



Overview and Scrutiny Committee

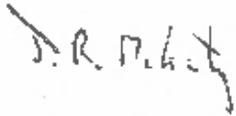
Meeting: Thursday, 19th December 2019 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Coole (Chair), Ryall (Vice-Chair), Dee, Finnegan, Haigh, Hilton, Hyman, Lewis, Organ, Patel, Pullen, Stephens, Taylor, Toleman, Tracey, Walford and Wilson
Contact:	Democratic and Electoral Services 01452 396126 democratic.services@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	DECLARATION OF PARTY WHIPPING To declare if any issues to be covered in the Agenda are under party whip.
4.	PUBLIC QUESTION TIME (15 MINUTES) To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"> • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
5.	PETITIONS AND DEPUTATIONS (15 MINUTES) To receive any petitions and deputations provided that no such petition or deputation is in relation to: <ul style="list-style-type: none"> • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
6.	MARKETING GLOUCESTER (Pages 5 - 100) To consider the report of the Cabinet Member for Culture and Leisure and the Cabinet Member for Performance and Resources. The report outlines the findings and

	recommendations of the finance, governance, strategic and operational review of Marketing Gloucester as commissioned by the Board of Marketing Gloucester.				
7.	<p>EXCLUSION OF PRESS AND PUBLIC</p> <p>To resolve: That the press and public be excluded from the meeting during the following items of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of these items there will be disclosure to them of exempt information as defined in Schedule 12A of the Local Government Act 1972 as amended.</p> <table border="0"> <thead> <tr> <th>Agenda Item Nos.</th> <th>Description of Exempt Information</th> </tr> </thead> <tbody> <tr> <td>8</td> <td>Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information).</td> </tr> </tbody> </table>	Agenda Item Nos.	Description of Exempt Information	8	Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information).
Agenda Item Nos.	Description of Exempt Information				
8	Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information).				
8.	<p>MARKETING GLOUCESTER (Pages 101 - 132)</p> <p>To consider the report of the Cabinet Member for Culture and Leisure and the Cabinet Member for Performance and Resources.</p>				
9.	<p>DATE OF NEXT MEETING</p> <p>6th of January 2020.</p>				



Jon McGinty
Managing Director

Date of Publication: Wednesday, 11 December 2019

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

Access to Information

Agendas and reports can be viewed on the Gloucester City Council website: www.gloucester.gov.uk and are available to view five working days prior to the meeting date.

For enquiries about Gloucester City Council’s meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

If you, or someone you know cannot understand English and need help with this information, or if you would like a large print, Braille, or audio version of this information please call 01452 396396.

Recording of meetings

Please be aware that meetings may be recorded. There is no requirement for those wishing to record proceedings to notify the Council in advance; however, as a courtesy, anyone wishing to do so is advised to make the Chair aware before the meeting starts.

Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

FIRE / EMERGENCY EVACUATION PROCEDURE

If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.



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

This page is intentionally left blank

Terms of Reference for a finance, governance, strategic and operational review of Marketing Gloucester.

1. Background and introduction

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.

Whilst MGL had previously communicated its financial challenges to the Council, in September 2019 the scale of its cash flow issues were quantified. The Council approved a lending facility to support the cash flow of MGL subject to MGL commissioning an urgent comprehensive financial, governance, strategic and operational review of MGL.

The review will have two distinct parts:

- a) The effectiveness of financial and governance arrangements; and
- b) A strategic and operational review of the business of MGL

Separate bids will be invited for each of the two parts.

Naturally there will be linkages and we will require the successful bidders to share the findings and recommendations of their respective work to ensure that the Council and the Company have a good understanding of the whole operation of MGL and that recommendations reflect this.

Draft findings and recommendations of both parts of the review will be presented in a single feedback session to representatives of the Board of MGL and the City Council in their role as members and sole owner of the company.

The requirements of the two aspects of the review are detailed below:

2. Part A: Finance and Governance

Fundamental principles

The finance and governance review is to be carried out by independent experts having the required professional competence, expertise and experience, and in accordance with generally accepted international auditing standards.

These Terms of Reference ("TOR") define the mandate of the experts in connection with the financial review of Marketing Gloucester Limited and its subsidiaries ("MGL"), a company whose sole Member/Owner is Gloucester City Council. The financial review is to be based on the professional requirements and guidelines governing the professional work to be undertaken by the experts in relation to their areas of expertise.

In planning, conducting and reporting on the financial review, the experts shall give due consideration to the relevant standards of the local accounting profession as well as the local legislation on accounting, governance and reporting in force at the time of the review.

Detailed review procedures

Appropriate review procedures are to be applied by the experts in order to form professional judgements on the matters outlined below. The experts are expected to select and apply any other review procedures that they may consider necessary in the professional execution of the engagement.

Finance

The review should comprise a full review of the financial position of the company and its subsidiaries and its forecast position over a period not less than two years back from and two year forward of the review date, including but not restricted to:

a) Principles of financial orderliness:

- i. Details of funds received and reconciliation with the information supplied by the donor(s);
- ii. Authorisations/approvals of expenditures and validity with supporting documents;
- iii. Allocation of expenditures in conformity with the agreed budget(s);
- iv. Conformity of contracts with legislation currently in force;
- v. Adequacy and completeness of revenues, revenues are booked correctly;
- vi. Assessment of accounts receivable and advances; justification for overdue/unpaid amounts in excess of one month,
- vii. Reconciliation of balances of cash in hand and in banks with the general ledger accounts;
- viii. Physical existence and movements of the goods representing the property of the company (fixed assets, inventory items, current assets);
- ix. Timeliness of recording economic events and transactions in the general ledger accounts.

b) Financial budgeting and cashflow forecasting:

- i. Review of the latest budget position and future cashflow projections;
- ii. An assessment of the financial viability of the budget and cashflow projections;
- iii. An assessment of the viability of any actions being proposed to improve the financial position of the company;
- iv. A review of the medium to long term business plans of the company, and its business planning processes.

c) Existence, adequacy and effectiveness of the Internal Control System (ICS):

- i. Adequacy of the internal organization (structures, functions, tasks, authority, responsibilities, methods, procedures, segregation of duties etc.);
- ii. Effectiveness of project and financial accounting and reporting processes;
- iii. Adherence to applicable laws, regulations and instructions;
- iv. Prevention of accounting errors and financial fraud;

- v. Adequacy and completeness of information and financial reporting system;
- vi. Physical safeguard of assets.
- vii. Governance arrangements (systems, processes), including Board (membership, skills, management)

d) Economical conduct of business and effective use of financial resources (VFM):

- i. Financial resources are utilised for the activities, as agreed with the Council and always ensuring an appropriate level of cost and benefits;
- ii. Existence and application of adequate measures in the internal control system (ICS) in respect of the utilisation of committed resources;
- iii. Application of management procedures relative to the various transactions. In particular, adequate segregation of duties for vital functions and processes, like entering commitments, authorising and accounting of expenditures, reconciliation of cash on hand and in banks, follow-up on long outstanding debtors and creditors, physical control over inventories, etc.;
- iv. Expenditures are in line with the agreed budget positions;
- v. Any deviations of actual expenses from the agreed budget are reasonably explained and adequately documented by management;
- vi. Existence of adequate bid and purchasing procedures. e.g. best cost/benefit ratio for materials and services, conformity of price offers with local practices and cost levels;
- vii. Confirmation that prices and rates are subject to regular verification and that the accounting system in use is adequate to the requirements of a management tool, particularly as it concerns cost analysis;
- viii. Review and substantiation of expenditures of consultants and contracted agents (rent, travel expenses, accommodations, allowances etc.);
- ix. Review and substantiation of expenditures related to staff (gross salary, social and pension contributions, income taxes etc.).
- x. Review of the current SLA agreement and governance by Gloucester City Council

e) Conformity with the company objectives and adherence to contract conditions:

- i. Agreement of transactions, expenditures and receipts by comparison with the agreed business documents (programs of activities, contracts, terms of reference, budgets etc.);
- ii. Verification whether the clauses of the agreements/contracts have been respected;
- iii. Verification that the expenditures correspond to the agreed budgets. Analysis of deviations between budgeted and actual expenses and substantiation of major budget variations (+/- 10 % of the budget).
- iv. Verification that goods purchased with allocated funds are utilised within the defined objectives and are still available or have been disposed/sold in conformity with the procedures defined in the project agreement/contract.
- v. Examination of the arrangements between MGL and the UK:DRIC & MGL and BID to ensure compliance with all contractual arrangements and deliverables;

Governance

The review should also comprise a full review of the governance arrangements established by the company and its subsidiaries to ensure that they comply with the law and regulations, that they provide sufficient transparency to allow the management of the company and the Board of Directors to exercise accountability, oversight and control including a review of the governance of the company by Gloucester City Council. In particular this should review:

- i. The Company's alignment with the strategic objectives and corporate plans of the City Council
- ii. The Company's adherence to relevant law, regulations and company guidance including the UK Corporate Governance Code 2018
- iii. The Company's adherence to its Memorandum and Articles of Association, Members Agreement and its Contract for Services with Gloucester City Council
- iv. The arrangements for appointments to the Board and the skills, experience and expertise required by the Board Directors to provide appropriate leadership to the Company
- v. The Board composition generally in terms of the Non- Executive and Executive roles
- vi. The arrangements for the employment and management of staff
- vii. The arrangements to manage conflicts of interest
- viii. The arrangements for developing and documenting the Company's strategic and operational plans
- ix. The arrangements for reporting on the Company's performance.
- x. The current SLA and the effectiveness of Gloucester City Councils governance of the company and its responsiveness to information provided.

3. Part B: Strategic and operational review

This review will examine the effectiveness and efficiency of the current operation of MGL, including its distinct role within the City and its many (and growing) partners and stakeholders involved in making the City a vibrant, diverse and successful tourist destination. In particular the review will need to assess what actions are required to ensure that MGL continues to add value to the City of Gloucester, supports the City Council in delivering its strategic objectives and corporate plans and is financially sustainable in the future. At the same time the review will assess the reasonableness of the Council's requirements for MGL within a challenging financial climate.

Key areas of focus include but are not limited to:

- i. Clarity and appropriateness of purpose, vision, strategic and operational business priorities of MGL and the reasonableness of the Council's requirements.
- ii. Quality and appropriateness of the Business Plan and the delivery focus of the organisation in view of the City and its potential, and work of other

- partners and stakeholders, including the LEP, the Culture Trust, the BID and the City Council. Are there overlaps or duplication?
- iii. The resilience and effectiveness of its relationships with key city stakeholder organisations and leaders including departments of Council.
 - iv. Appropriateness and sustainability of the staffing arrangements, including structure/staffing numbers, skills and capabilities
 - v. Quality and effectiveness of inputs, outputs and outcomes related to the effective marketing of the City; and comparison to industry standards/leaders in this area
 - vi. Assessment of historic income and future income potential and what is needed to successfully explore these
 - vii. Assessment of the potential of the UK:DRIC in the promotion of the City and its potential for income generation for MGL
 - viii. Appropriateness of the company structure (wholly owned Teckal company) in view of successful models elsewhere; and in the context of the BID, the LEP, the Culture Trust and the City Council's Economic Development team.

4. Outputs and reporting

Consultants are required to produce interim findings and a final report including recommendations.

Interim findings will be presented to a meeting of representatives of the Board of MGL and the City Council.

5. Timescales

The assignment needs to be concluded by the end of November 2019 at the latest with draft reports produced at intervals agreed with the City Council.

This page is intentionally left blank

Marketing Gloucester Ltd Strategic and operational review



December 2019

MELANIE SENSICLE
MELANIE SENSICLE CONSULTING LTD

&

JASON FREEZER
BRIGHT SIDE TOURISM CONSULTING

The consultants were asked to focus on 11 areas in the review brief.

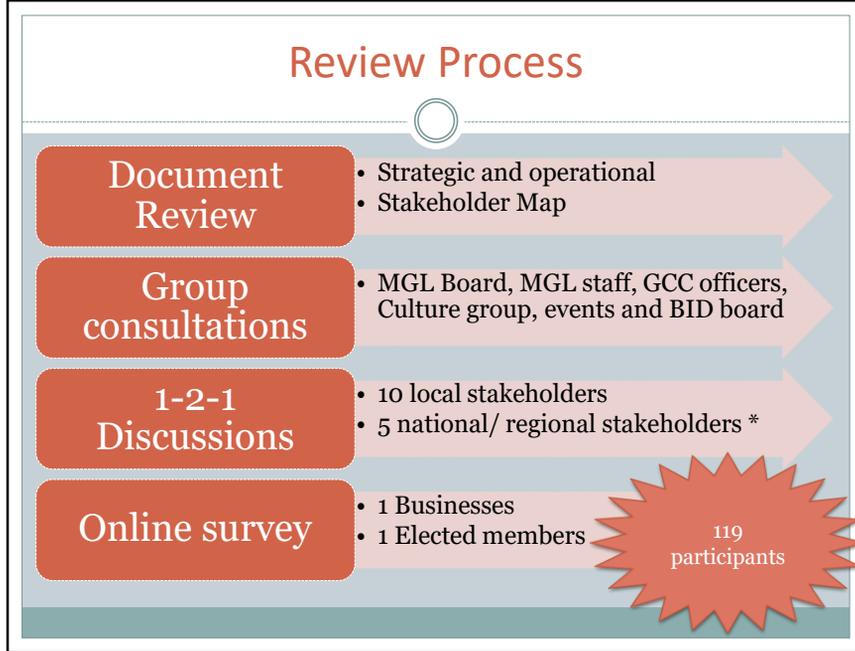
Disclaimer



- *The information provided in this report forms part of a commission by Marketing Gloucester Limited and is to inform the review of its strategic and operational context. All information is provided in good faith, however, the authors make no representation or warranty of any kind, express or implied, regarding the accuracy, adequacy, validity, reliability, availability or completeness of the information included.*
- *Every effort has been made to ensure the completeness of this report, however, the authors take no responsibility for the commissioning agency (Marketing Gloucester Limited) not providing contextual information, contacts or other information sources that may have informed the contents.*
- *The authors are not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this report is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use.*

Areas of Review Focus





Over 20 strategic and operational plans were reviewed including the Gloucester City Vision 2012-2022, Gloucester Cultural Strategy, Gloucester Economic Growth Strategy, Gloucester Great Place Application, Growing Gloucester's Visitor Economy, the Joint Core Strategy for Gloucester, Cheltenham and Tewkesbury, Gloucester City Council's Regeneration and Economic Development Strategy, the Gloucester BID business plan, the Gloucester Heritage Strategy and documents relating to the company itself including Marketing Gloucester's Business Plan, the Memorandum and Articles of Association, the Gloucester City Council's Contract for Services and documents relating to financial performance and the UKDRIC.

Consultees were chosen by the board of Marketing Gloucester Ltd and their participation solicited and organised by staff at Gloucester City Council, except for national and regional stakeholders.

43 responses were received to the business survey from the following sectors: 7 accommodation providers, 7 culture (events and venues), 14 retail, 9 hospitality, 6 professional or other services. In addition 10 responses were received from people connected to trusts and other non commercial organisations.

16 councillors responded to the elected members survey.

- = work done out of the scope of the contract.

Findings

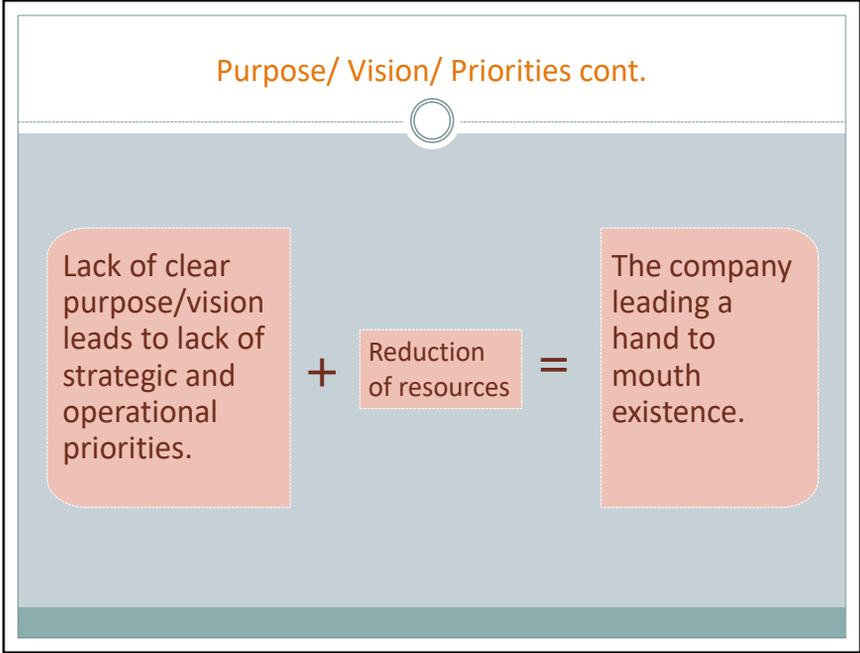


Q. Purpose, vision, strategic and operational business priorities – are they clear and appropriate?

- Overall lack of clarity on all four, among all stakeholders. MGL business plan describes MGL as a Place Marketing and a Destination Management Organisation.
- Many interpretations among stakeholders on what Marketing and Management mean in relation to MGL.
- Most common view is that MGL's purpose is to market the city and deliver events.
- In reality MGL is an events delivery company that manages a selection of projects, some of which involve marketing.

Purpose, vision, strategic and operational business priorities – are they clear and appropriate?

- Lack of clarity was apparent among the board and all stakeholders to some extent. The staff group defined their purpose as a DMO.
- Many stakeholders quoted the acronym DMO to describe Marketing Gloucester but this meant different things to different people. Some thought the M stood for Marketing and others for Management.
- The MGL business plan describes MGL as a destination management company and a place marketing company however the plan is not clear about how it goes about delivering these two different but related functions.
- The review concluded that the focus on the company is event management and delivery with an ad hoc set of additional projects that it delivers some of which involve marketing e.g. UK DRIC, GL card, involvement with US connections.
- There is no stated vision for the organisation in the business plan and no one articulated one through the course of the consultation.
- Visitor economy doesn't feature strongly with staff, board or stakeholders.



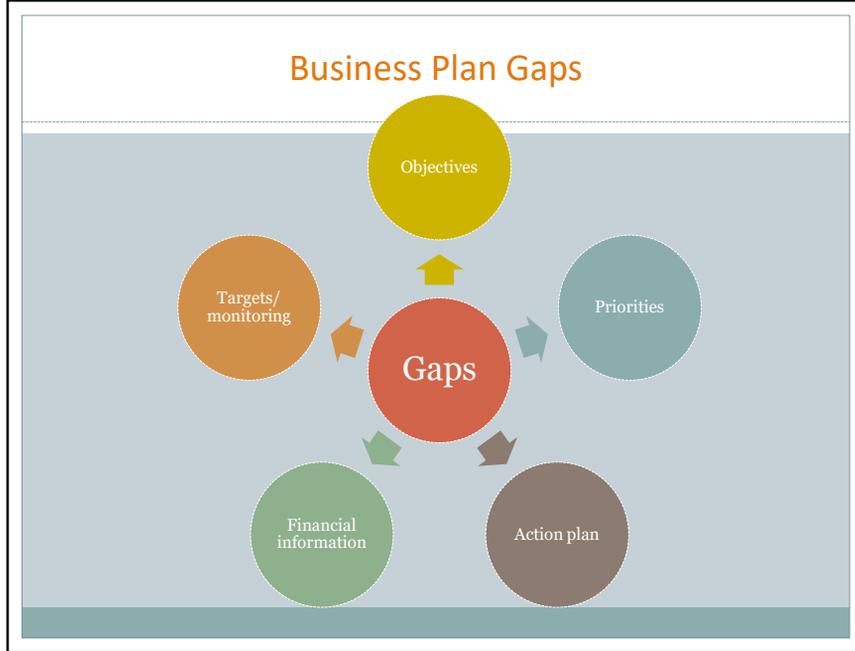
Because purpose and vision are lacking it is difficult to identify strategic and operational priorities for MGL. The reduction of grant from Gloucester City Council is significant, almost halving the core budget. This would normally prompt a revision of strategic and operational priorities and a proportionate scaling down of activity. It is not apparent that this took place, or was able to take place in relation to the expectations of GCC and other stakeholders. The situation required MGL to look for other sources of income to survive. The company is leading a hand to mouth existence as evidence by the need to secure a loan to continue operating.

Q. Business plan – quality and appropriateness?

- 5-year plan approved by MGL Board and GCC Cabinet
- Hasn't been monitored or refreshed since 2017.
- Over half of the document is annual report material or appendices.
- Describes MGL as doing Destination Management **AND** Place Marketing but doesn't clearly reflect the two functions.

Business plan - quality and appropriateness

- Five-year plan approved by MGL Board and GCC Cabinet but see further comments on quality of plan.
- No evidence that the plan has been monitored or refreshed since since 2017.
- Absence of an annual action plan that relates to the business plan.
- Describes the company as a Destination Management and Place Marketing Organisation which matches the broad range of responsibilities in the Council SLA. The document doesn't reflect these two functions clearly or articulate which activities relate to each.
- Many areas of the plan are light on detail, for example the statement, 'continue to potential investors in the City of Gloucester' isn't backed up with any detail on how the company will go about this or what kinds of investors are being targeted.
- More than half of the document is material that would be suitable for an annual report material or are appended to the documents as lists of achievements.



Business plan doesn't contain some of the contents that are usually present in a business plan for example: objectives, targets, financial information, time-based planning, how it will be monitored.

Q. Delivery focus of the organisation

- **Event delivery is a primary focus**
 - *Tall Ships (signature event) and local/regional events for City Council and BID. Other signature events not as strongly supported by MGL e.g. Three Choirs Festival, History Festival.*
- **BID contract is a primary focus**
 - *MGL deliver BID management, business engagement and events, regarded as successful by many levy payers but has drawn resource away from place marketing role. MGL plays a role in place making as part of this contract.*
- **UK DRIC is a primary focus**
- **Local marketing is a primary focus**
- **Visitor economy is a secondary focus**
 - *Visitor economy plan has not been updated since 2015, no evidence that it is monitored. MGL contributes to growth eg RWC, Tall Ships, hotel investment.*
- **Investment leverage, has helped to fund events in particular, plus UK DRIC**

Delivery focus of the organisation in relation to the city and its potential

- Delivery focus is managing events, delivering the BID contract (events and business engagement), local marketing and developing the UK-DRIC.
- MGL has lots of ideas, some of them good, e.g. working with US Connections to make the most of the city's US connections, working to adjust the city's profile on trip advisor.
- BID contract involves place making activity eg city safety, local vibrancy, support for businesses eg Gloucester Antiques Centre
- UK DRIC is yet to attract significant tenants from outside the city to help fulfil its strategic purpose
- Main projects often not central to the success of the city but are important to the success of a particular stakeholder (e.g. BID events) or are part of a contract (e.g. UK DRIC).
- The Visitor economy not really managed, the visitor economy plan is out of date and not monitored. Visitor economy networks not in evidence eg accommodation association, visitor attractions group and relationships with neighbouring DMOs/national tourism board is weak.
- Data and intel quoted in MGL documents is high level and generic. Very little

evidence of target audiences.

Q. Delivery focus – appropriate for city and city’s potential?

- **Events**
 - *Events can help with raising profile and delivering footfall. No clear rationale for which events MGL develops/delivers/promotes and how they connect to image/ reputation/ positioning.*
- **Some ideas progressed regardless of fit for city/stakeholders**
 - *E.g. Great Places funded totems, not in original plan and 1 out of 8 delivered*
- **Focused more on internal audiences**
 - *Delivering principally for residents, e.g. events, BID, local marketing*
- **Little audience data and intel beyond city to provide focus**

Delivery focus of the organisation in relation to the city and its potential

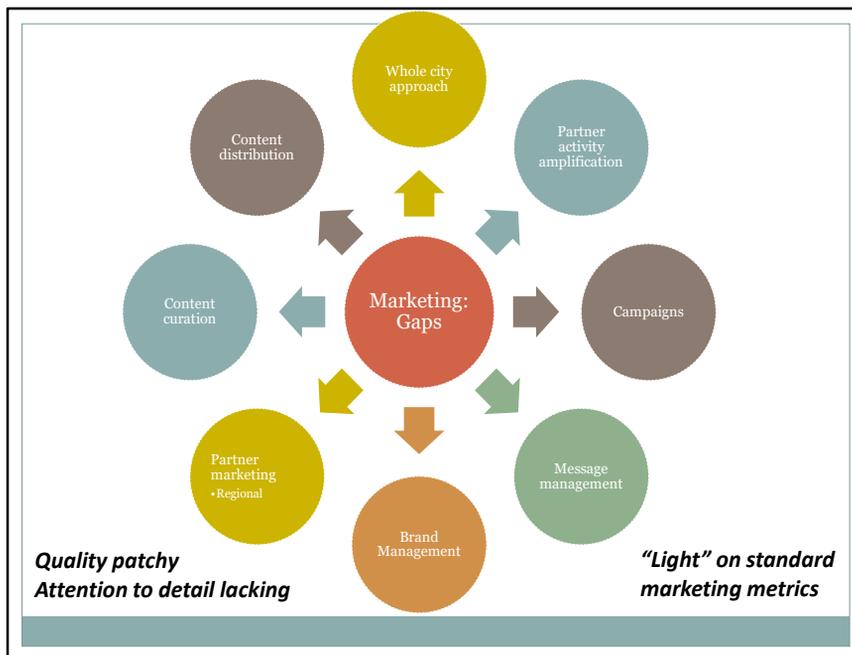
- Events are a mix of signature (Tall Ships) and local (Fireworks) events leading to a lack of audience focus for MGL. Many place marketing organisations have a clear audience focus and the majority focus on those events that help to raise the profile outside the destination e.g. Lincoln Christmas Market, Manchester International Festival, Newcastle Great North Run, Brighton International Festival. MGL are less involved with other Gloucester signature events, e.g. History Festival and other regional events which are high profile e.g. Three Choirs Festival.
- MGL ideas and projects not always appropriate to the city or the funding stream that pays for them e.g. Great Places destination development funding made available for improving the city’s online presence but instead the investment has been used to develop in-destination advertising totems, e.g. the Festivals and Events International evaluation of what is and isn’t working not acted upon. Conclusion that MGL isn’t always in tune with what the rest of the city is doing.
- Ideas and projects aren’t always followed through e.g. only one out of 8 totems have been delivered. Lots of activity, that is important to the stakeholders, isn’t prioritised by MGL e.g. Cultural campaign as part of the cultural strategy in

- 2018, regeneration prospectus, city brand.
Data and intel quoted in MGL documents is high level and generic. Very little evidence of target audiences.



Inputs, outputs, outcomes in relation to marketing the city - quality and effectiveness of, plus comparisons with others elsewhere

- Good at social media management for local audiences
- Extensive list of PR achievements in business plan, majority of coverage generated locally – exceptions Tall Ships and Rugby World Cup in 2015. Doesn't include reach figures therefore not clear on actual impact and much of it not recent. GL card and associated campaign viewed as positive
- Some examples of strategic marketing approach e.g. links from VisitEngland.com, managing the Gloucester Trip advisor profile, developing Tall Ships as a signature event, US Connections collaboration
- Independent review of online presence reveals that the visitor facing site is adequate within the constraints of the destination management system that it is built on.



Stakeholder view of MGL is that it doesn't deliver on some of the key responsibilities expected of a city marketing agency. Specifics mentioned: amplification of partner activity, campaigns, message management, brand management, collaborating with region on marketing, city online presence

Little connectivity to the surrounding area or examples of partner marketing (US connections an exception)

Light on standard marketing metrics e.g ROI, campaign conversion, performance of website, PR reach, therefore difficult to see the impact that the company is having.

- No clear rationale which events are integral to city marketing/positioning (exception Tall Ships) and therefore received marketing support eg Three Choirs Festival and History Festival do not receive similar level of support as Tall Ships
- MGLs website has significant gaps in content e.g. filming, inwards investment. Wider review of Gloucester content across a range of national and international sites reveals that imagery is limited and doesn't showcase the city's assets to a great extent (US connections excepted).
- VE hold few images of Gloucester for use in national marketing.

- Stakeholder view that MGL principally promotes activity that it leads but could be partly explained by its struggle to survive and operate effectively.
- Examples provided re attention to detail – promoting activity to consumers that has finished.

Q. Staffing arrangements – appropriateness and sustainability, structure, numbers, skills, capabilities

- Weighted towards events
- Roughly comparable to other historic city teams but comparison difficult due to variety of roles and remits
- Strategic thinking/decision making doesn't generally involve staff or board
- Passion and commitment of staff recognised across the city
- Good skills
 - Event management and delivery BUT with support from others
 - Social media, tactical marketing, PR
 - Business engagement/ support (via BID work)

Appropriateness depends on agreed role and remit.

Appropriateness and sustainability of staffing arrangements – structure, numbers, skills, capabilities

Limited information from which to draw conclusions. Not clear how many FTEs are in the team.

Staff team are passionate and committed and this is recognised across the city's stakeholders.

Sustainability structure, numbers

- Largest team is events which is unusual for a place marketing and destination management organisation
- Marketing team on the small side. Other historic city marketing teams range from 0 to 4 people.
- Business engagement team mainly work on the BID contract.

Skills and capabilities

- Some good social media and PR skills apparent e.g. involvement in US Connections project, social media channels well managed generally
- Good business engagement skills e.g. BID are happy with the delivery of their

contract

- Events management, some managed and delivered well but stakeholders cite issues of capacity and quality e.g. Tall Ships
- Strategic thinking/decision making isn't undertaken with the board and staff e.g. no one aware of MGL taking on the UK DRIC project until it was a fact.

Skills Gaps	
Place Marketing Agency	General
<ul style="list-style-type: none"> • Campaign development and management • Marketing planning • Content creation and distribution • Web development 	<ul style="list-style-type: none"> • Visitor economy management • Strategic partnerships • Stakeholder communications • Relationship management • Business planning • Commercial development • Performance monitoring • Financial management

Gaps

- Commercial skills/business development knowledge lacking e.g. UK DRIC, challenges of establishing and maintaining income streams
- strategic marketing, integrated campaigns, branding, all necessary for a place marketing organisation
- stakeholder communications and relationship management.
- business planning, monitoring, reporting
- financial management

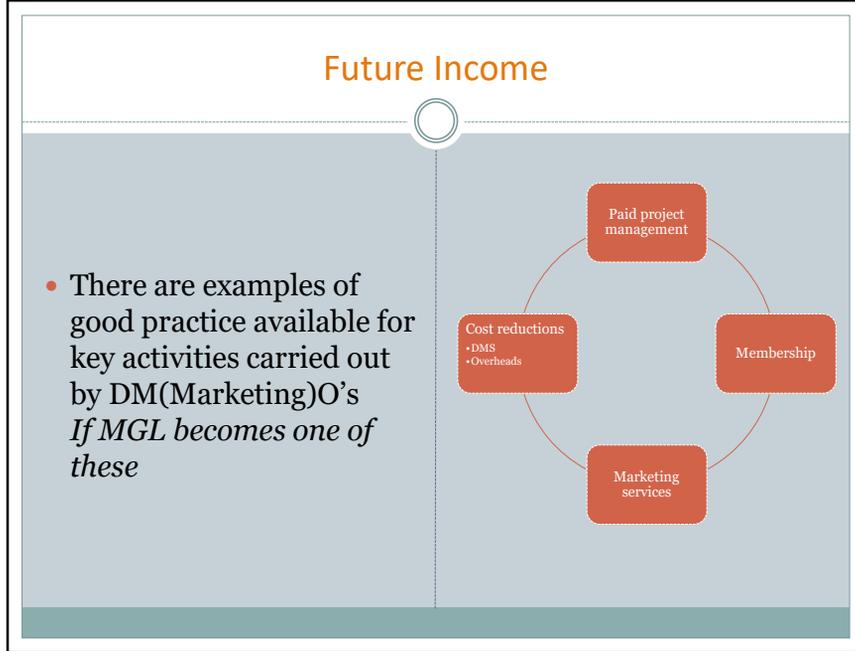
Q. Historic income and future potential for MGL Ltd	
Historic	Future
<ul style="list-style-type: none"> • Limited financial information • Funding leveraged through relationships (not-competitive) • Tends to follow revenue opportunities without strategic purpose 	<ul style="list-style-type: none"> • Few clear and sustainable sources of income beyond grant • Income generation possible from a position of strength - NOT where MGL is currently

Historic income and future income potential – what is needed to explore these

Limited information to go on. Not clear about sources of income except Council grant, due to lack of or limited information re business plans, monitoring, board reporting, activity reporting.

- MGL have leveraged funding (mainly capital) through existing relationships acting as volunteers to deliver projects where money is already available e.g. Tall Ships, DEF and UK DRIC.
- If a strategic marketing agency then ability to earn will be limited, if a delivery agency then income potential more positive.
- Significant reduction in council grant, at relatively short notice, has necessitated looking elsewhere for funds
- Income challenging and only likely to be successful if initiated from a position of strength, MGL not in this position currently
- Membership – a particular challenge because of involvement with the BID and competing membership schemes in the region e.g. Cheltenham and Cotswolds Tourism, but potentially some opportunities to work collaboratively
- UKDRIC could generate income in the future depending on agreement of the

LEP.



Some clear examples of good practice available for key activities that are commonly part of a DM(Marketing)O e.g. York for publications, York for events, Visit County Durham for paid project management, numerous DMOs re membership
Best practice examples will be provided after decisions are taken on future direction of MGL

Q. Potential of the UKDRIC – for city and MGL

Position Gloucester and Gloucestershire at the forefront of digital research and innovation, with particular application to retail

- UKDRIC not regarded as fulfilling a strategic or income generating role currently
- A reputational risk for MGL, GCC and LEP.
- Has income generational potential.

Needs turning around fast.

- Conceived by LEP as a project to help position Gloucester and Gloucestershire in the digital research and innovation field in particular relation to retail and the challenge of the high street. Isn't living up to this ambition currently. Lack of high profile tenants, promised at the outset and that would have established the reputation of the UK:DRICC, haven't materialised.
- LEP regard DRIC as a priority and a reputational risk for GCC, MGL and themselves
- Short term leasing arrangements may make investment (staff/expertise) difficult to justify
- Longer term leasing arrangements could open up potential for it to fulfil its strategic and income generating opportunities.
- Needs a financially focused business plan and business development manager to turn around for both strategic purpose and an income generator.

Q. Company structure – model for the future

DMOs vary in form, function and governance

1. a function within a local authority
2. an informal partnership or a legal entity, such as a CIC, that includes representation from both the private and public sectors
3. part of the remit of a place management/marketing organisation
4. private sector company

Model depends on agreed role and remit.

Example of 1. Marketing Cheltenham, staff employed by Cheltenham BC, back office support via Cheltenham BC

Example of 2. Visit Lincoln, Cotswolds Tourism

Example of 3. Visit York part of Make it York

Example of 4. Visit Cambridge and beyond

Q. Company structure – model for the future

- Essentially DMOs take a lead role in the management and development of tourism in a destination.
- DMOs (Destination Management Organisations) usually:
 - Have overall responsibility for the Destination Management Plan (Gloucester doesn't have one)
 - Represent tourism and the visitor economy
 - Look after the quality of the visitor experience – standards
 - Are responsible for evidence gathering / monitoring – visitor/business surveys
 - Lead on destination branding and marketing
 - Lead on visitor information and orientation

Model depends on agreed role and remit.

Destination Management is a process of leading, influencing and coordinating the management of all the aspects of a destination that contribute to a visitor's experience, taking account of the needs of visitors, local residents, businesses and the environment.

A Destination Management Plan (DMP) is a shared statement of intent to manage a destination over a stated period of time, articulating the roles of the different stakeholders and identifying clear actions that they will take and the apportionment of resources.

In these definitions, 'manage' and 'management' are taken in their widest sense. Crucially, destination management includes the planning, development and

marketing of a destination as well as how it is managed physically, financially, operationally and in other ways.

Various terms have been used for the process of planning and managing tourism or visitors in a destination. It is important not to get confused by different jargon which can sometimes mean the same thing, but also to be aware of where some terms which sound quite similar actually have slightly or significantly different meanings.

Q. Company structure – model for the future

- MGL commonly referred to as a DMO but doesn't really fit the accepted definition.
- Place Marketing a better description of MGL.

The application of marketing and branding strategies and tactics to destinations in order to attract investment and income. This latter may arise from attracting new business, tourists, residential expansion and other development and activity.

Model depends on agreed role and remit.

Recommendation based on the consensus among stakeholders on what is required of MGL and the stated purpose in the business plan – Place Marketing.

Q. Company structure – model for the future

- **Common characteristics of both DMOs and Place Marketing organisations**
 - Chair usually independent, even where organisation is “owned” or integrated into council
 - Public/ Private partnership standard model
 - Independent authority
 - Knowledge and experienced of board based on strategic development need rather than to represent a stakeholder group
 - Trading arm often separate with distinct purpose and services to sell

Model depends on agreed role and remit.

Q. Fit into city organisational landscape

- **Overlap and duplications**
 - Event planning, business groups/ networks, audience focus
- **Lack of co-ordination**
 - Visitor information
 - Film unit
 - Event delivery
- **Gaps that others expect MGL to fill**
 - Non-MGL events, Regeneration marketing, visitor economy, strategic marketing
- **Active resistance to working with some partners and strategies**
- **Partnerships outside city non-existent/ actively negative**
 - With one exception – US Connections

Fit into the city with regard to LEP, Culture Trust, BID and City council – overlaps and duplication

Representatives from all these stakeholders took part in the review. The gaps, overlaps and duplications reflect their input.

- Gap: stakeholders looking to Marketing Gloucester to market the city, many feel they aren't fulfilling this function strategically or practically
- Gap: visitor economy not really managed, only important if core to city's future success. Last VE plan updated 2015.
- Gap: examples of MGL not delivering on initiatives they lead, relying on others for help and perception that they take the credit for work of others e.g. filming, event delivery, content for website
- Overlap: events confusion over who does what, who leads, who supports, who delivers.
- Lack of clarity: what is and isn't supported by MGL and who makes decisions particularly on events – company inconsistent in approach e.g. Strike a Light, Kings Jam.
- Lack of clarity: audience focus – mainly delivering for residents but role is place marketing which should include inward investment, visitor economy etc

- Duplication: a city wide problem in terms of network and business groups –MGL could facilitate at a strategic level but doesn't appear to
- Working mainly in isolation from wider stakeholders except the BID, because they are the BID delivery team.
- Work for BID viewed by all other stakeholders as 'pulling the company out of shape'.
- Active resistance to supporting some partners and strategies e.g. Culture Trust and the Cultural Strategy, FEI report on Festivals and Events.
- Some support for heritage partners but not on key heritage events e.g. History Festival, Three Choirs.

NB: Partnership work outside of the city non-existent (regional DMOs and national tourism board) or actively negative (regional DMOs). One exception US Connections – positive relationship down to one key staff member.

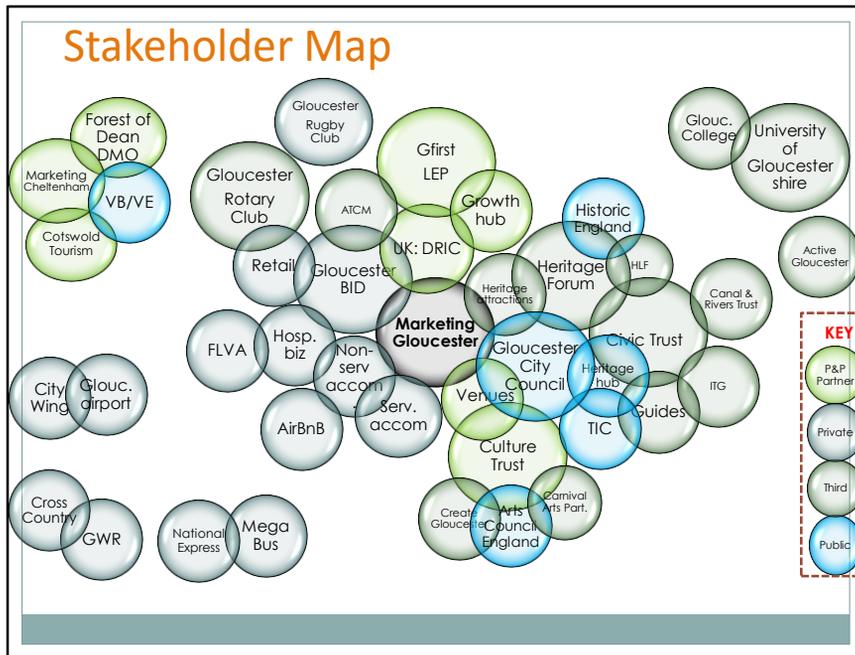
Q. Relationships with stakeholders

Positive	Neutral/ negative
<ul style="list-style-type: none"> • Goodwill for MGL name and staff to build on. • Staff working closely with stakeholders viewed as passionate & committed. • Hospitality and retail sectors value MGL particularly in their BID delivery role. <p data-bbox="339 774 711 865"><i>Stakeholder view polarised: minority in favour, majority frustrated, some relationships have broken down.</i></p>	<ul style="list-style-type: none"> • Many stakeholders don't separate company from CEO. • CEO central to positive and negative relationships and perception and reputation of the company. • Board invisible as representatives of the company. • Staff work with partners on projects and practical delivery of activity. • MGL sometimes viewed as taking credit for others' work eg visitor information, filming in the city.

Resilience and effectiveness of relationships with stakeholders including Council

- There is a store of residual good will towards the company and the staff which can be built on plus a desire for it to play its part in achieving the ambitions of the city and region.
- Where staff work directly with colleagues they are well regarded, particularly for their passion and commitment to Gloucester.
- Stakeholders' view of MGL polarised – minority in favour, majority frustrated, in some instances relationships have broken down completely e.g. Culture Trust, Cathedral, Cotswolds Tourism. In some instances relationships are strong, often down to MGL's BID delivery role.
- Good relationship with BID board and regarded as doing a good job.
- Many don't separate the company from the CEO. Staff and Board not operating as company representatives in city-wide conversations. The CEO has been central to both positive and negative relationships and the perception and reputation of the company.
- Public perceptions of what MGL does, doesn't always reflect what they actually do, which damages relationships with partner organisations, MGL not acknowledging the support they receive e.g. businesses think they deliver

visitor information, filming, all events.



As complete a picture as possible but may still be omissions e.g. Strategic events forum only mentioned at a late stage of the review and not by any partner.

Demonstrates the complexity of the stakeholder environment.

Q. Council requirements - are they reasonable?

Expectation of SLA	Reality
<ul style="list-style-type: none"> • Very broad and wide-ranging role and remit that goes beyond marketing and events. • Business planning expected to focus MGL resource. • Majority of GCC grant to be spent on specific events. • MGL expected to make up cuts in core grant, at relatively short notice. 	<ul style="list-style-type: none"> • SLA open to interpretation and has created lack of focus and clarity. • Business planning hasn't been undertaken to focus resource. • Stakeholder landscape has changed significantly in recent years eg BID, Culture Trust. • MGL lacks skills and assets to make up for cuts in grant.
<p>Reasonableness depends on agreed role and remit.</p>	

Council's requirements – are they reasonable?

- Requirements very broad and wide ranging to provide flexibility and give MGL opportunity to take advantage of opportunities
- SLA general with lots of room for interpretation/misinterpretation - 'continue to attract potential investors to the city' 'to promote the city overseas with other appropriate agencies' 'to provide business advice, support and information'. Pro is that it goes MGL scope to respond and act quickly but in reality they are tied to delivering an events programme determined by GCC.
- Potential responsibilities in summary:
 - ⇒ Image, reputation and positioning of the city for all audiences from local to global
 - ⇒ Support for city businesses (all?) on a range of subjects from skills and training to quality and marketing
 - ⇒ Investment into the city – businesses, regeneration, inward investment
 - ⇒ Business and public satisfaction with the city
 - ⇒ Provision of services to tourism and travel industry
 - ⇒ Managing the relationship between the public and the private sectors in the city
 - ⇒ Delivering all strategic and tactical marketing and the 'annual programme'

(defined each year) of events

- ⇒ Act as the city's film unit
- ⇒ Support the city council
- ⇒ AND earn a proportion of its operating budget through commercial activity

Lack of strategic and operational priorities, adjustment of priorities over time and lack of business planning means that changes in the stakeholder landscape haven't been responded to or adjustments made.

Recommendations



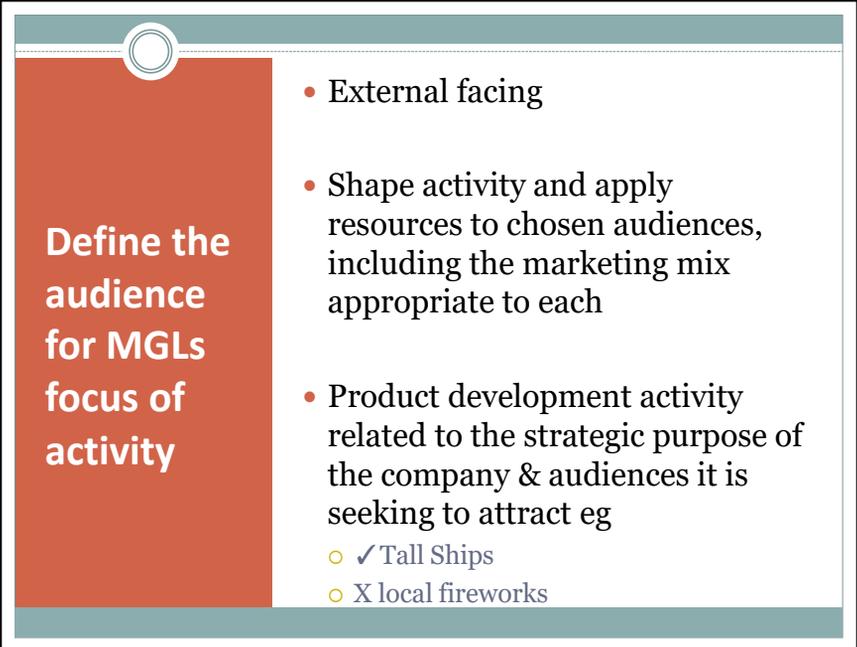


For MGL

There is a strategic marketing function that the wider city stakeholder group are looking to be undertaken. This should entail:-

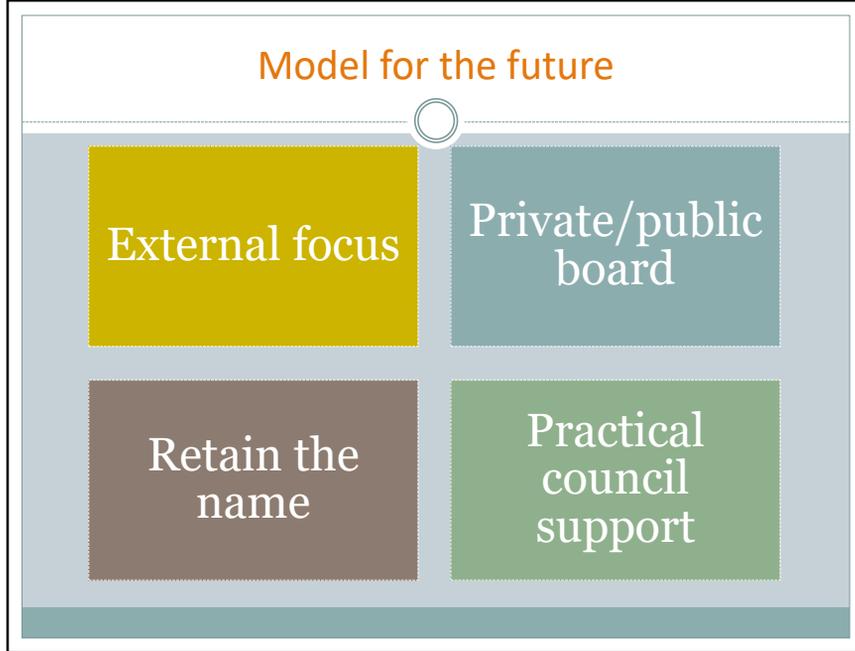
- Market intelligence (gatherers and interpreters to inform product development and promotional activity).
- Branding (proposition/ positioning for the city – more than just a logo)
- Campaign activity – awareness of the city and its offer (beyond events)
- Managing the message and supporting others to amplify it.
- Relationship management with external agencies at a national and regional level.
- MGL could fulfil this function.

Define their audience more clearly and focuses their resources on these audiences

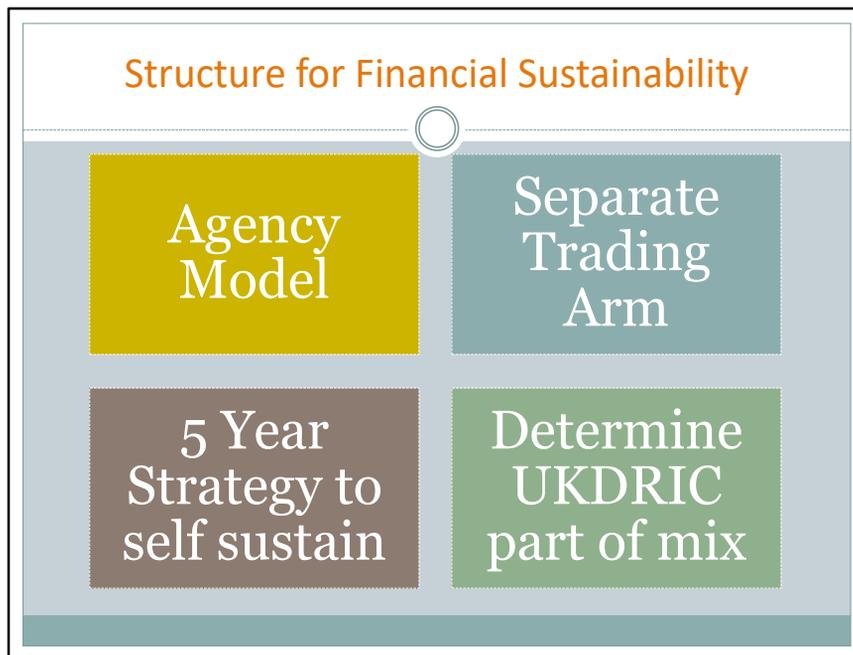


Define the audience for MGLs focus of activity

- External facing
- Shape activity and apply resources to chosen audiences, including the marketing mix appropriate to each
- Product development activity related to the strategic purpose of the company & audiences it is seeking to attract eg
 - ✓ Tall Ships
 - X local fireworks



Important to focus on attracting audiences outside the city
A public/private board with the skills to lead and shape the organisation
Retain the name, it has currency and some good will
Practical council support on finance, business planning etc.



Once MGL stabilized look at agency model for future contracts e.g. BID, events
Consider separating the strategic place marketing entity from the trading arm
Create a 5 year plan for financial sustainability – but likely to always need public money to fulfil strategic aim
Determine whether UK DRIC can be part of financial sustainability through dialogue with the LEP.

Prioritise the UK DRIC

- Ensure it fulfils strategic purpose
 - Attract appropriate tenants
 - Create plan to be profitable
 - Needs business development expertise with the right contacts.
- Alternative: contract it out delivery
 - MGL as a place marketing organisation can support with promotion and PR.

Recommendations for MGL

- Consider role in the visitor economy.
- Questions include:
 - Is the visitor economy a focus for the city?
 - Who has the strategic focus on the sector?
 - Who undertakes the visitor economy management role and what does this entail?

If MGL is the place marketing organisation...

It can embrace visitor marketing within its remit but it requires a close relationship with visitor economy management.

MGL needs to consider its role as a true DMO.

Can absorb destination marketing within its place marketing remit

Destination management is the gap, who does this?

Broad principles to consider

- Adopt a partnership approach to all that it does
- Be evidenced based
- Be customer/audience led
- Build a reputation based on good work
- Communicate well and frequently
- Amplify the success of others alongside its own successes

Broad principles for MGL include:

- Need to be part of key city-wide conversations bringing their strategic perspective on -marketing/positioning/new initiatives/audience development/city performance stats etc
- They should work on behalf of the city as a whole not just for events that they are responsible for.
- There must be accountability and reporting for its work. Ensuring that all partners who need to know, understand what is working well or not.
- The board need to be accountable for the organisation and its actions.
- A close relationship with the LA is important but a degree of separation is required; this means financial autonomy and decision making to deliver against agreed objectives. An independent chair would help facilitate this.

More specific recommendations divided into short, medium and long-term actions.
NB: short and medium term will overlap and some activity can run concurrently.



For Gloucester

- City needs a clearer vision that is bought into across the city – bringing together the existing strategies and plans to describe where it wants to be in 10 years’ time, plus a clear delivery plan identifying who is leading and on what.
- It should not exclusively be the responsibility for the city council, but it would have support of stakeholders as the lead as long as others are involved.
- Co-ordination and communication are lacking and is must for Gloucester as a place to build on its successes and realise its full potential. MGL should not be the lead organisation but can help the co-ordination of the partnership and be responsible for the strategic marketing plan for the city, therefore helping to deliver the collective vision.
- A destination management plan, with the associated processes to develop one would be a useful mechanism to help Gloucester realise its potential, particularly as a visitor destination.



Suggested action plan for discussion

Short term – one to three months

- Put all F&Es out to tender perhaps for a 2 -year term to give MGL breathing space.
- Return events lead to council to manage events contracts.
- Put in a business development manager for UK DRIC to ensure it fulfils its strategic purpose and to negotiate long term arrangements with the LEP and produce a separate business plan towards it becoming an income stream for MGL.
- Audit current activity and prioritise based on risk, to MGL and GCC, allocate staff to leads on different areas/projects with clear objectives and targets.
- Install an interim chair, ideally independent but if not then senior council officer, to manage changes to the board (see Governance review).
- Contract or secure via GCC some support on financial processes and procedures (see Financial review).
- Review operating/overhead costs and reduce where possible eg: office rent, DMS costs
- Use a mechanism to help MGL to carve a clear and distinct role *with* the city

stakeholders - assumption should be around strategic marketing and possibly visitor economy, perhaps use a DMP.

- Conduct a skills audit of existing staff to identify who fits where in new role



Suggested action plan for discussion

Medium term – one to six months

- Appoint an independent chair for min. three years, who can work with the leadership team on relationships (city and region), business planning (related to company purpose) and key projects e.g. DRIC
- Appoint an interim MD
- Agree a new SLA with GCC that reflects the redefined purpose of the company
- Develop a three -year business plan for MGL
- Untangle MGL from Business Improvement District Company and either second existing staff to BID or retain for MGL business liaison.
- Start to rationalise networks and liaison groups to reduce duplication and overlap as a prelude to city-wide initiatives (see below)



Suggested action plan for discussion

Longer term – six to 12 months

- Restructure the company to fit with agreed purpose, potentially a strategic marketing agency with a trading arm.
- Begin to bid for profitable project work in city and beyond.
- Begin at least one new key piece of strategic work e.g. branding or Destination Management Plan, that will help MGL to fulfil its purpose and demonstrate its purpose to stakeholders and partners.

This page is intentionally left blank



Gloucester City Council

High-level governance and financial assessment of Marketing Gloucester Limited

Final report dated 16 December 2019

Page 69



To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed



Gloucester City Council
Shire Hall
Westgate Street
Gloucester
GL1 2TG

For the attention of Anne Brinkhoff (Corporate Director) and Jon Topping (Head of Policy and Resources)

16 December 2019

Dear Sirs

High-level governance and financial assessment of Marketing Gloucester Limited

We have pleasure in enclosing a copy of our report in accordance with your instructions dated 6 November 2019 which is reproduced at Appendix A of this report. This document (the **Report**) has been prepared by Grant Thornton UK LLP (**Grant Thornton**) for Gloucester City Council (the **Addressee** or the **Council** or **GCC**) in connection with the Council's review of Marketing Gloucester Limited (**MGL**), a wholly owned subsidiary company of the Council. We understand that the Council has recently approved a lending facility to MGL and is therefore carrying out a review of MGL (the **Purpose**). For the avoidance of doubt, our work does not constitute an audit nor a forensic investigation of the affairs of MGL.

We stress that the Report is confidential and prepared for the Addressee only. We agree that the Addressee may disclose our Report to its professional advisers solely in relation to the Purpose, or as required by law or regulation, the rules or order of a stock exchange, court or supervisory, regulatory, governmental or judicial authority without our prior written consent but in each case strictly on the basis that prior to disclosure you inform such parties that (i) disclosure by them is not permitted without our prior written consent, and (ii) to the fullest extent permitted by law we accept no responsibility or liability to them or to any person other than the Addressee.

Grant Thornton UK LLP

110 Bishopsgate
London
EC2N 4AY

T +44 (0)20 7383 5100
F +44 (0)20 7383 4715

grantthornton.co.uk

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

In addition, we understand that in the interests of transparency, the Report may be published on the Addressee's website. In these circumstances, we stress that the Report is published strictly on a no duty basis. We highlight that to the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the Report by the Addressee for any purpose other than in relation to the Purpose.

The data used in the provision of our services to you and incorporated into the Report has been provided by the management of MGL and the Council. We have not verified the accuracy or completeness of any such data. There may therefore be errors in such data which could impact on the content of the Report. No warranty or representation as to the accuracy or completeness of any such data or of the content of the Report relating to such data is given nor can any responsibility be accepted for any loss arising therefrom.

The management of MGL has not been provided with a copy of this Report and so has not confirmed its factual accuracy in all material respects. You recognise and accept that our Report and any conclusions we draw may differ had we had the benefit of confirming the facts with the management of MGL.

Period of our fieldwork

Our fieldwork was performed in the period between 7 November 2019 and 2 December 2019. We have not performed any fieldwork since 2 December 2019 and, our Report may not take into account matters that have arisen since then. If you have any concerns in this regard, please do not hesitate to let us know.

Scope of work and limitations

Our work focused on the areas set out in our scope of work, which is reproduced at Appendix A of the Report. Our assessment of the affairs of MGL does not constitute an audit in accordance with Auditing Standards and no verification work has been carried out by us; consequently, we do not express an opinion on the figures included in the Report.

The scope of our work has been limited both in terms of the areas of the business and operations which we have assessed and the extent to which we have assessed them. There may be matters, other than those noted in the Report, which might be relevant in the context of the Purpose and which a wider scope assessment might uncover.

Forms of report

For your convenience, the Report may have been made available to you in electronic as well as hard copy format, multiple copies and versions of the Report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

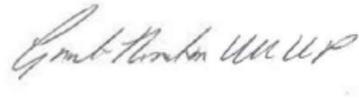
To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

General

The Report is issued on the understanding that the management of MGL and the Council have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our Report up to the date of signature of this Report. Events and circumstances occurring after the date of our Report will, in due course, render our Report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date Report. Additionally, we have no responsibility to update this Report for events and circumstances occurring after this date.

Notwithstanding the scope of this engagement, responsibility for management decisions will remain solely with the officers and directors of the Council and not Grant Thornton. The officers and directors of the Council should perform a credible review of the recommendations and options in order to determine which to implement following our advice.

Yours faithfully

A handwritten signature in cursive script that reads "Grant Thornton UK LLP".

Grant Thornton UK LLP

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Contents

Glossary	2
1. Introduction	3
2. Executive summary	5
3. Governance arrangements	13
4. Summary financial results and position	19
Appendix A Letter of engagement	23
Appendix B Principal sources of information	25
Appendix C Differences between management and audited/draft accounts (profit and loss only)	26

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Glossary

Page 74

BID	Business Improvement District
Board	Board of directors of MGL
CEO	Chief executive officer
Current ratio	Current assets ÷ Current liabilities
DMO	Destination Management Organisation is responsible for promoting a community as an attractive travel destination and enhancing its public image as a dynamic place to live and work
FYxx	Financial year ended/ending 31 March 20xx
Gearing ratio	Total loans and borrowings ÷ shareholders' equity
Gloucester BID	Gloucester Bid Limited, a private company limited by guarantee (without share capital) that manages Gloucester Business Improvement District (BID)
HMRC	Her Majesty's Revenue & Customs
KPIs	Key financial indicators
Management	Management team of MGL
MGL or the Company	Marketing Gloucester Limited, a private company limited by shares, which is wholly owned by the Council
NIC	National insurance contributions
PGT	Pitt Godden & Taylor LLP
P&L	Profit and loss
SLA	Service-level agreement

SoMAC event	Gloucester Summer of Music, Arts & Culture (SoMAC) is a two-month long festival in July and August every year, celebrating Gloucester's music, arts and cultural offering
Tall Ships Festival	Gloucester Tall Ships and Adventure Festival that brings some impressive ships, interactive history, and water activities to Gloucester Docks. The festival takes place every two years with the last one being held over the bank holiday weekend in May 2019
The City	City of Gloucester
The Council or GCC or the Addressee	Gloucester City Council
UK:DRIC	The UK Digital Retail Innovation Centre, which was launched in May 2019, is based at Eastgate Shopping Centre in Gloucester. It is managed by UK Digital Retail Innovation Centre Limited (formed on 28 November 2017), a wholly owned subsidiary company of MGL
VAT	Value added tax

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

1. Introduction

1.1 Background of MGL

- Marketing Gloucester Limited (MGL) was incorporated on 9 May 2008 with the primary purpose of representing, supporting and advising business and public leaders on economic and regenerative growth, leisure and tourism, and promotion of these themes in the City of Gloucester (the City).
- We understand that prior to the setting up of MGL, the Council's marketing and promotion function for the City was fragmented. MGL was formed to pull functions together and achieve co-ordination and resilience, and to bring a 'private sector entrepreneurial' ethos to the task of promoting the City as a great place to live, work, study, visit and invest.
- MGL is recognised by Visit England and Visit Britain as the Destination Management Organisation (DMO) for the City.
- The Company's core activities have expanded since its inception. In recent years, MGL took on the responsibility for delivering the Council's festival and events programme under an SLA with the Council. The Council's festival and events range from the Tall Ships Festival to SoMAC, Gloucester Goes Retro and firework events.
- In addition, MGL provides management service to Gloucester BID since April 2019, including management of Gloucester BID's programme of events. We understand that there is currently no SLA between MGL and Gloucester BID in respect of the services.

- On 28 November 2017, MGL formed a wholly owned subsidiary company, UK Digital Retail Innovation Centre Limited that manages the UK Digital Retail Innovation Centre (known as UK:DRIC). The UK:DRIC, which was launched in May 2019, is based at Eastgate Shopping Centre in the City. We understand that the UK:DRIC aims to be the national centre for testing and developing digital innovations that will help shape and inform the future development of town and city centres from a retail perspective.
- UK:DRIC's current directors are Jason Smith (MGL's CEO) and Richard Brooks (MGL's bookkeeper). The first accounts for the period ended 30 November 2018 (filed with Companies House) were dormant accounts. We understand that it started trading from 1 October 2019, with the main source of income being rental income from the letting of spaces at the centre.
- The current corporate structure of MGL is shown in the diagram below.



Sources: 1. Companies House record as at 28 November 2019

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

1.2 Our work

- MGL has experienced financial challenges in recent years, which were compounded by the significant reduction in funding from the Council particularly over the last three years.
- In October 2019, the Council approved a £240,000 credit facility to MGL in order to support its cash flow position. As part of the provision of the loan, the Council is carrying out a review of MGL, covering (a) strategic and operational aspects; and (b) governance and financial aspects.
- The Council has engaged an external consultancy company, Melanie Sensicle Consulting Ltd (working with Brightside Tourism Consulting) to perform a strategic and operational review of MGL.
- In addition, the Council has engaged Grant Thornton UK LLP to perform a high-level governance and financial assessment of MGL, which covers commentary of the following areas:
 - the corporate governance arrangements, focusing on the structure of MGL board and its committee(s), and board reporting to the Council;
 - the budgeting and forecasting procedures;
 - the key financial controls and procedures;
 - the financial performance and position of MGL for the last two years ended 31 March 2019 and current year-to-date; and
 - the overall profitability, liquidity and solvency position.
- For the avoidance of doubt, our work does not constitute an audit nor a forensic investigation of the affairs of MGL. Our scope of work is detailed in Appendix A of this report.
- Our work is based on a review of the key documentation and information provided by the relevant personnel of MGL and the Council as listed in Appendix B, as well as our meetings/discussions with them and their

representations to us. We would like to highlight that the CEO of MGL is currently absent on leave. As requested by the Council, we have not sought information from him nor held discussion with him as part of our work.

- The data and information used in our work and incorporated into this report has been provided by the personnel of MGL and the Council. We do not accept responsibility for such information which remains the responsibility of the personnel of MGL and the Council. We have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work. We have not, however, sought to establish the reliability of the sources by reference to other evidence.
- Our report makes reference to 'Grant Thornton Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

2. Executive summary

2.1 Our key findings and recommendations

Issue	Commentary	Next steps / recommendations
Board governance	<p>Board structure and composition</p> <ul style="list-style-type: none"> MGL currently has 11 directors (based on Companies House record), all of whom work on a voluntary basis and represent different stakeholder groups (retail, cultural, media, etc). We consider the size of the Board to be large given the size and nature of the Company. During our work, we found some discrepancies in the list of directors and instances where the changes of directors were not updated with Companies House in a timely manner. It is unclear whether MGL has a company secretary. There is currently no clear division of responsibility amongst the Board members. Based on our interviews, we understand that all the Board members are non-executives, acting in an advisory capacity. Their roles as non-executive directors are, however, not explicitly stated. There is no executive director on the Board. The CEO who regularly attends the Board meetings is not a Board member. There are no explicit references in MGL's articles of association on the voting rights of the directors and the decision-making process. Based on our interviews, it is unclear whether there is a formal process in place or criteria being established for changes or appointment of directors. For example, consideration of the director's experiences, skillsets and term of office. 	<p>Board structure and composition</p> <ul style="list-style-type: none"> We believe there is an urgent need to review and strengthen the Board structure and composition. We also believe there is merit in reducing the size of the Board, so that it is manageable, to ensure focus and clarity amongst Board members of their roles and responsibilities. It is also appropriate to have an executive director (e.g. CEO or managing director) appointed to the Board. This would allow proper governance and ensure a clear of division of roles and responsibilities where non-executive directors are able to hold executive directors to account and provide appropriate scrutiny and challenge. To protect the shareholder's interest, we recommend the Council have a controlling representation on the Board, by introducing appropriate voting rights of directors and having the Council's appointed director as chair. In addition, we believe there is benefit of having a Council's officer (e.g. corporate director) attending the Board meetings in the short term given the governance issues and current financial situation of MGL. It is important for the Council to gain comfort that the MGL Board can function effectively and is fit for purpose. There is also the opportunity for the Council to

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Issue	Commentary	Next steps / recommendations
	<ul style="list-style-type: none"> • We have the following observations based on our review of the minutes of Board meetings between 24 March 2017 and 26 April 2019: <ul style="list-style-type: none"> - We noted that the notes of Board meetings did not record any material questions or challenge from the Chair of the Board or Board members; - We noted little evidence of challenges or scrutiny by the directors, partly due to the lack of clarity over their roles as non-executives as mentioned earlier; - We noted from the Board minutes that the main discussions during Board meetings tend to be on the CEO's updates on the financial position (focusing on profit and loss) and operational matters (recent events), rather than a more strategic and systematic review of risks and opportunities. - There was no risk register being maintained or reviewed during Board meetings. <p>Reporting to the Council</p> <ul style="list-style-type: none"> • The Members Agreement between the Council and MGL (which was updated in March 2017) sets out the Council's requirements and the terms of the relationship upon which the Council will participate in the business of MGL as a shareholder. The agreement also includes the specific matters reserved for the Council's approval, which in summary restrict MGL from amending the business plan, entering into contracts or arrangements of over £100,000 in value and changing directors. • Regular monitoring and review of MGL's performance are undertaken by the Council through the quarterly review meetings, which are minuted and typically attended by a Council's corporate director, the MGL chair and CEO. • There are no terms of reference for these review meetings. There are also no standard agenda items, but discussions tend to have focused on the review of the previous quarter's performance, operational and events highlights, financial update and forecast, and new business/opportunities. We understand that quarterly review meetings in recent years had been structured to broadly cover 	<p>provide some operational support to MGL in the short term where possible (e.g. legal, company secretarial, finance or HR matters).</p> <ul style="list-style-type: none"> • In terms of stakeholders' representation, we believe it is possible to continue their engagement and promote representation through an alternative forum, for example, in a working group or stakeholders' committee that is separate from the Board but has a reporting line to the Board. • The MGL Board should develop a business plan that is aligned to the shareholder expectations. This should be developed in consultation with the Council and other stakeholders, and clearly set out the purpose and objectives of MGL. The Board should then oversee and receive assurance on the business plan. <p>Reporting to the Council</p> <ul style="list-style-type: none"> • We believe the quarterly review meetings lack structure and clarity of the Council's expectations, partly due to the absence of terms of reference. We would recommend the Council establishes terms of reference for these meetings and sets out a schedule of agenda. • Based on our work, we noted a lack of clarity on what the Council expects from MGL. This is complicated by the different roles of the Council in its relationship with MGL (i.e. shareholder, customer and funder). The SLA has attempted to set out the services to be provided by MGL and the associated funding. Nonetheless, we noted that the scope of the services set out in the SLA was too broad and that the agreed funding (which was fixed in nature across different years) did not appear to commensurate with the variable nature of events

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Issue	Commentary	Next steps / recommendations
	<p>the Council's requirements of MGL (such as business plan, etc) as set out in the Members Agreement (explained earlier).</p> <ul style="list-style-type: none"> Based on our interviews, we understand that MGL has not submitted a business plan to the Council, including annual budgets. We also noted that there was a business plan document prepared by MGL in respect of 2016-2021. However, we noted that the Council has concerns over the robustness of the business plan. A revised business plan has not been provided nor submitted to the Council. 	<p>and services that MGL was expected to deliver as part of the SLA.</p> <ul style="list-style-type: none"> We recommend that the Council prepares a document that sets out a clear set of expectations of MGL covering the next 3-5 years. The shareholder's expectations document should be proportionate to the circumstances of MGL as well as aligned to the Council's own strategies and wider plans. This document should be reviewed and restated each year, if necessary, in the form of a shareholder letter from the Council to MGL. The MGL Board should then develop an appropriate business plan that is aligned with the shareholder letter.
Budgeting and forecasting procedures	<ul style="list-style-type: none"> Based on our interviews, we understand that the preparation of budget and forecast is managed by the CEO. The bookkeeper and MGL employees were not directly involved in the preparation of annual budget or forecasts. We also understand that there are no written procedures for the preparation, review and monitoring of the budget. We understand that separate budgets for specific events and areas exist (e.g. Tall Ship festival, marketing budget, etc). However, these budgets only relate to the specific events or areas. It is unclear how these individual or specific budgets form the overall budget for MGL as a corporate entity. Based on our interviews with Board members, we understand that the Board was made aware of the annual budget. However, there was no detailed discussion on the budget nor evidence of review and challenge by the Board members. Performance against budget is monitored each month via the monthly profit and loss accounts prepared by the bookkeeper on Excel. No balance sheet and cash flow information are prepared. 	<ul style="list-style-type: none"> Given the size of the organisation and with no dedicated finance accountant or director, it is not uncommon for the CEO or a managing director equivalent to take the overall responsibility for the preparation and development of annual budget or forecasts. As the CEO is currently absent, we are unable to discuss the process involved nor provide our commentary and observations. However, we do have reservations over the extent and quality of review by the Board members on the budgets prepared by the CEO, based on our interviews and review of minutes of Board meetings. In addition, it is unclear whether the Board's review of budget covers balance sheet and cash flows, as the discussions appeared to have focused on profit and loss only. As noted earlier, there is no evidence of risk management, including review and monitoring of risks to the delivery of budget/forecast. Also, no sensitivity analysis or stress testing / assessment of downside scenarios to understand the potential financial implications on MGL. We recommend the Board ensures appropriate discussion and review of the budget. In addition, the Board should maintain a

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Issue	Commentary	Next steps / recommendations
		<p>risk register that is being reviewed and managed. We do not see this risk register as an extra administrative burden on MGL and the Board to manage, as long as it is proportionate and fit for purpose.</p>
Financial controls and procedures	<ul style="list-style-type: none"> MGL does not have formally documented financial procedures in place. It has no separate finance function nor a full-time finance director/accountant. This broadly reflects the size of the organisation with a few numbers of employees being employed. Based on our interviews, we understand that the overall management and financial leadership of MGL is provided by the CEO, with support from a part-time bookkeeper and a Board member with a finance background (who is a partner at PGT, a local accounting firm). The bookkeeper prepares monthly management accounts (only profit and loss) on Excel, which are used for management review purposes and discussion at Board meetings. Balance sheet or cash flow statements are not prepared. Sage 50 Accounts accounting software is used to maintain MGL's accounting records. We understand that the bookkeeper prepares several key accounting reconciliations each month, which includes a bank reconciliation, deferred income reconciliation and deferred expenditure reconciliation. For year-end accounts, the bookkeeper provides the monthly management accounts and the relevant accounting records to PGT as part of the annual close-down process. We understand that PGT prepares the year-end accounts and provides these and the supporting accounting file to the statutory auditors, Kingscott Dix Ltd, for the annual audit. Cash is managed by the bookkeeper, who has online access to MGL's bank account. Receipt is generally made via BACS into MGL's bank account. The bookkeeper manages payment of suppliers' invoices, largely through an online bank account. We understand that payment will not be made without an approval from the relevant manager or the CEO. The Company maintains a 	<ul style="list-style-type: none"> Without any formal documented financial procedures in place, the current practices and processes appear informal. Although the organisation is relatively small, we would have expected some degree of controls and good financial management practices being adopted given the reliance of public funding and the nature of the business that involves multiple stakeholders. As the Board has the overall responsibility for internal controls and governance, the Board should ensure there are formal and transparent policies and procedures in place. We do not see this as an extra administrative burden on MGL and the Board, as long as the policies and procedures are proportionate and fit for purpose. We would encourage the Council to support MGL on this. We would recommend the Board reviews the authorisation limits and signatory, for example, by requiring a second signatory when authorising amounts of over a certain amount.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Issue	Commentary	Next steps / recommendations
	<p>purchase order (PO) book, where a PO number is assigned to the respective expenditure. We understand that any payment for over £5,000 needs to be signed off by the CEO.</p> <ul style="list-style-type: none"> Payroll is managed by PGT. We understand that any changes to payroll are confirmed by the CEO. 	
Historical financial results and position	<p>Profitability</p> <ul style="list-style-type: none"> MGL incurred annual losses after tax of £23,000 and £45,000 in FY18 and FY19 respectively (based on management accounts). In addition, it incurred negative gross margins before including other operating income such as grant funding from the Council and sponsorship income. In the current year trading to 31 October 2019, MGL reported a £16,000 net profit. However, given it is not at year-end, the management accounts may not reflect the underlying trading results as the preparation of management accounts did not follow the year-end close-down and accrual process. MGL's main sources of income include annual funding from the Council as part of the SLA (which covers various services including delivering certain events for the Council), tickets sales and sponsorship income from third party organisations. Sales declined significantly from £443,000 in FY18 to £199,000 in FY19, largely because there was no Tall Ships Festival during FY19. The festival is a major flagship event for MGL, which takes place every two years, i.e. in May 2017 (during FY18) and May 2019 (in FY20). The festival has generated a significant amount of extra income to MGL, through sponsorship income and ticket sales. This suggests a degree of volatility in the business. The Council's funding has also reduced over the historical period by circa £100,000 each year in FY18 and FY19. <p>Liquidity</p> <ul style="list-style-type: none"> In terms of liquidity, MGL had a relatively low cash balance of £5,000 and £10,000 at 31 March 2019 and 31 October 2019 respectively. 	<ul style="list-style-type: none"> The Council should note that MGL has been trading under unprofitable circumstances, as well as historically incurring negative gross margins. MGL's trading is also subject to a degree of volatility every two years, due in part to the timing of the Tall Ships Festival which takes place every two years. The festival has generated a significant amount of extra income to the Company. The MGL Board should consider this business cycle when developing its business plan going forward and take actions to ensure continued financial resilience of the organisation. In addition, there are significant risks around liquidity and solvency of the Company. This is because of the low levels of cash balance (even after receiving Council's funding generally in advance) and significant net liabilities on the balance sheet. We recommend that the MGL Board prepares weekly or monthly rolling cash flow forecasts for the next six months in order to monitor liquidity and working capital position of the Company, with oversight by the Council's officers and their finance team. Based on MGL's historical results and its current financial situation, there is a risk that the Council's loans (including the new revolving facility due in 5 years' time) may not be repayable.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Issue	Commentary	Next steps / recommendations
	<ul style="list-style-type: none"> • MGL had a high cash balance of £251,000 at 31 March 2018, but this was due to a significant amount of unspent grant money received by MGL on behalf of UK:DRIC, its wholly owned subsidiary company. UK:DRIC was successful in applying for a £400,000 local growth capital funding, a scheme managed by GFirst LEP and Gloucestershire County Council. The grant relates to the development of the UK Digital Retail Innovation Centre in Gloucester. • At 31 March 2018, the unspent grant money relating to UK:DRIC was £319,610. This indicates that MGL would have had a negative cash balance at 31 March 2018 should the grant money be excluded from MGL's bank balance. We understand that the development of UK:DRIC was completed in FY19, with the grant money fully utilised as at 31 March 2019. • Current ratio was below 1.0 across each of the balance sheet dates, suggesting that MGL may have challenges in meeting its short-term obligations with regards to suppliers and ongoing costs, e.g. payroll. <p>Solvency</p> <ul style="list-style-type: none"> • Overall, MGL had net liabilities of circa £220,000 and £286,000 at 31 March 2018 and 31 March 2019 respectively. At 31 October 2019, net liabilities were £262,000. MGL is therefore technically insolvent due to its net liability position. MGL's going concern is subject to continued financial support from the Council. • MGL has a £97,000 loan from the Council, which was provided at inception of the business for pump priming and initial set up (based on the Members Agreement). The loan is interest free and repayable on demand upon a 6-month notice. The Company has not made any loan repayment. • In October 2019, the Council has agreed to provide further borrowing to MGL up to a total of £240,000 revolving credit facility, in order to support MGL's working capital. The credit facility has not been drawdown by MGL at 31 October 2019. The facility is subject to a 3% interest per annum above the Bank of England's base rate. The loan amount plus interest is repayable in full at the end of the facility term of 5 years. 	

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Issue	Commentary	Next steps / recommendations
UK:DRIC	<ul style="list-style-type: none"> • The UK Digital Retail Innovation Centre was launched in May 2019. The centre is based at Eastgate Shopping Centre in Gloucester and managed by MGL, via its wholly owned subsidiary company, UK Digital Retail Innovation Centre Limited (UK:DRIC). • UK:DRIC was formed in November 2017 and was dormant in its first year of inception. The current directors of UK:DRIC are Jason Smith (MGL's CEO) and Richard Brooks (MGL's bookkeeper). The first set of accounts for the period ended 30 November 2018 (filed with Companies House) were dormant accounts. We understand that it started trading from 1 October 2019, with the main source of income being rental income from the letting of centre spaces. • In December 2017, UK:DRIC was successful in securing £400,000 of local growth capital funding to fund the development of the centre in Gloucester. The funding scheme was managed by GFirst LEP and Gloucestershire County Council. • We have been provided with the funding agreement dated 19 December 2017 between UK:DRIC and Gloucestershire County Council. We noted that the agreement was entered into by MGL, as the parent company of UK:DRIC. We also noted the following: <ul style="list-style-type: none"> - A business case for UK:DRIC, specifically in relation to the "UK Digital High Street Lab" was prepared by MGL and submitted to GFirst LEP as part of the grant application. We have requested but have not received a copy of this business case; - A number of "outcomes" are expected to be delivered by UK:DRIC as part of this grant approval, for example, (a) reduction of vacancy rate in Gloucester City from 13.8% to below the UK average at year 3 (UK rate at that time was 11.1%); (b) an increase in direct spend in retail environment, etc. - Specific reporting, governance and management requirements. For example, the requirement to have a project advisory board to provide oversight. 	<ul style="list-style-type: none"> • We have significant concerns over the UK:DRIC project, particularly as the project involves a significant amount of public funding. We have no information or detail of how the project was managed and governed, how the grant money was utilised and the arrangements around the use of grant money. There is also no financial information about the project nor the business plan. • Based on our interviews, we understand that there was overspend in the development of the project and that the entire grant money has been fully utilised. According to the Council's officers, MGL did not seek prior approval from the Council. We noted this did not appear to comply with the terms of the Members' Agreement that requires MGL to seek the Council's prior approval before entering into any contract or project above £100,000. • We therefore recommend the Council commissions a full and comprehensive review of the UK:DRIC project as a matter of urgency, with the main objectives of gaining comfort over the use of the grant money and ensuring proper governance going forward. The Council should ensure MGL puts in place proper review and monitoring of the project and its compliance with the grant conditions.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

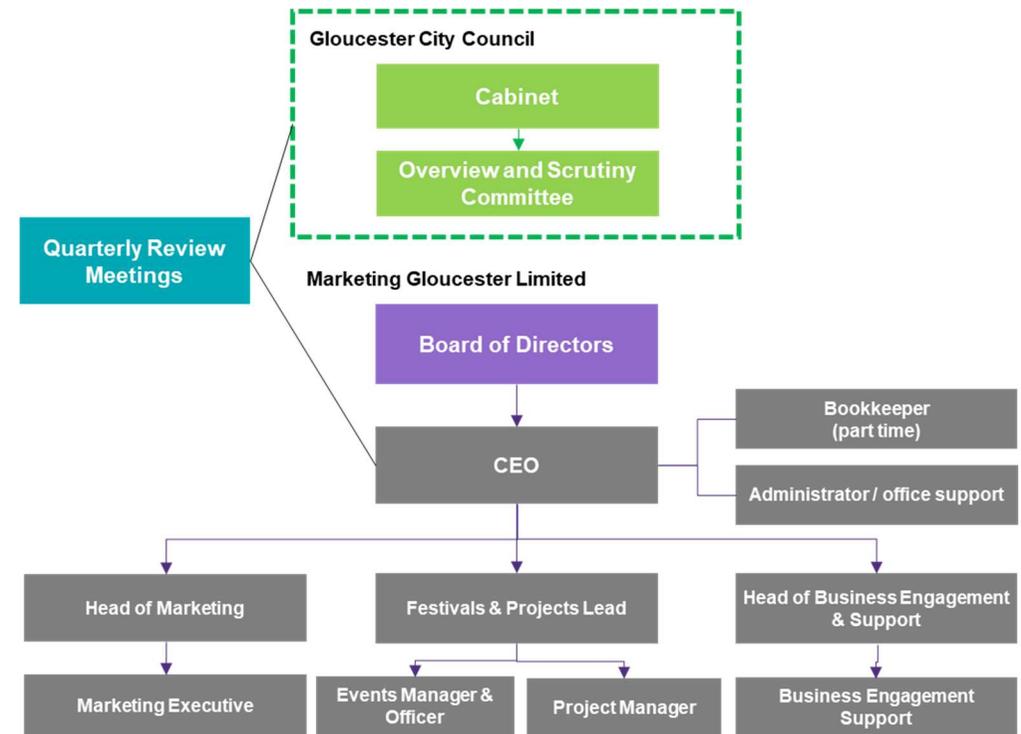
Issue	Commentary	Next steps / recommendations
Gloucester BID	<ul style="list-style-type: none"> • Gloucester BID is a private company limited by guarantee (without share capital) that manages Gloucester Business Improvement District (BID). As Gloucester BID has no employees, MGL provides management roles and manages the administrative function on behalf of Gloucester BID. • From April 2018, MGL started to provide management service to Gloucester BID for a monthly fee of £2,500 (this was increased to £3,900 from August 2018). From April 2019, MGL also manages the full programme of events on behalf of Gloucester BID for an additional monthly fee of £3,200. We understand that there is no SLA between MGL and Gloucester BID. • Based on the Companies House record, we noted that three of the MGL directors (plus Peter White who attends MGL Board meetings) are also the directors of Gloucester BID. • For the avoidance of doubt, Gloucester BID is not part of our scope of work. 	<ul style="list-style-type: none"> • We recommend that the Council, as shareholder of MGL and a public body, commissions an urgent review of the governance and arrangements in respect of Gloucester BID, including identifying any conflicts of interest with MGL by virtue of other interests and arrangements involving the directors of both entities. • MGL should ensure there is transparent and appropriate arrangements in place with regards to its dealing and relationship with Gloucester BID, for example, by putting in place an appropriate SLA.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

3. Governance arrangements

3.1 Overview

- The Council is the sole shareholder of MGL. The Members Agreement between the Council and MGL (which was updated in March 2017) sets out the Council’s requirements and the terms of the relationship upon which the Council will participate in the business of MGL as a shareholder.
- The Members Agreement includes the following key points:
 - The MGL Board has the overall responsibility for the supervision and management of MGL and its business;
 - The Council is entitled to appoint/remove one director to/from the Board;
 - MGL is required to prepare a business plan in respect of each financial year. The business plan will include the full financial forecasts (P&L, cash flow and balance sheet), together with a five-year medium-term financial strategy projection and a management report setting out the business objectives and activities for the year;
 - MGL is required to provide to the Council draft and final audited accounts including an annual governance statement (or equivalent) in accordance with the Council’s year-end timetable.
- The Members Agreement also includes the specific matters reserved for the Council’s approval, which in summary restrict MGL (unless with prior approval by the Council) from:
 - adopting or amending the business plan in respect of each financial year;
 - entering into any arrangement, contract or transaction with either a capital or revenue value of over £100,000 which is not included in the current approved business plan; and
 - agreeing the appointment and the associated terms of all MGL directors, other than the Council appointed director.
- The diagram below shows the overall corporate governance and management structure of MGL.



Sources: 1. Based on interviews with the Council and MGL’s personnel.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

- As a wholly owned subsidiary of the Council, the affairs and performance of MGL come under the oversight of the Cabinet Member for Culture and Leisure. The Overview and Scrutiny Committee provides scrutiny and review, given the committee's main role as the body responsible for co-ordinating scrutiny at the Council.
- The regular monitoring and review of MGL's performance are undertaken by the Council through the quarterly review meetings with MGL. These review meetings are minuted and attended by:
 - a corporate director of the Council, who acts as the main liaison officer for the Council, and a relevant Council's officer or Cabinet member;
 - chair and CEO of MGL.
- We understand that there are no terms of reference for these review meetings. There are also no standard agenda items, but discussions tend to have focused on the review of the previous quarter performance, operational and events highlights, financial update and forecast, and new business/opportunities. We understand that quarterly review meetings in recent years had been structured to broadly cover the Council's requirements of MGL (such as the business plan, etc) as set out in the Members Agreement (explained earlier).
- Based on our interviews, we understand that MGL has not submitted a business plan to the Council, including annual budgets. We also noted that there was a business plan document prepared by MGL in respect of 2016-2021. However, we noted that the Council has concerns over the robustness of the business plan. A revised business plan has not been provided nor submitted to the Council.
- Based on our work, we noted a lack of clarity on what the Council expects from MGL. This is complicated by the different roles of the Council in its relationship with MGL (i.e. shareholder, customer and funder). The SLA has attempted to set out the services to be provided by MGL and the associated funding. Nonetheless, we noted that the scope of the services set out in the SLA was too broad and that the agreed funding (which was fixed in nature across different years) did not appear to be commensurate with the variable nature of events and services that MGL was expected to deliver as part of the SLA.
- We recommend that the Council prepares a document that sets out a clear set of expectations of MGL covering the next 3-5 years. The shareholder's expectations document should be (a) proportionate to the circumstances of MGL as well as (b) aligned to the Council's own strategies and wider plans. This document should be reviewed and restated each year, if necessary, in the form of a shareholder letter from the Council to MGL. The MGL Board should then develop an appropriate business plan that is aligned with the shareholder letter.

Our observations and recommendations

- We note that the quarterly review meetings lack structure and clarity of the Council's expectations, partly due to the absence of terms of reference. We would recommend the Council establishes terms of reference for these meetings and sets out a schedule of agenda.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

3.2 The Board

- In accordance with MGL's articles of association, the Board shall consist of between 5 and 17 directors, with one director being appointed by the Council.
- We noted that MGL currently has 11 directors, based on the public record from Companies House. We have listed them in the table below based on their appointment date, together with their background.

Name	Background / Sector experience	Date of appointment
1. Jennie Watkins	Deputy Leader of the Council / Councillor	28 June 2019
2. Owen Acland	Peel Group / Gloucester Quays (retail)	28 June 2019
3. Vivienne Hargreaves	Gloucestershire Academy of Music (cultural sector)	1 April 2018
4. Jenny Hawthorne	Eastwood Media (media and PR)	1 April 2018
5. Alex Bailey	Gloucester Civic Trust (heritage sector)	1 April 2018
6. Mike Turner	Elonex (digital marketing)	17 October 2013
7. Chris Atine	Café Rene Group (café/pubs)	17 October 2013
8. Jason Robinson	Eastgate Shopping Centre (retail)	17 October 2013
9. Nick Bishop	Partner, PGT (finance)	1 June 2011
10. Jude Rodrigues	Partner, Davies and Partners Solicitors (legal)	1 June 2011
11. Mike Mintram	Principal Consultant, Market Return (business coaching)	1 June 2011

Sources: 1. Companies House record as at 28 November 2019;
2. MGL website (<http://marketinggloucester.co.uk/about/board-of-directors/>) as at 28 November 2019.

- The Board has no supporting Board committees.

Our observations

- During our work, we found some discrepancies in the list of directors. The list of directors shown on MGL website appeared to differ from the list obtained from Companies House. It is unclear to us whether MGL has a company secretary. In addition, we noted the following:
 - the recent changes of directors (appointment and resignation) were not updated with Companies House in a timely manner. For example, three directors' appointments on 1 April 2018 were only reported to Companies House on 6 November 2019;
 - Peter White, the centre manager at King's Walk Shopping Centre, was listed as a director on the MGL website and had regularly attended Board meetings (based on minutes). However, he is not a Board member based on the Companies House record;
 - both Mike Turner and Chris Atine are listed as MGL directors based on the Companies House record but not on the MGL website, although they did not appear to have regularly attended Board meetings (based on minutes).
- We noted from the articles of association that the Council (as shareholder) and the MGL Board shall ensure the Board is made up of people with an interest in the MGL services and a broad range of skills, who are likely to contribute to the Company's success. Based on our interviews, we understand that the Board is currently made up of a Council's appointed director and individuals representing the various stakeholder groups, such as retail, cultural, media, etc.
- We have the following observations:
 - The size of the Board (i.e. 11 members) appears large in the context of the size and nature of the Company;
 - There is no clear division of responsibility amongst the Board members. Based on our interviews, we understand that all the Board members work

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

on a voluntary basis (unremunerated) and are acting as non-executives or on an advisory basis. Their roles as non-executive directors are, however, not explicitly stated;

- There is no executive director on the Board. The CEO who regularly attends the Board meetings is not a Board member;
- There are no explicit references in the articles of association on the voting rights of the directors and the decision-making process;
- Based on our interviews, it is unclear whether there is a formal process in place or criteria being established for changes or appointment of directors. For example, consideration of the director's experiences and skillsets and term of office;
- Based on the minutes of Board meetings between 24 March 2017 and 26 April 2019, we noted that the notes of Board meetings did not record any material questions or challenge from the Chair of the Board or Board members. In addition, we noted little evidence of challenge or scrutiny by the directors, partly due to the lack of clarity over their roles as non-executives as mentioned earlier. We noted from the Board minutes that the main discussions in Board meetings tend to be centred around the CEO's updates on the financial position (focusing on profit and loss) and operational matters (recent events), rather than more strategic matters and a systematic review of risks and opportunities. There was no risk register being maintained or reviewed during Board meetings.

Our recommendations

- We believe there is an urgent need to review and strengthen the Board structure and composition given our observations of a lack of governance. An effective Board will set the tone of the organisation. It defines the company's purpose and sets a strategy to deliver it, underpinned by the values and behaviours that shape its culture and the way it conducts its business. Board members, including the chair, need to discharge their duties effectively.
- We also believe there is merit in reducing the size of the Board to ensure focus and clarity amongst Board members of their roles and responsibilities. It is also appropriate to have an executive director (e.g. CEO or managing director) appointed to the Board. This would allow proper governance and ensure a clear division of roles and responsibilities where non-executive directors are able to hold executive directors to account and provide appropriate scrutiny and challenge.
- To protect the shareholder's interest, we recommend the Council have a controlling representation on the Board, by introducing appropriate voting rights of directors and having the Council's appointed director as chair. In addition, we believe there is benefit of having a senior Council officer (e.g. corporate director) attending the Board meetings in the short term given the governance issues and current financial situation of MGL. It is important for the Council to gain comfort that the MGL Board can function effectively and is fit for purpose. There is also an opportunity for the Council to provide some operational support to MGL in the short term where possible (e.g. legal, company secretarial, finance or HR matters).
- As noted earlier, the wide composition of the Board is to ensure there is representation of the various stakeholder groups (e.g. retail, cultural, media, etc) on the Board. We acknowledge and recognise the importance of having key stakeholders on side. Nonetheless, we believe it is possible to continue stakeholders' engagement and promote representation through a different forum, for example, in a working group or stakeholders' committee that is separate from the Board but has a reporting line to the Board.
- The MGL Board should develop a business plan that is aligned to the shareholder expectations. This should be developed in consultation with the Council and other stakeholders, and clearly set out the purpose and objectives of MGL. The Board should then oversee and receive assurance on the business plan.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

3.3 Budgeting and forecasting procedures

- Based on our interviews, we understand that the preparation of the budget and forecast is managed by the CEO. The bookkeeper and MGL employees were not directly involved in the preparation of the annual budget or forecasts. We also understand that there are no written procedures for the preparation, review and monitoring of budget.
- We understand that separate budgets for specific events and areas exist (e.g. Tall Ship festival, marketing budget, etc). However, these budgets only relate to the specific events or areas. It is unclear how these individual or specific budgets form the overall budget for MGL as a corporate organisation.
- Based on our interviews with Board members, we understand that the Board was made aware of the annual budget. However, there was no detailed discussion on the budget nor evidence of review and challenge by the Board members.
- We noted that performance against budget is monitored each month via the monthly profit and loss accounts prepared by the bookkeeper on Excel. Further commentary of management accounts is provided later in this section.

Our observations and recommendations

- Given the size of the organisation and with no dedicated finance accountant or director, it is not uncommon for the CEO or a managing director equivalent to take the overall responsibility for the preparation and development of annual budget or forecasts. As the CEO is currently absent, we are unable to discuss the process involved nor provide our commentary and observations.
- However, we do have reservations over the extent and quality of review by the Board members on the budgets prepared by the CEO, based on our interviews and review of minutes of Board meetings. In addition, it is unclear whether the Board's review of the budget covers an assessment of the

balance sheet and cash flow statement, as the discussions appeared to have focused on profit and loss only. As noted earlier, there is no evidence of risk management, including review and monitoring of risks to the delivery of budget/forecast.

- We recommend the Board ensures appropriate discussion and review of the budget, covering profit and loss, balance sheet and cash flows. In addition, the Board should maintain a risk register that is being reviewed and managed. We do not see this risk register as an extra administrative burden on MGL and the Board to manage, as long as it is proportionate and fit for purpose.

3.4 Key financial controls and procedures

Overall financial leadership and finance function

- MGL has no separate finance function nor a full-time finance director/accountant. This broadly reflects the size of the organisation with a few numbers of employees being employed. We understand that MGL does not have formally documented financial procedures in place.
- Based on our interviews, we understand that the overall management and financial leadership of MGL is provided by the CEO, with support from a part-time bookkeeper and a Board member with a finance background.
- The Company's bookkeeper has the primary roles of maintaining management accounts, raising invoices and making payments to suppliers. The bookkeeper, who operates a local accounting service (Leonis Accountants), works on a part-time basis for MGL. Our understanding is that the bookkeeper is a qualified accountant.
- Based on our interviews, Nick Bishop, who is a Board member, provides ad-hoc advisory to the Board on financial matters. Nick is a qualified accountant and a partner of Pitt Godden & Taylor LLP (PGT), a local accounting firm.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Management accounts

- The bookkeeper uses Sage 50 Accounts accounting software to maintain MGL's accounting records, which operates a general ledger, sales ledger, purchase ledger and cash book.
- On a monthly basis, the bookkeeper prepares management accounts on Excel, which are used for management review purposes and discussion at Board meetings. The monthly management accounts consist of a profit and loss account, showing the main sources of income (e.g. sales by events, grant income, etc), cost of sales or purchases (e.g. by events or key items) and a breakdown of overheads / administrative expenses. The profit and loss accounts compare the actual figures for the month with the planned figures. Balance sheet and cash flow statements are not prepared.
- The bookkeeper typically prepares the management accounts during the second week of the following month, before being sent to the CEO for review/approval and subsequently sent to the Board members.
- We understand that the bookkeeper prepares several key accounting reconciliations each month, which include a bank reconciliation, deferred income reconciliation and deferred expenditure reconciliation.
- For year-end accounts, the bookkeeper provides the monthly management accounts and the relevant accounting records to PGT as part of the annual close-down process. We understand that PGT prepares the year-end accounts and provides these and the supporting accounting file to the statutory auditors, Kingscott Dix Ltd, for the annual audit.

Cash and payroll

- Cash is managed by the bookkeeper, who has online access to MGL's bank account.
- Receipt is generally made via BACS into MGL's bank account. For cheque receipt, the bookkeeper will deposit the cheque into the bank account.

- The bookkeeper manages payment of suppliers' invoices, largely through an online bank account. We understand that payment will not be made without an approval from the relevant manager or the CEO. The Company maintains a purchase order (PO) book, where a PO number is assigned to the respective expenditure. We understand that any payment for over £5,000 needs to be signed off by the CEO.
- We understand that payroll is managed by PGT. We also understand that any changes to payroll are made by the CEO. The bookkeeper then provides the information to PGT, who prepares the staff payroll for BACS payment. The bookkeeper then makes the payment via online bank account.

Our observations and recommendations

- Without any formal documented financial procedures in place, the current practices and processes appear informal. Although the organisation is relatively small, we would have expected some degree of controls and good financial management practices being adopted given the reliance of public funding and the nature of the business that involves multiple stakeholders.
- As the Board has the overall responsibility for internal controls and governance, it should ensure there are formal and transparent policies and procedures in place. We do not see this as an extra administrative burden on MGL and the Board, as long as the policies and procedures are proportionate and fit for purpose. We would encourage the Council to support MGL on this.
- We would recommend the Board reviews the authorisation limits and signatory, for example, by requiring a second signatory when authorising amounts of over a certain amount.

4. Summary financial results and position

4.1 Historical trading results



Basis of preparation

- The figures presented opposite are based on the unaudited management accounts provided by the MGL's bookkeeper.
- We have used the management accounts rather than the audited accounts due to insufficient additional information and analysis supporting the figures stated in the audited accounts. We have requested this additional information and analysis from PGT (who provides accounting services to MGL) and Kingscott Dix Ltd (external auditor). However, at the date of this report, we have not been provided with this information.
- We understand from the bookkeeper that the main differences between the management accounts and the audited accounts are year-end adjustments (e.g. depreciation, bad debt provision) and audit adjustments / reclassifications made by PGT and the auditor. We have set out the differences in Appendix C, although we have not been provided with any detail of the adjustments nor any explanations for these differences.

Commentary

- MGL's main sources of income include funding from the Council as part of the SLA (which covers the provision of various services including delivering events), sales of event tickets, sponsorship from third party organisations and a management fee from Gloucester BID. The small tourism service sales relate to map/brochure sales.
- MGL incurred negative gross margins historically, although this was due to the inclusion of the Council's grant income and sponsorship income as other operating income rather than sales.

Sources: 1. Management accounts (monthly profit and loss accounts) for FY18, FY19 and YTD FY20 (October 2019);
2. FY19 draft statutory audited accounts (with FY18 as comparatives) provided to us on 13 November 2019;
3. Grant Thornton Analysis

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

- Overall, MGL incurred annual losses after tax of £23,000 and £45,000 in FY18 and FY19 respectively based on its unaudited management accounts. The annual losses as per the draft audited accounts were higher, amounted to £98,000 and £66,000 respectively, due to year-end and audit adjustments.
 - In the current year period up to 31 October 2019, MGL reported a small profit before tax of £16,000 based on the draft and unaudited management accounts at the time of preparation. As it is not year-end, we understand that the October 2019 management accounts did not follow the year-end close-down and accrual process, and hence may not reflect the underlying trading results – this is due to the timing of suppliers' invoices and accruals.
 - Sales declined from £443,000 in FY18 to £199,000 in FY19. Lower sales in FY19 was largely due to the absence of the Tall Ships Festival in that year. The festival takes place every two years, with the last two festivals taking place in May 2017 (in FY18) and May 2019 (in FY20). The Tall Ship Festival is one of the MGL's main events, which generates a significant amount of income through ticket sales and sponsorship income.
 - The table below shows the overall net financial performance (before overheads) of the previous two festivals. The 2019 festival has grown significantly from the previous event, contributing £35,000 to the Company's trading results before overheads.
- 
- We noted that a reduction in the Council's grant funding from £150,000 in FY18 to £90,000 in FY19, as shown in the management accounts. However, we noted that the Council's funding as per the SLA was £348,000 and £248,000 in FY18 and FY19 respectively. This was because some of the Council's funding which specifically related to certain events was classified as event sales in the management accounts (see previous page). Apart from events funding, the Council agreed to fund payroll costs of two members of Council staff who were seconded to MGL. One of them left in FY19. We have asked the Council and the MGL's bookkeeper for a detailed list of the Council's funding contributions by events and items but have not received this information at the date of this report.
 - Since April 2018, MGL has started to provide management service to Gloucester BID for a monthly fee of £2,500 (which was increased to £3,900 from August 2018). As Gloucester BID has no employees, we understand that MGL provides management roles and manages the administrative function on behalf of Gloucester BID. From April 2019, MGL also manages all the programme of events on behalf of Gloucester BID for an additional monthly fee of £3,200. We understand that there is no SLA between MGL and Gloucester BID.
 - Administrative expenses increased from £267,000 in FY18 to £284,000 in FY19, mainly driven by an increase in salaries and wages as a result of a new administrative support staff member being recruited.
 - In addition, the increase in salaries and wages in FY19 was due to the CEO joining the Company's payroll in FY19 (this was reflected by the cessation of CEO charge). Prior to that year, the CEO was engaged by MGL as a contractor.

Note: Certain income lines for the 2019 festival were classified as other operating income in the management accounts.
Sources: 1. Management accounts (monthly profit and loss accounts) for FY18 and YTD FY20 (October 2019);
2. Management analysis of actual versus budget for Tall Ships Festival in 2019 and 2017.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

4.2 Historical balance sheet

Summary balance sheet

£'000	31 March 2018 Audited accounts	31 March 2019 Draft audited accounts	31 October 2019 Management accounts
Fixed assets			
Intangible assets - software	7	4	7
Tangible assets - fixtures, fittings and equipment	2	2	3
Total fixed assets	9	5	10
Current assets			
Trade debtors	4	163	79
Other debtors	40	146	79
Cash at bank and in hand	251	5	10
Total current assets	295	314	168
Current liabilities			
Trade creditors	(34)	(123)	(110)
Other creditors	(405)	(370)	(125)
Taxation and social security	(9)	(36)	(109)
Total current liabilities	(447)	(529)	(344)
Net current liabilities	(152)	(215)	(176)
Non-current liabilities	(77)	(77)	(97)
Net liabilities	(220)	(286)	(262)
Capital and reserves			
Share capital (£1)	-	-	-
Accumulated losses	(220)	(286)	(262)
Total deficit	(220)	(286)	(262)
KPIs:			
Current ratio (in times)	0.66	0.59	0.49
Debtor days	5	128	42
Creditor days	25	155	49

Sources: 1. Trial balance from SAGE at 31 October 2019;
2. FY19 draft statutory audited accounts (with FY18 as comparatives) provided to us on 13 November 2019;
3. Grant Thornton Analysis

Commentary

- The balance sheets shown opposite are based on the audited accounts at 31 March 2018, the draft audited accounts at 31 March 2019 and the unaudited management trial balance provided by MGL at 31 October 2019.
- Overall, MGL had net liabilities of circa £220,000 and £286,000 at 31 March 2018 and 31 March 2019 respectively. MGL is therefore technically insolvent due to its net liability position. MGL's going concern is subject to continued financial support from the Council. The increase in net liabilities was due to the £66,000 net loss for the year, as per the audited accounts (see previous pages).
- At 31 October 2019, net liabilities were £262,000, which was £24,000 lower than the 31 March 2019 level. There is a discrepancy here as the profit after tax for the period from March to October 2019 as per management accounts was £16,000. This was mainly because the balance sheet at 31 October 2019 shown opposite was based on an unaudited trial balance at the time of preparation. As noted earlier, the October 2019 management accounts did not follow the year-end close-down process and therefore may not reflect the accurate balance sheet position at that point. We have presented the balance sheet position at 31 October 2019 for information only and provided commentary where helpful.
- MGL had net current liabilities across the period of our work. In terms of liquidity, it had a low cash balance of £5,000 and £10,000 at 31 March 2019 and 31 October 2019 respectively, although the high cash balance at 31 March 2018 was mainly due to significant unspent grant money (explained further later).
- Current ratio was below 1.0 across each of the balance sheet dates. This indicates that MGL may have challenges in meeting its short-term obligations with regards to suppliers and ongoing costs, e.g. payroll.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Key balance sheet items

- Intangible fixed assets relate to software, which is depreciated on a straight-line basis over 5 years. Tangible fixed assets mainly relate to fixtures, fittings and equipment, which are depreciated over 4 years on a straight-line basis. The decrease over the period is driven by depreciation of the net book value of these assets.
- The high cash and other creditor balances at 31 March 2018 were mainly due to a significant amount of unspent grant money received by MGL on behalf of UK:DRIC, its wholly owned subsidiary company. UK:DRIC was successful in applying for a £400,000 local growth capital funding, a scheme managed by GFirst LEP and Gloucestershire County Council. The grant relates to the development of the UK Digital Retail Innovation Centre in Gloucester.
- The unspent grant money relating to UK:DRIC was £319,610 at 31 March 2018. This suggests that MGL would have had a negative cash balance at 31 March 2018 should the grant money be excluded from MGL's bank balance. We understand that the development of UK:DRIC was completed in FY19, with the grant money fully utilised as at 31 March 2019.
- High trade debtors balance at 31 March 2019 was mainly due to raising of an invoice to the Council at year end. This related to the late agreement of funding by the Council, resulting in a high debtor (also high debtor days) and deferred income balance at year-end.
- We understand that the increase in trade creditors in FY19 (as well as high creditor days) was mainly driven by increased activity relating to the development of the UK:DRIC project.
- Included in other creditors (current liabilities) was a £20,000 current element of the £97,000 loan provided by the Council. The £77,000 non-current element was shown in non-current liabilities. This loan, which was provided by the Council for pump priming, is interest free and repayable on demand upon a 6-month notice.
- In October 2019, the Council has agreed to provide further borrowing to MGL up to a total of £240,000 through a revolving credit facility, in order to support MGL's working capital. The credit facility has not been drawdown by MGL at 31 October 2019. The facility is subject to a 3% interest per annum above the Bank of England's base rate. The loan amount plus interest is repayable in full at the end of the facility term of 5 years.
- Based on MGL's historical results and its current financial situation, there is a risk that the Council's loans (including the new revolving facility due in 5 years' time) may not be repayable.

4.3 Historical cash flows

- MGL has not prepared any cash flow statements for the period of our work. There was no cash flow information in the audited accounts nor management accounts. This represents a limitation in our findings.
- We noted there was some limited analysis of monthly cash deficits based on expected funds flow for 1 October 2019 to 31 March 2020. We understand that the analysis was prepared by the bookkeeper for internal purposes and discussion with the Council's finance team as part of the recent loan arrangement. Based on our observations, the cash analysis does not appear to be supported by any trading nor supporting assumptions.

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Appendix A - Letter of engagement

Page 95

Commercial in confidence



Grant Thornton
An instinct for growth™

Our ref: AB/WB/BN

Gloucester City Council
Shire Hall
Westgate Street
Gloucester
GL1 2TG

Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY
T +44 (0)20 7383 5100
F +44 (0)20 7383 4715

For the attention of Jon Topping, Head of Policy and Resources

6 November 2019

Dear Sirs

High-level governance and financial assessment of Marketing Gloucester Limited (the Assignment)

1 Introduction

1.1 This letter (the **Engagement Letter**), together with our standard terms and conditions (the **Terms and Conditions**), sets out the basis on which Grant Thornton UK LLP (Grant Thornton) will undertake our role for Gloucester City Council (the **Client** or the **Council**) in connection with the Council's review of Marketing Gloucester Limited (MGL), a wholly owned subsidiary company of the Council (the **Purpose**). We understand that the Council has recently approved a lending facility to MGL and is therefore carrying out a review of MGL.

2 Scope of engagement

2.1 The services that we expect to perform pursuant to our engagement (the **Services**) are set out below:

- We will undertake a high-level governance and financial assessment of MGL as further set out below.
- We will assess and report in summary on the following:
 - the corporate governance arrangements, focusing on the structure of MGL board and its committee(s), and board reporting to the Council;
 - the budgeting and forecasting procedures;
 - the key financial controls and procedures.
- We will assess and comment on the financial performance and position of MGL for the last two years ended 31 March 2019 and current year-to-date. Specifically, we will summarise and comment, at a high level, on:
 - the historical trading results, balance sheet and cash flows, highlighting key trends and observations;
 - the overall profitability, liquidity and solvency position.
- We will report any areas of concern and make recommendations from the scope of work set out above as appropriate.

grantthornton.co.uk

Chartered Accountants. Grant Thornton UK LLP is a limited liability partnership registered in England and Wales. No. OC307742. Registered office: 30 Bishopsgate, London EC2N 4AY. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grantthornton.co.uk for further details.

Commercial in confidence

- We will prepare a report that sets out our key findings and recommendations from the scope of work set out above.
- We will hold discussions with the senior management team of MGL and/or the Council and will consider documentation and information provided by them.
- For the avoidance of doubt, our work does not constitute an audit nor a forensic investigation of the affairs of MGL.

2.2 During the course of the engagement we may show drafts of our reports to you and we draw your attention to section 3.5 of the Terms and Conditions. You will bring to our attention any issues in the draft reports that you wish to have clarified prior to the reports being finalised. A document remains 'draft' for these purposes until it has been manually signed by a Grant Thornton partner or director.

2.3 Draft copies of our report will be provided to the directors or senior management team of MGL to confirm the factual accuracy of the information contained therein.

2.4 Notwithstanding the scope of this engagement, responsibility for management decisions will remain solely with the directors of the Council and not Grant Thornton UK LLP. The directors should perform a credible independent review of any analysis provided.

3 Taxation

3.1 The scope of our work does not include the provision of any tax advice. Should you require tax advice in connection with this engagement then this will be the subject of a separate letter of engagement.

4 Timetable

4.1 Our work will take place over a period of five weeks, commencing on 7 November 2019, with a draft report being provided to you on 6 December 2019 and a final report on 10 December 2019.

4.2 We will work with you to meet this expected timetable but point out that our ability to meet this deadline will be most notably dependent on the availability of the directors and senior management teams of MGL and the Council, and/or their advisers, and the timeliness and completeness of the information provided by them.

5 Confidentiality and reliance

5.1 Our report and related communications including attachments (together, the **Deliverables**) will be addressed to you. We draw your attention to clause 3.4 'Liability to Addressees only' and clause 7.1 'The Addressees' confidentiality obligations' in the Terms and Conditions.

5.2 Notwithstanding clause 7.1 'The Addressees' confidentiality obligations' in the Terms and Conditions, we hereby agree that you may disclose our Deliverables to your professional advisers in connection with the Purpose without our prior written consent but in each case strictly on the basis that prior to disclosure you inform such parties that (i) disclosure by them is not permitted without our prior written consent, and (ii) we accept no duty of care nor assume responsibility to any to any person other than the Addressee.

6 Conflicts of interest and independence

6.1 You agree that we reserve the right to act during and after this engagement for other clients whose interests are or may be competing with or adverse to yours, subject to clause 7 'Confidentiality' of the Terms and Conditions. In the event that we act for other clients whose interests may be adverse to yours we will manage the potential conflict of interest by implementing additional safeguards to preserve confidentiality and objectivity, such as the use of separate teams, physical separation of teams and separate arrangements for storage of and access to information. You agree that the effective implementation of such steps or safeguards will provide adequate measures to reduce the threat to this firm's objectivity to an acceptable level and to avoid the risk of client confidentiality being impaired.

6.2 By agreeing to the terms of this letter of engagement you confirm your understanding of the roles that Grant Thornton is undertaking and you consider that there are no conflicts of interest or independence in relation to these roles. Should a conflict of interest or independence arise then this shall be promptly

Grant Thornton UK LLP 2

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Appendix A - Letter of engagement (continued)

Page 96

Commercial in confidence

disclosed to the other party and appropriate safeguards discussed. If it is not possible to put appropriate safeguards in place, either party may terminate this engagement.

7 Our team

7.1 Quality assurance will be provided by [REDACTED] a partner in our London office. Detailed below is the service team we intend to use on this assignment along with their proposed roles. It is our intention to use the same team throughout the course of this assignment however we may supplement or substitute members of our team from time to time as necessary.

Staff Member	Grade	Role
[REDACTED]	Partner	Engagement partner and quality assurance
[REDACTED]	Director	Review director
[REDACTED]	Associate director	Assignment manager and principal point of contact
[REDACTED]	Assistant manager	Project support

8 Fees

8.1 Our fees for providing the Services will be [REDACTED]

8.2 Our fee invoices will be subject to VAT at the appropriate rate and will be payable by the Client.

8.3 Out of pocket expenses, which will include travel expenses, will be added to our fees.

8.4 We draw your attention to clauses 4.1, 14.4 and 14.5 of the Terms and Conditions.

9 Fee assumptions

9.1 Our fees are based on the following assumptions:

- we will have disclosed to us all relevant accounting records and related information and explanations, and the information and explanations we require will be reliable and will be provided to us without undue delay;
- we will receive full co-operation from all relevant personnel at, and other professional advisers to, the Council and MGL;
- we are given appropriate access to all information and people involved in this assignment from the management teams of the Council and MGL we reasonably require in the course of our work;
- we will attend no more than two meetings with the senior management team of the Council to discuss our report; and
- we will not undertake any work that is not specified in paragraph 2 of the Engagement Letter.

If the above assumptions are not met, we reserve the right to charge an additional or further fee for any extra work involved in carrying out the engagement or to compensate us for our staff being inefficiently utilised.

10 Limitation of liability

10.1 We draw your attention to clause 9 'Limitation of liability' in the Terms and Conditions. The limitation of liability referred to in that clause refers to all assignments undertaken by us for you in relation to the Purpose, whether the subject of this Agreement or another engagement letter/agreement.

10.2 The data used in the Services and which will be incorporated into the Deliverables has been provided by the management team of MGL and/or third parties. We will not verify the accuracy or completeness of any such data. There may therefore be errors in such data which could impact on the content of the Deliverables. No warranty or representation as to the accuracy or completeness of any such data or of the content of the Deliverables relating to such data is given nor can any responsibility be accepted for any loss arising therefrom.

Grant Thornton UK LLP 3

Commercial in confidence

10.3 You are solely responsible for assessing whether the Services and the results of the Services would meet your specific requirements or fulfill a specific purpose, even if such requirements or purpose are specified by you.

10.4 You agree not to bring any claims in respect of the Services, the Deliverables, the data used in the Deliverables and/or this Agreement against any parties other than us.

11 Data Protection

11.1 We may need to Process Personal Data about you and individuals associated with you (such as clients, staff, trustees and others), which could include the following: personal identification and contact details, employment related information or financial data. We will hold the Personal Data as Data Controller. Our privacy notice on our website (www.grantthornton.co.uk/en/privacy) contains further details as to how we may use, process and store Personal Data.

12 Additional terms and condition of engagement

12.1 The additional detailed Terms and Conditions, version: T&C 04-18 apply to the Services as if they were set out in this Engagement Letter and should be read and understood in conjunction with it as they form an important and integral part of the overall terms of our Agreement.

12.2 Please follow this link [T&C 04-18](#) to access the Terms and Conditions. Alternatively refer to the "Terms and conditions" link at the bottom of our website (www.grantthornton.co.uk). A hard copy of our Terms and Conditions is available upon request.

13 Acceptance of terms

13.1 We should be grateful if you would confirm your instructions by signing and returning the enclosed copy of this Letter of Engagement.

Yours faithfully

Grant Thornton UK LLP

GRANT THORNTON UK LLP

I accept the terms of this Agreement for and on behalf of Gloucester City Council:

Signed:  Date: 13/11/19

Grant Thornton UK LLP 4

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Appendix B - Principal sources of information

In conducting our work, we held discussions and/or exchanged correspondence with the following individuals:

MGL

- Jennie Watkins, director of MGL and Chair of the MGL Board (28 June 2019 – present) / Deputy Leader of the Council / Cabinet Member for Communities & Neighbourhoods
- Paul James, director of MGL (4 September 2008 – 28 June 2019, including as the Chair from 2 December 2010 to 28 June 2019) / former Leader of the Council (June 2007 – November 2019) / Cabinet Member for Regeneration & Economy
- Nick Bishop, director of MGL / partner of Pitt Godden & Taylor LLP (PGT)
- Richard Brooks, bookkeeper of MGL and owner of Leonis Accountants
- Ben Hau, Head of Marketing
- Karen Pearson, Events and Operations Manager
- Emily Knight, Head of Business Engagement

The Council

- Jon McGinty, Managing Director
- Anne Brinkhoff, Corporate Director
- Jonathan Lund, Corporate Director
- Jon Topping, Head of Policy and Resources and Section 151 Officer
- Greg Maw, Accountancy Manager
- Hadrian Walters, Accountancy Manager

The Council's advisers

- Melanie Sensicle, director of Melanie Sensicle Consulting Ltd

To the fullest extent permitted by law, Grant Thornton UK LLP do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed

Appendix C – Differences between management and audited/draft accounts (profit and loss only)

Summary profit and loss per management accounts

£'000	FY18		FY19	
	Management accounts		Management accounts	
Profit and loss				
Sales		443		199
Cost of sales		(480)		(269)
Gross (loss)/profit		(37)		(70)
Other operating income		280		309
Administrative expenses		(267)		(284)
Operating (loss)/profit		(23)		(45)
Loss on asset disposal		-		-
(Loss)/Profit before tax		(23)		(45)
Tax		-		-
(Loss)/Profit after tax		(23)		(45)
KPIs:				
Gross profit margin/(loss) %		(8)%		(35)%

Summary profit and loss per audited and draft accounts

£'000	FY18		FY19	
	Audited		Draft audited	
Sales		322		467
Cost of sales		(496)		(288)
Gross (loss)/profit		(174)		179
Other operating income		405		52
Administrative expenses		(315)		(297)
Operating (loss)/profit		(84)		(66)
Loss on asset disposal		(14)		-
(Loss)/Profit before tax		(98)		(66)
Tax		-		-
(Loss)/Profit after tax		(98)		(66)
KPIs:				
Gross profit margin/(loss) %		(54)%		38%

Sources: 1. Management accounts (monthly profit and loss accounts) for FY18, FY19 and YTD FY20 (October 2019); 2. FY19 draft statutory audited accounts (with FY18 as comparatives) provided to us on 13 November 2019.

We understand from the bookkeeper that the differences between the management accounts and the audited accounts (shown above) are year-end adjustments (e.g. depreciation, bad debt provision) and audit adjustments / reclassifications made by PGT and the auditor. We have not been provided with any detail of the adjustments nor any explanations for these differences.



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank