

UPDATE ON THE ACTIVITIES OF ARGYLL & THE ISLES TOURISM CO-OPERATIVE

1.0 EXECUTIVE SUMMARY

- 1.1 Tourism is an extremely important sector for Argyll and Bute employing almost 25% of private sector jobs and 9% of our GVA compared to a 3% GVA average for Scotland. Importantly, the tourism sector also has significant growth potential that has been recognised by the Scottish Government and the Argyll Economic Forum. The purpose of this paper is to provide the Environment, Development and Infrastructure (EDI) Committee with a summary of the main findings of a report providing independent advice and give an estimation of the impact of the Argyll & the Isles Tourism Cooperative (AITC) within the wider tourism economy.
- 1.2 Grampian Highland Resources Limited (GHRL) was assigned by Highlands & Islands Enterprise (HIE), through HIE's Specialist Advice Framework, to investigate the impact of AITC on tourism in Argyll and Bute since the formation of AITC in 2011/12. AITC operates as the delivery arm of the Argyll and the Isles Strategic Tourism Partnership, has representation across the entire region, is entirely industry based and promotes itself as 'the official voice of tourism in the Argyll and the Isles region'.
- 1.3 Members are asked to:
- Note the content of this paper.
 - Note the potential budget pressure of continued funding for AITC after the current financial year, as outlined in the Head of Strategic Finance's Budgetary Outlook to Policy and Resources Committee.

UPDATE ON THE ACTIVITIES OF ARGYLL & THE ISLES TOURISM CO-OPERATIVE

2.0 INTRODUCTION

- 2.1 Tourism is an extremely important sector for Argyll and Bute employing almost 25% of private sector jobs and 9% of our GVA compared to a 3% GVA average for Scotland. Importantly, the tourism sector also has significant growth potential that has been recognised by the Scottish Government and the Argyll Economic Forum. The purpose of this paper is to summarise the main findings of a report providing independent advice to the Argyll & the Isles Tourism Cooperative (AITC) for the benefit of the Environment, Development and Infrastructure (EDI) Committee.
- 2.2 Attributing tourism trends in Argyll and Bute specifically to AITC is challenging. The GHRL report states *“that it may be possible to draw certain obvious links between activity and output, but it is important to understand the direct cause and effect limitations”*.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to:
- Note the content of this paper.
 - Note the potential budget pressure of continued funding for AITC after the current financial year, as outlined in the Head of Strategic Finance’s Budgetary Outlook to Policy and Resources Committee.

4.0 DETAIL

Summary of the report findings

- 4.1 AITC has been part funded by the Council since its inception in 2012 (£8,940 in 2011/12, £21,060 in 2012/13, £10,000 in 2013/14 and £50,000 pa for 2014/15, 2015/16 and 2016/17). Given the anticipated request by AITC for continued funding for the next financial year circa £50k it is therefore good practice to review the GHRL report on the impact that AITC has achieved. The overall aim of the examination was to provide advice to AITC on their impact on the tourism sector in Argyll and Bute in the period 2011 to 2016 by looking at four specific areas of interest:
- Regional economic performance;
 - Branding in the region;
 - Strategic management; and
 - The leveraging of funding.

4.2 The GHRL desk based investigation considered the following points:

- Tourism and economic trends in the period 2011/12 to 2013/14 (national and regional), and more recent activity in the period to 2016;
- AITC's responsibilities in terms of branding, marketing and the strategic management of tourism in the region;
- AITC's achievements over the period under review; and
- GHRL's assessment of AITC's performance.

Regional economic performance

- 4.3 As with the rest of Scotland, tourism in Argyll and Bute has seen a year-on-year growth in Gross Value Added (GVA), contributing over **9% of GVA** to the local economy. The local significance of this is clear when it is compared with a **GVA of 3%** for Scotland¹.
- 4.4 Of all regions of Scotland, Argyll and Bute is the most over-represented economically in terms of tourism, measured by 'location quotient'². The top 5 local authority areas where sustainable tourism is over-represented and where overall local economies are most dependent are: Argyll and Bute at **1.9**; Perth and Kinross **1.5**; South Ayrshire **1.5**; Highland **1.5**; and East Lothian **1.5**. Tourism is a vital component of Argyll and Bute's economy meriting the close attention of both the local authority and tourism-related businesses and organisations.
- 4.5 The report shows that a comparison between tourism performance in the AITC region and at a national level for the same period reveals that four of the five metrics considered have out-performed the overall national picture. The exception was in the level of employment (a modest rise). In three cases – total visitor spend, GVA and turnover – the performance in Argyll and Bute as compared with the national level was significantly different. The report finds that *"the implication here is that AITC has been highly active in the right areas, i.e. branding and marketing, setting and facilitating the implementation of strategy and leveraging funding"*.
- 4.6 The report also notes that during July and August 2016, visits to the region's tourist attractions rose **12.7%** and **8.9%** respectively, compared to rises in Scotland generally of **6.6%** and **3.4%** respectively. In other words, tourism performance in Argyll and the Isles has out-paced Scotland as a whole in the 2016 'High Season'.
- 4.7 The evidence collated in the report by GHRL suggests that in the years since AITC was formed, the performance of tourism businesses in the region has exceeded that of Scotland as a whole. The visitor attraction data for the region comparing 2015 and 2016 highlights that Argyll and Bute had the greatest percentage increase in visits by council area across Scotland and at the height of the 2016 season the percentage increase in visits to Argyll attractions was **21.9%**.

¹ Gross Value Added (GVA) is defined as a measure of the increase in the value of the economy due to the production of goods or services, measured at current basic prices.

² Location quotient: is a valuable way of quantifying how concentrated a particular industry, cluster, occupation, or demographic group is in a region as compared to the nation. It can reveal what makes a particular region "unique" in comparison to the national average.

Branding of the region

- 4.8 GHRL states that “it is clear that since its inception in 2012, AITC has developed a recognisable brand for the Argyll and the Isles region”. The report concludes that the brand has extended into a coherent promotional campaign which over time has included the development of a suite of ‘Stronger Together’ leaflets, a recurring presence at the annual VisitScotland expo and AITC roadshows. Between both VisitScotland expo and ExploreGB in the period to 2016, AITC conducted over 500 one-to-one business appointments with the travel trade generating some 268 ‘strong leads’.
- 4.9 The report concludes that “*the fundamental idea of highlighting each of the different areas of the region into a single, branded and promoted package has probably been instrumental in shifting the tourism landscape from essentially competitive to collaborative: a significant benefit for tourism in the region*”.
- 4.10 GHRL however, considers that the region’s brand performance, when compared with its key competitors is relatively weak; this is according to research conducted for AITC by the Lane Agency in 2015. The research showed brand awareness of the likes of Loch Lomond, the Hebrides, the Highlands and the Lake District to be higher than for Argyll and the Isles. AITC is aware of this weakness and is addressing the need ‘to significantly raise the profile of Argyll and the Isles’ within its Tourism Argyll and the Isles (TAI) 2020 strategy and is actively seeking partnership support for this endeavour.

Strategic management

- 4.11 The report suggests that the long term survival or sustainability of tourism in the region depends on AITC taking sound strategic decisions and implementing them effectively. **Appendix 1** attached to this report, identifies the strategic priorities for AITC to 2020. These priorities have been taken from their strategic plan that has previously been presented to the council. Priorities include, developing food and drink tourism, developing adventure tourism, events and festivals, heritage and culture, growing the brand, digital tourism and development of tourism businesses.
- 4.12 AITC agents, working in partnership with Argyll and Bute’s Business Gateway, scheduled WorldHost workshops for AITC members and to encourage take up. Business Gateway has delivered 18 WorldHost workshops free of charge for AITC members in 2016, with a total of 187 participants. The £20 per head licenced material costs have been funded by Business Gateway leveraging in 50% European funding. This helps to support the objective of becoming a World Host Accredited destination by 2018. Furthermore, AITC has facilitated approximately 200 people getting involved in the Digital Tourism Scotland programme through training workshops, as well as co-ordinating around 20 one-to-one support sessions.

Leverage of funding

- 4.13 The report states that “AITC has attracted funding support from others, over and above that received from Argyll and Bute Council. The ratio of leveraged to core funding from Argyll and Bute Council 2014/15 to 2016/17 is 3.88 (i.e. **£1 of support from Argyll and Bute Council has levered in £3.88**). Total funding in this period was >£580k with £150k core funding from Argyll and Bute Council”.

4.14 **Appendix 2** contains a summary of AITC statistics and achievements between 2011 and 2016. AITC directors' time and expertise (10 directors) is provided on a voluntary basis. Taking this consulting equivalent value as £125k over the latest three-year period, this increases the leveraged to core funding from Argyll and Bute Council 2014/15 to 2016/17 to 4.71 (i.e. **£1 of support from Argyll and Bute Council has levered in £4.71**).

5.0 ASSESSMENT OF IMPACT

5.1 AITC has been hailed as an exemplary model for regional tourism development in Scotland by Highlands and Islands Enterprise, Scottish Tourist Alliance and VisitScotland. It is currently actively developing strategic collaborations with neighbouring regions – namely People Make Glasgow, Visit Arran, Love Loch Lomond, Ardnamurchan Tourism Association and Outer Hebrides Tourism.

5.2 An overview of the performance of the tourism sector in Argyll and Bute compared with Scotland from 2011 to 2014 is provided in **Table 1**. Although the difference cannot be directly attributed to the work of AITC, it provides a clear indication that something is happening in the tourism sector in Argyll and Bute that is lacking in Scotland as a whole. **Appendix 2** provides further information on the statistics and achievements of AITC from 2011 to 2016.

Table 1: Comparison of performance between Argyll and Bute and Scotland, 2011 to 2014.		
Metric	Argyll and Bute	Scotland
Total Visitors spend	Up 36%	Up 4%
Overseas Visitors spend	Up 28%	Up 23%
Gross Value Added	Up 57%	Up 29%
Turnover	Up 36%	Up 15%
Employment	Up 4%	Up 7%

Source: An Assessment of the Cooperative's Impact on Tourism in Argyll & the isles 2011 – 2016.

6.0 CONCLUSIONS

6.1 GHRL concludes that it is reasonable to assume that AITC has had a positive impact on the region's economic wellbeing and that it could be argued that the performance would not have been the same without AITC's existence over this period. It is however, difficult to provide directly attributable evidence of the effect of AITC activities.

6.2 The report also concludes that "AITC has achieved a great deal in terms of promoting the region and managing strategically (leadership, organisation, governance and facilitating investment in people), as well as leveraging its core funding by almost a factor of 4".

6.3 AITC has stated that "the £50,000 per annum core funding provided by Argyll and Bute Council between 2014 and 2017 has been instrumental in all of AITC's activity and achievements to take place".

6.4 The GHRL report is broadly positive in its review of the activities of AITC. However, it has noted that reporting methods for activities and performance data could be strengthened.

7.0 IMPLICATIONS

- | | | |
|-----|-------------------|--|
| 7.1 | Policy | The partnership working between Argyll and Bute Council and AITC Has been aligned to the Council's revised Strategic Economic Development Action Plan, 2016-2021 and in turn fit and contribute to the Local Outcome Improvement Plan's long-term objective (2023) captured under Outcome 1 that "Argyll and Bute has a thriving economy especially within the key sectors of tourism, maritime and food and drink." |
| 7.2 | Financial | There is a potential budget pressure circa £50k should the decision be taken to continue funding for AITC after current financial year, as outlined in the Head of Strategic Finance's Budgetary Outlook to Policy and Resources Committee. |
| 7.3 | Legal | None |
| 7.4 | HR | None |
| 7.5 | Equalities | None. |
| 7.6 | Risk | None. |
| 7.7 | Customer Services | None. |

Pippa Milne, Executive Director of Development and Infrastructure
Cllr Aileen Morton, Policy Lead for Sustainable Economic Growth (Economic Development, European Affairs, Renewables and Strategic Tourism).
19th December 2016

For further information contact:

Ishabel Bremner, Economic Growth Manager, tel: 01546 604375.
James Paterson, Senior Economic Growth Officer, tel: 01546 604226.