

Bath & North East Somerset Council

MEETING	Cabinet	
MEETING	10 December 2020	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3245
TITLE:	Future of Destination Management arrangements	
WARD:	All	
AN OPEN PUBLIC ITEM WITH EXEMPT APPENDICES		
List of attachments to this report:		
Exemption Certificate - Information Compliance Ref: 1431/20		
EXEMPT APPENDIX 1- Asset & Employee Transfer Agreement (Exempt by virtue of Para 3 SCHEDULE 12A Local Government Act 1972 - information relating to the financial or business affairs of any particular person)		
EXEMPT APPENDIX 2- Asset & Employee Transfer Agreement (Exempt by virtue of Para 3 SCHEDULE 12A Local Government Act 1972 - information relating to the financial or business affairs of any particular person)		
EXEMPT APPENDIX 3 – Asset & Employee Transfer Agreement (Exempt by virtue of Para 3 SCHEDULE 12A Local Government Act 1972 - information relating to the financial or business affairs of any particular person)		

1 THE ISSUE

- 1.1 Covid 19 has significantly impacted on the long-term viability of Destination Management Organisations across the UK. In conjunction with neighbouring Councils, B&NES considers it necessary to combine the back-office functions of the existing Destination Management Organisation, Visit Bath, with Destination Bristol, to create Visit West.

2 RECOMMENDATION

The Cabinet is asked to;

- 2.1 Authorise the Council to become a member of Visit West a company limited by Guarantee in accordance with the terms of the Membership Agreement.
- 2.2 Authorise the Council to enter into the Asset & Employee Transfer Agreement (exempt appendix 1) with Visit West as guarantor for Visit Bath and for the future delivery of the Council's destination management function through Visit West.
- 2.3 Authorise the Council to enter into the Asset & Employee Transfer Agreement (exempt appendix 2) with Bath Forum to provide an indemnity for staff transferring from Visit Bath to Bath Forum.
- 2.4 Authorise the Council to enter into the Asset & Employee Transfer Agreement (exempt appendix 3) with Visit Bath to provide for the transfer of Christmas Market staff to the Council and to address all residual matters.
- 2.5 Delegate to the Director of Economy & Growth in consultation with the Cabinet member for Resources the power to make any minor changes to the Transfer Agreements or the Membership Agreement.
- 2.6 Appoint the Director of Finance to the Board of Visit Bath to effect the voluntary strike-off of Visit Bath and to provide an indemnity to that officer to provide protection from personal liability pursuant to the Local Authorities (Indemnity to members and Officers) regulations 2004.
- 2.7 Approve the use of reserve funding to enable the Council to meet the outstanding company liabilities, with delegation given to the Director of Finance (S151 Officer) in consultation with the Chief Executive and Cabinet member for Resources to make final arrangements.
- 2.8 Authorise the Council to take leasehold assignments for Bath Street and Bridgewater House.

3 THE REPORT

- 3.1 COVID-19 has had a devastating impact on the visitor economy and on Local Authority finances. B&NES Council, along with other West of England Local Authorities, will not be able to continue to provide the current level of financial support it has done in the past to a dedicated local Destination Management Organisation (DMO).
- 3.2 Consequently a proposal has been developed to bring together support for the visitor economy across the West of England in a more efficient and proactive way, reducing the level of Local Authority funding support and improving the opportunity to obtain Government funding. Visit West will be the "back office" engine but the public face will continue to be Visit Bath and Visit Bristol.
- 3.3 Visit Bath was established in 2003 as Bath Tourism Plus, a company limited by guarantee owned equally by B&NES Council and Bath Chamber of Commerce.

- 3.4 In November 2016, B&NES Council acquired the shares owned by Bath Chamber of Commerce and became the sole owner. The company subsequently changed its corporate brand to Visit Bath.
- 3.5 From 1 April 2017 Visit Bath secured a three-year contract from B&NES Council following an open competitive process to deliver specified destination management services, with an option to extend the contract for a further year to April 2021. Over the period of the contract as a result of budget constraints within the Council the annual fee for delivering the services effectively halved with a final sum agreed of £367k in 2020/21.
- 3.6 As with all tourism companies up and down the country, Visit Bath's income has dipped significantly as members are no longer able to pay the membership fee and commercial sponsors have put on hold their contributions. The Visitor Information Centre was closed and most staff furloughed. Despite a programme of redundancies and cost reductions, this has left the Company in a position where it is no longer financially viable as an on-going concern.
- 3.7 Tourism is a vital sector to the Bath and North East Somerset economy, employing in the region of 9,000 people, which is approximately 10% of all B&NES employment. Given the devastating impacts of COVID 19 on the sector, supporting the tourism businesses now and in the future is critical to securing those jobs and people's livelihoods.
- 3.8 As a result it is recommended that a new DMO is formed covering the whole of the West of England, called Visit West. This will combine the resources of 4 West of England Local Authorities with tourism business and is backed by Visit Britain and Visit England, the two primary Government agencies tasked with supporting the tourism economy.
- 3.9 It will provide a much stronger industry presence for the region and voice in Government, create more sustainable tourism itineraries encouraging people to stay for longer and therefore reduce the area's over-reliance on mass short stay tourism and by joining the back-office functions of the existing Companies, create a more financially stable Destination Management Organisation.
- 3.10 In order to establish the new company the following is required:
- Visit Bath will discharge all outstanding commitments and liabilities by 31 March 2021 except for ongoing rental obligations on Bath Street and Bridgwater House which will be taken on by B&NES Council.
 - Visit Bath Directors will resign and B&NES will appoint a single Director to the dormant company. After 3 months, Visit Bath will cease to exist as a separate company.
 - Four existing Visit Bath staff will transfer to Visit West along with relevant websites, IT and other systems
- 3.11 Visit West will be a not-for-profit company limited by guarantee. The ownership voting structure for Annual General or Special General meetings will reflect the level of financial resource and size of each area's tourism sector and be as follows, with key matters requiring unanimity:

- Business West 4 votes
- B&NES 1 vote
- Bristol 1 vote
- North Somerset 1 vote
- South Glouc 1 vote

3.12 Board Directors will comprise:

- B&NES 1 Local Authority and 3 business
- Bristol 1 Local Authority and 3 business
- North Somerset 1 Local Authority and 2 business
- South Glouc 1 Local Authority and 2 business

4 STATUTORY CONSIDERATIONS

- 4.1 Under the transfer agreements staff currently employed by the Council's wholly owned company Visit Bath (4 people) will transfer to Visit West and (3 people) will transfer to Bath Forum Ltd and their transfer will take effect by operation of law pursuant to the Transfer of Undertakings & Protection of Employment Act (TUPE). Their employment rights will be protected and an indemnity will be provided by the Council as guarantor.
- 4.2 In order for TUPE to take effect the transferor must transfer an Undertaking. In respect of Appendix 1 that is the destination management (DM) functions to enable the staff transferred to be actively engaged. The transfer includes a mechanism to enable the staff and assets such as the name Visit Bath to be transferred to Visit West. In respect of Appendix 2 this is the box office function. The transfer includes a mechanism to enable the staff and assets to be transferred to Bath Forum Ltd.
- 4.3 The Council will become a member of Visit West, a company limited by Guarantee, together with the neighbouring Councils of Bristol, North Somerset & South Gloucestershire and the rights and responsibilities as between the members is governed by the Membership Agreement.
- 4.4 Two members of staff employed by Visit Bath in the delivery of the Christmas Market will transfer directly to the Council.
- 4.5 The leases for the properties Bath Street and Bridgwater House will be assigned to the Council and form part of the Council's commercial estate.
- 4.6 Once all staff and assets have been transferred the Council will as sole member of Visit Bath then voluntarily Strike off the company from the companies register. A separate "shareholder" decision will be taken by Cabinet to enable the strike off to proceed.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 In November 2016, B&NES acquired the shares owned by Bath Chamber of Commerce and became the sole owner of the company taking on shareholder responsibility. The company subsequently changed its corporate brand to Visit Bath.

5.2 Since 2016, Visit Bath has consistently made a loss:

2016/17	(£173k)
2017/18	(£179k)
2018/19	(£126k)
2019/20	(£110k)

5.3 The principal contributors to the 2019/20 loss were the Visitor Information Centre (£170k) and the Bath Box Office (£32k). The main company income sources were the annual contract from the Council and Christmas Market income. These alongside other income sources from trading activities have not been sufficient to cover the company running costs, despite a programme of cost cutting and redundancies.

5.4 Due to the challenges of prior financial performance alongside the impacts of the pandemic on the company, this has resulted in company no longer being financially viable. The cancellation of the Christmas Market has resulted in the company's inability to generate the required income to meet operating costs.

5.5 The proposal set out in section 3 outlines how the destination management objectives of the Council can be delivered under a new model. The financial implications of this on the Council's revenue budget are set out below:

- Visit West annual membership fee: £75k per annum
- This is an annual revenue budget saving of £291k which is being considered through the emerging revenue savings in the 2021/22 budget proposal.

5.6 Through the decision to enter into a new membership model through Visit West the Council-owned company will be wound up. As shareholder it is proposed that the Council meet its corporate responsibilities and fund the outstanding company liabilities which are set out below:

Liability	Outstanding Company liabilities	Ongoing liabilities	B&NES Debt	Total
Property	105	175	0	280
Council debt	0	0	215	215
Overdraft	248	0	0	248
Exit costs	73	0	0	73
Corporate - VAT	66	0	0	66
Total	492	175	215	882

- 5.7 To meet the outstanding liabilities, it is proposed that the one-off costs are met from the Council's transformation reserve. The rationale and justification for the use of reserves is that the proposal in the report will deliver ongoing revenue savings for the Council.
- 5.8 Over a 10-year period after meeting the liabilities this proposal will generate cash savings of £2m.
- 5.9 The transformation reserve requirement for approval is £700k. This will meet the £667k liabilities above with the balance to be held as a contingency for any unplanned costs.
- 5.10 There will be a debt write-off requirement of approximately £215k, some of which is historic debt which the Council has made a bad debt provision for having no adverse impact on the 2020/21 revenue position. The balance has been assumed unachievable in the current year budget monitoring requiring write off. It is recommended that the outstanding debt write off is delegated to the Council's S151 Officer in Consultation with the Chief Executive and Cabinet member for Resources.
- 5.11 In order to reduce the outstanding liabilities and improve the payback period further the Council will seek to have the leases for the 2 properties re-assigned to the Council's commercial estate. These will be marketed, and new tenants will be sought for the remaining periods of the leases.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

7 EQUALITIES

- 7.1 All aspects of the changes to employment for Visit Bath staff have been considered and addressed through legal advice received.
- 7.2 Visit West will be the responsible organisation for ensuring that all equalities legislation is adhered to in delivering their services.

8 CLIMATE CHANGE

- 8.1 The tourism sector is likely to be a significant contributor to the area's overall CO2 emissions, particularly from transport and the energy use from its buildings.
- 8.2 The Council has declared a climate and ecological emergency and aims to be a zero carbon District by 2030.
- 8.3 Creating Visit West provides the opportunity for the tourism sector across the West of England to consider how best to become zero carbon in a joined-up way. Given the relatively small economic geography of the region this provides significant opportunities for example by:

- (1) Developing a regional approach to local food-sourcing for tourism businesses;

- (2) Creating walking and cycling itineraries that take in the whole of the area, encouraging people to stay for longer and make more of the area's natural beauty in a low impact way;
- (3) Improving communications on the public transport options for visitors to move into and across the area;
- (4) Using digital technology to encourage visitors to move around the region in a more sustainable and managed way, reducing traffic and congestion;
- (5) The creation of virtual digital twins, so people can explore the area's main attractions from a distance;
- (6) Developing regional campaigns to support tourism businesses to reduce their carbon footprint, for example by improving the energy performance of their properties.

9 OTHER OPTIONS CONSIDERED

- 9.1 Retaining Visit Bath as a separate Council owned company. This is not considered financially affordable for the reasons set out in the report.
- 9.2 Closing Visit Bath and leaving the private sector to provide Destination Management services. The most successful Destination Management models in the UK are a partnership between the public and private sector. Creating a new regional model creates a strong financially sustainable partnership, bringing the best of both worlds, and is supported by Visit England and Visit Britain.

10 CONSULTATION

- 10.1 Consultation has been carried out with the Council's senior responsible officers, including the Chief Executive, S151 and Monitoring Officers, the Head of Heritage Services and the Corporate Sustainability Manager as well as the Leader of the Council, the Cabinet Member for Resources and the Cabinet Member for Housing, Planning and Economic Development.
- 10.2 Visit Bath has consulted with some of its members.
- 10.3 Visit Bath has consulted with Visit England and Visit Britain.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	