

**CAIRNGORMS NATIONAL PARK AUTHORITY  
FINANCE COMMITTEE**

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**FOR DECISION**

**Title: APPROVAL 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.

**Executive Summary**

- a) The proposal is to provide a grant of £16,000 to the Cairngorms Chamber of Commerce for the purchase of Park.
  - b) The attached Expenditure Justification Form sets out details of the project.
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## APPROVAL OF NEW EXPENDITURE PROPOSAL FOR DECISION

### Discussion

1. The Finance Committee is invited to review the attached Expenditure Justification (Annex 1) and approve it if they see fit.
2. This level of expenditure is within the limits of what could be approved by the Finance Committee sub-group but it is felt that the nature of the expenditure warrants consideration by the full Committee.

**DENBY PETTITT**

**19 November 2007**

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# CAIRNGORMS NATIONAL PARK AUTHORITY

## EXPENDITURE JUSTIFICATION

### 1. Title

Support to Chamber of Commerce for purchase of Parki Visitor Guide.

### 2. Expenditure Category

Operational Plan	15	Code	8150501	Project	
Diverse economic opportunities(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?	£	Existing budget	
	£	Additional	
	£ 16,000	New budget	✓

delete as appropriate

### 3. Description

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

The Cairngorms Chamber of Commerce ('the Chamber') is a membership organisation with around 370 members. The Chamber have approached CNPA to finance the purchase of Parki, a visitor guide currently produced twice a year by Ice Publishing and widely available as a free guide throughout the Park. Parki includes all tourism businesses in the Park, not just those with quality assurance. It varies from other visitor guides in that it is primarily tourism focused, but also lists a wide range of businesses such as plumbers, hairdressers, mechanics etc.

It is proposed that the Chamber purchase the guide plus associated equipment and software in 2007 and produce the Winter 07 and Summer 08 editions in partnership with Ice Publishing before taking full control in July 2008. The project costs also cover associated staff training.

#### 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

##### **Objectives**

A key objective of supporting the Chamber with the purchase of Parki would be that it will allow the Chamber to move towards financial self sufficiency. If the financial projections are accurate, then Parki will generate £40,000 turnover, creating an additional net income stream for the Chamber of £10,000. It would also help the Chamber to develop strong links with businesses beyond their current membership base, which would be helpful in terms of them representing a broader range of business interests.

Support for the acquisition would also safeguard the publication of Parki which is seen as a valuable local guide, as well as enabling improvements to the accuracy and quality of information within it. There is substantial anecdotal evidence that the current publisher is not receptive to suggestions from businesses for improvements to the guide.

##### **Evidence of demand**

The CNPA Visitor Information Review shows that about a fifth (19%) of visitors surveyed had seen Parki. It was the third most recognised Park-wide publication. Visitor satisfaction, at 70%, was quite high (although it was lower than most publications).

Information Providers were extremely aware of Parki (95% knew the publication) but again, at 77%, satisfaction was slightly lower than average. The production is still clearly popular with visitors, information providers and tourism businesses who continue to advertise in the publication.

##### **Fit with Park Plan**

This will contribute strongly to the Park Plan Action 2e:

*'Strengthen Chamber of Commerce and Network of Business Associations'*  
(under the 'Making Tourism and Business More Sustainable' priority for action).

If the publication is improved, as is planned, it would also contribute to the associated outcome:

*'The visitor experience in the National Park will consistently exceed expectations and will drive repeat visits/more business opportunities. The Park will compare well against the rest of Scotland and other National Parks'.*

It would also contribute towards actions in the Awareness & Understanding Priority through raising awareness on the special qualities as expressed in actions 4 c-f (coordinate suite of publications...target priority groups...promote overall identity of the Park...meet visitor needs from pre-arrival through to destination). The most relevant associated outcome under this priority for action is:

*There will be more opportunities to learn about and enjoy the Park and its special qualities'*

although this is more about safeguarding one of the communication channels rather than increasing available opportunities.

## 5. Option Analysis

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

The Chamber of Commerce could seek to generate income through project funding – for example business research, events and training. This would not preclude them from developing such capacity in the future. The proposed project does, though, offer the Chamber a good way of earning additional revenue and, as they are currently helping in securing advertising for Parki, they would be building upon an existing strand of their work.

If the Chamber did not take on the publication of Parki, the publication would be offered for open sale. The likely outcome in this eventuality is unknown. If no competing bidders emerged, the Chamber may be able to negotiate down the acquisition cost. However, the publication may be purchased as a commercial concern, which would not help secure the future of the Chamber.

The Chamber has prepared several funding scenarios ranging from the public sector fully covering the initial project costs, through to it being fully funded via a low interest loan at 5% from Highland Opportunity. However, the financial projections under the loan scenario do not stack up. Assuming that there is no more public sector grant support towards the Chamber's core operating costs, and no other sources of revenue are generated, this option would result in a financial deficit by the financial year 2010/11. They would also have an outstanding loan commitment of £20,000.

If the project was solely funded from the Chamber's reserves (approximately £32,000 at the beginning of this financial year), then the organisation would start running at a deficit from next year.

If the up front costs for the project were 60% grant funded, then the Chamber (assuming that there is no more public sector grant support towards their core operating costs, and no other sources of revenue are generated) would be financially secure through until the end of 2010/11 with no subsequent outstanding loan commitment.

Clearly the latter option buys more time for the Chamber to further develop and start to generate additional sources of income. It should be noted that the projections for the Chamber's overall income and expenditure position (as opposed to the Parki element) show an annual reduction in reserves of around £6-7,000 and so this is the minimum level of additional revenues that they will need to generate in the future over and above those flowing from Parki. Without Parki, there would be an annual reduction in reserves of around £17,000

## 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.

During internal CNPA discussions a number of potential risks have been flagged up. These are considered in turn below:

- 1) CNPA have committed to promoting the Park based on quality and environmental standards. Funding a third party to develop a guide not based on these principles weakens our position in relation to promoting the Park. There is a significant risk that other groups and organisations (such as Destination Management Organisations) would go for the 'easy option' and drop a commitment to QA / GTBS if this is seen to be the new CNPA policy.  
**Risk Management** - Consideration has already been given to this issue in awarding Parki use of the brand. We can not insist that only QA/GTBS accredited businesses are listed. CNPA funding should however be conditional on the Chamber using the Park Brand for businesses that have been granted its use and including some narrative (provided by the CNPA) to explain to visitors what the Brand stands for. This will exert a commercial pressure on those businesses that do not qualify for or use the Brand to consider doing so.
- 2) In supporting the Chamber in this way we may be stimulating a demand from other groups to purchase print/websites etc. CNPA have no funds allocated for a wider application of this policy.  
**Risk Management** - It is not anticipated that there will be a huge demand for such support. However, as an approach this fits well with national policy where not-for-profit organisations are being encouraged/funded to develop income generating assets so that they become less grant dependant in the longer term. This type of activity will also fit well with the new CNP LEADER programme which, had it been in place at the moment, the Chamber would have approached for support.
- 3) CNPA are committed to supporting the VisitScotland area guide for 2008 which covers the whole Park and promotes quality assured businesses. While there is benefit in the Chamber becoming self sufficient, there is less obvious additional benefit in terms of

raising awareness over and above the VisitScotland guide and indeed may be detrimental as both visitor guides compete for the same advertising income.

**Risk Management** – The Visitor Information review that has recently been conducted by the CNPA’s Visitor Services and Recreation Group concluded that Parki fulfils a separate and complementary function to the VisitScotland area guide. Businesses will of course have the choice as to where they decide to advertise and, of course, it would be inappropriate for the CNPA to give an (in-part) publicly funded publication any perceived advertising advantage over a commercial publication. These risks should therefore be accepted.

- 4) In devoting 2 days a week of staff time to the guide the Chamber will have a reduced ability to deliver other projects such as the recent East Cairngorms Survey, Tourism Conference, or business networking events. It is in this area where the Chamber can contribute most towards delivering the Park Plan and there is a risk that Chamber resources are channelled into publishing a visitor guide and away from other projects.  
**Risk Management** – This is entirely a decision for the Chamber to make and would appear to be their best option at present to gain a firmer financial footing. They will of course continue with their core remit of communicating and engaging with, and representing businesses and business interests.
- 5) The Chamber have already highlighted that their staff resources are extremely stretched and their ability to engage, consult and support CNPA activities is under pressure. Devoting a significant staff resource to Parki will heighten this pressure.  
**Risk Management** – While CNPA can encourage the Chamber to be supportive of the Park Plan, it is for the Directors of the Chamber to set their priorities. They do, though, need to give a stronger degree of focus to income generation and so this move would appear to be appropriate.
- 6) There is a risk that in a few years, if other sources of income are not generated, the CCC would again be seeking grant support towards their core operating costs.  
**Risk Management** - Any offer of grant in respect of Parki should make it clear that the CNPA’s expectation is that no further grant support towards the CCC’s core operating costs will be necessary in the future.
- 7) There is the risk of Ice Publishing selling Parki and then launching a competing publication.  
**Risk Management** – This is believed to be unlikely but the Chamber should make it a condition of purchase that Ice Publishing could not do this.

## 7. Costs and Funding

- Detail the financial costs of the project/activity
- Detail the sources of funding
- Justification also needs to be given if the CNPA is the major funder
- Detail any non-monetary costs to the CNPA (such as Member or staff input)

The project costs comprise:

Purchase of Parki	£25,000
Consultancy fee to Ice Publishing for support in producing next 2 issues of Parki	£5,000
Training/skills development	£1,500
Purchase hardware/software	£2,000
	<b>£33,500</b>

The proposed funding package is:

CNPA	£16,000
Cairngorms Chamber of Commerce (reserves)	£13,500
HIE IEH (to be confirmed)	£4,000
	<b>£33,500</b>

## 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

It is recommended that the following conditions are attached to any offer of grant:

- (1) CNP brand to be prominent. The Chamber to display Park Brand for businesses that have been granted its use and include narrative (provided by the CNPA) to explain to visitors what the Brand stands for (Brand Management Group agreement to this condition is currently being sought);
- (2) Acquisition of Parki must place a restriction on Ice Publishing being able to launch a competing publication;
- (3) Current publication numbers to be maintained, with Parki to continue being produced twice yearly for at least the next three calendar years. The publication must be distributed around the whole of the National Park;
- (4) Commitment to provide general information raising awareness and understanding of the CNP; and
- (5) HIE IEH funding support to be confirmed.

## 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?

A key output will be a more self sufficient Chamber of Commerce with no requirement for on-going public support. The project (from CNPA view point) will be complete in July 2008 when the Chamber assume full control of the publication, have necessary Parki assets in their ownership and have the skills and ability to produce the Parki visitor guide.

We will also want to see the publications standards being improved where possible. This is likely to be reflected through:

- Increased advertising revenues
- Improved visitor and information provider scores when, as is planned, the visitor information review is repeated in the future.

## 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 Chamber have taken independent advice from Frame, Kennedy & Forest Chartered Accountants who have confirmed the purchase price represents value for money.

It is difficult to establish value for money and to put a price on a self sufficient Chamber of Commerce. The Chamber have received £45,000 from the CNPA over the three years 2005/6 – 2007/8 in order to grow membership and become self sufficient. This one-off additional funding will ensure that the CNPA would not need to consider the case for providing core funding to the Chamber post March 2008 (which would be likely to cost more).

## 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?

This is a one-off project and there will be no on-going CNPA support into either the Chamber or Parki post March 2008. This does not preclude the Authority supporting specific projects or buying specific services from the Chamber, if appropriate.

## 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?

It is unlikely the project would proceed without CNPA support. Local Enterprise Companies do not view purchase of Parki as a priority (hence only £4K being considered) and there is too much risk attached to borrowing the funds for the Chamber to pursue this option.

## 13. Stakeholder Support

- Have the organisations and/or communities that would have an interest in this work/project been involved, and are they supportive?
- If supporter are also not funders an explanation may be required.

The view of Sustainable Tourism & Business priority for action Delivery Group is being sought. Any significant concerns that are raised that have not already been considered within this appraisal will be flagged up.

## 14. Recommendation

I recommend that £16,000 of funding be approved subject to the conditions in Section 8.

Name: Andrew Harper

Signature: \_\_\_\_\_

Date: 19/10/07

## 15. Decision to Approve or Reject

### Head of Group

see above.

Name:

Signature:

Date:

### Chief Executive

Not applicable – within Head of Group’s delegated authority limit.

Name:

Signature:

Date:

### Management Team

Name:

Signature:

Date:

### Finance Committee

Name:

Signature:

Date:

### Board

Not applicable – below approval limits

Name:

Signature:

Date:

### Sponsoring Directorate

Not applicable – below approval limits

Name:

Signature:

Date: