THE HIGHLAND COUNCIL: REVIEW OF TOURISM SPEND

REPORT

**by Rowan Tree Consulting
in association with
COMPASS: The Management Resource Partnership.**

CONTENTS

List of abbreviations used in this report

BBC	British Broadcasting Corporation
CNPA	Cairngorms National Park Authority
DMO	Destination Management Organisation
FCS	Forestry Commission Scotland
HIAL	Highlands and Islands Airports Ltd
HIE	Highlands and Islands Enterprise
ROI	Return on Investment
SEPA	Scottish Environmental Protection Agency
SNH	Scottish Natural Heritage
SLA	Service Level Agreement
STUC	Scottish Trades Union Congress
THC	The Highland Council
TIC(s)	Tourist Information Centre(s)
VS	VisitScotland

Executive summary

1. The Highland Council's Planning and Development Service has a tourism development budget which is currently allocated towards:
    *   an annual grant to VisitScotland to support the costs of activities run by VisitScotland in, or for the benefit of, the Highland Council area
    *   a tourism development grants scheme offering support for projects run by local tourism groups and communities, and
    *   various tourism development activities undertaken directly by the Service.

2. In November 2008, the Planning and Development Service commissioned Rowan Tree Consulting, in association with Compass: The Management Resource Partnership, to undertake a review of its tourism development spend with the objectives of:
    *   identifying the benefits arising from the Council's investment in tourism
    *   evaluating these benefits, and
    *   advising which benefits had the greatest impact particularly in relation to realising the national target for a 50% growth in the value of tourism in Scotland by 2015.

    in order to give the Council a stronger evidence base on which to base decisions on the future allocation of its tourism development resources.

3. This report details the findings of the review, and gives recommendations as to how the Council might allocate its tourism development budget in the future.

4. The review was restricted to activities funded by the Service's tourism development budget and did not include reviewing other tourism-related activities delivered from other Planning and Development budgets or by other Council services.

5. In terms of the Service's grant to VisitScotland, the brief of the review only the element of VisitScotland's work directly funded by the grant: it is NOT a review of VisitScotland's national strategy and performance.

6. The review sets the Service's tourism development expenditure within the context of national and Highland strategic objectives, including the national strategy to grow the value of Scottish tourism by 50% by 2015, the possible implications of the current economic recession, and longstanding Highland tourism challenges such seasonality, quality and product development.

7. The methodology adopted in the review was to look at the current allocation and impact of the tourism development budget and to seek to identify the Return on Investment which the budget generates for the Highlands and for Highland tourism businesses.

8. In general terms, the review found that the funding of activities – whether by means of grant to VisitScotland, the provision of tourism development grants to local groups, or development work undertaken direct by the Service – was largely driven by inputs rather than outputs. In other words, few measurable targets are set in relation to what the Service hopes to achieve by funding a specific activity.

9. The lack of identified targets, limited information-gathering and monitoring systems, and changes in the way in which available information has been gathered and presented in recent years made it difficult to calculate precise or robust Return on Investment figures for most individual activities funded from the tourism development budget. The review highlights the need for better, more robust information to be gathered in order to allow better-informed decision-making, target-setting and performance monitoring in the future.

10. However, some general patterns have been apparent - in particular, it seems that pre-arrival marketing activities seem to generate a greater Return on Investment than on-arrival activities (Tourist Information Centres).

11. The bulk of the Service's tourism development budget (almost 83%) is currently allocated to supporting VisitScotland's Highland activities.

12. 18.44% of the Service's total tourism development budget is currently allocated to pre-arrival marketing undertaken by VisitScotland. Information on what is being achieved by these activities is patchy but where data is available, the Return on Investment appears to be relatively high in comparison with on-arrival activity. Instances where the budget allocated for certain marketing activities has not been spent are identified, and it is recommended that such cases need to be flagged up well in advance, to allow the Council to consider switching these funds to other tourism development activities either delivered by VisitScotland or by the Service direct. At a more general level, more information, target-setting and performance monitoring re pre-arrival activities is needed to allow the most effective allocation of resources.

13. Over 60% of the budget being allocated to VisitScotland's on-arrival services (ie Tourist Information Centres). The review suggests that consideration should be given to reducing the proportion of Council resources allocated to on-arrival activities and increasing the proportion allocated to pre-arrival marketing. It also looks at ways in which the costs of providing on-arrival services might be reduced through closer control of operating costs, improvements in income generation, and the exploration of alternative, more cost-effective modes of service delivery. Lastly, the need for research to assess the economic impacts of Tourist Information Centres is highlighted as this information is crucial to good decision-making re the future allocation of resources.

14. Partnership working with VisitScotland – research, and support for the Highland Area Tourism Partnership - accounts for just over 4% of the Service's tourism development budget. Neither activity is likely to be usefully measured in Return on Investment terms as proving that they have directly led to increased visits or spend is problematic. However, the review recommends that both should be seen as in important part of the strategic tourism development mix, and, in particular, it stresses the need for high-quality, up-to-date visitor information which could inform strategic tourism development decision-making not just by the Council but by other public agencies and by the private sector in the Highlands.

15. Just over 17% of the tourism development budget is allocated to tourism development activities delivered directly by the Planning and Development Service in the form of its Tourism Development Grants scheme, projects undertaken directly by the Service, and subsidies to STUC/political party conferences.

16. The Tourism Development Grants scheme (11.35% of total tourism development spend) appears to be regarded by recipients as a very user-friendly scheme which has allowed projects to happen which might not otherwise have been possible. It assists marketing projects which may not meet the criteria for assistance from the VisitScotland Growth Fund as well as providing support for other types of tourism development initiatives. The review recommends that the Service considers how it might ensure that grant resources are being directed as strategically and effectively as possible. Focusing more on identifying measurable output targets and monitoring mechanisms for assisted projects would help achieve this. Targets and monitoring mechanisms need to be kept simple, however, in order to ensure that groups with potential projects are not deterred from applying for assistance. The review also found that, while grant recipients regard the grants scheme very positively, there seems to be a lack of awareness of its existence amongst operators.

17. Other tourism development activities undertaken directly by the Service account for just over 4% of the total tourism development spend. Return on Investment information is available only for cruise line development and suggests a high return (1:2,719) although this figure should be regarded with caution as the Service's spend is only a small part of a much larger Scottish expenditure on cruise line development. No targets or evaluation figures were available for other activities in this category, although it is appreciated that it is not easy to measure ROI for initiatives such as the Highland Tourism Awards or Business Excellence conference which nonetheless can be argued to play a role in pushing up standards and aspirations in the Highland tourism industry.

18. Subsidies to STUC and political party conferences represent 1.59% of the Service's tourism development spend. Statistics suggest a relatively high Return on Investment (1:473) but there are questions as to whether the availability of subsidy is actually crucial to bringing such events to the Highlands. The review recommends that the Council approaches other local authorities in Scotland to see if it would be feasible to withdraw all subsidies currently offered to these large conferences, or, at the very least, that the Council asks applicants for subsidies for Highland conferences to demonstrate that there is a gap in the financial viability of their event which can only be filled by Council subsidy. Although expenditure under this heading is relatively low, it does seem that diverting conference subsidy funds to other tourism development activities could generate new business for the Highlands rather than underwriting events which are likely to take place in any case.

19. As part of the review process, a survey of stakeholders in the public and private sectors were asked for their views on the Service's tourism development activities and on how decisions as to the allocation of resources should be made. One key finding is the need for greater co-ordination of tourism development activities amongst the relevant public agencies. Another was that there is relatively low awareness of the range of tourism development activities which the Council supports. Stakeholders felt generally that more public sector support was needed for tourism, and the gathering and sharing of market trend/visitor profile information was regarded as a priority. Return on Investment was viewed as only one of the measures which should be used when deciding how Council resources should be allocated, and there was little support for the Council to support only projects which could clearly show that they would contribute to the national 50% growth target.

20. The review discussed the general need for the Service to adopt output- rather than input-driven targets for its tourism development activities and to work to gather the information to inform strategic decision-making. The Return on Investment model is seen as part of an approach to deciding how best to allocate resources but its limitations are recognised, and the review recommends a five-step process which would allow a wider view to be taken as follows:
   - **Step 1:** Consider rigorously whether the proposed activity or project fits with national and Highland strategic tourism development objectives.
   - **Step 2:** Identify the ROI for each individual activity proposed, using performance data and market intelligence to establish the likely optimum level of expenditure before the law of diminishing returns kicks in.
   - **Step 3:** compare the ROI for the proposed activity or project with other existing or proposed activities and projects.
   - **Step 4:** Consider whether factors other than ROI should be considered – for example, the scope for an activity to increase community confidence or the quality of the visitor experience, leading to increased visits and spend in the longer term. Concrete targets and ways of assessing the extent to which they have been met should still be applied.
   - **Step 5**: Apply the additionality measure – ie judge whether the Council's investment will be the key to making the activity happen, ie whether the activity will fail to proceed without Council investment. In general terms, we would suggest that projects where the Council's investment will make little or no difference to the feasibility of a project, that

investment should not be made (albeit that there may sometimes be good "political reasons" for "chipping in" towards the costs of an activity or project which is already well-resourced from other sources).

1   INTRODUCTION

1.1   The Highland Council is the local authority covering the Highland area of Scotland. Within the Council, responsibility for tourism development rests with the Planning and Development Service recognising its importance to the economic development of the Highlands. The Council's commitment to tourism is outlined in its administration's programme as follows:
"We will develop Highland tourism – our most significant industry - in partnership with the business sector, VisitScotland, EventScotland and Highlands and Islands Enterprise. We will focus on opportunities such as Gaelic, green tourism, events and activities. We will improve the Council's own services for visitors."

1.2   The Planning and Development Service's tourism development budget is currently allocated towards:

- an annual grant to VisitScotland to support the costs of activities run by VisitScotland in, or for the benefit of, the Highland Council area
- a tourism development grants scheme offering support for projects run by local tourism groups and communities, and
- various tourism development activities undertaken directly by the Service.

1.3   In November 2008, the Planning and Development Service commissioned Rowan Tree Consulting, in association with Compass: The Management Resource Partnership, to undertake a review of its tourism development spend with the objectives of:

- identifying the benefits arising from the Council's investment in tourism
- evaluating these benefits, and
- advising which benefits had the greatest impact particularly in relation to realising the national target for a 50% growth in the value of tourism in Scotland by 2015.

in order to give the Council a stronger evidence base on which to base decisions on future Partnership Agreements with VisitScotland and on the use of its tourism development budget.

1.4   This report details the findings of the review, and details recommendations as to how the Council might allocate its tourism development budget in the future.

2   **SCOPE OF STUDY AND METHODOLOGY**

2.1   **Scope of study**

2.1.1   As mentioned in Section 1 above, the Planning and Development Service's tourism
         development budget is currently allocated towards:
         a.   an annual grant to VisitScotland to support the costs of activities run by
                  VisitScotland in, or for the benefit of, the Highland Council area
         b.   a tourism development grants scheme offering support for projects run by local
                  tourism groups and community groups, and
         c.   various tourism development activities undertaken direct by the Service.

2.1.2   The review was restricted to activities funded from the Service's tourism development
         budget, ie it did not include reviewing other tourism-related activities delivered from
         other Planning and Development budgets or by other Council services.

2.1.3   The brief for the review asked for the financial and non-financial benefits of the Service's tourism
         development spend to be identified.

2.1.4   Last, but by no means least, the review brief also asked for analysis of the question of advance
         marketing activity versus information provision to allow the Council to assess the demand from
         the industry for more pre-arrival marketing against the support from local communities for the
         continuation of funding of Tourist Information Centres.

2.2   **Annual grant to VisitScotland**

2.2.1   This report looks first of all at the Highland Council's annual grant to VisitScotland accounted in
         2008-2009 for around 83% of its overall tourism development budget. The grant is intended to
         support the provision of a range of services which VisitScotland is expected to deliver in relation
         to the Highland Council area, as defined in the annual Service Level Agreement concluded
         between the two organisations each year.

2.2.2   Within the Service Level Agreement between the Highland Council and VisitScotland, budgets are
         allocated to the provision of particular services. However, further income towards the cost of
         provision of these services also comes from VisitScotland's own resources and/or from tourism
         businesses who wish to directly benefit from these services. The Council's contribution is not
         therefore the only factor deciding whether a service is delivered or not. A key requirement of the
         review brief was to indicate which VisitScotland services in the Highlands currently receiving
         Council support actually required local authority funding in order to be delivered and which
         services could still be delivered to a satisfactory level (i.e. with no significant reduction in the level
         of service offered to visitors) even if no funding from the Council was forthcoming.

2.2.3   In addition to services delivered in relation to the Highland Council area, VisitScotland also
         undertakes a range of activities delivered nationally. While national work undertaken by
         VisitScotland can be valuable to the Highlands, this work is not directly influenced by the
         financial contribution made by the Highland Council. *The brief of this study was to review only
         the element of VisitScotland's work directly funded by the Council's contribution; this report is
         NOT therefore a review of VisitScotland's national strategy and performance.*

2.3 **Tourism development grants scheme**

2.3.1 The tourism development grants scheme operated by the Planning and Development Service has accounted over the past three financial years for around 11% of the Service's overall tourism development spend. It offers support primarily for small-scale tourism development projects run by groups of Highland tourism operators and by community groups.

2.3.2 Over the period examined during the preparation of this report (financial years 2006-2007, 2007-2008 and 2008-2009), funding for the support of special events and festivals has ceased to be a tourism development budget function, with support instead being directed through the Highland Culture Programme, formerly known as the Highland 2007 Legacy Fund. We have therefore excluded grants to special events and festivals made from the tourism development budget from this review.

2.4 **Other tourism development activities delivered directly**

2.4.1 The Planning and Development Service undertakes a range of tourism development activities directly which are funded from its tourism development budget. These include activities such as cruise line development, an annual tourism seminar, support for the Highland Tourism Awards, and a range of specific development projects.

2.5 **Methodology**

2.5.1 As outlined in the introduction above, the purpose of this review was to look at how the Council might achieve the most effective impact from its available resources within the context of the national ambition to grow the value of Scottish tourism by 50% by 2015.

2.5.2 To achieve this, we looked first of all at the strategic context at Scottish and Highland levels, including current trends in the tourism market (especially in light of the current recession), and on progress achieved to date re the implementation of the Highland Strategy and Action Plan.

2.5.3 We then looked at the allocation and impact of the Council's current tourism development budget (including its contribution to VisitScotland and the tourism development grants scheme), and seeking to identify the Return on Investment (ROI) which the budget generates for the Highlands and for Highland tourism businesses. This was done in two stages:

- Stage One: desk research looked at the current allocation of the budget, and the effects it is generating in terms of tourism visits and expenditure. A feedback session with the client re Stage One findings and issues arising from them took place on Monday 9th January 2009.

- Stage Two: consultation was undertaken, by means of a semi-structured telephone survey, with a range of stakeholders to explore their views on how funds should be targeted to achieve the best returns. A small telephone survey survey of recipients of awards from the Tourism Development Grants scheme was also undertaken. A feedback session took place on 24th February 2009 to discuss the findings of Stage One and Stage Two in more detail.

2.5.4 A draft report was submitted to the client on 30th March 2009. Comments received were incorporated into this final version of the report.

3   **STRATEGIC CONTEXT**

3.1   **The tourism industry and its importance**

3.1.1   Tourism is one of Scotland's largest industries, supporting 9.2% of all employment and generating around £4.2bn in overnight visitor expenditure according the most recent VisitScotland data[1].

3.1.2   The tourism industry is particularly important to the Highland economy. VisitScotland data[2] suggests that it accounts for 13.8% of overall employment in the area (excluding self employment), and around £658m in overnight visitor expenditure. VisitScotland also estimates that around 2.63m overnight trips are made to the Highlands each year, equating to 11.55m bednights.

3.1.3   Tourism in the Highlands is more markedly affected by seasonality than in Scotland overall, with almost two-thirds of UK (54% in Scotland) and 84% of overseas trips (72% in Scotland) taking place between April and September. The dispersed nature of communities in the Highlands, which covers almost one third of the total Scottish land mass, adds to the challenge of trying to ensure that the benefits of tourism are spread as widely as possible. Lastly, the Highland tourism sector is dominated by small businesses whose owners can sometimes lack the skills and financial resources needed to allow them to develop their businesses in a fast-changing market-place.

3.2   **National tourism strategy**

3.2.1   Within the Scottish Government, tourism is part of the Europe, External Affairs and Culture Directorate. The Directorate's full remit includes the following objectives[3]:
- to manage Scotland's reputation as a distinctive global identity, an independent minded and responsible nation at home and abroad
- to bring a sharp economic growth focus to the promotion of Scotland abroad
- to create the conditions for talented people to live, study, work and remain in Scotland
- to enhance the quality of life for Scotland's community through maximising access to high quality cultural events and opportunities.

3.2.2   March 2006 saw the publication by the Scottish Government of *Scottish Tourism: The Next Decade - A Tourism Framework for Change*[4]. This strategy document followed on from the Scottish Executive's *Tourism Framework for Action 2002-2005* (2002) and its *New Strategy for Scottish Tourism* (2000).

3.2.3   The fundamental aim of *Scottish Tourism: The Next Decade - A Tourism Framework for Change* is to make Scotland one of the world's foremost visitor destinations and to achieve a 50% growth in the value of tourism in Scotland by 2015 (based on a 2005 baseline) which the strategy authors anticipate could come from a mixture of growth in visitors numbers (by 20% by 2015) and by growth in expenditure per head (by 50% by 2015). Overall, these targets represent a volume growth of about 2% per year. The strategy sets out a range of eleven targets aimed at contributing towards achieving this level of growth.

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[1] *Tourism in Scotland 2007,* VisitScotland, available from http://www.visitscotland.org/tourism_in_scotland_2007__updated_.pdf [Accessed 27th March 2009]
[2] *Tourism in Highlands of Scotland 2007,* VisitScotland, available from www.visitscotland.org/host_2007-2.pdf [Accessed 27th March 2009]
[3] *Partnership Working – Scottish Government,* VisitScotland, available from http://www.visitscotland.org/scottish_government.htm [Accessed 7th April 2009]
[4] *Scottish Tourism: The Next Decade – A Tourism Framework for Change,* Scottish Executive, March 2006, available from http://www.visitscotland.org/framework_for_change.pdf [Accessed 27th March 2009]

3.3   **Highland tourism strategy**

3.3.1   The Highland Area Tourism Partnership (ATP) was established in 2005 and comprises representatives from the tourist industry and key public bodies involved in delivering tourism in the Highlands, including VisitScotland, the Highland Council, the Highlands and Islands Enterprise network, Scottish Natural Heritage, Forestry Commission Scotland and the Cairngorms National Park Authority.

3.3.2   The ATP has produced a *Highland Area Tourism Partnership Plan*[5]*,* which covers the period 2006-2015 and which describes some of the key issues that need to be addressed in order to grow tourism in the Highlands, and to contribute to the national vision and aspiration outlined in the national tourism strategy. The Plan comprises a Strategy and Action Plan:
- the Strategy maps out the strategic direction and key objectives for the Area Tourism Partnership over the next ten years and explains the market context, strengths, weaknesses and opportunities for the sector in the Highlands
- the Action Plan covers the first three years and outlines the main priorities and actions that will be taken by all partners. It takes account of the various relevant strategies and policies of the various partners – in the Council's case these include, for example, Structure Plan and Local Development Plans, strategic regional transport priorities, the Renewable Energy Strategy, Access Strategy, Gaelic policy, and local economic/community plans.

3.3.3   The Plan focuses on the four themes for action outlined by the national strategy:
- knowing your market
- exceeding visitors' expectations
- marketing your product
- being sustainable.

3.3.4   Various responsibilities for the delivery of the Plan's targets are allocated to the Highland Council. Those which are most relevant to the tourism development budget (as opposed to other Council services or other sections within the Planning and Development Service) include:
- increasing participation by local communities in growing tourism
- investigating the potential for whole town/village improvements, targeted at environmental quality and visitor experience (for example, introducing a category for "most welcoming village" in the Highland Tourism Awards)
- increasing the range of things to do and see in the Highlands, particularly focusing on the development of landscape/natural heritage attractions
- promoting the quality and diversity of the natural heritage of the Highlands, and
- promoting the cruise liner market, further growing the market at Invergordon and developing the profiles of other ports in cruise itineraries.

3.3.5   In terms of marketing and visitor information provision, many of the action points within the Plan are allocated to VisitScotland rather than to the Highland Council. However, the Council's ability to grant fund VisitScotland activities in the Highlands means that it has role in helping deliver targets such as.
- promoting co-ordination, integration and partnership working on data collection and sharing of information that informs the planning, management and delivery of marketing, services and projects.

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[5] *Highland Area Tourism Partnership Plan,* Highland Area Tourism Partnership, 2006, available from
http://www.highland.gov.uk/NR/rdonlyres/7F964032-4AD9-42F6-98A5-1635B55960B9/0/highland_strategy_final.pdf
[Accessed 27th March 2009]

- Improving access to all available products through single entry points, making it easier for visitors to do more during their stay.
- marketing the uniqueness and diversity of the landscape, natural heritage and communities of the Highlands
- and promote the distinct character of individual areas.
- ensuring that Highland products are well represented within VisitScotland's product portfolio of marketing activity
- encouraging more effective joint marketing initiatives by the industry, and marketing advice to the industry
- and relevant partners, including improving awareness of access to VisitScotland's Challenge Fund (now revised and known as the "VisitScotland Growth Fund")
- ensuring that visitors to the Highlands can readily access high-quality up-to-date information on where to stay and things to see and do.

3.3.6   Targets for the Plan are, in general terms, over-arching statements of intent on the part of the various partner agencies in relation to their own particular areas of responsibilities; there are few output-driven targets other than the 50% growth target. This makes it difficult to assess whether, and to what extent, progress is being achieved.

3.3.7   The Highland Area Tourism Partnership Action Plan is currently being reviewed.

3.4   **Current tourism trends**

3.4.1   Despite the national strategy's target for growth, VisitScotland statistics for tourism in Scotland over the period 2005-2007 (the most recent figures available) suggest that the volume of visitors has been decreasing, and that the value has, at best, remained static. However, the target remains a keystone of national policy – representing, at the very least, the direction in which the Scottish Government wishes the industry to develop.

	2005	2006	2007
Trips (m)	17.26	16.01	15.91
Nights (m)	78.23	73.54	71.99
Spend (£m)	4,214	4,159	4,203

3.4.2   In 2007, UK visitors accounted for about 82% of trips to Scotland, and 79% of trips to the Highlands.

3.4.3   The current economic recession is likely to have an effect on the tourism industry both in Scotland and the Highlands. However, at the time of writing this report, it is unclear as to what the effect might be. Early indications may be that the weakness of the pound may attract more visitors from the Eurozone and North America, and that more UK residents, suffering from, or worried about, the credit crunch, may choose to holiday at home.

3.4.4   With overseas visitors expected, in the national strategy, to provide the greatest source of increased spend, the numbers of overseas visitors choosing to holiday here is clearly crucial. Although increased UK tourism will also help grow value, a relatively greater increase in UK visitor volume will be required to achieve real growth in value. (For example, in 2007, the average spend per trip made by an overseas visitor was £490 approx, while the average spend per UK visitor per trip was £216).

3.4.5   In the meantime, there are longstanding issues to address which are likely to continue to be of importance regardless of the positive or negative effects of the current financial situation. These include:

- growing competition from other destinations worldwide
- seasonality, particularly outwith the main centres in the Highlands
- how visitors can be encouraged to visit outlying and economically-fragile areas of the Highlands
- how the Highland visitor experience can be improved, and
- how the range of tourism products on offer can be developed to meet new and evolving customer needs and expectations.

4   **THE HIGHLAND COUNCIL'S TOURISM DEVELOPMENT ROLE: GENERAL OVERVIEW**

4.1   **Range of activities**

4.1.1   The Highland Council is an important player in tourism in the Highlands. It provides funding for a range of tourism development activities, and also provides or supports a range of services – including support for special events and festivals, provision of countryside and leisure facilities, operation of museums and visitor centres, and provision of public toilets – which are a significant part of the overall Highland visitor experience. These services are directly relevant to the Highland Area Tourism Partnership's Strategy and Action Plan (see above).

4.2   **Tourism development expenditure**

4.2.1   This review was charged at looking specifically at the way in which the Council's Planning and Development Service budget for tourism development is used. As mentioned in the Introduction to this report, this budget is currently allocated towards:

- an annual grant to VisitScotland to support the costs of activities run by VisitScotland in, or for the benefit of, the Highland Council area
- other tourism development activities, including a tourism development grants scheme offering support for projects run by local tourism groups and communities, and various tourism development activities undertaken direct by the Service.

4.3   **Annual grant to VisitScotland**

4.3.1   VisitScotland is the national tourist board for Scotland and currently delivers a range of services at a national level and for the benefit of all areas of Scotland. The costs of these activities are met by government funding and by contributions from tourism businesses.

4.3.2   In addition, a number of Scottish local authorities (including the Highland Council) contribute further funding to specific projects and activities undertaken by VisitScotland in or for the benefit of their areas.

4.3.3   In the Highland context, the level of funding provided to VisitScotland, and the services expected in return for this funding, are defined in an annual Service Level Agreement known as a "Partnership Agreement". For financial year 2008-2009, the Council and VisitScotland signed a Partnership Agreement which saw the Council commit funding of £495,000 towards a range of services specifically undertaken by VisitScotland to benefit Highland tourism, including:

- production of local marketing material - main accommodation guide, visitor guides and a
- dedicated Highland website
- additional marketing activities/campaigns to complement national activity
- provision of a tourist information service comprising both VisitScotland-managed Tourist
- Information Centres and Tourist Information Centre partnerships (ie TICs run by third parties), and
- support services - including providing the secretariat to the Area Tourism Partnership.

4.3.4   The 2008-09 Partnership Agreement between the Highland Council and VisitScotland is the fourth such agreement since the re-organisation of VisitScotland and the old Area Tourist Board network

in April 2005. Each year's agreement has essentially been a modification of the previous year's agreement.

4.3.5   Both formal and informal reporting by VisitScotland has allowed the Council to ensure that the defined services, as detailed in the Partnership Agreement, have been delivered. However, prior to this review, there had been no formal evaluation of the benefits the delivery of these services had brought to the Highlands and to Highland tourism businesses.

4.4   Other tourism development activities

4.4.1   The Council has a tourism development budget of £101,800 (2008-2009) which:
* funds tourism development activities delivered directly by the Planning and Development Service, and
* provides grants to tourism projects run by local business and community tourism groups.

4.4.2   Some information relating to the effectiveness of the Service's directly-delivered activities was available prior to this review.

4.4.3   Recipients of grants were asked to provide evaluation information on their projects as part of their conditions of funding. Prior to this review, no evaluation of the cumulative benefits of this funding had been carried out.

4.5   Current allocation of tourism development expenditure

4.5.1   The Council's tourism development expenditure is currently allocated as shown in Table One below. The budget shown does not include tourism development staffing and associated costs.

4.5.2   As can be seen from Table One, the bulk (around 83%) of the Council's tourism budget currently goes towards funding various activities delivered through its Service Level Agreement with VisitScotland.

4.5.3   The bulk of this (just over 60% of the total Council tourism development budget) goes towards "on-arrival" activities – ie providing visitor information and associated services - and this is almost wholly allocated towards the running of Tourist Information Centres. (Less than 1% is allocated to other activities under this heading.)

4.5.4   Just over 18% of the Council's tourism budget is allocated to supporting VisitScotland "pre-arrival" activities – ie marketing campaigns aimed at encouraging visitors to come to the Highlands.

4.5.5   On average over the past three years just over 11.35% of the total budget has been allocated to the Council's tourism development grants scheme.

4.5.6   Other activities funded via the tourism development budget in 2008-2009 included:
* provision for market research – 3.85%
* strategic projects/development initiatives undertaken directly by the Council – 4.15% (average figure based on spend over the three years)
* subsidies to STUC/political party conferences – 1.59% (average figure based on spend over the three years)
* support for the Highland Area Tourism Partnership – 0.33%.

Table One: current tourism development expenditure

	DESCRIPTION	AMOUNT	%
1	**VISITSCOTLAND SERVICE LEVEL AGREEMENT 2008-2009**		
a	**Pre-arrival activity**		
	Publications	£5,000.00	0.84%
	Marketing activity in Scotland/international markets	£92,000.00	15.42%
	Website maintenance	£8,000.00	1.34%
	Website promotion and projects	£5,000.00	0.84%
		£110,000.00	**18.44%**
b	**On-arrival activity**		
	TICs, of which £250,000 (42% of total budget) is allocated to "strategic" TICs and £75,000 (12.5%) to "local" TICs.	£325,000.00	54.47%
	Funding for partnership TICs (ie those operated by third parties) plus funding of additional seasonal staffing for Dornoch TIC. *Note: VisitScotland receives additional, separate, funding from the Highland Council to provide Service Point facilities for the Council in the Tourist Information Centres at Durness, Dunvegan and Drumnadrochit. This funding is the subject of separate Service Level Agreements between the Council and VisitScotland.*	£32,000.00	5.36%
	Print (Highland visitor guides)	£1,000.00	0.17%
	Tourist Trails	£2,000.00	0.34%
		£360,000.00	**60.34%**
c	**Partnership working**		
	New research	£23,000.00	3.85%
	Area Tourism Partnership support	£2,000.00	0.34%
		£25,000.00	**4.19%**
	VisitScotland SLA sub-total	**£495,000.00**	**82.96%**
2	**HIGHLAND COUNCIL - DIRECT ACTIVITIES**		
a	Tourism development grants*	£66,545.00	11.36%
b	Direct projects*	£24,367.00	4.08%
c	STUC/party conference subsidies*	£9,500.00	1.59%
	Direct activities sub-total*	**£101,645.00**	**17.04%**
	TOTAL*	**£596,645.00**	**100%**
	* Average over last three years		
	Notes: 1. Figures for Highland Council – spends re direct activities are based on out-turn figures rather than budget projections. 2. Excludes staffing and associated costs.		

5   **RETURN ON INVESTMENT: GENERAL PATTERN**

5.1   The Council's current Service Level Agreement with VisitScotland is largely input-driven – ie money is allocated to funding the delivery of identified services rather than to identifying objectives which the Council hopes to achieve by supporting the delivery of these services.

5.2   Similarly, the tourism development activities which the Council delivers directly tend to be input-driven rather than output-driven.

5.3   This approach means that there has historically been little emphasis on setting output targets or putting in place the information-gathering and monitoring systems which would demonstrate the extent to which targets were being met.

5.4   This lack of information gathering, along with changes in which available information has been compiled and presented in recent years, has made it difficult for us to calculate precise Return on Investment figures.

5.5   However, working with the information currently available (and stressing the caveat that the figures available are not as robust as we would have wished), some patterns are apparent in terms of the Return on Investment of different types of activity supported by the Council.

5.6   Sections 6 to 8 below looks at Return on Investment in relation to the three categories of activities defined in the Council's Service Level Agreement with VisitScotland: pre-arrival activities, on-arrival activities and partnership working.

5.7   Section 9 below looks at Return on Investment in terms of the tourism development activities funded directly by the Planning and Development Service's Tourism development budget.

6 VISITSCOTLAND GRANT: PRE-ARRIVAL ACTIVITIES

6.1 Pre-arrival activities

6.1.1 Support for VisitScotland's pre-arrival activities (pre-arrival marketing) accounted for 18.44% of the Council's overall tourism development expenditure in 2008-2009, and was allocated to *Freedom on the Highlands*, marketing campaigns and website promotion.

6.2 Publications

6.2.1 The Council provided assistance of £5,000 (0.84% of its total tourism development expenditure) towards the costs of producing 200,000 copies of *Freedom of the Highlands,* VisitScotland's main marketing publication for Highlands which is aimed primarily at potential visitors to the area. Publication costs for 2008-2009 are not yet available but the costs in 2008 for a print-run of £250,000 copies was £297,662. A slightly-reduced cost in 2009 would put the Council's contribution at around 1% of the total production cost.

6.2.2 Evaluation by VisitScotland in 2004 suggested that *Freedom of the Highlands* generated a Return on Investment of 37, ie for every £1 spent, £37 of visitor spend was generated.

6.2.3 The importance of printed marketing brochures is declining due to the rise of the use of the internet by potential visitors, a trend reflected in VisitScotland's reduction in print-run; investing Council money in allowing more copies to be produced is unlikely to generate a higher Return on Investment given that the current print-run is likely to be close to the optimum figure required to meet visitor needs. The law of diminishing returns is likely to apply.

6.2.4 The 2004 Return on Investment figure quoted above may not now be accurate in terms of the 2008-2009 situation. However, the figure does indicate that expenditure on pre-arrival activity is likely to generate higher returns than investment in on-arrival activity.

6.3 Marketing activity in Scotland/UK/International markets

6.3.1 In 2008-2009, the Council provided a total of £92,000 (15.42% of its total tourism development expenditure towards the costs of various VisitScotland marketing activities promoting the Highlands, often as part of wider national promotional campaigns.

6.3.2 To date, such campaigns have been evaluated by VisitScotland only at national level although there are plans to include regional level evaluation research in relation to the Spring 2009 campaign.

6.3.3 *Major campaign aimed at specific market segments:* In 2008-2009, the Highland Council provided £45,000 towards VisitScotland's *Winter White* and Spring campaigns to cover the costs of additional promotion of the Highlands via direct mail activities. This represented 7.5% of its overall tourism development expenditure. Response rates and conversions are not available yet for these campaigns. However, national figures are available for the same campaigns in 2007-2008, suggesting overall Return on Investment figures as follows:

Campaign	National additionality (ie new business generated)	Total spend by VisitScotland	Return on Investment (VisitScotland)
Winter White 2007-2008	£46,000,000	£140,000	328.5
Spring Campaign 2007	£25,000,000	£184,000	135.8

Applying extrapolations of the national 2007-2008 figures to the 2008-2009 campaigns and estimating on a pro rata basis the share of national additionality which may go to the Highlands suggests possible Highland Return on Investment figures as shown below. These extrapolations are intended to be indicative as the exact share of business generated for the Highlands in past campaigns has not been recorded, and, of course, additionality in past campaigns is not necessarily an indicator for future campaigns. However, even allowing for the guesstimating approach applied above, the order of magnitude, compared, for example, with on-arrival activities or even the pre-arrival *Freedom of the Highlands* brochure, of potential Return on Investment is striking.

Campaign	Highland additionality (ie new business generated) - estimate	Contribution by the Highland Council	Return on Investment (Highland)
Winter White 2008-2009	£16,000,000	£20,000	800
Spring Campaign 2009	£9,000,000	£25,000	360

6.3.4 *"Accessible adventure" campaign*: This was a brand-new campaign had not yet been delivered at the time of writing this report although preparations were in hand. The national target was to generate 50,000 visitors to the campaign website and a minimum of 5,000 data capture requests. No Highland targets had been set. The Highland Council contribution to the campaign was £16,000 (2.7% of its total tourism development expenditure), with £5,000 of costs already incurred for the Highland campaign at the time of writing this report. No Return on Investment calculations are possible at this stage.

6.3.5 *New/fledgling routes campaign:* £12,000 (2% of the Council's tourism development expenditure) was allocated to this campaign. Work was undertaken in 2008 to promote the Smyril Line ferry service between the Faroe Islands and the Highlands at a cost of £8,000. The ferry company set a target of 5,000 passengers in 2007 (its first year of operation) but actually attracted 5,500 passengers approximately that year. Almost 6,000 passengers used the service in 2008, although it is not possible to identify the extent to which the Council's investment for promotion for the 2008 season contributed to this increase. Promotion of the new Summer 2009 scheduled air service between Dusseldorf and Inverness was planned but not yet delivered at the time of writing this report, and no information on possible targets/Return on Investment was available.

6.3.6 *Highland Homecoming 2009:* This new campaign, for which the Council was due to contribute £11,000 (1.8 % of its overall tourism development expenditure), was not due to be delivered until late Spring 2009, ie after the completion of this report. No information was available as to likely targets or the possible Return on Investment.

6.3.7 *Promotion of Highland Council-owned facilities:* £5,000 (0.8% of the Council's total tourism development expenditure) was allocated to this activity.

6.3.8 *Cruise liner brochure promotion:* £3,000 (0.05% of the Council's total tourism development expenditure) was allocated to the production of cruise liner promotional brochures. However, as existing supplies of brochures proved sufficient for 2008-2009 requirements, no new brochures were needed and the budget was not spent. It is important that underspends such as these are flagged up as early in the financial year as possible to allow the Council to consider either switching funds to other activities delivered by VisitScotland or viring money to its own tourism development activities (ie the tourism development grants scheme or other tourism development activities delivered directly by the Service).

6.3.9   An additional £3,800 (0.06% of the total tourism development budget) in the Service's budget for directly-delivered tourism development activities was spent on cruise-related promotional activities such as attending the Seatrade Miami exhibition, membership of *Cruise Europe*, and providing commemorative plaques to cruise liners visiting the Highlands.   No specific targets were set in relation to cruise line promotion. However, the estimated economic impact of cruise liner visits to the Highlands in 2008-2009 was £10,333,431, producing a Return on Investment figure of 1:2,719 (based on a total investment by the Council of £3,800). It should be noted, however, that this promotional activity was part of a much wider programme of cruise liner promotion for the whole of Scotland and that this ROI should therefore be regarded with caution ie the Council's expenditure on cruise line promotion should not be seen in isolation. The law of diminishing returns is also likely to apply here – ie doubling the budget would not necessarily lead to a doubling of cruise liner business. Nonetheless, the high ROI figure is evidence of the effectiveness of targeting the cruise line industry in terms of the scale of potential economic benefits which cruise liner visits can generate for local economies.

6.4   **Website maintenance**

6.4.1   In 2008-2009, the Council provided a total of £8,000 (1.34% of its total tourism development expenditure) towards the costs of website maintenance, including:
- regular updates to content on www.visithighlands.com and review of website– partially delivered at the time of writing the report. Targets set are mainly input-driven ie lead-in times for preparing new copy and images although there is also an overall target to increase regional web visits by 10%. Web visits to www.visithighlands.com are, however, currently declining by around 17% and the review has been postponed pending a national review of regional websites.
- maintenance and hosting of the Highland Mountain Bike web portal. This has been delivered but no performance targets have been set and no detailed monitoring information was available to enable Return on Investment figures to be calculated.
- increased promotion of the Gaelic language on the websites – being delivered on an ongoing basis but no targets have been set and no monitoring information is available to enable Return on Investment figures to be calculated.

6.4.2   Much of the money allocated under this heading remains unspent. We understand that half-yearly reports by VisitScotland to the Council flag up areas like this where budgets are likely to be underspent, providing the opportunity for the Council to consider either switching funds to other activities delivered by VisitScotland or viring the money to its own tourism development activities. As in the case of the unrequired budget for cruise liner promotion brochures mentioned in para 6.3.8 above, it is important that areas of potential underspend are identified as early as possible to allow careful consideration as to how funds might be reallocated most effectively.

6.5   **Website promotion**

6.5.1   In 2008-2009, the Council provided a total of £5,000 (0.84% of its total tourism development budget) towards the costs of website promotion, including:
- a pilot promotion through search engine optimisation- this has not yet been delivered.
- reviewing hosting arrangements for the "Escape to the Edge" and "Gaelic Scotland" web portals – not yet delivered. The "Escape to the Edge" site is currently under review.
- reviewing the potential for better linkages and sharing of resources between the www.visithighlands.com website and the Highland events website – not yet delivered.

6.5.2   The comments under 6.4.2 apply equally here.

7   VISITSCOTLAND GRANT: ON-ARRIVAL ACTIVITIES

7.1   Tourist Information Centres

7.1.1   As mentioned above, "on-arrival" activities (primarily Tourist Information Centres) currently account for over 60% of the Council's entire tourism development budget.

7.1.2   In 2008-2009, expenditure on supporting the operation of Tourist Information Centres accounted for £357,000 (59.83%) of the Council's tourism development expenditure. Of this amount, the bulk - £325,000 (54.47%) - was targeted at the 14 "strategic" and "local" TICs in the Highland Council area run directly by VisitScotland, with a further £32,000 (5.36%) going towards the running of 22 "partnership TICs" (ie TICs run by third parties) in the Council's area.

7.2   Tourist Information Centres run directly by VisitScotland

7.2.1   To calculate Return on Investment figures in relation to the Council's investment in Tourist Information Centres run directly by VisitScotland, we have used:
- the Council financial contributions specified in the 2008-2009 Service Level Agreement between the Highland Council and VisitScotland. (Prior to 2008-2009, a detailed split of the Council's contribution to the different types of activity in the Service Level Agreement was not specified, and detailed analysis cannot therefore be undertaken).
- the actual budget out-turn figures for 2007-2008 in terms of TIC operating costs. (Although projected costs are available for 2008-2009, at the time of writing this report, the actual year-end costs are not known).
- the actual performance figures (numbers of visitors, revenue etc) for 2007-2008 as supplied by VisitScotland.

7.2.2   Mixing data from two different financial years is not ideal. However, as the Council's overall contribution to VisitScotland was the same amount (£495,000) in both 2007-2008 and 2008-2009, and given that the overall range of activities specified both years was broadly similar, we consider that the results of the calculations we have completed using this data is accurate enough to give a useful general indication of the current situation.

7.2.3   Pending the outcome of a national review of tourist information services currently underway[6], the Council referred in its 2008-2009 Service Level Agreement with VisitScotland to different categories of Tourist Information Centres, with the 14 Tourist Information Centres run directly by VisitScotland being described either as:
- "strategic" (Aviemore, Fort William, Inverness, Portree, Thurso and Ullapool) or
- "local" (Daviot Wood, Drumnadrochit, Durness, Grantown-on Spey, Lochinver, North Kessock and Strontian).

7.2.4   The Council's contribution of £325,000 represented 51% of the total running costs of these TICs, based on 2007-2008 actual out-turn budget figures.

7.2.5   £250,000 of the Council's contribution to VisitScotland in 2008-2009 was directed towards the net costs of operating the "strategic" TICs listed above. This contribution represented 45% of the net costs of operating them, based on 2007-2008 actual budget out-turns.

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[6] The detailed findings of the national review were not available at the time of writing this report but we understand that it is likely to lead to the establishment of a hierarchy of key national and regional TICs and other local TICs. The designations adopted in the 2008-2009 Service Level Agreement between VisitScotland and the Highland Council are NOT based on the national review currently underway.

7.2.6 £75,000 of the Council's contribution to VisitScotland in 2008-2009 was directed towards the net costs of operating the "local" TICs listed above. This contribution represented 86% of the net costs of operating them, based on 2007-2008 actual budget out-turns.

7.2.7 In 2007-2008, these TICs welcomed 979,444 visitors, placed 14,685 accommodation bookings worth a total of £1,381,385, and generated over £500,000 of other (non-retail) income including sales of local tour and cruise tickets.

7.2.8 This level of Council investment gives a Return on Investment of:
- 5.9 overall (ie for strategic and local TICs combined) – ie for every £1 the Council invests in TICs run directly by VisitScotland, £5.90 is generated in accommodation bookings and non-retail income
- 6.72 for strategic TICs – ie for every £1 the Council invests in these TICs, £6.72 is generated in accommodation and non-retail income
- 3.16 for local TICs – ie for every £1 the Council invests in local TICs, £3.16 is generated in accommodation and non-retail income.

7.2.9 There are currently quite wide variations in the performances of VisitScotland-run TICs. For example, based on figures supplied by VisitScotland:
- the overall average cost of providing TIC services per visitor in 2007-2008 was £0.65. However, individual average costs per visitor ranged from £0.02 in Drumnadrochit and £0.11 in Daviot Wood to £1.16 in Grantown-on-Spey, which is quite a substantial variation (although there must be caveats in terms of the robustness of the figures supplied: we understand that VisitScotland have been reviewing the basis on which costs are allocated to individual TICs, and this is likely to change future year's cost figures).
- gross profits on retail sales averaged 37.2% overall but varied from 20% in Grantown-on-Spey to 47% in Durness and Thurso – again, quite a variation.
Closer control of operating costs at TICs where costs are relatively high, teamed with increasing gross profit margins where these are currently below average, could help reduce net operating costs and thereby reduce the overall amount of Council subsidy needed.

7.2.10 Opportunities to increase sales of tickets for local cruises/tours and visitor attractions should be explored as this would not only generate additional income, in the form of commission, for TICs (thereby reducing net operating costs) but also potentially help increase visitor spend/dwell-time locally and generate additional business for local tourism operators.

7.2.11 Some important caveats must, however, be borne in mind when considering these Return on Investment figures:
- the calculations assume that non-retail income relates primarily to items such as tour and cruise tickets sold in the TIC which generate income in the local economy.
- they do not take account of the potential economic spin-off from providing tourist information services which encourage visitors to spend more money/time locally.

7.2.12 Very little research has been carried out to quantify the precise economic impacts of Tourist Information Centres. A 2007 study undertaken in the south of England[7] found that:
- 19% of TIC visitors surveyed said that their visit to the TIC had had an influence on their original plans
- 4% said that they had stayed longer at the destination than planned as a result of their TIC visit. (The average extension of stay for day visitors was 2.75 hours while the average extension for overnight visitors was two nights).
- 7% said that they had spent more money as a result of visiting the TIC.

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[7] *A Regional Study of the Economic Impact of TICs*, March 2007, The Southern and South East Tourist Board

7.2.13 These findings must be treated with some caution as the area covered by the survey is so different from the Highlands and therefore likely to differ from our area in terms of visitor profile and trip characteristics. However, if the figures from the south of England study were applicable in the Highland context – ie if 4% of TIC overnight visitors spent an extra two nights in the Highlands as a result of their visit to a Highland TIC - the value of these extended stays would be around £3.48million per year.[8] This would represent a Return on Investment for the Council of 10.72 in terms of TICs run directly by VisitScotland – in other words, for very £1 spent by the Council, £10.72 is generated in extended stays in the Highlands. This figure does not include additional spend by day visitors extending their stays by a few hours: the data available on Highland day visitors does not indicate their current length of stay or average spend per hour, meaning that calculations of the value of an extended day trip would not be robust.

7.3 **"Partnership" Tourist Information Centres (run by third parties)**

7.3.1 In addition to the 14 strategic and local Tourist Information Centres operated directly by VisitScotland, a further 22 Tourist Information Centres[9] are operated by third parties at a total projected net cost to VisitScotland in 2008-2009 of £52,897 (an average of £2,400 per TIC) before Highland Council subsidy is taken into account. This compares with an average running cost per VisitScotland-operated TIC of £45,042.

7.3.2 The Highland Council provides funding of £32,000 (an average of £1,333 per TIC) towards the running of partnership TICs, which represents just over 60% of the total cost to VisitScotland. By comparison, the cost of the Council's subsidising of VisitScotland-run TICs equates to an average of £23,214 per TIC.

7.3.3 The total costs of running partnership TICs are not available; most of them are run on a commercial basis as part of a wider operation. Performance measures (for example, visitor numbers, sales of tour or cruise tickets etc) are not gathered and this makes it impossible to calculate the Return on Investment they are generating for the Council.

7.3.4 In general terms, the cost of subsidising these partnership TICs seems modest, and the partnership model seems to provide a cost-effective way of providing TIC services at locations which are not a strategic priority for VisitScotland. "Bolting on" TIC service provision to an existing local business or community facility may also help make that business or facility more viable in the long term, thereby safeguarding local jobs and services, especially in fragile and/or remote areas.

7.3.5 Having said that, it should also be noted that:
- hard data in terms of what these partnership TICs are actually delivering is lacking
- it could be the case that, at least in some cases, the ability to promote the availability of TIC services is of such commercial benefit to a third party operator that a public sector subsidy is not merited.
- in some cases, there may even be an argument that the third party operator should perhaps be paying a fee for the right to offer TIC services on his/her premises and the resulting increased visitor footfall which occurs as a result. Operating some partnership TICs on a franchise basis could perhaps not only end the need for public subsidy but actually generate funds for VisitScotland and/or the Council which could be invested in other tourism development activities offering a higher Return on Investment.

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[8] Based on average daily spend of £57 as identified in *The Highlands of Scotland Visitor Survey 2003*.
[9] Third-party TICs are operated at: Achnasheen, Applecross, Ballachulish, Beauly, Broadford, Dornoch, Fort Augustus, Gairloch, John O'Groats, Kilchoan, Kingussie, Kyle of Lochalsh, Lairg, Nairn, Newtonmore, North Kessock, Ralia (A9 near Newtonmore) Spean Bridge, Strathcarron, Strathpeffer, Uig, Wick.

7.4 **General remarks re Tourist Information Centre subsidies**

7.4.1 *VisitScotland-run TICs:*
- There is a need for better baseline data on the economic impact of TICs, to be followed by ongoing monitoring and target-setting for improvement.
- reducing the net operating costs of TIC operations and/or raising gross profit margins from retail activities, would allow the re-allocation of funds to other (marketing) activities where ROI may be greater. It would be possible to set targets here – for example, cost per visitor; gross profit (retail), staff cost per activity – at the moment there are fairly large variations in these from TIC to TIC and while local conditions may mean that there cannot be one single benchmark figure across the network, there should be scope to bring the figures for different TICs into closer alignment. Controlling costs and increasing income should help reduce net operating costs (and, in turn, reduce the need for Council subsidy).
- ROI for local TICs is lower than for strategic TICs while, paradoxically, these local TICs are funded to a higher proportion by the Council than their strategic cousins - 86% of the net operating costs of local TICs are funded by the Council as compared with 45% of the net operating costs of strategic TICs. The current national review is likely to place further pressure on the Council to allocate more of its limited resources to keep non-strategic TICs open. Should funding for them continue or would expenditure on pre-arrival marketing be a better use of resources? (Available ROI figures certainly suggest that this would be the case).

7.4.2 *Partnership TICs*:
- Data is currently lacking on how the subsidy the Council pays towards the provision of TIC services via third parties stands in terms of Return on Investment: we simply do not know how many visitors these TICs are serving, how much business they are generating for their local areas or whether they represent good value for money, albeit that the cost of subsidising them is very low compared with subsidies to the VisitScotland-run network.
- There seem to be two options: either continue paying the current subsidy on the grounds that it is a small amount which is probably delivering good value for money, or set in place a system to scrutinise their performance in order to be able to make more informed judgements in the future. There are understandable fears that excessive monitoring might be too onerous for the small businesses and community facilities which currently run them, but at the moment, no attempt, other than occasional mystery shopping to check quality standards, is made to measure their effectiveness. The £32,000 currently provided by the Council is a relatively small amount but, on the other hand, it might provide a better Return on Investment if directed towards pre-arrival marketing activities such as extra promotion of the Highlands in national campaigns. As outlined in para 6.2.3 above, a Highland Council contribution of £20,000 could fund a seasonal marketing campaign.
- There may be scope to develop private sector involvement in the provision of TIC services, either by extending the current partnership approach or even, perhaps, exploring the more radical approach of franchising the right to offer TIC services at appropriate locations – see below.
- Options for working with other public agencies – for example, Forest Enterprise Scotland– to deliver TIC services should be explored.
- There may also be scope to extend joint operations between TICs and Highland Council facilities. At present, these are limited to combined TIC/Council Service Point operations but museums, libraries, leisure centres, archive centres and other Council premises may also offer suitable opportunities to provide joint services to the mutual benefit of both the Council and VisitScotland, including potential cost-savings which would allow additional funds to be switched to the pre-arrival marketing activities which appear to offer a better Return on Investment.

7.4.3 *Exploring other TIC delivery options:*

- Looking at the possibility of franchising the right to offer TIC services at appropriate locations (this could apply equally to some existing partnerships TICs and some currently run by VisitScotland) could help generate funds which could be reinvested in Council tourism development activities (especially pre-arrival marketing) which offer a higher Return on Investment. Franchising might also provide business development opportunities for local businesses by increasing footfall to their premises.
- Information technology may offer opportunities for unstaffed "implants" in third party premises – these may be especially relevant for generating accommodation bookings or sales of cruise and tour tickets or for providing what's on information etc. However, the value of face-to-face contact in terms of quality of visitor experience should not be overlooked. In addition, some visitors (especially some older people) may be hesitant to use computer- or telephone-based facilities, especially if these are unstaffed.

7.4.4 One of the arguments for operating TICs is that they improve the quality of the visitor experience, thereby indirectly generating additional spend and encouraging repeat visits etc. Some robust research is needed to establish the extent to which this is actually the case, and, if so, to identify tangible ways in which their performance in this regard might be developed and measured in the future. Without this research, informed decision-making re the allocation of resources simply cannot take place.

7.5 Highland Visitor Guides

7.5.1 The total net cost to VisitScotland of producing five local visitor guides (for Inverness, Loch Ness and Nairn; the Cairngorms National Park; the Northern Highlands; Fort William and Lochaber; and the Isle of Skye and Lochalsh) in 2008 was £4,440. Note: This does not represent the total cost of production as the remainder of the design and production costs were covered by advertising revenue raised from tourism businesses buying display space in the guides. In addition, distribution costs of £7,236 were incurred, taking the total cost to £11,676. The Highland Council contributed £1,000 (0.16% of its total tourism development spend) towards the net costs of production and distribution incurred by VisitScotland, ie 8.5% of the total cost (production and distribution) to VisitScotland. No Return on Investment figures is currently available in relation to local visitor guides ie we do not know what they generate in terms of additional spend or dwell time in the Highland Council area. We understand that new research looking at the views on consumers on local print will be available in 2009.

7.5.2 Production of these guides has already been largely outsourced by VisitScotland. The net cost is therefore relatively low, and it seems unlikely that the Highland Council's subsidy of 8.5% is a crucial component of the overall funding package. Publication and distribution of the current print-run could probably proceed even without Council funding, with the shortfall being met either by VisitScotland or through increased revenue from advertisers.

7.5.3 Availability of ROI figures would help the decision-making process but, even if the ROI figure is high, if the publication can proceed without Council funding, the subsidy should be withdrawn.

7.5.4 Print-run quantities and pulp rates (ie number of surplus copies) should also be examined. (This information is not yet available for 2008). In the event that the current print-run is inadequate, that the cost of producing additional copies cannot be covered from available funds, and that ROI figures can be shown to be good, the Council may want to focus its contribution on helping to meet any unmet demand for the guides.

7.6   **Tourist Trails**

7.6.1   In 2008-2009, the Council contributed £2,000 (0.34% of its total tourism development budget), on a one-off basis, to VisitScotland's increased on-arrival promotion of the four tourist trails, three national cycle network trails, three long-distance walking routes and three national tourist routes in the Highlands. No data is available to allow Return on Investment figures to be calculated.

7.6.2   Further research is needed to establish whether on-arrival promotion of these routes is effective in persuading visitors to use them.

7.6.3   Pre-arrival marketing may be more effective in encouraging their use by visitors but, again, better monitoring information is needed to allow informed decisions on the allocation of resources to be made.

7.6.4   Last, but by no means least, would VisitScotland continue to promote the trails and routes without Council funding? If the answer is "yes", then consideration should be given to withdrawing support even if ROI figures are good.

8   VISITSCOTLAND GRANT: PARTNERSHIP WORKING

8.1   Contributions towards new research and support for the Highland Area Tourism Partnership represent a small part of the Council's overall tourism development budget (3.85% and 0.34% respectively).

8.2   Neither activity is likely to be usefully measured in Return on Investment terms as proving that they have led directly to increased visits or spend is problematic. However, both should be seen as an important part of the strategic tourism development mix. In particular, investment in Highland visitor research should be an ongoing priority as it has the potential, if high-quality, current data is available, to inform strategic investment decisions which can be measured in ROI terms. However, the last Highland Visitor Survey[10], which looked at visitor profile and trip characteristics, was carried out in 2003 and the value of the data the survey provides declines as each year passes, especially in the context of a rapidly-changing international tourism environment. Up-to-date market intelligence is essential both to public agencies involved in tourism development in the Highlands and to individual Highland operators; informed decision-making is dependent on the availability of robust information on how potential visitors can be influenced to come to the Highlands, stay longer and spend more.

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[10] *Highland Visitor Survey Full Year Report May 2002-April 2003,* produced by George Street Research Ltd on behalf of Highlands and Islands Enterprise, Inverness and Nairn Enterprise, Highland Council, Highlands of Scotland Tourist Board, VisitScotland, Scottish Natural Heritage, and Forest Enterprise Scotland.

9　　　**TOURISM DEVELOPMENT ACTIVITIES DELIVERED DIRECTLY BY THE HIGHLAND COUNCIL**

9.1　　**Directly-delivered activities**

9.1.1　Just over 17% of the Council's overall tourism development expenditure is allocated to tourism development activities delivered directly by the Planning and Development Service, ie the Tourism Development Grants scheme, activities delivered directly by the Council, and subsidies to STUC/political party conferences.

9.2　　**Tourism Development Grants scheme**

9.2.1　In 2008-2009, the Tourism Development Grants scheme accounted for just over 11 % of overall tourism development expenditure, with grants totalling £66,306 being awarded to a variety of projects. Over the last three financial years, the average annual value of grants awarded has been £67,783 (an average award of £3,838 per successful application).

9.2.2　The scheme is targeted towards both meeting the objectives outlined in the Council's Administration Programme and furthering the aims of the National Tourism Strategy and the Highland Tourism Strategy, in which the Council is a partner. In particular, the scheme focuses on the four themes for action outlined by the national strategy, ie:
- knowing your market
- exceeding visitors' expectations
- marketing your product
- being sustainable.

9.2.3　Project applications require meet at least two of the following five objectives:
a.　　to maximise the economic and social benefits which tourism can bring to the Highlands
b.　　to market the Highlands to new and existing customers as a world-class tourism destination
c.　　to ensure the availability of market information necessary to support marketing decisions
d.　　to extend the value and length of stay of visitors
e.　　to improve the quality of the visitor experience by ensuring easy access to a wide range of facilities and experiences i.e. cultural, arts, genealogy, sport, outdoor activities and events.

9.2.4　In addition to meeting at least two of the above objectives, applicants must demonstrate that their project contributes towards the strategic objective of ensuring that tourism in the Highlands is sustainable. As well as ensuring any activities protect the natural heritage and environmental qualities of the area this can include helping sustain communities, using local goods and services, minimising the effects of seasonality and helping the dispersal of visitors throughout the Highlands.

9.2.5　Assistance is available to groups of tourism operators and to community based tourism projects within the Highland Council area, which aim to create employment or income locally. Where a project takes place, or has benefits across, a number of areas including the Highland area, any contribution will be pro-rata, reflecting the benefit to the Highland Council area.

9.2.6　Over the past three financial years, the number and value of grants awarded has been as follows:

	2006-2007	2007-2008	2008-2009	Average over three years
No of awards	18	18	17	17,66
Total value	£58,295	£78,735	£66,306	£67,778
Average value	£3,238	£4,374	£3,900	£3,838

9.2.7 Events and festivals were previously eligible for assistance from a number of Council budgets, including the tourism development budget. They are now, however, directed to the Council's "Highland Culture Programme (formerly known as the "Highland 2007 Legacy Fund") and will not be eligible for additional assistance from the tourism development budget. In financial year 2006-2007, ten of the projects assisted from the tourism development budget related to events and festivals. Figures for 2007-2008 and 2008-2009 were five and two respectively, showing that the demand for assistance for other types of projects is increasing.

9.2.8 As part of the stakeholder consultation exercise, we asked a sample of grant recipients for their views on the Council's future approach to its tourism development grants scheme (see Table Two below). It should be noted that the sample size was four respondents, meaning that the data should be taken as indicative rather than being viewed as representing a statistically-robust sample.

9.2.9 Feedback from recipients of tourism development grant scheme awards was very positive, with 75% of those interviewed saying that the application process was "very easy" and the remaining 25% saying that it was "easy".

Table Two: views of Tourism Development Grant scheme recipients. (Base: 4 respondents.)

Level of agreement / Statement	Strongly agree (%)	Agree (%)	Neither agree nor disagree (%)	Disagree (%)	Disagree strongly (%)	Total: strongly agree / agree or disagree / strongly disagree (%)	Additional comments?
1. The Highland Council should **limit** tourism development grants to projects which can clearly show the amount of **extra business** (visits and/or spend) which they are likely to generate.	0	0	0	75	25	100	Some projects are generic and do not in themselves directly contribute to extra business in a way that can be measured at that time.
2. The Council should form **longer-term relationships with tourism groups** to enable groups to undertake longer-term strategic development.	75	25	0	0	0	100	
3. Applications for the Council's tourism development grants scheme should be able to demonstrate that their project has the support of tourism businesses.	25	25	50	0	0	~ / ~	
4. The Council should **only** support applications which show how they **will contribute to the national target for growth (50% growth by 2015).**	0	25	0	0	75	75	
5. (Supplementary, where appropriate) The Council should **only** support applications which show how they **will contribute to the national target for growth (2% pa growth by 2015).**				25	25	50	Although showing 50%, that 50% was 100% of those asked the supplementary question about 2%pa growth target <u>after having scored</u> 'disagree' or 'strongly disagree' against the previous question where the growth target was given as a straight '50% by 2015'.
6. **Applicants** should **monitor** the effectiveness of their project, and supply an evaluation report to the Council.	50	50				100	The 50 / 50 agree / strongly agree centred on 'supplying an evaluation report to the council', rather than the 'monitoring' itself, otherwise it may well have been a straight 100% for 'strongly agree'.

Level of agreement / Statement	Strongly agree (%)	Agree (%)	Neither agree nor disagree (%)	Disagree (%)	Disagree strongly (%)	Total: strongly agree / agree or disagree / strongly disagree (%)	Additional comments?
7. **The Council** should **monitor** the effectiveness of the projects it supports.	25	75				100	
8. **The Council** should look at ways of **spreading examples of good practice** in projects it has assisted.	50	50				100	

9.2.9   Key points from the views expressed in Table Two above are:

- grant recipients do not want to have to demonstrate business benefits from their projects – based on the view that some projects would not lead directly to increased business in the short term.
- longer-term funding relationships with the Council would be welcomed. The current grants scheme does make provision for funding of projects over a three-year period, subject to an upper limit of funding.
- opinions were split as to whether projects funded by the Council should be able to demonstrate support from local tourism businesses.
- there was little support for requiring projects to show that they were contributing towards the 50% national growth target for tourism.
- applicants were willing to supply monitoring and evaluation information to the Council. There was also support for the Council to carry out monitoring, although – perhaps surprisingly – there was more support for applicants to do this themselves.
- there was support for the Council to look at ways of spreading examples of good practice in projects it has assisted.

9.2.10   Certainly, when considering marketing projects, in comparison with VisitScotland's Growth Fund scheme, which assists strategic marketing projects and which uses a two-stage process requiring fairly detailed information on strategic marketing objectives, project objectives and monitoring mechanisms, and detailed implementation information, the tourism development scheme is easy to apply for, with quick decisions available. Moreover, many of the projects assisted by the Council's grants scheme would not have been eligible for Growth Fund assistance due to VisitScotland criteria re the types of activities funded, minimum project value, or the need for applicant businesses to be members of a quality assurance scheme.

9.2.11   In terms of non-marketing projects, with the exception of events and festivals, it is difficult, on the basis of information supplied by the other agencies consulted during this review, to see where alternative sources of funding might be found, although the new LEADER programme offers support for various types of community projects. (The one applicant surveyed who had made an application for match funding to another source had successfully obtained money from LEADER.)

9.2.12   When asked how likely it was that their project would have gone ahead without assistance from the tourism development grants scheme, 75% of those surveyed said that it was "very unlikely" that their project would have proceeded with the remaining 25% saying that it was "unlikely" to have gone ahead.

9.2.13   In terms of reviewing the effectiveness of the Council's grants scheme, however, two key issues arose which have made it impossible to judge its Return on Investment:

- Applicants provide very few targets/performance measures in their applications. Most targets which were provided were very input-driven – for example, the budget for producing materials or running events, the number of brochures to be produced, etc. In

addition, there was little mention made in any applications as to how the project helped deliver the national 50% growth target.

- Very few applicants supplied information on what their project achieved, other than confirming that the project had taken place, confirming the amount it had cost and, in many cases, reporting the "feel-good" factor which had been generated locally by the project. Some events organisers were able to supply headline figures re attendance but analyses to show the likely proportion of visitors (as opposed to local residents) were rarely available. Similarly, marketing projects tended to report back that inputs had been achieved (ie number of brochures printed) rather than measuring the business generated as a result.

9.2.14 Requiring detailed targets or excessive amounts of monitoring information can be counter-productive in that it can deter small groups of businesses or community groups from applying for grants. However, without basic details of targets and results, the Council cannot determine how its expenditure on tourism development grants performs in relation to its expenditure on other tourism development activities.

9.2.15 While recognising the value of the scheme as it currently stands, it is recommended that the Council should look at how it might target its grants more closely to the national and Highland tourism strategies in order to ensure that the money being spent under this heading is being directed strategically and effectively. In particular, we recommend that all applicants should be encouraged (and assisted, where necessary) to identify simple, measurable output targets for their project – for example, number of visit generated, extensions to average length of stay, increases in expenditure.

9.2.16 Similarly, it is recommended that applicants should be given assistance and advice as to how the targets they set might be monitored.

9.2.17 Where a project is not primarily aimed at generating economic benefits but still meets the objectives of the national and Highland strategies – for example, improvements to the appearance of a local community in order to improve the visitor experience – again, it is recommended that simple, measurable targets and monitoring mechanisms should be identified. These might include, for example, surveying visitors pre- and post-project to establish if, and to what extent, their perceptions of the community had improved, and whether this had, in turn, led to increased visits, extended dwell-time or additional spend.

9.2.18 During the review process, we also encountered the argument that some projects are worth doing solely because of the "feel-good factor" generated locally or the increased community confidence and capacity they generate. This may be the case, but there is no firm evidence in place at present. Again, therefore, we recommend that targets should be set in order to assess whether the projects are actually worth investing in for these reasons. Targets might be based, for example, on pre- and post-project perceptions amongst local residents of the attractiveness of their community or on their views, pre- and post-project, on their community's ability to carry out projects successfully. However, we would also argue that projects based solely on generating a local feel-good factor or increasing community confidence and capacity are not in themselves tourism development activities unless they can also demonstrate a potential to increase the volume or value of tourism in that community.

9.2.19 It may not be feasible to carry out detailed monitoring in respect of every project assisted for reasons of practicality and cost. However, a sample of projects could be reviewed each year to establish what they have achieved - this has already been trialled successfully in the assessment carried out in relation to the "Strathpuffer" event in 2007-2008, when the Council commissioned a post-project evaluation which demonstrated what had been achieved in terms of economic benefits and visitor propensity to visit the Highlands again in the future. It is likely that this would

require funding from the tourism development budget, but the investment could well help increase the overall effectiveness of the budget as a whole.

9.2.20 Using target-setting and evaluation to establish the effectiveness of the tourism development grants scheme in achieving the Council's objectives has potential benefits beyond benefitting the Council's decision-making process. If the findings were shared with prospective applicants, they could help enhance the effectiveness of future projects by highlighting what has worked (or not worked) in previous projects ie they could be shared to promote best practice. This, incidentally, ties in closely with the national and Highland strategic objective of *"promoting co-ordination, integration and partnership working on data collection and sharing of information that informs the planning, management and delivery of marketing, services and projects"[11]*.

9.2.21 We would also recommend, in the case of community tourism projects, that projects should demonstrate that they have support (preferably financial but, if not, practically) from local tourism businesses. This should help ensure that the project objectives reflect the needs of tourism operators within the community, and help provide a context where project results can be measured within local businesses.

9.2.22 Lastly, our consultation process revealed that only 38% of those surveyed were aware of the tourism development grants scheme, suggesting that there is scope for it to be promoted more widely. Although this could lead to a situation where demand for support outstrips supply, it could also, potentially, allow the Council greater scope to allocate its resources in the most effective way possible, by providing a range of potential projects which could be judged against each other in terms of their likely effectiveness and Return on Investment.

9.3 **Other tourism development activities delivered directly**

9.3.1 In addition to its tourism development grants scheme, the Planning and Development Service undertakes various activities directly, accounting for just over 4% of the overall tourism development spend. Over the last three financial years, details of this spend have been as follows:

	2006-2007	2007-2008	2008-2009	Average over three years
Directly-delivered projects	£33,176	£12,075	£27,850	£24,367

9.3.2 Directly-delivered projects fall into two main categories:
- ongoing activities – for example, the Highland Tourism Awards, the Council's annual tourism seminars, cruise line promotion (including "Cruise Europe" membership, attendance at the "Seatrade Miami" conference, and the award of commemorative plaques to cruise liners visiting the Highlands for the first time), and
- one-off projects – including contributions to partnership projects such as "Tartan Week" and the development of the Highland Tourist Route, and initiatives such as the provision of marketing support to the Smyril Line's ferry service to Scrabster.

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[11] *Highland Area Tourism Partnership Plan,* Highland Area Tourism Partnership, 2006, available from http://www.highland.gov.uk/NR/rdonlyres/7F964032-4AD9-42F6-98A5-1635B55960B9/0/highland_strategy_final.pdf [Accessed 27th March 2009]

9.3.3   Return on Investment information is available only in relation to cruise line promotion and suggests that the ROI is high, at 1:2,719. Note: this figure should be regarded with caution, as outlined in para 6.2.9.

9.3.4   No targets or evaluation figures were available for other activities in this category, making it impossible to calculate Return on Investment figures. In some cases, such as the provision of support for the Highland Tourism Awards and Business Excellence conference, it would not be easy to measure ROI but it can be argued that these kind of projects play a role in pushing up standards and aspirations within the Highland tourism industry, and, as such, that they are very likely to contribute indirectly to increasing the value of tourism in the area.

9.4   **Subsidies to STUC and political party conferences**

9.4.1   The Council provides subsidies to STUC and political party conferences held in the Highlands from its tourism development budget, with these subsidies representing 1.59% of the Council's total tourism development expenditure. Other types of conferences receive subsidy from the tourism development budget only where they have a direct link to the Council's tourism strategy – for example, conferences promoting the development of interpretation, or tourism business excellence. Over the past three years, details of subsidies to STUC/political party conferences have been as follows:

	2006-2007	**2007-2008**	**2008-2009**	**Average over three years**
Subsidies to STUC/political party conferences	£6,000	£13,500	£9,000	£9,500

9.4.2   Return on Investment figures for subsidies provided to STUC/political party conferences held in the Highlands can be estimated, based on data from a study undertaken in 2005-2006[12] which identified the average delegate expenditure per conference day at such events at £305. Using this figure, a three-day conference attracting 1,500 delegates would generate economic impact of £457,500, while a three-day conference attracting 800 delegates would generate £732,000.

9.4.3   Figures available for 2006 show that the Council's contribution of £6,000 generated a total of £2,836,500, giving a Return on Investment of 1:473 ie every £1 of subsidy attracted £473 of delegate spend.

9.4.4   There can be little doubt that STUC and political party conferences generate economic benefit for the Highlands. However, as with all tourism development expenditure, the question to be asked is whether they would still come to the Highlands if the subsidy were not available. At present, most of the major conference venues in Scotland which are likely to attract these conference offer a subsidy either in cash (in the case of local authorities who do not own the conference venues directly) or through reduced hire rates (in the case of local authorities who own their own venues). In the Highlands, subsidy is offered not only for conferences at Eden Court Theatre in Inverness (which is owned and grant-assisted by the Highland Council although run by a separate charitable company) but also for the privately-owned Aviemore Highland Resort, the other Highland venue large enough to host large conferences.

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[12] *Delegate Expenditure Survey – Estimating the Direct Expenditure Benefits of Conferences to a Local Area: An Advisory Note from the UK National Tourist Boards,* VisitBritain, VisitScotland Business Tourism, Fáilte Ireland and Visit Wales, September 2006.

9.4.5   Obviously, if one local authority were to withdraw its subsidy while the others continued to offer subsidy, an unlevel playing field would be created and unsubsidised venues would risk losing out. However, if all the Scottish local authorities were to stop offering subsidies, the playing field would remain level.   The total value of subsidy available is only a small part of the overall cost of running a large conference and one could surmise, therefore, that the withdrawal of subsidy is unlikely to result in the non-running of conferences.

9.4.6   We would recommend that the Council approaches other local authorities offering subsidies to STUC/political party conferences to see if a new common approach can be agreed.

9.4.7   At the very least, we recommend that organisers of STUC/political parties approaching the Highland Council for subsidy should be asked to demonstrate clearly the need for assistance ie they should be asked to show that there is a gap in the financial viability of their event which can only be filled by Council subsidy.

9.4.8   Although the Council's expenditure on conference subsidies for the STUC and political parties is a relatively small part of overall tourism development budgets, it does seem that there is a possibility of diverting conference subsidy funds towards tourism development activities which would generate new business rather than underwriting events which are likely to take place in any case.

10   STAKEHOLDER CONSULTATION

10.1   Overview of the process

10.1.1 Stakeholder consultation represented the second stage of the review process, and was aimed at testing data gathered during the first (desk research) stage of the review, and posing questions as to how priorities in the Council's tourism development programme might be identified in future.

10.1.2 Consultation was carried out with a total of 13 representatives from three types of organisations:
- representatives of five public sector (PS) agencies that have a role in the tourism sector . and
- eight operators (accommodation providers, visitor attractions, etc) in the tourism sector, including four Highland Area Tourism Partnership tourism operator representatives.

10.1.3 Two different semi-structured questionnaires for the different target groups – public agency representatives and tourism operators (see appendices) - were used, with some sections in each questionnaire common to more than one of the target groups. The questionnaires and interviewing methodology were designed to capture both qualitative and quantitative feedback.

10.1.4 It is significant that from the c100 questions posed with over 250 optional responses and free-form comments across the various target groups, with a handful of exceptions, the views expressed consolidated firmly in one direction or the other.

10.2   How other public agencies support tourism development

10.2.1 We looked first at the types of support currently offered for tourism development by the various Highland public sector organisations concerned and the extent to which these may change over the next three years. Responses are shown in Table Three below.

Table Three: public agency support for tourism (Base: five respondents.)

Activity	Description (eg capital investment, marketing, market research, training/skills development etc)	Allocation of funds likely to change over next three years?	Activity likely to change over the next three years?
1 Support for individual tourism operators	CNPA: provides visitor stats; can permit use of the CNP brand. FCS: not frequently. SNH: small grants scheme, mainly for interpretation. HIE: yes but only to 100-200 rather than the 1000s in the past. HIAL: airline subsidies; new route marketing.	CNPA: LEADER funding may become available; options for business support being scoped out. FCS: high because of Homecoming, otherwise same. SNH: no. HIE: not in the short term. HIAL: no.	SNH: no.
2 Support for tourism groups	CNPA: financial to local DMOs or sectoral groupings (eg Cairngorm hostels). FCS: yes with Loch Ness Partnership. SNH: partnership preferred over working with individuals. HIE: yes, ie DMOs. HIAL: no (but have worked with Highlands Loch Ness in the past).	CNPA: in future, linked to deliverables. SNH: no. HIAL: no.	CNPA: must contribute to park outcomes & funding priorities may change as a result. SNH: may slightly increase.

Activity	Description (eg capital investment, marketing, market research, training/skills development etc)	Allocation of funds likely to change over next three years?	Activity likely to change over the next three years?
3 Support for community tourism projects	CNPA: largely through LEADER (action planning under way). HIE: no, only through local community teams. FCS: yes with Lochalsh Tourism Forum. SNH: a priority. HIAL: no.	SNH: no. HIE: no. HIAL: no.	CNPA: must contribute to park outcomes & funding priorities may change as a result. SNH: slightly up. HIAL: no.
4 Support for events and festivals	CNPA: largely through LEADER. FCS: yes with own marquee. SNH: yes, through materials and stands. HIE: possibly for the promoting company. HIAL: yes (eg support for recent BBC "BLAST" initiative to promote music, art, dance and film to young people) and through providing advertising and performance space in terminals.	CNPA: planning a more strategic approach to this. SNH: no. HIAL: no.	CNPA: must contribute to park outcomes & funding priorities may change as a result. SNH: no.
5 Support to bring large conferences to the Highlands	CNPA: occasionally (eg working with VisitScotland on 2010 Adventure Travel Trade Association conference bid). FCS: no. SNH: no. HIE: no. HIAL: no.	SNH: no.	SNH: no.
6 Strategic development (eg development of niche markets, tourism infrastructure such as tourism trails, route development etc)	CNPA: occasionally (eg information & interpretation & signage). FCS: canoe trails along the Great Glen and long distance trails to Skye. SNH: develop and protect trails. HIE: only big projects; Road Equivalent Tariff (RET), promotion of Dusseldorf flights to Inverness, etc. HIAL: yes, eg surfing at Wick.	CNPA: seeking opportunities via Cairngorms Business Partnership. FCS: yes in p'ship with British Waterways and THC. SNH: no.	SNH: no.
7 Other (please detail)	HIE: HIE is only about growing the economy (through tourism, for example). HIAL: would like to see TIC-type desk at Inverness Terminal. (Cited example of Shetland Tourist Board at Sumburgh.)		

10.2.2 VisitScotland also has a remit for the types of activities described at 1, 2, 4, 5 and 5.

10.3 **The Highland Council's "fit" with other public agency activities**

10.3.1 We asked about the extent to which Highland Council's current tourism development activities complemented or duplicated the activities of the other public agencies surveyed. Responses are shown in Table Four below.

10.3.2 There appears to be little duplication except in the case of the gathering of market information, and, in fact, this could be seen as a gap in provision given that no co-ordinated market research exercise for the Highland Council area has taken place since the *Highland Visitor Survey* of 2003. It must be a matter of concern that HIE, who were a leading partner in previous Highland visitor surveys, no longer see this activity as being part of their remit. Although the gathering and sharing of market information was seen as a priority for survey respondents (see Table Four), there are

currently no concrete plans for a new Highland Visitor Survey. There also seems to be scope for sharing market information already being gathered by public agencies such as CNPA and FCS.

10.3.3 It is interesting to note too the other areas of activity which the HIE network has withdrawn from – for example, niche market product development, community tourism projects, funding of special events and festivals, and funding of marketing campaigns. All of these were formerly part of HIE's role; in theory VisitScotland has assumed responsibility for these activities (with the exception of community tourism projects). It is outwith the remit of this review to assess whether overall funding of these activities in the Highland Council area has declined in absolute terms but it is to be suspected, from anecdotal evidence, that levels of support are lower than they were when HIE took an active role.

Table Four: how Highland Council tourism development support duplicates, complements or does not affect tourism support by other agencies (Base: five respondents.)

Complementarity / Activity	Complements our planned tourism development activities over the next three years (%)	Duplicates our planned tourism development activities over the next three years (%)	Organisation does not operate in this area of tourism development (%)	Comments
1. Part-funding the operation of key Tourist Information Centres in the Highland Council area.	40	0	60	SNH not involved in funding but provides info. HIE sees potential conflict with funding of private TICs.
2. Fully-funding the operation of Tourist Information Centres in the Highland Council area which VisitScotland would otherwise not run.	40	0	60	FCS supplies leaflets free (for which some TICs charge!!!). HIE cannot see why VS and THC would differ in approach to this.
3. Financial support to VisitScotland to run extra marketing activities for the Highland Council area.	40	0	60	CNPA has part-funded VS promotion of CNP in the past. FCS for partnership events only. HIE would not participate in this. HIAL did not know that THC did this.
4. Investment in strategic product development (for example, niche markets such as walking and mountain biking, new tourism products, tourist trails, development of incoming charter and scheduled flights)	80	0	20	SNH feels it can add value. HIE is not involved in this area.
5. Match funding for marketing/development projects by tourism marketing groups, DMOs etc	100	0	0	FCS complements but does not match. This is HIE's main thrust area.
6. Funding for community tourism projects (for example, projects to improve the appearance of villages or to provide new interpretation etc)	60	0	40	HIE does not fund in this area.
7. Funding for running special events and festivals	60	0	40	SNH can provide information. HIE would only help if clear economic growth is demonstrated.
8. Subsidies to attract large conferences (eg political parties and STUC) to the Highlands	40	0	60	SNH can provide information. HIE does not fund in this area.
9. Funding of marketing campaigns to develop off-season/shoulder month business	60	0	40	FCS for Winter Walking Festival. HIE does not fund in this area.

Complementarity / Activity	Complements our planned tourism development activities over the next three years (%)	Duplicates our planned tourism development activities over the next three years (%)	Organisation does not operate in this area of tourism development (%)	Comments
10. Funding of marketing campaigns for fragile/ outlying areas of the Highlands	20	0	80	FCS yes, for Highland Cross. SNH keen to promote / facilitate access. HIE does not fund in this area.
11. Gathering market trend/visitor profile information and sharing this information with tourism businesses	40	20	40	Duplicates in part CNPA work. Big survey planned for 2009/10. FCS gathers but does not share. This is no longer within HIE's remit (although it may help a DMO to do this).
12. Other – please detail	20	0	0	THC strategy varies area to area. HIAL provided reports on recent passenger surveys.

10.4 Awareness of the Highland Council's current tourism development activities

10.4.1 We then moved on to look at levels of awareness of the Council's tourism support activities by asking the tourism operator respondents to name, without prompting, the activities of which they were aware. Table Five shows the results.

Table Five: Awareness of the Highland Council's current tourism development activities (Base: eight respondents.)

Activity	Percentage of interviewees who could spontaneously name the activity
1. Grant to VisitScotland	50
2. Grants to tourism groups	50
3. Grants for events and festivals	38
4. Countryside Ranger Service	25
5. Grants for conferences	13
6. Development of special sectors/niche markets (eg cruise-liner development, mountain biking)	13
7. Countryside services and facilities (eg ranger service, waymarked paths, long-distance routes, interpretation etc)	25
8. Leisure facilities (swimming pools, sports centres, parks)	13
9. Tourism signposting/tourism trails	13
10. Running of visitor attractions (eg museums, art galleries, visitor centres)	0
11. Public toilets	0
12. Other (activities mentioned included advice from tourism development staff, Council seminars).	25

10.4.2 It is interesting, in particular, to see that only 50% of respondents were aware of the Council's funding of VisitScotland, a grant which accounts for 83% of the Council's total tourism development budget, especially when one considers that all the interviewees in this survey had a substantial involvement in Highland tourism. The lack of awareness of, or inability to recall, Council tourism development activities generally would tend to support the comments frequently

made spontaneously by interviewees that the Highland Council does not promote fully the work it does in support of the tourism sector.

10.5 Views on public sector support for tourism development

10.5.1 Interviewees were asked to indicate the extent to which they agreed or disagreed with a range of questions exploring attitudes to the level and types of financial assistance currently available for tourism development projects in the Highland Council area. Table Six below shows the responses obtained.

Table Six: support for different types of public sector support for tourism development in the Highlands (Base: 13 respondents.)

Statement / Level of agreement / support	Strongly agree (%)	Agree (%)	Neither agree nor disagree (%)	Disagree (%)	Strongly disagree (%)	Strongly agreeing / agreeing or strongly disagreeing / disagreeing (%)
1. There is a need for more **financial** assistance from the public sector for **individual** tourism operators in the Highlands.	8	38	31	23	0	46
2. There is a need for more **practical** assistance from the public sector for **individual** tourism operators in the Highlands.	38	15	23	15	8	54
3. There is a need for more **financial** assistance from the public sector for industry-led **tourism groups** in the Highlands.	31	38	23	0	8	69
4. There is a need for more **practical** assistance from the public sector for industry-led **tourism groups** in the Highlands.	38	54	0	0	8	92
5. There is a need for more **financial** assistance from the public sector for **community tourism projects** in the Highlands.	23	77	0	0	0	100
6. There is a need for more **practical** assistance from the public sector for **community tourism projects** in the Highlands.	31	62	8	0	0	92
7. **Return on Investment** – ie how much business (visitor numbers, bookings etc) can be generated from specific tourism development activities – should be the **ONLY** measure used to decide how to allocate the Council's tourism budget.	0	0	0	38	62	100
8. **Return on Investment** – ie how much business can be generated from specific tourism development activities – should be the **MAIN** measure used to decide how to allocate the Council's tourism budget.	8	15	15	23	38	62
9. Measuring Return on Investment is **ONLY ONE measure of success**. Other objectives - such as increasing confidence and skills in Highland communities and improving the overall visitor experience in the Highlands – are equally important.	8	92	0	0	0	100
10. **If** some of the Council's existing tourism development activities are shown to have a relatively **low Return on Investment**, spending on these should be **switched** to activities which will bring better returns.	0	46	15	31	8	46 / 40
11. The more **fragile/outlying** areas of the Highlands should be a **priority** for tourism development investment by the Highland Council.	8	31	15	38	8	38 / 46

Statement	Level of agreement / support	Strongly agree (%)	Agree (%)	Neither agree nor disagree (%)	Disagree (%)	Strongly disagree (%)	Strongly agreeing / agreeing or strongly disagreeing / disagreeing (%)
12. There should be **more evaluation** of money spent on tourism development to see which activities bring the best returns on investment.		23	62	15	0	0	85
13. Only projects which clearly show that they will **contribute to achieving the national 50% target** for growth should receive assistance from the Council.		0	23	0	31	46	77
14. There is scope for greater **co-ordination** amongst public sector agencies involved in tourism development in the Highlands.		46	38	0	8	0	85

10.5.2 The main findings from this part of the survey, as shown in Table Six, were:

a. There was support for greater levels of financial and practical support of tourism from the public sector (Statements 1-6 above).

- There was unanimous agreement that more financial support was needed for community tourism projects and 92% support for more practical support for them.
- There was lower, but still substantial (92%), agreement that more practical assistance was needed for industry-led tourism groups in the Highlands, while 69% of respondents also thought that there was a need for more financial support for industry-led groups.
- Assistance for individual tourism operators was seen as less important, with 54% of respondents agreeing that more practical assistance for them, and 46% agreeing that more financial support was required.

b. There was universal lack of support for Return on Investment (ROI) being the only measurement criterion for the Highland Council when deciding whether or not to invest in a specific tourism activity. Support even for ROI being the main criterion was severely limited (22%) and all respondents agreed that ROI was only one of the measures which should be used in decision-making.

c. Opinions on whether or not to switch funding from projects /activities shown to be yielding a poorer ROI was fairly evenly divided.

d. Similarly, opinions were divided (based mainly on the geographical location of the interviewee!) on whether or not to prioritise support in fragile areas.

e. There was little support for the Council to support only projects that could clearly show that they (would) contribute to the national growth target of 50% by 2015. Note: this finding was reported at the workshop held with the client on 24th February 2009 and, because it was suggested that the question might not fully be understood, it was decided to ask the supplementary question, 'Should the Council only support projects that could demonstrate potential to achieve the national growth target of 2% per annum?' There was marginally more support for the statement when presented in this way, although the net effect (50% over the 10-year period of 2005-2015) was the same.

10.6 **Prioritisation of the Highland Council's tourism development activities**

10.6.1 The next set of questions (Table Seven) was aimed at obtaining respondents' views on the relative importance of the various tourism development activities currently covered by the Council's tourism development budget.

Table Seven: prioritising the Highland Councils support for tourism as it affects the interviewee's organisation (Base: 13 respondents.)

Activity / Priority	High priority (%)	Medium priority (%)	Low priority (%)	Not a priority (%)	High / medium or low / no priority
1. **Part-funding** the operation of **key Tourist Information Centres** in the Highland Council area.	75	25			100
2. **Fully**-funding the operation of Tourist Information Centres in the Highland Council area **which VisitScotland would otherwise not run.**	25	13	25	38	63
3. Financial support to VisitScotland to run **extra** marketing activities for the Highland area.	38	50	0	13	88
4. Investment in **strategic product development** (for example, niche markets such as walking and mountain biking, new tourism products, tourist trails, development of incoming charter and scheduled flights)	75	25	0	0	100
5. **Match** funding for marketing/development **projects** by **tourism marketing groups**, DMOs etc	50	38	13	0	88
6. Funding for **community** tourism projects (for example, projects to improve the appearance of villages or to provide new interpretation etc)	38	25	13	25	63
7. Funding for running **special events** and festivals	13	63	0	25	75
8. Subsidies to attract **large conferences** (eg political parties and STUC) to the Highlands	13	25	38	25	63
9. Funding of **marketing campaigns** to develop **off-season/shoulder month** business	38	38	13	13	75
10. Funding of marketing campaigns for **fragile/ outlying** areas of the Highlands	38	38	13	13	75
11. **Gathering** market trend/visitor profile information and **sharing** this information with tourism businesses	88	0	0	13	88
12. **Other** – please detail	• DOVE (Developing Outstanding Visitor Experience) • More public toilets • Better public transport				

10.6.2 Table Eight below shows the prioritisation ranking accorded by interviewees based on "high priority" scores only.

Table Eight: high priority scores ranked in descending order. (Base: 13 respondents.)

Activity	High priority score (%)
1. **Gathering** market trend/visitor profile information and **sharing** this information with tourism businesses	88
2. **Part-funding** the operation of **key Tourist Information Centres** in the Highland Council area.	75
3. Investment in **strategic product development** (for example, niche markets such as walking and mountain biking, new tourism products, tourist trails, development of incoming charter and scheduled flights)	75
4. **Match** funding for marketing/development **projects** by **tourism marketing groups**, DMOs etc	50
5. Financial support to VisitScotland to run **extra** marketing activities for the Highland area.	38
6. Funding for **community** tourism projects (for example, projects to improve the appearance of villages or to provide new interpretation etc)	38
7. Funding of **marketing campaigns** to develop **off-season/shoulder month** business	38
8. Funding of marketing campaigns for **fragile/ outlying** areas of the Highlands	38
9. **Fully**-funding the operation of Tourist Information Centres in the Highland Council area **which VisitScotland would otherwise not run.**	25
10. Funding for running **special events** and festivals	13
11. Subsidies to attract **large conferences** (eg political parties and STUC) to the Highlands	13

10.6.3 It is interesting to note that, although the gathering and sharing of market information gained the highest priority score (and, indeed, is a national and Highland strategic priority) no public agency in the Highlands is currently taking the lead in making this happen. Part-funding key Tourist Information Centres and investing in strategic product development were the next two most highly-rated priorities.

10.6.4 Table Nine below summarises the prioritisation accorded by interviewees when scores for "high priority" and "medium priority" are added together.

Table Nine: aggregated "high priority" and "medium priority" scores shown in descending order. (Base: 13 respondents.)

Activity	Combined score – "high priority" and "medium priority"
1. **Part-funding** the operation of **key Tourist Information Centres** in the Highland Council area.	100
2. Investment in **strategic product development** (for example, niche markets such as walking and mountain biking, new tourism products, tourist trails, development of incoming charter and scheduled flights)	100
3. Financial support to VisitScotland to run **extra** marketing activities for the Highland area.	88
4. **Match** funding for marketing/development **projects** by **tourism marketing groups**, DMOs etc	88
5. **Gathering** market trend/visitor profile information and **sharing** this information with tourism businesses	88
6. Funding for running **special events** and festivals	76
7. Funding of **marketing campaigns** to develop **off-season/shoulder month** business	76
8. Funding of marketing campaigns for **fragile/ outlying** areas of the Highlands	76
9. Funding for **community** tourism projects (for example, projects to improve the appearance of villages or to provide new interpretation etc)	63
10. Subsidies to attract **large conferences** (eg political parties and STUC) to the Highlands	38
11. **Fully**-funding the operation of Tourist Information Centres in the Highland Council area **which VisitScotland would otherwise not run.**	28

10.6.5 The main findings from this part of the survey were that:
   a.   there was strong support for the Council to invest in strategic product development (for example, niche markets such as walking and mountain biking, new tourism products, tourist trails, development of incoming charter and scheduled flights, etc).
   b.   there was strong support for the gathering of market trend/visitor profile information and sharing this information with tourism businesses to be prioritised.
   c.   there was also relatively high level of prioritisation for the Council to provide financial support to VisitScotland to run extra marketing activities for the Highland area.
   d.   the Council's part-funding of key Tourist Information Centres in the Highlands was viewed as high (75%) or medium (25%) priority. However, there was much lower support (38%) for the Council fully financing the operation of tourism information centres which otherwise VS would not support; interviewees generally considered the running of Tourist Information Centres to be VisitScotland's responsibility and it can be extrapolated from the survey findings that interviewees believe that, if VisitScotland do not consider a Tourist Information Centre to be worth operating, then the Council should not step in to keep it open.
   e.   75% supported the funding of special events and festivals, though the majority of respondents viewed this as a medium rather than high priority. (Note: this remit has now passed to the Council's Highland Cultural Programme).
   f.   There were low levels of support for providing conference subsidies.

10.7   Sources of business for tourism operators

10.7.1 We asked the tourism operators consulted during Stage Two of the review about where their business came from. This was because we wanted to identify the importance, in business generation terms for individual operators, of the types of activities funded by the Council.   The results were as shown in Table Ten below.

Table Ten: sources of business for my organisation. (Base: Four respondents.)

Level of importance / Description	Very important source of business (%)	Fairly important source of business (%)	Occasional source of business (%)	Does not generate business for me. (%)	Don't know (%)
1. My own marketing activities (for example, own website, own direct mail, advertising, etc)	100	0	0	0	0
2. My local DMO's marketing activities	25	25	25	25	
3. Marketing undertaken by tourism marketing groups to which I belong	0	0	50	25	25
4. VisitScotland marketing activities (eg Freedom of the Highlands, local visitor guides, visitscotland.com, seasonal campaigns, niche market campaigns etc)	0	75	0	25	0
5. Tourist Information Centres	25	75	0	0	0
6. Special events and festivals	0	0	75	25	0
7. Conferences	0	0	75	25	0
8. Other tourism signposting (ie tourism routes, local attractions/services signposting)	25	25	0	50	0
9. Other (*please give details*). Coach touring market, "friends of" programmes	50	0	0	0	0

10.7.2 It should be noted that only half of respondents actually measured where their business originates from. Those who carried out monitoring did so by surveying samples of their customers.

10.7.3 All respondents cited their own marketing activities as being their most important source of business. A minority cited their local DMO's marketing activities, Tourist Information Centres and signposting as generating business for them.

10.7.4 One respondent highlighted the importance of "cross-marketing" with other operators.

10.8 **Membership of tourism groups**

10.8.1 The majority of those operators surveyed were members of at least one tourism/marketing group (see Table Eleven below), highlighting the effectiveness, in terms of reach, of working with organised groups rather than individual operators. However, the findings in 10.7 above suggest that these groups are not currently a substantial source of business for individual operators. Increased support (practical and financial) could be a cost-effective way of increasing the amount of business generated via tourism groups.

Table Eleven: trade association membership (operators). (Base: four respondents.)

Type of group/association	Membership (%)
1. Local tourism marketing group	75
2. Highland-wide groups (eg Highlands Loch Ness, Right Direction group, DOVE)	75
3. Other (please give details)	75
4. Scotland-wide groups (eg Tourism Innovation Group, Scottish Tourism Forum	75
5. Local destination management organisation (DMO)	75
6. None	25
7. UK-wide groups	0

10.9 **Comments made by consultees**

10.9.1 Consultees were given the opportunity to cover issues other than those included in the structured part of the consultation questionnaires. Table Twelve below summarises the comments provided.

Table Twelve: comments made by consultees

Tourism operator consultees	Area tourism industry group representatives
• 'VisitScotland is good nationally but local visitor guides are a complete waste of time.' • 'VisitScotland seems to have disappeared at a local level.' • 'VisitScotland has no resources for its VisitHighland website.' • 'The fee structure at Tourist Information Centres is too high.' • 'THC shouldn't be doing what VisitScotland should be doing (ie running Tourist Information Centres etc). • 'Promotion at the railway / bus stations and at the airport is not good enough.' • 'Local tourism groups need to be better run.' • 'A DMO is more about product than marketing.' • 'Good to see support for our DMO at a general level.' • 'Small grants are OK but there doesn't seem to be a strategy.' (No apparent strategy was probably the most frequent of all specific comments made.) • 'I would like to see improved public transport access to attractions.' (The example given of good practice is the bus to Culloden which is run by the Inverness Tourist Office.) • 'A "general OAP pass" to Highland attractions might be a good idea.' • 'Provide better / more public toilets.' (Said with feeling.) • 'Referrals from other attractions or from people who have been before are an important source of business.'	• 'VisitScotland should be funding all tourism marketing activities so THC should not have to do "extra" marketing.' • 'It is VisitScotland that should be funding campaigns to develop off-season and shoulder month business.' • 'VisitScotland should be providing the practical assistance to operators and THC should steer clear of this.' • 'When VisitScotland part funds anything, it thinks it can dictate everything.' (This was said with much feeling!) • 'Any money from THC to VisitScotland should be ring-fenced.' • 'The Highland Council support for tourism is undertaken pretty well (made by a number of interviewees).' • 'THC should provide better communication on the support they give.' (This was said by quite a few interviewees.) • 'THC should be operating the registration scheme.' • 'THC could give contribution to area tourist association core costs.' • 'Grants shouldn't necessarily be switched from low return recipients but it should be questioned *why* the returns on investment are low.' • 'Tourism support and development should be more integrated in Highland.' • 'HIE should be joint funding community tourism projects.' • 'The "Highland Toilet Scheme" is not being taken up.' • 'Funding of large events (festivals and conferences etc) does not seem to take account of the time of year when they are staged eg should funding be for Rock Ness or for something in the off-season?'
Other public sector agencies	**Highland Council Tourism Development Grant scheme recipients**
• 'VisitScotland and THC should collaborate more on marketing.' • 'There is not enough support to marketing new routes at the other end of the route, ie for inward travellers (potential tourists).' • 'We would like to see a TIC at the airport (Inverness) and would provide the space.' • 'THC does things to different standards throughout the area.' • 'Practical assistance for tourism groups should include skills development for non-remunerated voluntary staff.' • 'Public sector agencies should collaborate more and consolidate their services to tourism development.' • 'There has been a collective private sector complaint about facilities provided by the public sector displacing services provided by the private sector.' (The complaint actually applied to bikes being provided by FCS.) • 'SNH is over-zealous in its protection of the environment.' • 'SEPA can be a blockage to development.' • 'Ageism comes into decision-making – over 40s (!) are more 'closed' to innovation.' • 'HIE no longer deals directly with small businesses and projects and does not carry out surveys (such as occupancy rates and visitor numbers). The Business Gateway is now the route to assistance that HIE used to provide through its Local Enterprise Company (LEC) network.'	• 'There should be greater financial support for strategic projects such as roads and other infrastructural projects.' • 'The Highland Council Tourism Development Grants Scheme is very easy to access.' (This was said by all recipients.) • 'Colin and Gordon have been very good and really creative and are our first port of call for any assistance requirements.'

11 ALLOCATING RESOURCES EFFECTIVELY

11.1 When we set out on this review process, we hoped to be able to use existing data on targets and performance to evaluate the effectiveness of the Council's current tourism development spend, although we recognised that this data might not be comprehensive.

11.2 Our research has identified, on a scale greater than we had anticipated when we commenced the review:
- a need for clearly-defined targets – focusing on targets which are output- rather than input-driven
- better data to show whether and to what extent targets are being met. The data which exists currently is often patchy and inconsistent.

11.3 Better information on targets and performance – both in terms of the Council's grant to VisitScotland and its own activities – are fundamental to being able to make informed decisions as to how scarce resources should best be allocated, particularly at a time of world-wide recession, when it is not clear how the tourism industry in the Highlands will be affected.

11.4. Better – and, in particular, more up-to-date - information on Highland market trends and visitor profiles is essential, and this needs to be shared amongst the public agencies concerned with tourism development as well as with tourism operators.

11.5 The lack of information on the effect which visiting a Tourist Information Centre has on visitors in terms of altering their length of stay in the local area or increasing their local spend is currently another real barrier to informed decision-making, especially given the large share of the Council's tourism spend currently allocated to the support of Tourist Information Centres in the Highlands. A study on this topic should be seen as a priority, particularly in view of the strategic changes which VisitScotland seems likely to announce shortly in relation to the Tourist Information Centre network in Scotland and the Highlands.

11.6 With a better information base to inform decision-making, it should be easier to apply strategic criteria to the process of deciding how best to prioritise the use of the Council's tourism development budget.

11.7 The Return on Investment model is one way of measuring the relative effectiveness of investing in different types of activities. This review, albeit with a strong caveat in terms of the robustness of performance data available for analysis at present, has demonstrated that investment in pre-arrival marketing activities appears to be more productive than investment in on-arrival services.

11.8 However, it would be wrong to assume that spending more on an activity with a high ROI will increase the benefits further, as the law of diminishing returns will kick in at some point. For example, printing twice the number of brochures, spending twice the amount on a marketing campaign, or opening a Tourist Information Centre for twice as long will not automatically double its impact. The need for better performance data which can help decision-makers identify the optimum level of investment is therefore crucial.

11.9 It should be noted, too, that while we have looked at ROI in terms of the Return on Investment by the Highland Council's contribution, most activities attract wider public and/or private sector investment and ROI could equally be calculated on the overall value of the investment rather than the value of the money invested by the Council alone.

11.10 It is clear from the stakeholder consultation that, whilst ROI is not considered to be a stand-alone measure of performance, there is support for the principle of performance measurement, both by the Council and by the grant recipients themselves.

11.11 Using ROI as a first step in evaluation (with the caveats outlined above) seems like a sensible way forward, and one which would be a considerable improvement on the current situation. However, we would suggest that there should, in fact, be a five-step process in the decision-making process as follows:

- **Step 1:** Consider rigorously whether the proposed activity or project fits with national and Highland strategic tourism development objectives.
- **Step 2:** Identify the ROI for each individual activity proposed, using performance data and market intelligence to establish the likely optimum level of expenditure before the law of diminishing returns kicks in.
- **Step 3:** compare the ROI for the proposed activity or project with other existing or proposed activities and projects.
- **Step 4:** Consider whether factors other than ROI should be considered – for example, the scope for an activity to increase community confidence or the quality of the visitor experience, leading to increased visits and spend in the longer term. Concrete targets and ways of assessing the extent to which they have been met should still be applied.
- **Step 5**: Apply the additionality measure – ie judge whether the Council's investment will be the key to making the activity happen, ie whether the activity will fail to proceed without Council investment. In general terms, we would suggest that projects where the Council's investment will make little or no difference to the feasibility of a project, that investment should not be made (albeit that there may sometimes be good "political reasons" for "chipping in" towards the costs of an activity or project which is already well-resourced from other sources).

12   GENERAL CONCLUSIONS

12.1   Making informed decisions on investment to achieve tourism development requires much more information – in terms of scope, robustness and being as up-to-date as possible – than is currently available. Investing in better information should be a priority.

12.2   Priority should be given to gathering and sharing market information. Identifying market trends, visitor needs, and the ways in which visitor choices can be influenced will assist the Council's decision-making processes but also, more generally, assist the effectiveness with which strategic tourism objectives can be pursued by public agencies and tourism operators.

12.3   The Council's decision-making process for its tourism development budget should be informed by output-driven targets and monitoring to a much greater extent than is currently the case.

12.4   Achieving real growth in the value and volume of Highland tourism will require greater collaboration amongst the various public agencies involved in tourism development and with tourism operators than currently exists. This review has shown the lack of awareness of the Council's tourism activities. It is likely that awareness generally about the tourism development roles and activities of the various public agencies could be improved, and there needs also to be better, two-way, communication with the trade. The forthcoming review of the *Highland Area Tourism Partnership Action Plan* offers an ideal opportunity to review current approaches and consider how communication and collaboration amongst the various partners (public and private) can be improved.

12.5   A five-step process to inform decisions on the allocation of resources is outlined in Section 11 above. This is based on the Return on Investment approach but recognises its limitations and, accordingly, suggests how it might be refined.

APPENDICES

**THE HIGHLAND COUNCIL: REVIEW OF TOURISM DEVELOPMENT SPEND
STAKEHOLDER SURVEY QUESTIONNAIRE
OTHER PUBLIC SECTOR AGENCIES**

Business/Organisation		Questionnaire no.
Interviewee's name	**Interviewee's position**	**Date**
Tel no		**Interview conducted by**
Record of telephone calls made/messages left:		

Hello. I am …….   We have been commissioned by the Highland Council to review its support for tourism development. As part of the review process, we are contacting companies and organisations involved in tourism in the Highlands to ask you your views on the Council's support for tourism currently and in the future. Your help would be very much appreciated.

The survey shouldn't take more than around 45 minutes to complete.

Is it convenient to ask you some questions just now, or could I arrange a convenient time to call you back.
YES ☐   NO ☐*
*If no, please agree date/time to call back……………………………………..

SECTION ONE

1   **SECTION ONE: ABOUT YOUR OWN ORGANISATION'S SUPPORT FOR TOURISM DEVELOPMENT IN THE HIGHLANDS**

1.1   What support for tourism development does your organisation currently provide?
        Brief summary only required:

Activity	Description (eg capital investment, marketing, market research, training/skills development etc)	Allocation of funds likely to change over next three years?	Activity likely to change over the next three years?
Support for individual tourism operators			
Support for tourism groups			
Support for community tourism projects			
Support for events and festivals			
Support to bring large conferences to the Highlands			
Strategic development (eg development of niche markets, tourism infrastructure such as tourism trails, route development etc)			
Other (please detail)			

SECTION TWO: THE HIGHLAND COUNCIL'S TOURISM SPEND

2.1 *Looking at your own organisation's planned tourism development activities over the next three years,* how does the Highland Council's current allocation of its tourism development activities fit with your own activities?

	Complements our planned tourism development activities over the next three years	Duplicates our planned tourism development activities over the next three years	Comments
1. Part-funding the operation of key tourist information centres in the Highland Council area.			
2. Fully-funding the operation of tourist information centres in the Highland Council area which VisitScotland would otherwise not run.			
3. Financial support to VisitScotland to run extra marketing activities for the Highland Council area.			
4. Investment in strategic product development (for example, niche markets such as walking and mountain biking, new tourism products, tourist trails, development of incoming charter and scheduled flights)			
5. Match funding for marketing/development projects by tourism marketing groups, DMOs etc			
6. Funding for community tourism projects (for example, projects to improve the appearance of villages or to provide new interpretation etc)			
7. Funding for running special events and festivals			
8. Subsidies to attract large conferences (eg political parties and STUC) to the Highlands			
9. Funding of marketing campaigns to develop off-season/shoulder month business			
10. Funding of marketing campaigns for fragile/ outlying areas of the Highlands			
11. Gathering market trend/visitor profile information and sharing this information with tourism businesses			
12. Other – please detail			

2.2   Please tell me the extent to which you agree or disagree with the following statements.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree	Q1-6 only: if "Strongly agree/agree" is selected, please ask they feel assistance is needed for (eg marketing, training, product development).
1. There is a need for more **financial** assistance from the public sector for **individual** tourism operators in the Highlands.						
2. There is a need for more **practical** assistance from the public sector for **individual** tourism operators in the Highlands.						
3. There is a need for more **financial** assistance from the public sector for industry-led **tourism groups** in the Highlands.						
4. There is a need for more **practical** assistance from the public sector for industry-led **tourism groups** in the Highlands.						
5. There is a need for more **financial** assistance from the public sector for **community tourism projects** in the Highlands.						
6. There is a need for more **practical** assistance from the public sector for **community tourism projects** in the Highlands.						
7. **Return on Investment** – ie how much business (visitor numbers, bookings etc) can be generated from specific tourism development activities – should be the **ONLY** measure used to decide how to allocate the Council's tourism budget.						
	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree	

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree	Q1-6 only: if "Strongly agree/agree" is selected, please ask they feel assistance is needed for (eg marketing, training, product development).
8. **Return on Investment** – ie how much business can be generated from specific tourism development activities – should be the **MAIN** measure used to decide how to allocate the Council's tourism budget.						
9. Measuring Return on Investment is **only one measure of success**. Other objectives - such as increasing confidence and skills in Highland communities and improving the overall visitor experience in the Highlands – are equally important.						
10. **If** some of the Council's existing tourism development activities are shown to have a relatively **low return on investment**, spending on these should be **switched** to activities which will bring better returns.						
11. The more **fragile/outlying** areas of the Highlands should be a **priority** for tourism development investment by the Highland Council.						
12. There should be **more evaluation** of money spent on tourism development to see which activities bring the best returns on investment						
13. Only projects which clearly show that they will **contribute to achieving the national 50% target** for growth						

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree	Q1-6 only: if "Strongly agree/agree" is selected, please ask they feel assistance is needed for (eg marketing, training, product development).
should receive assistance from the Council.						
14. There is scope for greater **co-ordination** amongst public sector agencies involved in tourism development in the Highlands.						

2.3   Are you aware of any gaps in the current framework for tourism development in the Highlands which could perhaps be filled by the Highland Council (in part or in full)?

YES ☐*   *NO ☐*
*If YES, please give details …………………………………………..

2.4   Do you have any other comments on the Highland Council's support for tourism development which have not been covered by the above? Or any other comments re wider support for tourism development in the Highlands?

Thank you for your help with this survey which is much appreciated. If you have any queries about the review, please contact Colin Simpson, tel 01463 244168, e-mail colin.simpson@highland.gov.uk

THE HIGHLAND COUNCIL: REVIEW OF TOURISM DEVELOPMENT SPEND
STAKEHOLDER SURVEY QUESTIONNAIRE
TOURISM OPERATORS

(Note: Questions 1.1, 4.1, 4.2 & 4.3 also asked of Highland Area Tourism Partnership representatives)

Business/Organisation		Questionnaire no.
Interviewee's name	**Interviewee's position**	**Date**
Tel no		**Interview conducted by**
Record of telephone calls made/messages left:		

Hello. I am ……. We have been commissioned by the Highland Council to review its support for tourism development. As part of the review process, we are contacting companies and organisations involved in tourism in the Highlands to ask you your views on the Council's support for tourism currently and in the future. The information collected in this survey will be treated confidentially and passed to the Council as part of an aggregated report – individual comments will NOT be attributable to individual respondents. Your help would be very much appreciated.

The survey shouldn't take more than around 30/ 40 minutes to complete.

Is it convenient to ask you some questions just now, or could I arrange a convenient time to call you back.
YES ☐   NO ☐*
*If no, please agree date/time to call back ………………………………………..

SECTION ONE – ABOUT YOUR BUSINESS

1.1   Could I ask you which area(s) of the Highland Council you operate in? *Please tick all which apply.*
- ☐   Caithness
- ☐   Sutherland
- ☐   Ross and Cromarty
- ☐   Inverness
- ☐   Nairn
- ☐   Skye and Lochalsh
- ☐   Badenoch and Strathspey
- ☐   Lochaber
- ☐   Highland-wide.

1.2   How would you describe your business/organisation? (Please select the category which best describes your operation).
- ☐   Bed and Breakfast operator
- ☐   Guest House operator
- ☐   Hotel (independent)
- ☐   Hotel (chain)
- ☐   Self-catering
- ☐   Camping/caravanning
- ☐   Independent hostel/youth hostel
- ☐   Visitor attraction
- ☐   Other (Please give details) …………………………………………………………

1.3   How many rooms/beds/letting units/pitches etc do you have? ……………..

1.4   Do you operate year-round?

        YES ☐   NO ☐*

        *If NO, please tell us the months you operate: …………………………………………

1.5   Is your business/organisation a member of any tourism development/marketing groups?

        YES ☐ *   NO ☐

        *If YES, please tell us which one(s):

Type	YES/NO	Which one(s)?
Local destination management organisation (DMO)		
Local tourism marketing group		
Highland-wide groups (eg Highlands Loch Ness)		
Scotland-wide groups		
UK-wide groups		
Other (please give details)		

2 SECTION TWO: WHERE DOES YOUR BUSINESS COMES FROM?

2.1 Can you rate the following in terms of how much business they help generate for *your* business/organisation?

Description	Very important source of business	Fairly important source of business	Occasional source of business	Do not generate business for me.	Don't know
1. My own marketing activities (for example, own website, own direct mail, advertising, etc)					
2. My local DMO's marketing activities					
3. Marketing undertaken by tourism marketing groups to which I belong					
4. VisitScotland marketing activities (eg Freedom of the Highlands, local visitor guides, visitscotland.com, seasonal campaigns, niche market campaigns etc)					
5. Tourist information centres					
6. Special events and festivals					
7. Conferences					
8. Other tourism signposting (ie tourism routes, local attractions/services signposting)					
9. Other (*please give details*).					

2.2 Do you measure where your business comes from?

YES ☐ *   NO ☐

*If YES, please tell us briefly how you do this.

3   **SECTION THREE – WHAT THE HIGHLAND COUNCIL CURRENTLY SUPPORTS**

3.1   The Highland Council currently undertakes a range of tourism development activities. Can you tell me which ones you are aware of?

*Please list all those mentioned by the respondent **without** prompting him/her.*

- ☐   Grant to VisitScotland
- ☐   Grants to tourism groups
- ☐   Grants for events and festivals
- ☐   Grants for conferences
- ☐   Development of special sectors/niche markets (eg cruise-liner development, mountain biking)
- ☐   Running of visitor attractions (eg museums, art galleries, visitor centres)
- ☐   Countryside Ranger Service
- ☐   Countryside facilities (eg waymarked paths, long-distance routes, interpretation etc)
- ☐   Leisure facilities (swimming pools, sports centres, parks)
- ☐   Public toilets
- ☐   Tourism signposting/tourism trails
- ☐   Other (please detail) ……………………………………………………………………….

3.2   Do you feel that the Highland Council could give better support to the tourism industry in the Highlands?
       YES ☐   NO ☐

If YES, how? (*Do not prompt.*)

1.	
2.	
3.	
4.	

4 SECTION FOUR – THE HIGHLAND COUNCIL'S TOURISM SPEND

4.1 *Looking at your own tourism business's needs*, how would you prioritise the Council's tourism development budget over the next three years?

	High priority	Medium priority	Low priority	Not a priority
1. **Part-funding** the operation of **key tourist information centres** in the Highland Council area.				
2. **Fully**-funding the operation of tourist information centres in the Highland Council area **which VisitScotland would otherwise not run.**				
3. Financial support to VisitScotland to run **extra** marketing activities for the Highland area.				
4. Investment in **strategic product development** (for example, niche markets such as walking and mountain biking, new tourism products, tourist trails, development of incoming charter and scheduled flights)				
5. **Match** funding for marketing/development **projects** by **tourism marketing groups**, DMOs etc				
6. Funding for **community** tourism projects (for example, projects to improve the appearance of villages or to provide new interpretation etc)				
7. Funding for running **special events** and festivals				
8. Subsidies to attract **large conferences** (eg political parties and STUC) to the Highlands				
9. Funding of **marketing campaigns** to develop **off-season/shoulder month** business				
10. Funding of marketing campaigns for **fragile/ outlying** areas of the Highlands				
11. **Gathering** market trend/visitor profile information and **sharing** this information with tourism businesses				
12. Other – please detail				

4.2   Please tell me the extent to which you agree or disagree with the following statements.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree	Q1-6 only: if "Strongly agree/agree" is selected, please ask they feel assistance is needed for (eg marketing, training, product development).
1. There is a need for more **financial** assistance from the public sector for **individual** tourism operators in the Highlands.						
2. There is a need for more **practical** assistance from the public sector for **individual** tourism operators in the Highlands.						
3. There is a need for more **financial** assistance from the public sector for industry-led **tourism groups** in the Highlands.						
4. There is a need for more **practical** assistance from the public sector for industry-led **tourism groups** in the Highlands.						
5. There is a need for more **financial** assistance from the public sector for **community tourism projects** in the Highlands.						
6. There is a need for more **practical** assistance from the public sector for **community tourism projects** in the Highlands.						
7. **Return on Investment** – ie how much business (visitor numbers, bookings etc) can be generated from specific tourism development activities – should be the **ONLY** measure used to decide how to allocate the Council's tourism budget.						
8. **Return on Investment** – ie how much business can be generated from specific tourism development activities – should be the **MAIN** measure used to decide how to allocate the Council's tourism budget.						

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree	Q1-6 only: if "Strongly agree/agree" is selected, please ask they feel assistance is needed for (eg marketing, training, product development).
9. Measuring **Return on Investment** is **only one measure of success**. Other objectives - such as increasing confidence and skills in Highland communities and improving the overall visitor experience in the Highlands – are equally important.						
10. If some of the Council's existing tourism development activities are **shown to have a relatively low return on investment**, spending on these should be **switched** to activities which will bring better returns.						
11. The more **fragile/outlying** areas of the Highlands should be a **priority** for tourism development **investment** by the Highland Council.						
12. There should be **more evaluation** of money spent on tourism development to see which activities bring the best returns on investment						
13. Only **projects** which **clearly show** that they will contribute to achieving the national 50% target for growth **should receive assistance** from the Council.						
14. There is **scope for greater co-ordination amongst public sector agencies** involved in tourism development in the Highlands.						

4.3 Do you have any other comments on the Highland Council's support for tourism development which have not been covered by the above? (*Please continue on separate page if necessary*).

Thank you for your help with this survey which is much appreciated. If you have any queries about the review, please contact Colin Simpson, tel 01463 244168, e-mail colin.simpson@highland.gov.uk

THE HIGHLAND COUNCIL: REVIEW OF TOURISM DEVELOPMENT SPEND
STAKEHOLDER SURVEY QUESTIONNAIRE
TOURISM DEVELOPMENT GRANT RECIPIENTS

Business/Organisation		Questionnaire no.
Interviewee's name	Interviewee's position	Date
Tel no		Interview conducted by
Record of telephone calls made/messages left:		

Hello. I am ……. We have been commissioned by the Highland Council to review its support for tourism development. As part of the review process, we are contacting who have received a tourism development grant from the Council during the past four years.

The information collected in this survey will be treated confidentially and passed to the Council as part of an aggregated report – individual comments will NOT be attributable to individual respondents. Your help would be very much appreciated.

The survey shouldn't take more than around 20 minutes to complete.

Is it convenient to ask you some questions just now, or could I arrange a convenient time to call you back.
YES ☐   NO ☐*
*If no, please agree date/time to call back ………………………………………..

1   **SECTION ONE: ABOUT YOUR APPLICATION TO THE TOURISM DEVELOPMENT GRANTS SCHEME (***Note, if interviewee had had more than one TDG application, please ask them to respond in terms of the most recent application to the scheme),*

1.1   On a scale of 1-5, how easy did you find it the application process? (*1= very easy, 5 = very difficult*)

         …………

1.2   On a scale of 1-5, how likely is it that your project would have gone ahead without assistance from the Council's TDG scheme? (*1= very likely, 5 = very unlikely*)

         ……………

1.3   Did you/do you intend to monitor the effectiveness of your project in terms of how much additional tourism visits/spend it generated?
         YES ☐ NO ☐

         If NO, why not? ……………………………………………………………………………………

1.4   Did your project have:

     a.   the support in principle of one or more tourism businesses?   YES □ NO □
     b.   financial support of one or more tourism businesses?   YES □ NO □
     c.   practical support of one or more tourism businesses?   YES □ NO □

1.5   Did you consider applying/apply to other sources of funding in respect of this project?
     YES □ NO □

     If NO, why not? …………………………………………………………………………..

     …………………………………………………………………………………………………...

     If YES, was your application successful?   YES □ NO □
     If it was unsuccessful, why was this? …………………………………………………………

     …………………………………………………………………………………………………

SECTION TWO: ABOUT THE COUNCIL'S SUPPORT FOR TOURISM GROUPS IN THE FUTURE

2.1 Please tell me the extent to which you agree or disagree with the following statements.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Disagree strongly	Additional comments?
1. The Highland Council should **limit** tourism development grants to projects which can clearly show the amount of **extra business** (visits and/or spend) which they are likely to generate.						
2. The Council should form **longer-term relationships with tourism groups** to enable groups to undertake longer-term strategic development.						
3. Applications for the Council's tourism development grants scheme should be able to demonstrate that their project has the support of tourism businesses.						
4. The Council should **only** support applications which show how they **will contribute to the national target for growth (50% growth by 2015).**						
5. **Applicants** should **monitor** the effectiveness of their project, and supply an evaluation report to the Council.						
6. **The Council** should **monitor** the effectiveness of the projects it supports.						
7. **The Council** should look at ways of **spreading examples of good practice** in projects it has assisted.						

2.2   Could the Highland Council improve its support for your tourism group?
         YES ☐   NO ☐

If YES, how could it improve? (*Do not prompt.*)

1.	
2.	
3.	

2.3   Do you have any other comments on the Council's Tourism Development Grants Scheme which are not
        covered by the above?

Thanks for your help which is much appreciated.

If you have any queries about this survey, please contact:
Colin Simpson, The Highland Council, tel 01463 244168, e-mail: colin.simpson@highland.gov.uk