

To: City Executive Board

Date: 9th March 2011

Item No: 8

Report of: Head of City Development

Title of Report: Visit Oxfordshire Destination Management

Summary and Recommendations

Purpose of report: This report recognises the establishment of Visit Oxfordshire as a stand alone organisation and suggests the related actions necessary to confirm the nature of the relationship between the Council and the new company.

Key decision? No

Executive lead member: Councillors Bob Price and Colin Cook

Policy Framework: Improve the Local Environment, Economy and Quality of Life

Recommendation(s): That the City Executive Board:

Agrees to:

1. Enter into a co-operation agreement for 12 years with the new not for profit company formed to promote tourism and cultural business across Oxfordshire .
2. Lease its premises at 15 – 16 Broad Street to the new company for 10 years.
3. Retain the current staff as City Council employees but second them to the new company for 2 years
4. Provide a grant of to the new company in 11/12 at a level that retains the City Council's net budget commitment at £160,000 reducing by 10% in subsequent years.
5. Grants delegated authority to the Executive Director of City Regeneration after consultation with the Corporate Director of Finance and Efficiency to complete negotiations and to enter into an appropriate agreement with the new company.

Part Two of the City Executive Board Agenda, Not for Publication: Current and proposed budget information.

Appendix 1 Risk assessment

Introduction

1. At the City Executive Board meeting on 31st March 2010, the Board resolved to :
 1. Establish the Oxford and Oxfordshire Destination Management Organisation as a public/private partnership
 2. Host the DMO for the first year with Oxford City Council acting as the Accountable Body.
 3. Agree that the Executive Board Member for City Development and Tourism should represent the City Council on the Board
 4. Explore the option of joint working between blending the emerging DMO with Oxford Inspires (OI), with a further report to CEB if appropriate.
2. This report considers the next steps for the City Council in supporting a new Oxfordshire tourism and culture company. In doing so it seeks to build on earlier decisions.

Background

3. Members will recall that the Destination Management Organisation (DMO) is to 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 is to include not only UK domestic and international visitors, but also residents who travel within the county and indulge in retail expenditure.
4. The Destination Management Organisation is to play a leading role in tourism delivery and promotion, working closely with a wide range of partners and stakeholders. It is to champion the sector and seek to influence all aspects of the visitor experience in order to nurture a thriving tourism industry; and it will set measures (specific, measurable, achievable, realistic and time bound) so that it can communicate its intended improvements to the value of the County's visitor economy. West Oxfordshire District Council at the moment does not wish to become a member of the organisation but is more than happy for there to be close partnership working with its tourism offer "Visit Oxfordshire Cotswolds".

Progress since March 2010

- New name for the DMO is Visit Oxfordshire (VO)
- Shadow Board established under the chairmanship of John Hoy, Chief Executive of Blenheim Estates.
- Cllr Colin Cook represents the City Council on the Board
- Susi Golding is the Project Director, in post until 31st Dec 2011
- Income (£20k) has been received from the sale of subscriptions to private business Members and further income is expected as further members are signed up.
- Membership is at 270 plus, as Tourism South East members have been rolled into membership of Visit Oxfordshire
- Active marketing of Visit Oxfordshire through a new Website which now receives an average of 110k visits per month.
- Worked with Tourism South East on an initial marketing campaign with coverage in the Independent (Sept), Guardian (Feb) and Telegraph (Mar)

- Taken space in a Visit Britain guide with distribution of 250k copies to inbound visitors
- Worked with InOxford on co-branding publications such as The Restaurant Guide and monthly What's On Guide,
- Producing a 32 page guide for 2011 both for UK and overseas distribution and downloadable from the web

Way Forward

5. The Oxford Inspires Board (OI) and Visit Oxfordshire (VO) Shadow Board have both agreed to join together under a common leadership. Governance work is underway to create a new not-for-profit organisation, likely to be called Experience Oxfordshire. This will have a charity arm as the top company (for cultural activities) and a subsidiary trading company (for tourism activities). The current trading names or brands of Oxford Inspires and Visit Oxfordshire are to be retained because these are well known by existing customers and work well as web search names. The City Council's relationship will be with the new trading company (new company)
6. The Visit Oxfordshire Shadow Board includes very senior individuals from some of the top tourism businesses in the County and has a growing membership of private sector tourism businesses. It now wishes to take the lead responsibility for tourism in Oxfordshire and meet the aspirations of its membership. As it delivers tangible benefits for these members, in return for the membership fee, it will see its membership grow and it will be able to build a sustainable future. However, without a growing membership amongst private businesses it will not succeed.
7. The City Council needs to confirm its relationship with the new company, including financial and contractual matters.

Reminder: key objectives for the Council.

- City Council to facilitate the private sector to take a more strategic tourism management role
- Give full support to private sector tourism businesses and set up a Destination Management Company as a private/public partnership
- Targets for the new organisation are to increase the length of stay of tourists and the spend per head of each in order to grow the tourism economy.
- Agree that the scope of the new organisation should be County wide and include culture
- Need to ensure the best outcome for current tourism staff
- Need to understand the risks to the Council if the new organisation does not succeed.

Options for the City Council's tourism function

8. There are three options to consider as the next stage of the process.
9. **Transfer** of the Council's Tourism Service, as a going concern, to a third party. This would involve a transfer of all the Council staff and likely transfer of the assets of the Service – a lease to the Broad Street Tourism Information Centre, the customer and supplier data, certain equipment, etc. As with any service outsourcing, the Council would have to be able to demonstrate that it had achieved

best value. Because the Council would be procuring a purchaser (even if at a negative value) for the Service, it would need to demonstrate that it had undertaken a competitive selection process which was compliant with our Contract Rules, and even, perhaps, European procurement regulations.

10. **Partnership working.** A partnership between two legal providers of the combined service, the Council and a third party. The Council could provide grant funding to the third party for the promotion of the combined service. The Council would not strictly have “procured” anything but would have simply taken the opportunity to work in association with an appropriate third party. There is benefit in seconding all the Service staff to the third party company, so that there would be one single manager of the combined operation. On termination of the Co-operation Agreement, if it is not renewed, the operation of the partnership would have to be fully assessed, and an appropriate way forward would need to be considered at that point.
11. There is a third option, a transfer of the undertaking, as set out in the first approach above, but to a **wholly-owned Council company**. One advantage of this is that again there should be no deemed “procurement” of anything. It would simply be the Council continuing to provide the Service, but in a different way.

Proposal

12. The City Council has been working towards enabling the private tourism sector to get more involved strategically in tourism promotion. It was originally intended that the City Council would coordinate the creation of a joint public-private partnership with the intention that the private sector would take an increasing role and the City Council would step away from direct involvement. This last year the City Council has hosted the Visit Oxfordshire partnership with the intention for a new partnership company to take on the lead from April 2011.
13. If the City Council had intended to transfer its tourism service to another organisation a different approach should have been adopted along the lines of the Leisure centres contact.
14. Therefore, the partnership option outlined above continues the journey the City Council embarked upon two years ago. It is simpler and meets expectations expressed by leading Members and the private businesses. It gives a good outcome for current staff who remain Council employees, yet through secondment gives the new company appropriate levels of management control over the staff. This approach provides flexibility, and the ability for the City Council to step in if the new company were to fail to grow its membership or achieve the agreed objectives going forward.

Key elements of a new co-operation relationship

15. The proposal is that the City Council enters into a Co-operation Agreement with Visit Oxfordshire from 1st April 2011 for 12 years. The length of the agreement is to give the new company and its Directors the opportunity to make a substantial commitment to the venture. The draft Heads of Terms, already prepared, set out the nature of the relationship between the City Council and the new company and the basis of the co-operation. They describe the new County-wide tourism service in general terms and the role of the new company in operating that service. However it is proposed that this agreement should have appropriate review and termination arrangements and would be monitored annually.

16. The proposal is that the City Council offers to lease its premises at 15-16 Broad Street to the new company at a commercial rent for 10 years. The Head of Corporate Assets is already in negotiation with the new company over the terms of the lease and can complete the transaction because it is within the limits of his delegated authority.
17. The proposal is that current 12 tourism and Tourist Information Centre staff are retained as City Council employees and their salaries are paid by the City Council but they are seconded to the new company for two years to enable it to provide the new County-wide tourism service. The new company would pay the City Council the necessary sums to cover these staff and associated costs. Clear protocols will need to be established about how the staff are to be managed both on a day to day basis by the new company and the route for escalation of issues that should remain City Council responsibilities...
18. This part of the proposal has been discussed with the staff over the last 12 months who have indicated that they are comfortable with the arrangements, subject, of course, to seeing further details.
19. The proposal is that any subsequent new staff would be taken on as employees of the new company. At the end of two years the arrangement will need to be reviewed by the City Council in discussion with the new company and the staff themselves.

Financial implications.

20. The current net budgeted cost for tourism in 2010/2011 is £160k and the projected budget for 2011/2012 will remain the same. The budgeted net cost for the current year will be used as the basis to calculate the grant to the new company in 2011/12
21. An extract of the income & costs for the new company and the councils budget in 2011/2012 to 2013/14 are shown in Part Two, **Not for Publication**, section of the City Executive Board agenda.
22. The income streams, indicated in the existing budgets, would be all income that the new company would expect to generate, along with the costs.
23. Salary costs, including all costs associated with retaining the staff as City Council employees would remain in the City Council budget and be recharged to the new company through the co-operation agreement, much like the current system of internal service level recharges
24. A full business case with 3 year cash flow should be prepared by the new company. This will enable the City Council to appreciate how, through co-operation, the City Council can be realistic in the scale and timing of any grant payments and in its requirements for payments for staff salaries, property rent and other stock and assets.
25. The City Council will give a grant to the new company at a level to ensure that the net affect on the City Council's budget would, in 11/12, be £160k.

26. A full stock take is to be undertaken at close of business on 31 March 2011 for the year end accounts. This can be used to calculate the value of the stock and other assets to be sold to the new company.
27. The arrangement for the transfer of stock and other assets will be covered in the co-operation agreement and shown in the new company's 3 year cash flow and business case
28. Subscriptions have already been sold by Tourism South East (£20k) in association with Visit Oxfordshire and the City Council have invoiced TSE for this income. This income is currently held in the City Councils account. If any further income is received for subscriptions beyond 31st March 2011 this will be transferred to an earmarked reserve at year end. The same consideration will be made for income received for pre-booked walking tours to take place after 31st March.

Legal implications

29. The proposal is that the co-operation agreement sets out clearly the relationship between the City Council and the new organisation. In addition, the documentation which sets up the new company will need to include the role of the City Council's nominee as a director of the organisation or companies. It will be important to ensure that there is nothing in the proposed new organisation and company structures that is inappropriate from the City Council's point of view.

People and Equalities Implications

30. The proposal to second the current 12 staff for 2 years to Visit Oxfordshire will need to follow the City Council's procedures including appropriate consultation with the staff. Clear protocols will need to be established about how the staff are to be managed both on a day to day basis by the new company and the route for escalation of issues that should remain City Council responsibilities. It is normal for such an arrangement to be reviewed at the end of two years.

Climate change / environmental impact

31. The proposal will facilitate a well managed visitor economy. This would be of considerable benefit for the environment. Visit Oxfordshire intends to prepare strategies and plans to promote eco tourism, appropriate modes of travel and quality assurances. There may be a slight increase in the carbon footprint of the TIC with more staff using this building.

Equalities Impact Assessment

32. The Proposal to work in partnership with the new not-for-profit company that will co-ordinate tourism and cultural activities across Oxfordshire is very exciting in equality terms. The City Council already has in place quite a range of measures to ensure that its tourism service reaches a diverse range of customers both in terms of race and abilities. For example it has appropriate features on the web site to enable this to be adjusted to suit the needs of people with different abilities and it employs staff in the Tourism Information Centre, who speak quite an extensive range of languages.
33. Under this proposal the capability of the new company to meet such equality objectives will be greatly enhanced as it will be able to influence the behaviours

of a considerable section of tourism and cultural industries across the County. It will also be able to do so much more in terms of building up a good set of equalities base data, being responsive to customer needs, facilitating training where skills need improving. Overall this should ensure that over the next three years and beyond the quality of the welcome to all types of tourist including Oxford residents is improved.

Conclusion

34. It is considered that full support can be given to the proposal for the City Council to work in partnership with a new not-for-profit company formed to promote tourism and cultural business across Oxfordshire. It continues the journey the City Council embarked upon two years ago.

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Appendix 1 Risk Assessment

Risk ID	Risk					Date raised	Corporate Objective	Gross Risk		Residual Risk		Current Risk		Owner	Date Risk Reviewed	Proximity of Risk (Projects/Contracts Only)
	Category-000-Service Area Code	Risk Title	Opportunity/Threat	Risk Description	Risk Cause			Consequence	1 to 6	I	P	I	P			
CEB-012-CD	New company fails	T	Visit Oxfordshire as the trading arm of the new organisation does not succeed as a company and its Board decides to fold the company	New trading company fails to deliver on outcomes, and or to generate level of income necessary to meet obligations	City Council has to take back direct responsibility for tourism	9 Mar 11	2	3	2	3	2	3	2	Michael Crofton-Briggs		
CEB - 013 - CD	Only part of Broad St	T	Lease taken of basement, ground and part of upper floors to run just the TIC, not whole building for the whole organisation	Unable to reach agreement over lease terms for whole building and company follows other options	City Council has to find tenant for upper floors	9 Mar 11	2	2	3	2	2	2	3	Michael Crofton-Briggs		
CEB - -14 - CD	Staff secondment	T	Not all the current tourism staff are seconded to the new company.	Some staff express wish not to be seconded	City Council will need to use change management policy to find alternative roles or make staff redundant	9 Mar 11		2	2	2	1	2	2	Michael Crofton-Briggs		