



**Report To:** Economic Development Portfolio Holder  
**Lead Officer:** Director for Planning and New Communities

11 June 2015

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## **Tourism: A New Model for Tourism through the formation of the Destination Management Organisation (DMO)**

### **Purpose**

1. The purpose of this paper is to note the progress in the development of a new tourism model for Cambridge, South Cambridgeshire and the surrounding area through the formation of a Destination Management Organisation (DMO).
2. This is a key decision because:
  - (a) It affects Council expenditure which will result in future savings; and
  - (b) it is likely to affect communities living or working in an area of the District.

### **Recommendations**

3. It is recommended that the Portfolio holder:
  - (a) approves the continued participation in 'Visit Cambridge and Beyond', moving from a Service Level Agreement (SLA) to that of a strategic partner in the forming Destination Management Organisation (DMO); and
  - (b) notes the expenditure in paragraph 24, resulting in future savings for the Council.

### **Background**

4. In the current and likely future economic environment, developing a financially sustainable model for tourism is important for the Council in order to safeguard the tourism sector as an important contributor to the local economy. It is also key to ensuring that a tourism service is equipped to respond to the challenges and opportunities from growth, including that of leisure- and business tourism.
5. "Visit Cambridge and Beyond", the official tourism service for South Cambridgeshire, Cambridge and the surrounding area, currently led by Cambridge City Council, will be transforming into a "Destination Management Organisation (DMO)" as a new and dynamic delivery model for the future delivery of tourism in the greater Cambridge area from January 2016. Approval for these plans was unanimously granted by the City Council, Customer Services and Scrutiny Committee in March 2015.
6. A DMO is a business led private/public partnership. DMOs are customer focused and therefore typically do not have defined geographical boundaries. They are based on guidance from Government and best practise nationally. The Council's role in the delivery of tourism will change from one a key organisation (with Cambridge City Council) as it is currently, to a "Strategic Partner" member in what will be a business, not local authority, led partnership. Some examples of successful DMOs include "Experience Oxfordshire" (<http://experienceoxfordshire.org/>), "Visit Bath" (<http://visitbath.co.uk/>), and "Visit County Durham" ([www.visitcountydurham.org](http://www.visitcountydurham.org)).

7. To date, the “Visit Cambridge and Beyond” service has been principally operational (through the operation of the Tourist Information Centre) with a clear focus on visitor management rather than maximising the economic return from tourism. However, since 2009, the Service has laid down the foundations for a more partnership approach to delivery through the introduction of a Membership scheme (where tourism partners pay an annual fee in return for a range of business benefits including marketing, business support and networking). Membership to Visit Cambridge has grown significantly year on year and currently there are over 300 Members across a broad range of business sectors and covering a wide geographical area. Around this time, South Cambridgeshire District Council developed a Strategic Service Level Agreement (SLA), delivering goals of the South Cambridgeshire Economic Development Strategy focussing on business and leisure tourism, with reduced costs from £36k p.a. to £25k p.a., with future savings possible in the DMO model but with retention of the Council’s key objectives.
8. The visitor economy is a key economic driver for Cambridge with 5.3 million visitors a year contributing around £583 million to the Cambridge economy and accounting for around 17 % of local employment (source: Cambridge Economic Impact of Tourism Report 2013). This represents a 48% growth on the 2010 figures. However disappointingly 86% of these visitors are only staying for the day. The broader Cambridgeshire economy receives over 24 million visitors a year bringing £2 billion to the Cambridgeshire economy and accounting for 10% of local employment. (Cambridgeshire Economic Impact of Tourism Report 2013). Around 40% of tourism businesses are based in South Cambridgeshire.
9. It is therefore clear that the current model of tourism is not maximising the value from our visitor economy. In order to respond to this challenge, a tourism organisation which is equipped to develop and deliver a strategy aimed at converting more of our day visits to overnight stays and short breaks in the Cambridge area.
10. It is also worthy of note that it is widely recognised that a vibrant well managed visitor economy makes a significant contribution to the quality of life and is a key contributor to attracting inward investment. The new DMO will work closely with organisations such as South Cambridgeshire District Council, Cambridge Ahead and Cambridge Network to support the Business (e.g. conferencing and international and national business visits) and Inward Investment agendas.

**Objectives:**

11. Key objectives of setting up the DMO include:
  - (a) Developing a long-term financially sustainable model for tourism in South Cambridgeshire, Cambridge and the surrounding area and reducing the cost of tourism to the Council.
  - (b) Safeguarding the visitor economy as a key economic driver for the District, City of Cambridge and the surrounding area.
  - (c) Maximising the economic benefits of the visitor economy;
  - (d) Support environmentally sustainable tourism that reduces carbon emissions and minimises environmental impact.
  - (e) Ensuring a joined-up, collaborative approach to destination management which will be able to respond to the pressures of growth and the new opportunities through those like the City Deal;
  - (f) Secure continued investment in destination management thus helping to make South Cambridgeshire and the City of Cambridge a better place to live, work and attract inward investment.

- (g) Mitigating against increased costs through a more effective, tourism service, led by the private sector with the aim of increasing revenues to the DMO, allowing for investment in programmes and projects possible through this collaboration and business model.

In summary, the principal benefit of participating in the forming DMO is that it presents an opportunity to increase investment, and to see an improvement in the scale and quality of tourism provision, and support for the tourism industry, which otherwise could not be delivered, whilst simultaneously reducing the cost to the Council.

## 12. **Consultation in Developing the DMO Model**

The Head of Tourism and City Centre Management is leading a project team to oversee the delivery of this project, following the City Council's approval. Meetings with key interest groups and stakeholders, such as South Cambridgeshire District Council, to brief them on the proposals to establish a DMO, have taken place. These groups have included; Cambridge University, Cambridge Ahead, Cambridge Network, Cambridge Hoteliers, Cambridge BID, the College Bursars Tourism Sub Committee, The National Trust, Conference Cambridge, the Great Days Out Group (a network of attractions in the Cambridge and Beyond area) the GCGP LEP and other local authorities in the GCGP LEP area.

Briefings have also been held for members of Visit Cambridge and a Visit Cambridge Member survey undertaken to gain feedback on the current service delivered by Visit Cambridge and aspirations for how this might be enhanced through a DMO.

Feedback to date with stakeholders and interest groups has been positive and support of the proposal to establish a DMO for Cambridge City, South Cambridgeshire and beyond area, in the way described in this report.

Going forward, 'Visit Cambridge and Beyond' considers on-going engagement with key stakeholders such as South Cambridgeshire District Council, the LEP, as key, particularly to explore opportunities to develop further strategic alliances and programmes.

## 13. **Funding**

The funding model for the DMO is based on a combination of commercial activity and a membership scheme, which is the funding basis currently. Alternative sources of funding would be investigated and developed as the new DMO develops. Whilst the City Council and South Cambridgeshire District Council will be key strategic partners in the DMO (and will pay an annual membership fee), the DMO will cease to receive a direct public sector subsidy from these organisations from year 3 of its operation. (Details are available in the City Council listed document below.)

A key objective of the DMO will be, in time, to increase income over expenditure which can be reinvested into national and international activity to underpin investment and employment in tourism as a growing economic sector in the economy.

## **Governance**

- 14. The DMO would be governed by a Board of Directors drawn from a broad range of tourism stakeholders across Cambridge, South Cambridgeshire and the surrounding area.

15. It will be important for the new DMO to work closely with Cambridge BID and such partners to ensure close alignment of activity and a joined up approach to “Destination Management”. This is likely to be supported through reciprocal representation on the DMO and other stakeholder boards (e.g. Cambridge Network and Cambridge Ahead).

**Considerations: The proposal for South Cambridgeshire District Council**

16. Visit Cambridge is inviting South Cambridgeshire District Council (SCDC) to become a “Strategic Partner” member in the new DMO and to help shape the direction of the new organisation, through membership of the board via the Portfolio holder for Economic Development. In doing so, the Council will have the opportunity to represent the interests of SCDC on the new DMO Board. Operationally, the tourism work would be supported by the officer with the Principal Lead for Economic Development and Tourism, in the same way as presently executed.
17. All DMOs reviewed to date are currently in receipt of some public funding (average 20% of turnover subsidy). In light of this and in order for local authority members to be seen as genuine partners in the DMO, it would be important for them to make some financial contribution.
18. SCDC currently has an SLA with Visit Cambridge at a value of £25k p.a. It is proposed that in 2016/17 this will reduce to £17,500k p.a. It is then proposed that in subsequent years, SCDC will pay a Strategic Partner Member fee to the DMO in line with other surrounding district authorities. This is likely to be between £8k - £12k p.a. and will be proportionate to the benefits being delivered by the DMO on behalf of each District.

**Indicative Timetable on the development of the DMO**

- 19.

<b>Date</b>	<b>Milestones</b>
<b>May-June</b>	<ul style="list-style-type: none"> <li>• External specialist advice procured as necessary</li> <li>• Company established</li> <li>• Recruitment of Board Directors</li> <li>• Ongoing stakeholder and staff engagement including</li> <li>• Engagement of Strategic Partner Members.</li> </ul>
<b>July- October</b>	<ul style="list-style-type: none"> <li>• Completion of leases and legal documentation</li> <li>• Set up new systems and procedures</li> <li>• Formal staff consultation</li> <li>• Rebranding</li> <li>• Agree Communications strategy for new DMO</li> <li>• Formal staff consultation and communication</li> <li>• Development of DMO Business Plan with DMO board</li> </ul>
<b>October - December</b>	<ul style="list-style-type: none"> <li>• Necessary accounting arrangements carried out</li> <li>• New IT systems in place</li> <li>• Ongoing staff communication</li> </ul>
<b>January 2016</b>	<ul style="list-style-type: none"> <li>• DMO in place and operational</li> <li>• Formal launch</li> </ul>

20. One of the key tasks during the early years of the DMO will be the creation of a Destination Management Plan (DMP) for the Cambridge and Beyond area. This 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 the clear actions that they will take and the apportionment of resources. The DMO will lead on this but it will be developed and delivered in partnership with a variety of partners, including South Cambridgeshire District Council. The DMO's Business Plan would form part of this.

**Options**

- 21. The measures outlined in this report are within the framework approved by the Portfolio Holder in July and December 2013, and consistent with the Economic Development Strategy (2010 – 2015) and the current service level agreement.
- 22. Alternative options are not proposed as any such alternative would be for tourism delivery in-house, which would be costly and ineffective as an isolated service. It is worth noting that the LEP and partners such as the Cambridge Network, National Trust and associated tourism partners have suggested their participation and delivery of their tourism aims through the collaborative DMO model. It is notable that the project (DMO) would support 3 of the Greater Cambridge Greater Peterborough LEP priorities, with which SCDC priorities align, of:
  - Skills (in particular for SMEs business-led provision)
  - Enterprise (promoting enterprise growth and innovation)
  - International Profile (increasing inward investment).

**Implications**

- 23. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

**Financial**

- 24. With reference to paragraph's 7, 17 & 18 above, the delivery of tourism through the DMO would deliver savings in the medium to long-term. Expenditure is summarised in the table below:

<b>Financial Year</b>	<b>(Proposed) SCDC Contribution</b>
Prior to 2010	£36,000
Current contribution & 2015/16	£25,000
2016/17	£17,500
2017/18 onwards	(£ 8,000 - £ 12,000*)

\* Rate commensurate with partnership benefits in the new DMO structure.

**Legal**

- 25. The current service level agreement governs the relationship between SCDC and Visit Cambridge and Beyond. Once the proposed Strategic Partner membership and associated agreements, still under development, are formulated, these will be put before the SCDC legal team for consideration.

**Staffing**

26. No additional staffing is proposed. The Council will have the opportunity to represent the interests of SCDC on the new DMO Board through the Portfolio holder for Economic Development. Operationally, the tourism work would be supported by the officer with the Principal Lead for Economic Development and Tourism, in the same way as presently executed.

### ***Risk Management***

27. Any risks associated with Economic Development & Tourism will be managed within departmental and corporate risk registers. There are currently no specific risks identified within the risk registers

### ***Climate Change***

28. The objectives of the DMO seek to develop an environmentally sustainable tourism model. (Refer to para. 11(d).)

### **Consultation responses (including from the Youth Council)**

29. Please refer to paragraph 12. All relevant stakeholders and interested parties in the formation of the DMO have been consulted.

### **Effect on Strategic Aims**

30. The DMO would assist in achieving:
- Corporate Aim 3: Making the District an even more attractive place to do business. This would work to support the business growth; in the tourism sector, facilitate inward investment and the provision of jobs in the local economy.
  - Corporate Aim 7: A commercial approach to Tourism delivery, allows for a sustainable model, increasing investment in the tourism economy and safeguarding it as a key economic driver, achieved in a public/private partnership, whilst reducing costs on the Council

### **Background Papers**

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: - (a) at all reasonable hours at the offices of South Cambridgeshire District Council; (b) on the Council's website; and (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

#### **Economic Development Strategy (2010 – 2015)**

<https://www.scambs.gov.uk/sites/default/files/documents/Economic%20Development%20Strategy.pdf>

#### **Planning and Economic Development Portfolio holder Meeting, 24 July, 2013**

#### **Economic Development Portfolio holder meeting, 10 December 2014**

<http://moderngov/ieListDocuments.aspx?CId=1060&MId=6338&Ver=4>

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