

CABINET – 8 MAY 2012**REVIEW OF TOURISM****REPORT OF THE CHIEF EXECUTIVE****PART A****Purpose of the Report**

1. To inform the Cabinet of the findings of a Review of Tourism in the County and, taking account of the findings of the Review, to recommend a process for the procurement of Tourism Support services from April 2013.

Recommendation

2. It is recommended:
 - a) That the findings of the Review of Tourism be noted;
 - b) That, subject to a market testing exercise, Tourism Support services be procured through a competitive procurement process consistent with the Council's Sustainable Commissioning and Procurement Strategy and Contract Procedure Rules, in time for a new contract to be let by April 2013;
 - c) That the proposed specification for the provision of Tourism Support services, as set out at paragraph 28 of the report, be agreed, and a 3-year contract with an optional 2-year extension be advertised as set out in paragraph 27 of the report.

Reasons for Recommendation

3. To ensure that the County Council secures value for money in procuring tourism support services which support the economic priorities of Leicestershire Together and the Leicester and Leicestershire Enterprise Partnership (LLEP) and are consistent with the Government's Tourism Policy.

Timetable for Decisions (including Scrutiny)

4. This report will have been considered by the Scrutiny Commission at its meeting on 2 May 2012, and the views of the Commission will be reported to the Cabinet. A decision of the Cabinet is required at this time to enable the procurement process to commence in time to enable the contract to be let prior to April 2013.

Policy Framework and Previous Decisions

5. In March 2012 Leicestershire Together agreed its Outcome Framework 2012/3. One of the Framework's four priorities is 'The Growth of the Leicestershire Economy'. This will be achieved through the achievement of a number of outcomes, including the following which specifically refer to tourism and hospitality:
 17. Accelerated growth in existing sectors
 - a. Increased number of businesses and employment in tourism & hospitality, distribution and logistics and food and drink sectors.
 18. Improved business survival and productivity and increased business in emerging growth sectors
 - c. Sustainable growth, high quality employment opportunities and increased vocational training in rural priority sectors including land-based, food and drink, equestrian, visitor economy, creative and knowledge-based.
6. This reflects the priority accorded to tourism and hospitality within the emerging Economic Growth Plan 2012-20 of the Leicester and Leicestershire Economic Partnership (LLEP). The LLEP acts as the strategic commissioning hub for the economy on behalf of Leicestershire Together
7. On 8 February 2011 the Cabinet agreed to the combination of Prospect Leicestershire and Leicestershire Promotions into a Single Delivery Vehicle (SDV) for Leicester and Leicestershire, to be a jointly held company between the County Council and Leicester City Council. These plans were abandoned when the City Council withdrew its funding from Prospect Leicestershire, leading to the dissolution of that company.

Resource Implications

8. The Medium Term Financial Strategy 2012/13 to 2015/16 includes provision of £195,300 per annum to support the delivery of Tourism Support Services. The proposals set out in this report involve committing this level of funding for 2013/14, 2014/15 and 2015/16 through the procurement of an external agency to deliver these services. Any extension of the contract into subsequent years will be subject to the financial provision made in future Medium Term Financial Strategies.
9. It is estimated that the process of procuring Tourism Support Services will cost up to a maximum of £10,000 which can be met from existing budgets in the current financial year. This is considered an appropriate cost given that the contract could involve an outlay of up to £975k over 5 years. The Director of Corporate Resources and the County Solicitor have been consulted on the contents of this report.

Circulation under the Local Issues Alert Procedure

10. A copy of this report has been sent to all Members via the Members' Information Service.

Officer to Contact

Tom Purnell
0116 305 7019

Head of Policy and Communities, Chief Executive's Dept.
tom.purnell@leics.gov.uk

PART B

Background

11. A review of tourism support services commenced in late 2011 following the breakdown of plans earlier that year to combine the existing tourism body, Leicester Shire Promotions Ltd (LPL), with the sub-region's economic development company, Prospect Leicestershire. The Leicester and Leicestershire Leadership Board and the two principal funding authorities (the County Council and Leicester City Council) had agreed that a merger of the two organisations would be the best way forward in view of substantial funding reductions faced by both, due in part to local authority funding cuts and the loss of emda funding. Before this process could be concluded, however, the City Council decided to withdraw its funding from Prospect Leicestershire, which led to that company being dissolved.
12. This sequence of events, together with the Government's publication of a new Tourism Policy in March 2011, provided the basis for carrying out a review of Tourism Support in the County.

Tourism Support Services – Current Arrangements

13. The County Council supports Tourism in Leicestershire in several ways. These include the running of facilities, including museums and country parks, which attract visitors to the County, together with the provision of essential infrastructure, in particular a good transport network, essential to a thriving tourism sector. Local authorities, including the County Council, have also funded the provision of specialist services to support tourism. Since 2003 the County Council has funded Leicester Shire Promotions Ltd (LPL) to provide these services. LPL is also funded by Leicester City Council so provides services across the sub-region.
14. Since April 2011 County Council funding to LPL has been £195,300 per annum, having been reduced by 30% at that time. LPL is contracted to provide services on behalf of the County Council until March 2013. In 2012/13 LPL will also receive approximately £510k funding from Leicester City Council, approximately one quarter of which funds the Tourism Information Centre in Leicester, and it estimates that it will generate approximately £290k of other income.
15. The services that LPL delivers on behalf of the County Council include the development and maintenance of a destination management system and website (www.goleicestershire.com), the running of visitor campaigns (such as the 'Stay, Play and Explore' suite of campaigns), and the promotion of group travel (such as coach tours) and of business tourism (including bidding for conferences and other events). The company also acts as the 'voice' of the sector in discussions with the Government and key agencies such as Visit England. The company meets the criteria set by Visit England to attend its Destination Management Forum. This means it is considered to be meeting the Government's Tourism Policy criteria on Governance (or working towards it), is a partnership between the public and private sector, has a status and remit locally to manage tourism, has, or is in the process of developing, a destination management plan, and is committed and actively working to deliver Visit England's strategic framework and national marketing strategy.

16. LPL is a private not-for-profit limited company with an independent Board. The County Council is represented on the Board by Mr. P. C. Osborne CC. The company's performance is monitored against a Business Plan and agreed key performance indicators (KPIs). In 2012/13 there will be a set of KPIs specifically relating to the performance of the company in the County. Previously the company's performance has been assessed against KPIs covering the wider sub-region.
17. At a more local level are a number of Tourism Promotion Boards which cover parts of the County. These include Melton Promotions, Charnwood Promotions, North West Leicestershire Promotions, and the Hinckley and Bosworth Tourism Partnership. These deliver activities in support of tourism in their localities, often working closely with Leicester Shire Promotions. They are funded through contributions from district councils, other partners and, in the case of the Hinckley and Bosworth Tourism Partnership, through a membership scheme. Blaby, Oadby and Wigston, and Harborough districts are not covered by such an arrangement. There is also a Tourist Information Centre in Ashby, funded by North West Leicestershire District Council.

The Government Tourism Policy

18. The Government Tourism Policy was issued by DCMS in March 2011. With Forewords from both the Prime Minister and the Chancellor the document highlights the importance of Tourism to the national economy.
19. The Government acknowledges the need for public investment to overcome 'a widespread market failure of investment in collective destination marketing'. It states that there is a legitimate, but probably temporary, role for the state to fill the gap in promoting destinations while structures and organisation are put in place which will enable the sector to organise and fund its own collective marketing in the future.
20. To help achieve this the Government encourages the establishment of tourism bodies which are industry-led and which increasingly will be funded by the industry itself. The bodies should be "*responsible for a genuine tourism destination which reflects the natural geography of an area's visitor economy, rather than local public sector or electoral boundaries*". It states that:
- Local tourism bodies need to be modernised and updated to become focused and more efficient Destination Management Organisations (DMOs) which are led by and, increasingly, funded through partnership with the tourism industry itself;
 - Local tourism bodies should have boundaries which are defined by local visitor economy businesses and attractions;
 - Tourism bodies will be allowed to band together into larger groupings if needed, so that they can work together to convert short-term visits to a single destination into higher-value and longer-lasting tours of a wider area;
 - Thematic, as well as geographically-based, Tourism bodies can be established;
 - Tourism bodies should be Destination Management – rather than simply Marketing – Organisations;
 - They must be partnerships between the public sector – usually the Local Authority – and local businesses and attractions, including the LEP;

- They must be self-righting organisations if (or when) results aren't satisfactory, without needing political intervention or bailouts from public funds.

21. The Review, in particular the proposed way forward, has taken account of this direction of travel signalled by the Government.

The Local Policy Context for Tourism

22. The local policy context is summarised in paragraph 5 above. The Leicester and Leicestershire Enterprise Partnership (LLEP) has identified 'tourism and hospitality' as a priority sector for 'accelerating existing enterprise growth'. The LLEP's intention is to achieve 'an increased number of businesses and employment in tourism and hospitality'.

23. The LLEP acts as the 'strategic commissioning hub' for the economy for Leicestershire Together (LT). LT will produce an economic delivery plan demonstrating how LT partners will support the delivery of the LLEP's priorities, including the priority to accelerate growth in the tourism and hospitality sector.

The Tourism Review Process and Key Findings

24. The Review was undertaken to ensure the Council would be able to maximise the value and impact of its investment in tourism support, and agree arrangements which will maximise the potential of the visitor economy. This would be done through:

- A review of evidence about tourism opportunities and constraints;
- A dialogue with visitor economy businesses and other key stakeholders;
- Discussions with adjoining areas about opportunities to work across administrative boundaries; and
- The development of a proposal to be subject to stakeholder consultation.

24. The Review has involved a desktop research exercise, one to one interviews with key stakeholders, including local tourism businesses and adjoining areas, and two stakeholder workshops. The process has been overseen by a partnership project board which has involved officers from the County and district councils.

25. The key messages from the review are set out in the Appendix to this report, and are summarised below:

The Tourism Economy in Leicestershire

- Tourism is important to the County economy. In 2010 its value was £872m, two thirds of which is accounted for by spend by day visitors. The sector has been growing although has experienced a decline since 2009 as a result of the wider economic downturn.
- Significantly more economic value is derived from an overnight stay than from a day visitor.

Support for Tourism

Tourism support services are most likely to be effective if they reflect and work with real tourism economy geographies, across administrative boundaries, and take a targeted approach focusing on specific types of visitors. There were

strongly held views on the importance of having a destination management organisation (DMO) 'recognised' by Government and Visit England.

Leicestershire's Tourism Offer and Tourism Support in the County

- Leicestershire is seen to be a rural and 'year round' destination with strong appeal to families, but less attractive than some better established rural areas. The area does not have the high profile international and national attractions which exist in some other rural destinations.
- There were generally positive views about the effectiveness of current arrangements but improvements were suggested in specific areas of activity, including more support to small tourism businesses and the business tourism sector.
- There was a strong majority view amongst stakeholders that tourism support services are best delivered in a holistic way across the county or wider sub-region by a single organisation.
- Evidence suggests that campaigning should be predominantly focused on themes (eg food and drink), clusters of attractions, and/or specific localities (eg Melton, the National Forest) rather than promoting Leicestershire as a whole.

Adjoining Areas

There is some effective working with adjoining areas but more could be done to develop this. Complementing this there is a general willingness from adjoining counties to increase collaboration, with co-operation on a thematic basis or around clusters of attractions seen as potentially fruitful.

Funding

- A majority of stakeholders considered that funding should be used to procure a single provider of holistic tourism support services across the County. Another view, less widely held, was that some of the funding should be made available to smaller, more local, tourism support organisations.
- There was a consensus that future funding stability will be important and this could best be delivered through a 3 to 5 year contract, but also that scope exists to generate increased private sector income in the future which could, over time, reduce reliance on public sector funding.

Future Services

The Review concludes that future tourism support should be focused on increasing visitor numbers and spend in order to increase the size of the tourism economy and the number of jobs supported by it. A number of key services will be needed to deliver this outcome, including a destination management system and marketing tools to promote the County, campaigns and other activities to increase tourists visiting/staying in the area, support for business tourism, the provision of support to improve the destination's products, and having influence with key bodies such as Visit England.

The Procurement of Tourism Support Services

26. The Council's Legal Services and Procurement Teams have provided clear advice that, given the nature of the services being procured and the size of the contract, the services should be procured through a competitive tender exercise in compliance with EU Regulations. This will ensure testing of the market, value for money, transparency, equality and fairness, and will also avoid the risk of any state aid complications arising. Ahead of commencing a tender process there will be a short exercise to determine whether a market exists to provide these services (through an OJEU Prior Information Notice).
27. The Review findings emphasise the importance of future funding sustainability. The Government's Tourism Policy also recognises the need for public investment in tourism support but states that an increased amount of funding for this in the future should come from the industry itself. It is therefore proposed that a three-year contract with a value up to £195k per annum with an optional rolling two-year extension be advertised. It will be made clear that funding levels for Years 4 and 5 have not been agreed and that the Council will be expecting a reduced reliance on public funding after the first three years.

Proposed Tender Specification

28. Taking account of the key findings of the Review set out in the Appendix and summarised in paragraph 25 above, the following specification is proposed for a competitive procurement process.

Applications are invited from firms wishing to tender to provide tourism support services in Leicestershire. The Council proposes to employ an organisation that will bring flexibility, innovation and creativity to tourism support activity in the County in order to increase visitor numbers and spend. Only those suppliers able to supply this type of service should respond to this advert and must have an established track record of delivering successful destination management activity.

The Council will expect bidders to provide most or all of the following services but will also welcome innovative new ideas for supporting the County's tourism economy:

- A destination management system and marketing tools to promote the County and underpin campaigns (including website, social media);*
- Activities to increase tourists visiting/ staying in the area (e.g. themed campaigns);*
- Activities to promote business tourism;*
- Provision of support to partners and the industry to develop and improve the destination's products;*
- Provide an effective voice for the County's tourism sector, including to influence Government policy and funding decisions;*
- The formation of productive and effective partnerships with industry members and relevant bodies.*

The Council will also expect bids to:

- Demonstrate a willingness and ability to develop tourism support services in collaboration with adjoining areas and with local tourism support partnerships within the county;*

- *Indicate how reliance on County Council funding would be reduced should the contract be extended beyond the first 3 years through the generation of additional private sector income, other income or otherwise;*
- *Give assurance that there are no conflicts of interest with destinations considered to be key competitors.*

29. Bidders will be provided access to the key documents developed as part of the review and which are detailed and summarised in the Appendix.

Background Papers

Government Tourism Policy. Department of Media, Culture and Sport, March 2011.

Report to the Cabinet on 8 February 2011: 'Sub Regional Economic Development Arrangements'.

Tourism Delivery Review – Desk Based Research Report

Report of First Stakeholder Workshop 30th January 2012

Report of Second Stakeholder Workshop 26th March 2012

Appendix

Findings of the Tourism Review

Equal Opportunities Implications

25. None arising directly from this report.

Findings of the Tourism Review

This appendix summarises a more comprehensive set of findings and evidence set out in three key documents produced during the Review. These are:

- Tourism Delivery Review – Desk Based Research
- Report of First Stakeholder Workshop 30th January 2012
- Report of Second Stakeholder Workshop 26th March 2012

Each of these can be accessed at <http://www.leics.gov.uk/summervisitors>

The Tourism Economy in Leicestershire

- Tourism contributed £115 billion to the UK economy in 2009, equivalent to 8.9% of GDP. In the County the value of tourism in 2010 was £872m, comprising £562m day visitors, £176m serviced accommodation, £90m staying with friends and family. The value grew up to 2009 (when it reached £902m) but then fell during the economic downturn primarily it appears due to a decrease in overnight visitors.
- Significantly more economic value is derived from an overnight stay than from a day visitor, so there would be considerable benefit to the local economy if day visitors could be 'converted' to longer stays.
- Differences in definitions mean that there are a range of figures for employment in the sector. Using one definition there were over 13,000 full time equivalent jobs supported by tourism in 2010. Using a different approach the figure was estimated at 20, 700, approximately 7.9% of total employment in the county.
- The economic downturn has led to falls in employment in the sector, ranging between a 4% and 8.6% fall between 2009 and 2010 depending on the definition used although much of this fall may be attributed to the hospitality sector.
- Compared with other areas Leicestershire's tourism economy has preformed slightly worse than expected in terms of job retention between 2008 and 2010. This overall picture masks variations between specific sub-sectors, with better than expected performance in some (eg sports activities, restaurants) with others performing worse (event catering).
- Food and drink manufacturing, which has strong links with the tourism economy, has become increasingly important to the sub-regional economy.
- The main concerns for tourism businesses in the sub-region are around customer confidence and customer care skills within the workforce.

Support for Tourism

- Integrated approaches to tourism that foster partnerships across borders tend to be viewed as successful.

- There is only a limited relationship between administrative boundaries and real visitor economy geographies. Visitor attractions often form clusters across administrative and/or by theme.
- There are advantages in having a destination management organisation (DMO) well-regarded and 'recognised' by the Government and Visit England.
- Targeted marketing of specific market 'segments' more effective than a less targeted approach
- Having an effective destination management system underpinning a web-site and other activity is crucial in providing a cost-effective service.

Leicestershire's Tourism Offer and Tourism Support in the County

- Leicestershire a rural and 'year round' destination with strong appeal to families, but less attractive than better established rural areas
- The area doesn't have the high profile international and national attractions which exist in some other rural destinations.
- Generally positive views about effectiveness of current arrangements (with most KPIs met in 2010/11 and 2011/12 by LPL, but room for improvement in specific areas
- In terms of current arrangements working well it was generally considered by stakeholders that:
 - LPL has been effective in promoting the whole area and key areas within it (eg the National forest, Melton's food offer);
 - The Go Leicestershire website is an effective online booking tool;
 - The Stay, Play, Explore campaign, focused on value for money short-breaks, has resulted in a significant increase in the number of overnight stays;
 - There is good work undertaken with the large hotels and attractions;
 - Value is added to the marketing activities of the attractions themselves;
 - There are good links with influential national bodies.
- Areas of activity that stakeholders considered could be improved included:
 - The provision of more support to smaller tourism businesses and events;
 - A stronger emphasis on campaigns;
 - A more even distribution of activity across the county;
 - More support for specialised packages for visitors (eg relating to sports or festivals);
 - More should be done to support business tourism.
- Many stakeholders saw benefits in tourism support being coordinated across Leicester and Leicestershire.
- There was a strong majority view amongst stakeholders that tourism support services are best delivered in a holistic way across the county or sub-region overseen by single organisation.

- Campaigns should be predominantly focused on themes (eg food and drink), clusters of attractions, and/or specific localities (eg Melton or the National Forest) rather than promoting Leicestershire per se.

Adjoining Areas

- There is some effective working with adjoining areas but more could be done to develop this.
- Very different approaches are now being taken to tourism support in adjoining areas. Some areas no longer have dedicated tourism bodies covering their whole area, with some councils taking the service in-house. In some areas the closure of dedicated tourism bodies has led to concerns about a fragmented, uncoordinated approach being taken. The arrangements in Leicestershire are well-regarded in adjoining areas. In some areas a stronger link is now being made to aligning tourism activity with hard-edged economic priorities.
- There is a general willingness in adjoining areas to increase collaboration across administrative boundaries, with co-operation on a thematic basis or around clusters of attractions seen as potentially fruitful.

Funding

- A majority of stakeholders considered that the Council's funding should be used to procure a single provider of holistic tourism support services across the County. There was also a view, less widely held, that some of the funding should be made available to smaller, more local tourism support organisations.
- Partner support for tourism support across the County is variable, and at risk.
- The provision of some certainty about future funding through a 3-5 year contract will help maximise impact.
- Scope exists to generate increased private sector income in the future which could reduce reliance on public sector funding.
- Some stakeholders considered that the Council would benefit considerable from an increased investment in tourism support and noted that the amount provided forms a small part of the Council's overall budget. It was also noted, however, that tourism is unique as an economic sector in getting such support and that the Government is encouraging a reduced reliance on the public purse.
- There may be opportunities to secure additional funding from other pots, including the Regional Growth Fund, LEADER and the possible development of Tourism Business Improvement Districts.

Future Services

Taking the above into account the Review concluded that future tourism support should be focused on increasing visitor numbers and spend in order to increase the size of the tourism economy and the number of jobs supported by it.

It was considered that future tourism support should provide overall co-ordination of activity in the county and provide some key services, namely:

- A destination management system and marketing tools to promote the County and underpin campaigns (including website, social media);
- Activities to increase tourists visiting/ staying in the area (e.g. themed campaigns);
- Activities to promote business tourism;
- Provision of support to partners and the industry to develop and improve the destination's products;
- Influencing other key bodies including the Government and Visit England.
- The formation of productive and effective partnerships with industry members, relevant bodies and adjoining areas.