



Title: **Options for Future Delivery of Tourism, Marketing and Events Support**

Public Agenda Item: **Yes**

Wards **All**

Affected:

To: **Council** On: **13 July 2011**

Key Decision: **No - not at this time**

Change to Budget: **No - not at this time** Change to Policy Framework: **No**

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1. What we are trying to achieve and the impact on our customers

- 1.1 To identify an improved delivery model that generates a sustained increase in visitor numbers and bed nights (both tourism and business related).
- 1.2 To promote higher profile events and ensure that event planning is comprehensive and co-ordinated.

2. Recommendation(s) for decision

- 2.1 That the Mayor be recommended to instruct Torbay Development Agency, as part of its strategic economic development function, to identify the strategic delivery options (assuming the retention of the Rivera International Conference Centre) and report back to Full Council within four months.

The high level options identified to date include:

- Consolidation of English Rivera Tourism Company (ERTC), RICC Ltd and Residents & Visitor Services (R&VS) Events Team functions into a single entity or a combination thereof.
- Establishment of a new Company controlled by Torbay Council, or seek a Private Sector Partnership (PSP) via a formal procurement, or transfer ERTC and certain RICC Ltd operations to direct council ownership and control.
- Maintain status quo but establish more stringent processes that promote greater efficiency and co-ordination.

3. Key points and reasons for recommendations

- 3.1 The Mayor and Leader of the Council has requested an options appraisal for reconfiguring the Council's investment in tourism marketing and events management in order to identify further efficiencies and to ensure that its investment into the tourism economy is providing an appropriate return to Torbay.
- 3.2 It has been suggested that there needs to be far greater integration and co-ordination of tourism marketing and events activity.
- 3.3 The author has been asked to assume that the Council will continue to support the functions of tourism marketing and a major conference centre. This report does not therefore consider the necessity to retain a major conference centre or identify alternative use options for the Riviera International Conference Centre.
- 3.4 This report does not make any specific recommendations relating to the options identified to date and sets them out at a high level for information only.
- 3.5 It should be noted that the delivery structures for dealing with tourism marketing were reviewed ahead of the creation of the ERTC in 2010.
- 3.6 Solely owned by Torbay Council, the ERTC has now been commissioned by Torbay Council to:
 - act as an unified destination marketing organisation (DMO)
 - manage and deliver the official 'in resort' Visitor Information Service
 - support the development and implementation of the adopted tourism strategy
- 3.7 A formal commissioning agreement has been put in place for these services up to March 2016 based on a reduced level of subsidy. The Company is however effectively controlled by the Council, which could trigger a hand back of services if it so wished.
- 3.8 With regard to the Riviera International Conference Centre, the asset is owned by Torbay Council and is leased to the RICC Ltd. The RICC Ltd is a separate entity and the Council does not have any share of the company although it does have the right to appoint a director to its board of directors. It is thought that a withdrawal of Council funding from the RICC Ltd. is likely to result in the winding up of the Company. The lease would ultimately revert to the Council.
- 3.9 The options for consideration are broadly summarised below and set out in more detail in Section A3 that follows.
 - Consolidation of ERTC, RICC Ltd and R&VS Events Team
 - Outsource and seek a delivery partner via the market
 - Maintain Status Quo
 - In-house provision of services by Torbay Council
- 3.10 It is anticipated that a more detailed report setting out indicative costs and savings of the options will be presented to Full Council in the autumn.

For more detailed information on this proposal please refer to the supporting

information attached.

**Charles Uzzell
Environment Commissioner**

**Steve Parrock
Chief Executive, Torbay Development Agency**

Supporting information

A1. Introduction and history

A1.1 The Mayor and Leader of the Council is concerned that too many organisations are engaged in tourism marketing and event management. These include:

- Riviera International Conference Centre Ltd (RICC)
- English Riviera Tourism Company (ERTC)
- Torbay Coast & Countryside Trust (TCCT)
- Torbay Council – Residents & Visitors (R&Vs)
- Torbay Town Centres Company (TTCCo)

The structures dealing with tourism marketing underwent significant restructuring ahead of the creation of the English Riviera Tourism Company.

Solely owned by Torbay Council, the ERTC has been commissioned by Torbay Council to:

- act as an unified destination marketing organisation
- manage and deliver the official 'in resort' Visitor Information Service
- support the implementation of the adopted tourism strategy

A commissioning agreement has been put in place for these services till March 2016 based on a reduced level of subsidy. Closing down the Company is possible through withdrawal of funding to the ERTC, this is a Mayoral decision.

With regard to the RICC Ltd, it is a long standing separate entity from the council and the council does not have any share of the company, although the council has the right to appoint a director to its board of directors.

The relationship between RICC Ltd and the council is governed by a lease of the Riviera Centre and a related 'management agreement', which are co terminus, expiring on 31 March 2019. The lease does benefit from statutory protection pursuant to the Landlord and Tenant Act 1954, therefore RICC Ltd does have a right to renew the lease at the end of the term unless the council requires the property back to use itself or for redevelopment. There is no rent payable under the lease however the council does have the right to serve notice to require that a market rent is paid.

The management agreement and lease put various obligations on RICC Ltd to manage the centre and the management agreement places an obligation on the council to keep RICC Ltd informed of its medium term financial plan to assist the board of directors in its forward planning. Members should note that proposals within the medium term financial plan are not binding on the council; they are only indicative. There is no legal obligation on the council to fund RICC Ltd through the term of the lease and management agreement. RICC Ltd has the right to unilaterally terminate the lease: on 16 June 2016; if the council serves notice for market rent to become payable; or if it is not satisfied that the council has budgeted sufficient funds in its medium term financial plan'.

It should be noted that the RICC faces repairs and maintenance costs estimated by the TDA to be in the region of £6M over the next 15 years. These are not included currently in the Council's Capital Strategy or within RICC Ltd business plan projections.

Any change to the delivery options would therefore need to be considered against the short and medium term financial position for the Council. The 2012/13 budget will be especially challenging.

The affirmation that the Mayor is minded to support the principle of a major conference centre within Torbay should be helpful to marketing and managing the RICC Ltd. after a period of uncertainty.

A2. Risk assessment

A2.1 Outline of significant key risks

A2.1.1 The possible restructuring of new ERTC is likely to be highly controversial. Given the costs incurred since October 2009 e.g. in reviewing the structure of the tourism marketing function and the set up of the ERTC, there is likely to be public criticism that such an early review is warranted.

It would also be reasonable to assume that the businesses now involved with the ERTC and paying for its services through its marketing services will be concerned and that this might lead to a reduction in advertising and guide income.

The ERTC appears to have considerable industry support and the private sector has had an especially strong role in shaping both the marketing strategy and the running of the ERTC. Consequently there is a risk that a further review might not be supported by the business sector during the consultation or implementation stage..

Potential loss of the financial and moral support and engagement of the sector is a key risk and could lead to an unintended consequence of poorer or reduced marketing efforts and lower visitor numbers.

It follows that there is a risk that a new organisation would not enjoy similar levels of patronage and support from the sector leading to a reduced ability to attract advertisers and earn income through its Guide.

With regard to Human Resources the ERTC employs staff who transferred to it from the Council and it is a requirement to follow statutory consultation process if any change to their employment is proposed. It is also a requirement of their transfer that the relevant HR policies, in this case the same as the Council, are followed. Any failure to follow those processes will present a risk.

There is a risk that changing the governance of the RICC might result in loss of the business rate rebate circa £200,000.

The Directors of both companies may decide that they no longer wish to serve as a consequence of the review. New Directors may be reluctant to put themselves forward.

A2.2 Remaining risks

Inevitably the respective companies and Council teams are likely to be distracted by the review and due to the uncertainty some members of staff and business partners may decide to leave or withdraw support.

ERTC revenues may be at risk pending the outcome of the review.

That the cost of restructuring might be disproportionate to the benefits and outcomes expected.

The envisaged outcomes of the change options might not be delivered.

(Note: A full risk assessment of the proposals is available from the report author.)

A3. Options identified to date include:

Amalgamation of ERTC, RICC and Residents & Visitor Services events team

The Council is unlikely to be allowed to transfer the functions of the ERTC to RICC without a formal tendering process given the nature of those activities.

The companies might be able to share certain operations but continue with separate boards and accountabilities. This may lead to some savings but the respective board decisions may be inconsistent with the expected outcomes.

There could be a TUPE arrangement whereby staff transfer from the Council to the ERTC. This would allow existing Council services to be included.

The establishment of a new company, which can combine the functions currently being provided by all the different organisations, is most likely to require a formal procurement process.

The Council will therefore need to consider the scope and cost of the procurement exercise prior to reaching a decision.

If the Council wishes to subsidise a new company incorporating commercial trading functions such as restaurants and gyms it will need to assess the possible state aid issues. When the Council originally set up the RICC, the procurement rules were very different and less stringent. Subsequent case law and precedent now requires careful consideration and early advice.

Outsource and seek a delivery partner via the market

This option assumes conceptually that the Council would seek via an 'open tender' suitably qualified and competent operators to provide the specified services. The existing operators could submit a tender.

Status Quo

This option would result in the ERTC and RICC Ltd continuing to provide the services which they currently provide under the commissioning agreement for the ERTC and the management agreement for RICC Ltd. It is envisaged that

various improvements would be possible through shared working and better communication.

In-house Option by Torbay Council

This option would see the ERTC staff transfer back into the Council. The Council would then resume direct control of the tourism function.

The possible transfer of the RICC business to Torbay Council as an on-going concern is more complicated and further advice is required relating to a number of procurement and employment issues.

Alternative options (not within the scope of the review)

An alternative option not considered as part of the review would be to close the RICC. The administration has indicated that it is minded to support the RICC with a capital sum to pay for essential repairs and an ongoing revenue grant to extend its life.

It is understood that a report seeking Council approval is likely to follow in September. This is intended to provide reassurance to the RICC Board and its customers about its longevity and ability to fulfil its orders.

Cessation or significant withdrawal of Council funding for the RICC Ltd would result in the RICC Board having to close down the centre. This would have a direct impact in the loss of 93 jobs from the centre and create a negative perception of the resort. It might also lead to an increasingly dilapidated site in a key location for Torquay.

Torbay Town Centres Company –The Town Centres Company is not directly funded by Torbay Council and the Council has no ownership of the organisation. The Town Centres Company is legally responsible for management of the business improvement districts in Torquay and Paignton and as such has specific obligations to the BID levy payers.

A4. Summary of resource implications

A4.1 Current Council subsidy to RICC is circa £560,000 per annum.

Current Council grant to ERTC is £600,200 falling to £536,700 over the lifetime of agreement

There are likely to be significant one off costs of implementing any change including legal and tax advice relating to redundancy & dismissal, TUPE, winding up and starting a new company, VAT implications and other costs.

Potential redundancy costs and pension liabilities have not been assessed but may be incurred.

The direct and opportunity cost of officer time in managing this process has not been fully evaluated to date but based on previous restructuring it is anticipated that a middle manager with administrative support would need to be redeployed for up to 12 months should a change option be recommended and accepted in

due course. This is based on Council experience of having established the Tourism Company, the Economic Development Company and Tor2 within the last 24 months.

Although some revenue efficiency saving for the consolidation option are also likely e.g. through the amalgamation of leadership and back office functions, the saving cannot be calculated at this time.

Without modelling the structural options it is difficult to present possible savings within this report. The savings are not however likely to be significant and overall it is probably that significant additional capital and revenue support is required to sustain the RICC Ltd operations.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

A5.1 None

A6. Consultation and Customer Focus

A6.1 It is proposed that the respective business sectors and the wider community should be consulted through direct engagement.

A7. Are there any implications for other Business Units?

A7.1 Yes, the identification of options will require input from multiple support services and especially those within Torbay Council which support the ERTC and R&VS functions. The TDA will also need to redeploy management resource to conduct the initial options appraisal.

Appendices

None

Background Papers:

The following documents/files were used to compile this report:

- 'Turning The Tide' Tourism Strategy
- Report to Council recommending the set up of the ERTC.
- RICC Management Agreement