

Gloucester City Council

Meeting:	Overview & Scrutiny Cabinet	Date:	19 December 2019 15 January 2020
Subject:	Marketing Gloucester		
Report Of:	Cabinet Member for Culture and Leisure and Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Anne Brinkhoff, Corporate Director (Partnerships)		
	Email: anne.brinkhoff@gloucester.gov.uk	Tel: 39-6745	
Appendices:	1. Terms of Reference for the reviews 2. Feedback report of the strategic and operational review (Melanie Sensicle and Associate) 3. Feedback report of the finance and governance review (Grant Thornton)		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To report on the findings and recommendations of the finance, governance, strategic and operational review of Marketing Gloucester commissioned by the Board of Marketing Gloucester and to agree future actions.

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations to the Cabinet.

2.2 Cabinet is asked to **RESOLVE**

- (1) To note and welcome the review reports and thank the report authors and the city and sector stakeholders, MGL staff and Directors, councillors and officers who participated in the review;
- (2) To endorse the proposal that Gloucester needs an effective, dynamic and collaborative Place Marketing Organisation (PMO) and that MGL should refocus its efforts to deliver this requirement;
- (3) To bring back in-house the budget, seconded staff and commissioning responsibilities for the delivery of the City Events Programme;
- (4) To work with MGL to reshape and resize the Board to ensure that the Council's interests are equitably represented, that there is an appropriate mix

of executive and non-executive Directors and that the Directors have the necessary skills and experience to provide effective governance and management of the company

- (5) To appoint two additional City Council representatives to the Board of MGL
- (6) To recommend to the Board of MGL the urgent appointment of an interim Managing Director to work with the Board to determine the Company's vision, mission and purpose, its business plan, its staffing structures, skills needs and budgets;
- (7) To support the Board of MGL in putting in place formal and transparent financial policies and procedures to ensure effective financial management, oversight and reporting
- (8) To work with the Board of MGL and GFirstLEP on a priority review of the delivery and operation of the UK:DRIC
- (9) To engage with the Boards of MGL and the Gloucester BID on a possible review of the support, administration and events delivery provided to the BID by MGL
- (10) To authorise the Corporate Director (Transformation) in consultation with the Cabinet Member for Culture and Leisure to negotiate and enter into revised Articles and Service Level Agreement and other related legal documentation, on terms approved by the Council Solicitor and s151 Officer, in order to implement those above mentioned recommendations.

3.0 Background and Key Issues

- 3.1 Gloucester City Council established Marketing Gloucester Ltd. (MGL) as a wholly owned company in March 2007 in order to provide a range of services to promote and market the City of Gloucester.
- 3.2 Since that time MGL has grown into an organisation with multiple functions and a strong focus on delivering an extensive and very diverse events programme for the City. This includes the high profile 'Tall Ships' event and the vibrant fan zone for the 2015 Rugby World Cup. Other examples are the summer events programme (SOMAC), the annual Carnival, a range of sculpture and other trails, Henry III, Aethelflaed and Civil War commemorations all of which deliver footfall and help the city center to be vibrant. MGL led on the development of the Gloucester BID and has taken on its management functions, as well as the delivery of other city center focused event and improvements for the BID, including the successful city center protection officers. MGL manages the film desk for the City and is the prime contact for regional, national and international marketing agencies.
- 3.3 Whilst MGL had previously communicated its financial challenges to the Council, in September 2019 the scale of its cash flow issues was quantified. The Council approved a lending facility to support the cash flow of MGL subject to the MGL Board commissioning an urgent comprehensive financial, governance, strategic and operational review of the Company.

The review was commissioned in late October as two separate pieces of work:

- A review into the effectiveness of financial and governance arrangements, carried out by the Council's external auditors (Grant Thornton); and
- A strategic and operational review of the business of MGL, carried out by Melanie Sensicle and Associate, expert consultants in the field of destination marketing and visitor economy.

- 3.2 Given the complexity and interdependencies of the brief, the consultants were required to share findings and draft recommendations arising from their respective work. Both sets of consultants presented their findings and recommendations at a single feedback session on the 6th December to representatives of the MGL Board and the City Council.

Key Findings and recommendations

- 3.3 The terms of reference of the review and the feedback reports from both consultants are included in the appendices to this report.

Purpose, vision, strategic and operational management

- 3.4 Consultants found a lack of clarity about the purpose, vision, strategic and operational priorities of MGL. Activity analysis showed that, in reality, MGL was operating as an events delivery company that manages a selection of projects, some of which involve marketing. The absence of a clear vision and purpose for the organisation also means that MGL lacks clear strategic and operational priorities. Its business plan has significant gaps which has led MGL to focus on running events and pursuing other revenue generating opportunities without a clear strategic rationale and a funding plan; this in turn leading to a 'hand to mouth' existence. Consultants found that many of the core activities of a marketing organisations were not being delivered, including brand management, amplification of partner activity, campaigns, message management, regional collaboration and managing the visitor economy. This is reflected in the staffing arrangements which are weighted towards events; and with gaps in specific marketing skills (ie campaign development, marketing planning, content creation) and business leadership skills, including business and financial planning and management, effective partnership working and constructive relationship management.

However, Consultants identified a number of marketing positives including social media management for local audiences, marketing support on selected projects, managing the Gloucester Trip Advisor profile and developing Tall Ships as a signature event. MGL's staff were well regarded, particularly for their passion and commitment to Gloucester. However, they found no clear rationale around the delivery of events that are integral to strategic city marketing or positioning. Consultants highlighted that MGL's website has significant gaps in content and a wider review of Gloucester content across a range of national and international sites reveals that copy and especially imagery is limited and doesn't do justice to the City's assets. Consultants found that the City Council requirements (SLA) were too broad and far ranging and needed to be more focused.

- 3.5 Consultants recommend that MGL become 'the strategic place marketing function that stakeholders require', delivering the full complement of marketing functions,

including market intelligence, branding, campaign activity, relationship management with external agencies and national and regional level. For this to work, MGL will need to define its external audiences so it can shape activity and apply resources accordingly. To create the 'breathing space' MGL requires to refocus its activity, develop a strategic and operational framework and re-build relationships where this is required the consultants recommend that the festivals and events programme, budget and seconded staff return to the City Council. Many of the events ran by MGL were delivered through external grants and/or sponsorship; hence the City Council will need to ensure that any delivery in house or through a commissioning process requires additional funding to be generated. In due course MGL or a trading arm of the Company would be able to offer its services to produce/deliver key strategic or signature events if this was consistent with the Company's vision and business plans and the needs and ambitions of the City.

Governance

- 3.6 Consultants identified an urgent need to review and strengthen the Board structure and composition, including a reduction of the size of the Board, and the appointment of an Executive Director to the Board. This would ensure that Executive Directors are better held to account and that the Board represents the key skills needed for effective governance, as opposed to representing stakeholder groups. In the short-term, consultants recommend the Council to strengthen its representation on the Board, including the appointment of additional board members in order to be assured that the MGL Board functions effectively. Consultants recommended a more structured approach to performance management and a simpler and clearer contract for services.

Financial Management

- 3.7 Consultants stated that it is not uncommon in an organisation of MGL's size for the CEO to take on responsibility for budgeting and financial forecasting in the absence of a dedicated finance resource. However, they expressed significant reservations over the informality of financial controls and procedures, and the extent and quality of budget monitoring and financial oversight by the Board. Consultants consider that the City Council needs to support the MGL Board with the introduction, at pace, of formal and transparent policies and procedures. Consultants note that MGL has incurred annual losses after tax in 2018 and 2019 and that the reliance on events such as Tall Ships introduces an element of financial volatility which needs to be accounted for in its business planning. Consultants further note risks around liquidity and solvency of the company as a result of low levels of cash balances; all of which needs urgent attention.

UK: Digital Retail Innovation Centre (UK:DRIC)

- 3.8 Consultants expressed concerns over the UK:DRIC on several accounts. They felt that it is not aligned to MGL's vision or purpose and is not intended to be an income generator for MGL. Rather its purpose is to help position Gloucester and Gloucestershire in the digital and innovation field. Consultants highlighted concerns about the ability for the current set up to deliver against the outcomes in the funding agreement and the lack of income generation, putting additional financial strain on MGL. There are concerns about governance, management and reporting of the UK:DRIC. Consultant recommend an urgent full and comprehensive review.

Business Improvement District

- 3.9 Consultants commented that a number of stakeholders felt that MGL's provision of administrative and support and the delivery of events was 'pulling the company out of shape' and added to the fragmentation of purpose. Consultants also identified potential conflicts of interests with MGL by virtue of several MGL Directors also being Directors of the BID. Consultants recommend a review of the support and events arrangements with the Gloucester BID as part of the exercise to ensure that MGL is able to refocus effectively on a strategic place marketing role.

4.0 Social Value Considerations

- 4.1 There are no direct social value implications

5.0 Environmental Implications

- 5.1 There are no direct environmental implications

6.0 Alternative Options Considered

- 6.1 Dissolve MGL altogether. This option is not recommended as we consider that the City requires a strategic marketing function which entails:
- a. Gathering and interpreting market intelligence to inform product development and promotional activity
 - b. Develop, implement and steward the branding for the City which is more than a logo
 - c. Design and deliver campaign activity of the City beyond events
 - d. Managing the message and supporting others to amplify it.
 - e. Relationship management with external agencies at a national and regional level.

7.0 Reasons for Recommendations

- 7.1 Both consultants have identified significant shortcomings in the operation of MGL which need urgent attention and action. As the sole owner/member, it is the responsibility of the City Council to ensure that improvements are made at pace to safeguard public funding and the reputation of the Council and the City.

8.0 Future Work and Conclusions

- 8.1 As outlined in the recommendations

9.0 Financial Implications

- 9.1 The Council currently provide an annual grant to MGL and fund a seconded member of staff. The Council also provide funding for one additional member of staff previously seconded to the company.
- 9.2 If the option at para 2.2 (3) is approved the grant funding provided to MGL would be reduced accordingly. The level of grant reduction would be commensurate with the level of service brought back in house.

9.3 The Council has a loan and a lending facility in place with MGL. The recommendations at paras 2.2 (6) & (7) will ensure that future financial planning of the company will make provision for the prudent repayment of these loans to the Council.

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

10.0 Legal Implications

10.1 The Council as the sole owner/Member of the company may exercise control over the company through company law and the governance documentation entered into between the Council and the company.

10.2 The governance documentation comprises:

- Articles of Association;
- Members' Agreement; and
- Service Level Agreement.

10.3 The Articles include provisions for the operation of the Board and General Meetings of the company and includes following provisions:

- Article 16- the Board shall comprise at least 5 and not more than 16 individuals provided that the Council will be entitled to appoint 1 Director;
- Article 19- refers to the procedures for election and retirement of Directors; and
- Article 22- refers to the proceedings of the Board including the quorum (3 Directors or one third of the Board).

10.4 The Members' Agreement includes provisions relating to the strategic overview of the company and includes the following specific provisions:

- The independence of the company;
- Reporting obligations; and
- Reserved Matters- which sets out circumstances in which the company must obtain the prior approval of the Council e.g. transactions over £100,000 and the appointment of Directors other than the council nominated director.

10.5 The duties of Directors of companies are set out in the Companies Act 2006 (sections 171 to 181).

10.6 The UK Corporate Governance Code (July 2018) sets out the principles of good governance for companies and includes guidance on the relationship between Directors and Shareholders/Members.

10.7 The current governance documentation will need to be revised to implement any changes approved.

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

11.0 Risk & Opportunity Management Implications

11.1 The recommendations in this report will remove the immediate financial and governance risks and will enable MGL to work towards a purpose of becoming a strategic marketing function for the City.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 There are no safeguarding implications

13.0 Community Safety Implications

13.1 There are no Community Safety Implications

14.0 Staffing & Trade Union Implications

14.1 The City Council currently seconds one member of staff to MGL to work in the events team. This member of staff would need to be brought back in house in line with our secondment policy. This would require us to give adequate notice to MGL and the member of staff. This would be an opportunity to review the previous role of the member of staff to ensure that the duties and salary are still appropriate. The member of staff would require a full reintegration plan and supportive induction back to their home service.

Background Documents: None