which are contrary to those of its Members.
26. To meet the above requirements voting rights will always enable a joint City and County Council decision. Therefore, in a situation with one City Council Director, one County Council Director and 3 other directors, the City and County Council Directors will exercise two votes each and the other directors will exercise one vote each. Meetings will only be quorate when both the City and County Council Directors are in attendance.

27. Decisions will generally be taken by a majority vote. However, decisions relating to key issues such as local authority financial contributions, approval and amendments to the annual Business Plan, amendments to the Members' Agreement and / or Articles of Association, or the winding-up of the Company, will be reserved matters, and as such referred to the respective authority's decision-making bodies to determine. A full list of reserved matters is provided in the Members' Agreement attached as Appendix A to this report.

Conclusion

28. The arrangements outlined in this report will form the basis of how the PMO will operate, providing an exciting opportunity to reshape how the County Council delivers place marketing, inward investment and tourism across the sub-region. The governance proposals have been carefully developed to address legal requirements whilst ensuring broad stakeholder engagement.

Background Papers

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

<http://ow.ly/l3Mb305RBF0>

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

<http://ow.ly/Hgce305RBOM>

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

Report to the Cabinet, 23rd November 2016 "Place Marketing Organisation – Outline Business Plan" and minutes of that meeting

<http://ow.ly/TUnd30cxJEf>

Appendices

Appendix A – Members Agreement

Appendix B – Articles of Association

Relevant Impact Assessments

Partnership Working

29. Effective partnership working will be critical to the success of the PMO. The private sector will provide expertise and influence via the two business-led Advisory Boards and it is proposed that two business leaders and the LLEP Director will be invited to join the PMO Board. District Councils as members of the CA (once established) or the Economic Growth Board (in the interim) will provide strategic direction to the PMO. A District Council representative has been invited to join the Tourism Advisory Board.

Equality and Human Rights Implications

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