

By: Mark Dance, Cabinet Member for Economic Development  
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To: Growth, Economic Development and Communities Cabinet Committee –  
19 January 2017

Subject: Visitor Economy Services - Contract Extension (16/00118)

Key Decision No

Classification: Unrestricted

Past Pathway of Paper: None

Future Pathway of Paper: For decision by the Leader

Electoral Division: Countywide

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**Summary:** The current visitor economy services contract with Visit Kent commenced in April 2014. It runs to the end of March 2017: under the terms of this contract, this can be extended for up to 36 months. The value of the contract is £280,000 per annum. The County Council has also provided additional resources each year on a case by case basis to support Visit Kent's activities: in 2016-17, Visit Kent will have received £472,160 (£280,000 plus £192,160).

This report briefly describes how Kent's visitor economy has performed over the past three years and considers three options for the funding of Visit Kent after the end of the current financial year.

**Recommendation:** The Cabinet Committee is asked to consider and endorse, or make recommendations to the Leader of the Council on the proposed decision to extend the visitor economy services contract with Visit Kent for a further twelve months to March 2018 (with a possible further extension to be decided next year), plus a further contribution worth £130,000 to provide for externally funded projects and staffing in 2017-18.

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## 1. Introduction

1.1 In October 2016 this Cabinet Committee considered a review of the performance of the visitor economy services contract with Visit Kent from April 2014. At its December meeting, the Cabinet Committee also received a presentation from Visit Kent on the performance of Kent's visitor economy in 2015, based on a recently published survey by Destination Research that was commissioned by Visit Kent<sup>1</sup>.

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<sup>1</sup> Economic Impact of Tourism – Kent 2015 Results, produced by Destination Research for Visit Kent, November 2016

**1.2** The survey shows that Kent's visitor economy is key to the county's future economic prospects, employing in 2015 some 72,000 jobs and with a value of £3.6 billion. The sector also supports a further 16,750 jobs indirectly through a supply chain that includes travel, entertainment, food and drink, accommodation and retail activities.

## **2. The current contract with Visit Kent**

**2.1** The contract requires Visit Kent to develop and deliver innovative and creative solutions to grow the Kent visitor economy, and to support KCC's priorities for this sector. These are to:

- Promote the county to target visitor markets, and to increase the numbers of visitors to Kent and the value of visitor spend;
- Support growth in the Kent visitor economy;
- Provide high quality support to the Kent tourism business sector;
- Improve the skills levels of employees within the Kent visitor economy; and
- Attract additional public and private sector investment.

**2.2** The current visitor services contract with Visit Kent was awarded by the County Council in 2014 on a 3+3 year basis. This means that the contract can be extended by up to a further 36 months from April 2017, subject to satisfactory performance by Visit Kent.

**2.3** The October 2016 report to Members showed that over the last three years Visit Kent has achieved impressive results against Key Performance Indicators and service outcomes. This is further confirmed by the recently published report by Destination Research, the headlines of which were presented by Visit Kent to this Committee in December 2016.

## **3. Looking forward to 2017-18 and beyond**

**3.1** The October 2016 report to Members noted that Visit Kent has gone through a period of change since 2014, with several key personnel having moved on. It now has a new team structure with the requisite skills and experience to support its development and change of direction towards new markets and new geographies. Despite this period of transition, the high quality delivery of services has been maintained by Visit Kent.

**3.2** Visit Kent is now devoting time to steering the business through significant changes in the government policy framework for tourism, including uncertainties about future public sector funding. There are also substantial changes in the context and market within which Kent's visitor economy operates, including the potential impact of Brexit on inbound tourism, most of which is from mainland Europe, the lingering impacts of and possible future threats arising from Operation Stack, and changes in the value of sterling.

**3.3** There are substantial budget pressures affecting the County Council both now and into the future, and this will affect future options for supporting the delivery of visitor economy services in Kent. Under current Medium Term Financial Planning

arrangements for 2017-18 to 2019-20, the Economic Development function is required to achieve an income and savings target of £1.118m, most of which needs to be achieved in 2017-18. This will affect the County Council's financial support for a number of economic development projects, including visitor economy services. Under the proposal set out below, the anticipated reduction in financial support in 2017-18 for visitor economy services, compared with 2016-17, would be £62,160.

- 3.4** Furthermore, with budgetary pressures set to continue there is no certainty about available County Council funding to support economic development projects beyond 2017-18. This means therefore that it might not be appropriate at this stage to committing contractually to support visitor economy services beyond March 2018. The funding should be reviewed again next year.

#### **4. Contract options considered**

- 4.1** The following options were considered for supporting visitor economy services in Kent:

**Option 1** – Not to extend the contract with Visit Kent. This would achieve a significant financial saving for the County Council although at considerable cost to the visitor economy in Kent.

**Option 2** – To extend the contract by three years. However, current budgetary pressures and uncertainty rule this out.

**Option 3** – To extend the contract by 12 months at a cost of £280,000 in 2017-18, plus a further contribution worth £130,000 to provide support for externally funded projects undertaken by Visit Kent and staffing.

#### **5. Financial implications**

- 5.1** The value of the contract with Visit Kent is £280,000 per annum. Under the terms of the contract, the County Council has been able to provide additional resources to support Visit Kent's activities. The table below shows how this breaks down:

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Main contract value	280,000	280,000	280,000
Staffing cost contribution	140,400	143,305	117,960
Marketing contribution		25,000	25,000
Sub-total	<u>420,400</u>	<u>448,305</u>	<u>422,960</u>
Other one-off payments	78,922	7,763	49,200
Total value of support to Visit Kent	<u>499,322</u>	<u>456,068</u>	<u>472,160</u>

- 5.2** Under Option 3 the total value of the County Council's contract with Visit Kent for the period April 2017 to March 2018 would be £410,000. This would comprise the

main contract (maintained at £280,000), staff resources seconded to Visit Kent (approximately £30,000) and a one-off financial contribution to support externally funded projects in support of the visitor economy (£100,000).

## **6. Legal implications**

- 6.1** The new contract is extendable under the terms of the current contract and would be drawn up by KCC Legal Services.
- 6.2** It is proposed that the contract would be signed by the Corporate Director for Growth, Environment and Transport under Officers' Delegated Powers.

## **7. Equalities implications**

- 7.1** The new contract with Visit Kent would contain provisions for ensuring that the County Council's equalities and diversity policies are adhered to. Visit Kent has its own equalities and diversity standards which are consistent with those of the County Council.

## **8. Conclusion**

- 8.1** This report shows that Visit Kent has had a significant impact on raising the county's profile as a key tourism destination and on developing Kent's visitor economy as an important source of employment and income generation. The proposed new contract will help to maintain the momentum achieved over the past few years.

## **9. Recommendation**

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Leader of the Council on the proposed decision to extend the visitor economy services contract with Visit Kent for a further twelve months to March 2018 (with a possible further extension to be decided next year), plus a further contribution worth £130,000 to provide for externally funded projects and staffing in 2017-18.

## **Background Documents - None**

## **Contact Details**

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