Agenda Item	16
Report No	HC/51/17

HIGHLAND COUNCIL

Committee: The Highland Council

Date: 14 December 2017

Report Title: Tourism Development

Report By: Director of Development and Infrastructure

1. Purpose/Executive Summary

1.1 This Report summarises for Members the increased value of tourism to Highland. The report also details the strategic context in which the Council, its public sector partners and the tourism industry work together to support tourism growth. A number of issues that have arisen as a result of this recent growth are described before the report concludes with a recommendation on how the Council might be involved in addressing these issues through the setting up of a cross service working group.

2. Recommendations

2.1 Members are asked to:

i. note the significance of tourism to the Highland economy and welcome the levels of growth witnessed in recent years;

ii. agree to identify Council resources to provide financial support that allows EventScotland and their partners to bid for future major International events to be hosted in Highland;

iii. approve the setting up of a tourism working group within the Council to take a strategic overview of, and set priorities for the Council's contribution to addressing the issues described in the report; and

iv. consider which Members might be included in the proposed working group.

3. Background

3.1 Sustainable tourism is one of Scotland's key growth sectors identified in the Scottish Government's Economic Strategy and is the Highlands' most important industry, generating significant economic benefits for the area. In 2016 this included:

- direct expenditure by visitors to Highland of £965m;
- a further £226m of indirect expenditure by the tourism industry purchasing goods and services in Highland;
- a total economic impact of £1.2 billion; and
- directly supporting over 24,000 jobs (including the self-employed)

3.2 Tourism has seen a period of sustained growth with the overall economic impact of tourism growing by 34% over the period 2012 – 2016. While the most recent full year figures as quoted above relate to 2016, early indications are that growth has continued and that 2017 has been another exceptionally successful year. One early indicator, the number of visits to visitor attractions has seen numbers increase by 8.7% for the period January to September 2017 – double the rate of increase of 4.3% seen in the rest of Scotland. Also encouraging is the fact that many tourism businesses in Highland are looking to expand while others are seeking to set up in business in the sector. In the period from April to October 2017 the Council's Business Gateway service handled 1,103 enquiries with over 33% of these coming from tourism businesses.

3.3 In addition to providing economic benefits tourism also brings a range of wider benefits to Highland and many of its communities. These benefits include:

- supporting a range of local services that would not otherwise be economically viable e.g. village shops, public transport routes or leisure facilities;
- improving the accessibility of Highland through increased numbers of air routes and helping justify investment in major infrastructure such as dualling the A9; and
- helping position Highland as an attractive place which in turn assists in talent attraction and attracting inward investment.

3.4 While the benefits described above are clearly to be welcomed, the current levels of tourism, particularly in certain 'honeypot' locations, have caused issues with the most notable examples relating to pressure on infrastructure. Similarly, the tourism industry faces a number of challenges with some of these challenges being more marked in Highland than across Scotland or the UK as a whole. Resolving these issues is not something that the Council can accomplish on its own – and indeed many of the current issues relate to responsibilities that lie partly or even entirely with others. However, the Council is well placed to take an overview of these issues and through a number of its Services has the ability to play a significant role in addressing many of them.

4. Strategic context

4.1 For the last decade, the accepted approach to developing tourism in Scotland has been for the tourism industry to take a lead in defining the priorities for development with public sector partners then being encouraged to support the delivery of these priorities. Using this approach, "*Tourism Scotland 2020 - A Strategy for Leadership and Growth*" was launched by the tourism industry organisation, the Scottish Tourism Alliance in summer 2012. The strategy was based on an in-depth understanding of market opportunities matched to Scotland's capabilities and has provided a common agenda for the industry and supporting organisations. During 2016 a mid-term review of the strategy saw the overarching ambitions continued but with a more specific focus being given to a number of key priorities for the period 2017 – 2020.

4.2 In recognition of the need to identify specific opportunities and priorities at a regional level, many areas of Scotland saw more local strategies developed, often by their local destination organisation in conjunction with the local authority. The unique circumstances in Highland have seen a slightly different approach recognising that such a large part of Scotland contains multiple destinations and destination organisations. The Council currently works with seven Destination Organisations across Highland, one of which - Visit Inverness Loch Ness, has been set up as the first Tourism Business Improvement District (TBID) in the UK. The TBID levy on its members enables the organisation to generate revenue through business rates. These Destination Organisations, together with the key public sector organisations in Highland come together to form the Highland Area Tourism Partnership. Cllrs Gordon Adam and John Gordon currently represent the Council on the Highland Area Tourism Partnership.

4.3 To dovetail with the national strategy, the Highland Area Tourism Partnership produced a Highland Tourism Action Plan for 2014-2020 which was subsequently adopted in February 2014 by the Council's Planning Environment & Development Committee as the strategic document that outlines tourism priorities and activities for Highland. A mid-term review of the Highland Tourism Action Plan has recently been undertaken and the summary of this review is included as **Appendix 1** to this report.

4.4 Following the launch of the Highland Tourism Action Plan, the Highland Area Tourism Partnership also restructured its approach, resulting in more workshop style, action orientated meetings concentrating on the two main areas of interest - tourism marketing and developing the tourism product. In the area of marketing this has had some early success with the destination organisations' marketing activity being better coordinated with VisitScotland activity and VisitScotland in turn being able to use more and better quality content from the destinations. This in turn has helped generate greater growth in tourism in Highland than across Scotland as a whole. Following this growth, attention has now turned more towards developing the tourism product and it is this element of tourism where the Council has a greater role.

5. Infrastructure

5.1 Amongst the most noticeable and well publicised impacts arising from the recent growth in tourist numbers in Highland has been the increased pressure on infrastructure. In part this can be attributed to new developments or marketing initiatives, perhaps most notably the North Coast 500 where its popularity has exceeded all expectations. In some areas growth has been brought about by changing visitor behaviour which in itself has been driven by new technologies and platforms such as social media. This can focus visits on key sites which get high ratings from visitors such as Chanonry Point. Another good example of this are the Fairy Pools which are consistently ranked as one of the top places to visit on Skye and which saw visits increase by 54% between 2014 and 2016 whereas overall visitor numbers only increased at a quarter of that rate (13%) over the same period.

5.2 The pressures on infrastructure vary from place to place and indeed across the year but some key issues are evident in the feedback from visitors, communities, businesses and in some cases the Council's own measurements. These include:

- inadequate parking at popular tourist sites;
- greater use of single track roads by larger vehicles (notably motorhomes)

leading to roads that were not designed with this level of use in mind suffering more rapid degradation. A particular problem is edge breakup where road verges rather than passing places are used for vehicles to pass;
- increased use of some public toilets with usage levels sometimes well in excess of their design capacity;
- a lack of public toilets in some locations – both in communities and at popular countryside sites;
- a lack of facilities outwith caravan and campsites to cater for the disposal of motorhome waste from those ‘wild camping’ which in some cases has led to irresponsible (and illegal) disposal of waste. In some locations such as Arisaig and Morar, similar issues have arisen from those wild camping in tents;
- increased erosion of paths, trails and adjacent land at popular sites; and
- limited electric vehicle charging points in some more rural areas and on popular routes such as the NC500.

5.3 Addressing many of the above issues will require both a joined up approach between the Council, communities, businesses and in some cases other public sector partners. It will also require additional resources to be found and /or redirected to these activities and with this in mind the Council has welcomed the Scottish Government’s recent announcement of a £6m Rural Tourism Infrastructure Fund. Details of how the fund might be used and by whom have yet to be announced but indications are that details are likely to be made available in early 2018 with the funding itself spread over two financial years 2018-19 and 2019-20. The initial announcement suggested that community groups are likely to be amongst the potential recipients but it is still unclear as to whether local authorities will be able to bid for funds.

5.4 While this additional funding is welcome, it is also clear that £6m spread across the whole of rural Scotland, particularly if there is a political wish to see many areas of Scotland benefit may mean that Highland may only be able to access a fairly limited sum. To try and address this the Highland Area Tourism Partnership and the Council Leader have both written to the Cabinet Secretary requesting that consideration be given to setting criteria based on evidence and need – as Highland can justifiably claim to be the area of Scotland facing the greatest challenges in this regard. It is however, clear that the Council and partners will still need to undertake some form of prioritisation exercise to decide which projects they wish to support in any funding bids.

5.5 In other locations, such as Edinburgh, the local authority is considering the introduction of a Transient Visitor Levy (TVL) based on bednights to grow revenue for infrastructure investment. This proposal is also being considered by the council’s own Income Generation group. A TVL would require primary legislation, however, and therefore the support of central government.

6. Business Challenges

6.1 Another area where the Council is closely involved in tourism is through its support for tourism businesses. This support is provided to individual businesses through the Council’s Business Gateway service or through wider programmes such as the Council’s employment work as well as to business groups such as the Destination Organisations. Many of these businesses are currently facing particular challenges despite, or in some cases because of, the recent growth in tourism.

6.2 Significant among the challenges facing Highland tourism businesses is uncertainty related to the UK’s decision to leave the European Union. While this has arguably been beneficial in the short term because of the impact on the exchange rate, there are concerns for the longer term in relation to perceptions of the UK as an attractive and welcoming place and in particular workforce concerns. Tourism is one of the industry sectors most reliant on migrant workers with a recent British Hospitality Association report showing 24% of the UK's hospitality workforce are migrant workers. Another survey by the Federation of Small Businesses showed that Highland businesses were twice as likely to employ at least one migrant worker than the UK average (41% of businesses in Highland against 20% of businesses for the UK as a whole).

6.3 Other barriers identified by the tourism industry relate to recruitment with some of these issues being common to other sectors and not just tourism. Some businesses in more popular destinations report recruitment difficulties due to prospective employees struggling to find accommodation, particularly during the summer season. There are some suggestions that a rise in holiday rentals through collaborative economy platforms such as Air BnB has reduced the amount of accommodation previously available to house the workforce. However, real evidence of this is limited and there is a need to understand this situation better so as to guide future housing planning in these areas. Further anecdotal evidence suggests some businesses are finding it harder to recruit younger workers to come and work in more rural areas because of issues over broadband and / or mobile connectivity.

7. International Events

7.1 Globally one of the growth areas in tourism has been in event tourism. This is an area where Highland has seen some success in recent years – most notably hosting a round of the Mountain Bike World Cup in Fort William each year, the Scottish Open Golf Championship on four occasions and the World Orienteering Championships in 2015. Each of these events brought considerable economic benefits to the location of the event and to the wider Highlands. For example, a recent economic impact assessment showed the Mountain Bike World Cup generated a direct economic impact for Highland of £2.9m in 2017. Hosting such events also brings wider benefits including being an inspiration to our young people and helping retain younger people in the area. Increased interest in mountain biking amongst Highland youngsters inspired by the World Cup has seen a number of them go on to become top riders on the global circuit. Showcasing the area as an area for activities such as mountain biking, golf or other outdoor sports also helps support some of the inward investment and more specifically talent attraction activity being outlined in a separate report to this meeting.

7.2 Attracting and retaining such events in Highland is not necessarily straightforward, not least because there can be global competition to attract such events. In particular there is normally a need for a degree of public funding with this often requiring a forward commitment at the time a bid is made to host the event. In Scotland these bids are generally led by the national events agency EventScotland who also commit funding to these bids as well as to many smaller events in Highland (EventScotland have contributed over £8.5m to events in Highland in the last 15 years).

7.3 In the case of such major events EventScotland also seek local funding to complement their own. In kind support is always welcome but there is also a requirement for a cash contribution and this is a challenge for the Council with the annual major events budget previously used for such support being discontinued at the end of the 2016-17 financial year.

7.4 With many such events being 'one-off' events, at least in a Highland context, it is still considered appropriate not to have a fixed annual budget in place as there would be financial years when much of it would not be required. However, if Highland wishes to continue to see international events come to the area there is a need for a system that allows the Council to give a commitment to provide some funding so that a bid can be made to host the event. This should not be taken to mean there would be automatic support as each event would need to be considered on its own merits. While this approach could apply to a number of potential future events, there is a degree of urgency as the current 3 year agreement to host the Mountain Bike World Cup in Fort William comes to an end in 2018. This will require EventScotland and the organisers to submit a bid in spring 2018 for the period 2019-2021 and EventScotland has recently written to the Council seeking its support for such a bid.

7.5 As funding bid commitments are made speculatively and are normally for a value not exceeding £25k this falls within the delegated authority of the Director of Development & Infrastructure. Given budget constraints but anticipating a Council desire to attract a small number (up to 2 per annum) of major international events, it is proposed that, in consultation with the Council Administration, a source is identified to support such bids as required.

8. A recommended approach to addressing current tourism issues

8.1 It is beyond the scope of this report to detail or recommend priorities across all the activities that might be undertaken to address the issues described above. It is therefore recommended that the Council agrees to the setting up of a Member led Tourism Working Group.

8.2 Given the cross-service and Highland wide nature of its work, it is anticipated that this group would be led by the Council Convener. To ensure activity is coordinated it is suggested that appropriate members would include Cllr Henderson as Chair of the Environment, Development and Infrastructure Committee which has responsibility for tourism as well as Cllr Adam and Cllr Gordon who are the Council's representatives on the Highland Area Tourism Partnership. Council is asked to appoint other members as considered appropriate.

8.3 A separate report to this meeting of the Council details a number of proposed actions related to tourism for inclusion in the Council Programme. The draft actions are:-

- investigate and identify funding options to support tourism infrastructure investment, management & maintenance;
- develop and deliver new collaborative approaches with businesses, partners and communities to visitor facilities and management;
- support tourism and its supply chain businesses to start up, trade successfully and grow; and
- support local destination organisations to collaborate and drive forward development and marketing activity in their areas.

8.4 It is anticipated that these actions would, if adopted, define the remit of the proposed working group. There will also be a need for an overall strategy for the group to work to. As the Highland Tourism Action Plan has already been adopted by the tourism industry representatives and a number of partner agencies as well as by the Council, it is recommended that this, along with the revised priorities detailed in the mid-term review document be used as the overarching strategy. It would however, still be appropriate for the Working Group to produce an action plan that better defines the Council's own contribution to delivering the Highland Tourism Action Plan objectives. This would avoiding the Working Group duplicating the Highland Area Tourism Partnership's role while still assisting in defining Council priorities and helping identify additional funding or Council resources to address these priorities.

9. Implications

9.1 Resource

This report outlines a number of issues that will need to be addressed if the quality of the visitor experience is to be maintained or enhanced and Highland tourism is to continue to develop. Many of these will require both staff and financial resources to be allocated to achieve this although these will not necessarily always be Council resources. The exact level of resources required will be dependent on future decisions on which activities to proceed with. If a decision is taken to support a small number of major international events, the funds required would be identified from Council resources.

9.2 Legal

There are no legal implications directly arising from this report but some solutions such as joint projects with other partners may require legal agreements to be put in place.

9.3 Community (Equality, Poverty and Rural)

This report suggests addressing a number of tourism issues which in some cases are having a negative impact on communities at present, most notably in rural areas. Addressing these should have a positive effect on the communities concerned.

9.4 Climate Change / Carbon Clever

While tourism itself does have an impact, there are no Climate Change / Carbon Clever implications directly arising from this report.

9.5 Risk

There are no currently identifiable risks arising from this report.

9.6 Gaelic

There are no Gaelic implications arising from this report.

Designation: Director of Development and Infrastructure

Date: 4 December 2017

Author: Colin Simpson, Principal Officer – Europe, Tourism and Film

Appendix 1: Highland Tourism Action Plan mid-term review

Tourism Scotland 2020 – A Strategy for Leadership and Growth, was launched by the Scottish Tourism Alliance in summer 2012 providing a common agenda for the industry and supporting organisations. In recognition of the need to identify specific opportunities and set priorities to deliver this Strategy at a regional level, the Highland Tourism Action Plan was produced by the Highland Area Tourism Partnership* at the end of 2013. The Plan outlined priorities and activities for growing Highland tourism. As one of Scotland's strongest tourism areas, the Action Plan suggested that the Highlands could be expected to equal or exceed the national growth rate meaning that the value of tourism could grow from a level of £738m in 2012 to between £900m and £1.07bn by 2020. In practice a figure of £965m was reached in 2016.

Impacts for the Highland region

Overall Ambition

Value of Tourism	2012	2016	2020
Direct Expenditure	£738m	£965m	£900m - £1070m

Measure	2012	2016	% Change
Total Economic Impact	£913m	£1,191m	+ 30%
Visitor Numbers	5.16m	6.09m	+ 18%
Direct Employment	16,820	20,827	+ 24%
Hotel occupancy (rooms)	62%	69%	+11%
Guest House / B&B occupancy (rooms)	44%	50%	+14%
Self-catering occupancy (units)	47%	52%	+11%
Visitor Attraction Visits*	2,279,639	3,794,201	+66%

*to give a reliable comparison only Visitor Attractions participating in both 2012 & 2016 surveys have been included in these figures

Actions delivered (highlights)

Action	Progress
Improve links between Destination Organisations and VisitScotland marketing activity	Workshop format at May 2014 HTP and marketing workshops for destination groups held in December 2014, April 2015 and May 2016.
Improving the cross promotion of Highland destinations	Some cross area publications. North Coast 500. Joint growth fund activity.
Support destinations in producing development plans or assist in building organisational capacity.	Development plans in 3 areas & marketing plans in 2 more supported by public sector partners. Establishment of 1 new group and initial business planning supported.
Encourage businesses to make the most of available tourism intelligence	Workshops with destinations supported by HIE & Business Gateway. Webinar series.
Improve infrastructure that supports growth in nature, heritage and activity markets.	Numerous projects. Key ones in progress include South Loch Ness Trail, NCN78 cycle route, Snow Roads, yacht moorings and key site improvements including Ben Nevis & Fairy Pools.
Improve infrastructure that supports growth of event tourism and conferences.	Inverness Campus & conference facility improvements. Joint work on Inverness events. Investment in event legacy.

* The Highland Tourism Partnership brings together the Highland Council, VisitScotland, Highlands & Islands Enterprise, Forestry Commission, Scottish Natural Heritage, Cairngorms National Park Authority, the Federation of Small Businesses and eight key destination organisations: Venture North, Visit Wester Ross, Black Isle Tourism Team, Visit Inverness Loch Ness, VisitNairn, Destination Skye & Lochalsh, Lochaber Chamber of Commerce and Cairngorms Business Partnership.

Proposed actions for the remainder of the period to 2020

The national Tourism Leadership Group carried out a mid-term review of Tourism Scotland 2020 that reported in 2016. With the alignment of tourism strategies across Scotland and improvements in collaboration since the launch of the strategy, the group is confident that the sector is in a strong position to collectively deliver the 2020 vision. In order to achieve this four priority areas where activity should be focussed have been identified. At a Highland level the Highland Tourism Partnership has therefore updated and repackaged the Highland activities previously identified to fit within these priorities in addition to continued collaborative marketing activity.

Strengthen Digital Capabilities

1. Destination and public sector organisations will continue to deliver support to businesses to increase their digital capabilities and their use of new digital technologies.
2. We will continue to gather intelligence at a Highland and destination level to ensure the industry is able to identify and capitalise on new digital innovations.

Strengthen Industry Leadership

1. All partners will continue their commitment to the Highland Area Tourism Partnership in bringing the key tourism leadership organisations together to discuss issues and opportunities.
2. The Partnership will support activities such a Highland Tourism Conference or regional conferences to bring destinations, businesses and the public sector together.

Enhance the Quality of the Visitor Experience

1. We will continue to work together to identify and improve the infrastructure that supports potential growth markets notably:
   - Nature, heritage and activities (with this now reflecting the new commitments to the Scottish Scenic Routes Initiative and marine tourism facilities)
   - Events including both leisure and business events /conferences.
2. We will continue work to improve skills as identified in the refreshed Tourism Skills Strategy including improving links between schools, further & higher education and businesses. The partners in the Highland Area Tourism Partnership will gather details of the particular challenges Highland businesses face and any barriers to resolving these to inform future employment and skills activity.

Influence Investment

1. We will continue to try and influence investment in the specific areas defined at a national level - flight access & transport connectivity, built infrastructure, digital connectivity and business growth finance.
2. Building on the recent marketing success that has increased visitor numbers to many sites, we will work to ensure that the quality of the visitor experience and impacts on communities are not negatively affected. This will include identifying or where necessary lobbying for resources to invest in sites facing these challenges. Where appropriate we will work with communities to ensure they both contribute to and benefit from any solutions applied.
3. We will continue to support destinations taking a strategic approach to their region, through the development of plans aligned to the Highland Tourism Action Plan and identifying opportunities. Where necessary, the public sector partners will assist in building capacity to allow the destination to do so.

Marketing

1. Continue regional / destination consumer marketing ensuring that both VisitScotland and destination led activity is complementary.
2. Continue trade marketing with destination involvement.