

Agenda Item No. 3(a)

DERBYSHIRE COUNTY COUNCIL

**MEETING OF CABINET MEMBER – STRATEGIC LEADERSHIP, CULTURE
AND TOURISM**

4 February 2021

Report of the Director – Economy, Transport and Environment

MARKETING PEAK DISTRICT AND DERBYSHIRE – UPDATE

(1) **Purpose of Report** To update the Cabinet Member on the current financial position of Marketing Peak District and Derbyshire (MPDD) and to seek approval to underwrite up to £100,000 to support cashflow issues incurred by the organisation due to the impact of the Coronavirus (COVID-19) pandemic.

(2) **Information and Analysis**

Context

Recovery work, in the wake of the pandemic crisis, has been co-ordinated via the Derbyshire Strategic Recovery Group (SRG) and affiliated sub-cells. The SRG draws together a broad cross sector alliance of partners to co-ordinate county-wide recovery. The Economy and Business Recovery Cell forms part of the SRG arrangements and recently published its Economic and Employment and Skills Recovery Strategies. This was endorsed by Cabinet on 19 November 2020 (Minute No.195/20 refers) and comprised a headline action plan that blended short term interventions to protect the economy with longer term actions positioned to enable the County to re-orientate and grow Derbyshire's economy to capitalise on new opportunities.

The Visitor Economy is a high level priority within the Economic Recovery Strategy. Pre-COVID-19, it was acknowledged as one of the key growth sectors within Derbyshire, demonstrating year on year growth over a decade, with the sector worth £2.49bn Gross Value Added (GVA) and supporting 31,932 jobs in 2019.

The evidence review which informed the Strategy, highlighted the disproportionate impact that the COVID-19 pandemic has had on the Visitor Economy and the resulting action plan identifies key interventions necessary to help the sector recover over the medium to long term (2021 to 2025). It is proposed that MPDD will lead on the implementation of a number of these interventions, including:

- Delivering a destination/staycation marketing campaign for 2021 and beyond.
- Developing a 'meet' marketing campaign.
- Building business resilience through a comprehensive business support programme.
- Developing international campaigns to attract inbound visitors.
- Developing a strategic proposal to create Tourism Action Zone.
- Lobbying for a national review of the financial structure of the UK's destination management organisations (DMOs) following the huge financial challenges faced as a result of COVID-19 and the devastating loss of commercial income.

Current Financial Issues

Established in 2005, MPDD is the official Tourist Board for the Peak District and Derbyshire. MPDD works in partnership with national tourism bodies such as VisitBritain and VisitEngland to maximise the Peak District and Derbyshire's profile across the world and attract both national and international visitors to the County's attractions and accommodation.

MPDD's business model is based on a mix of public and commercial income streams with 2019-20 income being made up of 23% European Regional Development Fund (ERDF), 18% local authority funding, 18% National Heritage Lottery Fund, 12% Visit England, 1% University of Derby and 23% commercial income, via campaigns, patrons, membership fees and advertising.

As a result of COVID-19 and its impact on accommodation providers and attractions, commercial income in 2020-21 has been significantly impacted, with only £15,000 secured compared to £200,000 in 2019-20. This has caused significant cashflow issues for MPDD and reserves have had to be utilised to cover fixed costs. Reserves now stand at £140,000 but can no longer be utilised to cover fixed costs as proper financial management requires that £100,000 be retained for staff liabilities and £40,000 for potential ERDF claw back in the event that the business has to cease trading.

MPDD has been able to secure additional income of £40,000 from Visit England towards the shortfall in 2020-21 income, along with £10,000 towards business resilience planning, which again needs to be spent within the 2020-21 financial year and cannot be utilised to shore up longer term costs.

Budget planning for 2021-22 has considered four scenarios based on reduced commercial income streams, due to the ongoing impact of the pandemic. All other income streams are assumed to remain constant at £417,979, although this is not without its uncertainties.

Budgets assume fixed costs remain constant at £659,020, with £251,859 of this allocated to ERDF costs (including two ERDF-funded posts). The forward budget planning scenarios are set out below:

- Scenario 1: presumes 100% (£189,500) of commercial income is achieved, and forecasts a £1,591 deficit.
- Scenario 2: 80% - forecasts a £39,491 deficit.
- Scenario 3: 70% - forecasts a £58,441 deficit.
- Scenario 4: 50% - forecast a £96,341 deficit.

MPDD is confident that it can achieve 70% (£135,620) of commercial income in 2021-22 and is considering a range of new approaches to generate income and support longer term financial viability. Business feedback suggests that once restrictions are lifted there will be a very strong staycation market during 2021-22 which should also result in returning membership and associated income.

(3) Financial Considerations It is proposed that the Council underwrites MPDD to the value of £100,000 against potential sustained loss of income. Based on the above scenarios and assessment of likely levels of activity during 2021-22, if MPDD is able to achieve 70% of commercial income this year, it is likely that it will need to draw down £58,441 against the support fund. It is proposed these costs are met from the Council's £15 million COVID-19 Emergency Fund.

It is important to note that the request for underwriting up to £100,000 is in addition to the £100,000/year funding MPDD receives through its Service Level Agreement with the Council and also the ERDF match funding that the Council provides, with the remaining £20,000 (from a total match of £70,000) due in April 2021.

(4) Other Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, social value and transport considerations.

(5) Key Decision No.

(6) Call-In is it required that call-in be waived in respect of the decisions proposed in the report? No.

(7) Background Papers Derbyshire Economic Partnership Economic and Employment and Skills Recovery Strategies. MPDD Budget Planning 2021-22

(8) **OFFICER'S RECOMMENDATIONS** That the Cabinet Member:

- 8.1 Notes the update on the current financial position of Marketing Peak District and Derbyshire.
- 8.2 Approves the proposal to underwrite up to £100,000 against loss of income incurred by Marketing Peak District and Derbyshire due to the impact of the Coronavirus (COVID-19) pandemic.

Tim Gregory
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