

**CAIRNGORMS NATIONAL PARK AUTHORITY
FINANCE COMMITTEE**

FOR DECISION

Title: RATIFICATION OF NEW EXPENDITURE PROPOSAL

Prepared by: Denby Pettitt, Finance Manager

Purpose

To approve a new expenditure proposal.

Recommendations

- a) That the Committee approve the expenditure proposal prior to submission to the Scottish Executive.

Executive Summary

- a) The proposal is to provide a grant of £25,000 to Aviemore & Cairngorms Destination Management Organisation for the current Financial Year. The work of a DMO has a close fit with a set of objectives and outcomes in the National Park Plan.
- b) Total expenditure on the project is budgeted at £495,000. Further details of the costs and funding can be found in section 7 of the EJF.

Discussion

1. The Finance Committee is invited to review the attached Expenditure Justification (Annex 1) and approve it if they see fit, allowing it to be passed to the Scottish Executive for final approval.

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31 May 2007

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CAIRNGORMS NATIONAL PARK AUTHORITY

EXPENDITURE JUSTIFICATION

1. Title

Support for Aviemore & Cairngorms Destination Management Organisation

2. Expenditure Category

Operational Plan goal	16	Code	8161401	Project	
Sustainable tourism (goal description)				Grant	✓
Core or Project spend		Code		Consultancy	

Is this spend to be funded from an existing budget line, existing line with additional funds or is it a totally new spend?	£ 25,000	Existing budget	✓
	£	Additional budget	
	£	New budget	

3. Description

- Brief overview of project/activity
- Specific elements for which support is sought (if not whole project/activity)

A Destination Management Organisation (DMO) is a commercially-driven private sector led partnership organisation, a model commonly found in successful destinations in Europe and North America. Aviemore & Cairngorms Destination Management Organisation (ACDMO) was launched in September 2006.

The company, AC DM Ltd, is a non-profit making community company, limited by guarantee. Directors are all key business representatives:

Hamish Swam, Chairman
Johnnie Grant, Director
Bob Kinnaird, Director
Iain Miller, Director
Sean Sullivan, Director
Tim Walker, Director

In broad terms, DMOs exist to do four key task:

- (a) **attract** day visitors and tourists through marketing and promotion;
- (b) **manage** the visitor experience with improved services and facilities within the area such as information, events and entertainment
- (c) coordinate activities and improve communications with businesses and organisations in the destination; and
- (d) **maximise** the community benefits resulting from tourism.

The business model is one of public and private partnership, built on international best practice with a strong element of benchmarking and continual improvement. The DMO has undertaken significant research and learning journeys as part of their development. ACDMO has utilised the Hudson Model of Destination Benchmarking. The Hudson model has been developed by The University of Calgary (Canada) and successfully deployed throughout North America and Australia.

The destination was compared and benchmarked against 15 of the world's leading mountain destinations. In 2004 Aviemore and the Cairngorms scored 69 points in a 'league table' of these top destinations.

Amongst competitors the next lowest score was 123 (the highest score was 174) which was attributed to a shared vision, an appreciation of the importance of the environment as a tourism asset, enhanced marketing, greater collaboration amongst stakeholders and better visitor information. These learning points have underpinned the business plan for Aviemore & Cairngorms DMO.

The Work of the DMO

AC DM will undertake the following activity on behalf of the destination:

- Undertake market research including visitor information and feedback, trends in tourism and international benchmarking
- Create a vision and strategy for the destination using the research undertaken
- Create a commercial income stream which will enable the initiative to become self sustaining within a three year period
- Work with participating businesses
- Work with participating businesses, communities and public sector stakeholders to develop the destination in line with the destination vision
- Continue to develop the marketing and PR campaign positioning the destination as Scotland's Natural Adventure, a leading mountain destination and a great place to live, work and visit
- Evaluate the success of projects and initiatives, enabling development plans for the future

DMO Participation

A full list of participating businesses is attached at Appendix 1

Participating business are requested to work with the DMO to achieve high quality standards within the destination. As a result, they are requested to:

- Be quality assured by VisitScotland where there is an appropriate scheme
- Agree to a code of conduct for outdoor activity providers and golf operators
- Sign up to achieving a minimum of bronze level of Green Tourism Business within 1 year

Fees

The current fee structure is as follows:

£250 for a small business

£750 for a large business

Directors have made a move towards committing 0.3 % of turnover - this is in line with best practice and a more appropriate way of apportioning fees.

2007 / 08 Fees

It is proposed that these will be based on 0.3% of turnover with a minimum fee of £250

Small Businesses

It is anticipated that some smaller businesses may wish to participate in the DMO through affiliated business associations.

Communities

The DMO has worked closely with CNPA and the Association of Cairngorms Community Councils to develop a community project for the destination. This project aims to achieve the following;

- A single voice from each community within the destination - with representatives from Business Associations, Community Councils and Community Groups working together with a shared vision
- A 'facilitated' opportunity to undertake a community opportunity appraisal in line with the destination vision
- An opportunity to facilitate and support community development plans in the future

Tourism Advisory Council

The DMO has established a destination tourism advisory council as a mechanism for discussing the destination development with public sector stakeholders and the business and wider community. This is in the form of regular meetings with the Tourism Advisory Council - see appendix 2 for details of stakeholder representatives attending TAC meetings.

The DMO Trust

The DMO has established a Trust and will commit to using 15-25% of funds raised through the sale of the Osprey Card to community and environmental projects in the future.

4. Rationale and Strategic Fit

- Objectives/intended beneficiaries
- Evidence of need and demand
- Fit with National Park Plan/Corporate Plan/other relevant strategies
- Linkages to other activities/projects

The work of a DMO has a close fit with a set of objectives and outcomes in the National Park Plan. In addition to Aviemore & Cairngorms DMO, CNPA are working with an emerging DMO in Royal Deeside covering the eastern side of the National Park. Their business plan is nearing completion and it is anticipated that they will approach CNPA for funding support during 2007-8 financial year.

This project can provide a vehicle to help meet the aims of the Sustainable Tourism Strategy via helping promote special qualities, developing events off-season, off season marketing, supporting visitor payback and encouraging uptake of the park brand and GTBS (condition of membership of the DMO)

The need for a DMO is well proved from international research and models of best practice. The private sector and other public partners are also keen to support this model of tourism development.

The DMO has a strong role to play in delivering the Park Plan contributing strongly to 'Making Business and Tourism sustainable' and 'Raising Awareness and Understanding of the Park'. DMOs have been identified as key partners for a large number of specific actions in the Park Plan. Some of the key actions are listed below:

- Develop & support effective mechanisms for communication with business stakeholders
- Conduct omnibus tourism enterprise survey
- Explore opportunities...for visitor payback
- Develop stronger links between tourism, transport, food & drink, retail & other sectors
- Increase use of environmental management and accreditation by businesses
- Strengthen awareness & spending on local crafts
- Encourage businesses to collaborate
- Encourage benchmarking of performance
- Work with industry to promote additional high quality experiences
- Make information available about features that represent the special qualities
- Establish mechanism for implementation of interpretation
- Market the attractions, places or areas in the Park in a way that promotes the overall identity.

The activities outlined above also have strong links to the 9 Priorities for Action identified in the Cairngorms Sustainable Tourism Strategy and Action Plan.

This project meets the Corporate Plan goal of 'an increase in value of sustainable tourism spend' and is identified in the CNPA Operational Plan.

5. Option Analysis

- Are there other ways in which the above objectives could be achieved?
- If so, why is this the preferred option?

The CNPA role is an enabling one and needs to support local tourism groups that can help meet the park aims and aims of the Sustainable tourism strategy. Whilst the option might exist to create a Park-wide DMO, the international benchmarking research undertaken by ABSC and MBSE (as was) suggests that the area is a logical, cohesive, geographic unit to establish a DMO, building on the marketing success of ABSC. The lessons to be learnt from this experience have been presented to other areas within the Park area and to the emerging DMO in Royal Deeside, which will also take in the Angus Glens. Two DMOs covering the bulk of the tourism enterprises within the Park gives the CNPA an excellent opportunity to work closely with businesses on sustainable tourism and will help greatly in delivering elements of the sustainable tourism strategy & action plan.

Many of the issues the DMO will tackle operate on a certain scale, for example transport along the Glenmore corridor; management of conferences and events in Strathspey or organisation of GTBS workshops. These local issues are best managed at a scale below that of the whole National Park. A key point is that DMOs provide a mechanism to get businesses together around an issue, such as a big conference and look at how best to manage that activity. CNPA will still work to coordinate activity at a Park-wide level. This is about recognising an appropriate scale for certain activities.

CNPA funding is additional to other public funds (LEC, Highland Council, VisitScotland, SNH) and is buying outputs in addition to those other agencies might expect. In his regard CNPA will work with the DMO on specific objectives around extending the season, uptake of GTBS, transport, and visitor payback that fit with Park Plan objectives

6. Risk Assessment

- Are there risks to the CNPA in funding this project/activity?
- Are there risks in the project/activity not being delivered to required timescale/quality?
- Comment on the likelihood of such risks occurring, their potential impact, and (where appropriate) any action that would be taken to mitigate the risks.

Working in partnership with DMO does present risks. It also provides numerous opportunities to deliver against Park Aims. The identified risks are as follows:

Reputational

80% of the tourism expenditure in the park is in the Aviemore & Cairngorms DMO area. A DMO is getting established in Royal Deeside and CNPA need to ensure proper support to both. CNPA also need to take a coordinating role and ensure that both DMOs are complimenting aims on the park and objectives of the park plan. This will be achieved via financial support, and formal representation on both groups. The DMO aims are complimentary to the Park's however there is some scope for duplication. The Tourism Advisory Council, chaired by the National Park Chief Executive is a way to help ensure any potential overlap or conflict with the aims of the Park are resolved, through clarifying partner roles and responsibilities. The DMO are also represented on the Badenoch and Strathspey Community Planning Group, which will have a key role in planning and coordinating activity in the area.

Financial

Other public funders are looking positively on the DMO proposal, however VisitScotland funding of £100k is via a competitive bidding over two rounds (Challenge Fund). CNPA funding will be allocated against specific projects and potential loss of VisitScotland money from the budget will not detract for delivery of certain outcomes. In the event of a Challenge Fund application being unsuccessful, the overall budget and therefore ability to lever match funding would be reduced and in that scenario, the overall impact of the DMO would be lessened.

Management Risk

The DMO have recently appointed a Chief Executive who takes up post at the end of May. A condition of previous CNPA support was that adequate staffing resources be identified to deliver the DMO business plan. The new Chief Executive is extremely well regarded and his appointment reduces risk of the project failing through lack of sufficient management which was a concern in the past.

7. Costs and Funding

- Detail the financial costs of the project/activity
- Detail the sources of funding
- Detail any non-monetary costs to the CNPA (such as Member or staff input)

ACDMO budget (2007-08)

Income	£	Expenditure	£
Participating businesses	110,000	Staffing & consultancy	120,000
Sponsors	75,000	Marketing & Comms	125,000
Osprey Card	100,000	Admin /Support	15,500
VisitScotland	25,000	Events	25,000
CNPA	25,000	Research & Benchmarking	40,000
Highland Council	25,000	Visitor information	100,000
HIE IEH	75,000	Product Development	69,500
Lottery	40,000		
FCS / SNH	20,000		
Total	495,000		495,000

8. Funding conditions

- Detail the project specific conditions that need to be included in any contract for services or grant offer letter in order that CNPA obtains the intended outcomes and Value for Money
- In the case of grant offers, our Financial Memorandum requires that SEERAD agree these conditions in advance of the grant offer being made

Funding should be conditional on the following conditions:

- CNPA support limited to a maximum of £25,000 and conditional on delivery of outputs listed in section 9 (1-10)
- In the case of the total project cost being reduced and this affecting delivery of above outputs, CNPA funding would be reduced proportionally.
- DMO Engaging in Park Plan delivery mechanisms

9. Deliverables/ Impact Assessment

- What end products/outputs will be delivered?
- How will success be measured?
- How will the project be monitored and what will be the feedback to the CNPA?

The DMO is working to a business plan that will deliver the following outputs in 2007-08:

- (1) Increase participating businesses to 75
- (2) Fully establish and resource a network of specialist groups to help guide the work of the Board including business tourism, golf, outdoor activities, events, food and drink
- (3) Establish a range of quality visitor information together with a programme of marketing activity focusing on Spring and Autumn
- (4) Securing additional private sponsorship of £10k
- (5) Effectively implement a programme of community activity in partnership with the Carnegie UK Trust
- (6) Generate a minimum of £100k through sales of the Osprey Card
- (7) Demonstrate increased quality standards at the destination through all AC DMO participating businesses being part of VisitScotland Quality Assurance schemes or Codes of Conduct (as approved by VisitScotland or the Cairngorms National Park Authority)
- (8) Co-ordinate quarterly events to encourage and motivate the business community and a minimum of 50 front line staff (at each event) resulting in improved customer service, quality standards and customer care.
- (9) Encourage destination networking and further collaboration in business and community activity
- (10) Ensure activity being undertaken by the DMO integrates and supports the CNPA Sustainable Tourism Strategy and brand development

In addition the DMO are working towards a set of longer term targets stretching to 2010 and 2015.

- Increase the value of tourism by 60% by 2015 - 10% over the national projected increase
- Grow year round tourism from 4,000 at present to 4,500 by 2010
- Increase the number of overnight stays per annum to 458,850 by 2010
- Increase the number of overnight trips in the first and fourth quarters by 3 and 8% respectively by 2008
- Increasing the average yield per capita spend in each area of activity by a minimum of 3% per annum (exclusive of inflation) by 2010
- Achieve a minimum of 80% of visitors who say they will return for repeat visits or who will recommend the area.

Monitoring & Evaluation

CNPA maintain oversight on the project via the Tourism Advisory Council which is chaired by the CNPA Chief Executive. CNPA also receive quarterly updates on progress against targets. In addition the DMO will be heavily engaged in Park Plan Delivery Teams.

10. Value for Money

- In view of the costs, do the deliverables appear to offer value for money? (consider cost of comparable projects, where available).

The project is leveraging in substantial resources, including nearly £300k from the private sector. A key part of the role of CNPA staff (and other public funders) will be to ensure wise use of public money in delivering this project. The Tourism Advisory Council will be the main mechanism for overseeing the budget and ensuring value for money.

It is unlikely that CNPA could deliver the outputs listed above for £25k. By working with other partners and the private sector additional funding, resources and commitment can be levered in to help achieve objectives of the Park Plan.

11. Exit or Continuation Arrangements (where applicable)

- If this is not a discrete, time-limited, project or piece of work, what are the exit/continuation arrangements for when CNPA support ceases?

The DMO is a new concept and one that will develop and evolve, as will its ability to draw in additional private and public money. Initial projections of private sector support have proved accurate and the DMO is gaining support from membership and from commercial sponsorship. The DMO have recently appointed a full time Chief Executive, taking them into a new phase in their development. CNPA along with other funders are assessing a one year proposal. CNPA staff view DMOs as important partners in delivery of the Park Plan and provided targets are met would be prepared to look favourably on support for the DMO in future years on a diminishing basis.

CNPA will keep the DMO budget under review and would assess any future request for support against operational objectives and available budgets.

12. Additionality

- Does this work/project substitute for or duplicate work being carried out or proposed by others?
- What would be the effects of the CNPA not supporting the project? Would it proceed without CNPA support?

If the CNPA did not support the DMO, it would not develop as planned and the CNPA would lose the opportunity to influence, enable and work with the private sector and public partners in delivery of elements of the Sustainable tourism strategy and action plan. The DMO would continue to operate on a reduced scale and the degree of matched funding levered in would also reduce. More significantly there would be a greater risk of fragmenting the Park and we would lose the opportunity to work in a coordinated way with both DMOs.

13. Stakeholder Support

- Have the organisations and/or communities that would have an interest in this work/project been involved, and are they supportive?

Key stakeholders including, HIE IEH, VisitScotland, Highland Council, SNH, FCS, Northern Constabulary, have all been consulted and are supportive of the DMO Plan.

Several open meetings have been held and a Tourism Advisory Council established drawing membership from public sector and acting as a sounding board and steering group for the DMO.

The DMO has 54 members and response from the private sector has been predominantly positive, although there are businesses and individuals who remain concerned about perceived focus on Aviemore, accountability, and dominance by bigger businesses. Overall, however there is broad support for the DMO.

There has been a long process of setting up the DMO involving a significant amount of research, benchmarking, best practice and learning journeys. Public sector partners and the tourism industry have been heavily involved in this process throughout.

14. Recommendation

I recommend that the CNPA approve £25,000 for 2007/8 towards the activities set out in the Aviemore & Cairngorms Tourism Development Plan. Money will be drawn down in phased payments, payable on receipt of progress reports in July 07, November 07 and February 08.

Name: Chris Taylor

Signature: _____

Date: _____

14. Decision to Approve or Reject

Head of Group

Name: Andrew Harper	Signature:	Date:

Chief Executive

Not applicable since within delegated authority level given to Head of Group		
Name:	Signature:	Date:

Finance Committee

Name:	Signature:	Date:

Board

Not applicable - below approval limits		
Name:	Signature:	Date:

SEERAD

Name:	Signature:	Date: