

North and West Yorkshire Business
Rates Joint Committee

7th October 2019

Agenda Item No. 8

Welcome to Yorkshire Report
(Appendices 1 & 2 Redacted Version)

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of around £600k. Further potential mitigation measures are limited; most activities take place in the summer period and therefore there are few options to cancel or reduce any of these in the current year.

- 2.5. Further cost reductions are planned for immediate implementation including redundancies which whilst having a small financial impact in the current year would generate savings in 2020/21.
- 2.6. It should be noted that the financial risk headings in 2019/20 are largely one-off and many relate to decisions by the Board regarding financial settlements, investigations and recruitment costs.
- 2.7. There is evidence of some actions to better control spending, for example, there is now only one company credit card which is held by the Finance Director.
- 2.8. There is no detailed financial forecast beyond 2019/20, but there is a high-level financial plan in place which covers the period 2019 to 2022.

3. **Cash Flow**

- 3.1. A review has been undertaken of Welcome to Yorkshire's cash flow position on a monthly basis over the remainder of 2019/20. It shows that cash balances will remain in surplus over the next XXXX months and thereafter (XXXXXXXXXX) the position becomes overdrawn. This is based on the assumption that the North and West Yorkshire Business Rate Pool pay the first instalment of their £1m contribution in October. It also relies on a payment of xxx in respect of Section 106 monies from the North Yorkshire Moors National Park which is currently under discussion.
- 3.2. Whilst these figures will undoubtedly vary month by month and the position could be improved temporarily by, for example delays in payments, by the end of March 2020 it is likely that the organisation will be overdrawn by around £250k.
- 3.3. Welcome to Yorkshire do not have an overdraft facility with their bank and therefore this overdrawn position is not an option for them.
- 3.4. In order to mitigate this position Welcome to Yorkshire have an option available to them to draw down a loan of up to £500k from North Yorkshire County Council. This facility is open for five years which ends in November 2020. If this loan was taken up this would put the organisation in a position of surplus funds in the bank for the remainder of 2019/20.
- 3.5. At the time of writing the Welcome to Yorkshire Board have not agreed to take up any of the loan facility. The loan agreement as it currently stands would require repayment by November 2020 and therefore a revision to the terms would be necessary.

4. Business Objectives and Business Structure

- 4.1. Welcome to Yorkshire's Core business objective is to promote the County's tourism and leisure offer and assets which it does through a core membership offer to paying member businesses, sponsorship of campaigns and events of different scale and direct public funding for events and campaigns. It also provides project management of campaigns and events. As a not for profit organisation it seeks to break even on its activity.
- 4.2. From our limited review it is not immediately clear that the Board has set an explicit expectation of the criteria by which individual campaigns or events should make a contribution to overheads or contribute to the running costs of the core membership offer, nor that this has been done explicitly by the Executive. The focus has necessarily been on managing the organisations cash flow and a relatively "hand to mouth" existence. Given the geographical spread of public sector funders it will be important that a consistent approach is developed to costing and pricing all activity. This needs to be done on a sustainable and long term footing by which the company can sustain its fixed and semi fixed costs from its own activity or secure an explicit long term agreement with its public funders to underwrite in advance an agreed contribution to overheads, based on the overall value created for the Yorkshire economy.

5. Audit of Accounts

- 5.1. Draft accounts for 2019/20 have been prepared and the audit begins in October with a deadline of 31st December to publish audited final accounts. The auditor's opinion on the accounts includes an assessment of the organisation as a going concern. In arriving at this conclusion, the auditor must satisfy him/herself that Welcome to Yorkshire is financially sustainable for the foreseeable future; this would normally be at least the current and following year.
- 5.2. Given the position outlined above it would seem unlikely that the auditor could easily conclude that Welcome to Yorkshire is a going concern. It should be noting that this would be the first time that the organisation has received a qualified opinion to its accounts.

6. Governance

- 6.1. It is apparent that the recent work done by BDO has identified many gaps in the current governance arrangements, and in some cases, these repeat the issues identified in 2014 by KPMG in a previous review. It is clearly imperative that the Board of Welcome to Yorkshire strengthen the governance arrangements in the organisation and give particular attention to financial governance. This needs to include setting and agreeing expected financial contributions to the business from of all categories of activity.
- 6.2. It is not apparent that Board meetings are sufficiently structured in order to fulfil their fiduciary duties. Welcome to Yorkshire should ensure that Board members are made fully aware of their

responsibilities and accountabilities, and agendas should be structured and planned in such a way that provides necessary assurances. There should be a strong focus on financial responsibilities and the Board should promote strong and effective financial controls.

- 6.3. There appears to be little capacity within the organisation to ensure good governance. For example, the role of company secretary is combined with the role of finance director, and there is no HR resource directly employed. Whilst acknowledging that this would add to costs, increasing capacity in these areas should allow for improvements in governance and release the time of the Finance Director to focus on financial matters.

7. **Conclusions**

- 7.1. The short to medium term financial sustainability of Welcome to Yorkshire is heavily dependent on support from the local authorities. There are three key income sources which are essential to maintain a positive cash flow and going concern, and these are:
- a) £1m from the North and West Yorkshire Business Rate Pool;
 - b) xxxx held by the North Yorkshire Moors National Park; and,
 - c) a loan from North Yorkshire of up to £500k, arranged to assist with cash flow.

Without these payments Welcome to Yorkshire will run out of cash by November at the latest, and do not have access to a bank overdraft facility.

- 7.2. The organisation needs to make every effort to mitigate the deficit in 2019/20 and must make this a priority for Board meetings.
- 7.3. Welcome to Yorkshire needs to produce a detailed budget plan for 2020/21 and beyond, which sets out different funding scenarios. In this context there should be a consideration of options to reduce expenditure and increase income, which may involve cutting back on events and activities, and ensuring that events which do go ahead attract sufficient income to fund themselves and make a contribution to overheads / fixed costs.
- 7.4. Consideration should be given to reviewing the capacity of the organisation, particularly in respect to Governance, Finance and HR.

29th August 2019

APPENDIX 2 – REDACTED VERSION

CONFIDENTIAL: Welcome to Yorkshire proposal to West and North Yorkshire Leaders

Purpose

The purpose of this report is to provide West and North Yorkshire Leaders with information to enable them to make a decision on the future funding of Welcome to Yorkshire. The report contains two proposals; the first outlining the requirements for the future of Welcome to Yorkshire and the financial ask of the Leaders and the North and West Yorkshire Business Rates Pool Committee. The second outlines the financial ask of the Leaders and North and West Yorkshire Business Rates Pool Committee the event of a managed close down of Welcome to Yorkshire.

Background

Welcome to Yorkshire has established Yorkshire as a world class destination. It has developed a strong and successful brand, extending beyond tourism, to accelerate the county's profile and position regionally, nationally and internationally. Yorkshire is now seen as a major player on the global stage as well as an inspirational destination for UK visitors on 'staycations.'

It has helped grow the Yorkshire tourism economy from £5.9 billion (2011) to £9 billion (2017) and helped generate 4,000 new jobs. The Yorkshire brand has never been higher, with record breaking numbers of international visitors coming to Yorkshire, outperforming any other region in England.

Welcome to Yorkshire was established in 2009 and receives a 50:50 mix of public and private sector funding. However, in the last six months, the company has suffered reputational damage due to recent events which has affected the trust in the organisation both externally and internally. As a consequence, the company has seen a reduction in private membership and a partial suspension of funds from the public sector.

Added to this, the one-off costs associated with the well-publicised independent investigations into the organisation and subsequent cash flow issues, now means the organisation is requesting financial support from the North and West Yorkshire Business Rates Pool Committee.

Immediate Financial Situation

Please see attached the most up to date cash flow scenarios (Appendix 3a) which show the impact the reduction, suspension and one-off costs have had on the organisation.

- Investigations and XXX termination costs to WtY £475k
- Budget shortfall of the cost of funding for 2019 Chelsea Flower Show-Budgeted at £80K, reality was £250K
- NYMNP is unwilling to release the Section 106 XXXX (XXXX value to WtY) until they are satisfied Welcome to Yorkshire is in a financially stable position.

A loan agreement is in place between NYCC and Welcome to Yorkshire for £500k secured

against a property it owns in York valued at £1m. The Welcome to Yorkshire Board will sign off the loan from NYCC if the BRP indicates it will support Welcome to Yorkshire with £1m in funding. The loan can then be accessed quickly and put in place so avoiding Welcome to Yorkshire running out of cash in September. The scenarios show that without either the support of the BRP or the loan from NYCC then Welcome to Yorkshire runs out of cash in XXXXXXXXX.

With no £500k NYCC loan and no BRP funding WTY would run out of cash in XXXXXXXXX. It would mean some of the staff would not be paid.

If the BRP only releases £333k in XXXXXXXXX WTY would run out of cash in XXXXXXXX without the NYCC loan.

Future Plan

Welcome to Yorkshire's core business is to grow the county's visitor economy and profile by using creative and ambitious marketing campaigns backed up with strong and engaging PR and digital activity. WTY wants to continue to build on its huge successes using the co-operation and collaboration of all its partners and the wider tourism industry in Yorkshire.

The team has identified savings and efficiencies within the business which enables it to refresh the vision of Welcome to Yorkshire, deliver its core activities and make sure it has the right people in the right place. The organisation will strive to ensure that all activity will break even, if not make a small profit, which can be re-invested into the business. Showcase activities which require additional funding will each be subject to pre-approval based on a robust business case.

Over the next three years, Welcome to Yorkshire wants to rely less on public funding turning the current 50:50 public: private ratio to 40:60.

The Welcome to Yorkshire Board fully accepts the findings of the two independent investigations and is working through the attached Improvement Plan (Appendix 2) to make sure the correct leadership and governance is in place to ensure the future of the organisation and once again make it the ambassador for Yorkshire that the whole county can be proud of.

A Board refresh will be completed by April 2020 with new board members recruited using a robust recruitment and induction process. This will be aided by new board members Cllr Box and Mayor Jones. The Board's watchwords are discipline, governance and transparency.

The recruitment of a new CEO will take place when the time is right for Welcome to Yorkshire. Currently an interim Senior Leadership Team is in place backed up the help of four LA CEOs. There may be the opportunity to recruit an interim CEO to help guide the company through the next six months until a permanent CEO can be recruited.

A robust Business Development Plan is being produced with the Local Authority Partners which will later be updated following a county-wide tourism consultation. This will identify what Yorkshire's vision for tourism is over the next 10 years and make sure everyone, right across the industry, is working in collaboration to the same vision and aims for Yorkshire.

Funding Options

Welcome to Yorkshire has considered a number of financial options for the continuation of

- **Recognition.** As mentioned, Yorkshire has a valuable brand with many associated assets such as the domain name and digital content. This would be lost in the event of a closedown.
- **Economic effect.** It is likely that there would be negative economic impact on the county. The latest figures show the value of tourism in Yorkshire grew at a rate of more than £1bn a year between 2016 and 2017 (2019 Sheffield Hallam Research). The county is currently achieving record breaking international visitor figures (2018) and is outperforming every other region in England. It is likely there would be a slow-down or even reversal in the growth of Yorkshire tourism, a reduction in visitors to the county and a consequential loss of jobs within the industry. It has helped grow the Yorkshire visitor economy by 50% since 2011 and will continue to do so if it continues. Many members have mentioned the focus, big ideas and ambition of the organisation which would be hard to recreate.
- **Tour de Yorkshire.** The Tour de Yorkshire which over the last 5 years has brought more than £330m to the Yorkshire economy could not continue. With a managed closure of Welcome to Yorkshire it would have a dire impact on 2020 sponsorship targets making the race no longer viable. This race would be lost along with the chance of delivering another Grand Depart of the Tour de France.
- **CSR.** The Yorkshire Bank Bike Libraries initiative which was set up as a legacy to Yorkshire hosting the Grand Depart of the Tour de France would no longer continue. Over the last 4 years, 68 Bike Libraries have been set up across Yorkshire giving 75,000 opportunities for children to ride a bike.

Conclusion

The Welcome to Yorkshire Board and staff are fully committed to continuing to raise the profile of Yorkshire and to grow the Yorkshire visitor economy. They recognise the improvements and changes that need to be made within the organisation and hope that with the continued support from the North and West Yorkshire leaders the organisation can be front and centre in delivering the Yorkshire tourism strategy long into the future. This county has huge ambitions and even more potential to grow the visitor economy to new heights and continue its record-breaking success.

For the reasons contained within this report we ask that leaders consider and support Option1 or Option 2 as the way forward for Welcome to Yorkshire.