

**REPORT OF THE DIRECTOR OF DELIVERY AND DISCOVERY**

---

**SUBJECT: REVIEW OF DESTINATION PEMBROKESHIRE**

**INTRODUCTION**

- 1.0 Pembrokeshire Coast National Park Authority (PCNPA), Pembrokeshire County Council (PCC) and Visit Wales (VW) have recently funded an independent review of Destination Pembrokeshire. The review is being undertaken by Hurio Ltd in conjunction with the Wales Co-operative Centre.
- 1.2 Destination Pembrokeshire is the Destination Management Organisation (DMO) for Pembrokeshire, as recognised by Visit Wales. The partnership consists of PCNPA, PCC, PLANED and Pembrokeshire Tourism who work closely with the trade and a wide variety of additional stakeholders to deliver the destination strategy and action plan for the county.
- 1.3 Destination Pembrokeshire currently operates successfully as an informal partnership. However, the dual impact of budget reductions and new models of service delivery for tourism funding in Wales necessitate a potential change in the structure, constitution and future priorities of Destination Pembrokeshire.
- 1.4 The final review report will be available in May 2015 but this report gives a brief oversight of the current thoughts on future delivery models for Destination Pembrokeshire and is provided to give Members of the Park Authority the opportunity to shape the future direction of Destination Pembrokeshire.

**BACKGROUND**

- 2.0 The following report aims to give key stakeholders a starting point to advance the option of acquiring an alternative business model to deliver Pembrokeshire's Destination Management Plan.
- 2.1 Following discussions with the Core Stakeholder Group (PCNPA, PCC, PLANED, Pembrokeshire Tourism & Visit Wales) and consultation with wider stakeholders three potential options are emerging as the 'front runners':
  - Establishing a Tourism Business Improvement District (TBID)
  - Establishing a new Social Enterprise
  - Transfer of responsibility to Pembrokeshire Tourism
- 2.2 The report details how each option might work in practice and outlines the relevant strengths and weakness of each model.

## **CURRENT POSITION**

- 3.0 There currently exists an informal partnership arrangement between Pembrokeshire County Council, PLANED, Pembrokeshire Coast National Park Authority and Pembrokeshire Tourism (the Group), which could be termed a loose consortium or network. The organisations have chosen to work together towards a common aim. The network is currently working as an unincorporated organisation with no written partnership agreement or steering group and has no separate legal status outside of its members.
- 3.1 As such the current arrangement doesn't offer individual members protection through limited liability or provide a mechanism to attract and administer external funding.

## **DELIVERY MODELS**

### **4.0 Option 1 - Establishing a New Social Enterprise**

Under this model a new independent social enterprise is created to develop and deliver Pembrokeshire's Destination Management Plan activities. The new enterprise would be run by a Board of Directors made up of representatives from the existing corporate stakeholder group (PLANED, Pembrokeshire County Council, Pembrokeshire Coastal National Park Authority and Pembrokeshire Tourism), with an additional position on the Board for a members' representative. Once elected to the Board, the Directors will then assume the legal responsibility for running the enterprise.

#### **Funding**

- 4.1 Under this model, funding and resources would need to be secured to establish the new enterprise. Once established the new organisation would be free to pursue additional funding such as grants and contracts.

#### **What is a social enterprise?**

- 4.2 A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders.

#### **Legal Structure**

- 4.3 The most common legal structures for a social enterprise are:

- Community Interest Companies (CIC)
- Industrial and Provident Societies (IPS)
- Companies limited by guarantee or shares
- Group structures with charitable status

- 4.4 If the formation of a new enterprise is the Group's preferred option, consideration should be given to establishing a Company Limited by Guarantee.

### **Company Limited by Guarantee**

- 4.5 A Company Limited by Guarantee is the most popular form of incorporation for social enterprises. 'Limited by Guarantee' means that each member's liability for the company's debts is limited to an amount written into the governing instrument (usually limited to £1).

#### **How is it governed?**

- 4.6 A Company Limited by Guarantee is controlled by a Board of Directors who have responsibilities under company law. Every organisation has a set of 'articles of association' which define the purpose of the business and how it should be run. These articles are customised to reflect the needs of the social enterprise, giving considerable flexibility.
- 4.7 If charitable, the company may only alter the objectives within its articles of association with the agreement of the Charity Commission. This ensures that its funds will be used for the correct purpose.

#### **How is it regulated?**

- 4.8 The enterprise must file its accounts, annual returns and other relevant documents with Companies House. Charitable organisations are also regulated by the Charity Commission.

#### **Advantages:**

- It offers limited liability
- Possesses legal personality separate from its members
- Can own property and hold contracts
- Can be charitable

#### **Disadvantages:**

- Greater responsibility for those involved – becoming company directors
- May prove more difficult to raise philanthropic donations/grant aid
- Unlike a Community Interest Company (CIC) assets are not protected with an asset lock

### **Choosing Charitable Status**

- 4.9 There are a number of motivations for establishing an enterprise with charitable status:
- Fiscal advantages: charities benefit from business rate relief and, if the properties occupied have a high rateable value, this offers a significant benefit. Also, charities do not pay corporation tax on their profits.
  - The ability to raise funds: charities are more likely to benefit from philanthropic giving and grants and taxable private donations can be gift aided.
  - Public support: it is felt that the community is more likely to become involved in or volunteer and support a charity than other types of company.

- 4.10 It should be taken into consideration that charitable bodies do have trade restrictions placed upon them. If the enterprise has charitable status, it may only trade in pursuance of its object, in this instance tourism. If required, there are particular exemptions under the tax regime, such as de minimis, where the enterprise may legally undertake a small amount of other trading.
- 4.11 The charity will require the appointment of an unpaid Board of Trustees (charitable law does not allow trustees to be paid for undertaking this function), responsible for the general control and management of the administration of the charity. The Trustees will have responsibility for directing the affairs of the charity, ensuring it remains solvent, well run and continues to deliver on its charitable outcomes.

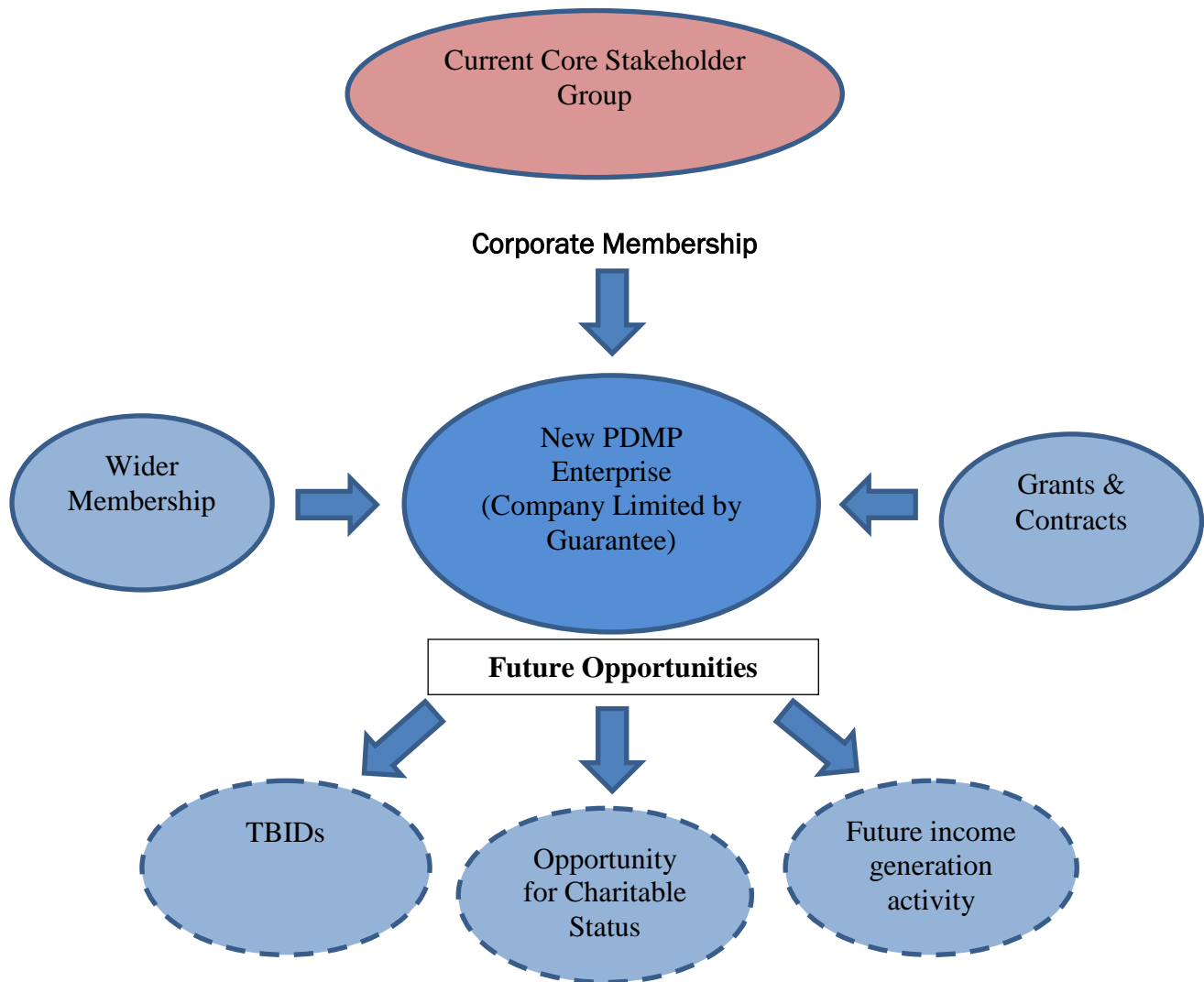
### **Funding**

- 4.12 As above, charities do attract greater fiscal advantages in comparison to other business models including greater access to grant funding opportunities. However these opportunities may prove limited and additional income streams will need to be secured to ensure the long term viability and sustainability of the enterprise.

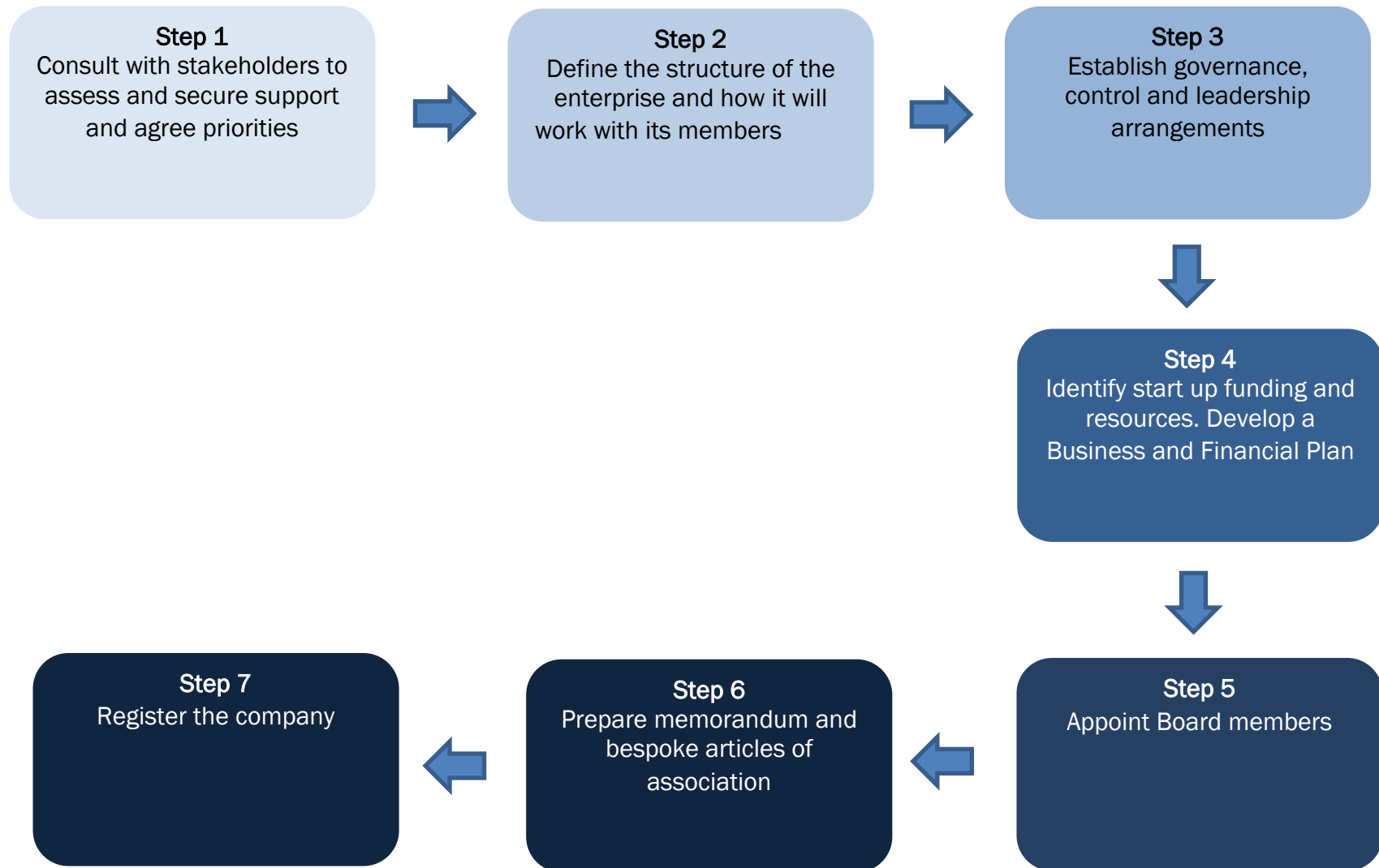
### **Strengths and Weakness**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Provides a single purpose, easily recognised vehicle to deliver PDMP activities.</li> <li>The stand-alone model allows for the development of clear brand and identity</li> <li>Provides the opportunity to develop subsidiary business under a group structure</li> <li>It doesn't rule out the option of establishing a TBID or gaining charitable status</li> <li>It provides individual members with protected liability</li> <li>CLG model is quick, easy and inexpensive to establish (and dissolve)</li> <li>Gives the flexibility of being able to trade commercially whilst still fulfilling social aims.</li> <li>Board membership can be as open and democratic as you wish</li> </ul>	<ul style="list-style-type: none"> <li>Funding and resources are required to set up and develop the enterprise</li> <li>It doesn't come with secured funding so its future sustainability is dependent on securing grant and contracts</li> </ul>

## Organisational Structure



## Developing a Social Enterprise



## **Summary**

- 4.13 This model involves creating a new independent social enterprise for the specific purpose of securing external funding and developing and delivering activities' associated with Destination Pembrokeshire. Set up as a not for profit organisation with a single purpose this model can provide a strong identity for the new organisation.
- 4.14 Membership to the Board can be secured through corporate membership for representatives of the key stakeholder group and through nomination from the wider membership.
- 4.15 The structure will require funding and resources to establish.

The recommended legal structure for this model is a Company Limited by Guarantee because:-

- It's the most widely recognised social enterprise structure
- It is quick and cheap to set up
- Provides Limited Liability protection for the Board of Directors
- It has light touch regulation
- It offers flexibility for future development in terms of Charitable Status and the development of subsidiary companies.

## **Option 2 - Establishing a Tourism Business Improvement District (TBID)**

- 5.0 A Business Improvement District (BID) is a recognised mechanism used to unite local businesses and other stakeholders with the aim of improving their trading environment and enhancing their profitability.
- 5.1 A TBID is broadly similar but designed to support the development of the tourism sector within a destination rather than a cluster of businesses that share a common trading environment.
- 5.2 TBID programmes generally fall within five broad categories:
  - Sales and marketing campaigns
  - Research such as customer research, business trends and brand mapping
  - Business support, for example technical advice, training and networking
  - Tourism services, for example visitor services, festivals and events
  - Capital investment to fund infrastructure projects

## **Funding**

- 5.3 A TBID is predominantly funded through levy income. The Group will need to define who should be consulted in the development of the proposition and ultimately become the levy payers.
- 5.4 The way the levy is determined and the how the levy payers are defined make up the key differences between a traditional BID and TBID. The definition of

levy payers based on their association with the tourism sector is more difficult to establish than the traditional BID definition by geographical boundary.

5.5 Factors that might influence the Group's definition on who should be levy payers include:

1. The extent to which businesses are dependent on the tourism market and therefore how much they may benefit from the establishment of the TBID.
2. How exemptions will be determined e.g. a business may be exempt based on turnover, rateable value or because they are a charitable trust.
3. The need to ensure the TBID will not undermine the competitiveness of local businesses.
4. The nature of Pembrokeshire's visitor economy e.g. if there are high numbers of guest houses and hotels and visitor attractions are largely funded by the local authority, a TBID framework which places the levy on accommodation providers may provide the simplest solution.
5. The location of businesses and the extent to which they may benefit.

Setting the levy

5.6 The levy is likely to take on one of the following forms:

1. A percentage of the rateable value of the levy payer's property.
2. A fixed percentage of the levy payer's turnover or sales revenue.
3. A levy based on a fixed formula using a range of elements e.g. a financial model based upon previous business performance.
4. A levy based on a fixed cost per customer e.g. a fixed levy per customer or sales transaction is applied.

5.7 The establishment of a BID or TBID within an area can act as a catalyst, attracting a range of additional income streams including direct voluntary contributions from larger local companies, in addition to indirect funding such as sponsorship.

**Legal Structure**

5.8 The majority of BID and TBID organisations are established as not-for-profit limited companies.

5.9 A company limited by guarantee has no shareholders and does not distribute its profits. Its member's liabilities are limited to a guaranteed sum – usually £1, should you want it provides the opportunity to obtain charitable status and is a model that clearly demonstrates that Destination Pembrokeshire will be operating for the benefit of the community,

5.10 A company limited by guarantee has a separate legal existence from its members. It may employ people, own property and enter into contracts for example. The company's Directors conduct the daily running of the organisation and may call themselves a Management Committee, an Executive Committee, Board of Trustees or Board of Directors.

5.11 In practice, members of the original programme steering group (representatives from local small and large businesses and the Group) may



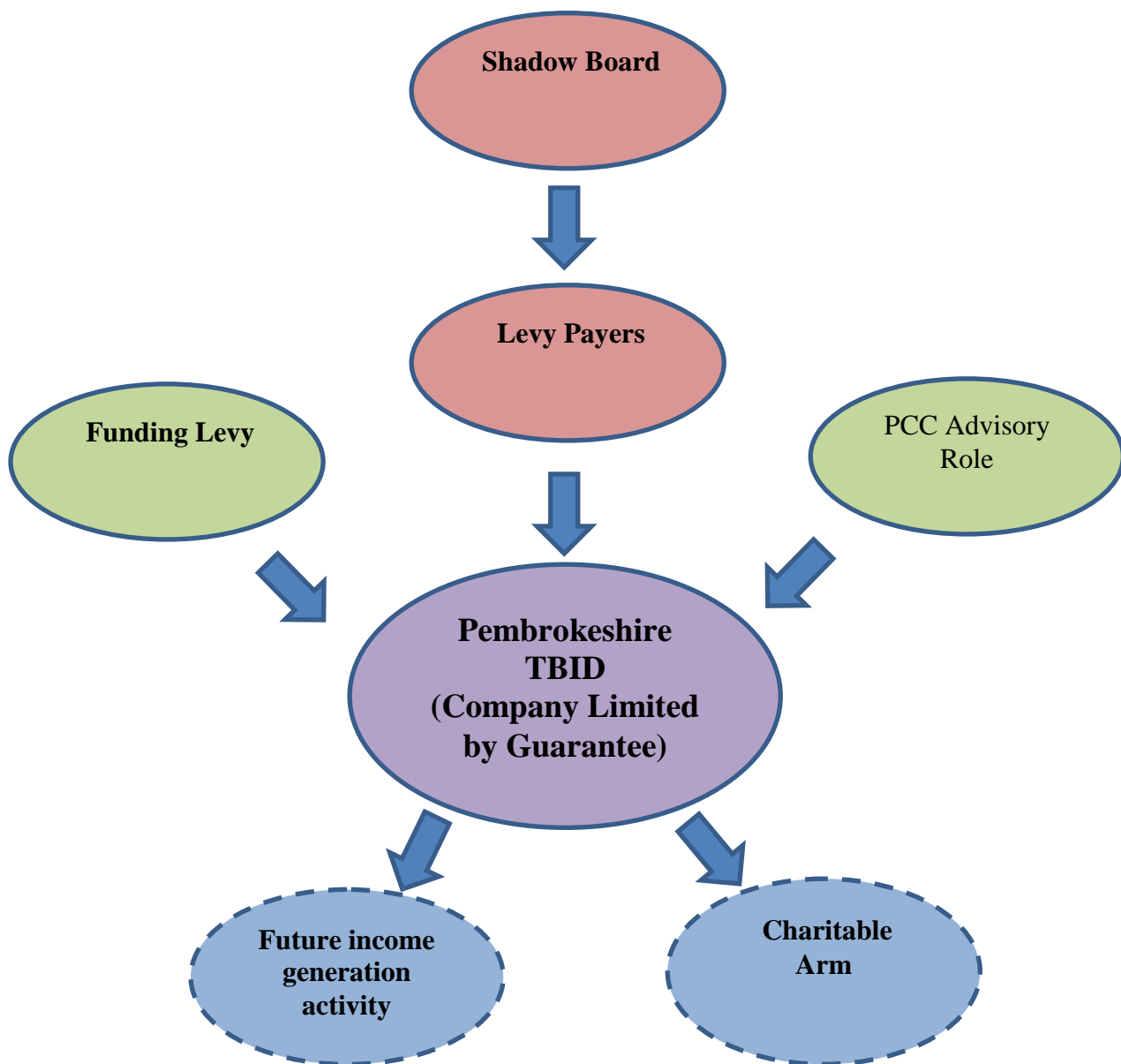
be used as the initial 'Shadow Board' to ensure minimal disruption to the implementation of the agreed Business Plan. A new board should later be established following a ballot. To reflect best practice, the appointed Board should directly reflect the sectors represented within the TBID and only levy payers should have the right to nominate directors. Usually the council retains an advisory role through an appointed council representative.

- 5.12 If the Board chooses not to pursue charitable status, following its successful establishment, the Board may later give consideration to the formation of a charitable arm. This will enable the TBID to secure funding only accessible to those with charitable status.

### Strength and Weakness

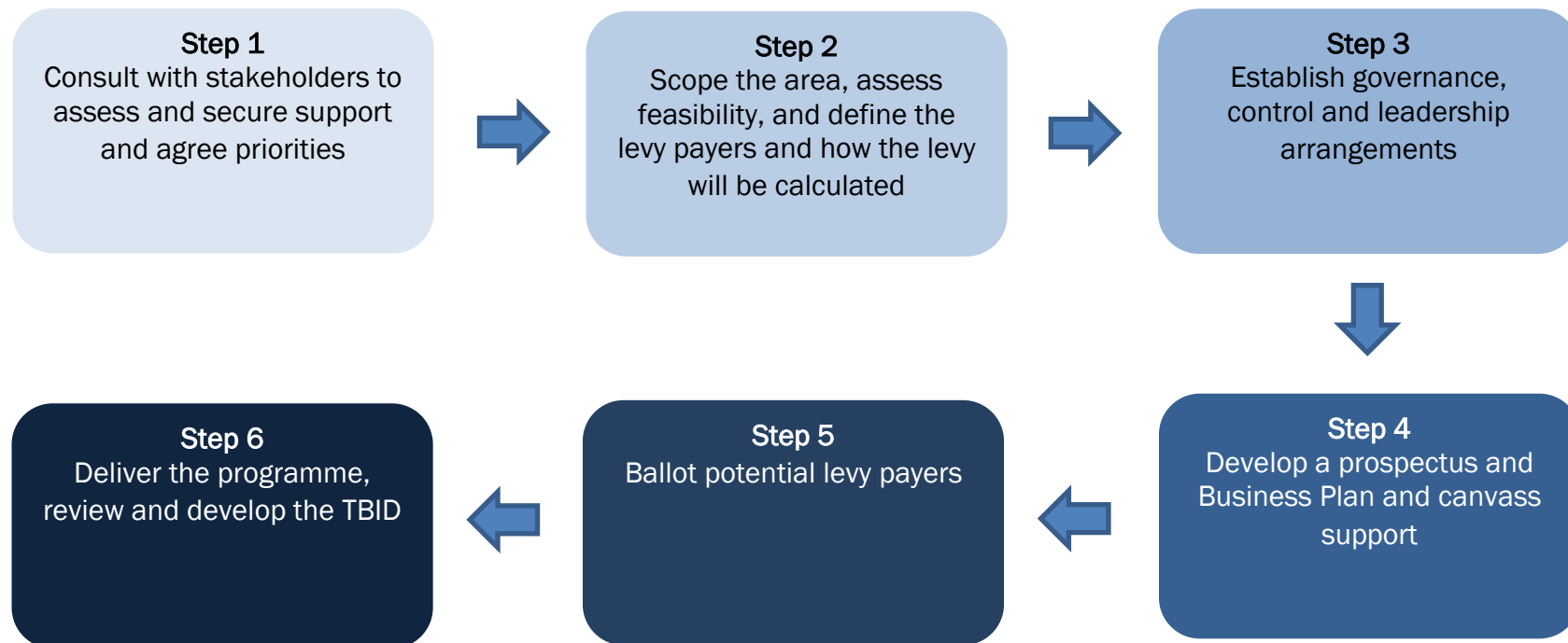
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• TBID model is democratic and is owned and controlled by the businesses involved. Decisions are taken in the long term interests of businesses rather than external stakeholders.</li> <li>• Collaboration through a TBID allows businesses to widen their markets, improve productivity and achieve cost advantages usually associated with larger organisations.</li> <li>• A TBID will give local businesses a voice and a 'seat at the table' with the governing bodies that help shape the tourism industry in Pembrokeshire.</li> <li>• A TBID will provide a sustainable funding source for tourism promotion.</li> <li>• The model is designed and created by those who fund the assessment.</li> <li>• Funds cannot be diverted to other programmes.</li> <li>• The TBID model of delivery is flexible, in that it can take on a variety of sizes, set a variety of priorities and draw on diverse sources of funding.</li> <li>• The model can be developed in to a group structure to develop non TBID activity.</li> </ul>	<ul style="list-style-type: none"> <li>• Has a protracted set up process that requires significant stakeholder approval</li> <li>• Perception from local businesses that this is another back door tax</li> <li>• The core stakeholder group may become marginalised as only levy payers have voting rights</li> </ul>

## Organisational Structure



## Developing a TBID

The process of developing a TBID from the initial concept to point of delivery is likely to take between 12 to 18 months where a mature tourism partnership body, such as a successful DMO, already exists. If this is not the case and a new delivery body is required, the process may take up to 2 years.



### **Summary**

- 5.13 The TBID model is the only model that comes with a guaranteed source of income, it's also the most democratic of the options listed as Board Members are elected by the levy payers. The TBID brand also provides a very strong marketing identity for the new organisation.
- 5.14 The down side is that TBIDs require significant stakeholder approval to set up and can take up to 12 to 24 months to establish. Another factor for consideration is that all TBID funding has to be ring-fenced for spending on agreed TBID activities.
- 5.15 Public sector organisation are required to play an advisory rather than a hand on role.
- 5.16 The recommended legal structure for this model is a Company Limited by Guarantee structure because it builds flexibility in to the new organisation so that should it be desired, charitable status can be obtained and additional subsidiaries can be developed to pursue alternative projects and funding streams.

### **Option 3 - Transfer of Responsibility to Pembrokeshire Tourism**

- 6.0 The third option is for responsibility of delivery to be transferred to Pembrokeshire Tourism. The transfer of responsibility may present itself as a permanent solution or a stepping stone to an alternative model but would involve Pembrokeshire Tourism providing in-kind support to establish an arms-length subsidiary social enterprise to develop and deliver the work of Destination Pembrokeshire.

### **Arms Length Organisation**

- 6.1 This option is the formation of an arms-length company, a truly separate entity from the parent company and therefore no liability for losses would pass to the parent body. The new arms-length company would have a different Board to the parent company otherwise it could be inferred that it is a wholly owned subsidiary and liabilities would again reside with the parent body.
- 6.2 The Board would be formed using representatives from the existing core stakeholder group and local businesses with parent body representation as a corporate member. However, the parent company cannot guarantee its place on the Board which could result in a loss of control.
- 6.3 The new enterprise would have its own aims and objectives, separate to those of the parent body. It would have its own company number, governing document, staff and the ability to enter into contracts and grants in its own name.
- 6.4 The new arms-length company could choose to develop projects/undertake activities which the parent company's board do not agree with but could not prevent.

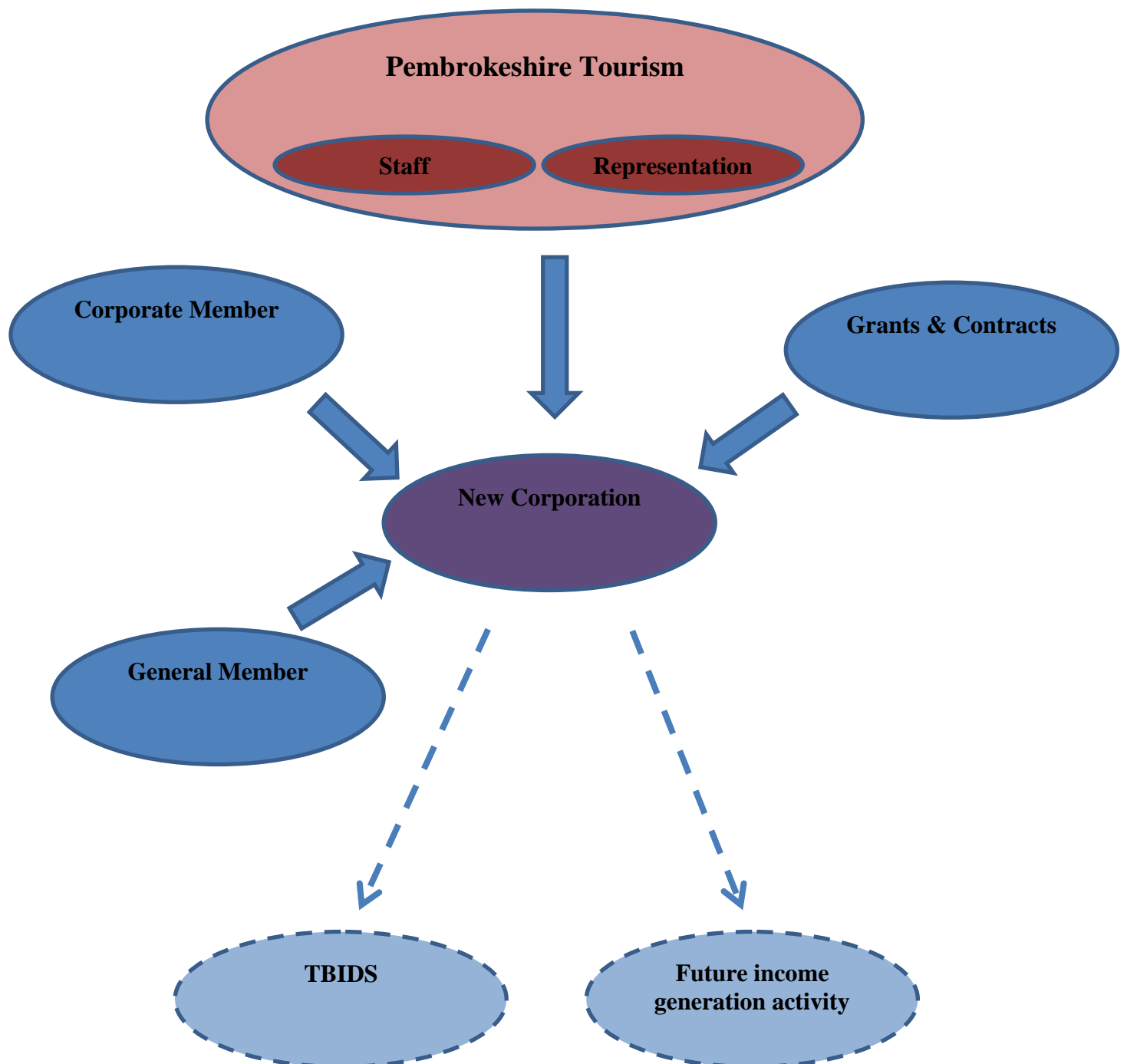
### **Legal Structure**

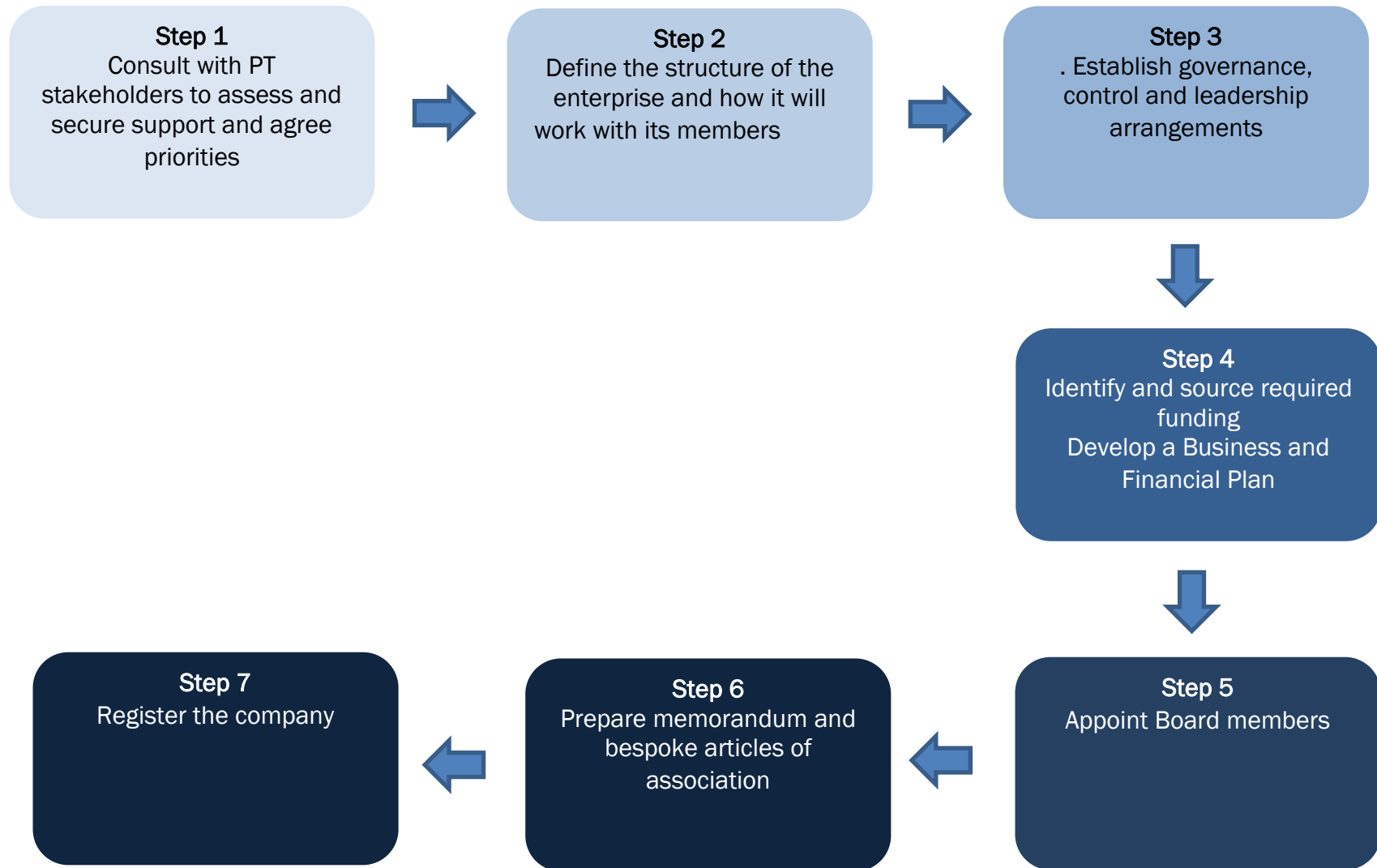
- 6.5 The chosen legal structure for this model would be a Company Limited by Guarantee and would follow a very similar pattern to the process of establishing a new social enterprise in Option 1.

### **Strengths and Weaknesses**

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• It trades on Pembrokeshire Tourism's strong local brand</li><li>• Is essentially the expansion of the current in house provision</li><li>• There may be in-kind support provided by the parent organisation.</li><li>• Quick and cost effective to establish</li><li>• It provides the new enterprise with a physical place to reside</li><li>• It can be externalised to a totally independent organisation</li></ul>	<ul style="list-style-type: none"><li>• Dependant on the buy-in from Pembrokeshire Tourism's Board and Stakeholders</li><li>• May be seen as a re-branding of Pembrokeshire Tourism rather than the establishment of a new enterprise</li><li>• May place undue financial and organisational pressure on Pembrokeshire Tourism</li></ul>

## Organisational Structure





## **Summary**

- 6.6 This model utilises the structure and resources of Pembrokeshire Tourism to establish a new delivery model. The development and structure of the model would be the same as developing a new social enterprise the main difference being that rather than being a stand-alone organisation the enterprise would sit under the corporate umbrella of Pembrokeshire Tourism.
- 6.7 The advantages of this approach is that it allows Pembrokeshire Tourism to act as an incubator organisation that supports the inception and development of the new enterprise. Pembrokeshire Tourism staff and resources could be utilised to facilitate the quick development of the enterprise however to enable this to happen additional funding would be required.
- 6.8 The recommended legal structure would be a Company Limited by Guarantee for the same reasons as outlined in Option 1.

## Financial considerations

- 6.9 All of the proposed options have potential financial benefits and drawbacks for PCNPA that will, ultimately, need to be considered when the final review report is presented at the National Park Authority meeting on 17<sup>th</sup> June 2015.

## Risk considerations

- 6.10 Negligible – there is a recognised need to maximise the local resources available to deliver tourism. It is hoped that the Park Authority can play a more direct role, through a revised Destination Management Organisation (DMO), that will generate clear economic outcomes for local businesses and communities throughout the National Park.

## Compliance

- 7.0 Tourism development is paramount in terms of PCNPA meeting its economic goals as detailed in the Authority's Improvement Plan.

## Human Rights/Equality impact issues

- 8.0 No specific issues.

## Biodiversity implications/Sustainability appraisal

- 9.0 It is important that Pembrokeshire continues to work towards being a sustainable tourism destination. The involvement of PCNPA in tourism delivery provides an opportunity to put sustainable development at the heart of this work.

## Welsh Language statement

- 10.0 No specific issues.

## Conclusion

- 11.0 Members are asked to comment on the options for the future management of Destination Pembrokeshire and to suggest any issues that might need addressing before the final review document is considered at a National Park Authority meeting later in the year for decision.



## Background Documents

- 04/15 Destination Management Plan Report – Operational Review Committee  
– 28<sup>th</sup> January 2015

*(For further information, please contact James Parkin on 0845 345 7275)*

*Authors: James Parkin, Director of Delivery & Discovery  
Andrew Jones, Wales Co-operative Centre*