

Cabinet Member for Jobs, Regeneration and Climate Change

30 July 2021

Name of Cabinet Member:

Cabinet Member for Jobs, Regeneration and Climate Change – Councillor J O’Boyle

Director Approving Submission of the report:

Director of Business, Investment and Culture

Wards affected:

All

Title:

New Coventry Destination Management Organisation Collaboration Model

Is this a key decision?

No - although the proposals affect more than two electoral wards, the impact is not expected to be significant.

Executive Summary:

The Coventry Destination Management Organisation (DMO) Project seeks to initiate a proof-of-concept model (known as Destination Coventry) to test the viability of creating a formal public / private DMO entity for Coventry from 2023 onwards. The project is a collaboration between Coventry City Council and Coventry & Warwickshire Chamber of Commerce and will deliver both traditional and innovative destination management and marketing activities. This report seeks the necessary approvals to initiate the model, noting the related expenditure in 2021/22 and 2022/23 from existing approved budgets.

Recommendations:

The Cabinet Member for Jobs, Regeneration and Climate Change is requested to:

1. Approve the business plan for Destination Coventry activities in support of the Tourism Strategy, as set out in Appendix 1, which outlines the intended activities of the DMO and the arrangements for monitoring, review and governance described in Section 2.
2. Approve a financial contribution from the City Council to Destination Coventry totalling £886k, funded from existing approved resources for destination management and tourism towards the planned total business plan cost for the newly formed DMO of £1.249m, to support the proof of concept collaboration project with Coventry & Warwickshire Chamber of Commerce (CWCC) for the delivery of destination management and promotion for the period July 2021 to March 2023.

3. Note that the financial contribution to the collaboration, as outlined in Section 6.3, will pay for Council staff in relevant service areas which have been seconded to Coventry & Warwickshire Chamber of Commerce until the end of this agreement.
4. Delegate to the Director of Business, Investment & Culture, following consultation with the Director of Law & Governance, and the Director of Finance to negotiate, complete and seal such legal documents as are necessary to give full effect to the recommendations set out in this report.

List of Appendices included:

Appendix 1 – Destination Coventry Business Plan

Background papers:

None

Other useful documents

[Coventry Tourism Strategy Cabinet Report – 27 November 2018](#)

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: New Coventry Destination Management Organisation Model

1 Background

- 1.1 A Destination Management Organisation (DMO) is the umbrella term for arrangements in a place to support co-ordination and collaboration across the tourism sector's many stakeholders. They differ across the country in scale, funding models and governance, from wholly local authority operated arrangements through membership schemes and private companies.
- 1.2 In Coventry, the Council's Visit Coventry and Conference Coventry & Warwickshire operations make-up the DMO. This in-house model is considered appropriate in places where the visitor economy is less well-developed and where the sector has few, if any, major operators.
- 1.1 Coventry's Destination Management Partnership (DMP) was convened in 2019 as a result of recommendations made in the 2019-2023 Tourism Strategy. It is made up of senior public and private sector stakeholders from across the city's visitor economy sectors. In relation to reporting to the DMP, three working groups covering its core remit, were established – Visitor Experience, Product & Promotion and Visitor Economy & Skills.
- 1.2 The DMP has provided opportunity for a regular tourism economy dialogue and created an appetite for exploring ways in which the current DMO could be more successful and effective in delivering the tourism strategy and growing the city's visitor economy, especially in the build up to UK City of Culture 2021 and the Commonwealth Games in 2022.
- 1.3 The DMP has recognised that there is potential for improving impact through a new structural model for the DMO, with greater involvement and investment from the private sector businesses in the sector.
- 1.4 The DMP convened a DMO Advisory Board to explore an alternative DMO model for Coventry. The group's findings validated that a form of public / private partnership model can be successful in destinations where the sector is more developed and sector associations and collaboration are well established, as we are experiencing in Coventry. The DMP considered that testing a proof-of-concept through the next two years, with the opportunities afforded by UK City of Culture and the Commonwealth Games would give the best chance to establish the feasibility of a new approach.

New DMO Principles

- 1.3 The new DMO must lead in the management, development and promotion of both leisure and business (meetings, events, conferences) tourism. It should also continue to operate the Coventry & Warwickshire Convention Bureau and assume responsibility for visitor information provision in Coventry.
- 1.5 It should continue to deliver the 2019-2023 Tourism Strategy effectively and provide opportunities for visitor economy stakeholders to engage in strategic reviews and development of future strategy iterations.
- 1.6 The model should not rely solely on Council funding and must enable the private sector to contribute financially to the DMO's destination marketing activities, with the aim of amplifying continued growth of the city's visitor economy.
- 1.7 Its activities must include the development of income streams to ensure sustained financial viability. These might be through access to Government funding, membership subscription products, Convention Bureau commissions, advertising sales, provision of destination marketing services and so on.

Considerations

- 1.8 Several well-established membership organisations relevant to Coventry's visitor economy businesses already exist, including the Business Improvement District, Shakespeare's England, the Federation of Small Businesses and the Chamber of Commerce. Competition for subscriptions is fierce and DMO membership schemes can be difficult to develop and sustain.
- 1.9 It should be noted that the coronavirus pandemic has dramatically affected Coventry's visitor economy, with stakeholders continuing to experience significant business disruption and uncertainty. Their ability and appetite to contribute to a new DMO proposition is likely to have been negatively impacted. Additionally, it must be acknowledged that tourism is not a primary business sector for the city as it is in other destinations, meaning the pool of potential paying stakeholders is limited.
- 1.10 It is recognised that, prior to the coronavirus pandemic, Coventry's visitor economy was growing, with a clearer sense of shared purpose and a partnership-owned strategy. The upcoming opportunities in 2021 and 2022 provide hope for recovery and longer-term growth,
- 1.11 However, it is recognised that it would be prudent to test a new partnership solution until a 'new normality' is established for Coventry's visitor economy and an appropriate and sustainable model is determined for the long term. This report recommends a period of operation to April 2023, to inform a decision on the eventual operating model to be implemented onwards from 2023-24.

2 Options considered and recommended proposal

- 2.1 A high-level sifting of options has taken place. The case for maintaining the status quo has been discounted, given that the current model does not attract private sector contribution and the resulting reliance on the Council to fund Coventry's DMO is unsustainable.
- 2.2 A fully private sector managed and funded model has also been discounted. Unlike some other destinations, the size of Coventry's visitor economy will always be limited, and the finite volume of potential paying stakeholders will be insufficient to sustain a wholly private entity.

Option 1 (Not recommended)

- 2.3 Continued Council in-house operation of the DMO, with the added introduction of a membership scheme and other income-generating commercial activities.
- 2.4 Whilst this model would offset some Council costs and allow viability testing for future change options, it introduces a new membership organisation into an already competitive landscape. Furthermore, insufficient cost savings to the Council would be realised, Government and Visit Britain funding (currently unavailable to local authority run models) would remain inaccessible and private sector contribution would be minimal.

Option 2 (Not recommended)

- 2.5 Formation of formal public / private entity, overseen by a board of Council and visitor economy stakeholders, requiring ongoing Council contribution plus the introduction of a membership scheme and other commercial activities.
- 2.6 Whilst this model would reduce the Council's financial liability, as well as allowing greater stakeholder influence and the potential for accessing Government and Visit Britain funding, it too introduces a new membership organisation into an already crowded landscape. Furthermore, it risks financial instability and does not allow for viability testing or model flexibility in the future.

Option 3 (Recommended)

- 2.7** The initiation of a proof-of-concept model (known as Destination Coventry) to test the viability of a more formal public / private DMO entity for Coventry from 2023 onwards. The model will take the form of a collaboration project with an existing membership organisation, namely Coventry & Warwickshire Chamber of Commerce (CWCC).
- 2.8** Under a robust governance structure as set out in the Business Plan at Appendix 1, Destination Coventry will be overseen by an Oversight Board of Council and visitor economy stakeholders. Quarterly board meetings will provide financial oversight, and monitoring of the business plan, Tourism Strategy delivery, and grant outputs. The Board will also set and review KPIs, as well as commission activity. Quarterly reports to the Cabinet Member for Jobs, Regeneration and Climate Change and CWCC Board will take place.
- 2.9** The model will require an ongoing and enhanced Council financial contribution, initially until March 2023, but will also benefit from CWCC contributions, plus the introduction of membership income, leveraging income from other commercial activities and the opportunity to access Government and VisitBritain funding, as set out in Section 5.
- 2.10** Council contributions to the collaboration project with CWCC will support the target levels of delivery for destination management for the period July 2021 to March 2023, in advance of which a decision will be required as to the future from April 2023, the implications of which will need to be reported to members at the time for approval
- 2.11** The model allows the principles outlined in Section 1 to be met and addresses more of the considerations highlighted than any other option. Crucially, it removes the risk of introducing an additional competing membership organisation to the city.
- 2.12** Destination Coventry will deliver both traditional and innovative destination management and marketing activities as set out in its Business Plan at Appendix 1.

3 Results of consultation undertaken

- 3.1** Specific public consultation has not been undertaken in relation to proposals in this report. However, key stakeholders, including members of the Destination Management Partnership, its three sub-groups, Coventry & Warwickshire Local Enterprise Partnership, West Midlands Growth Company, Coventry & Warwickshire Hospitality Forum and Coventry & Warwickshire Growth Hub, have been consulted and are supportive of the proposal.

4 Timetable for implementing this decision

- 4.1** All necessary plans are in place to initiate the proof-of-concept model immediately upon receipt of approval to proceed.

5 Comments from Director of Finance

5.1 Financial implications

- 5.1.1** There are no additional funding approvals required as a direct result of the recommendations in the report.
- 5.1.2** The proposal if approved would be funded from existing service budgets of £686k (over 2 years), which already support destination management and promotion, together with £200,000 of one-off funds previously approved to support readiness for City of Culture. The majority of the £686k above relates to existing staff costs which will form part of the DMO.

5.1.3 £46,000 per annum currently allocated to supporting the visitor information function will be applied to the project, together with the staffing budget (and on-costs) currently used to fund the in-house roles. £10,000 per annum from the Corporate Communications budget, which is used to support destination promotion through the in-house model.

5.1.4 There is an expectation within the business plan that the newly formed DMO will be required to generate new income streams to supplement to contributions from the City Council and the CWCC in order to finance the planned staffing and running costs. Any inability to do that will not be a risk to the City Council, any underperformance would need to be managed by the DMO by controlling spending.

The draft budget for the delivery is summarised below. 2021/22 costs include staffing incurred to date for City Council staff, therefore additional payments for this period will not be made to the Chamber:

2-year transition position statement for Destination management organisation (DMO):

	Financial Year		
	2021/22	2022/23	Total
	£000	£000	£000
Expected costs:			
Existing (CCC) staffing costs	306	261	567
Existing (Chamber) staffing costs	24	24	48
New staff costs	45	46	90
Total staff costs	375	330	705
TIC (including premises) costs	21	19	40
Running costs (includes, research, marketing and design, and cost of sales)	241	263	504
Gross expenditure	637	612	1,249
Funded by:			
CCC contribution (including existing budget for staff)	366	320	686
Chamber contribution	122	60	182
Tourism Strategy funding (one off)	100	100	200
Generated income (memberships and sales of merchandise)	49	107	156
Grant (TBC)	0	25	25
Total resource	637	612	1,249

5.2 Comments from the Director of Law and Governance

5.2.1 Section 1 of the Localism Act 2011 allows local authorities to do anything an individual can do, unless prohibited by law. S144 of the Local Government Act 1972 also gives the power for the Council to contribute to encouragement of Tourism. The decisions being taken under this report fall within the scope of these powers

5.2.2 The project is a collaboration towards exploring a proof of concept for a future operating model and no services will be provided back to the Council during the proof of concept period set out in this report. On this basis, we are satisfied that this arrangement is not caught by the procurement rules.

5.2.3 Legal Services will also ensure that a Collaboration Agreement is put in place between the Coventry & Warwickshire Chamber of Commerce and the Council. This Collaboration Agreement will also include the necessary protections for the Council including the monitoring and reporting provisions which ensures that the use of the Council's contribution to the collaboration project is properly utilised.

6 Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

6.1.1 The recommendations contained within this report will contribute to the Council Plan core aims of: Raising the profile of Coventry through promoting Coventry as a visitor destination and centre for arts and culture; sports and leisure; music and events.

6.1.2 The proposal is specifically designed to improve the provision of destination services supporting the aim of "Raising the profile of Coventry through promoting Coventry as a visitor destination and centre for arts and culture, sports and leisure, music and events".

6.1.3 The proposals will support the recovery of a key business sector, contributing to the Council Plan aim of "Making the most of our assets and supporting businesses to grow".

6.2 How is risk being managed?

6.2.1 The Destination Coventry Oversight Board will monitor the Risk Register at its quarterly meetings and manage emerging risks accordingly.

6.2.2 Risks are considered low and predominantly relate to potential shortfalls in commercial performance. Variable expenditure lines within the budget will allow for risk mitigation, whilst maintaining destination marketing spend that exceeds current levels.

6.3 What is the impact on the organisation?

6.3.1 Council staff in relevant service areas will be seconded to CWCC until the end of the proof-of-concept period, with the Council meeting all associated costs.

6.4 Equalities / EIA

6.4.1 There are no differential adverse impacts identified on groups with protected characteristics from the proposed change in delivery model. Under the collaboration agreement, the DMO will be required to develop an Equalities policy that fulfils the Council's requirements and statutory duty. The change in delivery model is expected to increase resources for tourism promotion and destination management, creating opportunities for improving service delivery. This will include developing relevant product and promotional activities to support tourism by people with disabilities (in particular), older people, families and people from a range of ethnic backgrounds.

6.5 Implications for (or impact on) Climate Change and the environment

6.5.1 The change in delivery model is expected to increase resources for tourism promotion and destination management, creating opportunities for amplified partnership activity with rail and coach operators, encouraging the use of public transport to access the city, as well as promoting low impact travel around the city, such as cycle hire and walking tours.

6.5.2 The DMO will draw on Coventry and Warwickshire's sustainability sector strengths, such as battery technology, advanced manufacturing and low carbon applications, to attract relevant meetings, incentives, conferences and exhibitions to the region.

6.6 Implications for partner organisations

6.6.1 The implications of the new DMO model for partner organisations will be positive. The aims of Destination Coventry will be to:

- Work collaboratively with tourism, leisure and hospitality businesses to promote the city as a global destination for visitors, business events and investment
- Communicate Coventry's brand positively and imaginatively to local, national and global audiences, with a view to increasing awareness and sentiment towards the city
- Work with partners in business, cultural organisations, educational institutions and community groups to promote the city as a place to visit, live, work, invest and study
- Maximise the legacy created by major events, including UK City of Culture, Rugby League World Cup and Commonwealth Games

6.6.2 Achieving these aims will grow visitor volumes and yield, increase the percentage of overnight stays, create visitor economy jobs and, ultimately, increase the tourism impact value to the city and its stakeholders.

6.6.3 There will be a positive impact on Coventry & Warwickshire Chamber of Commerce (CWCC) through the development of a new membership proposition that is highly targeted towards visitor economy businesses, making Chamber membership significantly more attractive to potential members from the tourism, leisure and hospitality sectors.

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Andy Williams	Director of Business, Investment and Culture	Business, Investment and Culture	15/07/2021	16/07/2021
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