

16 September 2014

Growing the Visitor Economy

Purpose

To update Members on latest policy developments regarding the visitor economy and to seek Members' steer on follow-up actions.

Summary

The Government's Triennial Review of VisitEngland and VisitBritain, and the Culture, Media and Sport Committee's inquiry into the visitor economy, provide early opportunities for the Board to set out its vision for councils' leadership role unlocking future growth of the visitor economy. In turn, this will feed into our overarching offer to an incoming government.

The Terms of Reference for the Triennial Review of VisitBritain and VisitEngland are included as **Annex A** and the Terms of Reference for the Culture, Media and Sport Committee's Inquiry into Tourism are included as **Annex B**.

Recommendation/s

Members are invited to comment upon the issues raised in the report, to offer an initial steer on the LGA's response to the Triennial Review of VisitBritain and VisitEngland and to comment upon the proposed actions in **paragraph 22**.

Action/s

Officers to progress actions in line with Members' steer.

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Growing the Visitor Economy

Introduction

1. The Government's Triennial Review of VisitEngland and VisitBritain, and the Culture, Media and Sport Committee's inquiry into the visitor economy, provide early opportunities for the Board to set out its vision for councils' leadership role unlocking future growth of the visitor economy. In turn, this will feed into our overarching offer to an incoming government.

Background – An Overview of the Visitor Economy

2. The visitor economy is the fifth largest industrial sector in the UK and one of the few experiencing strong growth - it accounts for £126.9 billion of Gross Domestic Product, contains over 200,000 businesses and provides 9.6 per cent of the nation's jobs¹. Tourism has bucked macro economic trends and continued to grow strongly during the economic downturn. According to the Office of National Statistics, almost a third of new jobs generated in the UK over the last three years have been in tourism related businesses.
3. Domestic and inbound tourism have performed well in recent years. Since 2007, revenue from inbound tourism (overseas visitors) has increased by 31 per cent from £16 billion to £21 billion. Domestic tourism revenue has increased 16% from £16.2 billion in 2007 to £18.8 billion in 2013. The UK's tourism deficit (the difference between money spent by UK residents holidaying abroad and money spent in the UK by overseas visitors) has fallen from a peak of over £20 billion in 2008, to under £14 billion as more people holiday at home. However, this is still a large deficit, and a challenge for the future resilience of the visitor economy is to keep people holidaying at home even as household incomes begin to increase as the economy recovers.
4. Of course the local tourism economy varies hugely from place to place – supporting distinct and authentic destinations is the whole point of a tourism offer. The tourism industry is equally diverse and rooted in local places. The accommodation, hospitality and attractions that welcome visitors are 80 per cent small or medium sized enterprises and often family-owned pubs, restaurants or guesthouses.
5. Future growth in the visitor economy will be driven by:
 - 5.1 Attracting more visitors from rapidly growing and emerging markets, such as China, UAE and Brazil;
 - 5.2 Persuading domestic visitors to spend more and stay longer in destinations – in particular converting day visits into overnight stays.
 - 5.3 Re-balancing the English and Welsh visitor economies by encouraging more inbound visitors to London to extend their stay visit other destinations across England and Wales.

¹ *Tourism Jobs and Growth: The economic contribution of the tourism economy in the UK*, Deloitte and Oxford Economics, November 2013 http://www.visitbritain.org/Images/Final%20proof%2015%20Nov_tcm29-39296.pdf

6. Unlocking this growth, and closing the tourism deficit, requires the tourism industry to offer the high quality experiences and employ the skilled labour that will attract new visitors and keep people holidaying at home, as well as the wider infrastructure upon which the visitor economy relies – including transport connectivity and broadband access.
7. The Government's approach to tourism is set out in its 2011 Tourism Policy. The centrepiece is the GREAT marketing campaign, co-funded by government and the private sector, which aims to bring 4.6 million extra visitors to Britain, generating £2.2 billion more spend in the economy between 2011 and 2015. VisitEngland, England's tourism board responsible for boosting domestic tourism, is leading the domestic GREAT campaign, as well as supporting destinations and industry to improve their offer. VisitBritain, the national tourism body responsible for promoting Britain worldwide, is leading the international element of the GREAT campaign, promoting England, Wales and Scotland as great places to visit, study, work, invest and do business to 17 global cities including Tokyo, Beijing and Sydney. VisitEngland and VisitBritain are Department for Culture, Media and Sport Non Departmental Public Bodies. The Government recently announced a Triennial Review of VisitEngland and VisitBritain and this is covered in more detail in **paragraphs 16-18** below.
8. As tourism is a devolved policy responsibility, Visit Wales is part of the Welsh Government's Department for Economy, Science and Transport, and is not being reviewed as part of the Triennial Review. Of course, the Triennial Review of VisitBritain and VisitEngland is also highly relevant to Welsh councils because VisitBritain's remit includes promoting Wales globally, and any changes to the structure and remit of VisitBritain will most probably impact upon the remit and funding of the home nation tourism boards. The Welsh Government's tourism strategy "Partnership for Growth" said it was necessary to review regional tourism structures in order to achieve the strategy aim of growing tourism earnings in Wales by 10 per cent or more by 2020. Following a consultation period, in April 2014 the Welsh Government announced that funding for the four Regional Tourism Partnerships would end after 30 September 2014. In its place a new centralised "Regional Engagement Team" will be established within the Welsh Government as part of Visit Wales. New regional representatives will be recruited to the Tourism Advisory Board.
9. Local authorities and the former Regional Tourism Partnerships have played a key role in increasing the quality of Wales's tourism offer. It is not clear yet how the new arrangements will work with Visit Wales having a regional role; however the Welsh Local Government Association is strongly advocating the need for enhanced partnership working to deliver programmes and projects at a local level. This localised approach should be inclusive of local government and local businesses and linked to the priorities with the Destination Management Plans which all Welsh local authorities have prepared.
10. Building upon the tourism legacy of the 2012 Olympic and Paralympic Games, and more recently the 2014 Tour De France, there are a number of opportunities to keep up the profile and distinct identities of England and Wales as a world-class destination of choice for domestic and inbound visitors alike. In particular, the Magna Carta 800 anniversary in 2015 will result in an influx of visitors from America and other countries whose constitutions were influenced by the democratic principles first espoused in Magna Carta. Initiatives such as the "Magna Carta tourism trails" are encouraging visitors to

discover places around England connected to the momentous events of 1213-15, and “Magna Carta Week” is acting as a focal point for promotional activities in Wales. England and Wales will host the 2015 Rugby World Cup, the third largest sporting event in the world after the Olympic and Paralympic Games and football world cup. The host cities are spread all over England and the Millennium Stadium in Wales, and with overseas visitors staying an average of three weeks each, there is a huge opportunity to showcase English and Welsh tourism, heritage and cultural assets, as well as tapping into the domestic fan base.

Local government’s role driving the visitor economy

11. Councils are heavily involved in supporting the visitor economy and creating great places for people to visit. They help to ensure the quality and development of the core infrastructure of places, such as transport facilities and clean, safe and attractive public spaces. Councils invest over £100 million per year in business support, visitor information and destination marketing. They spend £2.9 billion every 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.
12. Councils recognise the economic value of tourism, but when they are contending with the biggest cuts in living memory, we need to encourage the private sector to play as big a role as possible in tourism. 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.
13. Councils also provide practical support to local businesses to help them to improve the quality of their offer – for example, practical advice, links with training providers, and support and information about how to gain accredited status for local produce, and a locally-led and proportionate approach to regulation.
14. With a rapidly changing local economic landscape (Local Enterprise Partnerships, City Regions, Combined Authorities, and other sub-regional partnerships), we need to focus on supporting positive partnerships between industry and the public sector. It is the LGA’s very-well established view that decisions about where and how to support the tourism industry must be made by councils and business locally, and how this is achieved will vary area to area.
15. In many places there are special-purpose Destination Management Organisations (DMOs) which bring businesses together, often with the public sector, to seek to develop an integrated and long-term approach to marketing and attracting visitors. These range from informal partnerships to companies limited by guarantee. It is important that DMOs are integrated into the wider economic landscape through close working with councils and LEPs. In some places, it will be the LEP who takes the lead on the visitor economy. In others, the council or the Combined Authority will be in the lead. The LGA’s key concern has been to support positive joint working between industry and the public sector and this is where we have encouraged VisitEngland to focus their efforts.

Triennial Review of VisitBritain and VisitEngland and Select Committee Inquiry

16. The Government recently announced a Triennial Review of VisitEngland and VisitBritain. The terms of reference are attached at **Annex A**. The first stage of the Review will look at whether there is a continuing need for both organisations or if there is an alternative model. The second stage will look at the control and governance of each organisation to ensure they are delivering their functions efficiently and effectively. The review team is being led by Mark Fisher CBE, a Director of Social Justice at the Department for Work and Pensions, and the findings are expected to be published later this year.
17. The closing date for responses is 31 October and the CTS Board is an opportunity for Members to have an initial discussion about the LGA's response. The potential of an independent Scotland, or even greater devolution to the Home Nations, raises fundamental questions about the future value of the "Britain" brand when the policy and funding direction of travel is towards greater devolution to the Home Nations. The LGA's response will draw out implications for English and Welsh councils, reflecting the different policy landscape within which they operate.
18. The Culture, Media and Sport Committee has also launched an inquiry into the visitor economy with a deadline of 29 September for submissions. The terms of reference for the inquiry are attached at **Annex B** and cover many of the issues highlighted in this report. The LGA's response will be an early opportunity to set out councils' role supporting positive partnerships between industry and the public sector and creating the conditions for the visitor economy to thrive, as well as making the most of the Magna Carta 800 anniversary and other big cultural and sporting events to raise profile and drive growth across England and Wales.

Addressing the Productivity Challenge

19. A further suggested focus for the CTS Board is carrying out a new analysis about how to unlock the potential of the visitor economy to boost growth by improving productivity and re-balancing the English visitor economy so that more inbound visitors to London extend their stay and visit other destinations around the country. It is suggested that our findings and impactful case studies are brought together in a publication launched in early 2015 with the aim of setting an incoming government's agenda on tourism. The analysis would be likely to cover:
 - 19.1 Supporting positive partnerships between industry and the public sector: Central government funding and influence over the visitor economy used to be tightly controlled through Regional Development Agencies. With the demise of regional economic structures, and a challenging fiscal climate, VisitEngland has had to adapt to operating in a localist world where there are a variety of sub-regional and local economic bodies working together to greater or lesser degrees to grow the visitor economy. VisitEngland recognises the leadership role of councillors and the value of different approaches to destination management, often with strong private sector engagement. As mentioned above, regional tourism structures are changing in Wales, and we should make the case for a continued strong leadership role for councils in the new arrangements. Our analysis would examine the role of LEPs in supporting the visitor economy, and encourage DMOs to integrate into the wider economic landscape through close working with councils.

- 19.2 Skills: Tourism businesses need skilled and reliable staff to give visitors a world class welcome and 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 workforce needs of tourism businesses in destinations.
- 19.3 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. Access to a reliable broadband connection is also important for both the visitor experience and enabling businesses to operate as efficiently as possible.
- 19.4 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 Cultural Destinations (with Arts Council England) and the GREAT campaign. Historically the UK has lagged behind other countries in the quality of its welcome. The 2012 Olympic and Paralympic Games has been credited with an improved performance in the 2013 Anholt-GfK National Brands Index. Britain's "welcome" was rated the tenth best in the world - an improvement of three places compared to last year, and the first time Britain has featured in the top 10.
20. This project is likely to involve joint working with other Boards as the LGA's wider advocacy of further devolution of growth funding and localisation of skills policy will help to ensure that councils have the levers they need to address the productivity challenge in the visitor economy. We will also continue to work with the Welsh Local Government Association.

Next steps

21. 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 and Wales.
22. Members are invited to comment upon the following actions:
- 22.1 Embed the visitor economy in the LGA's response to the "English Question";
- 22.2 Submit written evidence to the Culture, Media and Sport Committee's inquiry on tourism– deadline 29 September;
- 22.3 Submit an LGA response to the Government's Triennial Review of VisitEngland and VisitBritain – deadline 31 October;
- 22.4 Explore scope for joint working with other relevant LGA Boards on shared issues including the role of LEPs and other sub-regional economic arrangements in the visitor economy, how to ensure an appropriately skilled workforce, a proportionate

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approach to regulation and the importance of wider transport and digital infrastructure for future growth of the visitor economy; and

- 22.5 Develop an evidence-based narrative and publish an analysis about how to unlock the potential of the visitor economy to boost further growth by improving productivity and re-balancing the English and Welsh visitor economies – publish in early 2015.

Annex A: Terms of Reference for the Triennial Review of VisitBritain and VisitEngland

Objective

All public bodies are required to be reviewed every three years. In accordance with Cabinet Office guidelines², the joint VisitBritain/VisitEngland review will have two principal aims, represented by two stages:

- i. **STAGE 1:** To provide a robust challenge for the continuing need for the functions performed by both VE and VB, and, if there is, whether some or all of these functions should be delivered by alternative delivery models or continued delivery by a Non-Departmental Public Body (NDPB). Stage 1 will also include an examination of their respective remits (England and Britain) and where appropriate their commercial strategy.
- ii. **STAGE 2:** If it is agreed that the functions of each should continue to be delivered by NDPBs, to review the organisational control and governance arrangements in place to ensure that they are compliant with the recognised principles of good corporate governance and delivering good value for money.

The structure, **specifically whether there should be one or two separate organisations to deliver the functions**, where there are overlaps in those functions, as well as the efficiency, and effectiveness of each will be considered as part of both stages, including an appraisal of the scope for further commercial activity.

Scope

Within this context, the review will consider:

- Whether delivery of the functions continue to contribute to wider Government policy (including economic growth);
- Whether providing the functions is a justifiable use of grant-in-aid and GREAT funding, and whether they provide value for money;
- The demand for the functions and services, in the light of the changing local tourism delivery chain and developing local economic growth structures in England
- The growth opportunities presented by domestic and mature international markets as well as emerging international growth markets;
- The extent and effectiveness of the engagement with all related tourism and non-tourism bodies and whether this is appropriate;
- Whether commercial opportunities are being maximised;
- Whether the governance and management arrangements are sufficiently robust and transparent;
- The 'counterfactual' – that is, the cost and effects of not delivering the functions;
- Efficiency with which both organisations operate and extent to which further back office administrative cost reductions are possible; and

² <https://www.gov.uk/public-bodies-reform>

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- The accountability, governance and sponsorship arrangements as appropriate following recommendations at Stage 1.

Departmental Governance Arrangements

The Minister for Sport and Tourism will have oversight of the Review. Both Cabinet Office and DCMS Ministers will be asked to agree the report and recommendations for VisitEngland and for VisitBritain before publication. A review team has been set up that is independent of both VB and VE.

Members of the Cabinet Office will be able to offer advice on commercial/marketing models and ALB governance issues on a consultative basis. A Challenge Group has been established to work alongside the review team and to provide challenge to the methodology and conclusions of the review.

The review team will engage with a range of stakeholders, where appropriate, individual interviews. The review will start in July 2014 and is expected to publish its recommendations in late 2014.

Annex B: Terms of Reference for the Culture, Media and Sport Committee's Inquiry into Tourism

The Culture, Media and Sport Committee is today announcing an inquiry into tourism.

In 2013, there were 32.8 million visits to the UK by people living abroad; 39% of these were as part of a holiday. In the same year, UK residents paid almost twice as many - 58.5 million - visits abroad. While tourism in the devolved administrations is directly a matter for them, there is a shared interest in promoting a thriving tourist industry throughout the United Kingdom. One estimate puts the value of tourism to the UK economy (in 2011) at £53 billion.

All parts of the United Kingdom have much to offer tourists, foreign and domestic alike. An overarching theme of our inquiry is to examine ways in which this potential can be developed for the benefit of both local economies and the country as a whole. Among the issues we have identified are the following:

- Encouraging tourism outside London and the few other heavily visited cities to other parts of the United Kingdom
- Consolidating and building on London's success as a tourist destination
- Reversing a long-term decline in seaside destinations
- Reducing regulatory burdens on business
- The application of taxes and fees to visitors from overseas, for example in relation to VAT, Air Passenger Duty, visa and other costs
- Visa and border arrangements
- Improving the competitiveness of hotel accommodation in comparison to other countries
- Increasing skills and training within the domestic tourism sector
- Assessing the success of campaigns such as "GREAT" Britain
- Structural arrangements for tourism promotion, including public funding for and the roles of local enterprise partnerships, VisitBritain, VisitEngland and similar organisations in the rest of the UK

The Committee invites written evidence from those who wish to contribute to the inquiry.

How to respond

Written submissions should be sent online via the "Tourism" inquiry page of our website. This web portal will be open for submissions from Thursday 24 July. Submissions should be received by Monday 29 September 2014.