

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 21st January 2022

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

KEY DECISION Yes

REPORT OF THE PORTFOLIO HOLDER CULTURE, TOURISM AND THE VISITOR ECONOMY AND THE LEAD OFFICER FOR TOURISM & VISITOR ECONOMY

LCR VISITOR ECONOMY RECOVERY STRATEGY 2021 - 2023

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to seek LCR Combined Authority approval and endorsement of the Liverpool City Region Visitor Economy Recovery Strategy (2021 – 2023).

2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority agree and endorse the Visitor Economy Recovery Strategy as set out in Appendix 1.

3. BACKGROUND

- 3.1. The Short Term LCR Visitor Economy Recovery Strategy to March 2023 has been commissioned on behalf of the City Region's Visitor Economy Board (VEB) and funded by Growth Platform as the City Region's designated Destination Management Organisation (DMO). It updates the LCR's Visitor Economy Strategy and Destination Management Plan (published in 2016) to take account of the impact of the Covid – 19 pandemic, focusing specifically on the two-year period from 2021 to 2023, as well as looking towards what is going to be needed to enable the sector to rebuild in the medium term.
- 3.2. The main aims of the strategy are to help rebuild private sector confidence, post pandemic, and from this identifying a sustainable long-term funding model to support the future development of the visitor economy. It also sets out the City Region's position regarding core funding for its DMO network as part of a national review that has been undertaken by DCMS.

- 3.3. The strategy comprises five key priority areas which have been developed from the initial interventions for Covid-19 recovery agreed by the LCR VEB in July 2020. These interventions were also used to inform the Combined Authority's wider Covid recovery plan.

Evidence of Impact

- 3.4. The evidence of the impact that the pandemic has had on the visitor economy sector is stark with the Liverpool City Region broadly following international and national trends. Although all parts of the region were affected, Southport and Liverpool city showed evidence of the greatest impact in terms of occupancy levels and footfall. The business events sector was also decimated. Overall, the economic value of the City Region's visitor economy fell from c£5bn in 2019, to just over £2bn in 2020 - a drop of around 58%.
- 3.5. Officers in LCR Growth Platform and the Combined Authority have developed a range of scenarios for the visitor economy for the next five years. The most likely scenario for all visits (day and staying) shows the number of visits increasing from just over 66m in 2019 to nearly 75m in 2022. Within this, the anticipated growth will come from domestic staying and day visits initially, with short haul international visits beginning to return from 2022. Overall, international staying trips are not predicted to return to pre pandemic levels before 2025. Similarly, business trips will not return to 2019 levels within this time frame, although the LCR's historic strength in leisure markets reduces the impact of this to some extent.
- 3.6. The forecasts are based on the assumption that the City Region is able to retain a competitive market position through the interventions outlined in the draft recovery strategy.

Funding and Investment

- 3.7. Across the UK, the way that tourism is funded varies significantly from place to place. The impact of this inequality will inevitably come into sharp focus as the country emerges from the pandemic and destinations compete to rebuild their economies. As a result, the City Region is going to have to work hard in order to rebuild its market share.
- 3.8. In the 2021 budget, the Chancellor specifically referenced the importance of the tourism and hospitality sector. In recent years Strategic Investment Fund (SIF) funding, through the Combined Authority, has provided critical financial support to develop the sector and this will remain key over the next two to three years. At the time of writing, a revised Destination Marketing bid has been approved and is in the process of being implemented. Similarly, further bids to support Business Events and to develop other key strands of the visitor economy (such as leisure and sports events) are also in the pipeline.
- 3.9. In the coming years, funding for business support and skills will come primarily through mainstream programmes which need to be tailored to support the sector's specific needs. Following the Comprehensive Spending Review, the outcome of the delegated Government departmental budget is still awaited and may include opportunities for tailored business support and skills for the sector. This may also

include core funding for Destination Management Organisation (DMO) following the national review reference earlier.

Recovery Strategy Priorities

3.10. The Recovery Strategy future actions have been grouped into five priority areas and align with the priorities of the DCMS Tourism Recovery Plan. Two of these relate to rebuilding demand amongst key markets (demand side interventions) and two relate to developing and supporting the visitor offer and experience (supply side interventions). The final cross cutting priority relates to developing resilient support structures for the sector:-

- (a) Market demand generation for leisure and business tourists using public and private sector investment for destination marketing totalling £3.2m over three years (as set out in the approved full business case for SIF investment).
- (b) Market demand generation for business events using confirmed SIF and private sector investment to rebuild the City Region's conference and exhibitions markets over the next 2 years. The opportunity will also be used to develop a new long-term private sector led funding model to attract business events, as well as sporting events and destination marketing.
- (c) Market readiness – support for visitor economy businesses through:
 - i. Increasing awareness of the existing business support programmes and sector specific initiatives.
 - ii. Supporting short term resilience by increasing access/eligibility to fiscal and other support measures from Central and Local Government.
 - iii. Developing and implementing a dedicated sector specific programmes to support innovation and the growth potential VE businesses.
- (d) Market readiness – Introducing short term interventions to build back the supply of labour with work ready skills, as well as reactivating the LCR Skills for Growth agreement.
- (e) Developing resilient support structures – ensuring that the DMO network is sustainable and can provide a support mechanism to the sector.

3.11 To facilitate the development and implementation of the long-term funding model, the strategy sets out the rationale for transitional funding that may be required from SIF over the short term.

Consultation & Strategic Fit

3.12 The VE Recovery Strategy and its associated priorities have been developed through extensive research and engagement with the sub sectors comprising the Visitor Economy and aligns to the local and national strategies and priorities including those of national bodies, including DCMS (Tourism Recovery and Hospitality Strategies) and Visit Britain Tourism Strategy.

- 3.13 Local authorities have been engaged throughout the development of the plan via the Visitor Economy Lead Officer Group, Chief Executives, the Portfolio Leads and with regular briefings also provided to the Portfolio Holder. Consultation has also extended to each of the region's Visitor Economy Network Boards.
- 3.14 The Visitor Economy Strategy also draws upon wider LCR strategies and plans, including the role of the sector as identified within the LCR Local Industrial Strategy, the Build Back Better LCR Economic Recovery plan, the 2016 Visitor Economy Investment Strategy and other background documentation, the Towns Deal Funding and the Comprehensive Spending Review (CSR) submissions to HM Treasury.

Immediate Interventions

- 3.15 Given the urgency of implementing the measures set out within the recovery plan, several interventions are already being progressed by Growth Platform and its partners. These include the commissioning of external expertise to establish the full business case for an Accommodation Business Improvement District (BID) in Liverpool and activation of the destination marketing project referenced above.
- 3.16 Skills initiatives include the introduction of a SWAP (Sector based Work Academy Programme) in conjunction with DWP and Liverpool Hospitality that will lead to further funding support for employers (salaries and training programmes) through Kick Start and Be More programmes. Dialogue is also progressing with the Combined Authority regarding the use of pre-development SIF funding to support employer led training programmes in conjunction with City & Guilds (via Global Hospitality Accreditation programme).
- 3.17 Growth Platform is also awaiting the outcome of the DMO review from DCMS following full involvement in the consultation process. Following discussion with DCMS, it is anticipated that Government's response to the review's recommendations will be announced in early 2022.
- 3.18 The core of the strategy relates to building back consumer and private sector confidence so that a sustainable and private sector led funding model can be established. Despite the setback of the pandemic, this course of action has not altered from the region's previous strategies, however the necessity to set the agreed interventions in place are now critical to immediate survival of the sector, as well as helping it return to pre pandemic levels of growth. While the measures laid out in the strategy are bold and ambitious, the alternative option of leaving the sector to recover without the recommended level of public sector intervention would significantly increase the potential for long term market failure. The knock-on effects would include reduction in local tax revenues (the sector makes up 47% of business rate contributions in Liverpool), the region's GVA and employment.
- 3.19 The performance of the strategy will be monitored and evaluated through the arrangements being set in place as part of the SIF initiatives, as well as quarterly reporting through Growth Platform. This includes analysis of the business growth programme, visitor volume/value analysis and quarterly KPI reports (including hotel occupancy, town centre footfall, attractions footfall and inbound/outbound passengers etc).

3.20 The Visitor Economy Recovery Strategy shown in Appendix 1 is the detailed report and plan.

4. RESOURCE IMPLICATIONS

4.1 The Short-Term Liverpool City Region Visitor Economy Recovery Strategy enables the region to build on its existing networks and partnerships to increase the opportunities for collaboration and attract funding. At the heart of its delivery will be the region's network of DMOs comprising Growth Platform, Marketing Liverpool, Marketing Southport and Visit Wirral. These organisations play a central role in areas such as attracting investment, marketing, managing tourism membership, skills programmes and providing business support.

Financial

4.2 While the challenges of Covid have significantly impacted the commercial income models that underpin the region's DMO activity, core resource is being supported by the Local Authority contributions and core funding from the Local Enterprise Partnership/Growth Platform. These arrangements are also fundamental to the delivery of the Visitor Economy SIF programmes referenced above.

4.3 Importantly, these arrangements allow the City Region to respond, as a city region, to other national funding programmes including those potentially associated with the DMO review and DCMS recovery plan. There will be a reliance on core funding from Central Government and the private sector over longer term such are the anticipated pressures on public sector finances.

4.4 At an operational level, SIF investment is conditional on the development of the private sector funding model and the associated financial implications will be identified as part of the business case being developed for early 2022. The strategy will also be used to route additional funding into the visitor economy through the Growth Platform/LCR Growth Hub business support programme and CA led skills programmes.

Human Resources

4.5 Currently support for this strategic work including facilitating the Visitor Economy Board, is led by the Lead Officer for Visitor Economy and the Visitor Economy Lead Officer Group, comprising the representative officers from each of the 6 Local Authorities.

4.6 If the Visitor Economy Recovery Plan is endorsed by the Combined Authority, this will be reviewed to ensure appropriate resources are in place to deliver. It will also be dependent on Central Government's response to the recommendations of the national DMO review.

Physical Assets

4.7 There is no immediate impact on Physical Assets associated with adoption of the Strategy. Potential impact on Physical Assets will however be kept under review.

Information Technology

- 4.8 There are no Information Technology implications arising from the implementation of the recommendations in this report. Specific actions within the Strategy include the use of IT in their implementation.

5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications arising from the adoption of the Visitor Economy Recovery Strategy.

6. RISKS AND MITIGATION

- 6.1 Full risk and mitigation plans have been developed within the business planning for the SIF visitor economy SIF projects that form a core part of the delivery of this strategy. These areas specifically relate to deliverability, governance and the transition to the private sector led funding model.
- 6.2 The risks associated with DMO resource are being mitigated in the short term through the contributions of the public sector and the use of SIF to help revive commercial income streams. The medium term options to fund DMOs are more uncertain and will be reliant on a combination of factors including the ability to access core funds from Central Government or potentially the CA, as well as increased investment from the private sector.
- 6.3 Pending Central Government's response to the recommendations of the national DMO review, Growth Platform and CA have agreed to review the commissioning arrangements for the LCR DMO network.

7. EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1 The Visitor Economy Recovery Strategy provides a framework for actions to ensure that equality, diversity and inclusion policies and practice be mainstreamed across all the LCR's visitor economy work to ensure representation and equal opportunities within the sector's industries.

8. PRIVACY IMPLICATIONS

- 8.1 There is no immediate impacts or Privacy Implications associated with adoption of the Strategic Action Plan. Potential impact on Privacy Implications will however be kept under review.

9. COMMUNICATION ISSUES

- 9.1 A communication plan will be developed for the Visitor Economy Recovery Strategy including the decisions arising from this report. Subject to endorsement of the recommendations, this communication plan will be implemented and will involve the Combined Authority's and Growth Platform's Communication team.

10. CONCLUSION

- 10.1 The Visitor Economy plays a vital role in supporting the economic and social wellbeing of the City Region that pre Covid generated £5bn investment per annum. The disastrous effects of the pandemic have decimated the sector meaning a combination of demand and supply side interventions are needed to support local business recovery and rebuild visitor markets. In achieving this, the strategy sets out a clear approach for using public sector funds to establish a sustainable private sector led funding model over the medium terms as well as a business continuity plan for the City Region's network of Destination Management Organisations.

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Appendices:
Appendix One – LCR Visitor Economy Recovery Strategy 2021-2023

Background Documents:

Draft LCR Visitor Economy Recovery Strategy
LCR Visitor Economy Investment Strategy 2016
LCR Visitor Economy Destination Management Plan 2015