



Report of the Assistant Chief Executive (Planning, Policy and Improvement) and Acting Director of City Development

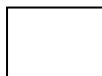
Executive Board

Date: 15 December 2010

Subject: Driving the City Forward: City Marketing, Supporting Investment and Engaging Business

Electoral Wards Affected:

ALL



Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

This report considers the current challenges facing a number of city marketing, tourism and inward investment services across the city and recommends that Members of Executive Board agree to the development of a new operating model for such services, in order to maximise efficiencies whilst protecting critical functions that are at risk from public sector budget reductions.

It is, therefore, proposed that the following functions/services be brought together, into a public-private sector delivery vehicle, to deliver a significant, coherent and compelling offer for the city:

- a) City marketing activities as provided by Marketing Leeds
- b) Sector marketing and inward investment activities provided by Financial Leeds
- c) Inward investment activities as provided by the Council's Locate in Leeds team
- d) Leisure tourism functions as provided by the Council's Visit Leeds team
- e) Tourism information services as provided by the Leeds Visitor Centre
- f) Business Tourism services as provided by Conference Leeds

Members of Executive Board are recommended to agree to the outline proposition detailed in paragraphs 3.1 to 3.15 of the report and specifically to:

- a) Agree in principle to the proposal that those Council services detailed at paragraph 3.2 be part of the new delivery arrangement;
- b) Agree as joint shareholder of Marketing Leeds that Leeds City Council is content for the existing company arrangement to be evolved into the new delivery vehicle as part of a broader merger for these services;
- c) Agree as joint shareholder of Financial Leeds that Leeds City Council is supportive of the proposal for sector marketing and inward investment activities to become the responsibility of the new delivery vehicle;
- d) Authorise the Assistant Chief Executive (Planning, Policy and Improvement) and the Acting Director of City Development to take the necessary steps to bring about the changes proposed, ensuring Members are kept informed as matters progress.
- e) Request that a further report be submitted to Executive Board in March 2011, outlining a set of specific proposals for implementation in April 2011.

1.0 Purpose of this Report

1.1 This report considers the current challenges facing a number of city marketing, tourism and inward investment services across the city and recommends that Members of Executive Board agree to the development of a new operating model for such services, in order to maximise efficiencies, whilst protecting critical functions that are at risk from public sector budget reductions, and supporting activities aimed at securing future investment and new jobs for the city.

2.0 Background Information

- 2.1 Over the course of the last 10 years or so, Leeds has developed a number of separate arrangements for driving forward the city, engaging business in that work and supporting business and other stakeholders to help promote the city's offer and build on its undoubted economic success.
- 2.2 Much of this work has been driven by a need for Leeds to be bolder in presenting itself and its successes in order to change perceptions (particularly nationally and internationally) in order to encourage trade and investment and support sector development e.g. Financial Leeds' role in supporting the development of the business services sector in the city including place marketing and inward investment activities.
- 2.3 The council has also continued to play a significant role in such activities, on the one hand, providing its own set of services including an inward investment team, leisure tourism function as well as tourist information and business tourism services, as well as contributing to the agendas of other related bodies. For example, whilst both Marketing Leeds and Financial Leeds are private sector led bodies, they are established as joint public-private sector companies and both have council representatives on the board.
- 2.4 However, it is generally recognised that to date the city has not been sufficiently strategic in its overall thinking and ambition for what it is trying to achieve. Rather, bespoke initiatives have been progressed by willing partners/sectors to respond to particular issues/challenges or capitalise on funding opportunities e.g. the

establishment of Marketing Leeds, and the adoption of a new model for Financial Leeds in 2008.

- 2.5 Whilst many of our current arrangements can, from many perspectives, be viewed as successes, it is recognised that, overall, the current landscape provides for:
- a) Potential duplication and overlap of activity
 - b) Competition/rivalry between bodies and organisations
 - c) Competition to attract private sector contributors
 - d) Multiple requests for public sector funding
 - e) A confusing landscape – who's actually responsible for what?
 - f) Duplication of overheads across several organisations
- 2.6 Whilst the current public sector funding reductions provide food for thought, it is clear that there are other significant drivers for change if Leeds is to become the “Best city in the UK” as currently outlined in the draft Vision for Leeds. We have to acknowledge that for the longer-term economic benefit of the city, now is the time to provide a renewed focus on marketing the city, attracting investment and creating jobs. There’s clearly going to be less funding overall to undertake such functions both in terms of public and private resources, but we must, therefore, do what we can to protect and enhance our overall focus on these type of activities if we are to maximise the opportunities that will inevitably arise once the economy starts to grow again.
- 2.7 We also need to recognise that we need to create a compelling vision for how the city will work with and support the business sector. For this to be achieved, we need to think very differently and create a Leeds solution that will stand the test of time and truly engage the business sector in driving forward a compelling agenda for the overall economic benefit of the city.
- 2.8 Another key partner in terms of marketing activity is Welcome to Yorkshire who play a key role in promoting the Yorkshire brand across the world. As the third largest city in the UK and the largest city-region outside of London, it is critically important for Leeds to promote and market itself with a very clear focus on city branding. As the capital of the region, Leeds needs to link in with, and capitalise on, the work of Welcome to Yorkshire and, similarly, Welcome to Yorkshire needs to support our efforts by promoting Leeds’ offer within their broader Yorkshire brand and promotional activity. For these reasons, it continues to be important to have a strong and effective relationship with Welcome to Yorkshire to ensure our activities are complementary.
- 2.9 Initial work has been undertaken on whether certain functions within the council (e.g. tourism and inward investment activities) ought sensibly to be merged with activities currently provided by Marketing Leeds to form a new organisation focused on marketing the city and attracting inward investment. Financial Leeds is also considering its future with the main part of its funding due to cease on 31 March 2011.
- 2.10 We also need to recognise the need to link-in with developments such as the Local Enterprise Partnership (LEP). It is clear that at the city region level the LEP will play a significant role in economic related issues. As a major contributor to the city-region agenda, it is important for Leeds to get its own house in order and the proposals contained in this report will go a long way to achieving that objective. Whilst any new arrangement will clearly have a Leeds focus, the outlook of all of our

marketing and economic related activity will need to be city-region based, quite simply because this is the 'real' functional economy we are working with. Indeed, if Leeds can create something new and compelling and really deliver on our city-region ambitions, it will have significant contribution to make to the development of the LEP.

- 2.11 As Members will be aware, significant decisions are currently being taken in respect of who will receive public sector funding in the future and this is currently threatening the continuing existence of certain organisations or functions. Added to this, Members will be aware of the internal budget challenges faced by the Council, including the need to make savings in the City Development Directorate outlined in the budget paper included in this Executive Board agenda. Indeed, if we do nothing, much of what we currently do could very quickly disappear.
- 2.12 It also needs to be recognised that the environment in which we currently function is changing very quickly and some organisations will very soon have to take decisions on whether they are able to continue and, if so, to what limited degree, beyond 31 March 2011. In addition, with the current challenges, many are looking to the council to provide leadership and outline a potential new direction for such activities. Therefore, there is a need to act quickly, which is why this report has been prepared for consideration by Members of Executive Board.
- 2.13 In progressing this work and identifying a sustainable solution for the future, five tests have been identified against which the proposed solution can be appropriately assessed. These are:
- a) the need for greater efficiency;
 - b) the need to respond to diminishing resources;
 - c) the need to increase private sector contributions/engagement;
 - d) the need to minimise the costs/disruption associated with any proposed changes, and;
 - e) the need to reduce confusion over roles/responsibilities of different agencies.

- 2.14 To inform the proposals contained in this paper, the Chief Executive, Assistant Chief Executive (Planning, Policy and Improvement) and the Acting Director of Development have, over recent weeks, engaged senior city stakeholders on a new proposition. To date, such proposition has been received very positively and is today presented to Members to secure agreement on moving forward. Whilst there is much detail to work through, with the agreement of Members of Executive Board today, we will be able to progress quickly and provide certainty on the future direction of travel for these services.

3.0 The Proposition

- 3.1 In order to respond to the challenges outlined earlier in this report, it is proposed that in order to maximise our offer and activity in the area of marketing, tourism, inward investment and business engagement in such activities, we seek to bring together a range of functions and services into a new coherent leadership arrangement. As part of phase one, it is proposed that the following functions/services be brought together to deliver a significant, coherent and compelling offer for the city:
- a) City marketing activities as provided by Marketing Leeds
 - b) Sector marketing and inward investment activities provided by Financial Leeds

- c) Inward investment activities as provided by the Council's Locate in Leeds team
 - d) Leisure tourism functions as provided by the Council's Visit Leeds team
 - e) Tourism information services as provided by the Leeds Visitor Centre
 - f) Business Tourism services as provided by Conference Leeds
- 3.2 As regards the Marketing Leeds functions, the principle of the proposals contained within this report have been discussed with members of the Board and, through the Chair, the Board welcome the action being taken by the council. Similarly, the Chair of Financial Leeds has been fully engaged in developing this proposal and has also expressed her support for the proposed arrangement.
- 3.3 All of the other functions listed above are currently council run services and approval is, therefore, sought from Members of Executive Board for these functions to be included within the new leadership arrangement proposed.
- 3.4 There may also be other functions/services that may be considered appropriate for inclusion in such an arrangement (e.g. city centre festivals, city centre promotions etc.), however, further work is necessary to determine the appropriateness of including other activities. It is envisaged that such further work will be undertaken and if there is a very clear rationale to include something in phase one, we would seek to do so, otherwise further consideration would be given once phase one has been implemented.
- 3.5 Recognising the current public sector funding challenges being faced, it will be important to maximise the contributions, efforts and influence of the private sector so as not to jeopardise the current and significant contribution currently being made to such bodies such as Marketing Leeds and Financial Leeds, but also to provide a more compelling offer to secure even greater involvement and contribution. Moreover, any new arrangement will need to be commercially minded in order to maximise commercial income from other sources. At the present time, private sector contributions, in cash and in-kind, amount to over £700k per annum.
- 3.6 With this in mind, it is proposed that in bringing these services/functions together, they would be best suited to be incorporated into a public-private sector delivery vehicle, similar to what has been established for both Marketing Leeds and Financial Leeds. Effectively, the delivery vehicle would become the place for the public and private sector to come together to market the city; lead and encourage inward investment activity, provide public-private sector leadership to help develop the 'product' of Leeds and to engage wider business in such activities. It would have a single executive structure operating under the leadership of an appropriately private sector led board, with directors also being appointed from the city council.
- 3.7 The new arrangement would maximise efficiencies through economies of scale and through reducing existing overheads and duplication of activity. It would significantly review existing delivery arrangements and prioritise activity on what will achieve maximum economic benefit for the city.
- 3.8 Early consideration has been given as to whether it is appropriate to create a new entity for this proposal, or whether an existing arrangement can be used to speed up delivery and save on implementation costs. In this regard, Marketing Leeds has been established as a public-private sector owned company jointly owned by Leeds City Council and the Leeds, York and North Yorkshire Chamber of Commerce. It is, therefore, proposed to utilise the existing Marketing Leeds company arrangements to

deliver this new proposition. In order to achieve this, the following formalities will need to be progressed:

- a) Consideration to changing the name of the company;
 - b) Updating the Articles and Objectives of the company to reflect the new arrangements;
 - c) Reconstituting a new Board, and;
 - d) Appointing the new Executive arrangements (i.e. the Chief Executive)
- 3.9 In regard to c) above, the current chair of Marketing Leeds, Nigel McClea has already indicated his desire to step down as chair when his current 3-year appointment comes to an end in the summer of 2011. In light of the changes now being proposed, it would be appropriate, should Members agree to the proposals in this report, to urgently progress the recruitment of a chair for the refreshed company to provide leadership in implementing the new arrangements. It is proposed that the chair would be a private sector business leader that would be appointed following an open advertisement. It is further proposed that consideration be given to all other board appointments to ensure that the constitution is appropriate to its new functions and responsibilities.
- 3.10 In regard to d) above, a number of senior officials will be affected by these proposals and it is, therefore, proposed that appropriate HR arrangements are progressed in order to appoint, in a fair, open and transparent manner, the new senior executive team of the refreshed company.
- 3.11 In regard to existing council run services, it will be appropriate for some services to be delivered under contract (or under a service level agreement) to the council where specific deliverables/outcomes are required in return for our investment.
- 3.12 Staffing issues will plainly need to be considered carefully, and all of the various options re TUPE, secondment etc. will be considered in detail, and in full consultation with staff and their representatives, if Members are supportive of this proposition in principle.
- 3.13 There are also a range of other issues (e.g. premises, budgets, broader staffing issues) that will need to be considered as part of the implementation arrangements, which will be prepared and progressed following formal agreement by Members of Executive Board and the other principal stakeholders including the Chamber of Commerce, Marketing Leeds and Financial Leeds.
- 3.14 In order to progress such change, a project team will need to be constituted in order to provide the appropriate capacity and direction to deliver the new arrangements as soon as practicably possible.
- 3.15 In progressing this proposal, it will also be important to protect and build upon the many positives and successes of our current arrangements, therefore, whilst we are essentially creating something new and compelling, we need to build on success of current arrangements wherever appropriate to do so.
- #### **4.0 Implications for Council Policy and Governance**
- 4.1 There are significant policy and governance implications with this proposal.

- 4.2 As detailed above, a number of council services will be transferred into an existing public-private sector delivery vehicle and the council will need to give detailed consideration as to how it will appropriately fulfill its 'client' role for such services.
- 4.3 Specifically, the council will need to amend the Constitution and particularly the council's Executive Functions identifying the functions to be transferred and the relevant impact on delegated decision making arrangements. These issues will be considered as part of the detailed work to be progressed and will be reported back to Members of Executive Board in March 2011.
- 4.4 Whilst the detail does need to be considered, it is envisaged that some form of contract or service level agreement would be put into place. It would also be a pre-requisite that the council would appoint at least two non-executive Directors to the Board. Furthermore, it is assumed that the council would require an Annual Report to be prepared for consideration by the Council's Executive Board as well as reporting arrangements, as may be required, to the relevant Scrutiny Board.
- 4.5 Consideration will also need to be given to revising Marketing Leeds' existing Articles of Association and company Objectives in order to enable the refreshed company to provide a broader range of services/functions.
- 4.6 In a similar vein, and assuming there ceases to be a requirement to maintain a separate company for Financial Leeds, work will need to be progressed to formally close that company.
- 4.7 A separate report on this Executive Board agenda sets out a new partnership and planning framework for the city. The new arrangement proposed in this report will provide significant support and capacity to responding to the city's economic related priorities and in this regard there will need to be a close link with the new Sustainable Economy Board.

5.0 Legal and Resource Implications

- 5.1 These proposals are being taken forward in the context of current resourcing pressures facing both the authority and other key bodies in the city. The new arrangement will seek to maximise efficiencies through economies of scale and through reducing existing overheads and duplication of activity.
- 5.2 Both Marketing Leeds and Financial Leeds currently receive significant funding from Yorkshire Forward. Financial Leeds is coming to the end of their 3-year Yorkshire Forward contract and thereafter (from 1 April 2011) they will be wholly reliant on member contributions. This means a reduction in funding of approximately £800k as compared to funding available in the last three years. Whilst, in theory, Marketing Leeds have a further year left on their Yorkshire Forward contract, they have already seen a £250k reduction this financial year (£200k reduction by Yorkshire Forward by £50k reduction by Leeds City Council) and funding is uncertain for 2011/12. The City Council have included within the draft budget proposals a further £50k reduction for 2011/12 (in total a £100k or 25% reduction as compared to what was originally expected for 2010/11). Therefore, in due course, Marketing Leeds will see a reduction similar to that of Financial Leeds.
- 5.3 Marketing Leeds and Financial Leeds also attract significant private sector support, both cash and in-kind support. This currently amounts to over £700k and a key driver for the new proposal is to do all that we can to protect this contribution, but

more importantly, to be more proactive in seeking to increase private sector contributions further.

- 5.4 In regard to staffing, Marketing Leeds currently employ nine staff and Financial Leeds currently have seven employees.
- 5.5 As regards city council services proposed to be part of the new arrangement, it is estimated that in resource and budgetary terms they equate to approximately 25 staff and an operating budget of approximately £315k, which includes a £90k contribution from the private sector.
- 5.6 In progressing these proposals, there will be a need to significantly review existing delivery arrangements and prioritise activity on what will achieve maximum economic benefit for the city. As part of preparing the council's 2011/12 budget, consideration will be given to the funding to be allocated to the services/functions to be transferred to the new arrangement.
- 5.7 These proposals also have significant staffing implications and, therefore, the staff concerned and their trade union representatives, will be fully consulted and engaged in developing the detail of the new arrangements.
- 5.8 Overall, investment in these activities needs to be viewed from an invest to save perspective. It is clear that all of these services and functions are critical to supporting economic development within the city through attracting investment and jobs, which is critical for the future prosperity and economic success of the city.

6.0 Recommendations

- 6.1 Members of Executive Board are recommended to agree in principle to the outline proposition detailed in paragraph 3.1 to 3.15 above and specifically to:
 - a) Agree in principle to the proposal that those Council services detailed at paragraph 3.2 be part of the new delivery arrangement;
 - b) Agree as joint shareholder of Marketing Leeds that Leeds City Council is content for the existing company arrangement to be evolved into the new delivery vehicle as part of a broader merger for these services;
 - c) Agree as joint shareholder of Financial Leeds that Leeds City Council is supportive of the proposal for sector marketing and inward investment activities to become the responsibility of the new delivery vehicle;
 - d) Authorise the Assistant Chief Executive (Planning, Policy and Improvement) and Acting Director of City Development to take the necessary steps to bring about the change proposed, ensuring Members are kept informed as matters progress.
 - e) Request that a further report be submitted to Executive Board in March 2011, outlining a set of specific proposals for implementation in April 2011.

Background papers:

Marketing Leeds Annual Report for Executive Board – July 2010
Driving the City Forward – A Proposition to Stimulate Debate – November 2010