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**Visitor Economy**

**Purpose of report**

For discussion and direction.

**Summary**

At the Culture, Tourism and Sport board meeting in July 2012, members agreed that the visitor economy would be one of the board's priorities for 2012-13. This work ties in with the board's other priority on Olympic and Paralympic Legacy work and the LGA's corporate "Local Growth" campaign.

This board paper seeks to facilitate a discussion about councils' leadership role in supporting the visitor economy.

VisitEngland are also giving a short presentation to the board on their priorities for 2012/13 and this paper also seeks to provide background information for that discussion and to suggest questions to put to them.

**Recommendations**

That members discuss the issues set out in the paper and:

1. make comments and suggestions about the board's visitor economy priorities and work, and subject to comments agree activities at paragraphs 13.1 – 13.5; and
2. consider issues to raise with VisitEngland – suggestions of themes at paragraph 14.

**Action**

LGA officers to action as directed by members.

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**Background**

1. The visitor economy is the UK's sixth largest industry, and in the current climate of economic uncertainty, it is one of the few sectors seeing substantial growth; it grew at over five times the rate of the UK economy as a whole in 2011 and contributes over £115 billion to GDP. This demonstrates the potential opportunities for the visitor economy as a driver of local and national economic growth through supporting employment, investment, infrastructure and skills development.
2. Local authorities are heavily involved in supporting the visitor economy and creating great places, investing over £100 million per year in business support, visitor information and destination marketing. They spend a significant amount on culture and heritage and support major cultural, business and sporting events; all of which are key attractions for tourists, and on the spatial planning, regulation and infrastructure that underpins a thriving visitor economy. Councils also play a vital strategic leadership role through their engagement with the tourism industry at Local Enterprise Partnerships, special-purpose Destination Management Organisations and local Chambers of Commerce.
3. In a recent keynote speech, the Secretary of State for Culture, Media, Olympics and Sport, highlighted Government's commitment to boosting the visitor economy and securing a tourism legacy from the 2012 Olympic and Paralympic Games. He announced further funding for marketing campaigns with a focus on attracting Chinese visitors. The Government's tourism policy includes three key elements: to run a large marketing campaign to attract overseas visitors to the UK (led by VisitBritain); increase the proportion of UK visitors who holiday at home through the "Holidays at home are GREAT!" campaign (led by VisitEngland) and improving the sector's productivity to become one of the top five most efficient and competitive visitor economies in the world.
4. With councils facing a likely funding gap of £16.5 million a year by 2019/20 the visitor economy offers a potential powerhouse of growth and it underpins many of the key areas of the LGA's corporate "Local Growth" campaign. There is an immediate window of opportunity for the LGA to influence the Autumn statement with a manifesto for growth; one important strand of this being the visitor economy and the outcomes from the board discussion will feed into this.
5. The visitor economy is also of interest to other LGA boards such as the Economy & Transport Board and Environment & Housing Board. We will work with them to take forward the outcomes from the board discussion to shape our activities in this area.

**Overview of the Visitor Economy Industry**

6. Britain runs a large tourism trade deficit, mainly because we are much more likely to holiday abroad than other countries. Currently less than 40% of our total holiday spend goes on domestic tourism, meaning this is a potential area for significant growth. The

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Government's tourism policy aims to increase the proportion of UK residents who holiday in the UK to match those who holiday abroad over the next four years – this equates to £2 billion more direct spend and 50,000 new jobs. It is mainly aiming to do this through marketing campaigns and VisitEngland's support to industry on creating great destinations.

7. There are early signs of growth with latest data from VisitEngland showing a 9% increase in the number of domestic overnight trips. However, a risk to the durability of the "staycation" phenomenon once economic growth returns in an increasingly competitive international industry is that people will return to their favourite holiday destination abroad. Closing the tourism trade deficit depends upon the domestic tourism industry offering high quality experiences that encourage people to keep holidaying at home, alongside a step-change in people's aspirations for their breaks. Factors such as environmental awareness are also important.
8. At the same time there is potential to attract more visitors from abroad and in particular the expanding middle classes of the BRIC countries (Brazil, Russia, India and China). The Government wants to increase the number of overseas visitors to the UK from just over 30 million today to 40 million by 2020 and is introducing a raft of measures to achieve this, including an £8 million marketing campaign to treble the number of Chinese visitors to 500,000 by 2015, improvements to the visa regime and better flight connections to key BRIC cities.
9. The diverse tourism industry – accommodation, hospitality and attractions – that welcomes domestic and overseas visitors is 80% small or medium sized enterprises and often family-owned pubs, restaurants or guesthouses. Their turnover can fluctuate and depends upon factors including how much visitors spend, how long they stay, maximising the multiplier effect of wider spend in destinations, the cost of wages, the cost of complying with regulations and the impact of global trends on visitors' spending, such as economic confidence and currency exchange rates. The local tourism economy also varies hugely from place to place – for instance, domestic visitors are more likely to holiday in rural areas and spend less, whereas overseas visitors are more likely to base themselves in urban areas and spend more.
10. Many tourism businesses work in partnership with the public sector to develop an integrated and long-term approach to attracting visitors through Destination Management Organisations, which range from informal partnerships to a company limited by guarantee. Some are also involved with Local Enterprise Partnerships and local Chambers of Commerce. A focus for VisitEngland is supporting industry to form effective partnerships and coordinated approaches to creating and marketing great destinations.
11. Improving productivity is key to the tourism industry being able to attract new and repeat visitors and being resilient to fluctuations in visitor numbers and wider economic trends. Britain's tourism industry is not as competitive as those in other countries - we currently rank 11<sup>th</sup> in the world. This suggests a focus on supporting industry to raise its game and encouraging visitors to spend more. In turn this suggests a concentration on:
  - 11.1 Skills – tourism businesses need skilled and reliable staff to give visitors a world class service. However the seasonal nature and low pay of many of the jobs sometimes

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makes this difficult to achieve. Compared to other sectors there is a higher turnover of staff, career progression paths are weaker and it takes employers longer to fill vacancies. There also needs to be a better match between education and skills provision and the needs of tourism businesses in destinations.

- 11.2 Quality of the experience and place – domestic destinations are competing with the rest of the world and offering a high quality and distinctive experience is vital. This depends upon factors including the quality, breadth and affordability of accommodation, hospitality, cultural and other attractions, the attractiveness of the wider public realm and public transport.
- 11.3 Marketing and welcome – destinations need to promote themselves effectively to attract visitors and encourage them to spend once here. VisitEngland is encouraging greater collaboration between destinations through projects such as the Holidays at Home and GREAT campaign. Historically the UK has lagged behind other countries in the quality of its welcome. The UK was ranked third overall in the Anholt-GfK Nation Brands Index (2011), but fell to 12th when welcome was measured. We will only achieve a tourism legacy from the 2012 Games and other big events if we make people feel welcome – this starts with the booking experience and information received in advance of a holiday and goes on to include the arrivals experience at train stations, ports or airports, information for visitors at destinations, the friendliness and knowledge of staff and the accessibility of accommodation and attractions.

### **The role of the public sector and especially councils**

12. Members may wish to comment on what contribution the public sector can make to improving the productivity of the tourism industry:
- 12.1 Central government – tourism is central to the Government's efforts to boost the economy. The LGA welcomes the profile and the additional funding Ministers have given to the visitor economy. We suggest Ministers could do even more by devolving to councils the necessary levers over finance, skills and transport so that they can fulfil their ambition to promote growth and provide the infrastructure that is essential for a successful visitor economy.
- 12.2 VisitEngland – VisitEngland is charged by Government to increase the value of the nation's tourism by 5% per annum over the next ten years. It has four key areas of focus: providing data, intelligence and analysis for industry; leading integrated marketing campaigns; business support and working with partnerships across the country to deliver their Strategic Framework. The LGA fully supports VisitEngland encouraging collaboration between destinations and we also believe they can be a strong champion for industry and the value of the visitor economy to Ministers.
- 12.3 Councils – councils are closer to tourism businesses than any other part of the state and so are ideally positioned to take a lead role in joining up support for, and listening to, industry, providing information and reflecting their role within local strategic planning and priority setting. In particular councils can make a vital contribution to creating the conditions for the visitor economy to thrive by consolidating planning

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reforms, improving skills, incentivising investment in tourism and providing strong local leadership.

**Suggested LGA areas to focus on**

13. Given the analysis presented above, Members are asked to comment on the suggested focus for LGA activity over the coming year to help improve the productivity of the tourism industry and secure a legacy from the 2012 Games:

13.1 Supporting councils in their local leadership role on the visitor economy

13.1.1 Promote and support the role of strong political leadership in embedding tourism support across councils and in strategic planning through, for example, the LGA / VisitEngland political leadership seminar on 19 October and sharing good practice case studies.

13.1.2 Continued dialogue between the Chair of CTS Board and the Chair of VisitEngland to maintain a mutual awareness about the key issues facing councils and industry, to develop shared messages and actions on supporting productivity and championing the value of tourism to the economy.

13.1.3 LGA representation of councils at the Visitor Economy Forum and Strategic Industry Advisory Forum so that industry understands and values the leadership role of councils in the visitor economy.

13.1.4 Support councils to develop locally appropriate arrangements to support destination management. This could include working through LEAs, supporting a private-sector led approach or direct investment.

13.2 Supporting councils to work with local tourism businesses to promote investment and increased revenue spend per visitor through financial incentives.

13.2.1 Call on Government to increase the local share of business rate retention as part of the LGA's work on the Finance Bill. This will enable local areas to invest and grow their local economy through the visitor economy. Places who want to should be able to prioritise destination management to receive extra investment.

13.2.2 Explore and share learning and good practice on Tourism Business Improvement Districts (TBIDs) and other partnership investment arrangements between the public and private sector.

13.2.3 Work with the British Property Federation and other private partners to call upon the Government for increased tax increment financing to attract investment in the visitor economy in local areas.

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13.3 Supporting councils to improve the quality of place and public realm to enhance the visitor experience and benefit local residents and businesses.

13.3.1 Consolidate planning reform to enable councils to better manage their local environment and exploit the distinctiveness of an area in order to make it an attractive destination, for visitors and tourism businesses. If a council prioritises the visitor economy it should have the local tools and flexibility to make local decisions and trade offs.

13.3.2 Continue to make the case for local government to play a greater role in decisions on rail, buses, road and transport infrastructure in order to ensure it is fit for purpose to support a growing visitor economy.

13.3.3 Work with private partners and LEPs to highlight to Keep Britain Tidy our concerns that changes to bathing water regulation substantially earlier than those required by international standards (due 2015) may have a significant adverse impact on the visitor economy of areas. This could be achieved through discussions with Keep Britain Tidy and Defra and media work.

13.4 Supporting councils to use their wider leadership role on the economy and the partnerships they lead so that the skills needs of tourism businesses are met.

13.4.1 Call on Government to give councils a bigger commissioning role in skills provision so that where the visitor economy is prioritised, councils can work with LEPs and other partners to exert more influence on training providers to respond to local labour market conditions.

13.5 Arguing for a simpler, proportionate and yet still robust trading standards and regulation framework

13.5.1 Argue for changes to regulation which would make it easier for councils to support tourism businesses to make the most of their regional identities in their destinations. This could be realised, for example, through calling on Government to make it easier for businesses and communities to host small low-risk events that make a vital contribution towards the creation of authentic destinations.

13.5.2 Make the case for the removal of disproportionate red tape that gets in the way of providing a high quality welcome, such as the requirement on B & B owners to pay for a full alcohol license from the council just so they can offer a welcome bottle of wine to guests.

**Suggested issues to discuss with VisitEngland**

14. VisitEngland's attendance at this board meeting gives members a valuable opportunity to explore some key issues with them. Members may wish to explore the following:

14.1 the invaluable advocacy role VisitEngland could play for local government and the industry with Ministers and Government.

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- 14.2 how VisitEngland will strengthen their localist approach by working to ensure councils play a stronger leadership role in driving visitor economy locally.
- 14.3 how they could help strengthen public and private partnerships and assist LEPs to work with tourism businesses, both through special-purpose Destination Management Organisations but also through Chambers of Commerce and other bodies to increase investment to the local visitor economy.
- 14.4 the leverage they could help play in ensuring a tourism legacy and that the showcasing of the nation as a result of the Games is fully realised through a long term increase in visitor numbers.
- 14.5 how they will work with local government on the local aspects of their campaigns and recent commitment to double the number of domestic package breaks by working with partners.
- 14.6 the role they could play in supporting local government's concerns that premature changes to bathing water standards will see a significant number of councils (Defra estimate this could be up to 30%) lose their blue flag status.

**Conclusion and next steps**

- 15. A truly authentic visitor experience, grounded in local communities and experience and serviced by high quality attractions and skilled labour can be the driver for a growing and sustainable tourism economy in England.
- 16. Following the board discussion, officers will develop an action plan and visitor economy contribution to the LGA's growth manifesto for lead members to consider.