

# Evaluation of Tourism

**A report prepared for *emda***

GHK Consulting

06 August 2010

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*emda*

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A report submitted by GHK

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Job Number 7701

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## Document control

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## Executive Summary

### Headline Findings

**Tourism in the East Midlands has contributed around 7.5% to the regional economy (calculated in terms of Gross Value Added (GVA), previously calculated as Gross Domestic Product) against the original target of 4.5% of GDP (as set out in Destination East Midlands).**

**In addition, average annual visitor expenditure has increased to 2.8% at the end of 2009. The original target was to 'increase ... visitor spend of 1.6% per annum by 2005 and by 2% per annum by 2010', again set out in Destination East Midlands.**

***emda's* investment in the development of tourism in the East Midlands (£22m since 2003) has had the following impact:**

- **£114m of additional revenue has been generated through visitor expenditure, taking into account the direct, indirect and spillover benefits;**
- **2,284 job years of employment have been supported; and,**
- **£57m of GVA has been contributed to the region (based on an assumed ratio of £0.50 of regional GVA per £1 of visitor expenditure).**

**Tourism remains a significant sector of the East Midlands economy and there is a strong rationale for continuing investment:**

- **In 2009 some 142 million visitor days were spent in the East Midlands;**
- **These visitors contributed £6bn to the regional economy, a real terms increase of £394 million since 2003, through both direct contributions (businesses providing tourism related goods and services) and indirect contributions (through supporting businesses in the supply chain); and**
- **Around 14,000 businesses provide tourism related goods and services, employing 144,000 people (approximately 6% of the number of people with jobs in the region).**

### Background

*emda* commissioned GHK Consulting in February 2010 to evaluate the region's tourism programme. The objective of the study is to provide a detailed quantitative and qualitative assessment of the contribution of the programme between 2004 and the present and make recommendations as to how the visitor economy can more fully contribute to the aims and objectives of the region's economic strategy. The brief included the following main areas of work:

- an assessment of marketing evaluation data and economic activity monitoring data;
- a review of the added value of *emda's* tourism programme;
- evidence and analysis to help *emda* in making decisions about future investment;
- a benchmarking exercise of the East Midlands against other regions;
- a baseline to judge future economic performance, including targets for growth in future years;
- recommendations on how investment in the visitor economy can contribute to the aims and objectives of the region's wider economic strategy; and,
- a review of the efficacy of the current delivery structure and recommendations for improvement.

In addition, as adjunct to the main areas of work identified, the brief asked for:

- the economic argument for investment in promoting the East Midlands to 'day visitors' compared to 'overnight visitors';
- a cost-effective and representative way of gauging future tourism trends; and,

- the implications of the tourism evaluation methodology recently developed by the consultants ECOTEC.

The assessment of the impact of *emda*'s funding and support for tourism is based on the following:

- **Tourism Economic Context and Strategy Review:** an exploration of national and regional trends of indicators relating to tourism since 2003 and a review of key strategic documents.
- **Tourism Programme Review:** a detailed analysis of the profile of expenditure, activities and outputs/outcomes held by *emda*.
- **Delivery Structure Review:** a facilitated self assessment of arrangements to deliver regional tourism strategy and policy and comparison with three other regions.
- **Consultations:** perspectives from *emda* and EMT personnel and external partners with a knowledge of, and interest in, the effectiveness of *emda* and EMT's interventions.

The methodology used is guided by the principles set out in the Impact Evaluation Framework (IEF) that was established for Regional Development Agencies (RDA) and used by PricewaterhouseCoopers (PWC) in the recent national RDA impact reporting exercise.

## Our Findings

Enhancing the profile of the East Midlands as a place to visit has been a consistent theme in regional economic strategy. Both 'Destination 2010' (the Regional Economic Strategy 2003-13) and 'A flourishing region' (the Regional Economic Strategy 2006-2020) sought to build the profile of the East Midlands as a place to visit. Each iteration of the Regional Economic Strategy (RES) highlighted the need to accelerate change in the industry, strengthening the economic impact of tourism, and minimising negative environmental impacts, providing a range of employment opportunities in the process.

*emda* has been the lead regional organisation for tourism since 2003, taking responsibility for aligning the regional and national strategic frameworks. A new internal team, East Midlands Tourism (EMT), was established in 2004 as the tourism arm of *emda*. It was expected to oversee delivery of the regional tourism strategy, Destination East Midlands, seeking to focus attention on two priorities – the effective marketing of the region and an improvement in the quality of the visitor experience. The original goals set out in Destination East Midlands were to raise visitor expenditure to 4.5% of GDP in 2010 and increase visitor value (rather than volume) by increasing overnight stays, bringing an increase in visitor spend of 1.6% per annum by 2005 and by 2% per annum by 2010. These two targets have been achieved:

- we estimate that visitor expenditure now contributes around 7.5% to the regional economy (calculated in terms of Gross Value Added (GVA), previously calculated as Gross Domestic Product); and
- the increase in average annual visitor expenditure was 2.8% at the end of 2009.

In this report we suggest a number of indicators that can be used to provide a baseline for future activity, which take account of changes taking place in the wider economy and attempt to focus on the distinct economic role of the industry.

Tourism remains a significant sector of the East Midlands economy and there is a strong rationale for continuing investment. Recent data published by the Office of National Statistics (ONS) estimates that the direct contribution<sup>1</sup> of tourism related businesses (GVA) in the East Midlands is £2.1 billion (figures available up to 2006). This compares with manufacturing with a GVA of £14.2 billion, financial services (£3.3 billion), agriculture, hunting, forestry and fishing (£836m).

*emda* now works with five Destination Management Partnerships (DMPs), who deliver a programme of quality improvement and marketing activity. This approach has reduced duplication and contributed to the development of strong partnerships. DMPs are able to respond to local conditions and take full

<sup>1</sup> Excluding, for example, expenditure that accrues due to the presence of the tourist, such as shops, banks and businesses which provide goods and services such as food supplies.

account of the needs and aspirations of local businesses. Each DMP is now able to base its decisions on a strong evidence base, having been encouraged by EMT to develop consistent performance management and evaluation systems.

Indeed, the role of tourism in promoting sustainable economic development is now clearly understood, with strong support for the investment priorities established and delivery structures in place. In comparison with the three other regions studied for this evaluation, we found that the East Midlands was the first to recognise the importance of local knowledge and involvement in decision making and delivery of tourism services (i.e. with over two thirds of revenue funding devolved to DMPs). There is no desire for a radical overhaul of the current delivery structure, although the changes taking place to the delivery of sub-national economic development require a fundamental review of the funding made available to date by *emda* and may demand consolidation of activity within emerging Local Enterprise Partnership (LEP) structures.

While local and functional economic geographies may remain the most suitable territories to deliver economic development and tourism related activity, defined through the development of LEPs, we recommend the maintenance of a 'light touch' regional level forum where tourism bodies and their partners are able to debate future challenges and priorities for investment and promote alignment or pooling of budgets and plans. These forums were found to be successful in other regions and valued by the private sector.

The following provides a summary of the conclusions reached in response to the questions posed in the tender brief.

### Aggregation and Synthesis of Data

Tourism and the visitor economy is growing fast and is set to make a growing contribution to the region's prosperity, providing a range of flexible employment opportunities, stimulating enterprise, boosting the region's rural communities and strengthening the profile of the East Midlands as a place to visit and invest.

In 2009 some 142 million visitor days were spent in the East Midlands. These visitors contributed £6bn to the regional economy, a real terms increase of £394 million since 2003, through both direct contributions (businesses providing tourism related goods and services) and indirect contributions (through supporting businesses in the supply chain).<sup>2</sup> Around 14,000 businesses provide tourism related goods and services, employing 144,000 people (approximately 6% of the number of people with jobs in the region). Recent data provided by the Office for National Statistics (ONS) estimates that the direct contribution of tourism related businesses in the East Midlands is approximately £2.1 billion a year (based on the latest available figures, up to 2006).<sup>3</sup> This compares with manufacturing in the East Midlands, which had a GVA of £14.2 billion and real estate, renting and business activities with a GVA of £15.9 billion. Tourism is larger in terms of GVA than agriculture, hunting, forestry and fishing (£836 million) and electricity, gas and water supply (£1.9 billion), and only slightly smaller than financial services (£3.3 billion) and public administration and defence (£3.7 billion).

In addition, there are wider socio economic impacts - job creation and enterprise opportunities for people at all skill levels and a more diversified economic base. Tourism also helps to protect countryside and cultural heritage, subsidises some services for local people (e.g. bus services in rural areas) and acts as a catalyst for some regeneration schemes.

### The value of *emda's* tourism offer and investment

Since 2003, *emda* has invested over £22m in the development of tourism in the East Midlands, with over two thirds of this revenue funding being devolved to DMPs.<sup>4</sup>

<sup>2</sup> Source: Scarborough Tourism Economic Activity Monitor (STEAM) data produced by Global Tourism Solutions (UK) Ltd for *emda*

<sup>3</sup> Office for National Statistics: Tullio Buccellato, Dominic Webber, Sean White, Felix Ritchie and Shadia Begum (2010), The Economic Impact of Tourism Across Regions and Nations of the UK

<sup>4</sup> This does not include local authority or private sector investment, or the additional contribution through direct capital investment, cultural and other programmes.



We have estimated the potential impact of *emda*'s spending on GVA across the six years of the tourism programme, guided by the requirements of the Impact Evaluation Framework.<sup>5</sup> This estimation has only taken account of the investments made by *emda* and partners where it is an economic rationale and it is possible to provide an estimate of the gross economic impact using gross value added (GVA) on a consistent basis (e.g. the total regional investment in marketing campaigns, including investment made by EMT and the leverage achieved (e.g. DMP, EMT investment and match funding), which equals £7.55m over the lifetime of the tourism programme - the single largest investment made). We estimate the impact being:

- the generation of additional revenue through visitor expenditure, taking into account the direct, indirect and spillover benefits, of £114m;
- this expenditure has supported 2,284 job years of employment; and,
- contributed £57m of GVA (based on an assumed ratio of £0.50 of regional GVA per £1 of visitor expenditure).

There is also strong evidence to suggest that the tourism programme has generated strategic value. *emda* has demonstrated strong engagement and leadership, leading to:

- valued contributions at the national, regional and sub-regional level, with EMT being a respected body with a strong and efficient central team, shaping the delivery of tourism and marketing services;
- improved partnership working, reducing duplication of activity, most notably by assisting in the development of the DMP structure (i.e. creating a consistent form of coverage, while allowing scope to respond to local conditions and needs);
- improved understanding of the role of tourism in promoting sustainable economic development, raising the profile of the sector; and,
- improved quality (and consistency) of tourism activities, building understanding of what activities are likely to deliver sustainable economic development, through consistent systems for monitoring performance.

#### Future investment and tourism's contribution to the wider economic strategy

Following the general election on 6 May 2010, the new coalition Government outlined a series of changes to how local economic development will be delivered, including the creation of Local Enterprise Partnerships to replace Regional Development Agencies (RDA). The June 2010 budget confirmed that the Government intends to abolish RDAs through the Public Bodies Bill, and that it will issue a White Paper in the Autumn of 2010, which will set out details of these proposals.

The development of Local Enterprise Partnerships will provide an opportunity for local authorities and local businesses to coordinate investment in the public realm, attractions, promoting festivals and events as well as the quality and variety of visitor accommodation. Visitors increasingly expect an attractive environment, and facilities like public toilets, cafés, shops, clear signs, maps and other information, good public transport and easy parking. This requires coordination of investment in the visitor economy, rather than a narrower focus on tourism. The planned reduction of 25% in gross annual public sector investment means that current capital programmes will be subject to a fundamental review to direct resources to where they will achieve the greatest economic return. We found that sporting activities offer an opportunity to make a growing economic contribution to the regional economy. The East Midlands has a range of high quality facilities and assets, which provide a distinctive 'tourism offer', and the region already has strengths to build on, with economic growth and employment outpacing other regions.

The economic impact of the visitor economy is driven by visitor numbers and associated spending. Ultimately, the quality of the offer and perceptions (marketing) drive the visitor numbers and spending – delivering direct and indirect economic benefits. The tourism industry must focus on value and

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<sup>5</sup> Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework, DTO Occasional Paper No.2 (2006)

volume through quality and marketing. It needs to adapt to emerging challenges and opportunities – such as climate change, globalisation and emerging markets (such as China, India and the Gulf States) and work with the public sector to ensure that the wider policy agenda undergoes a form of ‘tourism proofing’, to ensure that other agendas (such as infrastructure, innovation and skills) are fit for purpose and take into account the needs of the tourism industry. We found support for a regional forum to promote cooperation between public agencies and the private sector (i.e. post abolition of the RDA), seeking to avoid duplication of effort and investment and establish clear and aligned objectives for public investment.

### Benchmarking against other regions

Each RDA has, in its own way, sought to understand the nature of the challenges faced by the tourism sector in their regions and to respond to the opportunities presented to them. This has, quite naturally, resulted in different priorities in different parts of the country, but underpinning all investment decisions are commitments to focus on the quality of experience, service and the improvement of skills; the quality of a place (and, increasingly, its broader economic and social benefits), and to increase profitability, productivity and the economic value of the regional visitor economy.

Based on our case study research in three other English regions (the North East, East of England and West Midlands), it would be hard to state that a particular region has a discernibly better or more effective structure. The East Midlands was relatively quick to recognise the need for local authorities to support the development of tourism through devolved structures for delivery, working closely with them and other partners to promote the wider benefits that flow from tourism. This has involved significant amounts of devolved funding to Destination Management Partnerships. In the future, as highlighted above, the region may wish to consider establishing a strategic forum of stakeholders and delivery partners. In other regions this provides an opportunity for debate on future challenges and priorities for investment in the region (i.e. similar to arrangements already in place to prioritise sub-national housing and transport projects which cut across local authority boundaries).

### Baseline to judge future economic performance

The objective should be to identify those indicators that are capable of providing an overall picture of progress (at the level of the tourism strategy) and in particular key priorities (quality improvements, skills, etc). The challenge is to identify a set of indicators drawn from current programme monitoring that enables a sensible level of aggregation without over-complicating the system. In addition context indicators need to be defined. These indicator types are:

- Output indicators: the direct impact of interventions i.e. businesses supported to improve performance, visitors exposed to marketing and/or promotional material. Data for these types of indicators are collected by *emda* and DMPs.
- Process indicators: the measure of compliance with strategic priorities i.e. delivery of sub-regional strategy and action plans with major funders and partners, delivery and appraisal of marketing campaigns, delivery of training and skills development, etc. Data for these types of indicators is collected through the auditing of Service Level Agreements, most notably with DMPs.
- Contextual indicators: measure a resultant indirect consequence of a specific policy intervention i.e. tourism related businesses operating in the East Midlands, people employed in the tourism sector in the East Midlands and density of business activity and employment in the East Midlands.<sup>6</sup> Data for these types of indicator are generally generated from further analysis of output level data and data available from the Office for National Statistics (i.e. through the Annual Business Inquiry).
- Outcome indicators: measure the regional context in which the tourism programme is being applied i.e. businesses taking action to improve performance (e.g. quality standards), increasing number of visitors to the region, increasing spending by visitors to the region. Data for these types of indicators is available from programme monitoring and STEAM data.

<sup>6</sup> See Section 2.2 for further details

This report includes a number of indicators that together may be taken as a baseline against which to judge the future performance of the tourism programme.

### Efficacy of delivery structures

Decision making and delivery structures within *emda* and in the sub-regions are seen to be appropriate and effective, engaging private and public sector partners.

- Membership of the EMT Board and latterly the East Midlands Tourism Council is of a high calibre, with committed individuals demonstrating extensive regional and national connections.
- While there was some variation in the outputs achieved across DMPs, the principle of devolving funding and responsibility for delivery to local areas was accepted and supported by the majority of people we consulted with.

There was clearly no appetite for a radical overhaul of existing structures, which are consistent with the trend to devolve funding and responsibility to local authorities. A review of DMP structures is required, due to their dependence on *emda* for core funding, with one alternative being their incorporation within new LEP structures. Whatever arrangements are agreed, there is a need to ensure that public sector bodies work more closely together, identifying where financial investment is needed to improve the environment for tourism, including where budgets should be aligned or pooled, and working with the private sector to prioritise programmes and projects which potentially deliver the greatest economic impact.

### Economic argument for investment in promoting 'overnight visitors'

The stipulation that *emda*'s funding (and, of course, only *emda*'s funding) should be directed towards increasing the number of visitors staying overnight is consistent with the policy and economic rationale for RDA intervention. The industry is largely made up of SMEs where investment potential is limited and coordination to have maximum market impact is essential. Existing tourism businesses tend to offer their services to day visitors rather than the higher value overnight visitor market, with *emda*'s support for marketing filling this gap. The challenge remains to increase the region's relatively low market share of tourism spend, improve productivity and attract higher value added activities which would make a larger impact on the regional economy.

The changing nature of tourism, notably the growth in day visits, potentially places significant pressures on some sensitive natural and built environments in the region. It places stress on some parts of the transport infrastructure, particularly during peak times of the year. In addition, the economic benefits associated with day visitors are generally much less to local economies than those accruing from visitors who stay overnight. Across the region there is capacity to increase the number of overnight visitors, with accommodation increasing in scale and quality. An increase in the proportion of overnight stays would both maximise the economic benefits of tourism and increase the scope for minimising the adverse impacts of tourism on the environment and the quality of life of local communities. Improved planning and integration of tourism infrastructure, activities and other local services such as transport should encourage both day visitors and staying visitors to stay longer and spend more in their chosen destination.

### Future tourism trends

Since 2004 the tourism landscape has changed significantly. There is now greater access into the region as a result of the introduction of more low cost flights into East Midlands Airport and the change of the Eurostar terminal to St. Pancras International. More consumers are booking online and using advances in technology (i.e. socially generated content as a fast and innovative way of communicating with potential visitors, and the rapid growth of networks such as Twitter and Facebook and their use as marketing tools). Support for tourism and the visitor economy over the next two years will cover a critical period in the lead up to Olympics in 2012.

In our interviews with delivery partners and stakeholders, we asked for their views on the most significant factors likely to impact on the East Midlands over the medium to long term. We were told that:

- visitors will continue to expect top quality products and services, standards are increasing and there is a need to keep pace with customer expectations;

- visitors are using a wide variety of sources of 'market intelligence' to make decisions about travelling, with web based discussion forums now more influential than 'star-rating' systems;
- there will be an increasing demand for green or more sustainable forms of tourism (e.g. nature tourism, low impact tourism, green tourism, bio-tourism, ecologically responsible tourism); and,
- reductions in public expenditure make future investment based on market failure or greatest potential return on investment even more significant.

A wide range of information sources were used by professionals in the tourism sector, including: locally commissioned surveys, research and knowledge (i.e. including business networks); tourism related journals and academic publications; insights and statistics published by VisitBritain/VisitEngland; and EMT itself. It was suggested by the private sector that *emda*, EMT and the East Midlands Tourism Council provide a vital forum for dialogue with the public sector and the sharing of market intelligence. This dialogue would, of course, be put at risk with the abolition of *emda* and the tourism programme.

### The implications of the tourism evaluation methodology by ECOTEC

Destination marketing covers the activities of destination marketing agencies (such as EMT, as well as sub-regional DMPs) in promoting the East Midlands as a tourist destination to both UK and overseas visitors. This activity generates economic impacts where promotional activity encourages tourists to visit the East Midlands, stimulating visitor spending and supporting jobs and generating GVA in the tourism industry. Destination marketing agencies throughout England have used a methodology used by Visit Britain to show their return on investment from marketing campaigns. This methodology focuses on establishing the gross additional expenditure brought to regions, and is not compliant with IEF guidelines. For example, the methodology does not take account of issues such as additionality, displacement and deadweight.<sup>7</sup>

A new methodology has been developed (in a study led by the London Development Agency) for the purposes of establishing IEF compliant measures of the GVA impacts of destination marketing. The report suggested the need to establish the return on investment using objective evidence gathered through a panel survey of UK residents. This would provide a robust assessment based on primary data related to tourism. However the much reduced resources available make this approach unlikely. Instead, an enhanced conversion study approach, which we have applied in Section 4 of the report, establishes gross additional expenditure and converts this measure to GVA. As further primary research is not available, this considers the additionality issues which impact in the project's net impacts (as opposed to the gross impacts), using benchmarks from other projects and external sources.

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<sup>7</sup> Evaluations must deduce, as robustly as possible, the net additionality of interventions. Net additionality is an estimate of what impacts the interventions had that would not have happened anyway, and must take into consideration what adverse effects the intervention may also have had. These are then removed from the achieved gross outputs, leaving net outputs.

# 1 Introduction

This report sets out the findings of an evaluation, undertaken by GHK Consulting, of the tourism programme in the East Midlands. It covers the period from 2004, following the decision by the Department for Culture, Media and Sport (DCMS) to devolve responsibility for the strategic development of tourism from the English Tourism Council to England's Regional Development Agencies (RDAs).

## 1.1 Aims of the Evaluation

East Midlands Tourism (EMT) was established in 2004 as the tourism arm of the East Midlands Development Agency (*emda*). It was expected to oversee delivery of the region's tourism strategy, allocate funding and measure the delivery of key targets, as well as contributing to national priorities. EMT works with five Destination Management Partnerships (DMPs), who deliver a programme of quality improvement and marketing activity. They are:

- Experience Nottinghamshire;
- Explore Northamptonshire/Northamptonshire Enterprise;
- Leicester Shire Promotions;
- Visit Lincolnshire; and,
- Visit Peak District and Derbyshire.

While there is no similar arrangement covering Rutland, *emda* has worked directly with the County Council to improve the quality of the tourism product, in the course of the Quality Improvement Programme, and funds Visit Lincolnshire to deliver marketing activity on its behalf.<sup>8</sup> DMPs have their own mechanisms for implementing their plans, including independent Boards, and have been the channel for significant amounts of *emda* resources.

The aims of the evaluation, as set out in the invitation to tender, included the following:

- an **aggregation and synthesis of data** relating to visitor spend within the East Midlands between 2004 and the present (i.e. a desk-based assessment of marketing evaluation data (calculated using Visit Britain's tourism marketing methodology) and Scarborough Tourism Economic Activity Monitor (STEAM) data);
- identify the **value which *emda*'s tourism offer adds to the region** and in what areas is future *emda* tourism investment required (drawing on *emda*'s tourism database);
- provide evidence and analysis to help *emda* in making decisions about **future investment in the visitor economy** (using the information collected above and discussions with suitable stakeholders);
- **benchmark the East Midlands** against other RDA regions in terms of approach, spend, Best Practice, lessons learned, etc;
- **provide a baseline** to judge future economic performance suggesting sustainable targets for growth in future years;
- make recommendations on **how investment in the visitor economy** can contribute to the aims and objectives of the region's wider economic strategy; and,
- review the **efficacy of the current regional and sub-regional delivery structure** and include recommendations for improvement.

This work was primarily expected to be strategic in nature and will be used to inform and develop any subsequent strategy.<sup>9</sup> As such we drew upon the notion of Strategic Added

<sup>8</sup> Leicester Shire Promotions included Rutland in their marketing activity prior to April 2008.

<sup>9</sup> This Final Report is presented following the decision to replace RDAs with Local Enterprise Partnerships. The original intention was that this evaluation would inform the development of a new tourism strategy for the region.

Value (SAV), that is the strategic impact that *emda* has had on activity, usually recognised in terms of a change in behaviour of partners, communities, industry, etc. SAV is a crucial aspect of performance monitoring, with the Department for Business, Innovation and Skills (BIS) requiring each Agency to report, alongside traditional outputs, on their catalytic and influencing role.<sup>10</sup> The benefit of SAV is that it can indicate the likely impact of a programme long before traditional outputs can be evaluated. It is therefore a good indicator of the effectiveness of ongoing RDA and partner initiatives.

In addition, as an appendage to the main areas of work identified above, we were asked to:

- assess whether there is an economic argument for investment in promoting the East Midlands to **'day visitors' compared to 'overnight visitors'**;
- propose the most cost-effective and representative way of gauging **future tourism trends** in the East Midlands and in the UK in general; and,
- assess and devise an implementation plan for the **tourism evaluation methodology** by ECOTEC which was recently developed for the London Development Agency (LDA).

In this report we set out what we judge to be the important conclusions which can be learned from the tourism programme over the last six years. These can, we hope, assist *emda*, its partner organisations, local authorities and the new Local Enterprise Partnerships in deciding the direction for future activity and operational arrangements.

## 1.2 Our Approach to the Study

The evaluation seeks to examine and report on the outputs and milestones achieved and the extent to which these have contributed to raising the region's economic performance. To do this, quantitative and qualitative evidence has been drawn from the following sources:

- **Consultations:** One-to-one interviews were carried out with personnel within *emda* and managers closely associated with tourism activity, including local authorities and the private sector (see Annex 1 for further details). There was regular contact with *emda* throughout the project.
- **Output Data:** Data was provided to us by *emda*, including marketing evaluation data (based on Visit Britain's tourism marketing methodology, which is independently verified) and Scarborough Tourism Economic Activity Monitor (STEAM) data. This has been an important primary source for our analysis of the outputs and impact of supported activities.
- **Contact with DMPs:** A facilitated self assessment of the tourism delivery structure – including EMT and DMPs who completed a self assessment pro forma, which was validated by GHK following interviews.
- **Secondary Data:** The final source of evidence has been secondary data from published sources, most notably the Annual Business Inquiry. This seeks to place the programme in its context, highlighting how tourism activities contribute to raising regional performance. It is not possible to demonstrate a detailed cause and effect relationship between tourism activity taking place under the auspices of *emda* and these condition changes. However, some observations are made based on comparison of orders of magnitude.

The results from these sources were drawn together, discussed and analysed by the team of consultants. This report is the outcome of this synthesis.

## 1.3 Report Structure

The remainder of this report is structured as follows.

<sup>10</sup> DTI (2006), Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework; DTI Occasional Paper No.2 London, Department of Trade and Industry.

- **Section 2: Appropriateness of the Tourism Programme.** This section reviews the economic and strategic policy contexts and revisits the rationale for *emda*'s involvement
- **Section 3: Strategic Influence of the Tourism Programme.** This section illustrates how *emda* sought to encourage the achievement of RES objectives, including an analysis of how strategy and delivery arrangements are perceived by stakeholders in the region and whether the programme has exerted an influence on tourism related activities.
- **Section 4: Outputs and Impacts Delivered:** This section examines the resources made available through the tourism programme, the corresponding outputs that have been generated and our approach to examining the programme's economic impact.
- **Section 5: Conclusions.** This draws together the findings on outputs achieved, as well as strengths and weaknesses. It draws out key lessons from the experience of the tourism programme about how economic resources can be delivered at a regional and local level to match need and opportunity.

A number of annexes have been prepared to complement this main report document.

## 2 Appropriateness of the Tourism Programme

This section considers the appropriateness of the tourism programme, based on a review of the economic and strategic policy contexts. It considers the rationale for *emda*'s involvement, considered in terms of the 'market failure' addressed, and the relative importance of the sector within the East Midlands economy. Finally, through a review of the development of the programme, it examines the 'strategic fit' of regional and national policy.

### 2.1 Rationale and Market Failure

The rationale for any RDA intervention is:

- the achievement of economic objectives by addressing inefficiencies in the operation of markets and government / institutions (known as market failures); and/or,
- the achievement of an equity objective, such as local or regional regeneration.<sup>11</sup>

Policy interventions occur where market failure is deemed serious enough to warrant public expenditure to improve efficiency. In a largely qualitative, strategic assessment such as this, it is important to establish the nature and scale of this market failure problem and then establish the objectives and design of the intervention considered to be both effective and relatively efficient.

The tourism sector is characterised by a number of market failures that can prevent it from optimising its potential and from delivering expected economic benefits.<sup>12</sup> The Impact of RDA Spending Report suggested that:

*The inability of fragmented businesses to effectively co-ordinate activities such as tourism marketing may result in economic under activity and underperformance. Interventions to co-ordinate tourism marketing activity have been designed to increase awareness of regional attractions and generate positive externalities through increased spending in the region and elsewhere.*<sup>13</sup>

The managers we interviewed, who are closely associated with tourism activity in the region, suggested that *emda* was well placed to encourage and incentivise local agencies to work collaboratively rather than compete with one another and coordinate the long term drivers of growth associated with the tourism sector (i.e. infrastructure, innovation and skills, business support, etc). A minority of local authorities, faced with recent cuts in grant from Central Government, also suggested that *emda* is able to realise economies of scale for route to market (e.g. through acquisition of media, macro regional marketing).

*emda*'s assessment of market failure emphasises the significance of 'information failures', the idea that the East Midlands is somehow under-visited because it is a 'hidden gem' waiting to be discovered and there is 'untapped potential' within the sector. This was expressed in the following terms:<sup>14</sup>

- the region captures a **relatively low market share of tourism spend** compared with other English regions and the rest of the UK (i.e. just 5% of total domestic spend and 2% of international spend); and,

<sup>11</sup> BIS, Guidance for RDAs in Appraisal, Delivery and Evaluation (2008), p. 29

<sup>12</sup> The economic case for the Visitor Economy, Deloitte (2008) provides a comprehensive summary of the market failure rationale for public sector intervention in tourism at the national level

<sup>13</sup> Impact of RDA spending, National Report, Volume 1, Department for Business, Enterprise and Regulatory Reform (2009), page 39

<sup>14</sup> Source: *emda* Corporate Plan (2008-11) and The East Midlands in 2010 – The Updated RES Evidence Base, cited by ECOTEC in Evaluating the Impact of the East Midlands Development Agency, Tourism and Culture (2008)



- in relation to the rest of the UK, the East Midlands has a **negative balance of domestic tourism spend**, with residents of the East Midlands spending more outside the region than is spent in the region.<sup>15</sup>

Our own analysis, based on data available from the Annual Business Inquiry, confirms the untapped potential hypothesis. Tourism has performed well in terms of employment growth but there remains a **gap between regional and national productivity**, which illustrates that higher value added activities in this sector could potentially make a larger impact on the regional economy.<sup>16</sup> For example, business tourism is a potentially high value-added market with large international chains of hotels offering high quality service to residents and to delegates at conferences and other events. This requires not only high staffing rates but also specific skills related, for instance, to kitchen activities and the management of events.

The 'positive externalities' associated with marketing activity, with so called 'free riders' enjoying the benefits of marketing activity while not paying for its costs, are also important. The sector is composed of many small businesses and is also highly competitive and geographically specific, which can lead to too little marketing activity, as there is a lack of incentive for private sector firms to invest in marketing. Without the support of the public sector, this can lead to a level of marketing provision that is below the optimal level.

One area of debate between *emda* and its partners was the emphasis placed on overnight rather than day visitors, with the objective being to increase visitor value rather than volume. Day visitors spent £3.64 billion compared with £2.41 billion by overnight visitors in 2009. However, *emda* has chosen to direct all of its funding towards increasing the number of visitors staying overnight in the region (although, of course, the other funding made available to DMPs is not covered by this requirement). We were told, in interviews with managers closely associated with tourism activity, that:

- the day visitor market will remain important to the East Midlands, they are an important source of income to the tourism businesses of the region, supporting cultural attractions, shopping, sport and other leisure activities;
- increasing numbers of day visitors, however, place pressure on infrastructure and can lead to congestion in some areas at peak times (i.e. higher numbers of day visitors can lead to higher environmental costs linked to tourism consumption);
- a greater focus on staying visitors has the potential to increase earnings without increasing the overall number of visitors (e.g. in 2009, average expenditures per day per tourist category in the East Midlands were as follows: serviced (i.e. hotels and B&Bs): £96.17; non-serviced (i.e. self-catering): £43.77; staying with friends and relatives: £38.16; and day visitors: just £28.87);
- the attraction of higher spending and higher value markets is achieved by capitalising on the region's key assets (e.g. Peak District National Park) – dispersal of tourists to less popular areas and at off-peak times is desirable but difficult to achieve in practice;
- individual attractions tend to target their marketing resources to attract day visitors but the most acute market failure is in attracting overnight visitors; and,
- the emphasis placed on raising product and service remains vital - success depends on the thousands of tourism sector businesses in the region, they provide the jobs, generate the revenues and produce the profits that drive economic growth.

If the rationale for intervention is to address market failure and increase the ability of tourism to drive sustainable economic growth (i.e. which is the remit of *emda* and any other RDA), it is reasonable for *emda*'s funding to be directed at maximising net additional income for the region (i.e. rather than supporting the circulation of tourists within the region), supporting the

<sup>15</sup> Source: GHK analysis of United Kingdom Tourism Survey data, VisitBritain, including interviews with VisitBritain as part of a concurrent study for Defra.

<sup>16</sup> Source: Annual Business Inquiry and GHK analysis

development of new higher value added markets and marketing the region to more (higher spending) staying visitors.

## 2.2 Economic Context for the Tourism Programme

The following looks principally at the characteristics of the tourism sector, drawing out the overall contribution made to the economy of the East Midlands and highlighting strengths and weaknesses.

### 2.2.1 Understanding the Tourism Sector

Table 2.1 is based on STEAM (Scarborough Tourism Economic Activity Monitor) research, and provides an overview of the significance of the tourism sector to the economy of the East Midlands in 2009.

Table 2.1 Size of the Sector<sup>17</sup>

	<b>Tourist Numbers</b>	<b>Tourist Days (million)</b>	<b>Visitor Spend (£ million)</b>	<b>Average £ Spend per Night</b>	<b>Average £ Spend per Trip</b>
Serviced Accommodation	5.65	9.79	941.53	96.17	166.64
Non-Serviced Accommodation	2.61	17.39	761.08	43.77	291.60
Visits to Friends and Relatives	7.27	18.56	707.23	38.16	97.28
Day Visitors	126.25	125.25	3,645.08	N/A	28.87
<b>Total</b>	<b>141.78</b>	<b>171.99</b>	<b>6,054.92</b>	<b>34.83</b>	<b>42.32</b>

Source: STEAM 2009

STEAM approaches the measurement of tourism at the local level from the supply side, which has the benefit of immediacy and relative inexpensiveness (i.e. it is not dependent on expensive surveys of visitors or businesses).<sup>18</sup> STEAM is not designed to provide a precise and accurate measurement of tourism in a local area or region, but it does provide an indicative base for monitoring trends. A review of the available STEAM data indicates that tourism – including both direct impacts (from sectors directly related to tourism, for instance hotels) and indirect impacts (from sectors that rely on tourism through the supply chain) - contributed £6bn to the regional economy in 2009 (i.e. see Figure 2.1, an increase of nearly 20% since 2003):<sup>19</sup>

- this represents a real time increase of £394 million against the nominal increase of £728 million, taking into account the Consumer Price Index (CPI) i.e. an increase of 6.6% since 2003;<sup>20</sup>

<sup>17</sup> Source: STEAM – this approaches the measurement of tourism at a local level from the supply side (i.e. accommodation, attractions). It quantifies the local economic impact of tourism, from both stay and day visitors.

<sup>18</sup> STEAM is a well respected, industry standard method of analysing a wide range of data relating to tourism and translating that into information about the impact tourism has on a local economy. STEAM is not designed, however, to provide a precise and accurate measurement of tourism in a local area, but rather to provide an indicative base for monitoring trends.

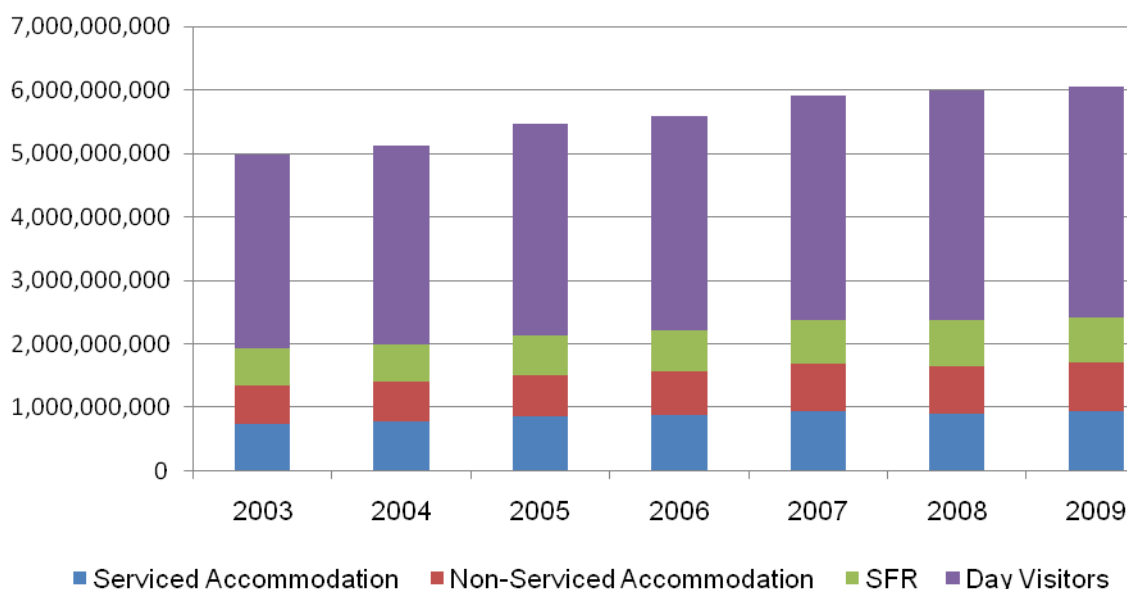
<sup>19</sup> Source: STEAM data provided by Global Tourism Solutions (UK) Ltd for *emda*

<sup>20</sup> Source: ONS - since December 2003 the Government has used the Consumer Price Index (CPI) as its main measure of inflation in the economy rather than the Retail Prices Index (RPI). An alternative measure, using the RPS, is cited in the East Midlands Trend Report 2003 to 2007-09 which suggests that the tourism sector has grown by £183m, measured by STEAM, in real terms since 2003;

- this was generated through the expenditure of 142 million visitor days;
- expenditure (including day visitors and staying visitors) is currently evenly spread across the sector, with most significant expenditure on food and drink, accommodation and shopping; and,
- the region derives a higher proportion of its visitor spend from domestic visitors when compared with other English regions (i.e. domestic visitors being 73% of the total in the East Midlands compared with 57% for other regions).

A recent publication by the Office for National Statistics estimates that the direct contribution (i.e. businesses providing tourism goods and services) represents approximately £2.1 billion a year.<sup>21</sup> This compares with manufacturing which had a GVA of £14.2 billion and real estate, renting and business activities with a GVA of £15.9 billion. Indeed tourism is larger in terms of GVA than agriculture, hunting, forestry and fishing (£836 million) and electricity, gas and water supply (£1.9 billion), and only slightly smaller than financial intermediation<sup>22</sup> (£3.3 billion) and public administration and defence (£3.7 billion).

Figure 2.1 Regional Expenditure (2003-09)



Source: STEAM data<sup>23</sup>

The findings of the Annual Business Survey allow for a more detailed description of the relative scales of the different sectors involved in tourism, using Standard Industrial Classification (SIC) codes as a proxy for the tourism industry. While not fully comparable, as it includes businesses which operate in the East Midlands but do not necessarily serve the interests of the regional tourism industry, this provides a comprehensive description of tourism businesses.<sup>24</sup> Our analysis indicates that in 2008:

<sup>21</sup> Office for National Statistics: Tullio Buccellato, Dominic Webber, Sean White, Felix Ritchie and Shadia Begum (2010), The Economic Impact of Tourism Across Regions and Nations of the UK

<sup>22</sup> This includes banking, building societies and other financial and credit services.

<sup>23</sup> Staying with Friends and Relatives (SFR)

<sup>24</sup> Defining the tourist industry is difficult. It is not an industry that is grouped into a single heading within the Standard Industrial Classification (SIC). The business generated by tourists is crucial to many hotels, restaurants, travel services and entertainment facilities, but it does not account for all the business of these sectors and in some regions it will make up very little of the activity. The most commonly cited employment data ignore these problems and provide information for employment in sectors that depend on tourism for some of their business. These include employment in the following sectors: Hotels & other tourist accommodation; Restaurants, cafes etc; Bars, public houses and night-clubs; Travel agencies and tour operators; Libraries, museums & other cultural activities; Sports & other recreation activities.

- **14,000 tourism related businesses were operating in the East Midlands.** This is an increase of 9% since 2003 (compared with a 6% increase for England), with growth exceeding the previous five year period, when the number of tourism businesses increased by just 2% (compared with 7% for England).
- **144,000 people were employed in the tourism sector in the East Midlands** (see Table 2.2). This is an increase of 9% since 2003 (compared with a 5% increase for England as a whole), although this rate of change falls significantly short of the 16% seen for the previous five year period.

From this we can assume that tourism is an increasingly important sector for the East Midlands, with growth in the region's businesses exceeding that seen in other regions (most notably over the last five years). As the growth in employment has exceeded the rate of business formation, a significant proportion of this growth has arisen from business expansion as opposed to business creation.

Table 2.2 Employment in Tourism (2003 -2008) in the English Regions<sup>25</sup>

	2003	2004	2005	2006	2007	2008
England	1,791,173	1,835,608	1,840,128	1,864,785	1,863,188	1,864,506
North East	80,451	80,615	89,377	88,907	84,810	86,788
North West	248,303	251,308	249,305	259,087	254,950	247,457
Yorks & Humber	165,266	179,516	175,580	176,418	175,415	170,786
<b>East Midlands</b>	<b>132,447</b>	<b>135,555</b>	<b>141,680</b>	<b>137,444</b>	<b>142,537</b>	<b>144,359</b>
West Midlands	161,133	172,806	177,025	182,247	182,238	173,549
East	177,117	180,195	172,783	185,340	179,910	185,361
London	336,968	335,482	341,565	335,578	337,753	347,644
South East	294,943	300,660	299,412	292,433	298,614	307,673
South West	194,543	199,471	193,399	207,328	206,960	200,889

Source: Annual Business Inquiry

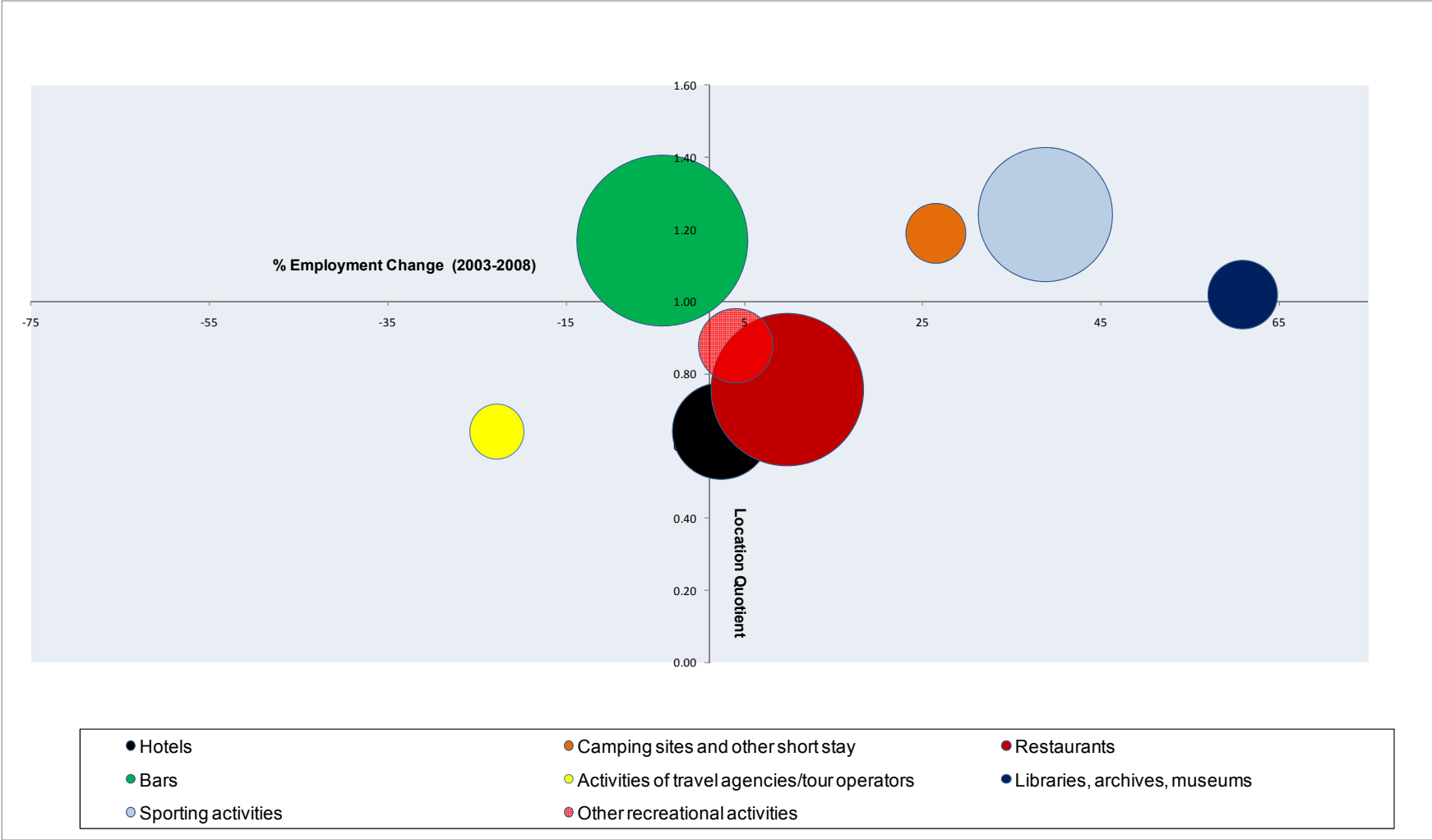
The factors underpinning these changes are complex and, to a great extent outside the influence of *emda* (i.e. changes in macro-economic conditions and exchange rates). We were told, however, in interviews with DMPs, that *emda*'s investment in supporting infrastructure and the quality of the tourism offer had been a significant contributory factor.

### 2.2.2 Components and Activities of the Sector

To gain a better understanding of the broader structure of the sector, we also measured the 'density' of businesses and employment in the East Midlands compared to the rest of England. Figure 2.2 illustrates relative employment levels for each of the eight component industrial groups for tourism.

<sup>25</sup> The information presented is based on the Annual Business Inquiry (ABI), a survey of a representative sample of employers in the UK. It collects information on employment and financial information, basing its findings on a sample of approximately 78,000 businesses each year,

Figure 2.2 Tourism Related Employment in East Midlands



Source: Annual Business Inquiry. Analysis generated using the following SIC coding: 551 Hotels; 552 Camping sites and other provision of short stay accommodation; 553 Restaurants; 554 Bars; 633 Activities of travel agencies/tour operators; tourist assistance activities; not elsewhere classified; 925 Libraries, archives, museums etc; 926 Sporting activities; 927 Other recreational activities.

The size of each 'bubble' represents the number of employees employed in the industry in 2008, with its position on the horizontal axis representing change in employment levels between 2003 and 2008, and its position on the vertical axis showing how employment levels in the East Midlands compare to what should be expected on the basis of relative national proportions. While most employment remains in bars and restaurants, these are declining areas of activity for the region. The largest increases in employment are to be found in: libraries, archives and museums, albeit from a small base (61%); sporting activities (39%); and camping sites and other short term accommodation (25%).

Significantly, employment in the sporting activities category is showing positive growth compared to the rest of the UK, by around a quarter in terms of economic growth and employment. This means that this is a specialised and (potentially) high growth sector for the East Midlands, with a range of sporting facilities on offer that make a growing contribution to the regional economy. A recent review of the evidence base underpinning the creative and cultural sector in the East Midlands highlighted that:

*The region also has a wealth of sports clubs and centres for activity. Major assets include national sports venues such as Trent Bridge cricket ground, the National Ice Centre and the National Watersports Centre as well as two premieriership rugby clubs, five race courses and six motor racing circuits. Loughborough University is also a centre of sporting excellence.<sup>26</sup>*

There is a similar specialism for camping/short-stay accommodation and also bars, although with lower significance. These three tourism related industries have relatively higher employment in the East Midlands as compared to the rest of the UK.

### 2.3 Sub Regional Analysis

Annex 2 provides a detailed aggregation and synthesis of data relating to visitor spend for each sub region of the East Midlands, based on STEAM data. In summary, we found that:

- Leicestershire, the Peak District & Derbyshire and Nottinghamshire have the highest numbers of visitors, with Lincolnshire and Northamptonshire having much lower visitor numbers;<sup>27</sup>
- day visitors contribute the largest share of visitor tourism expenditure in all sub regions with, for example, 67% of total expenditure in Nottinghamshire being linked to day visitors (i.e. the highest proportion of all sub regions);
- Rutland has relatively low levels of visitors, reflecting its small population and limited bed stock compared with other areas, but day visitors and non-serviced visitors (by far the largest category of any visitor) are growing steadily;
- there has been a general upward trend in the number of staying visitor days, with Lincolnshire having by far the highest number (although, across the sub regions, there was a slight reversing of this upward trend in 2008) and this has continued in 2009;
- Nottinghamshire, the Peak District and Derbyshire and Leicestershire contributed almost three-quarters of all regional tourism expenditure between them in 2009; and,
- in all cases, most expenditure is related to shopping followed by spending on food and drink.

Figure 2.3 illustrates the level of relative change in overall economic expenditure (direct and indirect) in each of the sub regions, with Annex 3 providing a more detailed overview of tourist numbers and their expenditure. If 2003 is taken as the base year, it can be observed, at a sub regional level, that:

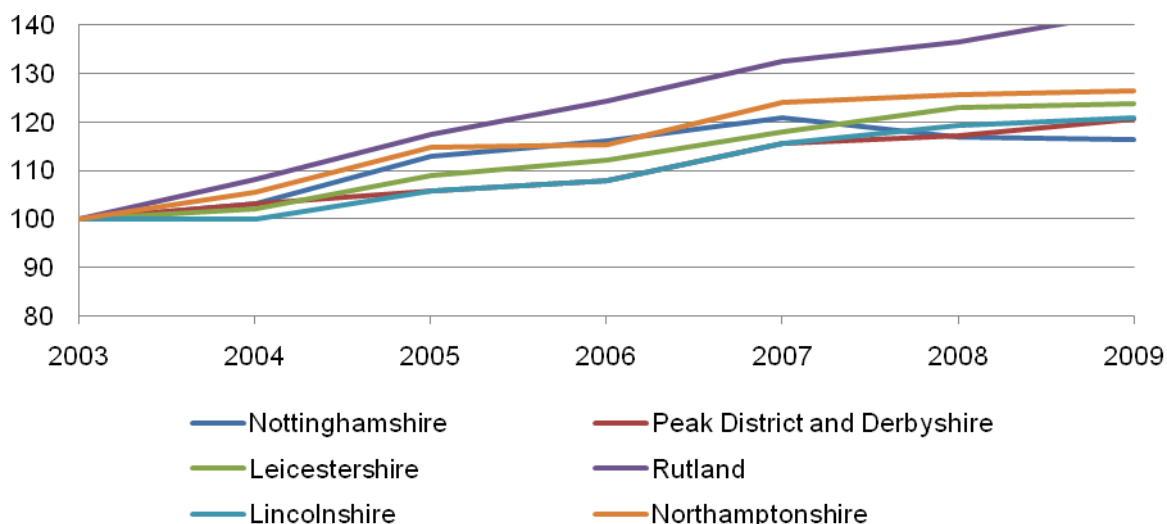
<sup>26</sup> Experian, Unlocking the potential of the creative and cultural sector: A Meta Review of the Evidence Base (2010)

<sup>27</sup> The assessment of the economic value and impact of tourism inevitably varies across the region. This, in part, reflects the strengths of the region's different natural and built tourism resources, different industrial structures and the differing priorities of partners at the local level as to what sectors need support in their area.

- all DMPs have seen considerable increases in visitor expenditure over the last six years;
- in all cases, apart from Nottinghamshire (in 2009), there has been a steady increase in visitor expenditure each year; and,
- the largest increase is to be found in Northamptonshire and Rutland (26%), although from a relatively low base.

Leicestershire and Northamptonshire have seen increases in expenditure which are greater than for the East Midlands region.

Figure 2.3 Index of Total Tourism Expenditure across DMP Areas



Source: STEAM data

## 2.4 Origins of the Tourism Programme

The strategic context for tourism policy at the national level has changed considerably since *emda* was established in 1999. There are four distinct stages of development, outlined below, which provide the momentum for *emda*'s tourism activity.

### 2.4.1 Tomorrow's Tourism (1999)

In 1999, 'Tomorrow's Tourism' set out the then Government's strategic approach to meeting the needs of the tourism sector's customers, and its aims for encouraging a growing and prosperous industry.<sup>28</sup> It stated that:

*Our ambition is to help the industry turn itself from one perceived in the past as providing a low-wage, temporary form of employment with no career structure or proper training, and as a result with a low-quality product, into an industry that puts quality at the heart of everything it does. Ours must be a world-class industry in every respect: the quality of its workforce; the energy of its marketing; the range of what it has to offer; and its care for the fabric on which it depends - our unique environment, heritage and culture.*

It set an overall target for the tourism industry, to match the global rate of tourism growth by 2010,<sup>29</sup> and three overriding objectives:

- to provide the right framework for tourism to flourish;
- to develop and spread quality; and,

<sup>28</sup> Department for Culture, Media and Sport, Tomorrow's Tourism: A growth industry for the new Millennium, 1999

<sup>29</sup> The UK's percentage share of world tourism receipts and arrivals has been generally declining for the past 20 years, although there has been some upturn over the last five years.

- to encourage 'wise growth'.

The core elements of this strategy were enshrined in a fifteen-point action plan, which included more central government support for the regions to give 'each part of the country better resources to develop their own identity and strengths'.<sup>30</sup>

In 2002, the Government announced that RDAs were to be given strategic responsibility for tourism in the regions from 2003. The intention was to give a regional perspective to tourism strategy and its support, with RDAs being accountable for the development of an 'integrated strategy for tourism'. This strategy was expected to enable the appropriate investment into tourism to be made depending on the importance of the industry to the economy of the region. Each RDA was to promote its region both domestically and also abroad.

#### 2.4.2 Tomorrow's Tourism Today (2004)

In 2003 the Culture, Media and Sport Select Committee report on 'The Structure and Strategy for Supporting Tourism' found that, despite these initiatives, the Government had not provided an adequate support structure for the tourist industry, taking 'too much of a laissez faire approach to tourism'. In response the Government published 'Tomorrow's Tourism Today' (2004) to clearly define the roles and responsibilities of key national, regional and local partners. The aim was to increase the productivity of the tourism sector, and its contribution to the country's wealth, and gain greater recognition for tourism as a driver of economic growth and community benefit. It named the RDAs as key partners in the delivery of the strategy, and assigned them specific responsibilities across each of the following:

- **Marketing and E-tourism:** develop regional marketing strategies where appropriate, which take full account of regional perspectives, priorities and strengths, and support the development of destination management systems.
- **Quality:** promote continuing quality improvement across all tourism businesses and make product quality a key consideration in investment decisions.
- **Skills:** support People1st (the sector skills agency) and encourage businesses in their regions to contribute towards it through regional skills networks, taking account of skills development in their corporate plans and working through best practice forums to raise the productivity of businesses in their regions.
- **Data:** ensure that data is collected to evaluate the impact of tourism in their regions, taking a consistent approach, jointly funding national surveys when pooling resources is cost-efficient and emphasising the importance of a good evidence base to local authorities and the private sector.

#### 2.4.3 Winning: a tourism strategy for 2012 and beyond (2007)

In 2007, the Government launched 'Winning: a tourism strategy for 2012 and beyond' which sought to maximise the benefits offered to the UK by the London 2012 Olympic Games. Its vision was to use the Games to develop the longer term growth, productivity and sustainability of the industry by:

- **improving perceptions** of Britain, developing and promoting a clear and concise brand, and delivering a first-class welcome to all visitors, through improvements to points of entry and ensuring accessibility;
- **enhancing the visitor experience** through improving the quality of the offer: this comprises improving the skills of the workforce (better management and leadership, customer service training etc), driving up quality in accommodation (increasing the number of hotels accredited and improving feedback from tourists);
- maximising the opportunities for increasing **business visits and events**;

<sup>30</sup> DCMS, 1999, page 5



- spreading the benefits to ensure that every part of the UK benefits from **the Games and the Cultural Olympiad**; and,
- **improving sustainability** by ensuring that the needs of the community are central to the development of tourism and that the environmental impact of tourism is fully accounted for.

Since 2007 the funding made available by the DCMS to tourism has reduced each year – from £55m in 2007-08 to £46m in 2010–11. Circa 7% of this budget has typically been devolved to the RDAs; hence their collective allocation has decreased by £100k each year.<sup>31</sup> *emda* receives around £230,000 a year from the DCMS, representing 7% of the funding made available through *emda*'s annual tourism programme.

#### 2.4.4 The National Tourism Strategic Framework (2010)

In March 2010 VisitEngland, the new national tourist board, launched the National Tourism Strategic Framework for England (2010-20). Emphasis was placed on growing market share in an increasingly competitive sector through a detailed ten-year plan, providing focus and challenge for an industry that was then forecasted to experience 5% annual growth, delivering an additional £50bn in visitor spend and over 225,000 jobs.<sup>32</sup>

The Framework has four key objectives:

- To increase England's **share of the global visitor market**: developing a thorough understanding of the visitor's motivations across target markets, to develop campaigns that focus England's most attractive destinations and experiences (utilising an 'attract and disperse' strategy). The use of technology to deliver messages / shape decisions / build loyalty is considered key.
- To offer compelling **destinations of distinction**: connecting work across the visitor economy and cultural sectors, and recognising the different statutory responsibilities of public bodies and regulators, Enabling the development of an integrated approach to destination management, that takes into account both visitors' and residents' needs, opportunities for growth as well as environmental considerations. The approach should be underpinned by a focus on 'quality', as defined by the visitor experience and determinants of satisfaction.
- To champion a **successful, thriving industry**: more effective use of statistical and market intelligence, with a focus on releasing under-utilised capacity and a readily available tourism infrastructure (natural or man-made). Addressing key skill issues and improving business performance and productivity by improving visitor perceptions and experience of customer service, increasing retention and advancing skills development through better engagement with businesses in the sector.
- To facilitate **greater engagement** between the visitor and the experience: modernisation to ensure that information provision is integrated nationally, utilising major advances in technology and responding to new and emerging innovative solutions i.e. socially generated content as a fast and innovative way of communicating with potential visitors, and the rapid growth of networks such as Twitter and Facebook and the use of these as marketing tools.

Each objective has been translated into distinct actions, each assigned to named partner agencies. Annex 4 presents an overview of the 19 actions, indicating where RDAs, local authorities and their partners have been named as partners who expected to contribute to delivery.

<sup>31</sup> DCMS (2007), Media Release: Three Year Tourism Funding Settlement Agreed (24 October 2007). The DCMS allocation to BIS for funding tourism activities across all the RDAs in 2009-10 was just £3.4m. In the same year *emda* expenditure on tourism was £3.2m, with £230,000 made available through DCMS.

<sup>32</sup> VisitEngland (2010), Strategic Framework for Tourism in England 2010 - 2020

## 2.5 The Regional Economic Strategy

The role of the Regional Economic Strategy (RES) is to provide a shared vision for the development of the region's economy. The RDA is charged with drawing up the RES and keeping it under review. The aim is to formulate a strategy that is owned by the region and commands wide support, which draws on the support and resources of all the major partners in the region.

The second iteration of the RES, 'Destination 2010', noted the importance of the tourism sector to the regional economy, making 'tourism and culture' one of twelve key priorities.<sup>33</sup> It also identified weaknesses in the industry, namely:

- the **lack of recognition** of regional attractions;
- the **quality of the product** or information related to skills and training; and,
- the lack of **relevant business advice** and support.

The RES highlighted the need to balance the growth of the industry and manage its impact on the environment and on local communities (particularly in rural areas), suggesting that the main focus on growth should be on increasing visitor expenditure rather than visitor numbers (i.e. converting day visits into overnight stays). The activities identified included the following:

- develop and implement the regional tourism strategy;
- increase the number of visitors sourcing tourism information online and tourism businesses trading online by promoting the use of online booking and business;
- increase access to and provision of specialist business advice through a business network and specialist business advisers;
- implement the 5-year recommendations of the Tourism and Culture Workforce Development Plan;
- recognise and promote projects that support environmental good practice in the tourism industry;
- establish clear evidence of links between arts, sport and economic regeneration, through research and pilot projects;
- develop niche product areas such as ecotourism, cultural tourism, and business tourism;
- establish the region as a world-class environment that attracts major investment by increasing its capacity to attract major international events; and,
- develop quality initiatives linked to accommodation, food and drink, employment and skills, and the provision of information.

The Strategy established two targets against which to measure success, to increase:

- visitor spend in the region by an average of 1.6% per year by 2005 and by an average of 2% per year by 2010; and
- the contribution of tourism to GDP to 4.5% by 2010.<sup>34</sup>

Both targets have largely been met. Using the Government's official CPI measure outlined in section 2.2, the contribution of tourism to the regional economy has increased by 6% in real terms since 2003. The table below highlights the increases in visitor spend since 2003, which has varied (depending on a range of extraneous factors, such as changes in the exchange rate) but broadly match the targets outlined in the RES.

<sup>33</sup> *emda* (2003), Destination 2010: Regional Economic strategy for the East Midlands 2003-2010

<sup>34</sup> Cited in Destination East Midlands, paragraph 3.2

Table 2.3 Visitor Spend (2003-2009, £million)

	2003	2004	2005	2006	2007	2008	2009
Derbyshire	1247.83	1253.68	1286.12	1312.44	1404.06	1425	1467
Leicestershire	1085.62	1080.19	1180.72	1186.43	1246.89	1303.1	1309.87
Lincolnshire	824.05	802.94	869.86	866.47	927.15	959.01	971.64
Northamptonshire	680.81	699	780.19	765.55	823.56	834.4	838.34
Nottinghamshire	1218.75	1225.39	1374.15	1377.95	1436.58	1389.31	1382.7
Rutland	61.49	64.82	71.96	74.55	79.47	81.86	85.79
Visitor Expenditure	5118.55	5126.02	5563	5583.39	5917.71	5992.68	6055.34
<b>Percentage increase (year on year)</b>		<b>0.15%</b>	<b>8.52%</b>	<b>0.37%</b>	<b>5.99%</b>	<b>1.27%</b>	<b>1.05%</b>
<b>Comparison against RES targets</b>			<b>8.68%</b>				<b>8.45%</b>

The 2006 RES, A Flourishing Region, established the theme 'Building the Visitor Economy' as an area of activity in its own right, part of the 'Enterprise and Business Support' strand. Strategic priorities broadly reflected those identified in the 2003 RES, acknowledging the potential for tourism to make a growing contribution to the region's prosperity and productivity, providing a range of flexible employment opportunities and strengthening the profile of the East Midlands as a place to visit and invest.<sup>35</sup> The challenge was to ensure that the many micro and lifestyle businesses in the sector (including rural and farm-based businesses) were given the support required to lift standards of product and service quality, innovate sales and distribution channels; and closely target their marketing to attract high value customers. The RES now identified two key growth opportunities:

- **Inbound tourism**, where there was potential to increase the number of staying visitors (leisure-based visitors from short-haul European markets, with other niche opportunities existing with some long-haul markets, such as USA) – though this was seen to depend upon an improvement in the quality of the region's tourism offer, both in terms of facilities (particularly accommodation) and service.
- **Establishing the region as a business tourism hub** (defined as all travel to meetings, conferences and exhibitions) to exploit the region's central location and transport links. This was seen to encourage a significantly improved offer, which could include a major dedicated conference and exhibitions facility or substantial upgrading of existing stock.

The priority action was to increase visitor spend by:

- **targeting regional and sub-regional marketing and promotion** with the aim of increasing visitor spend, particularly from staying and inbound visitors; and,
- **developing a coordinated campaign to encourage investment** in public realm, conferencing and business tourism facilities.

<sup>35</sup> *emda* (2006), A Flourishing Region: Regional Economic Strategy for the East Midlands 2006-2020

## 2.6 *emda's* Corporate Priorities

*emda's* Corporate Plans are prepared on a 3-year rolling basis and identify the national priorities and Public Service Agreement (PSA) targets to be supported and how it will use its resources to support delivery of the RES.

The Corporate Plan 2003-06 combines tourism with culture and sport and allocated nearly £6.1 of funding. Key outcomes and milestones included the following:

- to produce a 7 year **Regional Tourism Strategy** by the end of 2003 and distribute funding to the then Regional Tourist Board against the regional priorities set out in the strategy;
- **champion business support and advice**, including funding for specialist business advisors and research to inform a tourism-learning network in the region;
- **market intelligence and research**, including funding for an economic impact study (i.e. into market demand and expectations) and to establish and maintain systems to collect baseline data;
- **product development**, to identify and support emerging brands and products and to develop those products that will create better links between the region's urban and rural areas;
- **marketing**, including help to co-ordinate and develop regional marketing products and funding to raise the profile of the region, both in the UK and abroad; and,
- **quality**, including a survey to assess the quality of access, accommodation, information and service in the region, against nationally accredited standards, plus encouragement for businesses to become quality assured.

£13.4m was allocated to tourism over the Corporate Plan 2005-08 - a significant increase, in recognition of the broadening of the RDA's remit and the creation of East Midlands Tourism (EMT). In summary:

- EMT was expected to guide implementation of **Destination East Midlands**, with local delivery managed by DMPs.
- *emda* was expected to support EMT in delivering its main priorities, improving quality through a **Quality Improvement Plan and marketing** to attract more staying visitors.
- In addition, making the links across its wider place making agenda, *emda* expected to **stimulate investment in major tourist attractions** and in gateway visitor information centres.

The Corporate Plan 2008-11 allocated £12.56m for tourism, which now formed a sub-set of the Enterprise and Business Support strand of activity.<sup>36</sup> Outcomes and milestones were included against three headings: marketing: quality improvement programme/skills; and investment. *emda* also signalled its intent to liaise with the range of delivery organisations to investigate ways in which they might work together to realise efficiency savings by, for example, centralising administrative functions and improving the connectivity between the different activities.

## 2.7 Destination East Midlands (2003-10)

The first regional tourism strategy, Destination East Midlands, was published in 2003. It seeks to identify more detailed regional priorities for the visitor economy, based on the objectives outlined in the RES (2003) and allocate responsibility for delivery.<sup>37</sup>

<sup>36</sup> Tourism funding falls under the 'Place' heading within this Corporate Plan. *emda* implemented this reorganisation to mirror the pan-RDA generic headings developed as part of PwCs national impact assessment (People, Place, Business) which was used to inform the recent Public Value Programme review by HM Treasury.

<sup>37</sup> *emda* (2003), Destination East Midlands – East Midlands Tourism 2003-2010

The strategy sought to increase visitor numbers through promotion and marketing, as well as through business support, and inform investment in tourism infrastructure. Destination East Midlands is based around seven strands:

- **Branding and marketing:** Define and build a powerful set of destination brands, to rationalise and harness integrated marketing using new media techniques, and appeal to clearly defined customer segments. The strategy calls for a focus on sub-regional brands rather than a regional brand.<sup>38</sup>
- **Attractors:** To invest in excellence, in those products and experiences that relate to the lifestyles of contemporary visitors and are capable of attracting high value visitors.
- **Infrastructure:** To turn the 'theoretical accessibility' of the region into reality, across information services, transport, and getting around the region.
- **Business skills and training:** To encourage businesses that are capable of flourishing and help ensure that the skills that they need are readily available.<sup>39</sup>
- **Performance measurement:** To set up systems for comprehensively and reliably measuring and assessing the performance of the tourism industry to the benefit of both operators and public sector agencies.
- **Special projects:** To prioritise and focus on projects that will have a major impact on the performance of the East Midlands as a visitor destination.
- **Delivery:** To establish the principles for mechanisms that will ensure the delivery of the strategy.

It called for better co-ordination of activity at the regional, sub-regional and local levels to reduce duplication, and gave priority to investment that: supports iconic brands; creates destinations (rather than stand-alone attractions); encourages high value staying tourism (the focus being on value rather than volume); and protects and improves the region's primary tourism assets of high quality natural and historic environment.

## 2.8 EMT Corporate and Strategic Plans

The EMT Corporate Plan (2005-2008) noted the strategic role the new organisation was expected to fulfil, providing leadership, contributing to national priorities and promoting cross-regional activity. The Plan included the following priorities:

- **Making marketing work** - to attract and convert substantially more staying visitors to the destinations of the East Midlands: The Plan included a commitment by *emda* to devolve support to local DMPs to support their own destination marketing strategies. These were to be focused around discretionary markets such as overnight conference tourism and the short-break leisure market. In addition, some regional marketing related support was expected to underpin the destination based focus.
- **Improving quality** - to raise the value of core tourism services and products to enable the region to be positioned competitively and to encourage repeat visits and referrals: The Plan aimed to embed a range of quality improvement activities across the region with EMT, DMPs and others playing a role in delivery of projects to address areas of weakness (i.e. to improve service and product quality, with some support for initiatives and organisations concerned with improving the quality of the broader environment and the public realm).

<sup>38</sup> The strategy includes the creation of a brand map for the East Midlands and identifies seven key tourism 'icons' in which promotion will be prioritised; the Peak District, Sherwood Forest, Nottingham, the National Forest, Lincoln, Skegness, and Leicester.

<sup>39</sup> This strand aims to deliver the recommendations of the Workforce Development Strategy for the Tourism and Cultural Sector in the East Midlands 2002-2005. The workforce development strategy highlights a number of challenges, notably perceptions of low pay and conditions and poor career prospects, in addition to skills gaps, recruitment difficulties and high staff turnover rates.

Two supporting strands of activity were also included, to be undertaken at the regional level, with support from the DMPs and others as necessary:

- **encouraging investment**, to attract the resources needed to build a high quality tourism offer to successfully compete with other regions of England; and,
- **intelligence and evaluation**, to be ‘renowned as having the best tourism knowledge and understanding and to apply that insight successfully to create growth’.

The strategic focus of the plan is on boosting overnight tourism, both from inbound and domestic visitors, through:

- **marketing**, to attract more staying visitors;
- **quality**, to raise the quality of tourism services and products;
- **investment**, to attract the tourism investment needed; and,
- **intelligence**, to be renowned for having the best tourism knowledge and understanding and to apply that insight successfully to create growth.

The Plan sought to realise three key outcomes, outlined below:

Table 2.4 EMT Corporate Plan 2005-08 – Summary of Outcomes

Outcome	Comment <sup>40</sup>
An <b>increase in visitor spending underpinning new jobs, new businesses</b> and supporting the development of a professional and skilled workforce	Largely achieved –visitor spend increased by 8% between 2005 and 2008, lower than expected skills outputs were achieved but GVA increased
Considerable <b>increase in the profile of the region</b> , together with its constituent destinations, as a place to visit, to do business and to enjoy with family and friends	Achieved - a co-ordinated regional tourism marketing strategy, with a high Return on Investment, has raised the profile of the region and increased visitor numbers (including during the key peak season period)
<b>Higher quality experience</b> for both visitors and residents	Largely achieved - development and delivery of a Quality Improvement Programme, leading to achievement of national quality standards and increasing numbers of businesses achieving green standards

Noting the East Midlands position in 8th place, out of 9 regions, in terms of both domestic and overseas tourism spending, the Plan established an ambitious vision to use the available investment to grow visitor spending by 30% by 2010 (between 2003 and 2009 visitor spending has increased by 18%). A summary of performance against targets contained in the Executive Summary of this report and provides details of the extent to which targets were achieved.

The 2008 Strategic Plan, Building the Visitor Economy, sought to build on the lessons learnt over the previous three years and experience of delivering shared strategic priorities. While the primary objective remained to realise the full potential of the visitor economy in the East Midlands, the ambition was to develop an expanded but more tightly defined set of actions.<sup>41</sup> A range of ‘guiding principles’ were agreed by the EMT Board to direct contributions by a range of strategic partners including *emda*, the DMPs and local authorities. The plan sought to make a significant contribution to the delivery of the RES by:<sup>42</sup>

<sup>40</sup> Further details of performance against targets can be found elsewhere in sections 2 and 4 of the report

<sup>41</sup> *emda* (2008), Building the Visitor Economy: Maximising the Impact of Tourism and the Visitor Economy in the East Midlands - Strategic Plan 2008-2011

<sup>42</sup> *ibid*

- **growing the contribution** that the visitor economy makes to the regional economy by increasing the number of visitors to the region; and,
- **increasing the productivity** of the region's visitor economy related businesses by improving the quality of the region's offer and the skills of the workforce.

The guiding principles informed three headline objectives, which were expanded to identify a more tightly defined set of priority actions:

- **increase the current numbers of visitors** to the region and their **levels of expenditure**;
- **improve the competitiveness, productivity and quality** of the tourism offer for all types of visitors to the region; and,
- **plan and facilitate the investment** need to reinvigorate the region's tourism and visitor offer.

It is too early to make an informed view on the progress made against these objectives as STEAM data is only available up to 2009. Based on the available data, we can say that visitor numbers, expenditure and employment increased between 2008 and 2009, despite the recession. The value of the East Midlands visitor economy has increased by £68 million during 2009, a 1.3% increase on the previous year and is now worth £6.05 billion. The sector has generated 1,847 new jobs in the last 12 months.

Individual tourism businesses were also expected to receive support through mainstream business support measures, as part of a process of business support simplification, with *emda* later including additional resources through its support for East Midlands Business (EMB) and through People 1<sup>st</sup> (the Sector Skills Council).

Looking beyond the headline objectives, the Strategy sought to add value in a number of other more strategic ways, including:

- providing **strategic direction** and focus for other public and private sector stakeholders to contribute to the development of the visitor economy;
- leveraging **additional funding** of at least £4.5m from other public sector partners to support the DMP network and a further £3.3m to support capital development;
- leveraging additional **private sector funding** of at least £1m to increase the impact of marketing activities; and,
- providing opportunities and a **forum for engagement** across the sector on issues of strategic importance.

## 2.9 Conclusions

The tourism programme is based on a robust and evidence based appreciation of the market failure rationale for public sector intervention. Tourism is a major contributor to the regional economy, income increasing significantly over the past six years, with opportunities available to invest in the quality of the tourism product and related services in order to provide a high quality experience. Recognising the need to improve the competitiveness of the tourism sector in a sustainable manner, *emda* has adopted a coherent and integrated policy framework which is conducive to sustainable economic growth. The programme has sought to raise skills in the tourism sector and improve the quality and productivity of tourism's labour force via, for example, quality assurance standards, promotion of environmental sustainability, the collection and analysis of data and marketing and communication. More broadly, through the development of regional tourism strategy and policy, *emda* has sought to facilitate cooperation and the creation of networks. In the following sections of the report we assess the extent to which the objectives and targets of regional strategy and policy have been realised.

### 3 Strategic Influence of the Tourism Programme

This section considers how *emda* has sought to mobilise key partners in the tourism sector in support of RES objectives. It includes an analysis of the strategic value of the tourism programme, considered in terms of how strategy and delivery arrangements are perceived by partners in the region and whether the programme has exerted a strategic influence on their activities and priorities.

#### 3.1 East Midlands Tourism

The devolution of strategic leadership for tourism in 2003 provided *emda* with an opportunity to review the role of the pan regional tourist board - Heart of England – and how it delivered tourism promotion activities across the East Midlands. It was the catalyst for *emda* to put in place arrangements for the formation of East Midlands Tourism (EMT), a new leadership body for the tourism sector in the East Midlands. The role of EMT is to implement the Regional Tourism Strategy, Destination East Midlands. Arrangements were made for EMT to be governed by a non executive Board, with a Chair from the private sector. *emda* considered various delivery models to ensure good governance, one of which was to establish EMT as a body that was separate from *emda*, being independent and fully accountable to its own Board (indeed, the EMT Board was originally established on this basis). However, after further consultation, it was decided that EMT would function most efficiently and effectively within *emda*.<sup>43</sup>

#### 3.2 Destination Management Partnerships (DMPs)

Five DMPs are responsible for the promotion of tourism products and the delivery of much of the tourism strategy in the region. Three of the DMPs were already in place prior to 2003 - Leicestershire, Lincolnshire and Nottinghamshire - though the latter was City-focussed. Having acquired strategic responsibility in 2003, *emda* worked with sub-regional and local partners to create structures to cover areas without a DMP (broadening the DMP in Nottinghamshire, and creating new DMPs in Derbyshire and Northamptonshire), and ensure that all structures had the skills and capacity to assume a wider delivery role, encompassing:

- local strategic leadership and coordination;
- marketing planning and delivery;
- quality assurance, including the Quality Improvement Programme; and,
- best practice exchange and review.

EMT has since devolved around two-thirds of its revenue funding to the DMPs every year, a figure far greater than other regions we reviewed for this evaluation and the majority of other *emda* programmes. DMPs were expected to find match funding for marketing from other sources, such as local authorities. It was anticipated that 25% of their turnover would initially come from other sources, rising to 50% in Year 3 (where turnover should be between £2.5 and £4.5m).<sup>44</sup>

The five DMPs have evolved differently in each sub-region, depending on local circumstance (Annex 6 provides further details):

- Each DMP acts as an **umbrella organisation** to set the strategic agenda in partnership with a wide range of stakeholders. Broadly speaking, their role is to market the

<sup>43</sup> In April 2008 the format, function and governance arrangements of the EMT Strategic Board were reviewed. A new Tourism Council was introduced with a new Terms of Reference and including representation from a cross-section of organisations with a stake in the visitor economy. The Council is expected to provide expert advice on tourism-related matters, acting as a sounding board for strategically significant initiatives and review the development of the three year plan against targets, ensuring that activity meets business and visitor needs. The Executive Group continues to meet regularly to examine day-to-day operational delivery.

<sup>44</sup> EMT Corporate Plan 2005-08



destination widely, to champion the quality agenda and to grow the economy through support for a competitive and viable industry.

- The DMPs contract with various public sector bodies and aim to **deliver specific outputs**. Their exact role is defined by the specific conditions attached to a given funding stream.
- Each DMP has taken a different approach to income generation (i.e. Visit Lincolnshire charge members a fee) but all the DMPs derive **significant proportions of their funding from public sector grants**.

Table 3.1 sets out the funding structure for each DMP for the 05/06 financial year, alongside data detailing their more recent position where it is available. It can be seen that:

- **none of the DMPs have been able to reach the degree of self sufficiency** expected in 2004;
- **annual turnover for the DMPs has remained the same or decreased**, with Nottinghamshire having seen the most significant decrease of a quarter in the last five years; and,
- the **DMPs derive around a third of their income from EMT grant funding** (though the proportion varied considerably from DMP to DMP) – the dissolution of *emda* (expected by April 2012) must, therefore, raise significant doubts about their ongoing viability.

Concerns were expressed from partners regarding the financial sustainability of the DMPs given impending budget cuts, with some considered to be more vulnerable than others depending on the degree to which they are dependent on public funds. Some noted the opportunity to better link or merge DMP structures with unitary local authorities and council structures as a way of realising cost savings, and of better linking tourism development to other areas of economic development (i.e. through local delivery vehicles or development companies).

### 3.3 Other Regional Approaches to Tourism

*emda* is not alone in considering tourism as an important element of its economic strategy. Annex 7 provides a comparison of the key high-level features of regional tourism programmes in the West Midlands, North East and the East of England. Observations, based on these regions only, are as follows:

- **Strategy:** Each region has a tourism strategy that seeks to define how regional partners are expected to deliver the objectives outlined in the RES. Each region has placed a consistent emphasis on a number of key themes, most notably the need to attract more visitors, particularly more overnight visitors and high value leisure visitors. Emphasis is placed on the need to improve the evidence base for intervention through monitoring and evaluation. Strategies seek to prioritise activity led by intelligence on consumer demand, investing only in those market segments and types of trip which deliver the greatest economic benefit to the region. The RDAs have increasingly focused their resources on a small number of activities which can deliver the largest scale benefits, minimising risk by targeting a mix of market segments for the short and long term. It is rare for regional tourism strategies to link activity to the broader regional development agenda through, for example, highlighting support for inward investment and the potential contribution of tourism to the delivery of more sustainable communities.

Table 3.1 DMP Funding

	Annual Operating Income 2005-06						Updated Position Statement – Latest Available Accounts
	Total	% funding from EMT	% funding from SSP <sup>45</sup>	% funding from local authorities	% funding from other grants	% funding from earned income <sup>46</sup>	
Peak District and Derbyshire <sup>47</sup>	1,171,300	46	4	34	3	13	£1,229,900 in 2009/10
Leicestershire	2,196,400	20	4	37	0	39	£1,388,777 in 2009/10
Nottinghamshire	2,049,200	18	18	20	23	22	£1,479,000 in 2009/10
Northamptonshire	1,659,600	26	29	17	0	18	Disaggregated figures for Northamptonshire are not currently available. It has not been possible to separate data on core costs, tourism marketing and non-tourism related marketing.
Lincolnshire	1,423,300	50	0	26	4	20	£1,515,124 in 2009/10

Source: *emda* (2006), *Destination Management Partnerships: Review of performance - Final Interim Report* (KPMG – June 2006)

DMP updates: *Visit Peak District and Derbyshire Business Plan 10/11*; *Leicester Shire Promotions Annual Report 08/09*; *Experience Nottinghamshire Ltd Business Plan 10/11*; *Northamptonshire Enterprise Ltd Strategic and Operational Plan, 07/10*; and, *Visit Lincolnshire Annual Report 08/09*

<sup>45</sup> Funding for SSPs also came from *emda*.

<sup>46</sup> This column includes income from commercial activities, for example, visitor guides.

<sup>47</sup> Note: the DMP for the Peak District and Derbyshire was established in 2005-06.

- **Activities:** Activities are broadly consistent (following the remit outlined by DCMS when strategic responsibility for tourism was devolved to RDAs), including the development of the regional and sub regional 'tourism offer', product development, skills and workforce development, business support and marketing. Marketing is the key area of activity, with each of the three regions having a centralised body leading on overseas campaigns. Destination based campaigns are led by regional or sub-regional bodies, though always in partnership to ensure the consistency of branding. The North East, for example, has sought to develop a collaborative approach through a regional identifier brand (formally established in a Regional Image Strategy). Other regions have also sought to include preparations for London 2012 and Cultural Olympiad within the remit of tourism rather than broader cultural activity.
- **Design of the programme:** The three regions were relatively slow to bring a delivery structure for tourism into full operation. It was not until 2006 or 2007 that the models were implemented and even then it took time for them to bed down in some cases.

Overall the three comparator regions are operating devolved structures, with the RDA or a tourist board funded by the RDA with overall responsibility for tourism tending to be closely tied to the RDA. Since 2003 the three comparator regions have each placed greater emphasis on:

- understanding customer needs and reaping the cost savings from collaborative research to explore key values and brand clusters (i.e. in the West Midlands);
- more 'sustainable' approaches to tourism, encouraging businesses to play a full and active part in achieving regional sustainable development objectives (i.e. leading to a low carbon future, reduced resource use, a resilient countryside and vibrant communities), through region-wide awards, guides and workshops (i.e. in the East of England);
- targeting investments to increase benefits without contributing to adverse impacts such as congestion and volume to maximise the chances of attracting new markets (i.e. across all regions); and,
- introducing a regional network or forum (beyond Board structures and operational meetings) which provides a means for debate between the RDA and the sub-regional bodies (i.e. in the North East, Tourism Network North East).

### 3.4 Strategic Added Value

The impact of an RDA can only be fully understood if their contribution to wider outcomes is taken into account. The concept of Strategic Added Value (SAV) was developed in recognition of the need to take account of the catalytic and influencing role of an RDA and its investment. This is an important concept allowing an opportunity to:

- reflect on the 'whole' contribution of the programme;
- assess the performance of 'non-programme' activities such as a change in research orientation, strategy-making, influencing etc;
- qualify and re-assess programme progress that is also measured in outputs; and,
- encourage longer term thinking and the sharing of best practice.

An RDA adds strategic value, compared to the unimproved situation, to the extent to which it is able to exercise appropriate leadership, co-ordination and intelligence, clearly demonstrating the market failure rationale for intervention. In this evaluation we sought to capture this added value, which we defined as:

- **Strategic leadership:** where *emda* engaged with, involved and encouraged present and potential partners and stakeholders to commit to a shared vision, strategic objectives and priorities.
- **Co-ordination and Partnership:** where *emda* used its capacity and expertise to co-ordinate partners and stakeholders to act in partnership and promote synergy, achieve leverage (based on the above shared strategic objectives).

- **Intelligence and Awareness Raising:** where *emda* undertook or stimulated activity that informed, defined and/or improved what needs to be done (i.e. evidence gathering, sharing ‘what works’ and best practice, etc).

Whilst it is not possible to quantify this improvement in SAV as an increase in the Return on Investment, this assessment examines the link between the *emda*’s strategic activity and the process of defining and responding to market failure.

If we draw together the view of consultees across the region, the following picture emerges. The strengths and the weaknesses highlighted are not necessarily common to every element of the programme or any one DMP or indeed EMT or *emda*. The analysis reflects impressions and views (not agreed in every case) across the programme among the consultees and among the DMP managers who responded to our self assessment and were later interviewed. Our own views are also included.

### 3.4.1 Leadership

After a slow start, in large part reflecting the need to work in partnership, the tourism programme structures have provided strategic leadership:

- EMT has been **effective in engaging and consulting partners** in the policy development process and its delivery structures. For example, interviewees said they had attended consultation exercises and events, their views were expressed, debated and often included.
- EMT has become **well respected by public and private sector partners** with a strategic remit and is considered helpful in making themselves available at the end of a telephone (‘they are useful as a professional resource to call upon’).
- EMT’s **contribution to national debates was respected** and valued amongst national tourism partners, including DCMS. This relationship is valued by all parties, with EMT appreciated as the ‘voice of the sector’ within the East Midlands, capable of engaging with its businesses and agencies and therefore able to take a lead on strategic, cross cutting issues.
- While EMT has **shaped the strategic direction of delivery of tourism and marketing services**, DMPs are considered to be well placed to deliver integrated plans at the local level, ensuring that the role that tourism plays within ‘place making and shaping’ is fully understood and embedded across key regional and sub-regional delivery organisations.<sup>48</sup> Significant levels of funding have been devolved to sub-regional structures (a comparison with the three other regions studied highlights that the East Midlands has traditionally devolved the largest percentage of funding of any region).
- **EMTs oversight by the Tourism Council is viewed very positively.** Private sector engagement is at a high level but with strong links with enterprising individuals with a strong track record in the tourist sector. These links allow EMT to communicate with, and influence, national tourism bodies (e.g. the ex-chairman of the Tourism Council sits as an observer on the board for Visit England).

Stakeholders generally understand the strategic framework for tourism and how this relates to their organisation and the partners they worked with in their locality. They were aware, and supportive, of the overarching strategic direction established through Destination East Midlands. They recognised the need to improve the competitiveness, productivity and quality of the region’s tourism offer and increase the number of visitors to the region and their levels of expenditure.

<sup>48</sup> We refer to place making as the contribution that local authorities make through individual initiatives (e.g. transport) and in adding value to the actions taken by others (i.e. community leadership). As bodies controlling 25 per cent of all public spending and employing 1.6 million people, councils have played a direct role in the health of their local economies and in shaping wider markets of service provision.

Any subsequent review of Destination East Midlands was expected to focus activity and prioritise funding. For some this meant further clarifying the roles and responsibilities of organisations, which had become confused as the various partner agencies had acquired strategic responsibilities at different points in time and with different aims in mind. There was also an appetite to see the rationale for intervention at the regional and sub-regional level more clearly established and communicated. One interviewee described this in the following terms:

*'The need for a specific form of public sector intervention at a particular spatial scale should be demonstrated, based on evidence of clear market failure, to facilitate a process whereby partners re-convene around an agreed and focused plan of activity'.*

Others suggested that greater understanding of the sector has demonstrated that the visitor has a greater footprint across a much wider range of sectors and businesses than originally considered, including a wider range of accommodation providers or attractions. Indeed, commentators and decision makers increasingly prefer to use the term 'visitor economy' (as opposed to tourism) to better reflect the breadth of economic activity that defines and shapes the visitor experience, and more effectively include business tourism, festivals and events (a key issue for cities). The visitor economy is the responsibility of many organisations; it remains fragmented and complex, with many stakeholders and assets playing a part. Interviewees suggested the need to improve communication mechanisms and increase collaboration across public sector bodies with an interest in tourism, most notably across tourism, culture and sport (i.e. including DCMS funded organisation such as Arts Council England, Museums, Libraries and Archives Council, Sport England in decision making and seeking opportunities to align funding and coordinate programmes).

### 3.4.2 Coordination

It is significant that the tourism programme **has succeeded in getting partners to work together in a way that seems not to have happened before 2004**. In some of the DMP areas there had not been a good history of partnership working. The tourism programme has helped to overcome more parochial approaches and silo thinking, although the efforts required so to do, the time taken, and the ever present risk of running at the slowest pace have been significant. Notwithstanding this, the scale of networking and coordination has been enhanced. Typical remarks included:

*emda's biggest achievement has been to assist in the development of the DMP structure, working with existing structures to help them become 'fit for purpose' and establishing new structures.*

*emda had added significant value here; creating a consistent form of coverage and establishing mechanisms to introduce discipline through regular monitoring and reporting, which has served to professionalise local delivery.*

*Key people, particularly those with experience of running tourism related businesses, are now engaged in debates and in the same room, when they never were before. Links have been made that otherwise would have been difficult to make.*

This is one of the major achievements of the tourism programme. The decision making structures established through EMT and the DMPs have provided a 'neutral space' where interests can come together to meet and discuss operational priorities and projects in a relatively unconstrained way.

*emda* has been **successful in coordinating strategy and delivery processes that promote regional development goals**. All partners noted that *emda* effectively engaged with partners, moving in recent years to a position of 'trusting partnership'. This approach is seen to be more constructive, contrasting with a previous 'top-down', more dictatorial managerial style, where stakeholders felt *emda* tended to impose structures and processes without attempting to build a meaningful two-way dialogue. The creation of the DMP structure was seen to have reduced duplication and enhanced the quality of existing regional and sub-regional activity. DMPs suggested that *emda* could do more to consolidate activity

through, for example, merging the quality agenda within generic business support or better aligning its investment in skills.

*emda's* requirement that local authorities match fund DMPs had encouraged local authorities to provide funding that would not otherwise have been committed to tourism development activity. It has also encouraged local authorities to focus on place development, leaving specialist marketing and promotional activities to the DMPs. For example, in the Peak District and Derbyshire this approach has encouraged local authorities to move from a legacy of competition towards a more collaborative approach, with joint funding to support the DMP.

Despite the mixed picture highlighted through the review of programme outcomes and KPIs, stakeholders believe *emda* has been **successful in using its resource to mobilise other public and private sector funding** to match capital investment in key development projects. *emda's* investment in physical improvements at Foxton Locks to upgrade facilities and site interpretation for visitors was seen as an example of this, with *emda's* £440,000 investment leveraging in £560,000 from other public sector agencies (i.e. from British Waterways and the Heritage Lottery Fund). We were told that agencies would not have committed their resource without *emda's* investment; it gave them an assurance that partners were committed to the scheme and it was a priority. The investment transformed an underperforming asset into a major attraction. *emda's* more recent investment to support public realm improvements in the Lincoln and Bailgate area was also cited as a good example of leverage, with *emda's* contribution of £400,000 expected to lever in an additional £780,000 from Lincolnshire County Council.

### 3.4.3 Intelligence

Stakeholders agreed that *emda* had **successfully encouraged understanding of the role of tourism in promoting sustainable economic development** in the East Midlands. *emda's* intervention was seen to have been successful in raising the profile of the sector so that tourism is now an established element of sub-national economic development policy and practice. It was suggested that this was due, in part, to the establishment of evaluation and measurement systems to quantify impact. *emda* has added value by introducing consistent systems for monitoring performance, which were seen to have improved the quality (and consistency) of tourism interventions, building a more advanced understanding of what activities are likely to bring about the desired outcomes and impacts. This approach was particularly valued by private sector stakeholders who suggested that public sector-led tourist development projects tended to exhibit poorly designed objectives, lacking an understanding of 'what works', and were subsequently ineffective in terms of realising economic impact.

Linked to this issue, stakeholders valued the implementation of region-wide approaches to assess economic impact (i.e. through STEAM). This data, alongside EMT's wider role in terms of advocacy and engagement with the private sector, enabled local managers to construct a more convincing case for funding. EMT's role in raising the profile of the industry and demonstrating its economic value is seen to have been critical in securing development resources and understanding how best to deploy them to maximise 'bang for buck'. One downside of this approach was the difficulty of comparing the achievements of the tourism programme with other *emda* programmes on a 'like for like' basis, due to the issues explored in section 4.

Private sector partners also noted two significant gaps in relation to

- **Models to assess the direct and indirect economic impacts of tourism, particularly of physical infrastructure:** This approach would provide a measure of the economic impacts of the spending and employment associated with a development or specific project (i.e. taking account of capital and operating costs, spending by tourists and any impact on investment and trade). Any assessment would need to differentiate between expenditures by regional and local residents or businesses and non-residents and include an assessment of the sum of direct, indirect, and induced impacts (which is not possible using STEAM or the Cambridge model). Private sector stakeholders often have

this information in relation to their own business but it is not shared due to commercial sensitivity.<sup>49</sup>

- **Market intelligence to inform strategic planning and investment decisions, particularly insights into consumer behaviour and preferences:** They felt that the tourism programme would benefit from a more robust understanding of customer profiles and market opportunities, including more opportunities to consult with and engage with the private sector. In our review of the approaches taken in other regions, we highlight the use of tourism networks and forums to promote dialogue. A forum would require a distinctive role, separate from the regular (more operational) meetings established by EMT and the DMPs. It would provide an opportunity to debate the effectiveness of strategy and policies, identifying key medium to long term challenges facing the sector, and agreeing 'lines to take' in response to national government consultations and funding submissions (i.e. to the new Regional Growth Fund).

### 3.5 Conclusions

We found that *emda*, and its tourism arm EMT, was well respected amongst partners from the public and private sector, who were quick to comment on the high level of specialist skills and knowledge made available. EMT was felt to be a professional and informed organisation, which had become a more focussed and strategic body in recent years. It is a strong advocate for tourism, both at a regional and national level, significantly raising the profile of the sector and making the case for investment. It was able to influence the activities of partner agencies, reduce duplication and mobilise resource in support of shared priorities in a way that was not possible before 2004.

*emda* has taken a devolved approach, giving DMPs the funding and support required to respond to local challenges and improve economic outcomes. This approach is worthwhile and should continue - DMPs have developed a good understanding of the needs of local tourism businesses and are capable of facilitating support to enable them to develop and grow. There is a strong appetite in local authorities for the continuance of devolved arrangements, with senior officers highlighting the need to align tourism investment and policy with other local services such as transport and local environmental services which impact upon visitor perceptions (e.g. waste collection and parking). We would also add the need to avoid simply considering tourism in isolation – visitors do not have an interest in local authority boundaries and it will remain important to consider if working together with neighbouring authorities will yield better results, for example, with regard to marketing and information provision.

Stakeholders believed the development of a strategic framework for tourism at the regional scale had added significant value, although the roles and responsibilities of various partner agencies had become less clear over time as the wider policy and economic contexts had changed. There was now a need to clarify roles and responsibilities, with refreshed priorities based on market intelligence, assigning responsibilities as clearly and tightly as possible so as to maximise the impact of what is bound to be reduced public investment in tourism development activity in coming years.

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<sup>49</sup> We would add, based on our own evaluation work with RDAs, the need to take account of the persistence of outcomes achieved over time (e.g. investment in physical developments will continue to exert an influence over many years).

## 4 Outputs and Impacts Delivered

This section considers the resources that have been allocated through the tourism programme and the corresponding outputs that have been generated. Our conclusions seek to be compliant with the Impact Evaluation Framework (IEF), which has guided our approach to examining economic impact.<sup>50</sup>

### 4.1 Expenditure

The tourism programme has been a significant channel for *emda* spend since 2004. Altogether, it has been allocated £22.14m of *emda*'s resources (see Table 4.1). Actual spend over the life of the programme fell a little short of the levels planned when Destination East Midlands was launched, reflecting reduced levels of spend for *emda* as a whole. However, *emda*'s contribution to tourism development has represented a significant financial investment compared with levels of investment prior to 2004, and relative to the sums invested by partner organisations since the programme was created. Marketing activity has been a consistent funding priority for *emda* and partners since 2004, with circa half of all funding allocated to this strand of activity in each year.

The tender brief was not intended to evaluate the tourism related outputs and outcomes achieved through non-tourism programme investment, which could, potentially, provide a more holistic view of *emda*'s impact. In addition to the resources channelled directly through the tourism programme, *emda* has offered support to the sector through contributions to cultural, sport and urban and regional regeneration projects with a direct and indirect impact on the visitor economy, and through its investment in the regional Business Link. Though linkages between direct and indirect activity are critically important, recognising the links between tourism and the physical characteristics of the region, transport links, etc, the outputs from these related types of activity are not logged by *emda* as part of the performance management of the tourism programme (and, therefore, this evaluation) so as to avoid double counting.<sup>51</sup>

The following outlines those activities identified as a priority for tourism and the range of outputs achieved and whether targets were reached. A summary of performance against key targets is included in a table in Annex 8.

#### 4.1.1 Marketing and Sales

*emda*'s investment in marketing and sales activity has funded three core areas of activity:<sup>52</sup>

- **Inbound regional marketing** (planned and delivered by *emda*): Funding was made available for a range of campaigns focused on key overseas markets (i.e. Germany, France, The Netherlands and the US). *emda* also delivers regional public relations (PR) to promote the region at a national UK level.
- **Domestic marketing campaigns** (planned and delivered by the five DMPs): Based on three-year marketing plans, domestic marketing activities promoted strong destination brands and icons which have relevance to the consumer.

<sup>50</sup> Evaluating the impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework, DTI Occasional Paper (2006)

<sup>51</sup> A more holistic review of programme outputs was expected to be undertaken between April and September 2010, although the scale of this evaluation has subsequently been scaled back due to the cuts made to *emda*'s budget.

<sup>52</sup> Key themes of the EMT Corporate Plan (2005-08) and Strategic Plan (2008-11) have been combined in this section, to allow for a comprehensive review of the activities undertaken across different corporate planning periods.



Table 4.1 Tourism Budget by Year (£ thousands) <sup>53</sup>

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Total	
Marketing and Sales (of which £7,547,244 was allocated to marketing campaigns (i.e. DMP and EMT investment and match funding))	939	2,540	2,395	2,188	1,558	1,723	11,341	51%
Quality Improvement	55	357	431	468	249	208	1,769	8%
Skills and Workforce Development	104	69	12	0	93	17	266	1%
Capital Investment	0	0	1,176	731	358	453	2,718	12%
Visitor Services	0	156	45	191	94	0	487	2%
Research and Market Insight	8	431	542	249	159	82	1,471	7%
DMP Core Funding <sup>54</sup>	-	-	-	405	750	750	1,935	9%
Other <sup>55</sup>	1,061	429	394	193	30	49	2,156	10%
<b>All Tourism</b>	<b>2,168</b>	<b>3,983</b>	<b>4,995</b>	<b>4,424</b>	<b>3,291</b>	<b>3,281</b>	<b>22,142</b>	<b>100%</b>

<sup>53</sup> Source: *emda* finance

<sup>54</sup> Although *emda* did not allocate formal core funding to the DMPs until 2008, they were able to use an agreed percentage of their marketing funding towards staff costs and *emda* directly funded a quality manager.

<sup>55</sup> The 'other' category is front-loaded as it includes development costs for the DMPs and consultancy support during the set up stage.

- **Commercial channel development** (*emda* appointed a commercial partner to develop a Commercial Channel Development Strategy). The aim was to upgrade and modernise the region's five Destination Management Systems for improved sales performance.

The main growth target for marketing during the first Corporate Planning period (2005-08) was a Return on Investment (ROI) of 13:1 (i.e. *emda* expected its £9.4m investment to give a return of £122m, of which, £52m would derive from increases in overseas tourism and £70m from domestic tourism growth).<sup>56</sup> In addition, *emda* developed a suite of Key Performance Indicators with which to monitor progress. These were:

- the amount of match funding EMT funding has successfully levered in;
- number of unique visitors to DMP consumer-facing websites;
- database growth; and,
- number of bednights generated - direct (booked via DMS) and indirect.

The 2008-11 Plan revised these targets upwards, so as to expect an overall return on marketing investment for *emda* of over 17:1. ROI targets for overseas marketing were set at 30:1, whilst domestic marketing campaigns were expected to provide a return of 14:1.

Table 4.2 presents an overview of *emda*'s output data, comparing targets with figures achieved to date (2005/06 to 2009/10).

Table 4.2 Marketing Key Performance Indicators 2006-2010<sup>57</sup>

	EMT Funding £	Total Campaign £	Leverage £	Unique Visitors	Database Growth	No. of bednights	
						Direct	Indirect
Target	5,177,549	7,613,181	2,464,183	3,562,480	896,431	75,150	14,562
Actual	3,492,786	5,990,347	2,497,561	6,077,927	961,731	67,530	35,883
<b>Actual against target</b>	67%	79%	101%	171%	107%	90%	246%

Despite *emda*'s investment in marketing being two-thirds that which was expected, *emda* and the five DMPs have been successful in delivering across a range of target outputs.

- collectively, they delivered to target for leverage and database growth, but slightly below target for direct bednights; and,
- targets for unique visitors and indirect bednights were exceeded by significant margins.

With regards to ROI statistics, an aggregate analysis by delivery partner also shows considerable variation (see Table 4.3).<sup>58</sup> Overall, marketing evaluation data suggests that collectively partners exceeded the ROI target for all campaigns, achieving a ROI of 21:1 over the life of EMTs investment in tourism against a target of 17:1.

<sup>56</sup> East Midlands Tourism (2005), Corporate Plan 2005 – 2008

<sup>57</sup> Source: EMT Marketing Key Performance Indicator spreadsheets

<sup>58</sup> The marketing evaluation documentation upon which this analysis is based does not correlate closely with the KPI spend figures analysed to construct the analysis above. In addition, not all campaigns carried out over the life of *emda*'s involvement have been evaluated to assess ROI.

Table 4.3 Average Return on EMTs Investment (including by DMP)<sup>59</sup>

	Average ROI figure
Leicestershire	9:1
Lincolnshire	28:1
Northamptonshire	6:1
Nottinghamshire	5:1
Peak District & Derbyshire	48:1
Rutland	17:1
Domestic Campaigns	22:1
Overseas Campaigns	16:1
All Campaigns	21:1

The average ROI for domestic campaigns hides considerable variation by DMP. This level of variability is, again, to be expected given the different scales and competences of organisations and variation in the nature of the tourism offer and available investment in each locality. The strong performance of Lincolnshire and the Peak District and Derbyshire reflects the location of two destinations that stakeholders believe to be key regional assets.

#### 4.1.2 Quality Improvement

EMT led on the development of the Quality Improvement Programme (QIP) which comprises a range of 'Foundation' activities being delivered by the DMPs and a small number of 'Signature Projects' coordinated by EMT. This agenda is overseen by a Quality Manager within EMT, and is delivered by Quality Managers in place in each DMP.

The target in the 2005-08 Plan was to increase participation in nationally accredited schemes by some 25% (i.e. from 25% of total stock to 50% over the period).<sup>60</sup> As this target was on track to be achieved when the 2008-11 Plan was written, the overall target was revised upwards to encourage the following:<sup>61</sup>

- a total of 60% of the region's accommodation businesses to become part of the national standards;
- 40% of the region's visitor attractions signed up to the national code of practice 'Our promise to visitors'; and,
- 20% of attractions to sign up to the Visitor Attractions Quality Assurance Service.

In addition to the core targets set out above, *emda* has sought to encourage accommodation businesses to sign up to Visit England's 'Green Start' accreditation scheme.

Table 4.5 presents a review of the available output data, comparing targets with figures achieved to date. In summary:

- regional partners successfully delivered to target in relation to quality, exceeding National Quality Assurance Standards (NQAS) targets by 13% and VAQAS (Visitor Attraction Quality Assurance Scheme) / Visitor Attraction Code of Practice (COP) targets by 71%; and,

<sup>59</sup> Source: ROI reports for individual campaigns, supplemented with additional EMT investment figures provided by EMT

<sup>60</sup> East Midlands Tourism (2005), Corporate Plan 2005 – 2008

<sup>61</sup> No figures are available for the numbers of companies who have continued to hold accreditations and churn.



Table 4.5 Tourism KPIs and Outcomes (2004-05 to 2009-10)<sup>62</sup>

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Total
<b>KPI10a: No. of accommodation businesses in the national accreditation scheme (NQAS)</b>							
Target			65	525	258	173	<b>1,021</b>
Actual			106	449	318	277	<b>1,150</b>
<i>Actual against target</i>			163%	86%	123%	160%	<b>113%</b>
<b>KPI10b: No. of attractions in a national accreditation scheme (VAQAS / COP)</b>							
Target				0	83	77	<b>160</b>
Actual				8	177	86	<b>273</b>
<i>Actual against target</i>					213%	112%	<b>171%</b>
<b>KPI10c: No. of accommodation businesses in green accreditation scheme</b>							
Target					124	228	<b>352</b>
Actual					128	110	<b>238</b>
<i>Actual against target</i>					103%	48%	<b>68%</b>
<b>E4. Business Support – Number of businesses supported to improve their performance *</b>							
Target		34	275	253	243	207	<b>1,012</b>
Actual		21	243	221	306	253	<b>1,044</b>
<i>Actual against target</i>		62%	88%	87%	126%	120%	<b>102%</b>
<b>T6. People assisted in their skills development *</b>							
Target			550	481	140	422	<b>1,593</b>
Actual			359	247	176	389	<b>1,171</b>
<i>Actual against target</i>			65%	51%	126%	92%	<b>74%</b>

<sup>62</sup> Source: *emda* finance and EMT. Shaded areas represent target or actual KPIs or Outcomes where a target was not set or information not collected.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Total
<b>Public Sector investment levered (£M) *</b>							
Target		155,963	1,036,680	1,377,322	1,503,394	2,409,383	6,482,742
Actual		82,864	710,331	1,818,344	1,527,644	2,774,571	6,913,754
<i>Actual against target</i>		53%	69%	132%	102%	115%	107%
<b>Private Sector investment levered (£M) *</b>							
Target		30,000	176,975	150,625	0	445,414	803,014
Actual		61,000	21,675	70,125	115,250	311,898	579,948
<i>Actual against target</i>		203%	12%	47%		70%	72% <sup>63</sup>

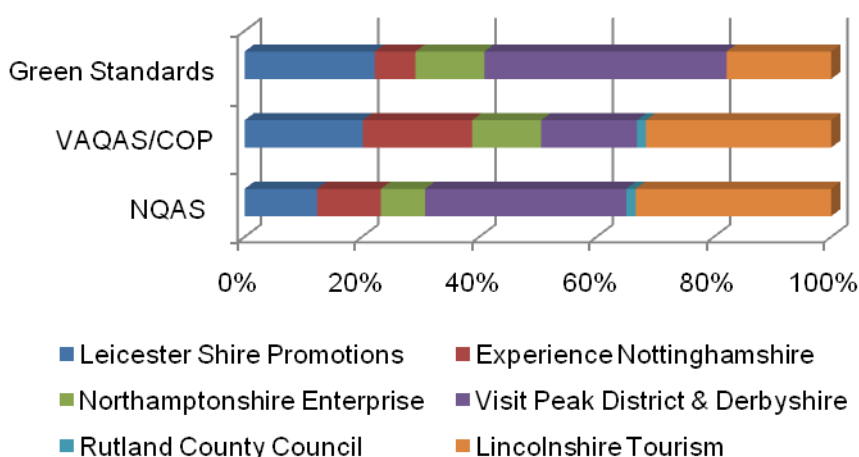
NB: Outputs marked with an asterisk are specified within, and monitored as part of, the Tasking Framework. NQAS and VAQAS/COP outputs are monitored as Key Performance Indicators, hence these figures have been provided by *emda* finance. Green accreditation is not monitored as a KPI, therefore output data has been provided directly by EMT.

<sup>63</sup> Calculation includes outputs achieved in 2008/09

- the number of tourism businesses achieving green standards by March 2010 was 244, representing 69% attainment of the target of 352, with this under-performance a consequence of delays in launching the national 'Green Start' initiative in early 2009-10.

The quality output totals breakdown by DMP is as follows:

Figure 4.1 Quality Outcomes Achieved by DMP<sup>64</sup>



Lincolnshire and the Peak District and Derbyshire make the most significant contributions to the NQAS totals, making up two-thirds of the regional total between them. The spread is more equal for the other two standards, with two notable exceptions:

- Lincolnshire having contributed more than 30% of all VAQAS/COP outputs; and,
- the Peak District and Derbyshire contributing more than 40% of all Green Standards accreditations.<sup>65</sup>

#### 4.1.3 Skills Development and Business Assists

In addition to key performance indicator data revealing the numbers of businesses becoming accredited, *emda*'s investment in the Quality Improvement Programme (QIP) generates two types of output that are recognised within the RDA Tasking Framework. Delivery against these targets became fully operational from 2006/07 onwards, with outputs spread relatively evenly over the period since. Partners delivered:

- in excess of the regional target in relation to business assists, securing 1,040 outputs by 31<sup>st</sup> March 2010; and,
- 70% of the regional target in relation to the number of individuals assisted with their skills development, securing 1,022 outputs over the same period.

It is worth noting that revenue funding for skills development in 2008/09 and 2009/10 suffered from in-year funding reductions, with funding removed from the tourism programme. In addition, funding was reduced for the regional skills programme and delegated down to DMPs as additional, discreet sums to add to their quality improvement programme budgets.

As part of the quality improvement agenda, EMT has also worked with LSC East Midlands, People 1st, Job Centre Plus, Connexions, Business Link (East Midlands Business), DMPs and local authorities to develop a 'Framework for Action on Tourism Skills and Business Support in the East Midlands' to facilitate better co-ordination between these respective public agencies and influence the development and training agenda and priorities in the Hospitality Leisure Tourism Travel (HLTT) sector. Though this activity might contribute

<sup>64</sup> Source: *emda* finance and EMT

<sup>65</sup> Outcomes are agreed with individual DMPs

towards the generation of additional outputs in terms of numbers of people assisted in their skills development and/or numbers of businesses supported to improve their performance, these output figures are not logged by EMT (and, therefore, this evaluation) so as to avoid double counting.

#### 4.1.4 Investment

Finally, *emda* has undertaken activity to identify and facilitate the right types of investment for the visitor economy across the region. EMT made available £2.1m of capital funds available to partners through the East Midlands Tourism Public Realm Challenge Fund between 2005 and 2008 to invest in tourism related public realm and quality improvement (i.e. including well designed public spaces and facilities, such as improvements to signage through to visitor information provision, transport interchanges, public toilets and good lighting). The minimum grant available was £150,000, with partners normally expected to provide matched funding.

Table 4.6 Capital Investment (£ thousands)<sup>66</sup>

	Status	EMT Investment	Leverage
<b>Public Realm Challenge Fund 2005-08</b>			
Stamford Gateway Way-Finding	Complete	234	910
Naseby Battlefield	Complete	214	209
Derwent Valley & Peak District Rail Improvements	Complete	470	661
Foxton Locks	Complete	441	547
National Forest Visitor Gateways	Complete	772	289
<i>Public Realm Challenge Fund Sub-Total</i>		<i>2,131</i>	<i>2,616</i>

In 2007, Scott Wilson (on behalf of *emda*) undertook a review of the opportunities for tourism investment in destinations in the East Midlands. This was expected to inform a strategic programme of investment in the visitor economy based on growth potential, need and fit with other regional requirements and the extent of public sector intervention. Equipped with the findings of this review, *emda* has funded a range of 'physical build' projects as part of a tourism investment grant fund:

Table 4.7 Tourism Investment Fund 2008-11

Lincoln Bailgate	In progress	400	780
Foxton Locks Masterplan	Complete	40	40
Adrenaline Alley	In progress	100	325
Hardwick Hall Visitor Developments	In progress	349	442
Twycross Zoo Masterplan	Complete	100	100
<i>Tourism Investment Fund Sub-Total</i>		<i>989</i>	<i>1,687</i>
<b>Capital Investment Total</b>		<b>3,120</b>	<b>4,303</b>

Separate but related to this capital investment programme, TEAM Tourism consultants prepared a Visitor Services Strategic Framework in November 2005 to set out the vision for the development of visitor services in the East Midlands over the next five years. Intended to

<sup>66</sup> Source: Project appraisal/closure forms for individual projects, supplemented with additional detail provided by EMT



act as a strategic framework for the second round of Action Plans prepared by the DMPs, the strategic framework proposed two broad areas of action:

- the IT based information infrastructure – information and content collection, management and distribution; and,
- rationalisation and enhancement of Tourism Information Centre (TIC) and customer contact management operations and other services 'on the ground', including signposting.

On this basis, *emda* invested in a number of key visitor services capital projects between 2005 and 2008 (as set out in Table 4.8). Cumulatively, *emda* has invested circa £3.8m in capital projects across the region to improve the scale, scope and quality of the region's tourism offer since 2005. This investment has levered in an additional £4.5m of public and private investment.

It is not possible to determine how partners performed in terms of targets in this area, since the Corporate and Strategic planning documentation did not specify planned outputs. As shown in Table 4.5, data collated by *emda* finance to monitor progress against output targets specified within the RDA Tasking Framework shows that *emda*'s investment

- successfully levered in £4.4m of public sector funding against a target of £3.3m (34% above target);<sup>67</sup> alongside,
- £326,000 of private sector investment against a target of £358,000 (9% below target).

Though these figures also include leverage in relation to marketing activity, they do usefully illustrate the extent to which EMT funding was more successfully deployed to mobilise public sector funding as compared to private sector investment.

Table 4.8 Visitor Services Capital Projects 2005-08 (£ thousands) <sup>68</sup>

	Status	EMT Investment	Leverage
<b>Visitor Services Projects 2005-08</b>			
Refurbishment of Nottingham City Info Centre	Complete	110	115
TIC Kiosks at Clumber Park and Rufford TICs	Complete	44	n/a
Franchise TICs at Barnsdale and Bosworth	Complete	34	n/a
Franchise TIC Kiosks at Foxton Locks, Melton Mowbray and Space Centre	Complete	30	n/a
Franchise TIC at East Midlands Airport	Complete	100	60
Mobile visitor facility – part of Pride and Prejudice	Complete	240	n/a
4 franchise TIC kiosks in Northamptonshire plus a mobile unit pilot (now funded through Northamptonshire Enterprise Limited)	Complete	42	n/a
5 franchise TIC kiosks in Derbyshire plus 1 franchise TIC and a mobile phone service	Complete	72	n/a
<b>Visitor Services Capital Projects Total</b>		<b>672</b>	<b>175</b>

## 4.2 Quantifying Economic Impact

Given that the largest part of *emda*'s investment in tourism has been directed towards marketing activity, we now seek to establish the level of additional visitor expenditure

<sup>67</sup> This figure relates to marketing and core funding leverage, in addition to investment leverage.

<sup>68</sup> Source: Project appraisal/closure forms for individual projects, supplemented with additional detail provided by EMT

accruing to the East Midlands region as a result of this activity undertaken. The principal economic impact of the tourism programme will be to attract visitors to the region. These visitors will spend money in the regional economy, on accommodation, food and drink, entertainment, transport and other goods and services. This will in turn support employment and incomes among tourism attractions and among supplier businesses. There will be multiplier effects as a result of expenditures by suppliers and employees in the local and national economies. The size of economic impacts will depend on a number of factors, including:

- the numbers of visitors;
- the origin of these visitors (since only those from outside the region will bring additional expenditure);
- the proportion of visitors staying in the region (since those staying in the region will spend much more money than those making day-trips from elsewhere);
- visitor expenditures (the levels of expenditure and the degree to which this supports local suppliers); and,
- economic multipliers (the strength of indirect and induced effects (supplier and income effects) resulting from direct expenditures).

A statement of economic impact is constructed based on an understanding of the employment and income generated directly as a result of visitors spending money in the local economy (i.e. within businesses supplying accommodation, food and drink, transport and other goods and services), and indirectly as a result of supplier and employee expenditure in the local and regional economies. As a result of these factors, the net impact of the tourism programme is likely to differ from the gross impact. The evaluation therefore needs to distinguish between the gross and net effects, drawing previous evaluations and established guidelines.

#### 4.2.1 Conversion Research: Return on Investment

At present, the impact of destination marketing and promotion is generally assessed through a process of conversion research which is used to estimate the level of additional spend brought to an area as a result of a given campaign. All conversion research commissioned by EMT has used the methodology developed by VisitBritain, whereby the ratio of the estimated level of additional expenditure to the amount of grant-in-aid associated with the campaign is used to calculate a ROI figure.

There are a number of limitations associated with the current approach, not least that the sample only comprises those individuals who have contacted the destination marketing agency at the time of the campaign in question, excluding a potentially significant number who have been exposed to (and perhaps influenced by) the activity but not made contact. In our assessment, outlined below, we apply more cautious assumptions about the behaviour of non-respondents in the research undertaken, inducing an approximate deduction of around 20% from the additional expenditure of visitors recorded by VisitBritain. We have taken this more prudent approach based on the findings of the National Audit Office, who suggested that there are weaknesses in the way that VisitBritain collects and analyses information about the extent to which people have been influenced by marketing.<sup>69</sup>

Critically, as a standalone analysis, the current conversion methodology does not provide a measure of the net economic impact of destination marketing and promotion in gross value

<sup>69</sup> VisitBritain: Bringing visitors to Britain, National Audit Office, 2004. The NAO analysed the planning, execution and impact of the overseas marketing activities undertaken by the national tourism organisation, VisitBritain. This report looked at the methodology for measuring marketing Return on Investment. It recommended that Return on Investment should be retained as a key measurement of performance but suggested that the treatment of non-respondents (who are treated in the same way as those who reply to the questionnaires) gives 'the most generous estimate to the additional spend caused by VisitBritain's activities and, therefore, the highest return on investment figure'.

added (GVA) terms, and does not take account of impact issues such as displacement and deadweight to determine the additional impact at regional level. It is therefore important to note that whilst the following analysis makes adjustments to assess additionality, the estimates are wholly dependent on the robustness of the individual ROI reports.

#### 4.2.2 The RDA Impact Evaluation Framework (IEF)

GHK has therefore used conversion research data collated by EMT to construct a methodology to assess the economic impact of marketing activity that is, as far as possible, consistent with the principles of the IEF. This involves using the estimates of additional spending, along with other available data and evidence, to produce an estimate of the net impact of marketing activity on the East Midlands regional economy in terms of:

- **Employment** – the number of job years supported by visitor expenditures;<sup>70</sup> and,
- **Gross Value Added** – the effect of these expenditures on the region's net output, comprising wages, salaries, profits and rents.

In order to estimate effects on regional employment and GVA, it is first necessary to obtain a robust estimate of additional tourism expenditure at the regional level. Employment and GVA effects can then be estimated using appropriate economic multipliers.

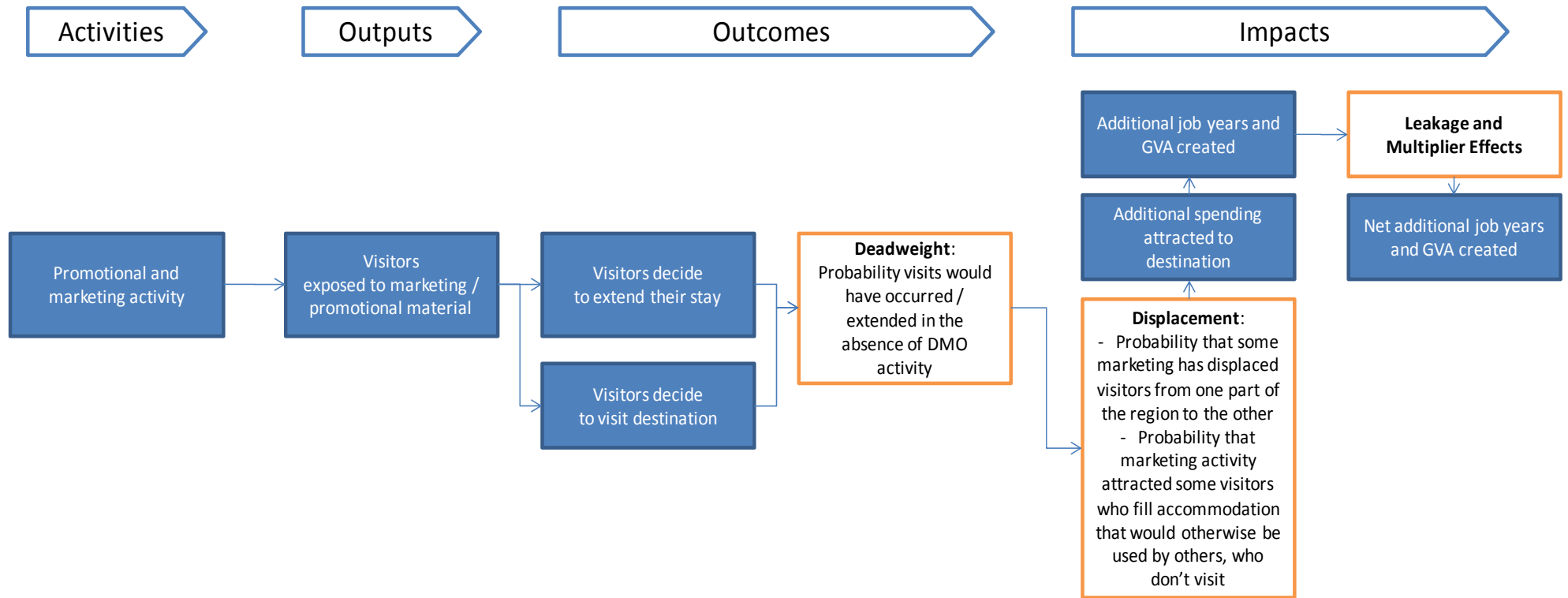
The approach to assessing the economic impact of destination marketing and promotion is illustrated by the analytical framework in Figure 4.2. To evaluate the additional impact of *emda's* investment in tourism on the regional economy, the assessment needs to examine different aspects of additionality, with regard to the following:

- **Deadweight:** A core aspect of assessing economic impact is to establish the extent to which the expenditure of visitors would have happened in the absence of destination marketing and promotion activity. In the absence of data to enable a full deadweight assessment, we have relied upon influence weightings applied as part of the current conversion methodology. Specifically, the survey gauges the influence of the campaign by asking respondents whether it had 'definitely', 'probably', 'possibly' or 'not at all' turned a possible visit into certainty, weighting impact results accordingly (100%, 50%, 20% and 0%, as defined by EMT).
- **Displacement:** Secondly, our assessment must consider three forms of displacement effects:
  - most importantly, the extent to which marketing activity at the sub-regional level attracts visitors from within the East Midlands region, thereby merely displacing expenditures from one part of the region to another, rather than increasing expenditure within the East Midlands;
  - the possibility that some marketing will displace visitors from one part of the region to the other (e.g. they visit Peak District rather than Sherwood Forest);
  - the risk that marketing activity attracts some visitors who fill accommodation that would otherwise be used by others, who don't visit.

The first of these effects can be assessed by examining data on the origins of visitors affected by marketing activity, and making appropriate adjustments to visitor expenditure estimates to approximate additional spending at regional level. Based on the data available, we have been unable to identify appropriate metrics to quantify the other two effects.

<sup>70</sup> Job years are a similar measure to full time equivalents used to measure temporary or time limited impacts on employment. One full time job lasting for one year, 2 full time jobs for six months or two half time jobs for 1 year all equate to one job year. In these cases it would be misleading to refer to full time equivalents as the jobs are temporary.

Figure 4.2 Analytical Framework<sup>71</sup>



<sup>71</sup> Adapted from: Ecotec (2010), Destination Marketing and Promotion: Economic Impact Methodology Study - Final Report (March 2010)

- **Economic Multiplier Effects:** The impacts of expenditures on employment and GVA can be assessed by using standard multipliers. Data from a variety of sources (input output tables for SW England and Scotland, UK National Accounts Blue Book, Annual Business Inquiry and regional tourism studies) suggest the following multipliers and ratios are applicable at the regional level:<sup>72</sup>
  - 1 FTE job supported per £50,000 of tourism expenditure, taking account of direct, indirect and induced effects; and,
  - £0.50 GVA per £1 business turnover.

It is important to note here that ROI estimates provide one-off assessments of total spend resulting from marketing activity, therefore impacts must be treated as one off (rather than ongoing) impacts on GVA and employment (job years of work rather than ongoing FTEs) – these estimates are not, therefore, directly comparable to ongoing impacts from other RDA investments.

#### 4.2.3 Economic Impacts of Marketing Activity

If it is possible to estimate the net additional spend attracted to the region it is then straightforward to estimate GVA and employment using appropriate ratios. However, it is worth noting that the estimates will be a one off estimate of impact on GVA and employment (job years of work rather than ongoing FTEs). The ROI estimates are looking at the total spend resulting from marketing activity. This includes repeat spend where it is judged to occur. So the impacts can be treated as one off (rather than) ongoing impact on GVA and employment.

Based on the range of data available to map the investment EMT and its partners have made in marketing since 2005, it has been possible to construct the following assessment of economic impact in Figure 4.3. In summary, we estimate that:

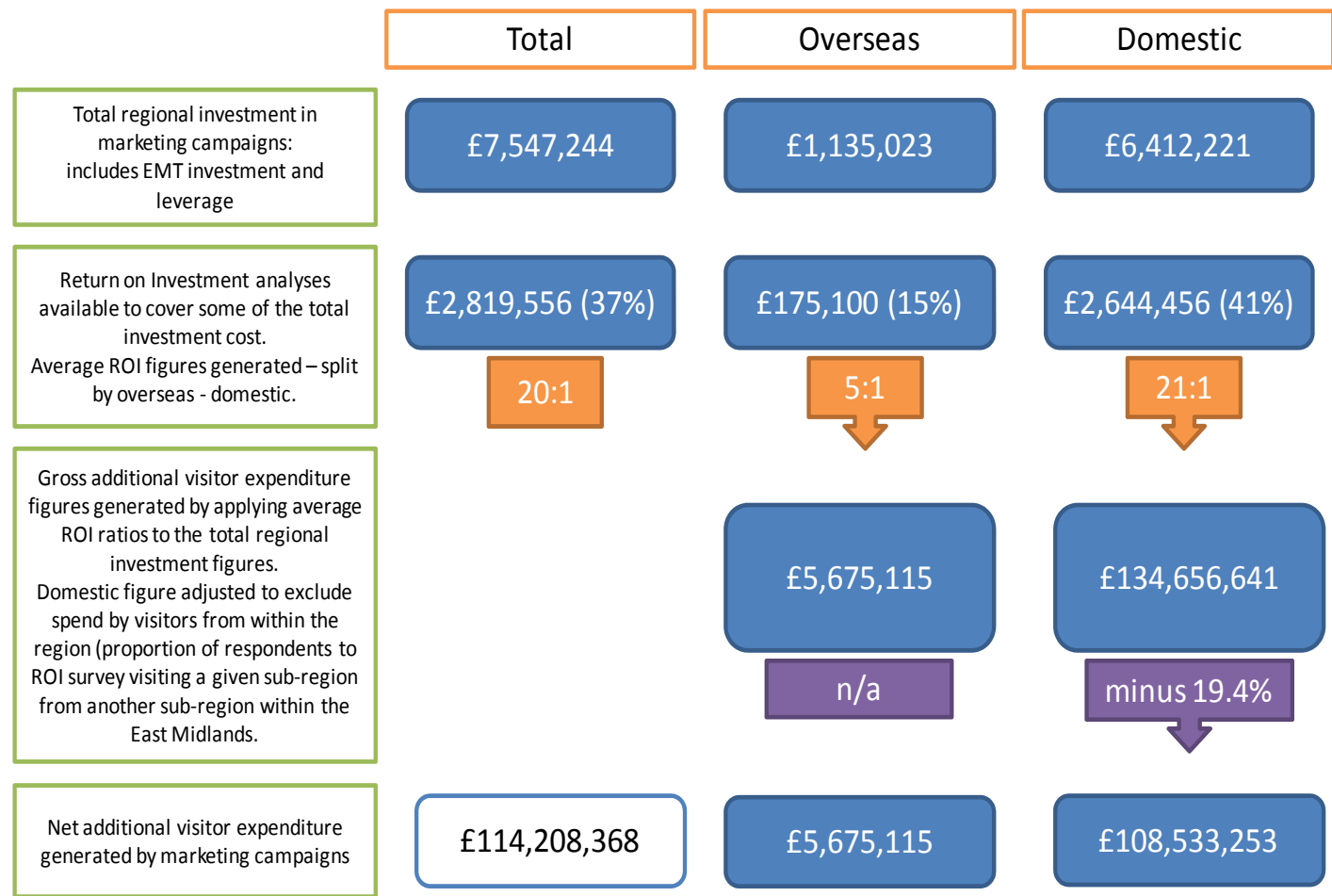
- **visitor expenditures have brought additional revenues of £114,208,368** into the East Midlands economy;
- these expenditures have supported **2,284.2 job years of employment**<sup>73</sup> (i.e. based on an assumption of £50,000 of regional spending required to support 1 FTE job, taking account of direct, indirect and induced effects); and,
- **contributing £57,104,184 of GVA**, based on an assumed ratio of £0.50 of regional GVA per £1 of visitor expenditure.

As far as we are aware, no other similar evaluation of a regional tourism programme has been performed (i.e. the Impact of RDA Spending report states that 'no national evaluation of Regional Tourist Boards has been performed' (page 79, main report)).

<sup>72</sup> Key sources included: South West Observatory (2010) SW Regional Accounts – 2010 Release. <http://economy.swo.org.uk/south-west-regional-accounts/>; Scottish Government (2009) Scottish Input Output Tables. October 2009. <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Input-Output>; Office for National Statistics (2010) UK National Accounts – The Blue Book. 2010 edition. [http://www.statistics.gov.uk/downloads/theme\\_economy/bluebook2010.pdf](http://www.statistics.gov.uk/downloads/theme_economy/bluebook2010.pdf); Office for National Statistics (2010). Annual Business Inquiry. <http://www.statistics.gov.uk/abi/>; Various - local tourism volume and value studies employing Cambridge and STEAM models. The approach employed also drew upon our previous evaluation for *emda* of its investment in Trent Bridge.

<sup>73</sup> Because tourism expenditure is time limited, its impact is measured in terms of the number of job years of employment supported and in terms of a one-off contribution to GVA.

Figure 4.3 Assessment of Economic Impact (2004- present)



**Estimation of economic impact of tourism marketing activity – issues to address**

In any assessment of economic impact it is important to take account of the following issues:

- There is a need to estimate spend by non-regional visitors only (excluding spend by visitors from within the region).
- There is a need to consider displacement effects. It is possible that some marketing will displace visitors from one part of the region to the other.
- Also there is the risk that marketing activity attracts some visitors who fill accommodation that would otherwise be used by others, who do not visit
- There is a need to take into account deadweight effects through estimates of whether those reached by marketing would have visited anyway.

### 4.3 Summary

Despite a significant reduction in the expected funding made available, *emda* has delivered the activities outlined in regional plans and exceeded the vast majority of the targets set. Performance across the region has been inconsistent, in large part due to different capacities and competences (i.e. such as tourism facilities, accommodation and transport infrastructure, in terms of capacity and quality). We have encountered difficulties in synthesising data and making informed assessments because the approach taken in reporting performance has changed over the life of the programme to reflect changes to delivery structures and priorities. Further, reporting in relation to tourism development activity is not aligned with the broader, nationally specified tasking framework that *emda* is configured to work towards.

The ROI measure of marketing activity (which comprises around one-half of the funding made available through the tourism programme) compares estimated additional visitor expenditure resulting from activity to the costs of activity but it does not provide a measure of Gross Value Added and does not provide an account of impact issues such as additionality, displacement and deadweight. A more systematic approach to the collation of output information relating to the direct estimate of GVA changes, jobs created or safeguarded and skills uplift would significantly strengthen the programme's ability to make informed decisions on future investment and improve the capacity of *emda* and partners to justify investment in tourism over investment in other programmes to promote alternative forms of economic development.

## 5 Conclusions and Next Steps

This section considers the key conclusions from the previous sections of the report in order to contribute to the debate regarding the design of the next phase of tourism strategy and programme delivery in the East Midlands.

### 5.1 Conclusions

Over the past six years *emda*'s investment in tourism has improved understanding of the contribution of tourism to the regional economy, an issue now fully embedded within regional and sub-regional strategy and policy. Working closely with local authorities, *emda* has sought to highlight where there is a distinct competitive advantage or competence and improved the quality, scale and visibility of the sector. The added value of *emda*'s investment has been to establish shared priorities and then encourage and incentivise local agencies to work collaboratively to 'sell' well recognised, destination-based brands (that often cut across administrative boundaries). They have promoted the value of monitoring and evaluation, providing local partners with the tools to demonstrate the significance of their investment.

In interviews with *emda*, DMPs and their partners, the following challenges were cited:

- increasing competition, both at home and abroad;
- uncertain prospects for growth in the domestic market;
- an increasingly sophisticated, quality driven, fragmented and footloose audience – destinations cannot now rely on old loyalties;
- constraints on public sector spending; and,
- development of sustainable DMPs as a vehicle for private sector and stakeholder engagement.

In response, we found a consistent message that any future strategy would need to take account of the following:

- taking an intelligence led approach, clearly establishing the rationale for specific interventions at a particular spatial level;
- developed in collaboration, and communicated effectively to and with a wide range of groups from across the public and private sectors (including businesses);
- the most up to date theory on environmental and social sustainability, with an industrial definition that captures the breadth of economic activity that defines and shapes the visitor experience ('total place'); and,
- an acceptance of the need to move towards adoption of a 'honey pot' approach whereby limited resource is focused on the development and promotion of iconic attractions / areas, with a view to attracting then dispersing visitors out towards other attractions / destinations nearby.

Once agreed, partners must stick with these priorities despite, for example, political pressure to spread investment evenly (i.e. 'pepper potting' funding). Ongoing, honest communication between partners is considered key to this process, and stakeholders suggested a number of ways in which *emda* could adjust partnership arrangements to build on progress to date and create a stronger sense of shared purpose:

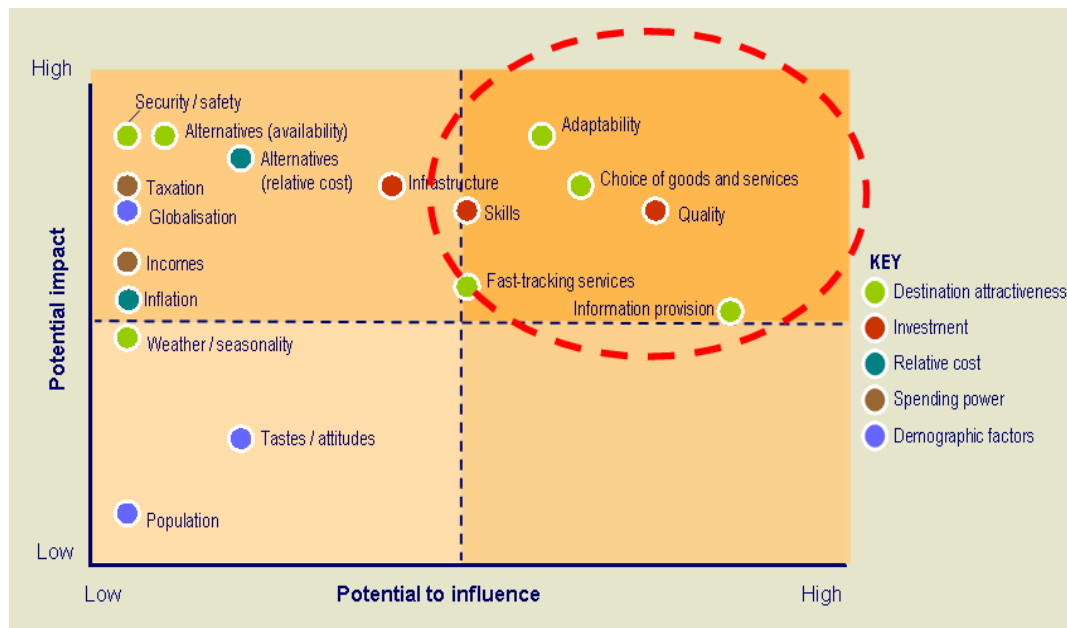
- more regular (face-to-face) communication with the wider stakeholder group - possibly through an annual conference, networking event or web based forum - to assess progress and re-examine priorities; and,
- the creation of working groups to progress particular projects or strategic themes, with strong private sector involvement.

The economic impact of the visitor economy is driven by visitor numbers and associated spending. Recent research, undertaken by the consultants Deloitte for VisitBritain, has



highlighted the significance of the quality of the offer and perceptions (marketing) driving the visitor numbers and spending – delivering direct and indirect economic benefits.

Figure 5.1 Leverage Points<sup>74</sup>



*emda* investment in tourism, and the activity it supports is based on attracting people to the region, but the metrics used to manage and report on performance do not fit as well with the increasing demands to demonstrate economic impact. The sector is relatively more dependent on the more indirect, spillover impacts which are not captured systematically at present, making the sector vulnerable to competing calls for investment.

As we recover from a credit crunch created recession, the challenge for the sector is to demonstrate a clear Return on Investment, and to demonstrate the distinctive added value of promoting tourism compared with its incorporation in other programmes such as enterprise and business support. Our findings of significant additional revenues through visitor expenditures, support for employment and contribution to the regional GVA should assist in this regard.

## 5.2 Next Steps

The majority of stakeholders we interviewed, from across the public and private sector, supported the retention of a strategic regional team. However, the recent announcement that Local Enterprise Partnerships (LEPs) will replace RDAs by 2012 makes the continuation of current arrangements very unlikely.<sup>75</sup> The forthcoming White Paper on sub-national economic growth will set out the Government’s approach in more detail. At this stage the Government has made the following announcements about the future of RDAs and tourism:

- the Department for Communities and Local Government (CLG) will work with local authorities and business to promote Shadow Local Enterprise Partnerships to accelerate

<sup>74</sup> The economic case for the Visitor Economy, Deloitte for VisitBritain (September 2008)

<sup>75</sup> The Government is not proposing that local enterprise partnerships should take on all existing RDA functions as some are best led at the national level – including inward investment, sector leadership, responsibility for business support, innovation, and access to finance. However, local enterprise partnerships will support the local delivery of many of these functions. Local enterprise partnerships will tackle issues such as housing; planning; local transport and infrastructure priorities; employment and enterprise and the transition to the low carbon economy. Specific mention was made to tourism in the letter issued to local authorities by BIS and CLG.

the transition of functions from RDAs, including the transfer of RDA functions (Business Link, Tourism, etc) to other bodies as appropriate<sup>76</sup>; and,

- steps will be taken to 'improve the competitiveness of the UK tourism industry, recognising the important part it plays in our national economy'.<sup>77</sup>

Delivery tends to take place at a local level with *emda* driving some promotional activity. In recent years, greater emphasis has been placed on *emda*'s role in coordinating activity and catalysing the work of others. In the future, there is likely to be a challenge in promoting tourism in a systematic way across forty six local authorities in the East Midlands. At this early stage, as local authorities prepare their response to the Government's call for proposals for LEPs, the following issues are worthy of debate:

- The responsibility for providing visitors with a quality experience currently rests with DMPs, which are also responsible for promoting places and attractions in their area. Due to their reliance on *emda*'s core funding, we recommend that they are encouraged to review the support they have available to them (particularly given the current pressure on local budgets) and devise options or plans for their operation post March 2011.
- For example, LEPs could usefully take on the roles and responsibilities of DMPs, embedding the role of tourism in supporting wealth and job creation. Where there is no appetite for including tourism within a LEP, opportunities may exist to combine tourism with other cultural agency activity or the work of other local area delivery vehicles (such as development companies).
- The stakeholders we interviewed as part of this evaluation highlighted the need for sub-national dialogue to co-ordinate activity and act as an advocate for tourism in the East Midlands. This role is currently undertaken by EMT. Any new arrangements may benefit from a streamlined and low cost regional board capable of providing strategic advice on the implementation of national tourism policy and advise on the co-ordination of investment (i.e. in similar terms to the Regional Housing and Transport Boards, who provide advice on strategic matters, seek to prioritise investment and promote the alignment of local strategy and delivery, later influencing any bid to the Regional Growth Fund).
- Any new arrangements should take account of functional economic areas, where relevant, robust and plausible evidence is used to inform the decisions made. In some cases this may not correspond with the rationale for tourism development and existing area brand footprints.

Looking beyond the immediate need to establish new mechanisms to devise strategy and deliver tourism activity, stakeholders also suggested a number of macro-level drivers of change that will impact the tourism sector over the medium term. These included:

- greater access into the region as a result of the introduction of more low cost flights into East Midlands Airport and the change of the Eurostar terminal to St. Pancras International;
- more consumers are booking online and taking more short breaks, with the advent of the internet continuing to have a profound impact on the sector (i.e. travel and tourism is already one of the largest categories of products and services sold over the internet and the proportion of potential consumers seeking guidance and sharing their experience is constantly growing);

<sup>76</sup> Department for Communities and Local Government, 'Draft Structural Reform Plan' (July 2010) – page 4 (see <http://www.communities.gov.uk/documents/corporate/pdf/16359212.pdf> for further details).

<sup>77</sup> 'The Coalition: our programme for government', page 10 (see [http://www.cabinetoffice.gov.uk/media/409088/pfg\\_coalition.pdf](http://www.cabinetoffice.gov.uk/media/409088/pfg_coalition.pdf) for further details)

- emerging markets, notably in China, India and the Gulf States, as markets for in-bound tourists and also potential destinations (i.e. although passenger numbers are expected to increase, it is anticipated that routes to and from India, China, etc may capture up to 15% of this growth);
- increasing competition from other countries who are investing in major developments and moving away from the traditional 'sun, sand and sea' offer (such as Turkey and Greece); and,
- climate change is increasingly affecting tourism, with increasing interest in the direct and indirect environmental change impacts, with increasing interest in more sustainable forms of tourism (i.e. eco-tourism, where operators seek to build environmental and cultural awareness and respect of locations and raise sensitivity to host countries' political, environmental, and social climate).

# ANNEXES

## Annex 1 Stakeholders Interviewed

Michael Carr	Executive Director of Business Services, <i>emda</i>
Martin Bryant	<i>emda</i> Board Member
Chas Bishop	Chief Executive, National Space Centre, and Chair, East Midlands Tourism Council
James Berresford	Chief Executive, VisitEngland
Rebecca Speight	National Trust East Midlands Regional Director and member of East Midlands Tourism Council
Cllr Roger Begy	Leader of Rutland County Council and member of East Midlands Tourism Council
Steve Brown	Deputy Chair of <i>emda</i> and Chair of the National Trust East Midlands
Russell Coughtrey	Culture, Media and Sport Manager, GOEM
Sam Bestwick	Chief Executive, MLA East Midlands
Heather Broughton	Head of Environment & Heritage Services, Leicestershire County Council
Dom Jinks	Senior Manager - Regional Planning, Arts Council East Midlands
Emily Lappin	Head of Communications, EM Media
Alan Smith	Head of City Development and Tourism, Derby City Council
Nick Hodgson	Chief Executive, Derbyshire County Council
Cllr Andre Gonzalez de Savage	Portfolio Holder for Customers & Communities, Northamptonshire County Council and member of NEL Board
Sophie Churchill	Chief Executive, National Forest Company
Justin Brown	Head of Economic Regeneration Policy, Lincolnshire County Council
Alison Westray Chapman	Assistant Director, Economic Development and Customer Services, North East Derbyshire District Council
Jim Dixon	Chief Executive of Peak District National Park Authority and member of the Visit Peak District & Derbyshire Board
Sukhy Johal	Interim Director of Development, Nottingham City Council
Ruth Hyde	Tourism Director, East Midlands Tourism
Jennifer Spencer	Interim Chief Executive, Experience Nottinghamshire
Martin Peters	Chief Executive, Leicester Shire Promotions
David Randall	Chief Operating Officer, , Northamptonshire Enterprise Limited
David James	Chief Executive, Visit Peak District and Derbyshire
Penny Baker (up to March 2010) and Marc Etches (post march 2010, Interim)	Chief Executive, Visit Lincolnshire

## Annex 2 Sub Regional STEAM Data

This annex provides a detailed aggregation and synthesis of existing data relating to visitor spend within the sub regions of the East Midlands, based on STEAM data. STEAM is a supply side model that builds up intelligence from local information and inputs from local tourist executives, which is capable of being benchmarked against local, regional and national data (if sufficiently robust). STEAM outputs arising from tourism activity include

- Estimates of number of tourists (trips) and number of tourist days (visitor days) by category of accommodation by month.
- Estimates of revenue generated by tourists (spending by visitors) - by category of accommodation and distribution by activity by month.
- Analysis of bed stock including seasonal availability.
- Estimates of employment supported by tourism.
- Estimates of traffic implications of tourism (by month).
- Trend information annually for all output categories.
- Estimates of visitors arriving from within and outwith the region.

The implementation of the STEAM Model requires data on:

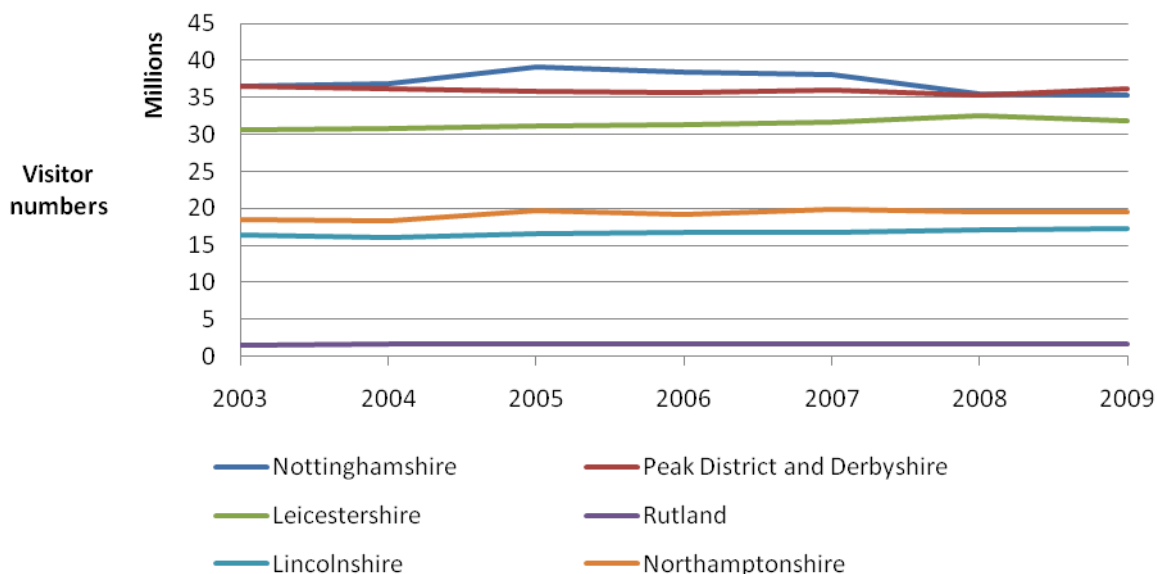
- bed stock for each type of accommodation within the region and sub-regions;
- information on occupancy percentages each month for each type of accommodation;
- attendance at attractions / major events by month; and,
- Tourism Information Centre visitor figures by month.

In the East Midlands it shows that in terms of the overall visitor numbers, there are three broad groupings (see Annex Figure 1):

- Leicestershire, Peak District & Derbyshire, and also Nottinghamshire have the highest numbers of visitors;
- Lincolnshire and Northamptonshire have much lower visitor numbers; and,
- the figures for Rutland are much lower again (which is to be expected, as it has the second smallest population for any unitary authority in England and has, for example, less bed stock than the other areas).

Data shows that for each of the DMP areas, overall visitor numbers have not changed significantly between 2003 and 2009. Nottinghamshire has seen the most fluctuation, reaching a peak of over 39 million in 2005 and then dropping to nearly 35.3 million in 2009. While Nottinghamshire, Derbyshire and Rutland have experienced marginal downward trends over recent years, Leicestershire and Lincolnshire have registered moderate increases. Destinations like Leicestershire and Nottinghamshire have seen significant declines between 2007 and 2009 in the number of serviced tourist days as a consequence of the economic recession which has not been entirely offset by day visitors and those staying in non-serviced accommodation.

**Annex Figure 1 Visitor Numbers (by sub-region)**

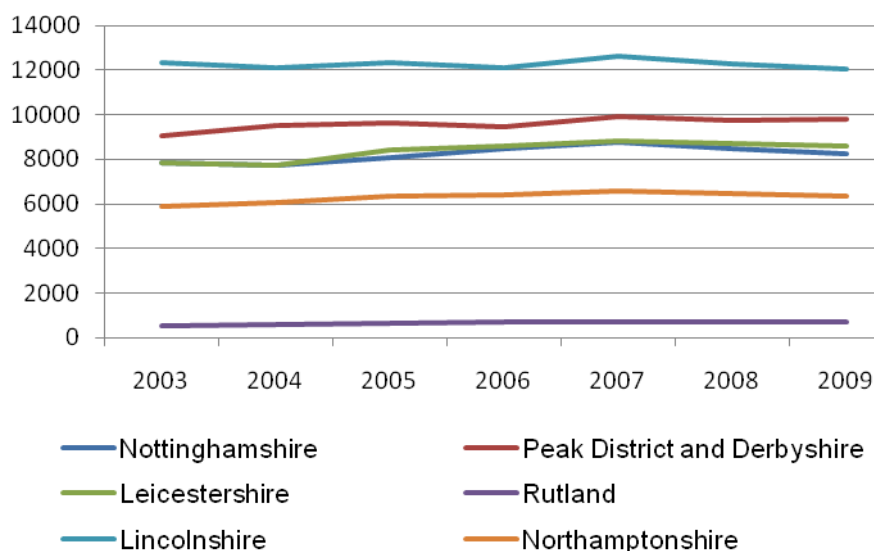


Source: STEAM data

The DMPs deliver campaigns in the domestic market to drive up the volume and value of overnight stays in the East Midlands. Annex Figure 2 shows that:

- Lincolnshire has by far the highest number of staying visitor days - between 12 and 13 million over the 6 year period; and,
- there has been a general upward trend in the number of staying visitor days in the DMPs, although in 2008-09 there was a slight reversing of this upward trend.

**Annex Figure 2 Overnight Stays (by Sub Region, 2009)**

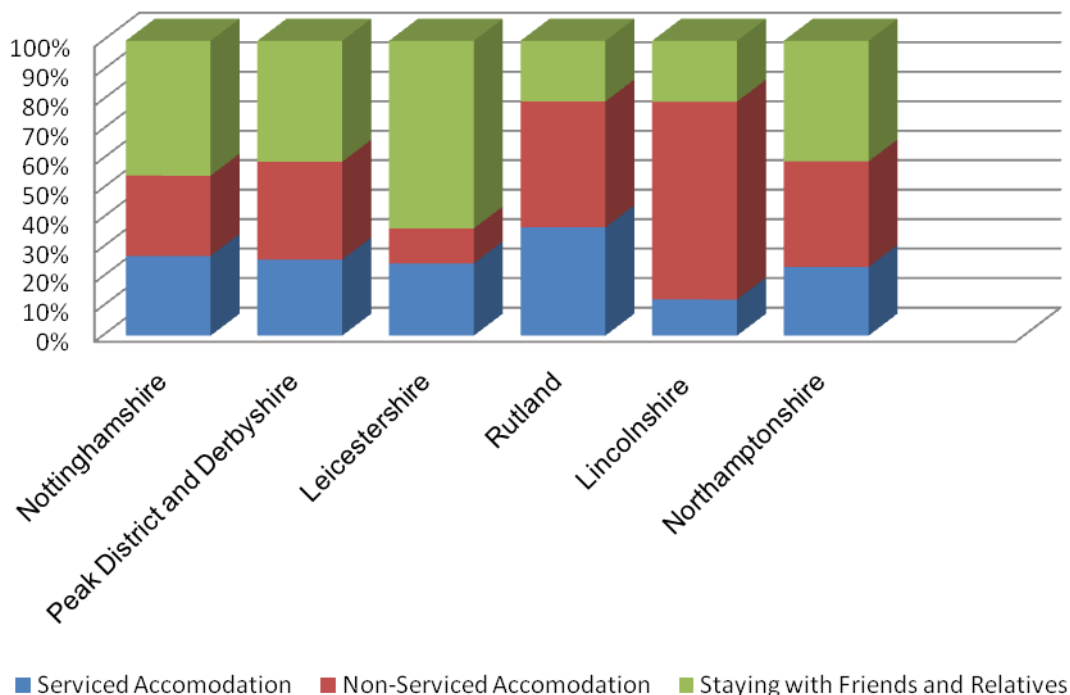


Source: STEAM data

Annex Figure 3 seeks to illustrate where visitors stay in the East Midlands. There is a considerable variation between the DMPs, with 64% of visitors in Leicestershire staying with friends and relatives compared to 21% in both Rutland and Lincolnshire. In Nottinghamshire, Peak District & Derbyshire and Northamptonshire the proportions staying with friends and relatives also make up the highest share of accommodation type, with between 40% and 45%. The proportion staying in non-serviced accommodation is smallest

in Leicestershire at just 12%, due to the relative lack of this type of accommodation. This contrasts greatly with Lincolnshire where 67% stay in this kind of accommodation. Serviced accommodation is the smallest category for all DMPs apart from for Leicestershire and Rutland.

**Annex Figure 3 Distribution of Staying Visitor Days by Visitor Types (2009)**

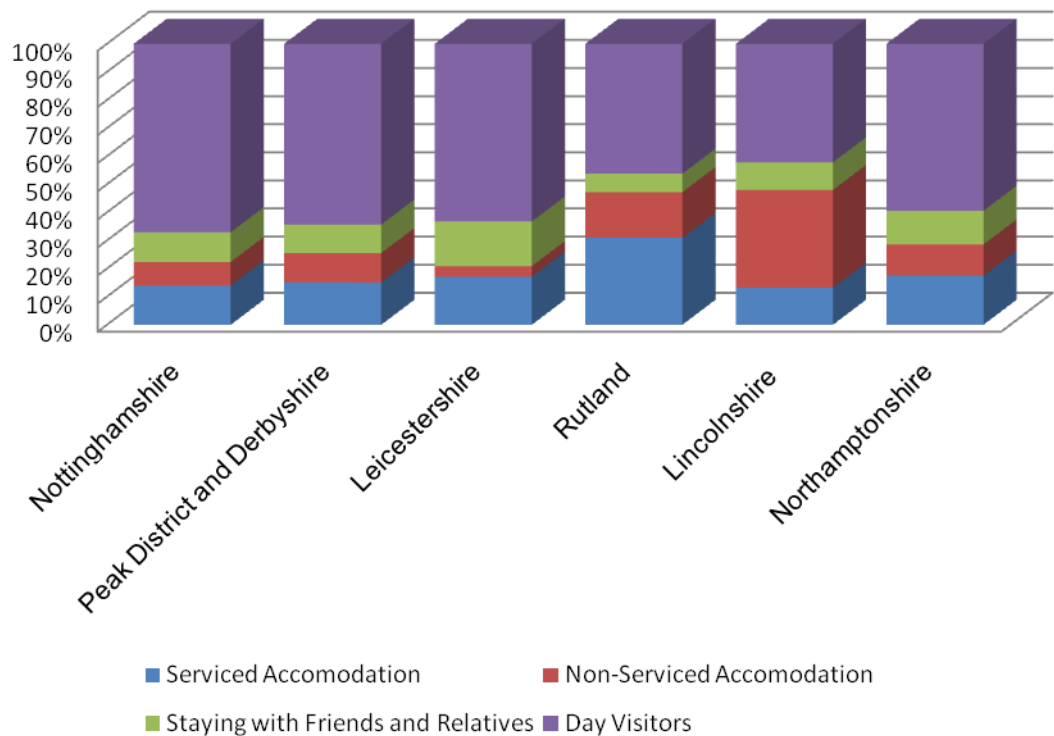


Source: STEAM data

Day visitors contribute the largest shares of visitor tourism expenditure in all DMPs (Annex Figure 4). For example, 67% of total expenditure in Nottinghamshire is linked to day visitors, the highest proportion of all DMPs. While the shares of expenditure accounted for by non-serviced accommodation are quite low in most DMP areas, varying from 4% (Leicestershire) to 16% (Rutland), the rate in Lincolnshire stands out at 35%. Likewise, while the shares of expenditure attributed to serviced accommodation are quite low in most DMP areas, varying from 13% (Lincolnshire) to 17% (Northamptonshire), the rate in Rutland stands out at 30%.



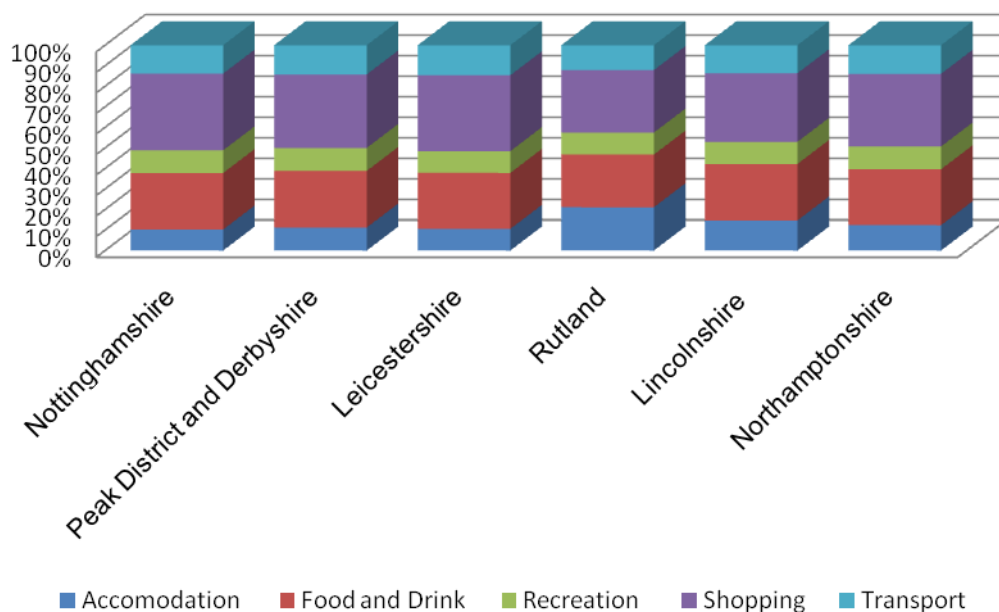
**Annex Figure 4 Distribution of Tourism Expenditure by Visitor Types (2009)**



Source: STEAM data

The latest 2009 data (Annex Figure 5) shows that the pattern of impact by economic sector is remarkably similar across all the DMPs. In all cases, most expenditure is related to shopping. The proportion of total expenditure spent on shopping ranges from 30% (Rutland) to 37% (Nottinghamshire). In all DMPs also, spending on food and drink is the next biggest category, with around one quarter attributed to this in each area. Next, transport makes up between 13% and 15% of expenditure. The share going to accommodation (between 10% and 15%) is similar to that going to recreation between 10% and 11%. However, Rutland is an exception with 22% of total expenditure spent on accommodation.

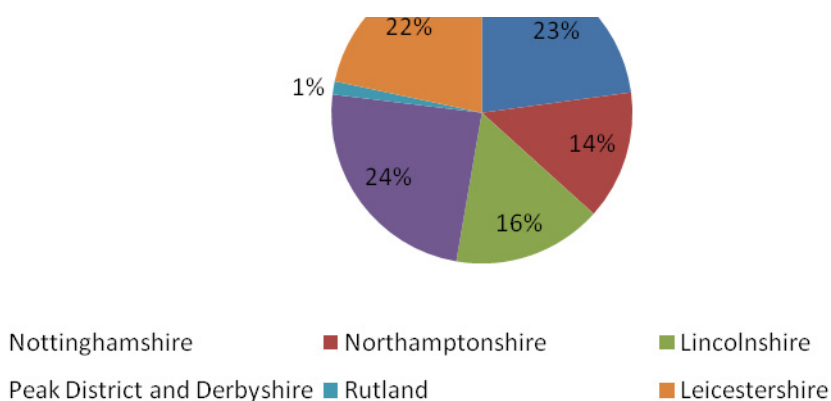
**Annex Figure 5 Distribution of Direct Tourism Expenditure by Economic Sector (2009)**



Source: STEAM data

Annex Figure 6 illustrates the contribution each sub-region made to the regional total in terms of visitor expenditure in 2009. Nottinghamshire, the Peak District and Derbyshire and Leicestershire contributed almost three-quarters of all regional tourism expenditure between them in 2009, with Rutland contributing 1%. These proportions have broadly remained fixed between 2003 and 2009.

**Annex Figure 6 Distribution of Visitor Expenditure (2009)**



Source: STEAM data

## Annex 3 Overview of Tourism by Sub-Region (2009)

	Tourist Numbers (million)	Tourist Days (million)	Visitor spend (£ million)	Average spend per person per night	Average spend per person per trip
<b>Nottinghamshire</b>					
Serviced Accommodation	1.23	2.12	194.10	91.60	157.80
Non-Serviced Accommodation	0.342	2.29	114.28	50.23	335.73
Staying with Friends and Relatives (SFR)	1.62	3.85	146.81	38.11	90.62
Day visitors	32.11	32.11	926.97		28.87
<b>Total</b>	<b>35.30</b>	<b>40.36</b>	<b>1,382.70</b>	<b>55.19</b>	<b>39.16</b>
<b>Peak District &amp; Derbyshire</b>					
Serviced Accommodation	1.42	2.49	215.0	88.93	155.63
Non-Serviced Accommodation	0.512	3.41	153.0	44.92	298.83
SFR	1.65	3.92	149.0	38.04	90.58
Day visitors	32.66	32.66	943.0		28.87
<b>Total</b>	<b>36.24</b>	<b>42.47</b>	<b>1,467.0</b>	<b>53.33</b>	<b>40.48</b>
<b>Leicestershire &amp; Rutland</b>					
Serviced Accommodation	1.37	2.36	251.0	106.25	183.16
Non-Serviced Accommodation	0.1958	1.32	62.62	47.43	319.80
SFR	1.83	5.63	214.45	38.12	116.91
Day visitors	30.05	30.05	867.60		28.87
<b>Total</b>	<b>33.45</b>	<b>39.36</b>	<b>1,395.65</b>	<b>56.73</b>	<b>40.47</b>
<b>Northamptonshire</b>					
Serviced Accommodation	0.826	1.44	146.72	102.10	177.63
Non-Serviced Accommodation	0.336	2.24	92.86	41.38	276.37
SFR	1.11	2.64	100.76	38.11	90.69
Day visitors	17.25	17.25	497.99		28.87
<b>Total</b>	<b>19.52</b>	<b>23.57</b>	<b>838.34</b>	<b>53.81</b>	<b>42.94</b>
<b>Lincolnshire</b>					
Serviced Accommodation	0.799	1.39	128.30	92.44	160.58
Non-Serviced Accommodation	1.22	8.14	337.78	41.51	275.96
SFR	1.06	2.52	95.96	38.11	90.61
Day visitors	14.19	14.19	409.61		28.87
<b>Total</b>	<b>17.27</b>	<b>26.23</b>	<b>971.64</b>	<b>46.67</b>	<b>56.26</b>

## Annex 4 National Strategic Framework

Action	Input Required			Notes
	RDA	DMO	LA	
<b>Objective One: To increase England's share of the global visitor market</b>				
01a. Develop an English national marketing strategy for domestic and international markets giving priority to the most attractive destinations and themes	X	X		VisitEngland as lead – promoting public and private sector collaboration; considered a key driver in achieving 5% annual growth.
01b. Optimise the opportunities of the London 2012 Olympic and Paralympic Games and the Cultural Olympiad through a coherent national plan	X			
01c. Develop a major events plan including HM The Queen's Diamond Jubilee and an English 'Decade of Sport' and identify opportunities to cross-promote destinations and experiences	X	X	X	
01d. Develop a Business Tourism Action Plan to advise on the best opportunities for growth in business tourism		X		
<b>Objective Two: To offer compelling destinations of distinction</b>				
02a. Commit to Regional Tourism Framework Agreements which will provide a consistent approach in support of the visitor economy across England	X	X	X	
02b. Establish a benchmark of best practice in destination management and organisation	X	X		VisitEngland / NWDA as lead, with input from LGA and others
02c. Implement the reviewed approach to quality assessment programmes in England				QA Action Group
02d. Create an England satisfaction survey which provides a national benchmark and greater consistency of data at regional, destination and local levels across England				ETIP
<b>Objective Three: To champion a successful, thriving industry</b>				
03a. Deliver a National Research and Intelligence programme to better understand the performance of the industry and the market conditions that affect it	X		X	ETIP
03b. Maximise the value of seaside resorts to the visitor economy through a Seaside Resort Action Plan		X	X	BURA as lead, with input from LGA RDA Coastal Towns Network
03c. Develop a Rural Tourism Action Plan to ensure the importance of tourism to rural communities is better understood and optimised		X	X	Rural Tourism Action Group as lead, with input from LGA and others

03d. Establish a Sustainable Tourism Action Plan to build on current best practice; engage the industry and future-proof tourism’s development				Sustainable Tourism Action Group as lead, with input from LGA and others
03e. Implement the National Skills Strategy established by People 1st				People 1 <sup>st</sup> as lead
03f. Develop a communications and engagement plan to promote greater industry effectiveness	X	X	X	
<b>Objective Four: To facilitate greater engagement between the visitor and the experience</b>				
04a. Develop and implement a programme to modernise visitor information and e-tourism platforms	X	X	X	
04b. Identify key priorities for the tourism industry in England’s transport infrastructure and develop a Tourism Transport Action Plan			X	
04c. Review of tourism infrastructure including signposting and access at key ‘gateway’ points		X		
04d. Implement the Welcome to England Programme to ensure visitors’ reception at key points on their journey is of a consistently high standard				VisitEngland as lead, with input from SWRDA and others
04e. Develop and implement a programme to improve accessibility for disabled visitors	X	X	X	VisitEngland as lead, with input from LGA and others

## Annex 5 Tourism Development Activity By Delivery Mechanism (2008/09)

Type of Activity	EMT	DMP
<b>Increase the current numbers of visitors to the region and their levels of expenditure</b>		
Inbound Marketing	Focused principally on attracting more leisure visitors from short-haul European markets, activity should be developed in partnership with a number of key strategic partners (i.e. East Midlands Airport, Visit England, P&O etc). Emphasis is on maximising matched funding and the Return on Investment from a small number of high profile partnership based campaigns - RoI target set at 30:1.	
Domestic Marketing	EMT directly funds and manages a PR agency to deliver domestic public relations services across all six destinations in the East Midlands.	Based around core domestic markets, promoting strong destination brands and icons which have relevance to the consumer (with work to encourage visitors to visit and explore adjacent areas when they arrive). Funding to be prioritised towards those destinations that are likely to deliver high impact and high returns (staying visitors are the key customer group, though DMPs can include visitors from within or just outside the region, providing that there is at least a two-hour journey time to the promoted destination) - RoI target set at 14:1.
Sales and Distribution	Increasing sales the region's tourism product through a range of traditional and online channels. <i>emda</i> to appoint a commercial partner to develop and manage supply and distribution relationships, systems operation and development, website operation and sales strategy.	
<b>Improve the competitiveness, productivity and quality of the offer for all types of visitors to the region</b>		
Quality Improvement Programme	A Regional Quality improvement Manager works with businesses on achieving higher standards of quality on every aspect of the visitor journey.	Work includes adoption of star ratings, developing local quality champions, ensuring consistent information provision, supporting businesses and sharing best practice. Overall target was to encourage: a total of 60% of the region's accommodation businesses to become part of the national standards; 40% of the region's visitor attractions signed up to the national code of practice 'Our promise to visitors'; and, 20% of attractions to sign up to the Visitor Attractions Quality Assurance Service.
Sustainable Tourism	The East Midlands to become one of the first English regions to comprehensively rollout a new national sustainable tourism quality scheme, which aims to be a best practice entry-level standard. Further, individual tourism businesses will also be influenced through existing business support measures which can advise on	

	issues such as reducing carbon emissions, waste reduction and sourcing local produce
Workforce and Skills Development	Specialists will operate within East Midlands Business to ensure that business advisors and skills brokers have the resources at hand and knowledge required to support businesses within the visitor economy. With <i>emda</i> having contracted with People 1st to produce the necessary resources to support the existing business advisors and skills brokers. Additional measures might include a National Skills Academy, pro-active promotion of the 'Skills Passport', foreign language training, customer service and professional development for managers.
<b>Plan and facilitate the investment needed to reinvigorate the region's tourism and visitor offer</b>	
Tourism Investment Plan	A capital investment fund; allocated on a competitive basis, funding to maximise the economic benefits to the region and complement previous investments in terms of type and scale.
Olympic Games and Paralympic Games	Collaborative working to maximise the impact of the 2012 Games and associated cultural Olympiad.
Place-Shaping & Visitor Services	Promoting excellent destination management, place-shaping and sustainable growth as defined by the Charter for Destination Management, and supporting the integration of the visitor economy within the economic block of Local and Multi-Area Agreements.
Support Strands	A variety of work to support the three priority areas, inform forward strategy and enable the accurate monitoring of delivery. Working alongside partners (i.e. ETIP), this work to include an annual assessment of the economic value of the industry, measures to continue to modernise delivery and tracking of key output targets.

## Annex 6 Overview of the Destination Management Partnerships

	<b>Leicestershire</b>	<b>Lincolnshire</b>	<b>Northamptonshire</b>	<b>Nottinghamshire</b>	<b>The Peak District and Derbyshire</b>
<b><u>Purpose</u></b>	Leicester Shire Promotions was established in 1993 by Leicester City Council to lead on marketing and promotion. The geographical remit was widened in 2003 when the County Council bought into the model - the strategic remit also broadened at this time to cover tourism. Aims to improve the county's 'drawing power', particularly for staying visitors.	Visit Lincolnshire was established in late 1980s as an association to support the economic growth of Lincolnshire through the development and promotion of the county as a tourist destination. Seen to be 'owned' by its members: ten local authorities and 275+ local businesses.	Explore Northamptonshire was created in 2004 to deliver: destination leadership and coordination, visitor attraction and provision of services to visitors and to industry. In 2006, it became an operating division of Northamptonshire Enterprise Ltd, the company responsible for delivering growth targets for the economic block of the LAA.	Experience Nottingham was formed in 2003 from the amalgamation of previously separate organisations: Conference Nottingham and Profile Nottingham. It became countywide in the following year. Overall aim is to transform Nottinghamshire into a leading tourism destination and promote it as a great place to visit – for leisure or business. Experience Nottinghamshire also has responsibility for the City Centre Tourism Office.	Visit Peak District and Derbyshire was established in 2005 to promote the sub-region as a great place to visit for leisure or business. Aims to foster the economic success of the tourism industry while enhancing the quality of life of local people and safeguarding the environment, by providing drive and coherence to destination marketing and visitor services.
<b><u>Structure</u></b>	A company limited by guarantee, operating on a 'not for profit' basis. Employs 22 members of staff, with an annual turnover of £1.9 m (mainly comprising public sector grant income). The Board is private sector led, with only two of its 14 members representing public sector partners (one for each of the two principal local authorities).	A company limited by guarantee, operating on a 'not for profit' basis. Employing 22 members of staff, with an annual turnover of £1.5 m (10% of income from membership fees, with remainder from contracts held with <i>emda</i> , LAs and members). The Board comprises fifteen directors; ten are member nominated, with five additional non-executive directors.	Employs 13 members of staff (with additional support from NEL Operations and Communications functions), with an annual turnover of £1.25 m (mainly comprising public sector grant income). The tourism team report to the main board as a division of NEL. The NEL Board is private sector led, with 16 members; 1 executive director and 15 non-executive directors.	Employing 17 members of staff (five members of staff relating to the City Centre Tourism Office) with additional admin/finance support which is now largely outsourced - has an annual turnover of £1.5 m (8% of income from membership fees). Delivery overseen by a Strategic Board comprising 19 members (mixed public/private).	A company limited by guarantee, operating on a 'not for profit' basis. Employing 14 members of staff (with additional admin/ membership support from Conference Derbyshire/member LAs), with an annual turnover of £1.2m. Delivery overseen by a private sector led Board, with Derbyshire Chamber and Business Link hosting the DMP and acting as accountable body



## Annex 7 Key Features of RDA Tourism Programmes

### Introduction

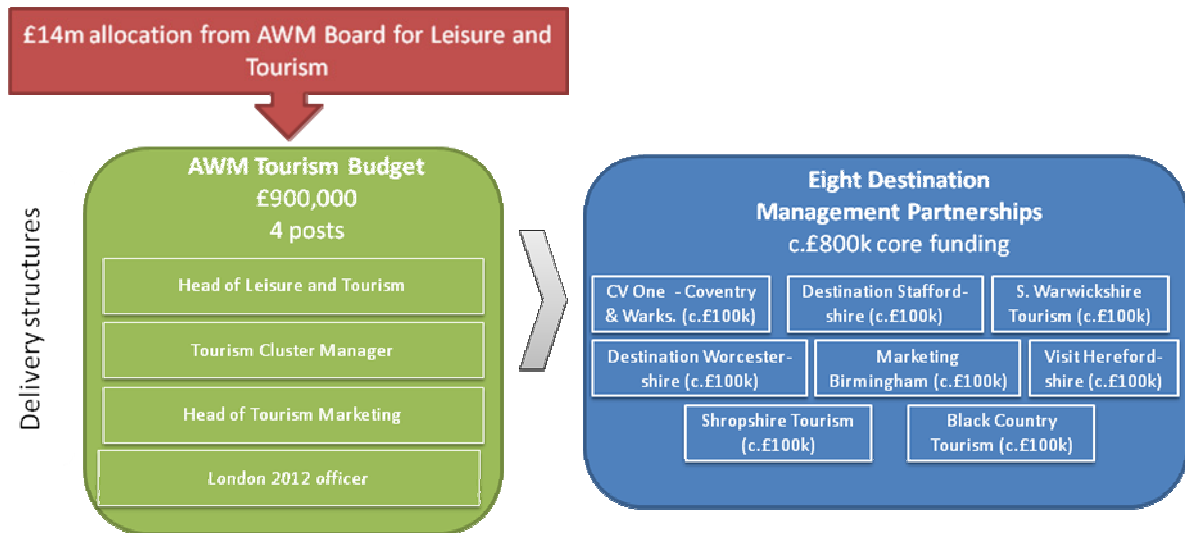
RDAs have chosen to exercise their responsibility for tourism in differing ways – this can include phasing out of the regional tourism board, merging of tourism board responsibilities and/or revising the responsibility of the boards. This has led to different structures in different regions. However common objectives have been sought, with common indicators of success being:

- Marketing (i.e. ROI on campaigns, leveraged partner funding in addition to RDA support);
- Attraction of more domestic and international visitors to the region (i.e. number of visits by UK residents, number of visits by International Visitors);
- Increase in tourists' average spend and increase in day visitor spend (i.e. spend per trip by UK residents, spend per trip by International Visitors, spend per trip by Day Visitors);
- Increase in employment in tourism and tourism-related businesses (i.e. number of jobs in tourism (direct and indirect));
- Improvement in the productivity of the regional tourism economy (i.e. tourist income per head of population)
- Acceleration in the rate of investment in the tourism product (i.e. £s invested (public and private sector));
- Improvement in the quality of the tourism product (i.e. % of accommodation establishments inspected, % of attractions inspected)
- Improvement in the quality of the tourism workforce (i.e. increasing the number of people in the workforce with level 2, 3 and 4 qualifications);
- Improvement in the levels of visitor satisfaction (i.e. across a range of indicators including accommodation, attractions, TICs, services, eating out, shopping, parking, signage and nightlife, as well as overall satisfaction with the region);
- Sustainable tourism (i.e. uptake on sourcing local produce and services, uptake of accreditation scheme and carbon footprint, e.g. increase in use of sustainable transport during visit); and
- Business Support and Training (i.e. including the delivery of training services, numbers of business assists, business competitiveness).

In this Annex we compare the approach taken to tourism in the East Midlands with three other regions, providing an opportunity to learn lessons from others and set expectations for what can be achieved. We have specifically included regions with more resources than the East Midlands, a similar level and fewer resources available for tourism. The regions were chosen based on a number of characteristics - each region has sought to improve its overall performance by examining their long-term strategies and general approaches but in each case different approaches have been adopted, including the development of new products and services, changing the balance of activities. The first comparison, with the West Midlands, is particularly interesting as AWM continued to support the existing Heart of England Tourist Board to carry out various functions for a number of years beyond 2003.

Case Study 1: West Midlands

Summary



Strategy

The current version of the West Midlands Visitor Economy Strategy (VES) was published in March 2008, and sets a programme of activity for the next three years. The strategic objectives are:

- To attract more visitors from outside the region (i.e. more overnight visitors, more business and high-value leisure visitors and more private sector tourism investment).
- To enhance the West Midlands for residents and visitors to create 'liveable' and 'visitable' places, world-class cultural/sport/leisure facilities, high standards of quality, avenues for learning, business support and careers, jobs and economic benefit, sustainable development (environmentally, socially, economically) and, local and regional pride.
- To support local businesses and cultural life by enhancing and promoting the quality and quantity of authentic local products, what is distinctive and unique about the region/sub-regions and the multicultural experience of the region.

These strategic objectives are essentially a continuation of those found in the original 2004 VES. However greater spatial emphasis has been placed on: Birmingham as a city break destination; business tourism venues; contemporary culture and cultural heritage; countryside food and drink; and events and festivals.

The VES prioritises those actions that seek to 'grow the value of the visitor economy, increasing competitiveness in UK and international markets, and helping to strengthen the image and profile of the region and its appeal as a visitor destination'. Prioritisation of activity is based on:

- the potential to deliver a high Return on Investment (RoI);
- a requirement to focus AWM's funding on a 'small number of activities which can deliver large scale benefits for the region as a whole'; while
- taking account of consumer demand and areas where there is demonstrable market growth opportunity (e.g. conferences and exhibitions, culture (utilising strengths such as the Royal Shakespeare Company and the Birmingham Royal Ballet), events and festivals (major sporting and cultural events as well as sub-regional festivals) and food and drink).

There is an acceptance that projects may only deliver results over the longer-term future (i.e. 'slow burners' are said to be as important as 'quick wins').<sup>78</sup>

The VES also segments the market in accordance with identified areas of greatest economic impact, specifically: empty nester couples; young couples/friends; high-spending day visitors; and visitors from North America, Germany, Italy, Spain, India, China and Japan. The marketing strategy is designed to minimise risk by targeting a mix of market segments for the short and long term, and encourage the regional spread and seasonal spread of visitors within the region.

A set of brands have also been identified.

- 'Place' brands are the Heart of England, Shires and Shire Towns (leading with Shropshire and Herefordshire, the shire towns of the region and 'gems' like Ludlow and Lichfield), Stratford-upon-Avon. Birmingham, Ironbridge.
- 'Association' brands for the leisure market are the Cotswolds and the Peak District, while the one iconic brand is Shakespeare.
- Wedgwood, Cadbury's, Alton Towers, Ironbridge (World Heritage Site), and the Royal Shakespeare Company are all defined as 'product brands' for leisure marketing purposes.

In addition to marketing, other strands of activity 'underpin' delivery, namely: Quality and Customer Service; Skills and Business Development; and Visitor Information.

### Delivery

After acquiring strategic responsibility for tourism in 2003, AWM supported the existing Heart of England Tourist Board to carry out various functions, including marketing. However, funding for the Tourist Board was withdrawn in 2007. This was because the Tourist Board was not considered to be performing its contractual duties to the required standard. Following this, some funding and responsibilities were shifted instead to the sub-regional Destination Management Partnerships (DMPs)<sup>79</sup>, which were already in operation (although with very different capacities and skills). Direct funding from AWM for the DMPs began in 2006-07. This initially involved funding only for small individual projects. The DMPs now receive core funding from AWM. However, while funding came later, AWM had been assisting the DMPs since 2004, helping to develop their capacities and participation in partnership arrangements. Progress in developing partnership arrangements/ relationships was initially slow. AWM told us that it took from around 2004 to 2007 for the benefits of the DMPs to be understood and recognised by other tourism related agencies in the region. Since 2008, DMPs have been delivering greater benefits, particularly relating to the pooling of resources. More recently there has been some restructuring of DMPs as funding allocations from local authorities have been reduced.

Responsibility for delivering the strategic objectives of the VES is now largely devolved to the DMPs, whose work programme centres on developing the local tourism offer, product development in response to demand, skills and business support, and marketing their sub-region in a domestic context. DMPs are able to develop their own strategic priorities and activities depending on the particular tourism offer they possess. AWM take responsibility for marketing the region in an international context.<sup>80</sup>

AWM provides core funding to DMPs of around £100,000 per year. [The funding is intended to add value to the DMPs existing business and activity plan.](#) The actual funding given depends on the particular activities being undertaken, how these relate to the region's strategic priorities and where AWM feels it can add value to the DMPs work<sup>81</sup>. This means

<sup>79</sup> Source: interview with AWM.

<sup>80</sup> The VES states that DMPs identify activity that helps to reinforce the regional priorities by investing in the visitor experience of the market growth opportunities that have best market and product fit with their visitor destinations

<sup>81</sup> Source: interview with AWM. Exact funding figures were not available at the time of speaking with AWM.

that the figure could be a little more than £100,000 or less than £100,000. Other funding for DMPs is sourced through local authorities and through income generated.

The tourism function at AWM is delivered through the Leisure and Tourism Business Cluster team. The core team of four sits within the Partnerships and Communications Directorate and comprises a Head of Leisure and Tourism, a Tourism Cluster Manager, a Head of Tourism Marketing and a London 2012 officer. No other AWM functions cross over into tourism, although some capital projects come through regeneration and rural regeneration programmes. The overall AWM annual budget for tourism is approximately £14m, which is part of a larger tourism and culture budget.<sup>82</sup> Like other RDAs, the tourism budget exceeds the DCMS component of the RDA single pot. The AWM tourism team itself works with a budget of £900,000pa, £600,000 of which is allocated to marketing activity. A Tourism West Midlands Board, comprising professionals recruited from the public and private sectors, sits alongside this Executive team to review activities and funding allocations.

In addition to international marketing, there are a number of other core roles for the AWM tourism team, including:

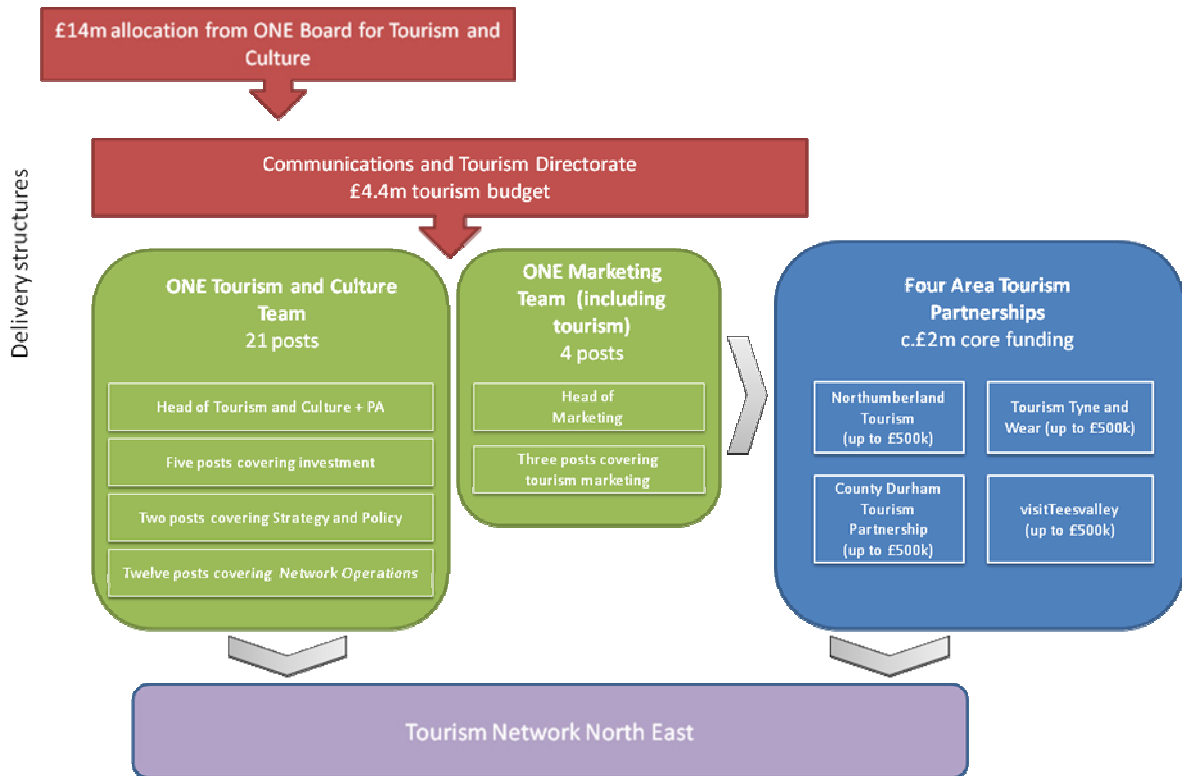
- The development of tourism policy and the provision of market intelligence: DMPs are expected to report on the value and volume of tourism, ROI, visitor satisfaction, uptake of accreditation scheme, skills levels and business assists (i.e. STEAM and the Cambridge model are not used). There is also a regional perceptions indicator.<sup>83</sup> AWM monitor this information and provide funding for ad hoc research to build market intelligence. AWM currently commission Tribal to carry out market intelligence research.
- Assistance to tourism businesses: Since 2003 assistance has been provided to over 2000 businesses through the Regional Centre for Tourism Business Support, delivered through Business Link. This is a single contact point service providing independent businesses support and information through a single point of contact. Business advisers provide up to two one-day visits to existing businesses or potential start-ups. The centre also promotes quality improvement in tourism businesses through a Regional Recognition Model (i.e. a quality mark available to any tourism, leisure or hospitality business that meets the required standard).
- Capital investment: AWM funding has facilitated the improvement of iconic visitor destinations such as Stratford-upon-Avon, the Wedgwood Museum, Ironbridge Blists Hill, Birmingham's Jewellery Quarter, the Cold War Museum at Cosford, Dudley Castle Hill and Worcester City Centre.

<sup>82</sup> This budget includes capital regeneration projects that are Tourism related and the salaries of staff

<sup>83</sup> The West Midlands Economic Strategy, Connecting to Success, identifies the creation and monitoring of a regional perceptions indicator as one of the six key measures of economic progress. Over the last two years, the Regional Observatory has been working on behalf of AWM and the Regional Marketing Board to develop a regional perceptions indicator; the first of its type in the UK. The data for the indicator was collected through two major national surveys. One survey covers residents; the other survey covers businesses. This is supplemented by a series of interviews with key opinion-formers, including some from outside the UK.

Case Study 2: North East

Summary



Strategy

The North East England Tourism Strategy 2005-2010 outlines the following ten objectives:

- attract more domestic and international visitors to the region;
- increase tourists’ average spend and increase day visitor spend;
- increase visits throughout the year, not solely in the main holiday season;
- increase employment in tourism and tourism-related businesses;
- improve the productivity of the regional tourism economy;
- accelerate the rate of investment in the tourism product;
- improve the quality of the tourism product in the North East;
- improve the quality of the tourism workforce in the North East;
- improve levels of visitor satisfaction in the North East; and,
- enhance and conserve the region’s natural, heritage and cultural assets.

Through international and domestic marketing, in conjunction with sub-regional and national tourism partners, ONE has sought to develop the ‘appeal of the strongest tourism experiences the region has to offer, underpinned by a regional identifier brand’ - a key part of the Regional Image Strategy.

Marketing focuses on attracting overnight staying visitors who come from outside the region. Specifically, this entails targeting domestic leisure break visitors, European and overseas visitors who use the North East’s air and sea gateways, discretionary business visitors, day visitors and those staying with friends and relatives. The aim is to attract more high-yield

visitors and therefore increase average expenditure rates. Day and overnight visitors are treated as separate markets with different needs and expenditure patterns. Regional and sub-regional led tourism campaigns are negotiated with the sub-regional Area Tourism Partnerships.

The Tourism Marketing Plan 2005-08 outlines the market segmentation work that has been carried-out and points to three key market targets: 'cosmopolitans'; 'discoverers'; and 'high streets'. The Plan also specifies four unique selling points for the North East: 'undiscovered and dramatic landscapes'; 'unique history and heritage'; 'vibrant cityscapes/urban culture'; and the 'renowned North East welcome'. Regional marketing campaigns focus on elements of the regional product that have the strength to create interest amongst the target market and build brand and product awareness.

In terms of overseas marketing, priority markets have been identified as Germany, Netherlands, Norway, Italy, Ireland, Sweden, and North America.

Other areas of activity include:

- information and Visitor Services i.e. establishing a Regional Information Management Programme, and an ICT based infrastructure;
- activities, Attractions and Experiences;
- accommodation i.e. preparing sub-regional accommodation prospectuses and promoting the importance of quality schemes;
- business and workforce development, producing a Tourism Workforce Development Plan and operating business brokerage;
- integrated transport infrastructure, developing an investment plan for maintaining footpaths, bridleways, cycle-ways etc; and developing investment priorities for transport gateways; and,
- planning and the environment i.e. influencing strategy and policy decisions, implementing visitor management plans and engaging with relevant stakeholders.

### Delivery

Prior to 2004, the Northumbria Tourist Board undertook key tourism responsibilities across the North East, with ONE providing a small minority of its funding. After taking strategic responsibility for tourism in 2004 ONE absorbed the Tourist Board, taking on its staff into the agency, seeking to increase expertise and capacity.

When ONE first took on strategic responsibility for tourism, functions were initially split between two directorates within the agency.

- Marketing was delivered through the Communications Directorate and other visitor economy services were delivered through the Regeneration Directorate. The tourism marketing role was split so as to enhance the communications function and to improve tourism marketing.
- The Tourism Team has since been moved over into what is now the Communications and Tourism and Culture Directorate. However, within this directorate the Marketing Team, which deals with tourism, is separated. We were told that, despite these reorganisations, the disparate teams work well together.

There are four personnel within the Marketing Team who work specifically on tourism marketing, although this is sometimes a difficult distinction to make. The Marketing Team also deals with attracting inward investment and regional image. The Tourism and Culture Team has a total of 21 staff, including the Head of Team and her PA. The staff is split between three sections.

- The Investment Unit (5 staff) leads on single programme investments, working with the Capital Development, Business, Skills and Strategy teams, and develops interventions using other available funding streams.
- The Strategy and Policy Unit (2 staff) develops, coordinates and communicates tourism and culture policy for ONE, ensuring that tourism is reflected and aligned with other strategies.
- The Network Operations Unit (12 staff) takes responsibility for the regional research programme, the coordination of the sub-regional Area Tourism Partnerships, the regional IT platform (Desti.ne e-business platform), business development and product development.

We were told that this arrangement brings a benefit in that the visitor economy strategy is embedded in programmes across the agency. Tourism marketing is also aligned with the regional image strategy and inward investment work (i.e. there is consistency in how the region is represented).

The ONE Corporate Plan (updated in 2009) allocated the Tourism and Culture programme £8.4m revenue and £5.8m capital for 2009-10. Of the revenue stream, around £3.5m went to marketing and £900,000 to the Tourism and Culture Team (not including wages). Between £1.5m and £2m was to be distributed to the Area Tourism Partnerships.<sup>84</sup>

ONE established four sub-regional Area Tourism Partnerships (ATPs) which were in situ by 2006.<sup>85</sup> The four ATPs and ONE make up the Tourism Network North East (TNNE), the official tourism support process for North East England. It consists of a small Network Management Group, along with five working groups (marketing and PR, business and skills, Desti.ne Operations, research, and product development) and three action groups (press and PR, digital marketing, and information collection). ONE's overall role in TNNE is to provide strategic direction, marketing / market research, co-ordinating Network Services (i.e. setting and monitoring standards for visitor services, and developing and managing Desti.ne, the regional e-business system), and co-ordinating region-wide initiatives (i.e. business support/skills development, and transport initiatives to assist visitors to reach the region and access attractions and facilities).

In terms of research and intelligence, ONE co-ordinate a monthly occupancy survey, commission STEAM data, conduct and distribute a quarterly Investment Monitor for the region, conduct an annual survey of visitor numbers to attractions, commission a comprehensive Visitor Satisfaction Survey for the region, and commission appropriate market research. In terms of marketing, ONE publish a Regional Tourism Marketing Plan, deliver major campaigns and key tactical campaigns, produce a single regional visitor guide, and lead on international campaigns. ONE also plays a role in product development, accommodation improvement, and achieving better transport provision. On transport, ONE commission infrastructure reviews and improvement plans (such as for tourist signposting, lay-bys, public toilet provision and scenic viewpoints, work with partners to develop tourist investment priorities for transport gateways, influence the regional and national road-building programme from a tourism perspective, and influence public transport and traffic management debates from a tourism perspective).

The ATPs draw together bodies from across the public, private and third sectors to promote the places and attractions in their area. The role of the ATPs is to 'manage the visitor experience for the improvement of the local visitor economy'. Two of the ATPs are companies limited by guarantee and two are partnerships with local authority accountability. In their first year of operation (2006), each of the ATPs received £500,000 core funding from ONE. ONE later imposed a sliding scale of funding, and ATPs are expected to resource activities through local authority and private sector sources. The amount provided by ONE

<sup>84</sup> ONE also allocates funding to support the Hadrian's Wall Heritage company.

<sup>85</sup> Only Tees Valley had an existing tourism body prior to this, which was subsumed into the new ATP. The Newcastle Gateshead initiative, a destination marketing agency, was also undertaking some tourism activities.

depends upon ONE's assessment of their Area Tourism Management Plans. ONE assesses the activities proposed and how it adds value to the regional objectives and priorities. ATPs propose how expenditure will be split between different activities but ONE has the final say on this. Funding to ATPs currently ranges from £350,000 to £500,000.

Each ATP prepares its own Area Tourism Management Plan over a 5 year period to reflect sub-regional priorities. Responsibilities under research and intelligence include supporting regional activity by encouraging business participation in the monthly occupancy surveys and providing appropriate information and support. ATPs may also commission their own market research. In terms of marketing, ATPs publish their own marketing plans, publish detailed literature listing tourist facilities, promote business and conference tourism through local conference bureaus, and complement regional campaigns with appropriate area campaigns. However, marketing campaigns are not defined on the basis of the ATP areas as all regional and sub-regional led tourism campaigns are developed collaboratively. ATPs also support the regional e-business platform, identify gaps in the tourism product and identify priorities for capital investment.

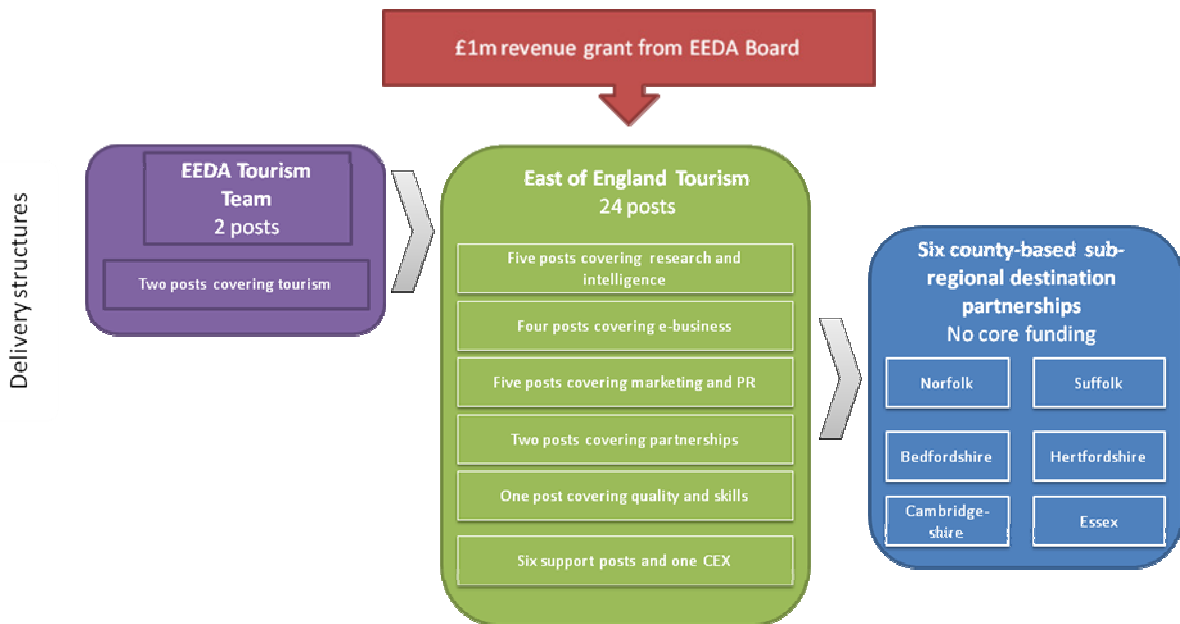
ATP's have a key role in business and workforce development. They each host a Business Link tourism specialist to ensure closer links are established with tourism businesses, promote the full range of training and business support services, and implement regionally agreed programmes and methods to better understand the training needs of tourism businesses and to forecast employment trends. ATPs act as Business Collaboration Networks which, with support from Business Link, provide enhanced business support for tourism businesses. The networks serve as a conduit for business support, signposting to Business Link services. Through service level agreements between the ATPs, ONE and Business Link, the ATPs can also directly refer businesses to the North East England Investment Centre where businesses can access funds. The Business Collaboration Support Networks are said to be a major success.

The delivery model in the North East is very much centred at the regional level, with sub-regional ATPs supporting delivery. The model was developed after the Northumbria Tourist Board was dissolved and this offered the opportunity for a new arrangement to be put in place. The key benefit of the model are said to be the reduction of duplication across the region, in terms of visitor literature, research and intelligence, accommodation information, and the destination management system. There are fewer small initiatives which, it is suggested, can produce too much complexity and confusion for visitors (i.e. a single source of authoritative information and advice). There is a strong regional voice and a high level of consistency. It also allows for quick decisions to be made which affect the region as a whole, such as in the case of international marketing where priorities can be changed in accordance with changing transport routes. ATPs play an important role in providing rich local information which combines with strategic considerations.



Case Study 3: East of England

Summary



Strategy

Tourism in the East of England region is primarily the responsibility of East of England Tourism (EET), the single region-wide tourist board. The target customer is the ‘discerning traveller, who wants to stay a little longer and spend a little more whilst in the region’. The discerning traveller relates to young professionals, older couples and families. The target geographical area is defined as within a two hour travel time – which principally means from London and the South East.

Strategic priorities centre upon strategic marketing, market intelligence and capacity building. Secondary priorities for EET are around business support and skills development, product innovation, and destination renaissance. The 2009/10 EET Business Plan outlines nine programmes of activity:

- **Marketing:** The two campaigns for 2009/10 are based on a countryside pursuit theme (walking) and a sport and recreation theme (cycling). In addition to these themes, work continues in respect to business tourism, ‘gateway development’, overseas marketing and the previous themes of local food and drink and culture and heritage. Marketing activity strongly reflects a ‘responsible tourism’ dimension, as demonstrated through a ‘Sustainable Tourism East’ project which targets visitors already in the region, encouraging them to leave the car at their accommodation.
- **Customer Insight:** Activity involves: research to explore key values and brand clusters; a region-wide industry barometer measuring tourism performance, business satisfaction levels, attraction visits and accommodation occupancy levels; a commercial research service; managing and utilising a Customer Relationship Management database; and, promoting responsible tourism business development through research and data.
- **E-Business:** EET manages the Destination Management System, which is the hub of all online activity, and also manages the main customer facing website, which continues to be developed in line with marketing purposes.
- **Public Relations:** Working with an external agency, EET conducts national and regional consumer campaigns, facilitates/co-ordinates media interest, provides advice to sub-regions and members, and conducts media evaluation.

- Promoting the Quality Agenda: This involves working with partners to promote awards programmes, and in particular enhancing the Regional Enjoy England Awards for Excellence.
- Business Support and Training: Skills development and business support activity aims to raise the quality of the tourism offer.
- Commercial Membership, Local Authority Partnerships, and Corporate Services

EET's overall approach is to increase visitor spend rather than volume of visitors. This means a focus on converting day trips to short breaks, and promoting the variety of things to do during a stay. A key aspect of the approach is to target certain consumers. This means the 'discerning traveller'. Other marketing goals are to introduce sustainability as a key selling point, to develop a range of iconic themes that will promote 'bundles of products', to exploit local airport gateways, to lead on identifying key overseas markets, to improve market intelligence, to promote business tourism, and to monitor and evaluate all campaigns. Marketing is based on certain theme-based marketing platforms. Given limited resources, there are no more than two such campaigns per year.

Marketing activity is said to strongly reflect a 'responsible tourism' dimension. This approach is demonstrated through the Sustainable Tourism East project, which is intended to enable the region to position itself as the region of choice for the 'responsible visitor'. Sustainable Tourism East entails marketing activity to enhance sustainable messaging. This Rural Development Programme for England funded project targets visitors already in the region, encouraging them to leave the car at their accommodation. Rural businesses can also access practical support including training courses, green business advisory visits and marketing opportunities to help them develop a more sustainable approach. Other 'responsible tourism' initiatives include EET's partnership with First Capital Connect and National Express to encourage rail travel to attractions, and also the marketing campaign for cycling and walking.

In 2010, in addition to the key theme-based campaign and Sustainable Tourism East, another major piece of work is to maximise the benefits on London 2012 through international marketing. A new strategy will focus on building trade and press activity in The Netherlands, France and Germany. This follows a strategic review of international marketing activity in 2009 which highlighted the limited resources directed on the overseas visitor.

### Delivery

EEDA built on the existing arrangements to establish a single region-wide tourist board delivery model. EET was reconstituted in April 2007, following a strategic review and staff rationalisation, with EEDA shifting its funding from six county-based tourism bodies (i.e. revenue support for these bodies ceased in March 2007, although a structure remains in place operated through the county-based local authorities).

EEDA's role is to set the strategic direction for tourism and EET's role is as the delivery agent. EEDA has a staff of two people working directly on tourism. They also cover EEDA's work in culture and on the Olympics. EEDA has the following roles and responsibilities<sup>86</sup>:

- economic priorities and targets;
- policy development;
- capital and revenue investment priorities;
- advocacy for tourism;
- regional tourism strategy, including the framework for tourism delivery;
- regional tourism business and skills development;
- regional research and intelligence;

<sup>86</sup> England's RDAs; RDA Tourism Briefing, Jan 2010.

- coordination with sub regional partners on regional tourism strategy development and strategic initiatives; and,
- liaison with Government and with other RDAs on national tourism initiatives.

EET has a staff of 24 and receives a £1m annual revenue grant from EEDA. Public and private sector partners are invited to join EET as fee-paying members, with a range of benefits and services received dependent upon the membership type (supported by a Service Level Agreement for local authorities). EET's turnover for the year 2008/09 was £2.2m, also including £154,000 from memberships and over £1m from other project activities. An Advisory Panel – comprising 18 commercial members – has recently been established to ensure commercial interests are fairly represented in EET's business plan and act as a sounding board for new projects and developments.

EET has the following roles and responsibilities<sup>87</sup>:

- regional tourism business and skills development;
- quality policy and monitoring;
- regional ICT destination management platform;
- regional visitor information;
- regional research and intelligence;
- long-term product development and investment;
- regional image and theme marketing;
- developing the potential of the business tourism market;
- coordination with sub regional partners on marketing and related issues; and,
- liaison with VisitBritain.

EEDA and EET still work closely with local authority partnerships, meeting at least four times a year to discuss strategic decisions. The local authorities role in the delivery of tourism measures includes: visitor information; brokering of business support services and skills advice and training; business tourism (e.g. convention bureaux); identification of investment priorities for the sub-region; coordination of marketing plans and literature; coordination of events; dissemination of research and intelligence; and promotion of quality improvements and quality assurance schemes.

EEDA stated that the region-wide model is well-regarded and has become an effective delivery structure. As a region which has 'little meaning and recognition amongst consumers', marketing is now based on distinct products and places. We were told that this does not necessarily have to entail delivery through sub-regional bodies. A single regional tourism body can offer greater efficiency and a coherent regional perspective which avoids a place competitive element. This is especially important where resources for tourism are very limited.

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<sup>87</sup> England's RDAs; RDA Tourism Briefing, Jan 2010.

## Annex 8 Summary of Performance against Targets (2004/05 to 2009/10)<sup>88</sup>

	Target	Actual	Progress Against Target
<b>Marketing and Sales</b>			
Unique visitors to websites	3,562,480	6,077,927	171%
Database growth	896,431	961,731	107%
Bednights	89,712	103,413	115%
Marketing investment levered (£M)	2,464,183	2,497,561	101%
Average Return on Investment	17:1	21:1	124%
<b>Quality Improvement</b>			
No. of businesses supported to improve their performance *	1,012	1,040	103%
No. of people assisted in their skills development *	1,593	1,151	72%
No. of accommodation businesses in the national accreditation scheme (NQAS)	1,021	1,150	113%
No. of attractions in a national accreditation scheme (VAQAS / COP)	160	273	72%
No. of accommodation businesses in green accreditation scheme	352	238	171%
Public sector investment levered (£) *	6,482,742	6,913,754	107%
Private sector investment levered (£) <sup>*89</sup>	803,014	579,948	72%

<sup>88</sup> Outputs marked with an asterisk are specified within, and monitored as part of, the Tasking Framework, which requires each RDA to show, in its Corporate Plan how it would address the priorities identified in the RES and contribute to the delivery of the Government's Public Service Agreement (PSA) Targets. Figures collated to quantify 'marketing investment levered' are sourced from EMTs Marketing KPI spreadsheets, whilst figures collated to quantify 'public/private sector investment levered' are sourced from *emda's* finance team since they are outputs monitored as part of the Tasking Framework. The former is a subset of the latter (which also includes investment levered in relation to capital projects), hence the two types of target measure should be considered independently of one another to avoid double counting.

<sup>89</sup> The private sector leverage target takes no account of revenue funding leveraged before April 2009