

ABERDEEN CITY COUNCIL

COMMITTEE	Enterprise Planning & Infrastructure
DATE	13 September 2011
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	VisitScotland Funding 2011-12 & Proposed Aberdeen Destination Marketing Organisation (DMO)
REPORT	EPI/11/194

1. PURPOSE OF REPORT

This report outlines the proposed funding for services to be provided by VisitScotland (VS) Aberdeen City and Shire from 1 April 2011 – 31 March 2012 and 1 April -30 September 2012.

The report also outlines the funding requirements for the establishment of an Aberdeen Destination Marketing Organisation (DMO) to build on past investment in joint activities with VisitScotland and to further drive the promotion of Aberdeen as a destination for business and leisure tourism.

2. RECOMMENDATION(S)

It is recommended that Committee authorise:

1. The allocation of £385,000 towards joint tourism marketing activities, in partnership with VS, from 1 April 2011 to 31 March 2012 and £115,000 from 1 April -30 September 2012. This is the current level provided to VS for business and leisure tourism promotion.
2. Aberdeen City Council officers to work with our partners at VisitScotland, ACSEF, Aberdeen & Grampian Chamber of Commerce and private sector tourism sector businesses to establish a DMO Steering Group that will at no additional cost to Aberdeen City Council;
 - a. establish a private sector led DMO and appoint the DMO's Board of Directors, by 30 November 2011, with the initial aim of:
 - i. producing an action plan for the period 30 November 2011 to 30 September 2012
 - ii. implementing the DMO's initial action plan.
 - iii. appointing a Chief Executive, to start before 1 April 2012.

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- iv. supervising the production of a detailed, long-term DMO business plan, by the new DMO Chief Executive, before 30 September 2012.
- 3. The DMO Board of Directors and Chief Executive to secure £40-50,000 of private sector cash contributions to pay for the actions i-iii in recommendation 2 above.
- 4. The allocation of £297,500 to the DMO during their establishment phase (1 April to 30 September 2012) and the transfer of management responsibility for effective utilisation of Council visitor attraction funding, as set out in Table 3, Section 3 of this report.
- 5. The submission of a further report to Enterprise, Planning & Infrastructure Committee in September 2012, requesting ongoing council support for the Aberdeen DMO for the next 3-5 years, based on the transfer of existing resources (i.e. no new resources), and subject to the DMO Chief Executive and Board;
 - a. producing an appropriate, detailed and financially sustainable 3-5 year Business Plan.
 - b. securing significant private sector cash contributions or other non-council income streams, equivalent to at least 20% of the DMO's total annual operating costs over the 3-5 year business plan period.

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3. FINANCIAL IMPLICATIONS

Within its 2011-12 budget, the Council has currently allocated £385,000 for activities designed to promote Aberdeen as a destination for business and leisure tourism, as follows;

Table 1 - Current Budget Allocation - 1st April 2011- 31st March 2012

Activity	Budget (£)
Manage Aberdeen Convention Bureau (ACB)	213,750
Visitor Information Centre (VIC)	100,000
Local Destination Marketing (UK & Ireland market)	41,250
International Marketing (Online/Direct Norway & Germany)*	30,000
Total Budget	385,000

* UK & I marketing is in conjunction with Aberdeenshire Council, although not a 50:50 match across all campaigns.

*Aberdeenshire Council match agreed activity to create regional campaigns. Projects may also be undertaken directly by Aberdeen City Council.

Based on the Council's current five year business plan, the council anticipate allocating the same level of funding to marketing activities relating to the promotion of Aberdeen as a business and leisure tourist destination.

However, as VS has identified Aberdeen as a Category 1 location, they have confirmed it is their intention to establish and run a VIC without any financial contribution from the local authority going forward.

Were this funding to be allocated to support the establishment of a DMO, as recommended in this paper, the same total 2012/2013 budget of £385,000, would be allocated as follows;

Table 2 - Proposed Budget Allocation (no additional resources) - 1st April 2011- 31st March 2012

Activity	Budget (£)
Manage Aberdeen Convention Bureau (ACB)	213,750
Local Destination Marketing (UK & Ireland market)	41,250
International Marketing (Online/Direct Norway & Germany)*	30,000
DMO Establishment	100,000
Total Budget	385,000

* Aberdeenshire Council match agreed activity to create regional campaigns. Projects may also be undertaken directly by the Aberdeen City Council.

Assuming this budget allocation is acceptable, 50% of the marketing budget allocated to specific campaigns identified during the 6 month period and 100% of the DMO establishment budget would be made available during the 6 months 1st April-30th Sept 2012 to VS, during which the DMO is being established.

Additionally, it is proposed that some recent budget savings, made by not replacing the previous ACB Manager upon her retirement in May 2011, be made available to the DMO during their establishment period. VS have advised that they would not be in a position to confirm the level of savings until year end but it is estimated at approx £25,000.

Finally, the recent review of the ACB identified the fact that they were retaining a larger than necessary budget reserve – some of which could be also be re-directed the DMO during their establishment phase, without jeopardising future ACB operations.

It is therefore proposed that the Phase One costs of establishing an Aberdeen DMO be met as follows:

Table 3 - Proposed DMO Funding (Establishment Phase) - 1st April 2012- 30th September 2012

Source of Funding	Budget (£)
Manage Aberdeen Convention Bureau (ACB)	106,875
Local Destination Marketing (UK & Ireland market)	20,625
International Marketing (Online/Direct Norway & Germany)	15,000
Funding released from Visitor Information Centre	100,000
Savings from ACB Manager post after retirement in May (TBC)*	25,000
Savings from the ACB existing contingency budget (TBC)*	30,000
Total ACC funding	297,500
Private sector cash funding confirmed from Aberdeen BID (£12k), Aberdeen City and Shire Hotels Association (£4k) and Aberdeen and Grampian Chamber of Commerce (£4k)	20,000
Total Funding Budget	317,500

* Should these savings fail to materialise, ACC will revise their VS budget in financial year 2012-13, to retain £55k for redirection to the DMO, and renegotiate their Minute of Agreement with VS accordingly.

**The private sector will also likely provide additional "in-kind" support in the form of consultancy time and event/meeting facilities.

Realignment of the City Promotion service budget, in parallel with the service's recent re-organisation and the transfer of resources previously used to purchase VS's services, will ensure that the above resources can safely be allocated to the DMO establishment without any detriment to existing services.

Costs associated with the realisation of the Aberdeen DMO will be met from within the existing City Promotion and City Events budgets within Economic & Business Development and it is fully anticipated that the use of these funds will leverage significant additional resources from partner agencies and stakeholders during Phase Two of the project.

Additionally, the Council's decision to champion the realisation of an Aberdeen DMO has already generated a significant amount of interest and support from other public sector partners and private sector businesses operating in the tourism sector across the city. This support has already resulted in a commitment to provide a £40-50,000 cash contribution to establishment costs.

4. SERVICE & COMMUNITY IMPACT

Corporate

Vibrant Dynamic & Forward Looking

- Continue to support the best city festivals.
- Recognise the contribution of Sport, Culture and Arts to promoting the area as a tourist destination.
- Promote the City as a tourist destination.
- Economic promotion of Aberdeen locally, nationally and internationally, promoting all aspects of city life, wherever the City is represented.

Single Outcome Agreement

- National Outcome 1: We live in a Scotland that is the most attractive place for doing business in Europe.
- National Outcome 12: We value and enjoy our built and natural environment and enhance it for future generations.
- National Outcome 13: We take pride in a strong, fair and inclusive national identity.

Community Plan

- 10 % increase in the numbers of recreational and business tourists by 2011.
- Work with other agencies, including Visit Scotland, to encourage tourism and the provision of facilities for tourists

5. REPORT

Background

As detailed in previous reports, VS has restructured and now take a different approach to working with local authorities. VS now clearly identifies the leisure tourism opportunities available, giving local authorities the opportunity to influence where funds are spent to best effect, with relevance to identified target markets.

Leisure Tourism

The costs associated with the operation of the VIC continue to rise due to increased rates and rent. The centre runs at a deficit, which VS covers. The lease of the current location runs until July 2012. Aberdeen City Council's funding towards the VIC would cease on the 31st March 2012.

VS has identified the Aberdeen Visitor Information Centre as a Category 1 location for information provision purposes meaning it is a priority facility in a major Scottish city. As a result they have agreed to provide this facility at no cost to the local authority in the future. The current Visitor Information Centre location continues to be reviewed by VS, in conjunction with Aberdeen City Council, to ensure the most effective site is secured for the service going forward.

In relation to the UK and International campaigns, both Aberdeen City and Aberdeenshire Councils continue to fund participation in a number of seasonal direct marketing activities including seasonal promotions which generated significant interest in the area and requests for further information. It is considered that regular activity such as this will continue to generate and maintain interest in the area, year round. This activity is also regularly measured, providing some degree of information on the success of such campaigns. See VS activity report attached in Appendix 1.

Business Tourism

The Aberdeen Convention Bureau continues to promote the area as a business conference destination. They have been successful in securing a significant number of conferences for the region and continue to secure monies from the private sector through membership fees and individual activity contributions. See Aberdeen Convention Bureau activity report attached in Appendix 2.

Following receipt of the independent report commissioned to review the work of the Aberdeen Convention Bureau, in December 2010, and in response to the reports recommendation, the January meeting of E P & I Committee agreed that a small, focused steering group, led by the Convener of the EP & I Committee, be established to support the work of Aberdeen Convention Bureau, determine the role for ACB going forward and strengthen the working relationship of the organisation with key stakeholders in Aberdeen.

In parallel with this review process, following the retirement of the Convention Bureau's Manager in May 2011, the Regional Director of VS Aberdeen City and Shire agreed to manage the strategic direction of the Bureau with support from existing staff.

It was further agreed that a new manager would not be recruited for the Bureau until this report was submitted to committee for consideration in relation to ongoing VS support and also the establishment of an Aberdeen DMO - where it is proposed that the Aberdeen Convention Bureau form the nucleus of the proposed Destination Marketing Organisation after 1 April 2011.

The steering group consisting of representatives from the Hotels Association, AECC, Aberdeen Convention Bureau, VS Aberdeen City and Shire, ACSEF and Aberdeen City Council met twice, in March and May this year, to discuss the current role of the Bureau and the future direction of the Convention Bureau in relation to the proposed Aberdeen Destination Marketing Organisation (DMO).

At the initial meeting of the Steering Group, discussions regarding the establishment of an Aberdeen DMO gathered significant support from all the participating partners and resulted in Aberdeen & Grampian Chamber of Commerce being commissioned to undertake initial research into a proposed DMO for Aberdeen. The results of this research were subsequently presented to the next meeting of the steering group, and wider key stakeholders, to establish appropriate next steps.

Members of the steering group agreed that a collective public/private partnership approach, reflecting new ways of working by the public and private sector, was fundamental to the establishment of an Aberdeen DMO.

The Aberdeen Convention Bureau Steering Group will continue to meet until the outcome of discussions regarding the establishment of an Aberdeen DMO are concluded.

The Future of Destination Promotion

In recent years, there has been a significant increase in the number of destinations that have created new organisations to focus on promoting and marketing their city.

Glasgow was the first to do so in Scotland and recently Edinburgh has also created a similar destination marketing organisation. The organisations bring together the promotion of the destination at a strategic and operational level. In Glasgow and Edinburgh these organisations promote the destination for leisure and business tourism, as well as a place to live, work and study and to attract inward investment.

Comparative Funding:

Although the budget for an Aberdeen DMO will be determined as part of the proposed business plan, to be produced by their new Chief Executive, The Chamber of Commerce's initial research indicates that this could be in the order of £1.181 million.

This level of funding, in comparison to other cities (see table below), will be towards the lower end of the scale. However, this will still be sufficient to make a real difference, if deployed in an effective manner:

Comparison between Aberdeen DMO's likely budget and that of other Cities:

City	Annual budget £k
<i>Birmingham</i>	8,900
<i>Manchester</i>	6,200
<i>Leeds</i>	4,800
<i>Glasgow</i>	4,900
<i>Newcastle</i>	3,470
<i>Edinburgh</i>	2,005
Aberdeen	1,181
<i>Cardiff</i>	920

Comparative Funding – selected UK cities (Source: Edinburgh Marketing and ACC)

Aberdeen City and Shire has a number of organisations currently engaged in the promotion of the region and a number of different mechanisms for doing so.

These includes but are not limited to the City and Shire Councils, Visit Scotland Aberdeen City and Shire, Aberdeen Convention Bureau, Area Tourism Partnership, the AECC, the Aberdeen City and Shire Hotels Association, Scottish Enterprise (SE), Destination Management Organisations for Royal Deeside & Cairngorms National Park and Banffshire Coast Tourism Partnership, Universities and Colleges, and a whole host of other smaller organisations.

All parties in attendance at the ACSEF Management Team agreed that an Aberdeen City and Shire DMO was not viable as Aberdeenshire Council and Scottish Enterprise already provide financial and in-kind support to two existing DMO's in the region; the Deeside & Cairngorm DMO and the Banffshire Coast DMO. This view was also confirmed by the ACSEF Board, which includes senior representatives from SE and Aberdeenshire Council.

ACSEF Board also supported efforts by Aberdeen Council officers to investigate the possibility of establishing a DMO for Aberdeen City – as a means of enhancing the future promotion and marketing of the city for the benefit of all ACSEF partners.

It was further agreed that a DMO for Aberdeen would:

- provide leadership, clarity and direction;
- develop an overall marketing strategy for the city;
- have dedicated financial and human resources for the delivery of the strategy;
- maximise opportunities for joint working across all city and shire partners whilst minimising duplication.

Justification for an Aberdeen DMO

Aberdeen & Grampian Chamber of Commerce was commissioned in May 2011 to undertake phase one of business planning for a potential Aberdeen DMO. Their report was completed in July 2011.

- City Stakeholder Views

The current under-performance of Aberdeen in the eyes of the stakeholders is widespread across all of the parameters measured. This assessment tends to be supported by external evidence, as outlined in the following table.

Stakeholder perceptions of the performance of Aberdeen (0-10 scale)				
	Sub-Optimal <5	Average 5-7	Good >7	
	PRICE	VALUE	IMAGE	AWARENESS
Aberdeen	4.77	4.69	4.15	3.23
Average	5.13	6.17	6.00	6.10
Best	6.33 Dundee	8.18 Paris	9.33 Paris	9.67 Paris
	PRODUCT OFFERING	DMO PERFORMANCE	CONNECTIVITY	PARTNERSHIP WORKING
Aberdeen	3.54	3.00	4.38	4.42
Average	5.92	6.08	5.75	6.09
Best	9.27 Paris	8.30 Glasgow	8.17 Paris	8.33 Stavanger
	LOCAL AUTHORITY LEADERSHIP	PRIVATE SECTOR ENGAGEMENT	MOMENTUM	IS THE DESTINATION A ROLE MODEL
Aberdeen	3.50	4.00	4.62	2.70
Average	5.82	5.52	6.35	5.41
Best	8.5 Stavanger	7.5 Stavanger	7.85 Glasgow	7.67 Glasgow

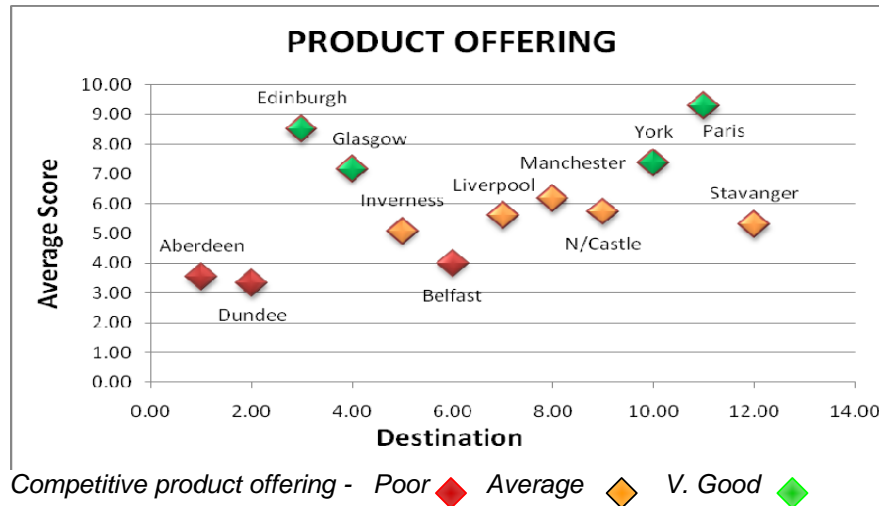
Stakeholder Perceptions of the performance of Aberdeen. Source-Aberdeen DMO Realising the Potential Stage One, July 2011 Draft Business Plan

- Consumer & Visitor Perspective

Aberdeen City Council has provided financial support towards the first Aberdeen Visitor survey which across a 12 month period should provide us with visitor views about the city's product offering, what is lacking and why people are visiting Aberdeen. The results of this survey will be available in early 2012.

- Current Aberdeen Product Offering

The research revealed that there is no central database of supply side tourism interests which can be regarded as reliable and complete. This will therefore be an early priority under any circumstances. Stakeholders regard the product offering as weak in comparison to other cities, as shown in the following diagram



Following consultation with over 40 individual stakeholders from the public and private sector in the city, the phase one report clearly identified:

- the need for a clear vision through the development of a destination promotion strategy
- concern about the fragmented approach to city promotion
- need for strong leadership in the co-ordination and alignment of promotional activity across all key stakeholders
- the need for a one-stop shop
- the need for the city to raise its promotional profile to match that of its competitors
- Funding Availability

Also taken into consideration were the existing Aberdeen City Council financial resources allocated to destination promotion by Aberdeen City Council (see below), which could possibly be made available to the DMO:

Manage Aberdeen Convention Bureau	£213,750
UK & International Campaigns through VisitScotland	£ 71,250
Aberdeen City and Shire Regional Identity	£100,000
Event & Convention Subvention Fund	£ 50,000
Exhibitions (All Energy, VisitExpo etc)	£ 55,000
City Events Programme	£183,000

City Promotion	£100,000
Staff costs for 5 FTE	£200,000
Total	£973,000

The above resources would only be made available to a future DMO subject to negotiation around the content of any business plan and the extent of any private sector funding and/or commercial income streams.

It should be noted that these resources also include money currently allocated to the Regional Identity - so the DMO could ensure that expenditure on future regional promotional activity supports and compliments expenditure on city promotion.

Additional resources would be available by utilising current funding allocated to the Visitor Information Centre. However, it should be noted that the £107,000 funding currently obtained from the Common Good Fund to support events could not be regarded as a guaranteed source of funding for any future DMO.

Also, Aberdeen City Council do not maximise current opportunities in relation to national and international event programmes supported by EventScotland. Again this is not guaranteed funding as this is a highly competitive arena and the events with the largest economic impact and potential for growth and sustainability are those most likely to succeed for funding support.

It would be the intention to transfer all destination promotion activities to the Aberdeen DMO, leaving the responsibility for inward investment and skills attraction within the Economic & Business Development function. This has been reflected in the 5 FTE staff numbers that could potentially be available to the DMO in the future.

- Stakeholder Support

Discussions to date clearly confirm that key stakeholders support the establishment of a DMO, to be called **Visit Aberdeen**, where Aberdeen Convention Bureau becomes the nucleus of this DMO and continues to promote Aberdeen as a destination for business tourism under the management of the **Visit Aberdeen** Chief Executive.

Stakeholders also agree that the organisation be focussed firmly on the city of Aberdeen, with varying degrees of emphasis on joint working with Aberdeenshire Council, as and when appropriate.

Visit Aberdeen would report to an independent board of a 'not-for-profit' company for operations and to Aberdeen City Council for any core funding provided by the Council.

According to key stakeholders, the key objectives and activities of **Visit Aberdeen** should be

- Marketing Aberdeen to the visitor markets
- Working in partnership
- Improve the product offering of Aberdeen
- Industry engagement

Maximising the Opportunity

The key stakeholder research showed that a number of beneficial opportunities have presented themselves at this time to assist with the desire for change in relation to Aberdeen's destination promotion.

The £100,000 of current spend on VIC will be freed on 1 April 2012 when VS take responsibility for the provision and delivery of the VIC, so there is an opportunity for the redeployment of this budget. It is unlikely that these monies will remain in the tourism budget without an Aberdeen DMO as a strong argument for retention as departmental savings are now required to be identified for the new financial year.

The Aberdeen Convention Bureau Manager post is currently vacant, so future direction of the Bureau can be considered as part of a larger destination marketing proposition.

£300,000+ per annum could be available for city centre promotion following the successful ballot for the Aberdeen BID. This presents many opportunities for joined-up working across the key stakeholders.

The strong working relationship with VS, ACSEF and Aberdeenshire Council will ensure the continued joint marketing of the city, within a city-region context, under the leadership of the proposed Aberdeen DMO that makes the most of both public and private sector resources.

There is an expectation amongst all stakeholders that Aberdeen City Council will continue to invest in the promotion of Aberdeen as a business and leisure destination, by providing secure core funding for an Aberdeen DMO.

However there is an equal realisation that current pressure on ACC's budget and the poor economic climate mean that the private sector needs to help fund future tourism marketing and management activities. The desired aim is to preserve existing ACC funding levels and use these funds to leverage significant additional funding from other external sources.

Other key stakeholders, therefore, currently have a significant willingness to contribute cash and in kind in support of an Aberdeen DMO – with the aim of aligning the major strands of Aberdeen City's destination promotion more effectively, under one powerful brand.

Next Steps

Following on from the initial private sector engagement, as part of the research undertaken over the past few months, key business sector representatives have agreed to continue to contribute time and money to enable the establishment of a DMO.

Phase one of this process (the establishment phase) will involve setting up a small task group to incorporate the DMO company, produce a job description, person specification and remit for the Chief Executive, oversee the recruitment process and finalise funding arrangements for the DMO's establishment period.

This process will be facilitated by Aberdeen and Grampian Chamber of Commerce, with support from the Aberdeen City and Shire Hotels Association and Aberdeen Airport to ensure a strong private sector influence on the shaping of the **Visit Aberdeen** DMO project.

This piece of work will seek to establish clear leadership for the project through the establishment of a Board for the DMO and also the appointment of a Chief Executive.

The Board, lead by the private sector in Aberdeen, will include:

- An Independent Chair
- Chief Executive
- 3 Aberdeen City Council Representatives
- 3 Privately elected representatives identified through public advertisement
- 2 BID representatives
- 1 Aberdeen City and Shire Hotels Association Representative

The Board will seek to determine the most appropriate structure for delivering the city promotion agenda across business leisure and tourism using existing resources deployed through a common purpose going forward, in conjunction with the Chief Executive.

The Board will also be responsible for the establishment of **Visit Aberdeen** as a company, Memorandum and Articles of Association, identifying suitable property where the DMO could/would be located and business planning and the migration of existing destination promotion functions in the future.

Phase two, subject to committee approval, will involve the production of a business plan to articulate the key objective of the project and set out a route map to advance the realisation of the Aberdeen DMO. During this period, the Chief executive will also assume responsibility for managing the ACB, in anticipation of merging it into the DMO, as one of its initial core activities.

The appointed Chief Executive will commence work on or before the 1 April 2011, with a remit to:

- Prepare a detailed business plan for a sustainable, financial viable Aberdeen DMO, with clearly identified funding/income streams, appropriate sensitivity analysis and clear proposals for transferring existing council funded activities into the DMO.
- Secure private sector support in the form of written equity pledges of at least 20% of the DMO's core funding requirement beyond 20 September 2012.
- Convince the Council to continue current funding in return for enhanced leverage, greater efficiencies and more efficient marketing of the city as a visitor destination.

If the Chief Executive is unable to achieve the actions detailed above then there is the potential for the monies to be retained in-house to support ongoing destination promotion activity or to consider budget savings in the future.

At this stage It should be highlighted that there still a number of issues to be confirmed including the:

- Continuity of funding from ACC at current levels, beyond 1 April 2012. The benefit of any future financial commitment for Aberdeen City Council means a more efficient use of existing resources in relation to destination promotion and a better return on investment.
- Exact nature and extent of staffing resource and core funding support that ACC might make available to the DMO, beyond 30 September 2012.
- Nature of any relationship with the Aberdeen BID and any possible funding that this may make available for City promotion in partnership with the DMO.
- Level of cash and in-kind support to be committed by other stakeholders
- Ongoing relationship with VS in support of Aberdeen Convention Bureau and UK/International marketing.

The proposed two stage process described above enables these issues to be dealt with in Phase two and, subsequently, incorporated within the DMO's business plan for the period beyond September 2012.

Regular updates will be provided to the E P & I Committee during the establishment phase of **Visit Aberdeen**, until the Chief Executive and Board have produced a formal business case detailing the DMO's future activities and justifying future ACC funding for their destination promotion activity beyond 30 September 2012.

6. AUTHORISED SIGNATURE

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8. BACKGROUND PAPERS

Appendix 1 VisitScotland Aberdeen City Year End Report 2010-2011

Appendix 2 Aberdeen Convention Bureau July 2011 Report

Appendix 3 A copy of the Phase One Visit Aberdeen-Realising the Potential, Aberdeen DMO, Draft Business Plan Executive Summary is attached to this report.

A complete copy of Phase One Visit Aberdeen-Realising the potential, Aberdeen DMO, Draft Business Plan report by Mr Robert Collier, Chief Executive, Aberdeen & Grampian Chamber of Commerce has been placed in the members library for reference.