

ITEM 9 DESTINATION WOLLONGONG - FUTURE FUNDING ARRANGEMENTS

On 1 July 2016, Wollongong City Council entered into a five-year funding agreement with Destination Wollongong to provide tourism services within the Wollongong LGA. This five-year agreement is due to expire on 30 June 2021.

This report proposes that Council continue to provide funding and support to Destination Wollongong and that Council enter into a new five-year funding agreement until 30 June 2026.

The report also seeks a resolution of Council regarding tendering provisions and to delegate the General Manager to proceed with negotiations and finalisation of the funding agreement with Destination Wollongong.

RECOMMENDATION

- 1 Council resolve under Section 55(3) of the *Local Government Act* 1993 to enter into a funding agreement with Wollongong City of Innovation Ltd (trading as Destination Wollongong) without the inviting of tenders due to extenuating circumstances, unavailability of competitive and reliable tenderers and otherwise for the reasons set out in this report.
- 2 Council proceed with finalising the funding agreement (2021-26) with Wollongong City of Innovation Ltd (trading as Destination Wollongong) to deliver destination marketing, major events, business visitor economy, support growth in tourist related infrastructure/new product development; and cycling.
- 3 Council resolve to put the new constitution before the Wollongong City of Innovation Ltd (trading as Destination Wollongong) Board and its members for adoption.
- 4 Council delegate finalisation of the Funding and Performance Agreement with this organisation to the General Manager, subject to the funding agreement not exceeding the adopted budget and the adoption by Wollongong City of Innovation Ltd (trading as Destination Wollongong) of the new constitution.
- 5 Council seek consent of the Minister for Local Government to acquire a controlling interest in the Wollongong City of Innovation Ltd (trading as Destination Wollongong).

REPORT AUTHORISATIONS

Report of: Sue Savage, Manager Community Cultural + Economic Development
Authorised by: Kerry Hunt, Director Community Services - Creative and Innovative City

ATTACHMENTS

There are no attachments for this report.

BACKGROUND

Wollongong City of Innovation (trading as Destination Wollongong) has delivered tourism services on behalf of Wollongong City Council since 1979. Council has provided financial assistance for tourism services, both in the form of direct monetary assistance and in-kind assistance including IT, graphic design and subsidised leasing of Council's facilities.

The current funding agreement with Destination Wollongong commenced on 1 July 2016 and is due to expire on 30 June 2021. The funding agreement sets out the services to be provided by Destination Wollongong as well as the budget and key performance indicators. Services provided under this agreement include destination marketing, events and business and investment activities. At the time of entering into the current agreement in 2016, substantial changes were made to the Wollongong City of Innovation Ltd Constitution (the Constitution), including confirming Council's interest in Destination Wollongong, reducing the number of board members to nine, including two Council appointed officer directors, three Council appointed independent directors and four member directors.

Over the last six months, a review of both the funding agreement and the Wollongong City of Innovation Ltd Constitution has been undertaken. Council has worked with Destination Wollongong to further align the organisations, including a focus on enhancing their constitution to further reflect Council's significant and ongoing interest in the organisation.

PROPOSAL

The Destination Wollongong Constitution: Update on progress to date

A new constitution for Wollongong City of Innovation Limited has been proposed by Council and discussed with representatives of Destination Wollongong. Whilst the company will remain limited by guarantee, the new Constitution removes the previous membership categories (akin to shareholders) of the company and replaces it with a single member, Council, with consequential revisions around the ability of the single member to vote, pass resolutions and appoint and remove directors. It provides for updated objects of the company and a revised list of suitable skills for appointment as a director.

The approval of the Minister for Local Government is required pursuant to Section 358 of the *Local Government Act* 1993 before the new Constitution can be given effect, since it would amount to the acquisition of a controlling interest in a corporation or other entity for the purposes of that section.

Funding Agreement

Council has worked collaboratively with Destination Wollongong over the past five years. Under Section 55(3) of the *Local Government Act* 1993, it is proposed that because of extenuating circumstances relating to the current arrangements Council has in place with Destination Wollongong, a satisfactory result would not be achieved by inviting tenders, including the following:

- Agreed changes to the Destination Wollongong Constitution confirm Council's interest in Destination Wollongong.
- Destination Wollongong is an existing not for profit Council funded organisation with a tourism and marketing objective and is the only substantial local tourism organisation with marketing capability.
- Destination Wollongong has aligned its planning, delivery and reporting to Council's Community Strategic Plan: Our Wollongong 2028.
- Destination Wollongong has made substantial improvements to its governance and operations including a clear strategic direction.
- Council has given consideration of other competitive processes, which might be appropriate in the circumstances and has satisfied itself that any probity concerns have been addressed and that the entry into the funding agreement with Destination Wollongong represents the best value output for Council.

To meet Council's obligations under Section 55(3) of the *Local Government Act* 1993 a public notice outlining Council's intent to enter into a funding agreement without inviting tenders will be featured in the Illawarra Mercury.

Destination Wollongong would continue to deliver several benefits to Council that are unable to be delivered by other competitors. These include in-kind services provided, alignment to the Economic Development Program, shared planning, delivery and reporting on projects and the knowledge and expertise of Destination Wollongong employees (including its board members).

The report proposes that Council delegate finalisation of the funding agreement to the General Manager, subject to funding arrangements not exceeding the adopted budget.

The key objectives of the proposed changes to the Constitution and funding agreement are to:

1. Further confirm Council's interest in Wollongong City of Innovation (trading as Destination Wollongong).

2. Improve integration with Council's Economic Development Strategy 2019-29 and Economic Development program.
3. Improve alignment with Wollongong 2028.

The proposed funding agreement is conditional upon adoption of Constitutional changes. Should the Constitution not be adopted, the matter will return to Council for further consideration.

The funding agreement will specify the activities to be delivered by Destination Wollongong as well as clarifying funding provided, performance measures and reporting requirements. These are proposed to include:

1. **Destination Marketing** - delivering a marketing strategy for Wollongong's visitor economy and an integrated visitor services program. The focus of this pillar would be around building Wollongong's external profile to the rest of Australia and internationally, acknowledging that it should also align with other Council initiatives and programs, such as Invest Wollongong and the Wollongong CBD revitalisation. The focus should be on 'growing the pie' and attracting new visitors to the region.
2. **Major Events** - including major event acquisition and broadening of event profile. This pillar is supported by the Major Events Strategy and links to the Economic Development Strategy 2019-29 which notes the benefits to the economy of attracting more major events and tourism infrastructure. The direct short-term benefit is the economic impact of visitors to the event who spend locally, providing an immediate injection across a range of businesses. They also provide longer lasting benefits including showcasing the city to a new audience and publicity associated with the event.
3. **Business Visitor Economy** - including growing the business visitor economy and attracting business conferences. The focus of this pillar is around growing the business visitor economy to bring new business events/conferences to Wollongong. These events are beneficial as they are generally held mid-week (providing support for accommodation operators during lower occupancy rate periods) and business travellers who have a greater capacity to spend than many other visitor categories. This pillar also has synergies with Council's Economic Development Strategy 2019-29 and other areas of Council, including Invest Wollongong and provides an opportunity to profile the city from a business perspective. This pillar will support the new hotel investment that looks set to come online during the term of the next funding agreement.
4. **Support growth in tourist related infrastructure/new product development** - including facilitating new investment in tourism infrastructure with a focus on attracting new service offerings to diversify and strengthen the region's appeal.
5. **Cycling** - including cycling as a key regional priority by leveraging the profile and legacy of Wollongong 2022.

Further work to refine the funding and performance agreement with Destination Wollongong will be undertaken over the next few months with a new agreement to be signed prior to 1 July 2021. This will include developing strong key performance indicators to meet the needs of both organisations over the coming five-year period.

CONSULTATION AND COMMUNICATION

Councillors

Destination Wollongong, including Chair, Board members and General Manager.

Director Community Services

Manager Community Cultural and Economic Development

General Counsel

Economic Development Manager

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong 2028 Goal 2 “We are an innovative and sustainable economy”. It specifically delivers on the following:

Community Strategic Plan	Delivery Program 2018-2022	Operational Plan 2020-21
Strategy	4 Year Action	Operational Plan Actions
2.3.3 Enable signature events and festivals where communities and visitors can gather	2.3.3.1 Continue to attract signature events and festivals	Manage the Destination Wollongong Funding Agreement 2016-21

SUSTAINABILITY IMPLICATIONS

The Destination Wollongong Funding Agreement 2021-26 will promote more efficient and improved service delivery through collaboration and innovation.

RISK MANAGEMENT

Council’s Economic Development Strategy 2019-29 focuses on the key challenge of creating more jobs in Wollongong to support a more sustainable local economy and build stronger community connections. The delivery of tourism related functions by an organisation with a proven track record in achieving results, industry acknowledgement as a leader and clear operational alignment to Wollongong City Council, is critical to its success. This proposal to directly negotiate with Destination Wollongong is a sound mitigation strategy.

FINANCIAL IMPLICATIONS

Funding for Destination Wollongong is in Council’s forward budget with \$1.5M allocated in 2021-22.

CONCLUSION

This report recommends that Council provide funding and support to Destination Wollongong and that Council enter into a new five-year funding agreement until 30 June 2026.