

To: City Executive Board

Date: 31st March 2010

Item No:

Report of: Scrutiny Tourism Panel

Title of Report: Scrutiny Panel response to the Destination Management Organisation Business Plan

Summary and Recommendations

Purpose of report: To present the views and findings of the Tourism Panel to the proposed Business Plan to support the set up of a Destination Management Organisation within a private/public partnership.

Key decision - No

Executive lead members; Councillors Bob Price and Colin Cook

Report approved by:

Panel Lead Member - Councillor Gotch

Legal: James Pownall

Finance: Sarah Fogden

CEB is asked to consider the Panel's findings and say if it:

- Agrees – if so, what is the timetable for implementation, or
- Disagrees - if so, the reasons for this.

Recommendations:-

These are contained within the body of the report alongside findings but are detailed for ease.

Recommendation 1

The “leap of faith” required to agree that a Destination Management Organization operating within the City Council is funded in a meaningful way for the first year is not enormous and the Panel were satisfied on this basis

Recommendation 2

Future arrangements are less certain because they rely on many unknowns, not least the Governance arrangements talked about later. The Panel would wish to see clear interim sign off by Finance on the Business Plan and Risk Assessment now and detailed sign off before further binding arrangements are considered

Recommendation 3

That the involvement now and in the future of City Council support services such as Human Resources, Finance and Legal Services is made clear

Recommendation 4

To clarify the commercial rent on the Broad Street premises and if this is reflected in the 3 year budget forecast

Recommendation 5

To be clear, beyond the first year, the TIC position should there be a shortfall in income over expenditure or should the DMO fail

Recommendation 6

Some clarification is given on who employs the Executive Director now, the contractual responsibilities this gives the Council and the line management arrangements

Recommendation 7

The Executive Director should have the right skills for the job and an understanding and experience of managing in the tourism sector should be an essential part of the job

Recommendation 8

For City Executive Board to see the Human Resources and Legal advice on the contractual position of the transferred employees both now and for the future

Recommendation 9

That the Business Plan presented is considered as draft or interim. As soon as the evidence from operation shows that a formal public/private sector partnership is viable then company, governance and business plans are developed together in a timely way

1 Introduction and Background

- 1.1 The Panel met on 17th March to consider the Business Case for the Destination Management Organization (DMO) which is to be considered by the City Executive Board (CEB) on 31st. March.
- 1.2 The Head of City Development attended the Panel meeting to answer questions and provide further information.

2. Previous Recommendations

- 2.1 The Panel had previously considered the outline proposals for this venture and made the recommendations listed below which were all agreed by the CEB:
 - 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.

3. Further information received

- 3.1 The Panel had before it the report and Business Case produced to support the CEB in March. Additionally the Head of Service provided the following information in response to the Panel's questions:
 - Core funding for 3 years had been secured from the public sector organisations;

- Written pledges of funding had been secured from 26 commercial funders that amount to £55k of the £80k requirement for the first year. No money had been received but invoices would be raised to these organizations once the approval to go ahead had been received;
- Our Finance Team had seen and was happy with both the business case and the risk assessment. Finance would run the a Trading Account and invoicing for the DMO and were set up to do this;
- There would be interim governance arrangements for the first year with the City Council “hosting” the DMO. A significant amount of work is required to set up a company of this nature so efforts now and in the first year would be in developing the tourism “offer” to attract a good membership base
- The Board to run the organization will be made up of 10 members with 1 seat available to the City Council. This was considered to be the best solution so as not to give the appearance of Public Sector dominance
- The interim governance arrangements would allow for a break at the end of the first year for reconsideration
- There had been an attempt to establish a core of lead businesses in the tourism industry in order to demonstrate active support in the City. Smaller organisations had not been targeted yet, but work would be ongoing in this area in partnership with Tourism South East;
- The LAA reward grant has been allocated but not in the way that was originally envisaged. It will now be spent on defined projects within the visitor economy across Oxfordshire so money will also be available to the “Oxfordshire/Cotswold Brand”;
- The Executive Director will not be an employee of the City Council and will preferably be someone with a Tourism background;
- It is envisaged that the posts transferring into the DMO will remain as employees of the City Council into the long term. The pension liabilities accompanying these contracts would be too great for a small company
- The Tourist Information Centre (TIC) would transfer into the DMO both in the interim and the future and would be run on at least a no net cost basis with the intention of profitability. Should there be a loss in the first year this will be the responsibility of the Council as it is now

4. Panel Observations and Recommendations

Core Funding and Expenditure

- 4.1 For year one the certain funding, at this point, is the money within budgets agreed by the City Council for 10/11 plus a contribution from the County Council and the Oxford Economic Partnership. City Council budgets are technically already “spent” on staff salaries, support services and supplies and services.

- The new expenditure for start up is the employment of an Executive Director and the contributions from the County Council and The Economic Partnership more than cover this.
- 4.2 The DMO needs money to spend on developing its “offer”, supplies and services and marketing/advertising campaigns. This is at the heart of making it attractive to membership and therefore successful. At the moment this money is not funded but through membership pledges could be.
- 4.3 The position of the Tourist Information Centre within the interim arrangements is that it runs at least at break even. This is a replication of the City Councils budget so the risk to the Council of not achieving this is no greater than it otherwise would have been. The premises in Broad Street belongs to the Council and the rent charged to the DMO, it is assumed, in the long term will be a commercial rent providing a potential net gain to the Council. It is not clear to the Panel if the rent shown in the 3 year forecast represents this.
- 4.4 Support services charges made within budgets, in particular by Finance, are to run services as they are now. It seemed that the running of a trading account of this nature would be more complex than current arrangements and reasonably more costly. It is accepted that support services costs are the redistribution of money already accounted for elsewhere but it seemed that there was potential for these to increase beyond those detailed currently.

Recommendation 1

The “leap of faith” required to agree that a DMO operating within the City Council is funded in a meaningful way for the first year is not enormous and the Panel were satisfied on this basis

Recommendation 2

Future arrangements are less certain because they rely on many unknowns, not least the Governance arrangements talked about later. The Panel would wish to see clear interim sign off by Finance on the Business Plan and Risk Assessment now and detailed sign off before further binding arrangements are considered

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Staffing Arrangements

- 4.5 The Head of Service said that the Executive Director would not be an employee of the City Council both for the immediate or the long term. It was not clear therefore who would employ her/him now. This is a key post and the lines of management and responsibility need to be clear.
- 4.6 The Panel heard that it was hoped that the Executive Director would be someone with a tourism background. This person is key within this tourism based organization so it is surely essential that their experience is up to the role.
- 4.7 The arrangements for the short and longer term employment of the Tourism and TIC staff to be transferred to the DMO are not clear. It is outlined that they remain contractually the employees of the Council but would be working for and being directed by another organization. On the surface this seems to be a wholly unsatisfactory arrangement and the Panel would wish to see the Human Resources and Legal advice on this

Recommendation 6

Some clarification is given on who employs the Executive Director now, the contractual responsibilities this gives the Council and the line management arrangements

Recommendation 7

The Executive Director should have the right skills for the job and an understanding and experience of managing in the tourism sector should be an essential part of the job

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Governance

- 4.8 The Panel was disappointed to see that the proposed longer term arrangements did not provide for more influence than 1 in 10 to the City Council. As previously expressed this Council is providing most of the funding in the first year and a good proportion there after. We are taking the risk. Whilst the Panel can see the non public sector dominance argument they would have expected more influence

- 4.9 There is still much work to be done in setting up this public/private sector partnership and this will happen over the coming year. The Panel found it surprising that the development of the business plan and the setting up of the company and governance arrangements were seen as separate issues. These activities are essential and linked with one informing the other. To develop them separately runs the risk of poor outcomes.

Recommendation 9

That the Business Plan presented is considered as draft or interim. As soon as the evidence from operation shows that a formal public/private sector partnership is viable then company, governance and business plans are developed together in a timely way

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