



CABINET - 24 JUNE 2003

**ARRANGEMENTS FOR INWARD INVESTMENT, TOURISM
AND PROMOTION SERVICES**

REPORT OF THE CHIEF EXECUTIVE

PART A

Purpose of Report

1. To seek Cabinet's approval to the delivery of inward investment services and the marketing of the area (tourism and promotion) through a not for profit company Leicester Shire Promotions Limited, to the transfer of staff currently engaged in carrying out those services to the company under the TUPE regulations and to the provision of a guarantee to support the company becoming an admitted body in relation to the Leicestershire County Council Pension Fund.

Recommendation

2. It is recommended that subject to a satisfactory resolution of the pension arrangements for County Council employees transferring under these arrangements:-
 - (a) approval be given to entering into an agreement with Leicester Shire Promotions Limited for the delivery of inward investment, tourism and promotion services on behalf of the County Council, and for an exception to be made to the Contract Procedure Rules;
 - (b) that the staff currently delivering the services be transferred to Leicester Shire Promotions Limited under the TUPE regulations subject to the Chief Executive and Director of Resources being satisfied that pension arrangements for the transferred employees will be broadly comparable to their current pension arrangements under the Leicestershire County Council Pension Fund;
 - (c) if Leicester Shire Promotions Limited applies for admitted body status to the Leicestershire County Council Pension Fund, agreement be given to admission under a closed agreement relating only to the transferred staff and that the County Council provide the necessary guarantee to support the agreement

- (d) that the Chief Executive be given delegated powers in consultation with the Leader of the Council to finalise the transfer arrangements and agree the terms of the contract for the delivery of services to be entered into between the County Council and Leicester Shire Promotions Limited.

Reason for Recommendation

3. The Leicester Shire Economic Partnership (LSEP), the sub-regional partnership covering the County and the City, accredited by the East Midlands Development Agency (*emda*), reviewed the future delivery of inward investment services and their relationship with the marketing of the County and of the City and concluded there should be better co-ordination of these services and the most appropriate way of doing this would be through a single body. This arrangement should provide better services for the county and will attract additional funding from *emda*.

Timetable for Decisions

4. Consultation with the staff and trade union has been ongoing since late April and arrangements for the management and delivery of tourism services is being considered by the Scrutiny Commission on 18 June 2003. Discussions have taken place within the LSEP, with staff and with Leicester Shire Promotions Limited on the basis that the transfer will take place on 1 July if all outstanding issues can be resolved.

Policy Framework and Previous Decisions

5. The Tourism Strategy for Leicestershire 2002-2007 identifies the need to work together as one of its core principles. It states that a partnership approach between the County Council, other authorities, business and the local community will help to ensure a co-ordinated approach, avoid duplication of effort and maximise the impact of resources. The budget decision in February 2003 included a reduction in funding for inward investment services delivered through the LeicesterShire Development Agency (LDA) in anticipation of new local arrangements being introduced under the auspices of the LSEP which would attract new funding.

Resources Implications

6. The County Council will enter into a contract with Leicester Shire Promotions Limited which will involve the payment of a sum equal to the budget currently identified for inward investment and tourism services. Relevant County Council budgets (2003/4) are as follows:

Inward Investment employee (currently working with LDA) - £30,000 approx.

Inward Investment - £70,000

Tourism employees - £127,000 (approx) (this includes £13,000 approx for this year only for a temporary contract)

Tourism promotion/operational costs - £171,000 (approx)

7. The City Council currently funds Leicester Promotions at the level of £670,000 per annum, split more or less equally between the cost of running the Tourist Information Centre (TIC) in Leicester and a promotional/operational budget. In the County, TICs are operated by District Councils. LSEP is looking to involve the District Councils, who are represented on the LSEP Board and provide financial support, in the proposed new inward investment/marketing arrangements.
8. The City Council has entered into a five year contract with Leicester Shire Promotions Limited for the provision of marketing and other services, and it is envisaged the County Council will enter into a similar agreement with the funding being agreed on an indicative basis for the 5 year term, with the final sum agreed annually as part of the Council's budget process.
9. Any guarantee given by the County Council under a closed admission agreement to the Pension Fund only takes effect in the unlikely event that the company is wound up and in these circumstances it is possible that any former County Council employees still employed by the company could simply transfer back to the County Council thus removing any liability under the guarantee.

Officers to Contact

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PART B

Background

10. The Leicester Shire Economic Partnership (LSEP) reviewed the future delivery of an inward investment service and its relationship with the marketing of the area. The discussion was necessitated because of problems with continuing funding for an inward investment service, currently delivered by the Leicester Shire Development Agency (LDA), but the discussion also reflected the view of those individuals and organisations represented on the LSEP Board (public, private and voluntary sectors) that there was a case for a much better co-ordination of inward investment and related marketing of the area. In addition, there was an increasingly strong view within LSEP that generally it made no sense to continue to market, particularly to an external audience of potential visitors or investors, the City separately from the County and vice versa.
11. The main role of the LDA is to deliver the Small Business Service franchise (Business Link) for the County and City. Inward investment is a subsidiary service and the reasons for that are historical. County Council funding of the LDA in 2002/03 was £146,000, to support the inward investment service. The Council budget decision in February 2003 reduced that sum by half. It was made clear during the budget debate that the reduction was in anticipation of new local arrangements being introduced for inward investment and related services, which would require less funding in respect of inward investment from the County Council and would attract new funding from *emda*. £350,000 of such new funding (inward investment and tourism/promotion) is anticipated in the current financial year.
12. The other main source of LDA funding for inward investment has been the TEC, both when the TEC was a live organisation and subsequently through legacy funding; this latter funding runs out in June 2003. The LDA has indicated that it will not be able to afford to deliver an inward investment service beyond June 2003. There is therefore a degree of urgency in introducing any new arrangements which ideally should be in place by the beginning of July.
13. LSEP proposed a model in which the delivery of an inward investment service and the marketing of the area would be delivered by a single organisation. 'Marketing' is seen as covering tourism and promotion. Discussions have taken place with the City Council and both Councils are represented on the LSEP Board. The City Council have said that because of contractual obligations already entered into, they would prefer the delivery vehicle to be based on the existing Leicester Promotions organisation which already delivers marketing services on behalf of the City Council. This is a free-standing organisation with its own board of directors, including one City Council appointee. Leicester Promotions have taken steps to reconstitute as a new company (limited by guarantee) with its operations covering the County and City,

under the name Leicester Shire Promotions, a changed Board to include a County Council appointee and with provision within the company to allow for delivery of an inward investment service, a service which would be better funded than at present.

14. For the last two years the only funding available to the LDA for inward investment, bar funding for employees, has been a budget of around £30,000 for promotional work. This compares very unfavourably with every other area of the country and is one reason why the area has not been able to punch its weight, both in the attraction of new investment and in providing an adequate service to established investors looking to expand locally. *emda* have indicated strong support for the new approach proposed by LSEP and £350,000 new money will be available via LSEP in 2003/04, a sum projected to increase in subsequent years. There is no doubt that the current service is under-resourced and there is an opportunity to capitalise on an integrated approach under the LSEP banner.
15. In general terms the attraction of pooling County and City (and perhaps District) resources with additional *emda* funding would allow the provision of a more co-ordinated and better resourced service. The recently elected Leader of the City Council has expressed support for the proposal, i.e. the Leicester Shire Promotions model.
16. The County Council for some years has had no direct involvement in the delivery of an inward investment service. The County Council was part of the original LDA partnership, with the City Council and the TEC, which placed responsibility for delivering an inward investment service into an operation covering County and City together. The LDA, although under-resourced, has nevertheless managed to provide a reasonable quality of service and has a good track record in relative terms in attracting new investment. It has, however, been less successful in supporting companies already located in Leicester and Leicestershire.
17. LSEP in one sense was established to strengthen such partnerships and it has seen inward investment and marketing as an area where it can, and should, make a difference. This proposal would mean that the County Council would no longer have a direct involvement in the delivery of tourism and promotion, but would move to a contractual arrangement with an external provider, contracting directly with Leicester Shire Promotions in the same way as the City Council.

Contract Procedure Rules

18. By virtue of the Contract Procedure Rules this contract for services over £50,000 should have been subject to a tendering exercise. However for the reasons set out in the previous section, joint provision could only be made through Leicester Shire Promotions Limited which has an existing contractual relationship with the City Council. It is therefore recommended that Cabinet agree an exception to the Rules on the grounds that an exception is justified in special circumstances.

Consultation

19. Through the LSEP Board, the views of key public sector, private sector and voluntary sector organisations have been taken into account in bringing forward this proposal. Consultation has taken place with the staff and the trade union representatives on the proposed transfer under the TUPE regulations. Arrangements have been made for staff to visit Leicester Shire Promotions and to discuss future ways of working and how the services currently provided by the County Council can be delivered most effectively by that company.

Pension Arrangements

20. It has been identified that the pension arrangements currently enjoyed by the staff employed by Leicester Shire Promotions Limited are less favourable than those enjoyed by County Council employees under the Pension Fund. By virtue of the TUPE regulations and recent guidance issued by the Office of the Deputy Prime Minister, staff are entitled to a pension scheme following transfer which is broadly comparable to their current pension arrangements. Urgent discussions are ongoing with the company to see how this could be resolved. One option that is currently being explored and on which updated information can be given at the meeting is that Leicester Shire Promotions Limited could apply for admitted body status to the County Council's Pension Fund under a closed agreement which would relate solely to the members of staff transferring. Such an agreement is entered into on the basis that the admitted body either enters into a bond which covers their liability should the company be wound up in the future, or the local authority could provide a guarantee to cover that liability. Leicester Shire Promotions Limited is a not for profit company limited by guarantee and in those circumstances it would seem appropriate that if the company accepts ongoing responsibilities as an employer under the scheme, in the event of the company being wound up, the County Council should agree to provide a guarantee.

Equal Opportunities Implications

21. The agreement between the County Council and Leicester Shire Promotions Limited will ensure that the services to be provided under the agreement have consistent commitments, values and standards for equal opportunities in the delivery of services, funding, consultation and policy development.

Conclusion

22. Agreement in principle to the proposals contained in this report is important at this stage on the basis that urgent discussions are ongoing between the County Council and Leicester Shire Promotions Limited and ongoing consultations are taking place with the staff to seek to resolve any outstanding issues.