

Economy Committee

10.00am, Tuesday, 20 September 2016

Marketing Edinburgh Service Level Agreement 2017/18

Item number

Report number

Executive/routine

Wards

All

Executive Summary

Marketing Edinburgh Ltd (ME Ltd) was established as a limited company in November 2010 with a mandate from the City of Edinburgh Council to be the official promotion body for Edinburgh. The current Service Level Agreement with ME Ltd expires on 31 March 2017. This report proposes an interim Service Level Agreement for the financial year 2017/18.

Links

Coalition Pledges

[P15](#), [P24](#)

Council Priorities

[CP5](#), [CP6](#), [CP8](#), [CP9](#), [CP11](#)

Single Outcome Agreement

[SO1](#)

Marketing Edinburgh Service Level Agreement 2017/18

1. Recommendations

The Economy Committee is asked to:

- 1.1 To give delegated authority to the Executive Director of Place to conclude the interim Service Level Agreement with Marketing Edinburgh, which would allow adjustments to be made as required.
- 1.2 Note that the Service Level Agreement is subject to an agreed Marketing Edinburgh Business Plan for 2017/18, to be received by March 2017.
- 1.3 To note that a comprehensive three year Service Level Agreement will be developed in the coming months.

2. Background

- 2.1 ME Ltd was established as a limited company in November 2010 with a mandate from the City of Edinburgh Council to be the official promotion body for Edinburgh.
- 2.2 The current Service Level Agreement with ME Ltd expires on 31 March 2017.

3. Main report

- 3.1 There are no significant changes to the Service Level Agreement. The Marketing Edinburgh Business Plan 2017/18 will provide fuller details of the KPIs referred to in the Service Level Agreement. This will be reported to the Economy Committee in April 2017.
- 3.2 A wider dialogue between the Executive Director of Place and Marketing Edinburgh is currently taking place regarding the functionality of Marketing Edinburgh moving forward. It is hoped this dialogue will be concluded over coming months and this outcome will be reported to Committee. Once this process is agreed, a comprehensive new three year Service Level Agreement will be prepared.

4. Measures of success

- 4.1 The measures of success are agreed metrics and rankings, increased value and reach of media coverage, increased visitor numbers, hotel occupancy and visitor

expenditure, reduced seasonality, increased value of economic benefit of film and business tourism, increase in conferences, events, film and air routes bid for and won for the city.

5. Financial impact

- 5.1 The core funding for ME Ltd is met from the Economic Development Service budget. The core funding total for 2017/18 will be £890,834. This represents a reduction of 3% on the funding in 2016/17 and is in line with the Council's applied reduction to third party organisations.
- 5.2 This financial agreement will be included in the Economy service budget proposal for 2017/18, which will be subject to approval by Council early in 2017.

6. Risk, policy, compliance and governance impact

- 6.1 The actions and outputs described in this report adhere to the risk compliance policy and governance arrangements. In addition, the recommendations in the report do not impact on any existing policies of the Council.

7. Equalities impact

- 7.1 The Equalities impact will be positive because ME Ltd is dedicated to promoting the city to tourists, visitors and shoppers. The aim is to increase business gain to the city which will increase employment opportunity. Coupled with the work of the Council's Employability Service, every effort will be made to ensure that this benefits the city's most disadvantaged communities.

8. Sustainability impact

- 8.1 ME Ltd promotes the city as a destination for visitors and tourists. There is an impact on the environment in terms of travel. However this is offset by the work ME Ltd does to persuade residents to stay in the city and by the employment that it seeks to stimulate through city promotion. As an organisation, ME Ltd maintains high environmental standards through the extensive use of electronic marketing, recycling and by bringing together disparate campaigns so as to create a more resource efficient focus to the marketing of the city.

9. Consultation and engagement

- 9.1 The principles concerning a Service Level Agreement have been developed with the Council and the Board of Marketing Edinburgh Ltd.

10. Background reading/external references

The following background reading is relevant to this report:

[http://www.edinburgh.gov.uk/download/meetings/id/50521/item_72 -
_marketing_edinburgh-_this_is_edinburgh_and_annual_report](http://www.edinburgh.gov.uk/download/meetings/id/50521/item_72_-_marketing_edinburgh-_this_is_edinburgh_and_annual_report)

Paul Lawrence

Executive Director of Place

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11. Links

Coalition Pledges	P15 - Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors P24 - Maintain and embrace support for our world-famous festivals and events
Council Priorities	CP5 - Business growth and investment CP6 - A creative, cultural capital CP8 - A vibrant, sustainable local economy CP9 - An attractive city CP11 - An accessible connected city
Single Outcome Agreement	SO1 - Edinburgh's Economy delivers increased investment, jobs and opportunities for all
Appendices	1 – Marketing Edinburgh Proposed SLA

SERVICE LEVEL AGREEMENT BETWEEN

THE CITY OF EDINBURGH COUNCIL &

MARKETING EDINBURGH LIMITED

FOR THE PERIOD 1 April 2017 TO 31 March 2018

1 INTRODUCTION

- 1.1 This Agreement sets out the scope of the partnership between the City of Edinburgh Council (“the Council”) and Marketing Edinburgh Limited (“MEL”) and the terms under which the Council will make funding available to MEL to deliver services to meet its strategic objectives around the marketing of Edinburgh. This agreement covers the period 1 April 2017 to 31 March 2018 and is informed by the Council’s Economic Strategy 2012-17.
- 1.2 This agreement reflects the principles of the “Service Level Agreement” agreed by the Economy Committee of the Council on 19 November 2013, and meets the Council’s corporate requirements in relation to the governance of the Council’s arms length companies and the Council’s audit requirements.

2 VISION

- 2.1 The Council’s vision for MEL is:

“...An official city promotion body dedicated to promoting Edinburgh to the world. An organisation with clout, credibility and confidence. A well run organisation that is efficient with its resources, and is trusted by everyone that matters in the city because it delivers what they want. An organisation that looks and feels like a city promotion body. An organisation that measures its impact on the city and the wider city region economy.”

- 2.2 The four “ingredients of success” for MEL are identified as:

- a) “An explicit mandate from the City of Edinburgh Council” – MEL should have the backing and endorsement of the Council, with commensurate funding;
- b) “A commercial culture” – MEL should have a commercial culture, operate at arm's length from the Council and demonstrate a return on investment for its funders;
- c) “A city promotion plan shared by key stakeholders” – MEL should cultivate strong relationships with its funders and other important stakeholders;
- d) “An outstanding chief executive” – the chief executive of MEL should possess the necessary skills in strategising, marketing, relationship building, team building.

3 ROLES AND RESPONSIBILITIES

The City of Edinburgh Council

- 3.1 The City of Edinburgh Council (“the Council”) is the local authority for Edinburgh, constituted under the Local Government, etc (Scotland) Act 1994.

- 3.2 Part 3 of the Local Government in Scotland Act 2003 confers on the Council the power “to do anything which it considers is likely to promote or improve the well-being of its area and persons within that area”.
- 3.3 In 2009, the Council opted to take greater control over the marketing and promotion of Edinburgh. In 2011, the Council formed an arm’s length company, Marketing Edinburgh Limited, with the remit of promoting Edinburgh.

Marketing Edinburgh Limited

- 3.4 Marketing Edinburgh Limited (“MEL”) is a company limited by guarantee without share capital (registered number SC392580) wholly owned by the Council. MEL has lead responsibility for the promotion of Edinburgh as a world-class destination to visit, invest, live, work and study.
- 3.5 MEL incorporates the functions of the former Council arm’s length companies Edinburgh Film Focus and the Edinburgh Convention Bureau as well as the activities performed by the Destination Edinburgh Marketing Alliance. It therefore has lead responsibility for the promotion of Edinburgh as a filming location and a conference destination.

4 STRATEGIC OBJECTIVES

- 4.1 The strategic objectives of MEL are as follows:
- a) Work to create an official city promotion body dedicated to promoting Edinburgh to the world. It will build an organisation with clout, credibility and confidence and its objectives will be detailed and monitored in its business plan;
 - b) Work to create synergy between the Visit, Invest, Live, Work and Study markets by creating innovative, cross-sector, integrated campaigns to promote city brand awareness amongst relevant target groups by providing a constant stream of news stories for the media and by the smart use of digital media;
 - c) Continue to support the Council’s invest agenda and implement an effective digital strategy that will deliver partnership and city promotional opportunities;
 - d) Continue to provide convention services to be offered under the established and recognised “Convention Edinburgh” brand. The convention team will continue to persuade major association and corporate conferences to come to the city and to enable the visitor economy to maximise the benefits and will also seek to maximise the opportunities provided by the National Bid Support Fund;
 - e) Continue to provide the city’s film office service, working to attract and facilitate film and television producers to Edinburgh;
 - f) Provide support to the major attractions and festivals through collaborative partnership opportunities and if relevant integrate with other city promotional activity and lead on the co-ordination and promotion of the Edinburgh Tourism Action Group’s winter product development campaign;
 - g) Seek additional funding from the private sector and from other city partners by building on its partnership scheme and through development of campaign opportunities;

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- h) Support the Council's Events service on the coordination, creation, bidding and promotion of major sporting, cultural and business events which support the city's brand positioning;
- i) Create an annually agreed set of delivery programmes with partners, including the Council, detailed in the Business Plan;
- j) Work closely with Edinburgh Airport and the Economic Development Service to provide city promotion support for new air route development into the city.

4.2 In meeting the Strategic Objectives, MEL and the Council agree that no part of the Financial Transfer or Council resources shall be used for the purposes of:

- 4.2.1 carrying out or financing any commercial activity which is not undertaken primarily (or at all) to carry out the UK authorities' public purpose of providing tourist information and promoting Edinburgh and which does or may compete with activities carried out by private sector organisations in the tourist industry, including booking facilities, buying and selling holidays and holiday accommodation, and advertising;
- 4.2.2 facilitating or financing in any way the provision of accommodation booking facilities online either wholly or partly and which could be deemed to compete with activities carried out by private sector organisations;
- 4.2.3 facilitating or funding any activities which could potentially be seen to advertise one or more commercial products over and above other commercial products, in any way which is not part of that function.
- 4.2.4 In seeking and choosing commercial organisations as cooperative partners or suppliers, MEL agree not to use selection criteria which are biased towards certain organisations in the sector in question.

4.3 Declaring for the avoidance of doubt that MEL shall not be restricted from funding and/or resourcing the activities set out in clause 4.2 inclusive itself, provided that such funding or resource is not derived in any way from the Financial Transfer, or interest, capital or revenue accrued therefrom.

5 GOVERNANCE

Relationship with the Council

- 5.1 The Director, and /or his representative will meet at least bi-monthly with the Chief Executive of MEL to share the progress of the MEL Business Plan and the Council's strategic objectives, expenditure updates and KPIs. A record will be kept of monthly meetings including a Status Report. In addition, MEL will provide the Director of Economic Development with quarterly updates for the Economy Committee, in particular in relation to MEL's KPIs.
- 5.2 MEL will inform the Council first point of contact as soon as practically possible of any incidents with the potential to have a significant impact on the ability of MEL to achieve its strategic objectives or to attract significant public and media interest, including any significant changes to the financial position or prospects of MEL.

Board of Directors

- 5.3 MEL will recruit a Board of executive and/or non-executive directors with the requisite skills and experience to enable the Board to fulfil its leadership and oversight role.
- 5.4 MEL will make appointments to the MEL Board via a clear and transparent selection process.
- 5.5 No members of the MEL Board will receive any remuneration from MEL.
- 5.6 The MEL Board will be convened quarterly each financial year.
- 5.7 The Council will retain the right to immediately dismiss any director who is judged to have acted dishonestly or negligently in a fashion that the Council deems likely to bring the reputation of the Council into disrepute.
- 5.8 Three elected members of the Council will be appointed by the Council to the Board of MEL. One Council employee will attend MEL Board meetings as a non-voting observer. Council employees will also attend any sub-committees formed by the MEL Board at the discretion of the Council.

Reporting

- 5.9 MEL will monitor its performance against the objectives set in clause 4.1 throughout the funding period.
- 5.10 MEL will prepare an annual report for the Council within three months of the end of the financial year, to include:
 - a) An update on progress towards meeting each strategic objective (as set out in clause 4.1) and the KPIs set out in the MEL Business Plan;
 - b) An update on measures taken to comply with Council employment policies (as set out in clause 6.3);
 - c) Financial accounts and statements (as set out in clause 7);
 - d) A record of all procurement contracts awarded (as set out in clause 6.6);
 - e) A general review of operational matters over the course of the year, to include a narrative of the main initiatives taken forward, a summary of staffing changes, and a forward-looking "SWOT" analysis for MEL;
 - f) An outline of MEL's plans for the following financial year.
- 5.11 MEL will prepare quarterly reports for the Council within three months of quarter, to include:
 - a) An update on actions taken in pursuit of each strategic objective (as set out in clause 4.1) using the key performance indicators developed by MEL (as set out in the MEL Business Plan);
 - b) A summary of income and expenditure over the period;
 - c) A summary of staffing changes;

d) A general review of any significant matters arising.

5.12 MEL will endeavour to provide the Council with any other information and/or documentation reasonably required for monitoring purposes.

6 OPERATIONAL CONDUCTS

General conduct

6.1 MEL will comply with all relevant laws and applicable codes of practice and will notify the Council immediately of any violations.

6.2 MEL will put in place robust policies and procedures for managing and resolving conflicts of interest.

6.3 MEL will inform the Council immediately in the event that it finds that any information it has previously provided to the Council is misleading or inaccurate.

Policies

6.4 MEL will adhere to the following employment policies of the Council, except where this impedes the ability of MEL to deliver its objectives:

- a) The living wage;
- b) The Edinburgh Guarantee;
- c) Modern Apprenticeships.

Staffing

6.5 All vacancies advertised by MEL for a post with a contract length of six months or more must be publicly advertised.

6.6 All salaries and other employee benefits offered by MEL will reflect competitive market rates and not be unduly generous.

Procurement

6.7 When procuring goods and services, MEL will observe the principles of fairness, openness and transparency. MEL will maintain a log of all contracts awarded to supply goods and services to MEL to include a record of how the contract was tendered, the rationale for awarding the contract to the supplier in question, and the name of the employee awarding the contract.

Publicity

6.8 MEL will consult with the Council before entering into any sponsorship agreements involving branding or naming rights. The Council will retain the right to veto any such agreements at its discretion.

6.9 MEL and the Council will comply with any reasonable requests from the other party for information, multimedia, quotes and practical assistance relating to the delivery of the strategic objectives.

Contingency planning

- 6.10 MEL will assist the Council with any contingency planning requirements as directed by the Council's emergency planning officer. The costs of the assistance will be charged to the Council.

Confidentiality

- 6.11 The Council and MEL will respect the confidentiality of all intellectual property and other commercially sensitive information shared with the other party and neither party will disclose this information without the express written permission of the other party except where it has a statutory obligation to do so.

Freedom of information

- 6.12 MEL will provide any information requested by the Council to meet its obligations under the Freedom of Information (Scotland) Act 2002 no more than five working days after receiving a request. The Council will be solely responsible for determining whether any information supplied by MEL is exempt from disclosure according to the terms of the Act.

7 FINANCIAL ARRANGEMENTS

Financial Transfers

- 7.1 The Council will determine on an annual basis no later than 15 March the level of annual payment for transfer to MEL (Financial Transfer). This sum will be made available to MEL in two equal tranches payable on the first day of April and October except where a deviation from this schedule is agreed by both parties.

Conditions of funding

- 7.2 All funding provided to MEL by the Council will only be used to deliver services in pursuit of the objectives set out in clause 4.1, except with the prior written consent of the Council.
- 7.3 Any funding paid to MEL by the Council in error will be promptly repaid by MEL.
- 7.4 The Council will not provide additional funding in the event of overspend by MEL while delivering services in pursuit of the objectives.
- 7.5 MEL confirm that the Council's Financial Transfer and any Council resources applied to the Partnership between MEL and the Council does not constitute a State Aid.
- 7.5.1 In the event that any aspect of this Agreement is challenged in relation to a State Aid breach, or perceived State Aid breach, procurement breach or challenge in respect of a defective procurement process, MEL will provide the Council with all necessary assistance and information in order for the Council to respond to any such challenge, whether such is by the national courts or the European Commission; and
- 7.5.2 in such an event, MEL will bear an equal apportionment of the Council's proper and reasonable costs, including legal costs, borne in dealing with such a challenge.
- 7.5.3 In the event that the Financial Transfer and resources applied to MEL under this Agreement is successfully challenged by the national courts or the European Commission, and in the event that the Council is ordered to recover such Financial Transfers and

quantified costs of the resources ('the State Aid'), MEL shall in such an event immediately repay the State Aid to the Council including all proper and reasonably incurred costs of the Council referred to in 7.5.1 and 7.5.2 and including the full liability for any penalty imposed on the Council arising from a successful challenge.

Insurance

- 7.6 MEL will effect and maintain insurance policies in respect of all risks that it may incur, to include:
- a) Public liability insurance with a limit of indemnity of not less than £5,000,000;
 - b) Employer's liability insurance with a limit of indemnity of not less than £1,000,000.
- 7.7 MEL will provide the Council with a copy of the relevant policies and evidence of the payment of premiums on request.
- 7.8 The Council will accept no liability for the actions of MEL. MEL will indemnify and hold harmless the Council, its employees, agents, officers and sub-contractors with respect to all claims, demands, actions, costs, expenses, losses, damages and all other liabilities relating to the actions of MEL.

Accounting requirements

- 7.9 MEL will produce full annual financial accounts and statements.
- 7.10 MEL will submit draft annual accounts by 30 April each year and audited annual accounts by 15 August each year, or any other such deadline as advised by the Council to meeting statutory financial reporting deadlines.
- 7.11 MEL will retain separate, accurate and up-to-date accounts relating to the expenditure of the funding provided by the Council – along with invoices, receipts and any other relevant documentation – for a minimum of six years following the receipt of funding from the Council. The Council will retain the right to review these records at its discretion.
- 7.12 MEL will provide the Council's auditor with full access to its financial records as required.

8 TERMINATING THE AGREEMENT

- 8.1 The agreement may be abrogated by the Council for any reason with six months' written notice.
- 8.2 The agreement will automatically be terminated in the event that MEL breaches a statutory duty or becomes insolvent. Notwithstanding condition 8.1, and declaring for the avoidance of doubt, the Council shall be entitled to immediately terminate this Agreement without notice in the event that this Agreement is successfully challenged by the national courts or European Commission as set out in conditions 7.5.3 and 7.6.
- 8.3 The Council may instantly terminate the agreement in the event of any the following:
- a) MEL commits any act that is illegal in the UK;
 - b) MEL acts dishonestly or negligently in a fashion that the Council deems likely to bring the reputation of the Council into disrepute;

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- c) MEL is placed into administration or receivership, or otherwise becomes insolvent;
- d) MEL knowingly provides misleading or inaccurate information to the Council;
- e) MEL uses funding provided by the Council for purposes other than the delivery of services in pursuit of the objectives set out in clause 4.1 without the express written consent of the Council;
- f) MEL is determined by the Council to have made unsatisfactory progress towards the strategic objectives set out in 4.1 and fails to remedy this within 30 days of receiving written notice detailing the issue in question;
- g) MEL breaches any of the conditions of this agreement and fails to rectify this breach to the satisfaction of the Council within 30 days of receiving written notice detailing the breach.

9 The Council reserves its right to enter into contracts and other Service Level Agreements with other third parties and nothing in this Agreement shall imply any exclusivity in favour of MEL in terms of the Strategic Objectives to be delivered by MEL.

10 **AFFIRMATION**

Signed on behalf of the City of Edinburgh Council

Printed name: Paul Lawrence

Title: Executive Director of Place

Signature:

Date:

Signed on behalf of Marketing Edinburgh Limited

Printed name: John Donnelly

Title: Chief Executive

Signature:

Date:

Witness

Printed name:

Title:

Signature:

Date: