

 Executive – 17 April 2013		Agenda Item No. 11
Title	Development of the Destination Management Organisation (DMO)	
For further information about this report please contact	Joseph Baconnet Economic Development and Regeneration	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Executive <ul style="list-style-type: none"> - November 2011 - March 2012 - September 2012 - November 2012 	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	Yes
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	08.04.13	Chris Elliott
Head of Service	08.04.13	Tracy Darke
CMT	08.04.13	
Section 151 Officer	08.04.13	Mike Snow
Monitoring Officer	08.04.13	Andrew Jones
Finance	08.04.13	Mike Snow
Portfolio Holder(s)	08.04.13	Cllr John Hammon
Consultation & Community Engagement		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

This report is a follow up to the March 2012 and September 2012 Executive reports which set out the strategic direction for the development of a destination management organisation (DMO) – it sets out the legal and financial implications of the set-up of the organisation.

2. **RECOMMENDATIONS**

- 2.1 That Executive notes the progress made with setting up the DMO company, Shakespeare's England.
- 2.2 That Executive nominates the Portfolio Holder for Development Services to be appointed to represent the Council as a Director and member of Shakespeare's England;
- 2.3 That Executive delegates the Economic Development & Regeneration Manager in consultation with the Development Portfolio Holder, Head of Development Services, Head of Finance and the Monitoring Officer to enter into all relevant agreements (on terms acceptable to the Monitoring Officer) and take all necessary steps to establish the operational capability of Shakespeare's England in the terms outlined in this report.
- 2.4 That Executive (noting the implications set out below) grant funds a sum to the company from the allocated existing tourism budget of up to **£75,000** per annum, for a maximum of three years as the Council's contribution towards the running costs of Shakespeare's England Ltd.
- 2.5 That a Business Plan be sought within 3 months setting out the expenditure plan for the next 3 years and illustrating how the Council's contribution should expect its contribution to be reduced and other income sources to be maximised.

3. **REASONS FOR THE RECOMMENDATION**

Recommendation 2.1

- 3.1 Following the agreement by Executive in September 2012 to develop a joint DMO for Warwick and Stratford, work has been on-going to develop the company with the Destination Manager whose remit was to establish a new Destination Management Organisation. The DMO would need to be recognised by the national tourism bodies Visit England and Visit Britain. Warwick District Council's support has included some consultancy time to oversee the company structures and test the membership prospectus.
- 3.2 Funding for the salary of the Destination Manager has so far has come from the Stratford District Council and key commercial partners (including the RSC, SBT, Warwick Castle and Eden Hotels). Warwick District Council's financial support (using the tourism reserve) has been to utilise the £40,000 tourism reserve authorised at September 2012 Executive. This funding has been directed to delivery to assist the set up. Funding has been released for the graphic treatment of the brand development, and funds have been requested for the development of the DMO website and launch costs.

- 3.3 Following testing with the industry the decision was made to utilise an existing brand, Shakespeare's England, that the key commercial partners (RSC, SBT, and Warwick Castle) had already been using (see 7.6 & 7.7).
- 3.4 A membership prospectus that meets the needs of the industry and which will deliver a coherent managed destination has been developed ahead of the proposed launch of the company. This prospectus chimes with the broad needs of the destination identified in the WDC strategic principals (November 2011) and interim tourism action plan (adopted March 2012).
- 3.5 The company, Shakespeare's England Ltd, and details have already registered in SDC's name in order to protect it and it will transfer its ownership once the company is fully constituted.
- 3.6 Shakespeare's England Ltd will be a not for profit company limited by guarantee and it will be funded by the public and private sectors. It is intended that the core members will have specific funding obligations. In addition, in exchange for a range of core services other organisations can, if they choose, pay a subscription, but they will not be members of the Company in the same way the core members will be.

Recommendation 2.2

- 3.7 In order to represent the interests of the District and to help steer the company, both local authorities will have one board member each. In each case, it is felt appropriate that the portfolio holder for the relevant service area (in this case Development Services) be the board member.
- 3.8 The duties and responsibilities set out will ensure that the nominated director acts in accordance with company law and also represents the interests of the District Council. WCC legal are preparing a note on directors responsibilities and duties.
- 3.9 District Council Officers would act as advisors to board members and the company on matters affecting the District Council (or other matters where our advice would be useful to the company).
- 3.10 As noted in 3.6 above, the Board of Directors of Shakespeare's England Ltd will be made up of private and public sector members and will include Warwick District Council, Stratford-on-Avon District Council (SDC), Warwick Castle, the Royal Shakespeare Company (RSC), Shakespeare Birthplace Trust (SBT), Birmingham Airport. Other board members will represent the retail and accommodation sectors.
- 3.11 It is currently envisaged that there will be 12 directors of the company representing the core members who will be the co-owners managing for the benefit of the destination. The DMO is also considering board membership for other key employers whose products and brands can be used to represent the area (eg: industrial employers).

- 3.12 The “brand” Shakespeare’s England has been used by Warwick Castle, the Shakespeare Birthplace Trust (SBT) and the Royal Shakespeare Company (RSC) for international travel trade promotion and whilst they ultimately they retain the ownership, they have ‘licensed’ the brand to the company as part of their contribution to the emerging DMO.

Recommendation 2.3

- 3.13 The grant funding arrangement with the DMO (drawn up in conjunction with SDCs) needs to be fully developed (with legal input) with appropriate conditions attached. It is anticipated that any such grant funding arrangement needs to be dealt with under the delegated authority requested at 2.3.
- 3.14 The Memorandum and Articles of Association for Shakespeare’s England have been compiled and are being finalised through negotiations between legal advisors and proposed members of the company. The current drafts are appended to this report at Appendix 1 and 2. In addition, it is intended that a Membership Agreement is developed to take account of the financial arrangements between the parties and deals with the other aspects of the company’s governance. It is anticipated that the bespoke Articles of Association will be adopted and the membership agreement will be entered into utilising the appointment at recommendation 2.2 if that recommendation is approved.

Recommendations 2.4 and 2.5

- 3.15 Shakespeare’s England Ltd will be funded by the public and private sector and Appendix Three shows the broad income and expenditure of the company and the expected level of income from the private sector in the first year.
- 3.16 It was agreed at a November 2012 meeting between WDC and SDC representatives that the DMO would need time to become established and sustainable, hence the proposal to provide funding for three years initially. At this meeting an inprincipal contribution of up to £75,000 per annum for three years was discussed based on an interim budget. During the three year period the financial positions would be reviewed to help inform any longer term funding decisions – which would be at the Council’s discretion.
- 3.17 It is proposed that the funding will come from within existing tourism resources (the existing tourism budget). No new funding is required.
- 3.18 In the first year, contributions from the private sector are conservatively anticipated to be at represent almost 35% of the company’s turnover.
- 3.19 The legal advice is that as the DMO is being set up from scratch that any funding to the company should be dealt with as a grant, rather than a Service Level Agreement. The grant agreement, which is in development (and subject to recommendation 2.3 above), will focus on broad functions and outputs for the emerging company, rather than specific service outputs.

- 3.17 WDC is co-funding the set up and development of a Destination Management Organisation which will help deliver the identified areas adopted in the interim tourism action plan of :-
- Marketing the destination to deliver sustainable growth;
 - Place shaping: to create a distinctive destination experience;
 - Business engagement: to strengthen industry-led co-ordination and advocacy &
 - Visitor Services: to enhance the quality of visitor information and welcome.
- 3.18 As previously reported, a joint DMO with Stratford with the potential combined budgets of membership and local authority funding will be more viable for the longer term. A Warwick District only based DMO would miss out on marketing opportunities, would have limited membership and have higher internal costs (eg: staff and management) as a proportion of budget. It would also impose an arbitrary boundary on tourism development that visitors do not recognise. It is envisaged that although private sector funding is currently in the minority it will increase. In this respect recommendation 2.5 requires that the DMO set out a business plan for the next 3 years and that it seek to reduce the Council's commitment and maximise the private sector's.

4. POLICY FRAMEWORK

- 4.1 Jobs, Skill and Economy –encouraging visitors to the district who make a significant contribution to the local economy through overnight stays, hospitality, visitor attractions and retail.
- 4.2 The proposal will contribute to the District's Sustainable Community Strategy vision of being a great place to live work and visit

5. BUDGETARY FRAMEWORK

- 5.1 The proposal to co-fund the DMO fits within the existing 2013/14 Tourism budget of £196,900 (excluding support services recharges of £44,800).The Executive has already committed to support an agreement with Warwick Town Council for the Visitor Services "Hub and Spoke" of £50,000 and the running costs of Leamington VIC should be approximately £55,200 (until Leamington can achieve a One Stop Shop) leaving a "local retention" for local visitor & tourism initiatives or campaigns of £16,200, assuming the full £75,000 is required by the DMO in the first year.
- 5.2 The (one off) tourism reserve of £40,000 has expenditure of £8,000 and pending commitments of £22,000 towards the DMO development, leaving approximately £8,000 remaining within the tourism reserve.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 To not enter into the agreement to develop and co-fund the DMO: this would go against the District Council's adopted principles and also the Executive recommendation of September 2012. It carries a significant risk that key partners (e.g. Warwick Castle) who currently work with us will join a Stratford based DMO and disengage with our processes. Visit England has indicated they are interested in a South Warwickshire DMO, but a Warwick only DMO would not be recognised.

- 6.2 To delay a decision: this has the potential to delay the formation of the DMO itself with a potential knock on to industry engagement and matched funding.

7 BACKGROUND

- 7.1 The Government's adopted National Tourism Policy (2011) advocates delivery at a local level through Destination Management Organisations (DMOs) which are led by the private sector in partnership with Local Authorities (and Local Enterprise Partnerships).
- 7.2 A destination management organisation (DMO) is defined by Visit England as:-
- An organisation (or group of organisations) focussed on sustainable tourism growth;
 - Partnerships led by the private sector;
 - The organisation that develops a Destination Management plan (DMP); &
 - They are the "glue" that brings it all together.
- 7.3 VisitEngland require key destinations throughout England to have a recognised DMO that it is able to work with on a long term basis. Visit England will channel their support and matched funding for campaigns through approved DMOs and therefore the creation of an approved DMO is critical to support business growth in the destination.
- 7.4 The creation of a DMO was an integral part of the action plan agreed in the March 2012 Executive report. Industry feedback shows that the creation of a joint DMO will deliver significant benefits in joining up a highly fragmented industry.
- 7.5 Destinations are disparate and multifaceted places that are host to numerous stakeholders with their own specific needs. Experience shows that without continued collaboration and co-ordination, places do not evolve with common purpose. To create a successful and sustainable visitor economy, all the components that make a successful destination need to be managed and integrated over the long-term, focusing on the needs of both residents and visitors. A DMO seeks to manage and co-ordinate all these stakeholders to ensure that the destination grows effectively.
- 7.6 In preparation of proposals to formally establish a DMO, a number of names/brands were considered. However, the brand and company title (Shakespeare's England) were chosen because it was already internationally established through a consortium of attractions comprising Warwick Castle, the RSC, & the Shakespeare Birthplace Trust, who were already working together. These organisations have collectively used this brand internationally to the travel trade. This joint working (where only one of the attractions represents all three at trade shows around the globe) has been used to great effect for a number of years. The three attractions have formally agreed to the use of the brand and Intellectual Property.
- 7.7 The brand also provides a level of flexibility to market to the domestic visitor market and to support campaigns.

- 7.8 The notion of a DMO which covered the Districts of Warwick and Stratford-on-Avon consolidated by a strong single brand with national and international recognition was also attractive to other organisations including Birmingham Airport, VisitEngland, Visit Britain and others. It is important to note that visitors to our region do not recognise geographic boundaries and it make sense to them and the local tourism businesses to join up our tourism offer.
- 7.9 The business plan and prospectus being developed by the DMO is broken down into the following areas:-
- B**randing
 - A**dvocacy and Representation
 - R**esources
 - M**arketing
 - A**dvice and information
 - N**etworking
 - C**o-ordination and Leadership