

Report of the Director of Communities and Neighbourhoods

Delivering marketing, culture, tourism and business development for the city of York

Executive Summary

1. This report responds to the previous report on supporting economic growth by attracting and supporting investment in the city.
2. It proposes exploring the development of a new agency to deliver key remits in the marketing, tourism, cultural and business development agendas for the city of York.
3. The report recommends that members approve work to develop a full options appraisal and business case for the development of a new model.

Background

4. As a destination for business and tourism, the city of York performs relatively strongly against UK cities and comparators, having been named one of the top five places for **business investment** and having a robust international brand related to its **visitor economy**.
5. At the heart of this relatively vibrant economy is a unique and dynamic **cultural offering**, rich in both the heritage that is so central to the York brand, as well as the more cutting edge and modern creative and cultural industries that are one of the fastest growing sectors in the city.
6. However, there is evidence to suggest that **the city is not capitalising effectively on these assets** – and indeed, there is a growing sense amongst the city's business and wider communities and stakeholders that York could be attracting much more

investment – both through businesses growing or locating in, and visitors to the city – and thus further boosting the city’s overall economic prosperity.

7. As a result, despite the wealth of the city’s economic assets, York’s average productivity rate ranks 26th out of 64 cities in the country measured by the Centre for Cities, Cities Outlook index.
8. Recent inward investment successes of attracting Hiscox and 500 high value professional jobs, John Lewis Partnership and the continued attraction of new retail and leisure brands has demonstrated that the city has the ability to react effectively to opportunities created through its inherent asset base. However, the city currently lacks the capacity to proactively “prospect” for inward investment leads, which puts it at a disadvantage vis a vis cities with proactive inward investment teams and activities in place (examples include Opportunity Peterborough).
9. At the same time, the latest econometric modelling undertaken to support the development of the city’s new Tourism Strategy to be launched shortly (see Annex for Interim Strategy) suggests that despite the city’s strong performance in terms of visitor numbers and high levels of visitor satisfaction, the *value* of the visitor economy has remained relatively static in recent years.
10. More fundamentally, the connection between the city’s cultural, visitor and business experience cannot and should not be underestimated – and to date, it has not been maximised. However, there is a sense that the city is missing opportunities to capitalise on its unique and diverse cultural offering and consequent quality of life, which provide benefit to indigenous business and residents, and use this cultural offering to boost the visitor economy and business investment into the city.
11. As a result, the Council has been working with partners including Visit York, Science City York and the Universities, as well as York Economic Partnership and York@Large (the city’s cultural partnership) to explore options and develop proposals for a new way of working to deliver a coordinated and thus more effective approach to marketing and business development.

A new approach

12. This report proposes a bold new approach to a more strategic and holistic way in which the city raises its profile, develops its offer, attracts and supports business investment and supports the visitor economy.
13. It is clear that current structures will not be capable of delivering in increasingly competitive markets for attracting business investment and visitor spend as the economic downturn leads cities to seek to fill the growing gap in their local business and resident-raised tax income.
14. Currently, the city's key partners and organisations work in a piecemeal approach through a mix of Council and commissioned external agencies, leading to a fragmented approach to marketing the city and providing business support to different sectors and audiences. As a result, the various organisations currently undertaking activities are often not working in the most efficient and/or effective ways. More radical change is now needed.
15. A new approach is needed which will galvanise the support of partners from across the private, public and third sectors in the city to define, develop and promote what is distinctive about the York economy and community, to promote innovation, to support businesses, and to improve the quality of the offer – all with the aim of generating more investment in the city.

The aim and outcomes

16. The aim of pursuing the new approach set out in this paper is to build on the city's strong quality of life, culture and people assets to attract more investment and visitors to the city – creating a more professional and dynamic approach to promoting and securing interest in doing business in, visiting and living in the city of York.
17. The proposed outcomes are:
 - To deliver greater inward investment, and thus market share, for York in its key growth sectors, including those sub-sectors in which the city has a strength of assets, particularly life science – related industries, high-tech industries and business services
 - To increase the value of the visitor economy through promoting innovation and higher quality in the existing offer and encouraging high value visitor economy investment

- To achieve a stronger coordination and promotion of the city's profile and cultural offering underpinning that profile

The principles

18. A new way forward is sought on the basis of the following principles:

- **A joined up approach to “Brand York”** – Although there is a need for different marketing strategies to different audiences, the new model will seek to coordinate those various “sub-brands” and strategies to align and work together to the overall “Brand York”
- **A joined up offer for business and visitors** – The new model will provide a truly joined up, professional and supportive front door for the city for visitors and business looking to explore what the city has to offer them. However, there are a multitude of agencies and organisations working in markets beyond the city every day, and it is recognised that a business or visitor should feel as welcome and get the right message at whatever point of contact they make.
- **Coordination not duplication** – the new model will establish a framework within which partners can come together to promote the city as a destination for living, working and visiting, and creating a coordinated offer.
- **The culture of the place is fundamental** – Culture, including the full spectrum of creative and cultural industries, including the heritage of the city, the arts, and innovation which is quickly developing in the city, is the city's distinguishing asset and the golden thread that links both the visitor and business economy.
- **Commercial viability** – Whilst the Council and other public sector bodies may currently be able to support the activities envisioned in the new model, there is a growing recognition that the public purse is facing further constraints in future, such that any new model will need to develop commercial viability, partially in the short term but much more so in the future. This commercial basis can be derived from a number of income streams, several of which are explored later in this

report and will be explored fully in the development of a new model.

The status quo option

19. The development of a new delivery model is an option that Cabinet needs to consider against the option of the status quo. However, to “do nothing” at this stage would see:
 - A reduction in the funding available to both Council services and Visit York in providing for the visitor and cultural economies as budget reduce
 - Continued fragmentation of effort resulting in second best services to visitors and investors
 - A failure to support the city’s cultural sector
 - Inward investment remaining a largely reactive role
20. As a result, a change will be forced upon the city regardless of whether status quo is the initial option chosen. By opting for status quo, the city will thus be simply postponing an inevitable decision about the way in which it resources the marketing and business development activities of the city.
21. Thus, although the status quo option ostensibly does not involve an **up front** cost, the medium term cost would be the loss of the function altogether given the cost savings that need to be made in the running of Visit York and the running of the Council’s in house culture, leisure and tourism functions.
22. More importantly this option forces a loss of opportunity in not taking the chance to consider how to deliver a wider suite of services associated with city marketing and business development more generally in a more joined up way.

The proposed model

23. Due to the costs associated with the status quo option, the proposal in this report is for members to agree, in principle, to the exploration and development of options for a new model which will see a **new agency** developed to take on a full range of activity associated with marketing and business development for the city to the visitor and business economies.

24. Full governance arrangements of the new agency will need to be developed as the next stage of this work, but there are a few broad principles that would likely feature in the new model.
25. The agency would be commissioned by the Council for a wide range of activity from across the marketing and business development spectrum, including the marketing and product development of the cultural programme (e.g. festivals and events), although over time it is likely the agency will develop contracts alongside this core Council-commissioned activity.
26. The agency would have a relationship to the York Economic Partnership Board as a key delivery body for economic development, and a deliverer of elements of the York Economic Strategy; it would also have a relationship to the York at Large Board for culture in the city.
27. The agency would be a private sector-led company to lead on city and events marketing and business and product development for the city. This will sit in a wider context of managing and promoting York to the investor, relocater, student and resident.
28. This agency approach is a model that is becoming increasingly popular across the UK, with the following examples being particularly pertinent to the scope of activity proposed in this report:
 - London and Partners
 - Opportunity Peterborough
 - Newcastle Gateshead Initiative
29. From the outset the new model will deliver against the following remits:

Branding

- Develop and manage a **strong, clearly identifiable destination brand** that will help us to attract investment, talent, students and tourists. Engage all businesses and organisations as brand ambassadors along similar lines to what has been achieved with I Amsterdam
- Lead on a **proactive marketing strategy for the city** that will increase York's share of domestic and international markets – both in terms of the visitor and wider economies

Culture

- **Attract / facilitate high impact, strategic cultural events commensurate with developing York as a world-class destination** - pulling in the cultural events function currently provided within the Council
- Coordinate and champion the development and delivery of a **city cultural strategy and ambition**, for the benefit of residents, businesses and visitors alike, including the development of a framework for monitoring performance and progress
- **Take a proactive role in “curating” a cultural programme that will deliver against the city’s cultural strategy**, directing strategic programmes and identifying key projects and partners to deliver them

Business and Leisure Visitor Economy

- Deliver an exceptional world-class service for leisure and business visitors using digital, telephone and face-to-face **communication**,
- Establish a joined-up approach to **product development** involving tourism, cultural and leisure businesses to generate investment in the city
- Deliver a city-wide approach to **lead generation for conference activity** –creating a “York sales team” to win convention and meetings business and resourcing a full conference desk support service
- Provide a **city-centre management function** to ensure the best quality environment for visitors, residents and businesses

Business development

- Where appropriate, coordinate **support to and encourage innovation with businesses** through local, regional and national partners
- Provide **proactive lead generation in inward investment** for the city, acting as a first point of contact for interested businesses, investors and developers looking to invest in or locate in the city.

- Scope and engage with **potential new domestic and international markets** for the city of York to target for business opportunities and connections – whether inward investment, joint venture or other such opportunities.
 - **Provide sector intelligence** to the Council and other partners shaping public and other services for business
30. This will be a **highly proactive, private-public sector led approach** fitting with the York Economic Partnership’s aim to create the environment for business growth.
31. It will sit alongside the proposed joint venture for development, which will target the establishment of the hard infrastructure – sites and physical infrastructure, including roads, rail, digital and energy provision.

Legal structure of the new organisation

32. Such agencies can take a number of forms – company limited by guarantee, not for profit organisation, limited liability partnership, charitable body, or unincorporated association.
33. In order to enable the new body to trade freely and bid for/operate contracts with other clients, it is recommended that the new agency is established as a company limited by guarantee, although the full range of legal structures will be considered in the development of a new model and options presented back to Cabinet in time.
34. It is also recommended that the Council, whilst initially a major investor in the new agency, over time becomes more of a minority partner acting as commissioner rather than major shareholder in the new company.
35. By limiting the Council’s stake in the new agency to partial ownership and ideally minority ownership is to encourage greater private sector leadership and management of the new agency moving forward – enabling the organisation to be ultimately more market-facing; however, this legal structure will be the subject for formal legal advice to be procured upon agreement of the recommendations by the Cabinet.

Establishing the Agency

36. In order to develop the options for the new agency, CYC and Visit York will work through intensive engagement with stakeholders, including especially Visit York members, the York Economic Partnership, York@ Large, the city's business networks through the YEP Business Engagement Group, and with other key stakeholders not covered therein.
37. In addition, there will be a concerted effort to establish informal but closer working relationships across the city's key partners, including but not exclusive to Science City York, the further and higher education institutions, the cultural organisations in the city and the city's business support and network organisations.
38. From April 2014, the agency will further develop the vision and actions for further stages in the development of the agency model.

Proposed funding model

39. Upon approval in principle of the model proposed, a business plan will be developed for the new agency, with details of the funding model proposed.
40. The intention is to create a model which is as self-sustaining as possible – such that the model is able to withstand future economic and political cycles. However, it is anticipated that the new agency will require seed funding from the Council in its initial period of establishing a reputation for service delivery.
41. In addition, the model will continue to generate funding from the private sector, although the traditional membership model will be reviewed in light of other options – including the option of a bondholder scheme and/or the generation of income from other contracts. This ability to trade independently will be crucial to the model's future sustainability.
42. Additionally, the new agency will be structured in a way to enable it to win contracts and grants from a range of sources. This includes the potential for the agency to act in a proactive manner attracting European funding where possible, and leveraging investment from other strategic players such as the Local Enterprise Partnerships and other national pots of funding.

43. A fuller funding model will be developed alongside the business plan for the new agency to be brought back to members in early 2014.

Council Plan

44. The delivery of the YES has a direct impact on the ability of the city to deliver Council Plan Priority to **Create Jobs Grow the Economy** by enabling the Council to work in partnership with the private and third sectors as well as other key public sector organizations with a stake in the economic performance of the city.

Implications

45. **Financial:** The proposals in the paper will facilitate delivery of the £220k savings required within the Council's culture portfolio in 2014/15 as agreed within the Council's budget process.
46. **HR:** The Council's normal 'Supporting Transformation' policy for the managing change will be used in handling the implications for Council staff arising from the above proposals. Consultation with staff affected is underway.

Risk Management

47. As with any development of this scale and scope, there are a number of risks and issues that will need careful management. At most basic level, the main risk is that the new agency model developed is not able to deliver the outcomes proposed, either due to capacity or resource; however, this risk will be mitigated by the full appraisal to be brought back to Cabinet in the New Year.
48. There is the risk that the new agency does not achieve the buy-in required from partners and organisations across the city that will be critical to its mission. This risk will be mitigated through the engagement of key partners in the development of the options appraisal.

Recommendations

49. It is recommended that the Cabinet:
 - Agree in principle to pursuing a joined up approach to business development and marketing.

- Receive a business plan for an independent agency model for delivery early in the New Year.

Reason: To enable the city to make greater progress in attracting and supporting high value investment to the city, and supporting the growth of the visitor economy, all underpinned by a more efficient and effective approach to marketing and profiling of the city's offer.

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Annex: Interim Tourism Strategy