

**Report of:** Value and Performance Scrutiny Committee

**To:** City Executive Board

**Date:** 14<sup>th</sup>. October

**Item No:**

**Title of Report:** Scrutiny Panel response to the Destination Management Organisation Proposals

### **Summary and Recommendations**

**Purpose of report:** To present the findings of the Tourism Panel at the first stage of the Destination Management Organisation proposals

**Board Member:** Cllr. Price

**Approved by:**

**Finance:** Anna Hedges

**Legal:** James Pownell

**Recommendations**

**For the CEB to consider the Committee findings and recommendations and say if it:**

**Agrees – if so, what is the timescale for implementation**

**Disagrees – the reason for this**

### **Panel recommendations**

As outlined in the introduction the Panel see this as a starting point and would wish to further scrutinise proposals and developments. These proposals were presented to the scrutiny panel on 10<sup>th</sup>. September and since then options and risk sections have been added. The Panel would still wish to see a more robust approach and so present the recommendations for consideration by the CEB

### **Recommendation 1**

The concept, when considered in a stand alone way, is a good one. With the caveat that no robust options appraisal was available, it represented a good starting point

### **Recommendation 2**

That a proposal, within a sound options appraisal, is bought forward now which represents a positive solution should the DMO not proceed

### **Recommendation 3**

That a detailed risk assessment is produced now for 3 solutions. DMO, alternative solution and do nothing

### **Recommendation 4**

That the City Council does not move beyond verbal commitment until:

- Core funding is secured for the full 3 years
- Commercial sign up is secured for 2 years
- A robust options appraisal and risk assessment is done
- Governance arrangements are in place that both protect and reward core funders and provide yearly break arrangements linked to the delivery of key targets
- Clear consideration is given to the tourism and economic benefits that the City would wish to see from this organisation and these are used to form part of the key targets mentioned above
- In the light of all the above a firm and funded business plan is agreed

## **1. Introduction**

The Value and Performance Scrutiny Committee set a Panel to consider new proposals within Tourism. The members of the Panel are Councillors Gotch, Hazel, Baxter and Royce.

Panel members have had an opportunity to read and talk to officers about the proposed Destination Management Organisation for Oxfordshire, led by the City Council. They wish to thank officers for their cooperation and information.

The Panel conclusions and recommendations are detailed below. It is clear that this is the start on an improvement process and the Panel wish this report to represent their early views and for it to be noted they wish to scrutinise proposals as they progress.

## **2. Concept on a Destination Management Organisation**

Destination Management Organisations (DMO), as public private sector partnerships, run in a number of areas and regions and it is clear that efforts have been made to draw on these experiences in an effort to move forward with the concept in Oxfordshire. In particular the Panel heard that officers have visited and considered the workings of Chester,

Cheshire, Stafford and Warwickshire all of whom have successful organisations.

As a concept there is no one size that fits all and no direct parallel for Oxfordshire. DMOs evolve and change based on local and regional circumstances. Some do fail because of lack of private sector buy-in and there are none operating in the South East region, but there are partnerships of other sorts.

The principle is that private sector partners of varying sizes contribute yearly through a scale of charges and in return get a number of marketing services based around the needs of the local tourism sector. Some of these services are currently delivered through Tourism South East but the panel heard that there was a degree of dissatisfaction with this body because they did not provide a localised solution and services. More was needed.

Officers have talked to the local industry and outlined to the panel that there are about 25 “substantial players” who have expressed an interest but there are no firm pledges as yet

### **Panel Conclusions**

This is clearly a tried and tested solution to managing and potentially growing the tourism economy in a region and the enthusiasm for the solution from officers was obvious. The keys to success would seem to be:

- A sound knowledge of tourism in the local region and its potential alongside a sound view of the commercial needs of potential private sector contributors
- An attractive offer of services, representing good value for money set to attract private sector customers
- A sound funding base in the first year to develop and grow this service offer
- Clear commitment in both financial and concept terms from the public sector to provide that early support
- Staff with the right skills to deliver in both development and commercial terms
- Governance arrangements set to protect the public sector investment and flexible enough to allow change as the DMO develops

All of these things are not in place at the moment and at this stage the Panel would not expect them to be. The proposal outlines the City Council as the lead and single largest public sector investor in core funding terms. The Panel found this surprising given that the concept had the potential to bring about economic and social gains for our partners. The officer view was that this commitment level would not change. This fact as presented seems to undermine the concept of an Oxfordshire public private sector partnership and so led the Panel to

question what other options for improvement had been considered and why this was considered to be the best solution for Oxford.

The Panel would conclude that the Council should not go beyond the outline support and commitment statement until a business plan is in place that can demonstrate at least the key elements above and that information should be provided on the options appraisal that bought this solution to the top as the best for Oxford City.

### **3. Business Planning and Risk**

The paper presented shows a very under developed business case with few of the essential elements firmly in place. Officers were able to offer some reassurance that they had received interest from a number of large commercial players in the field and seemed confident they could get sufficient buy in at the start between Diamond and Bronze membership levels to get things going, despite no firm offers at this stage.

The core funding elements, outside of the City Council, seemed much less certain and the income growth levels were illustrative only. This alongside the lack of meaningful financial interest from our other public sector partners presents an unconvincing business case at this stage.

#### **Panel conclusions**

Core funding for the DMO as presented is as follows:

- 38% from the City – secured
- 16% from the County Council – not secured
- 4.5% from the other districts – not secured
- 4% from the OEP – not secured
- 38% from an LAA reward grant – not secured

This core funding is suggested to continue over the 3 year illustration period with a diminishing sum for the LAA reward grant and the County Council

Income from commercial membership is projected to increase by 50% from year 1- 2 and 38% from year 2-3 with other trading activities, including the break even of the Tourist Information Centre, set to increase more sharply by 300% from year 1-2 and 66% from year 2-3. All of this places the DMO with a turnover of £674,500 at the end of the 3 year illustrated period.

The projections for membership are based on the workings of other DMOs in the country so are obviously possible. The enhanced trading activities figures are less clear and seem more risky particularly because of the sharp increases proposed without much detail

So in taking together the unsecured core funding alongside unproven or uncommitted potential for membership and enhanced trading, the starting point for a business case would seem very uncertain. The Panel do however accept that at this stage our commitment would be in word only and so provides no financial risk to the City at this point

Expenditure figures are only given for year 1 so the Panel was not able to see the projected picture of spending and potential profitability to the end of the illustrated period.

Assuming that the projections as illustrated are deliverable the Panel was disappointed to hear that the suggestion was that the City Council would not benefit or share in the potential profitability of the DMO either by means of withdrawal of core funding, profit share or enhanced economic development activities. The panel accepted that the public private sector partnership was likely to exist for 3 years in the first instance and a break at that point would allow a renegotiation of funding. However the Panel still wished to see a business plan and governance arrangements that recognised the risk absorbed by the city as the major core funder and balanced this against a share in the success of the organization at the earliest possible point, outside of the obvious economic benefits that a successful DMO would bring

#### **4. Alternative Solutions and Risk**

##### **Panel Conclusions**

It's clearly early days for the project and the business planning that goes along side this. As discussed any number of factors could conspire to produce success or failure. Nevertheless tourism remains an important consideration for the economy of the City and region with clear untapped potential. Internally alongside this there is a budget saving to be made.

The Panel didn't hear a "Plan B" or any real consideration of the risks associated with the current DMO path or a "no change" scenario. The City is leading on this project and committing people, time and money. All of these will still be available to the City should the project not progress so a "Plan B" should be able to be conceived.

As discussed earlier the Panel would have expected to see an options appraisal that bought forward the DMO as the favoured solution for the City. In the absence of this at least a business case that outlined the fall back plan

The commitments we propose to make must bring about risks. These need to be appraised in an active and forward looking way, this is accepted as an essential part of any options appraisal and business planning process. Officers said that the CEB would only be asked to

move forward in a way that minimised risk, which is logical and good to hear but this statement needs to be backed with some objective risk analysis of both the DMO project into the future and alternative positions.

## **5. Panel Recommendations**

As outlined in the introduction the Panel see this as a starting point and would wish to further scrutinise proposals and developments

### **Recommendation 1**

The concept, when considered in a stand alone way, is a good one. With the caveat that no options appraisal was available, it represented a good starting point

### **Recommendation 2**

That a proposal, within a sound options appraisal, is bought forward now which represents a positive solution should the DMO not proceed

### **Recommendation 3**

That a detailed risk assessment is produced now for 3 solutions. DMO, alternative solution and do nothing

### **Recommendation 4**

That the City Council does not move beyond verbal commitment until:

- Core funding is secured for the full 3 years
- Commercial sign up is secured for 2 years
- A full options appraisal and risk assessment is done
- Governance arrangements are in place that both protect and reward core funders and provide yearly break arrangements linked to the delivery of key targets
- Clear consideration is given to the tourism and economic benefits that the City would wish to see from this organisation and these are used to form part of the key targets mentioned above
- In the light of all the above a firm and funded business plan is agreed

## **6. Board Member Comments**

The report identifies the key issues facing the Council as we seek to move forward with this proposal. If the proposed allocation of LAA reward grant is not confirmed, the Council will not be able to proceed and discussions will take place with the representatives of the industry to consider alternatives. The panel can be assured that there is no intention

on the part of the City to move beyond the current proposal stage without confirmed funding being in place for 2/3 years and a full business plan is worked up.

## **7. Executive Director Comments**

The Scrutiny Panel had a copy of the DMO proposal at the time but did not have a copy of the draft CEB report of 14th October. That report included a broad articulation of the options which supports the entering into of a dialogue with stakeholders to consider the potential of establishing a DMO.

Prior to entering into any formal commitment a satisfactory business case, including a fuller consideration of the options and risks, will be required which would be the subject of a report back and approval at CEB.

### **Report Author**

**Pat Jones on behalf of the Value and Performance, Tourism Panel**

[phjones@oxford.gov.uk](mailto:phjones@oxford.gov.uk)

**01865 252191**