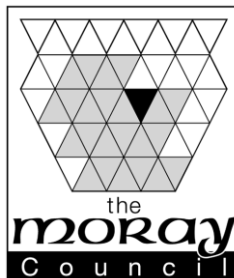


APPENDIX 1



**REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE
SERVICES COMMITTEE ON 20 SEPTEMBER 2016**

SUBJECT: THE VISITOR ECONOMY

**BY: CORPORATE DIRECTOR (ECONOMIC DEVELOPMENT,
PLANNING & INFRASTRUCTURE)**

1. REASON FOR REPORT

- 1.1 To seek approval for an extension of funding support for Moray Speyside Tourism from the Economic Development Budget.
- 1.2 This report is submitted to Committee in terms of Section III (E) (1) of the Council's Scheme of Administration relating to matters relevant to the setting of capital and revenue budgets and long term financial plans.

2. RECOMMENDATION

- 2.1 **It is recommended that the Committee agrees to:**
 - i) **extend support for Moray Speyside Tourism (MST) until March 2020, allocating £15,000 each financial year from 2017/18 to 2019/20; and**
 - ii) **refer this report to the next meeting of the Moray Council as it includes commitments to funding for future years of the Council's budget.**

3. BACKGROUND

- 3.1 In 2014 the Community Planning Partnership endorsed the Strategy for Tourism Development in Moray and the Council partnered with Highlands and Islands Enterprise (HIE) in a three year funding package totalling £220,000 to the Chamber of Commerce to establish Moray Speyside Tourism (MST). The Council contributed £20,000 per annum. £60,000 total and HIE contributed £160,000 in total.
- 3.2 On 20 October 2015 the Committee were pleased to note the progress being made by MST to support the visitor economy as set out in its annual report for 2014-15 (paragraph 13 of minute refers). Individual Councillors were keen to see MST take opportunities to promote Moray destinations via YouTube and

other social media, also for MST to use indicators to show how progress is being made.

- 3.3 On 19 September 2016, MST held an informal briefing with members of this Committee on its business plan 2017-19 (**Appendix 1**) and activities 2015-16 (**Appendix 2**). Some of the content is set out in the following paragraphs.
- 3.4 Tourism generates over 10% of Moray’s total employment. The principal source of trend data about the visitor economy in Moray Speyside is STEAM. The following is an extract from the 2015 report.

KEY		All Visitor Types		
An increase of 3% or more				
Less than 3% change				
A Fall of 3% or more		2015	2013	+/- %
Visitor Days	000s	1,751.58	1,749.00	0.1%
Visitor Numbers	000s	702.35	700.78	0.2%
Direct Expenditure	£M	80.75	72.15	11.9%
Economic Impact	£M	105.76	94.63	11.8%
Direct Employment	FTEs	2,106	2,288	-7.9%
Total Employment	FTEs	2,526	2,680	-5.7%

The economic impact of tourism increased from £94.63 M in 2013 to £105.76 M in 2015. A fall in the numbers of day visitors during this period has been more than offset by an increase in visitors staying overnight, particularly in serviced accommodation. At the same time as the economic impact has increased, the numbers of people employed in tourism has reduced, suggesting efficiency savings and consolidation by businesses in response to the state of the economy generally. The top activity of visitors is sightseeing; the top tourist attraction in 2015-16 by visitor numbers is the Scottish Dolphin Centre, Spey Bay with 92,835 visitors. Further insights into motivations to visit, top 10 activities and top tourist attractions by visitor numbers in Moray are included in **Appendix 2**.

- 3.5 MST has put in place a marketing framework which looks to provide authentic experiences in cycling, food and drink, the coast, towns and villages, nature, history and heritage and includes initiatives to improve the customer journey with digital tourism, an integrated approach to visitor information and making tourism everybody’s business. Focus is placed on WorldHost customer service, preparing for accessible tourism, enhancing the golf tourism product and growing the business tourism product.
- 3.6 MST has fostered collaborative working relationships between business and organisations in Moray Speyside and elsewhere, for example participation by the five main towns in shared stand at VisitScotland Expo 2016. Further evidence of project and product development is set out in **Appendix 2** including but not limited to Annual Tourism Summits, and a series of industry leadership seminars.

- 3.7 Progress on marketing includes, raising the profile of Moray by attending the VisitScotland Expo, a successful application to the VisitScotland Growth Fund, enabling campaigns on Moray Speyside Larder, Cycle Moray Speyside the Draw of the Coast and a Forres Area marketing initiative. In particular MST redeveloped the morayspeyside.com web site in the autumn of 2015 to give a fresher, more modern appearance and updated content and material; adding a greater breadth and depth of content is an on-going process. Of note is the extraordinary success promoting Moray as the home of the real Macbeth on the back of the release of Justin Kurzel's movie Macbeth in 2015.
- 3.8 Going forward MST's ambition is to increase the volume and value of tourism to Moray. Plans are to move to a membership model in which industry colleagues invest – via membership fees, sponsorship and the purchase of advertising in the marketing and management of the Moray Speyside destination alongside ongoing public investment.

Key measureable outcomes by August 2019:

- 100 FTE additional employees within tourism sector
 - 3 sectoral development projects completed
 - Improved conditions for sectoral growth and network activity
 - 3 sustainable collaboration projects in place and delivering benefits
 - Development of Moray Speyside Tourism membership base
 - 5% increase in economic impact in Moray tourism sector
- 3.9 MST's view is that an entirely self-funded membership organisation is not sustainable unless MST reduces ambitions in terms of marketing and product development. Such a reduction would have consequences for the attractiveness of membership and undermine MST's ability to provide destination leadership. A letter of support for on-going funding of MST has been received from VisitScotland (**Appendix 3**).
- 3.10 With industry relationships, tourism development activities and sector participation moving forward through MST, HIE and the Council are being asked to help maintain this momentum with funding support for a 3 year period from 2017/18. The HIE Board has approved a contribution of £195,000.
- 3.11 The Council is being requested to contribute a total of £45,000 towards the operation of MST £15,000 each financial year from 2017/18 to 2019/20.

4. SUMMARY OF IMPLICATIONS

(a) Moray 2026: A Plan for the Future and Moray Corporate Plan 2015 - 2017

Moray 2026 "The Ten Year Plan" identifies Sustainable Economic Development as its top priority. The Plan includes but is not limited to outcomes to increase the population, regional average wage, employment by the private sector, employability, the number of business start-ups, and the number of start-up businesses that survive beyond three years and the percentage of premises that have access to Next Generation Broadband. The report outlines activity intended to support

the growth and diversification of the local economy in particular the visitor economy which is a key sector for support.

(b) Policy and Legal

The Council considers support for Economic Development issues on their merits, against the objective to facilitate sustainable economic growth and the desired outcomes of the Ten Year Plan as well as the four tiers of development priority previously agreed by the Committee. Promotion of Moray is a Tier 1 priority, support for small and medium sized enterprises is a Tier 1 priority (which includes most tourism business) and tourism marketing is a Tier 3 priority.

(c) Financial implications

The approved items included in the Economic Development Budget for 2016/17 total £645,000.

This has been reduced from £652,000 as £7,000 is no longer required to service Business Loans Scotland and the budget has been reduced accordingly.

The approved items included in future years of the Economic Development budget total:

£497,000 for 2017-18

£117,000 for 2018-19

£107,000 for 2019-20

If this funding request to support Moray Speyside Tourism is approved the approved items included in the Economic Development Budget would total:

£512,000 for 2017-18

£132,000 for 2018-19

£122,000 for 2019-20

(d) Risk Implications

There is a risk that if the Council does not extend its support then development of the visitor economy and Moray as Tourism destination would be curtailed.

(e) Staffing Implications

There are no staffing implications arising from this report.

(f) Property

There are no property implications arising from this report

(g) Equalities

The marketing framework included in **Appendix 2** refers to “preparing for accessible tourism” as one of the four elements of building the destination and its brand identity. 20% of the visitor market has a form of disability. By making Moray more accessible for visitors, a by-product will be to make a range of services more accessible to our own

population. This should benefit not only people with a disability but also a growing ageing population and families with small children.

(h) Consultations

Consultation has been undertaken with the Corporate Director (Economic Development, Planning & Infrastructure), the Head of Development Services, the Equal Opportunities Officer regarding any Equalities implications, the Legal Services Manager (Property & Contracts), the Democratic Services Manager and Lorraine Paisey (Principal Accountant Financial Services). Any comments have been incorporated in this report and they are in agreement with sections relating to their area of responsibility.

5. CONCLUSION

- 5.1 It is understood and accepted by MST that there is an absolute need for an exit route for the public sector from funding MST and to this end, a reducing level of public support over the period is proposed. Robust and ongoing efforts will be made by MST to increase revenue generation by becoming a membership organisation, introducing revenue streams via paid advertising on its website and increasing private sector sponsorship. The evidence provided by Moray Speyside Tourism as set out in the MST Activity Report 2015-16 shows that it has facilitated substantial progress of tourism development in Moray since it was established in 2013. The Business Plan for the period to 31 July 2019 provides clear objectives and outcomes for how this support would continue and what would be delivered should the Council be minded to extend funding support.**

Author of Report: Gordon Sutherland Planning & Economic Development Manager

Background Papers: MST Business Plan
MST Activity Report 2015-2016

Ref: Economic Development Budget