

16 January 2013

Item 3

Supporting growth of the visitor economy through the hospitality industry

Purpose of report

For discussion and direction.

Summary

This reports sets out opportunities for the LGA and councils to work with the hospitality industry to help improve the productivity of tourism businesses and generate local economic growth. Ufi Ibrahim, Chief Executive of the British Hospitality Association (BHA), will attend the Board.

Recommendation

Members are asked to discuss and agree the actions set out in paragraphs 11.1.1 – 11.1.3, 11.2.1, 11.3.1, 11.4.1 – 11.4.2, and 11.6.1 – 11.6.2..

Action

To be taken forward by Officers as directed by Members

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Supporting growth of the visitor economy through the hospitality industry

Background

1. Supporting councillors to drive economic growth through the visitor economy is the Culture, Tourism and Sport Board's top priority this year and is one of the Board's contributions to the LGA's local growth campaign.
2. 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 contributes around £97 billion to the English economy (8.6 per cent of Gross Domestic Product and the long-run Gross Value Added growth rate of the visitor economy is forecast to be 3.5 per cent annum over the period 2010 to 2020, well ahead of the 2.9 per cent forecast for the economy as a whole.
3. This demonstrates the potential opportunities for the visitor economy as a driver of local economic growth. Councils play an important leadership role through creating the conditions for the visitor economy to thrive in urban and rural places through consolidating planning reforms, improving skills, creating an attractive public realm, ensuring good transport links, supporting businesses and incentivising inward investment.
4. The British Hospitality Association (BHA) is the representative organisation for the hospitality industry, representing the hotels, restaurants, leisure outlets and food service providers that are essential to the visitor economy. As such, working with the BHA is a vital route through which the LGA and councils can support improving the productivity of tourism businesses – the key issue to come from our recent analysis of the visitor economy and consultation with councils.
5. The BHA aims to positively champion the hospitality industry through partnerships with government and with other organisations. The hospitality industry employs 2.44 million people, and with the right conditions – the BHA argues – could create an additional 236,000 jobs by 2015. The BHA is a strong champion of partnership working between the hospitality industry and local partners, but has raised concerns about the extent to which Local Enterprise Partnerships (LEPs) are reflecting the value of the hospitality industry to local economies and would like to see quicker progress made on reducing the regulatory burden on businesses. To assist with the former, the LGA contributed a joint foreword for a 2011 BHA publication that set out the economic value of the hospitality industry in every local authority area, which can be found here:
<http://www.bha.org.uk/wp-content/uploads/2011/10/ENGLAND-HOSPITALITY-DRIVING-LOCAL-ECONOMIES-REPORT-FINAL-OCT-11.pdf>.

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The hospitality industry and the visitor economy

6. The LGA's analysis on tourism - developed at the last two Board meetings and in conjunction with the Rural Commission and the councillors who attended our visitor economy seminar in October – showed that most of the future growth potential in the visitor economy lies in higher productivity. This means giving visitors a higher-value offer in terms of accommodation and in the wider destination on food and visiting attractions, converting day visits into overnight visits – especially in the countryside – securing the durability of the “staycation” phenomenon even once the economy recovers, and attracting more business tourism.
7. The hospitality industry that welcomes domestic and overseas visitors is 80 per cent small or medium sized enterprises (SMEs) 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. They can also struggle to access the finance needed to improve the quality of their offer.
8. 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.
9. 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 eleventh in the world. This suggests a focus on supporting industry to raise its game so that the quality and breadth of accommodation, hospitality, cultural and other attractions all encourage visitors to stay longer and spend more in destinations.

How councils are supporting the hospitality industry

10. There are already lots of examples of councils supporting the hospitality industry to improve productivity. For instance:
 - 10.1 High Peak Borough Council, in partnership with Derbyshire County Council, is leading a scheme to build a five-star hotel and spa with a visitor centre, shops and restaurants. This quality accommodation will increase productivity by encouraging more higher spending day visitors to stay overnight in the local area.
 - 10.2 Broadland District Council and Norfolk County Council funded a programme called 'Trading Up' for SMEs operating in their visitor economy. The programme offered free training sessions covering key skills to help businesses improve their productivity, including customer service, marketing, business and consumer law, information technology and internet skills. Businesses reported a better understanding about what they needed to do to encourage visitors to spend more

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and stay longer in destinations and forged new partnerships with other SMEs to jointly market attractions.

- 10.3 Cambridgeshire County Council through Cambridge Local Government Pension Fund and Trinity Hall College have formed 'Cambridge and Counties Bank' which provides funding for local SMEs who have been unable to access loans from commercial lenders. The bank will loan around £100 million over the next four years and will be a new route for tourism businesses to potentially access the finance to enable them to improve the quality of their offer.
- 10.4 Local councils and Marketing Cheshire jointly ran 'Tourism Connect' to drive up local accommodation standards to a four star gold rating. Businesses received grants, which they had to match fund, and were supported to develop and implement plans that improved the design and quality of accommodation, as well as creating a new destinations network to improve joint marketing. Over 18 months the project supported 13 businesses and helped them to achieve a 3.6 per cent increase in overnight visitors.
- 10.5 However, councils want to do even more to improve the productivity of the visitor economy. There are a number of potential common priorities between the LGA and the BHA, and on which Members may wish to explore scope for joint advocacy work and supporting our respective memberships.

11. These are as follows and also relate to the work of other LGA Boards:

- 11.1 The local strategic engagement of the hospitality industry – In the Autumn statement the Chancellor signalled that there will be greater devolution of growth-related spending to LEPs via a single funding pot for local areas and additional funding for infrastructure. The LGA is supporting councillors in places that have prioritised the visitor economy to ensure that it is central to local growth plans so that local investment helps to grow the visitor economy. **Annex A** gives just a few examples of LEPs with good representation from the hospitality industry and nearly all LEPs have shown an interest in the visitor economy or identified it as a priority.

Recommended LGA actions:

- 11.1.1 Share key messages with industry about the potential benefits of engaging with LEPs and share examples of where this is already happening and with what results, building upon the 2011 BHA publication.
- 11.1.2 Promote and support the role of strong political leadership in embedding tourism support across councils and in strategic planning through, for example, First magazine, relevant LGA events and sharing good practice case studies on Knowledge Hub.

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11.1.3 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 and LEPs in the visitor economy.

11.2 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 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.

The LGA welcomed the Chancellor's recent announcement that LEPs will also have a new strategic role in skills policy which will oblige further education colleges to take account of LEP priorities. The devolution of skills is a long-standing LGA position and should enable areas that have prioritised the visitor economy to ensure that education providers provide learning opportunities that will meet the workforce needs of the hospitality industry.

Recommended LGA action:

11.2.1 Support industry and councils to take forward a more localised approach to skills, sharing examples of how this is influencing training providers to respond to local labour market conditions in the hospitality industry.

11.3 Supporting SMEs to access finance – Although Cambridgeshire County Council have been able to navigate and meet the statutory requirements to set up a new bank, there have been relatively few new entrants to the market. Many other councils wishing to set up a similar bank to support SMEs are unable to do so because of the complexity of the process, time and money involved. We are encouraged that the FSA is currently looking at ways to simplify the process and the Treasury is keen to encourage greater competition.

Recommended LGA action:

11.3.1 Develop practical proposals for how councils can help SMEs to access much needed finance, which can be fed into the Spending Review and the government's rural growth review.

11.4 Intelligent regulation – Councils - through their support, advisory and enforcement roles - can help the tourist industry to provide quality assured services and avoid reputational damage caused by poorly operated businesses

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Recommended LGA action:

- 11.4.1 Publish a think piece on how regulatory services can be adapted to promote growth in the tourist industry. We would welcome suggestions from BHA and its members.
- 11.4.2 Work with industry to develop the concept of 'ancillary sales' of alcohol, currently being consulted on by the Home Office, to remove the licensing burden on responsible small businesses.
- 11.5 Marketing and technology - destinations need to promote themselves effectively to attract visitors and encourage them to spend once here. Initiatives such as VisitEngland's and VisitBritain's GREAT campaign are providing some additional funding to help address this. 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 twelfth when welcome was measured. Welcome 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.
- 11.6 It also relies upon access to broadband as the majority of visitors now expect to be able to book their accommodation on-line, and to access a reliable and sufficiently fast broadband service from their accommodation. Businesses will lose out if they do not offer this. This is a particular issue for some rural destinations and especially those 10% of places which will not be reached by the government's rural superfast broadband programme. Although state aid clearance for the rural programme has finally been granted, councils are very concerned about the lack of competition in the supply chain. The LGA has consistently called upon government to make available information and benchmarking that will help ensure competitive deals are struck and keep the rollout on track.

Recommended LGA actions:

- 11.6.1 Members may wish to explore with BHA how they are supporting their members to adopt innovative marketing strategies and improve welcome, and how well industry is joining-up with local councils as potential marketing partners.
- 11.6.2 Joint advocacy to Ministers highlighting the centrality of broadband to growing of the visitor economy and the urgency of addressing councils' concerns about the rural programme.

Conclusion

- 12. Councils have a long and successful track record in working with the hospitality industry to promote the financial and cultural boost it gives our villages, towns and cities. Now

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more than ever it is vital we get this right and don't miss out on any opportunities to nurture innovation, create jobs and keep the sector growing.

ANNEX A: Examples of hospitality representation on Local Enterprise Partnerships (LEPs)

In the Derby, Derbyshire, Nottingham and Nottinghamshire LEP, the hospitality industry is represented on the LEP Board by the Duke of Devonshire (Chatsworth House). The LEP is playing a key role in further developing tourism strategy and direction building on major assets such as Peak District, Nottingham, Derbyshire Dales and Sherwood Forest.

The Chairman of the New Anglia Local Enterprise Partnership is Andy Wood, Chief Executive of Adnams Plc, a nationally recognised award winning brewery, pub-owner and hotelier based in Suffolk. Tourism is one of the LEP's priorities and the focus is developing a coherent marketing and advertising strategy to make sure businesses in the partnership have a strong presence and a voice.

Two Board Members on the Cumbria LEP are renowned hoteliers and the LEP has prioritised addressing the seasonality, skills shortages and supporting hospitality businesses to be more competitive.

One of the members on the York, North Yorkshire and East Riding Enterprise Partnership is an award winning Pickering B&B owner. The LEP also plans to work with local hospitality businesses of all sizes, including restaurants, hotels and public houses.

Dorset LEP has two members representing the hospitality industry in different ways; Dr Bruce Grant-Braham is a fellow of the Institute of Hospitality and John Beesley FIH has been a Bournemouth hotelier for over 30 years and heads a hospitality consultancy specialising in hotel management and development.

One member of the Cornwall and Isles of Scilly LEP has chaired the Cornwall Association of Holiday Home Agencies and is a partner at Classic Cottages, a family company marketing holiday homes with a staff of thirty three and a market portfolio of some seven hundred properties spread throughout the West Country.

