

Meeting:	Overview and Scrutiny Committee	Date:	10th June 2013
	Cabinet		12th June 2013
	Council		18th July 2013
Subject:	The future of Marketing Gloucester Ltd		
Report Of:	Cabinet Member for Regeneration and Culture		
Wards Affected:	All		
Key Decision:	Yes	Budget/Policy Framework:	
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Appendices:	1. Discussion paper on future of Marketing Gloucester		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 This report addresses the issues of the changes that need to be implemented in relation to the destination marketing of the City of Gloucester as a result of the winding up of the URC. The report is aimed at both the Council and the Board of Marketing Gloucester.

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations it considers appropriate to the Cabinet.
- 2.2 Cabinet is asked to **RESOLVE** that:
- (1) The projects listed at Paragraph 5.1 and the budgets associated with them for delivery during 2013/14 be delivered and overseen by Marketing Gloucester Limited (MG).
 - (2) Approve the co-location of Marketing Gloucester and the Tourist Information Centre to enable greater joint working between both services as a first stage to potentially merging into one service provider.
 - (3) The marketing and promotion of the Museums, Guildhall and Blackfriars be retained within the City Council for the reasons laid down in paragraphs 4.6 and 4.7.
 - (4) Requirements for the appropriate leadership of MG including designation, hours of work and remuneration be noted.
 - (5) Note that Councillor Paul James will continue to be Chair of the Board until an alternative Chair is identified.

2.3 Cabinet is asked to **RECOMMEND**:

- (1) The business case for the new organisation to Council.
- (2) The makeup of the MG Board and method of determining nomination to the Council.

2.4 Council is asked to **RESOLVE** to:

- (1) Consider those issues referred by the Cabinet and as required under the Council's constitution.

3.0 Background and Key Issues

3.1 MG was first incorporated on 9th May 2008 as a business tourism and marketing organisation following a detailed review which established a strong business case for the new organisation. An important factor in the creation of the organisation was the desire to obtain additional funding towards the marketing of the city through private sector sources with the goal of promoting the economic wellbeing of the City, its businesses and its inhabitants.

3.2 MG was established as a Company limited by share. One thousand shares at £1 each were made available but the only share ever issued was to an individual who subsequently passed that share ownership to the City Council in 2011. In effect therefore the City Council owns the only shareholding and the company is therefore wholly owned by the Council.

3.3 It was felt that an organisation at arms length from its public sector funder stood a better chance of attracting other financial support and whilst MG has attracted some funding it has not been as much as originally anticipated. Because of this and other difficulties with the performance of MG in its early years, agreement was reached for it to be managed by the Chief Executive of the URC with MG contributing to the URC to recognise his involvement. This position has remained in place ever since. As the URC was officially wound up at 31st March it is now appropriate to consider the future arrangements for destination marketing in Gloucester.

4.0 Options considered

4.1 The MG Board delegated three members of the Board plus the Chair of the Board who is also the Leader of the Council, to evaluate the options. A meeting took place on 13th February with Officers of the Council to consider the best way forward. The City Council's Chief Executive produced a paper on the future of MG which was the subject of debate. This paper is appended to this report. The options discussed ranged from abolition of MG to tendering out of the activity. The option that was considered by the members of the Cabinet to be the best option to move forward was 'Option 7' which was:-

Once again there is a proliferation of marketing functions within the City Council and its partners. Our own communications team does some marketing and there are small scale marketing functions in the Guildhall and in museums. There may well be some logic to an internal consolidation of all marketing and communications functions within the City Council, to deliver a seamless marketing service, particularly as not all of these services are as effective as we would wish. Alternatively there may be a possible approach to join Marketing Gloucester with the Tourist Information Centre.

- 4.2 The representatives from the MG Board agreed this option should be put to the full Board meeting. The MG Board subsequently agreed that they would like to take over the management of the TIC and to leave the other marketing functions carried out by The Guildhall & Museums within the City Council as these have less of an impact on Marketing of the City to outside agencies and visitors.

What would the changes proposed by Option 7 mean for the Council?

- 4.3 'Option 7' envisaged the retention of a company dedicated to destination management and marketing for the City. As part of this new arrangement the Council could co-locate its marketing and audience development activities, undertaken by the TIC with MG. It is felt that bringing together similar activities of both the Council and MG operating efficiencies could be achieved.
- 4.4 By co-locating the TIC with MG (potentially within the existing TIC office space) the City would have a cohesive marketing team which would add strength to the existing MG team in terms of expertise and credibility as the team are seen nationally as delivering a top performing service.
- 4.5 The TIC is a real 'jewel in the crown' of the City Council evidenced by its continued success and recognition that it is an excellent service provider. The TIC does not in itself attract tourism into the city, but when tourists arrive it is a great ambassador for the city, sign posting people to places and events. It is also a key source of information for residents of the city, selling tickets for events and other promotional activities. Therefore, the TIC is a key frontline customer service of the City Council and a close working relationship with MG will be beneficial to both organisations.
- 4.6 It is agreed that no significant savings would materialise by bringing together officers involved in marketing functions at the Guildhall, Museums and City Council with MG as they undertake a wide range of functions far beyond the remit of marketing. Therefore, transferring staff from these functions would leave unsustainable gaps and the staff would need to be replaced and would not produce any financial savings.
- 4.7 In addition, the tasks undertaken by these staff are at an operational, day to day delivery level and would not fit with the role of MG and their remit to promote the city to a wider audience beyond the city boundaries.
- 4.8 There will need to be an increased liaison between MG and the City Council with MG delivering services on behalf of the City Council and it is important that these are understood from the outset. No additional resources will be available to MG over and above the budget allocated to deliver events and the funding provided by the City Council to support the day to day running of the Company (see 5.1).

4.9 Because of the financial position the Council faces, and that it is MG's principal funder, there will be a need to find significant savings which may require a rationalisation of the new organisation and inevitably the deletion of a number of posts.

5.0 Issues that need addressing

Projects, Budgets and Performance

5.1 The following projects and budgets have been agreed through the budget setting process:

Tall Ships	25000
Heritage Open Day	5000
Blues Festival	2000
Xmas Procession	10000

Total **42000**

5.2 Dependent upon the decisions taken at section 2 of this report, the relationship between the new MG and the Council will need to be strong and rigorous. Clear performance expectations will need to be written into the agreements between the organisations.

Chairing of the Board

5.3 When Mark Owen, the original Chair of the Board stood down he was replaced by Councillor Paul James, Leader of the City Council. Councillor James will continue in this role until an alternative can be found, to avoid any conflict of interest.

Governance

5.4 It is felt that the current Board has worked well but as the scope of the company is to be enlarged now would be an appropriate time to review its composition. An evaluation of the skill set needed to oversee the work of the Company seems like a good starting point and a tool to review the membership.

Leadership of the organisation

5.5 The existing arrangements are that the Chief Executive of the URC acts as the Chief Executive of MG. Consideration of the future requirements is needed. It is not thought necessary to have a full time Chief Executive, indeed it will be necessary for the Board to take a view as to what level of senior Leadership is feels is required and what it is able to fund.

6.0 Alternative Options Considered

6.1 The paper prepared by the Chief Executive of the City Council which is appended to this report outlines the range of options considered

7.0 Reasons for Recommendations

- 7.1 Members need to decide on the future of the TIC and whether they see it fitting within MG or being retained as a council run service. The Allocation of appropriate budgets to enable the delivery of the agreed events is considered to offer the most appropriate way forward for delivering some major events for the City.

8.0 Future Work and Conclusions

- 8.1 A considerable amount of work will still be required as a result of the decision made by Cabinet and Council. These issues are covered in the body of the report.

9.0 Financial Implications

- 9.1 As the Council will be the predominant funder of MG there are a number of financial implications arising from this report. This report proposes a way forward which if approved will be developed to reduce the costs of providing these services.

(Financial Services have been consulted in the preparation this report.)

10.0 Legal Implications

- 10.1 There are a number of legal issues outlined in the report which will need to be addressed.

(Legal Services have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

- 11.1 The major risk inherent in this report is reputational. The objective of the proposal is to enhance the reputation of the City of Gloucester as a thriving, ambitious and interesting tourism venue.

12.0 People Impact Assessment (PIA):

- 12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore, a full PIA was not required.

13.0 Other Corporate Implications

Community Safety

- 13.1 None

Sustainability

- 13.2 None

Staffing & Trade Union

- 13.3 There are a number of issues which will require staff and trades union consultation to be undertaken.

Background Documents: Attached.

Marketing Gloucester

Background

Marketing Gloucester was established in 2008. The aim was to set up a marketing body to promote the City of Gloucester and Gloucester business, in particular to promote the economic well being of Gloucester, its businesses and its inhabitants. The company was set up as a limited company with a board to promote the City and establish a new brand. One of the key attractions of the model was that private sector companies would be more prepared to invest in a private company than to sponsor the Council for events and promotion. In addition, given that marketing and promotion were fragmented across the City it was intended to pull functions together and achieve co-ordination and resilience.

Over time the remit of the organisation widened and it became responsible for a range of events from the Carnival through Christmas to the Tall Ships events.

It had from the outset a challenging target for member contributions, which was never achieved, largely as a result of the economic climate in which the City and the country found itself. However, in the early years company performance was not strong.

In 2010 Marketing Gloucester was struggling financially and the then Chief Executive left the company. Smith and Williamson, Financial Advisors drew up a financial rescue package on behalf of the City Council in order to restore solvency.

At this time the Chief Executive of Marketing Gloucester was not replaced and instead the Chief Executives role was placed under the auspices of Chris Oldershaw Chief Executive of GHURC, who received a fixed fee of £25,000 per annum, as Acting Chief Executive. This was confirmed on 14th April 2011.

Since October 2010 Marketing Gloucester Ltd has also shared offices and an office manager with the Gloucester Heritage Urban Regeneration Company. The GHURC is winding up its operations on 31st March 2013 which of course has major implications for Marketing Gloucester.

Financial implications

At its establishment the Council made grant payments to marketing Gloucester of £132,940 and through seconded staff made a further contribution of £126,934 making a total contribution of £259,874.

Our current annual cash contribution is £176,750 with a further £26,276 salary plus on costs.

Between October 2010 and March 2011 a programme of cost reductions was implemented, including relocating the company from the docks to share with GHURC and making four members of staff redundant. At the end of the 2010/11 financial year the company was able to post a small surplus of £16,250. In 2011/12 the surplus was £24,405. Thus the company is solvent.

Marketing Gloucester does carry an outstanding debt to the City Council of £217,004 arising from the financial struggles of 2009/2010. It appears there is also a VAT liability to HMRC of approximately £30,000.

In the absence of the company continuing as a going concern small redundancy liabilities would arise, together with some Contractual liabilities.

What has been achieved?

In recent times the company has been strongly managed and has achieved a reasonable degree of financial stability. Sponsorship for major events has been obtained, but there has never been a sustainable stream of income from private sector sources to match or replace the public sector contribution.

The 'Your City brand has been promoted and work has been carried out alongside Gloucester Quays on their 'Believe in Gloucester' Campaign.

Improvements and developments have taken place to the website and in the provision of electronic updates.

A range of guides and promotional material has been produced.

There has been a significant programme of events, both large and small. Examples are: BiG Eat week, BiG sporting weekend, Blues Festival, work on Food Festival with Gloucester Quays, Tall Ships festival, Heritage Open Days, History Festival, Christmas Lantern procession, Victorian Market.

What are the aims for the future?

The core future aims are to continue the organisation and development of events. To promote both internally and externally the city as a destination for leisure and retail, and to involve businesses and retailers in the promotion of the city.

The experience elsewhere

While the experiences elsewhere are always valuable, it does not seem if there is at present a definitive model to inform our choice of options. Some companies elsewhere have been taken back in house. Others, Marketing Birmingham being a good example continue to receive substantial private contributions and remain outside the council. Visit County Durham by way of contrast is still largely funded by the County Council although it is an independent company.

The way forward

Option 1

Clearly it would be theoretically possible to simply discontinue this function and devote the resources to other Council activities, or to carry out a limited range of functions through the Council's events team. The seconded member of staff would return to the City Council. All other members of staff would become redundant. The company would be wound up

Option 2

Wind up the company and bring the entire operation back in house. Seconded staff will return to the City Council and others would TUPE into the Council. Following that an advisory board could be set up on the same basis as that proposed for the City after the winding up of GHURC.

Option 3

The company can remain extant but the seconded staff can return to the Council, and non City Council staff can TUPE into the Council. This would enable the Council to manage and run the activities but would preserve a company which would allow for private sector investment. If the company is kept as a paper company to trade the cost will be minimal amounting essentially to some company registration fees and the cost of an annual audit.

Option 4

Retain the company on its existing footing and either appoint a part time Chief Executive on the money available, or seek to increase Company income to enable a higher salary to be paid.

Option 5

Seek to merge Marketing Gloucester with alternative providers. No doubt there would be a range of potential possibilities that could be explored. The prime candidate that springs to mind is gfirst, possibly through its destination marketing remit. Doubts remain as to the quality, capability and ability to focus on the city of that organisation.

Option 6

Tender the service to a private company. This was never the intention of the setting up of Marketing Gloucester, and a considerable amount of work went in to ensuring compliance with European procurement rules while allowing the set up of the company. However, it seems likely that a wide range of marketing or events companies would be prepared to bid for this work.

Option 7

Once again there is a proliferation of marketing functions within the City Council and its partners. Our own communications team does some marketing and there are small scale marketing functions in the Guildhall and in museums. There may well be some logic to an internal consolidation of all marketing and communications functions within the City Council, to deliver a seamless marketing service, particularly as not all of these services are as effective as we would wish. Alternatively there may be a possible approach to join Marketing Gloucester with the Tourist Information Centre.

Option 8

This would recognise the reality of the interface between the functions listed above and offer opportunities for consolidation, but could be achieved by further outsourcing. This could be achieved by secondments or by TUPE applying.

Office Accommodation

Marketing Gloucester currently occupies Ladybellgate Street with the GHURC and contributes 50% of the rent/office overheads which equates to £7,000. Dependent on the decisions outlined above one option would be for the company to take over the whole property and sublet the balance of space in 15 Ladybellgate Street, providing an occupier could be found.

The building rental agreement with EH expires in March 2013, no liability beyond that date will exist for termination.

Further options may be around alternative premises in the City Centre, possibly sharing with others such as the Tourist Information Centre.

Staffing Implications

The seconded member of staff has a right to return to a substantive post within the City Council which still exists. It is understood that the person is keen to do so. Any other transfer is likely to involve the application of the TUPE regulations.

TUPE transfers are not straightforward because over time the Marketing Gloucester staff have been paid and employed on different rates to Council staff.