

To:
City Executive Board – 14th October 2009

Item No: 10

Report of: Head of City Development

Title of Report: Outline Business Case for a Destination Management Organisation for Oxford and Oxfordshire

Summary and Recommendations

Purpose of report: The report explains the stage that has been reached to create a DMO and seek support in principle to enable the proposal to be progressed.

Key decision – No

Executive lead member: Councillor Bob Price and Colin Cook

Report Approved by:

Executive Director, City Regeneration: Mel Barrett

Finance: Anna Hedges

Legal: Jeremy Thomas

Head of Environmental Development: John Copley

Policy Framework: Improve the local environment, economy and quality of life policy objective of the Oxford City Council Corporate Plan.

Recommendation(s):

The City Executive Board is recommended to give a pledge of commitment to express its support in principle for the creation of the Oxford and Oxfordshire Destination Management Organisation subject to a satisfactory business case, this to be the subject of a report back and approval

Introduction

1. Currently there is no consistent, integrated approach to tourism across Oxford and the Oxfordshire Cotswolds (the county's two key 'attack' brands) and Oxfordshire County. While there are numerous agencies involved with initiatives at both local and county level, the approach is fragmented, uncoordinated and poorly resourced. This makes it difficult to manage the visitor economy and realise its full potential.
2. A Destination Management Organisation (DMO) would be a public-private partnership agency responsible for the development and delivery of the visitor offer across the county. It would provide strategic leadership for the sector, backed up with marketing expertise and resources to support and promote a sustainable visitor economy. Its scope would include not only UK domestic and international visitors, but also residents who spend and travel within the county and indulge in retail spend.
3. The DMO would play a leading role in tourism delivery and promotion, working closely with a wide range of partners and stakeholders. It would champion the sector and seek to influence all aspects of the visitor experience in order to nurture a thriving tourism industry; and it would employ tangible outputs to measure improvements in the value of the county's visitor economy.
4. The idea of establishing a DMO with a county-wide remit has come out of a wide consultation process across the sector and is founded on the success of similar models in other parts of the country.
5. Oxford City Council has been leading the DMO initiative with extensive support from all parts of the industry including Oxfordshire Economic Partnership (OEP), County and district councils, the commercial sector, and major stakeholder agencies including Tourism South East, SEEDA and Oxford Inspires. The OEP's Tourism Task Group under the joint-chairmanship of Charles Holmes and John Hoy acts currently as steering group for the DMO. Tourism SE's new Chair, John Williams has put forward its Commercial Director Nigel Smith to both advocate and advise on the scheme.
6. Creating the Oxford and Oxfordshire DMO would involve a planned operational integration of new and existing resources to achieve economies of scale, with commensurate benefits to the tourism community. The industry and its partner stakeholders will enjoy a range of advantages. Together these industry benefits will add value to the visitor experience and nurture a healthy visitor economy.

Proposal for Discussion (Outline Business Plan)

7. A proposal has been prepared, a copy of which is attached as an appendix to this report. This sets down the DMO mission and objectives and proposes that the DMO operations would be rolled out in a phased manner over a three year period as the agency's capacity increases. It describes proposed Membership structures and benefits. It proposes a governance structure and management and staffing arrangements. The Proposal includes an outline income and expenditure projection.
8. Officers are aware that there are many issues that will require further consideration and debate in taking the Proposal forward and in preparing a true Outline Business Plan. So it is expected some of the details in the Proposal will change. There are a series of meeting planned to follow up on some of these such as with Tourism South East over Membership including fee level, financial planning, support from the tourism departments of Brookes University and Oxford and Cherwell Valley College. Work is also underway to expand on the integration of Destination Oxford and Conference Oxford with the DMO.

Implications for the City Council

9. In developing the proposal for discussion with partners and the private tourism industry City Council officers have made a number of suggestions and assumptions as to how the City Council itself might contribute to the creating of the DMO and be involved in its governance and ongoing operation. These include supporting the DMO as a shadow organisation before it is fully constituted as well as a level of commitment that might be offered in the first three years, subject to mutual commitment from other key players. It is hopes that Members feel that these are expressed clearly in the Proposal document.
10. They include in no particular order:
 - **Broad Street building**
The proposal is that the building currently occupied by the TIC is leased to the DMO for the continued operation of the TIC together with its own office base on the upper floors.
 - **Tourism Information Centre operation**
The proposal is that the DMO would take on responsibility for and the running of the TIC.
 - **Financial grant.**
The proposal is that the City Council would give a grant to the DMO of £100,000 reviewable after three years. This equates to the controllable

budget already set aside in the 2010/11 budget (i.e. it presumes delivery of the additional £40,000 saving required in the budget).

- **Seconding Staff**
The proposal is that three tourism officers would be seconded across to the DMO and their salary and other employee costs to be paid from the DMO budget.
- **Interim arrangements**
The proposal is that until the DMO is constituted as a company limited by guarantee the City Council will act as 'banker'. (see risks below)
- **Acting as the lead**
The proposal is that the City Council continues in its role as the catalyst encouraging others to step forward with pledges of commitment.
- **Governance**
The proposal is that there should initially be a shadow Board with an interim Executive Chairman. Board members would be drawn from both the public and private sectors. The City Council would have a prominent role on the Board together with West Oxford District Council.

The next stages

11. There are already strong expressions of interest with the Proposal from the key players and many in the private sector. Some are very keen to maintain the momentum generated to date and press forward with the process. So it is suggested that the next key stage is to turn this strong interest into firm pledges of commitment, including an indication of the level of financial support that would be forthcoming. An expression of support in principle from the CEB is felt to be crucial in galvanising a core group of key players behind the proposal. Rather on an "I am in if you are in" type of approach.
12. A meeting is planned to seek such pledges from the key private sector partners, including hoteliers, large attractions and the Colleges and Universities, before CEB on the 14th October. Officers will inform CEB at its meeting of the scale of support already being received.
13. A crucial part of the initial funding is the LAA Reward Grant bid to the Oxfordshire Partnership Public Services Board for £200,000 as project funding. At their September meeting the PSB asked on the whole economy package of bids for further information and justification to come back to its November meeting.
14. It is understood that District leaders may need further encouragement to appreciate the benefits of the potential of an integrated tourism campaign. This campaign would generate longer stays and increased spend through such initiatives as international marketing centred on

Oxford, the Oxfordshire Cotwolds and places of interest in Oxfordshire and would provide direct benefits to businesses in their areas.

15. Once there is a good cross section of pledges of commitment the next stage would be, through the OEP Tourism Task Group, to call into being a shadow board under the leadership of an interim Executive Chairman and for this shadow board to recruit an interim executive director.

Consideration of Options

16. The City Council has picked up the mantle of catalyst and is leading on the proposal of the DMO because it is responding to the recommendation of the consultants report prepared last year and to requests from its partners on the Oxford Marketing Group network.
17. An effective DMO will be of benefit to the visitor economy of the city in securing an increase in length of stay and increased spend from the 9 million visitors. However it can be argued that the Oxfordshire wide nature of the proposed DMO will almost be of greater benefit to the visitor economy outside the City by encouraging those already attracted to Oxford to stay longer and combine their Oxford with visits to locations and attractions outside the City.
18. There are other options that could be assessed other than a Destination Management Organisation, including a more partnership model such as at Visit Kent or a more public sector controlled model as at Visit Cambridge.
19. It is suggested that these should be seen as a sequential set of options for the city Council should the level of commitment from both public and private sector partners not be forthcoming.
20. *Should the rate of pledges of commitment be slow.*

The option here would be for the City Council to give more time for private sector partners to be persuaded to come on board. However it is suggested that such extra time should be capped at the end of December 2009, with an update report to CEB thereafter.

21. *Should the PSB not agree the LAA reward grant bid or reduce the amount.*

The bid is crucial to enable the work of the DMO to be started up as 50% of the amount (£100,000) is required in the first year to fund key project deliverables and the appointment of a high level resource who would administer the funds on a day to day basis. Without at least £100k the proposal fails. It is suggested that the interim DMO could not be established with only the City Council as the single main contributor. It is not considered that the private sector would be willing to fund

much above the current assumed 20% toward core costs. However if necessary this assumption could be tested.

Under this option it is likely that officers would recommend to a future CEB that the DMO can not be established.

22. Should the DMO Proposal fall

The City Council could consider what other options and level of support it might give to the local visitor economy using the £100k budget.

Alternatively it may feel that it would be better to withdraw from active promotion of the visitor economy and just retain the TIC (on an at no costs the general fund basis) to provide support to visitors once they have come to Oxford or have already decided to come.

The third scenario under this option is to cease its involvement in the TIC as well. However it is suggested that there is no urgency to consider this at this stage.

The private sector already does a certain amount of its own marketing and promotion through the publications and web site of the In Oxford Group such as its In Oxford map and restaurant and best in Oxford guides.

Level of risk

23. A risk assessment has been undertaken and the risk register is attached (**Appendix 2**). There are considerable potential risks for the City Council in its suggested role as catalyst and banker for the DMO. However in seeking to sufficiently mitigate these risks officers are suggesting that only support in principle should be agreed at this stage. There will need to be a further report (s) to CEB before the City Council enters into any binding agreements. It is considered that all risks can be mitigated to an acceptable level.

Climate change / environmental impact

24. The DMO would facilitate a well managed visitor economy. This would be of considerable benefit for the environment. The DMO could prepare strategies and plans to promote eco tourism, appropriate modes of travel and quality assurances.

Equalities impact

25. Greater coherence to the analysis and plans to market and promote the visitor economy enable greater diversity to be secured and enable enhanced provision for relevant sectors and related quality standards.

Financial implications

26. The assumptions to date assume a grant to the DMO and TIC budgets in line with the current Council Budget including a further reduction of £40,000 in tourism budget in 2010/11. It assumes the TIC operating at the breakeven point in its controllable costs, with no subsidy from the City Council.
27. The proposal assumes only a 3 year commitment with the potential for the City Council to reduce its level of grant there after.
28. The proposal assumes payment of rent for occupation of the Broad Street premises by the DMO.

Legal Implications.

29. There are no legal implications at this time. However, the formal creation of the DMO as a Company limited by guarantee will have legal implications. Contact is being made with the solicitor who facilitated the creation recently of the Oxford Economic Partnership as such a company to understand what this would entail including what it might cost.

Conclusion

30. A lot of work has been done to prepare the current Proposal on the Destination Management Organisation for Oxford and Oxfordshire. To date the City Council has taken the lead for this. Considerable interest is being shown by other private sector partners in the Proposal and there is growing interest from the private sector to be involved.
31. It is suggested that the stage has been reached for the City Council to decide whether it wishes to continue to champion the DMO and to take a step forward itself by giving a pledge of commitment. This would be to give strong encouragement to others to do the same. However the recommendation below is only to take a single step and to pause before going any further in order to gauge the level of support from others especially amongst the private sector.
32. An alternative option before CEB is to decide that it is not convinced on the merits of the proposal; either of the benefits to the visitor economy of the city or; on the likelihood of it coming to fruition (or both). In which case it considers that it should not continue to promote the Proposal.
33. There is a middle option for CEB which is to ask officer to go away now and evaluate a broader range of tourism management models.

Recommendation

The City Executive Board is recommended to give a pledge of commitment to express its support in principle for the creation of the Oxford and Oxfordshire Destination Management Organisation subject to a satisfactory business case, this to be the subject of a report back and approval.

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List of background papers: Consultants reports:

Oxford Tourism Study (The Tourism Company)

Oxford Tourism Management Review, Options Appraisal, (Tourism Engineers)

Version number: 4

Appendix 2

Risk Register

Risk Score **Impact Score:** 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic **Probability Score:** 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
		I	P			I	P	Action:	Outcome required:	Q 1	Q 2	Q 3	Q 4	I	P
					Mitigating Control: Level of Effectiveness: (HML)			Action: Action Owner:	Outcome required: Milestone Date:	⊗	⊗	⊗	⊗		
								Mitigating Control: Control Owner:		☺	☺	☺	☺		
1	Refusal of LAA Reward Grant bid from Public Services Board	4	3	PSB in Nov turn down bid, or reduce the amount or add constraints on spend	Mitigating Control: Encourage District Leaders and C Execs to support bid. Contingency plan: reduce year one expenditure and/or seek alternative funding Level of Effectiveness: M	3	2	Action: Accept Action Owner: Michael Crofton-Briggs Mitigating Control: Control Owner:	Outcome required: Milestone Date:						
2	Lack of pledges of commitment from private sector	4	3	Interest not turned into active financial support or only a few pledges by CEB on 14 th Oct.	Mitigating Control: Meet most significant stakeholders to elicit support. And lengthen the timescale for responses Level of Effectiveness: M	3	2	Action: Accept Action Owner: Michael Crofton-Briggs Mitigating Control: Control Owner:	Outcome required: Milestone Date:						

3	Pledges slow in coming forward	3	4	Interest not turned into active financial support or only a few pledges by CEB on 14 th Oct.	Mitigating Control: Meet most significant stakeholders to elicit support. And lengthen the timescale for responses Level of Effectiveness: M	2	1	Action: Accept Action Owner: Michael Crofton-Briggs Mitigating Control: Control Owner:	Outcome required: Milestone Date:						
4	Opposition from District Councils	3	2	DMO unable to reach county-wide.	Mitigating Control: Meet to keep open dialogue and secure mutual support even if not joining DMO. Level of Effectiveness: M	2	1	Action: Accept Action Owner: Michael Crofton-Briggs Mitigating Control: Control Owner:	Outcome required: Milestone Date:						
5	Inability to fill key roles – Executive Chairman and Executive director	4	3	From outset DMO will need top calibre individuals to drive organisation to achieve success.	Mitigating Control: Good advert, good interview panel, be prepared to re-run process rather than accept 'adequate'. Level of Effectiveness: M	2	2	Action: Accept Action Owner: Michael Crofton-Briggs Mitigating Control: Control Owner:	Outcome required: Milestone Date:						
6	Acting as 'banker' to the shadow board. Risk is liable for bills, such as salaries, without income from other required sources.	2	2	Gives Council control over finances, but if DMO falters in early stages might have a small impact to pay staff before contracts can be terminated	Mitigating Control: Tight budget monitoring especially of income from partners. Keep a level of 'reserves' against the risk. Level of Effectiveness: M	1	1	Action: Accept Action Owner: Michael Crofton-Briggs Mitigating Control: Control Owner:	Outcome required: Milestone Date:						

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