REPORT OF THE DIRECTOR OF DELIVERY AND DISCOVERY

SUBJECT: REVIEW OF DESTINATION PEMBROKESHIRE

INTRODUCTION AND BACKGROUND INFORMATION

1.0   Tourism is vital to the economy in Pembrokeshire. It presently sustains approximately 16,000 estimated full-time jobs (14,000 directly and approximately 2,000 indirectly) and generates in excess of £570 million per annum. In addition, tourism activity often underpins the economic viability of local services such as buses, restaurants, shops, village pubs and entertainment venues that are vital to the sustainability and well-being of local communities and residents. Creating a clear vision and mechanism for tourism growth across the private, public and voluntary sector is, therefore, pivotal to Pembrokeshire's long-term socio-economic success.

1.1   Destination Pembrokeshire is the local partnership responsible for setting the vision and strategy for tourism development locally. The partnership is comprised of representatives from Pembrokeshire County Council (PCC), Pembrokeshire Coast National Park Authority (PCNPA), Pembrokeshire Tourism (PT) and Pembrokeshire Local Action Network for Enterprise and Development (PLANED). Destination Pembrokeshire is responsible for liaising with local stakeholders and Visit Wales to create and deliver the Destination Management Plan for Pembrokeshire 2013-2018 which focuses on the following priorities:

1. Working together effectively
2. Re-focusing marketing
3. Creating a year round quality experience
4. Developing and sustaining infrastructure environment and cultural resources
5. Improving business practice, profitability and performance

1.2   The work of Destination Pembrokeshire forms a cornerstone of the Local Service Board's commitment to foster "a competitive, productive and sustainable economy" locally as set out in the Pembrokeshire Single Integrated Plan (SIP) 2013-2018.

1.3   However, Destination Pembrokeshire has become concerned in recent times that the impact on budget cuts across a wide range of public sector organisations could, potentially, have a negative impact on both tourism

services locally and the wider economy of Pembrokeshire. In addition, Destination Pembrokeshire is keen to ensure that the county has the best delivery mechanism possible to ensure the long-term success and growth of the tourism economy.

1.4   As a result, 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 was undertaken by Hurio Ltd in conjunction with the Wales Co-operative Centre.

1.5   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.

1.6   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.

1.7   The final review is attached to this report and provides a number of options for the future funding and governance arrangements for destination delivery in tourism. The report is provided to give Members of the Park Authority the opportunity to shape the future direction of Destination Pembrokeshire.

THE STRENGTH OF THE TOURISM ECONOMY

2.0   The main 'barometer' for measuring the success of tourism delivery in Pembrokeshire is the biennual STEAM report produced by Global Tourism Solutions (UK) on behalf of Pembrokeshire County Council (PCC). STEAM refers to the 'Scarborough Tourism Economic Activity Monitor' which is a method of measuring the total economic output of all tourism activity in Pembrokeshire. Recent STEAM reports suggest a potential downturn in the success of the tourism economy locally as detailed below.

Analysis by Sector of Expenditure (£'s millions)	2012	2011	2010	2009	2008	2007
Accommodation	87.5	108.1	109.4	107.5	110.2	113.2
Food & Drink	99.9	110.9	112.7	108.3	113.1	113.4
Recreation	34.4	38.5	39.0	37.3	39.0	39.0
Shopping	54.5	60.5	61.2	59.1	61.2	61.4
Transport	42.4	46.7	47.4	46.0	47.6	47.7
Indirect Expenditure	133.1	154.6	153.3	148.6	153.0	154.9
VAT	63.7	73.0	64.7	62.7	64.9	65.6
TOTAL	**515.5**	**592.3**	**587.6**	**569.5**	**589.0**	**595.2**

2.1   Despite its importance to the economy of Pembrokeshire, tourism remains a very fragile industry that can be significantly affected by a range of factors such as trends across the wider economy, the strength of the pound, variable weather patterns and other occurrences that disrupt or distract potential

visitors such as the foot and mouth outbreak back in 2001. As a result, it is extremely difficult to pinpoint the exact factors that may be responsible for the potential downward trend in the strength of the tourism economy locally.

2.2   However, there is growing concern amongst key agencies involved in Destination Pembrokeshire that more needs to be done to strengthen the tourism economy locally. In particular, Destination Pembrokeshire is advocating an approach to destination management that unites the relatively fragmented tourism sector in order to make the most of limited public funding and maximise the added value of every penny spent on the visitor economy by all sectors (private, public and voluntary) in Pembrokeshire.

DESTINATION MANAGEMENT – FUTURE OPTIONS

3.0   Destinations are multi-faceted places containing a number of stakeholders with their own specific needs. Experience shows that without collaboration, co-ordination and a continued focus, places do not evolve with a common purpose. To create a successful and sustainable visitor economy in an area, all the components that make a successful destination need to be managed in an integrated and long-term way, with a clear focus on the needs of residents, businesses and visitors.

3.1   For this reason, Destination Pembrokeshire is advocating the launch of a new entity (possibly a separate constituted body) for the county which will act as an 'umbrella organisation' with overarching responsibility for tourism delivery locally. It is envisaged that the new Pembrokeshire Destination Management Organisation (DMO) will be responsible for the following aspects of tourism delivery:

- Measuring tourism performance and impacts
- Developing new working structures and communication channels
- Steering the overall appeal and appearance, access, infrastructure and visitor services
- Destination image, branding and promotion (marketing)
- Product mix – addressing development needs and opportunities.

3.2   The overarching goal is to create a new body that will unify a number of existing disparate tourism services across Pembrokeshire in order to create a 'one stop shop' for everyone involved in tourism delivery locally. The new body will reduce duplication, co-ordinate existing resources and manpower as well as setting annual tourism priorities. It will be responsible for brokering new arrangements to support the sharing of existing and new resources in order to maximise the growth of the tourism industry in Pembrokeshire.

CURRENT DELIVERY MODEL

4.0   There currently exists an informal partnership arrangement between Pembrokeshire County Council, PLANED, Pembrokeshire Coast National Park Authority and Pembrokeshire Tourism (known as the 'Destination Pembrokeshire Core 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.

4.1   As such the current arrangement doesn't offer individual member organisations full protection through limited liability or provide a mechanism to attract and efficiently administer external funding bids. In addition, whilst all existing tourism services are co-ordinated centrally (by Destination Pembrokeshire) which adds enormous value to tourism delivery locally, the current partnership model does not readily support options for co-production (i.e. the public, voluntary and private sector jointly commissioning tourism services in unison with local communities). For this reason, a more unified approach through anew single tourism body for Pembrokeshire is seen as offering a range of additional benefits in terms of tourism delivery locally.

DESTINATION MANAGEMENT - POTENTIAL OPTIONS

5.0   **Option 1 - Establishing a New Social Enterprise**

5.1   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.

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

6.1   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.

6.2   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.

6.3   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

7.0   Option 3 - Transfer of Responsibility to Pembrokeshire Tourism

7.1   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.

CONCLUSION

8.0   A summary of the main Destination Pembrokeshire review report is attached to this document but a copy of the full report is available to Members on request. The issues highlighted in the review, including the potential options for future the delivery of tourism services in Pembrokeshire (as outlined above), will be discussed at a range of forums including the following:

- Pembrokeshire Local Service Board
- Pembrokeshire Business Panel
- Pembrokeshire County Council (PCC) Cabinet
- PCC Economy Overview and Scrutiny Committee
- PCNPA Operational Review Committee
- Pembrokeshire Tourism Board of Directors
- PLANED Board Meeting

8.1   Ultimately, ongoing discussions between the key agencies involved in tourism delivery locally will evolve over the coming months, in collaboration with the trade, before more formalised options regarding the future funding, governance and delivery of tourism services in Pembrokeshire are brought before Members of the Park Authority for further discussion and agreement.

Financial considerations
9.0   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 17th June 2015.

Risk considerations
10.0   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
11.0   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
12.0   No specific issues.

Biodiversity implications/Sustainability appraisal

13.0 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

14.0 No specific issues.

Recommendation

15.0 Members are asked to comment on the options for the future management of Destination Pembrokeshire and to suggest any issues that might need addressing as part of the ongoing partnership discussions regarding the future delivery of tourism services in Pembrokeshire.

Background Documents

04/15 Destination Management Plan Report – Operational Review Committee – 28th January 2015
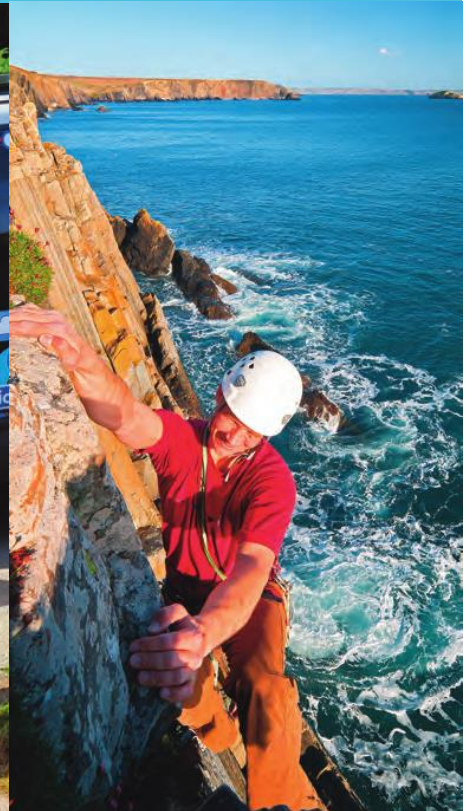
(For further information, please contact James Parkin on 0845 345 7275)

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Destination
Pembrokeshire

Future Structures:
consultation, research and
business model appraisal

Executive Summary
Hurio and the Wales Co-operative Centre - April 2015

Context and background

This report sets out the key challenges and opportunities facing Destination Pembrokeshire (DP) in delivering against Visit Wales' Partnership for Growth: Strategy for Tourism 2013-2020. The report highlights the on-going impact of reduced public sector funding on destination management in Pembrokeshire. In addition, it makes an industry-led case for immediate changes to the direction and governance of Destination Pembrokeshire whilst presenting a range of options to secure its long-term sustainability through new models of finance.

The report has been jointly funded by Pembrokeshire Coast National Park Authority (PCNPA), Pembrokeshire County Council (PCC) and Visit Wales (VW) and was commissioned on behalf of Destination Pembrokeshire (DP). The report is not intended to provide an 'instant solution' to the present challenges facing Destination Pembrokeshire. Instead, it should be viewed as a catalyst to help galvanise rapid discussion, agreement and long-term funding to ensure the viability and full potential of Destination Pembrokeshire's work.

Crucially, the report should be utilised as a reference tool to help guide discussions relating to the proposed transition of Destination Pembrokeshire from an informal partnership to a fully incorporated 'independent entity'. The view of local tourism businesses, as captured in the report, is that a transition to a more formal model of delivery is vital to ensure that Destination Pembrokeshire is 'fit for purpose' so that Pembrokeshire can both make the most of existing resources whilst maximising the potential for tourism growth locally.

Tourism remains pivotal to the future of the economy in Pembrokeshire, sustaining over 16,000 estimated full-time jobs (14,000 directly and approximately 2,000 indirectly) and generating in excess of £570 million per annum. In addition, tourism activity often underpins the economic viability of local services as well as the vibrancy of local communities. Creating a clear vision and mechanism for tourism growth across the private, public and voluntary sector is, therefore, pivotal to Pembrokeshire's long-term socio-economic success.

The cornerstone of Pembrokeshire's appeal and success has been largely based on the wealth and quality of its natural environment and built heritage combined with, over the past decade, the county's impressive track record of multi-agency collaboration and innovative product development across the private sector. Destination Pembrokeshire (DP), formed in 2011, embodies this partnership-working ethos. The DP core group (Pembrokeshire County Council, Pembrokeshire Coast National Park Authority, PLANED and Pembrokeshire Tourism) is supplemented by a wider stakeholder partnership and, with an

agreed brand and a Destination Management Plan (DMP) in place, this has driven tourism delivery in the county over the last 2-3 years.

Despite its success, Destination Pembrokeshire faces an uncertain future. The impact of substantial public sector budget cuts continues to have a detrimental impact on the services that are presently provided by Pembrokeshire County Council and Pembrokeshire Coast National Park Authority. The statutory remit of both organisations dictates that tourism is, ultimately, a 'discretionary' service and as a result many existing visitor services remain under constant review.

The voluntary sector is also facing substantial challenges and PLANED is undergoing a formal process of moving to a less 'grant-dependent' structure of delivery which, in turn, may restrict its ability to meet the tourism related aspirations of local communities throughout Pembrokeshire without additional funding.

However, the biggest challenge presently facing Destination Pembrokeshire is the long-term financial security of Pembrokeshire Tourism as the county's primary trade association for tourism businesses locally. In particular, changes to the structure of regional funding and the delivery of tourism services in West Wales have impacted on Pembrokeshire Tourism's core funding, jeopardising the organisation's economic foundation and long-term viability. This is particularly worrying for destination delivery as losing a clear and industry-led representative body for tourism businesses in the county would leave Destination Pembrokeshire without strong trade links.

As a result, direct and immediate action to make the most of dwindling resources and bolster the long-term financial sustainability of Destination Pembrokeshire is urgently needed if the county is to retain a clear and sufficiently resourced collaborative approach to destination management locally.

Track record and current situation

The success of Destination Pembrokeshire to date has been pivotal in ensuring that the county has a clear vision for tourism growth locally, via the Destination Pembrokeshire Management Plan 2013-2018 and its associated Action Plan. This has supported a better and more focussed use of existing resources across the tourism sector locally and has ensured that there is a reduction in the duplication of effort amongst key agencies.

In addition, Destination Pembrokeshire has improved sector-wide communications and better co-ordinated marketing efforts to boost the 'reach' and effectiveness of key marketing campaigns (e.g. PCNPA's 'retro-poster' campaign and PCC's Visit Pembrokeshire digital activity). Destination Pembrokeshire's working partnership and annual trade engagement events have has also assisted in securing positive outcomes in the delivery of activity such as training and research.

However, in a climate where resources are stretched to capacity, alongside an environment of significant international and domestic competition for funding and visitors – the need to work together to realise sustained and affordable growth and success, has never been more important. With increasing fiscal pressure on all partners and key changes in devolved funding arrangements regionally it is imperative that Destination Pembrokeshire evolves in order to strengthen its position in the context of securing, and sustaining resources for future delivery.

Review of DMO arrangements across the UK

Sections of the full report provide a comprehensive review of the potential future structure and delivery mechanisms of Destination Pembrokeshire (via consultation with key

stakeholders) alongside consideration of Destination Management Organisation (DMO) models elsewhere in the UK. The report focuses on the potential of new and more sustainable models for the delivery of tourism services associated with destination management in Pembrokeshire.

DMOs across the UK, though experiencing similar challenges to Pembrokeshire in terms of maintaining sustainable operations, have chosen to deliver those DMO services in many different ways based on their local circumstances. Differing models include Social Enterprises and Companies Limited by Guarantee to Arms-Length Management Organisations and Community Interest Companies. It is, therefore, safe to say that there is no clear 'one size fits all' model when it comes to destination management.

For example, Visit Cornwall has recently established itself as a trade-led Community Interest Company (as of the 1st April 2015). Previously, Visit Cornwall operated as an economic development company that was wholly owned and partially subsidised by Cornwall Council. However, following Cornwall Council's decision to withdraw funding from the *former* Visit Cornwall, the new Visit Cornwall CIC has been given (one-off) transitional support of £300,000 from the local authority and will drive private sector revenue contributions via membership (currently 950 businesses) to assist with promotional activity.

In areas where more informal models are in place (e.g. Devon, Staffordshire, Winchester) considerable public sector input underpins existing operations (e.g. £100k plus in Winchester). In addition, the capacity of larger trade operators to contribute significant sums (e.g. Alton Towers in Staffordshire) means that no *direct* comparisons can really be made with Pembrokeshire's situation but there are still clear indications of both public and private institutions having to work more closely together to underpin core destination management activities.

Each area considered within this report has its own established networks, cross-sector relationships and prevailing working arrangements, which have informed their chosen structure. Destination Pembrokeshire's situation is unique. The review of arrangements elsewhere, although useful to learn from, corroborates the premise (used as a driver for Visit England's current research into future funding for DMOs) that ultimately;

"Funding destination management is a local decision for local stakeholders"

Consultation with local stakeholders

The report has been informed by the contribution of over 75 businesses and local organisations who gave their time and views during face to face, telephone and online survey sessions for which Destination Pembrokeshire is extremely grateful.

Overall, there is widespread support for 'change'. Respondents viewed the need to formalise present arrangements as necessary to take forward implementation work. It was widely acknowledged that, in a climate of dwindling resources, there is an even greater need to avoid 'duplication of effort' and maximise the benefits of existing funds.

It's also extremely important to note that the need for "change" was not cited in the context of dissatisfaction with the work done to date by Destination Pembrokeshire but moreover, due to the need for Destination Pembrokeshire to be 'fit for purpose' to meet future challenges i.e. change is required in order maximise use of dwindling resources in the public sector and the parallel profit squeeze in the private sector.

There was no disagreement to the proposition that formalisation could assist in securing Destination Pembrokeshire as an effective, sustainable delivery mechanism and consolidate its role, and the county's status, in the future (particularly when working with Welsh Government and Swansea Bay City Region).

Recommendation: Social Enterprise Model

Following the detailed review of pan UK DMO operating models and the consultation with stakeholder businesses/organisations, a social enterprise (SE) model of delivery is proposed together with a shortlist of 3 options for consideration, specifically:

1. Establishing a new, stand-alone social enterprise
2. Establishing a social enterprise that facilitates the development of Pembrokeshire Tourism Business Improvement District (TBID)
3. Transfer of responsibility to an existing body (private sector)

The social enterprise model fits the values and ethos of the existing Destination Pembrokeshire Partnership (often referred to as the 'DPP') core group and is a business-based model that can accommodate public and third sector involvement. Social enterprises are open and democratic organisations, are relatively quick and easy to set up and represent a well-established model with a proven track record for successful delivery.

In addition to the above, the "not for profit" structure of a social enterprise means that they are eligible to apply for a number of grants and funding streams not available to normal businesses or public bodies as well as having a structure that can accommodate the adoption of charitable status.

Practical Considerations

There are a number of considerations that each of the partners will need to deliberate as they embark on the journey from an informal partnership to a fully constituted social enterprise (including governance, staffing and representation arrangements) and these are outlined within this report. Should the partners decide to proceed with the recommendation the adoption of a social enterprise model offers:

- A single purpose delivery vehicle from which to develop a clear brand
- Protected liability for individuals and organisations
- The ability to access funding resources currently not available to the partnership under the existing working arrangement
- Provision of a vehicle from which the partners can develop a business plan that reflects shared values and address the long term financial sustainability of the partners and the partnership
- A structure that has the flexibility to accommodate future growth and development

Conclusion

Initial development of partnership working arrangements is not an easy task, nor indeed is the long-term continuance of productive partnerships. However, in Destination Pembrokeshire there is an opportunity to capitalise on what has been a positive ethos of collaborating internally (i.e. cross-sector and county-wide) to compete externally (i.e. delivering successful destination management and marketing).

There is, of course, always the option to "do nothing" and see what happens over the course of the next 12-24 months. However, we believe that a failure to make changes to the business model of Destination Pembrokeshire at this point will result in not only potential 'stagnation' of delivery but also the risk of 'collapse' of DP delivery due to the possible cessation in operations of some core group members.

Changes to the way funding is allocated via Visit Wales, as well as other local and national economic and resource pressures, mean that Destination Pembrokeshire cannot be sustained in its current form due to the over reliance on goodwill and participation (both in time and financial resources) of the constituent core group bodies who face unprecedented financial and operational challenges.

In conclusion, Destination Pembrokeshire requires a pragmatic and practical new approach to 'future proof' success and the sustainability of its work. It is the strong belief of the Destination Pembrokeshire core group members, that a formalised model will focus effort and raise awareness and recognition of the value of the DMO and the constituent Destination Management Plan.

The inception of a formalised structure will assist in communicating a renewed sense of purpose and clarity alongside a more commercially focussed approach. It will also provide a solid foundation for delivery that is, at worst, less vulnerable to external factors, and, at best, able to foster a business environment within which funding opportunities can be positively exploited to the benefit of the county's visitor economy.

Consultation Feedback

75 stakeholders/ organisations contributed

Which sector should lead?

70

20

10

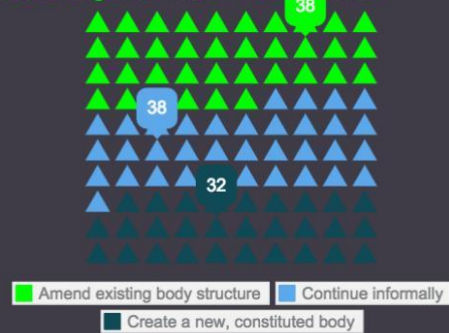Partnership of all (70%) | Public (10%) | Private (20%)
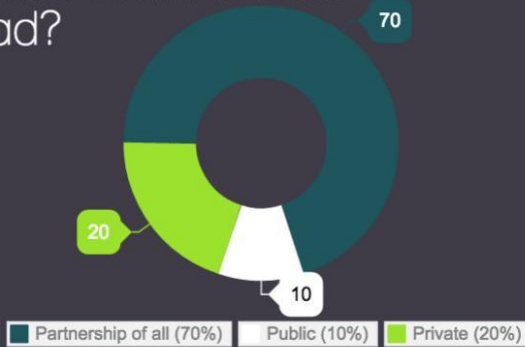
Pembrokeshire Tourism was the body cited most frequently, within the online and face-to-face interviews, as the best placed to take the lead moving forward - due largely to its private sector representation.
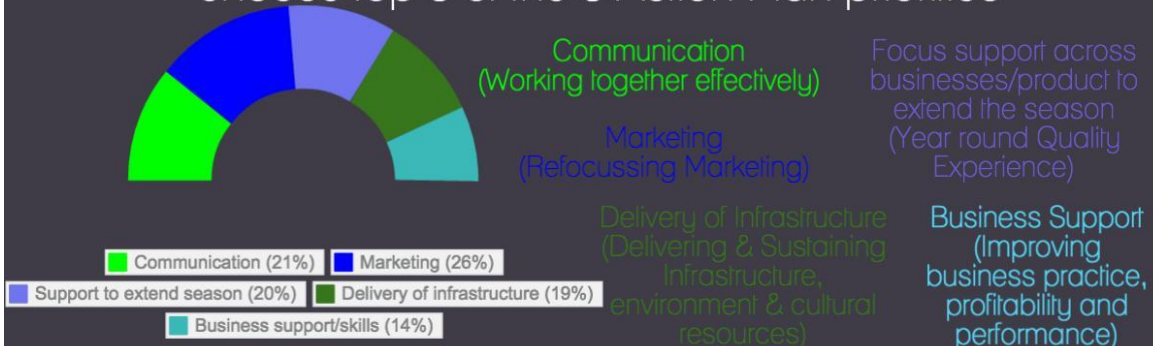
Preferred structure?

A fairly even split of views....

"Amend an existing body to lead" edged ahead BUT there is low awareness of what DPP or indeed any DMO model does/would do

38

38

32

Amend existing body structure | Continue informally
Create a new, constituted body

What should DP's principal functions be?
"choose top 3 of the 5 Action Plan priorities"

Communication (21%) | Marketing (26%)
Support to extend season (20%) | Delivery of infrastructure (19%)
Business support/skills (14%)

Communication (Working together effectively)

Marketing (Refocussing Marketing)

Delivery of Infrastructure (Delivering & Sustaining Infrastructure, environment & cultural resources)

Focus support across businesses/product to extend the season (Year round Quality Experience)

Business Support (Improving business practice, profitability and performance)

Views were spread although "marketing" was the most quoted

£ Levels of awareness & understanding about funding streams/business models/initiatives?

Overall awareness/understanding is low as regards external funding options/sources - even tourism related

#Communication

'some confusion as to DP's role (& relevance to operators' day-to-day work)
- evolution of DP should raise awareness, refreshing understanding and recognition

Change was, overall, seen to be required in order to maximise use of dwindling resources in the public sector and profit squeeze in the private sector