

Minutes of meeting of the VisitScotland Board held at the Marcliffe Hotel, Aberdeen on 23 June 2006

Present: Peter Lederer (Chairman)
Pat Buchanan
Willie Dunn
Brian Houston
Alex Pagett

In attendance: Philip Riddle (Chief Executive)
Eddie Byers (Director of Industry Engagement)
Riddell Graham (Director of Strategy, Partnerships &
Communication)
Willie Macleod (Director of Visitor Services & Quality)
Ken Neilson (Director of Corporate Services)
David Noble (Director of Network Operations)
Malcolm Roughead (Director of Marketing)

Lynne Raeside (Minutes)

Apologies: Donal Dowds
Lesley Sawers

1. MINUTES OF BOARD MEETING OF 8 MAY 2006

The minutes of the Board meeting of 8 May 2006 were approved.

2. MATTERS ARISING

Corporate Governance

The Chairman reported on discussions with Audit Scotland regarding corporate governance. Audit Scotland is comfortable with VisitScotland's proposed approach and in particular noted that the proposal to have non-Executive and Executive Board members reflected both private sector practices and practices within the NHS. Audit Scotland recommended that the Board should focus its efforts on strategy and the business plan, ensuring that Board members are involved at the right time. In addition, it was suggested that more focus should be given to Key Performance Indicators.

Action: Chairman, Chief Executive and Brian Houston (BH) to reconvene to discuss the way forward.

EventScotland

The Chairman reported that he had discussed with Mike Ewart two models regarding the governance of EventScotland:

- (i) creation of a sub-Board to meet three times per year; and
- (ii) creation of a sub-committee of the VisitScotland Board

Ken Neilson (KN) and BH reported that Audit Scotland do not consider the creation of a sub-committee to be appropriate. Audit Scotland believes that EventScotland should be reporting to the main VisitScotland Board. One possible approach would be to deal with EventScotland issues separately from VisitScotland business, i.e. at the close of the VisitScotland Board meeting, the Board could address EventScotland business, with a separate agenda and separate minutes.

The Chief Executive noted that this approach would effectively mean that the VisitScotland Board would be assuming full responsibility for EventScotland (currently, as a joint venture with the Scottish Executive, responsibility is shared). The Board agreed that it should assume full responsibility for EventScotland.

Action: Chief Executive to present proposed solution to Mike Ewart.

Local Authority Funding

The Chief Executive reported that he had raised concerns regarding local authority funding with the Minister. While the Scottish Executive appreciates these concerns, VisitScotland has been advised that no additional funding is available at the present time.

Avian Flu

Riddell Graham (RG) reported that the communications plan for avian flu had been updated with material provided by Alex Pagett (AP) and VisitBritain. He also noted that there is an operational plan which addresses issues such as IT capability, home working etc. KN confirmed that arrangements were now in place to allow staff to access central systems from any VisitScotland office.

Nevis Project

BH noted that the Lessons Learned paper would not be going to the Audit Committee until October. However, a draft version of the paper will be available for the August Board meeting.

3. KEY PERFORMANCE INDICATORS

RG introduced a paper outlining the revised Key Performance Indicators. He noted that these had been streamlined. The Scottish Executive has asked for a further 20 activities to be monitored on a less formal basis. These will not form part of the formal KPIs. BH noted that Audit Scotland supported this approach. RG reported that a full report on the 2005/06 KPIs would be provided to the August Board meeting.

Action: RG to produce 2005/06 KPI Output Report for August Board meeting.

4. COMPETITIVE ENVIRONMENT

RG introduced the competitive environment paper which provides an update on trends in Scotland and across the globe. He drew particular attention to the report on festivals which pointed to the need for strategic guidance at a national level in order to avoid fragmentation. The Board supported the general principles of the paper and raised questions about the level of both private and public sector funding; and the ability of Edinburgh's infrastructure to cope with a larger summer festivals programme.

Action: David Williams to be invited to draft a strategy outlining how the concerns raised in this paper might be addressed.

5. VISITSCOTLAND.COM

Malcolm Roughead (MR) led a discussion on visitscotland.com. He reported that the value of bookings was now £6.05m. Web bookings are growing well, while TIC bookings remain steady. The Highlands and Edinburgh are still the main beneficiaries, although Glasgow is coming through strongly in respect of web bookings. Bookings for guest houses and bed and breakfasts constitute about 60% of total bookings, demonstrating the benefit of visitscotland.com, i.e. it provides a depth / breadth that no other site does. The site is now ranked 22nd most visited site.

AP asked what steps are being taken to increase web bookings. MR explained that various steps are being taken to drive traffic to the web. For example, VisitScotland is now capturing data from those visiting TICs (something which would not have been possible before the creation of the integrated network). This data is being fed into VisitScotland's segmentation work and then fed into visitscotland.com. The Autumn Gold campaign will be used to pilot the segmentation activity. It is then hoped that the pilot will be extended to the data captured through TICs in spring 2007.

Willie Dunn (WD) reported that he had visited visitscotland.com's offices in Livingston. He was interested to note that visitscotland.com receives complaints about the quality of accommodation providers, not simply complaints about the booking service. Willie Macleod (WMac) explained that complaints are made to visitscotland.com because the properties are part of the VisitScotland Quality Assurance Scheme. Complaints of this nature are generally passed to VisitScotland's Quality & Standards Department. However, all staff at visitscotland.com, like those in the Q&S Department, are trained to deal with complaints. WMac also reported that VisitScotland is looking at new ways of dealing with complaints.

The Chief Executive reported that the deal with Tiscover has almost been concluded. This will result in changes to the shareholding. The Minister has been briefed directly and is comfortable with the changes. A joint communications plan has been agreed with visitscotland.com. The paperwork will be approved by the Tourco Board and will be signed by the Chief Executive.

The Board approved this approach.

6. EVENTSCOTLAND

The Chief Executive introduced a paper from EventScotland updating the Board on the organisation's activities.

The Chief Executive noted EventScotland's particular concerns regarding the Ryder Cup. He reported that David Williams had identified that significant additional funding is needed to meet Ryder Cup obligations. MR noted that although there is a need to ensure adequate funding, progress is being made and the shortfall is not as significant as previously thought. The Board agreed that the situation should be monitored and that care should be taken in respect of the approach adopted should additional funding be sought from the Scottish Executive.

The Chairman declared his interest in this subject.

7. CHIEF EXECUTIVE OVERVIEW OF KEY DEVELOPMENTS

Planning & Budget

The Chief Executive reported that the Management Team has revisited the planning and budget setting processes. The timetable will be brought forward several months and the Board's strategic input will be required in the spring rather than the autumn of each year.

Pensions

The Chief Executive reported that VisitBritain would be taking the lead in respect of the BTB pensions issues. It is likely that changes will have to be made to the scheme because new estimates of longevity have meant the scheme might not be fully funded. He noted that there will be a paper to the Board providing more detail later in the year. It was agreed that FRS17 is not a helpful way of viewing deficits but it has been useful in terms of drawing VisitScotland's attention to potential shortfalls.

Thundering Hooves

The Chief Executive reported on the publication of the Thundering Hooves report. It contains 14 recommendations, two of which are of particular interest to VisitScotland:

- (i) Suggestion of a joint marketing strategy for the festivals – although this is a sensible approach, there is a risk that this could lead to the setting up of a separate marketing bureau. In addition, VisitScotland does not agree that the strategy should be focused only on the international market. VisitScotland believes there is a need to target the more local market, e.g. Glasgow, which would mean there would be less pressure on hotel capacity.
- (ii) Tourism tax – proposals for such a tax, in particular a bed tax, are gaining momentum. In addition to the Thundering Hooves Report, ETAG has published a report on tourism taxes and there is a Local Government Review of local taxes. The Chief Executive circulated a draft reactive position statement. While VisitScotland supports the concept of more money

coming into tourism, the organisation is opposed to the proposed tourism tax on the basis that it would fall disproportionately on accommodation providers and would make Scotland uncompetitive. The Board approved the statement subject to minor changes.

8. HOSPITALITY ASSURED

RG introduced a paper seeking Board approval for the introduction of Hospitality Assured as a key strand of VisitScotland's business planning and improvement activity. He explained that the benefits included greater customer focus, improved internal communications and a more integrated approach to service delivery and planning.

BH expressed concerns about the potential complexity of the process. RG explained that the standard is not paper driven and will not require considerable input from external consultants (as is the case with similar standards). Eddie Byers (EB) agreed, noting that the process is particularly compelling as it will contribute to culture change and will make the organisation more customer focused. David Noble (DN) further noted that the toolkit which accompanies Hospitality Assured is particularly useful.

The Board approved the introduction of the standard, noting that it would give the organisation credibility both internally and with the industry.

9. VISITSCOTLAND'S PRESENCE IN LONDON

DN introduced a paper outlining options for VisitScotland's future presence in London and seeking approval for moving to a scaled-down, more focused presence. He explained that the newly appointed Area Director had undertaken a review of activity in London. VisitScotland is one of the only National Tourism Organisations (NTO) with a consumer facing office and visitor numbers are falling at a rate of 10% per year. Most other NTOs in London have only a back office presence.

There are a number of options:

- a new consumer facing site (this would be an expensive option)
- co-location at the Britain and London Visitor Centre (BLVC) (however, Scotland is already promoted within this centre)
- stand-alone back office
- co-located back office

There is an opportunity for a lease break in 2008 but SDI, which is moving from Dover House, has recently approached VisitScotland with a co-location proposal. Co-location with SDI would present an attractive option as there are good synergies between the organisations. However, this would only be possible if a sub-tenant could be found for Cockspur Street.

BH asked whether a complete withdrawal from London might be an attractive option given the savings it would generate. MR explained that from a BTU point of view in

particular, it is extremely useful to have a presence in London, although the staff could report functionally to the BTU in the main Edinburgh office. It was agreed that a BTU and PR presence should be retained as a minimum, although a dedicated office might not be required. DN also suggested that the opportunity should be taken to explore outreach options. AP suggested that VisitScotland should consider talking to other organisations, e.g. Royal Bank of Scotland, to establish whether there might be an option of hotdesking in their offices.

The Board approved the recommendation in principle subject to a strategy being prepared for the future in London. MR agreed to produce a paper for a future Board meeting.

Action: MR to present a paper on VisitScotland's presence in London at a future Board meeting.

10. TOURISM PROSPECTUS

The Chairman reflected on discussions from the Board dinner which had been based on the paper introduced by the Chief Executive outlining what the 50% ambition means in financial terms and suggesting an outline route to meeting this target.

The Chief Executive explained that although tourism is performing strongly, in view of global competition the 50% growth ambition remains challenging and considerable efforts will be required if this ambition is to be achieved. Consideration needs to be given to how visitor numbers are increased, particularly during the off-peak season; and to how visitors can be encouraged to spend more money while they are here. AP noted that there is no real need to increase accommodation capacity – it is more a case of filling existing capacity in the off-peak season. It was noted that, in considering these questions, we need to be clear about VisitScotland's role in achieving the ambition and the role of the industry.

PB suggested that the route for outlining the roles of VisitScotland and the industry should be the Area Tourism Partnerships. Their Partnership Plans should outline clearly how their areas will work towards the ambition of 50% growth. WD suggested that VisitScotland also needs to work more closely with organisations such as Scottish Screen and the Scottish Football Association in order to pump prime new marketing initiatives.

It was agreed that the 50% growth ambition is achievable but only if barriers to growth are addressed, e.g. planning, infrastructure, fragmentation of approach among government bodies.

It was agreed that the structures should be addressed, i.e. less fragmentation among public bodies; that the industry should be challenged to invest more in order to encourage visitors to spend more money; and new initiatives should be considered to bring more visitors to Scotland.

In terms of the structure, it was suggested that the Finance Minister, Tom McCabe MSP, should be invited to meet with the Board. In addition, it was agreed that discussions should be held with members of the opposition parties to ensure that they are fully aware of the importance of tourism and the need to invest in order to grow.

It was also agreed that the existing paper should be further developed to provide more concrete examples of potential activities. This paper should also address the impediments to growth and the issues surrounding sustainability.

Action: Paper to be produced for future Board meeting. Thereafter invitations to be issued to Patricia Ferguson MSP, Tom McCabe MSP and members of the opposition parties to meet with the VisitScotland Board.

11. PROPERTY LEASES

KN introduced a paper seeking Board approval of the extension of two TIC leases; extension and an additional lease for the Stirling Network Office; and the sale of the Edinburgh Network Office and relocation to Ocean Point. He explained that the Edinburgh Network Office would be visibly separate from the main office at Ocean Point.

KN noted that the closing date for offers for the Edinburgh Network Office was the same day as the Board meeting. A special Board paper would therefore be emailed to the Board setting out the best offer and seeking Board approval.

In addition to the leases outlined in the paper, DN noted that four TIC leases in the Borders need to be renewed.

The Board approved the extension of leases noted above and the relocation of the Edinburgh Network Office to Ocean Point.

12. CAPITAL BUDGET

KN introduced a paper seeking Board approval of the capital budget. He noted that the budget will be split between IT and facilities improvements. He also reported that some adjustments to the budget may be required following the outcome of the Disability Discrimination Act assessment.

BH asked whether the webcasting project would allow for the use of voice over IP. KN explained that the webcasting project was intended for training purposes in order to cut travel costs. At this stage VisitScotland does not have the kit required to enable voice over IP. However, a bid had been made to the Executive as part of the supplementary budget which would enable VisitScotland to purchase the kit required for voice over IP.

The Board approved the capital budget.

13. AUDIT COMMITTEE UPDATE

The Chairman of the Audit Committee reported on the previous day's Audit Committee meeting. Six internal audit reports were discussed. Three of these represented revised audit reports on payroll, payments and budgetary control. Audit Scotland were pleased to report that the problems identified in earlier reports have now been addressed. The other three reports covered European funding, research and accounts receivable where no significant issues had been identified.

The Committee also considered the Audit Risk Plan; the draft interim management letter; and the Risk Register. The Committee approved minor changes to the Risk Register to reflect conclusion of the TNS project.

The Committee also formally recorded the appointment of KPMG as the external auditors. It was also agreed that Deloitte should be appointed as the internal auditors subject to a final meeting between Ken Neilson and David Muir with the lead partner from Deloitte. The Chairman asked what relationship VisitScotland would have with Audit Scotland now that it was no longer formally VisitScotland's external auditor. Although the formal relationship will now be between KPMG and Audit Scotland, it was agreed that VisitScotland should continue to engage with Audit Scotland as a good working relationship has been established.

BH reported that as a result of the integration project, VisitScotland now requires to have a depreciation policy as it owns land and buildings. A policy has been drafted and was discussed by the Committee. Audit Scotland confirmed that it is content with the policy.

14. FINANCE REPORT

KN introduced the Finance Report which summarises the financial position of VisitScotland as at 30 April 2006. He reported that at the end of month one, income had exceeded expenditure but there are likely to be changes to the figures later to reflect changes in allocation between the previous year and this one.

The Board noted the report.

15. CHAIRMAN'S REPORT

The Board noted the Chairman's report on his activities since the previous Board meeting.

16. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his report outlining his activities since the previous Board meeting. He reported that he had met with the Minister and discussed, among other things, the supplementary budget. However, a letter has since been received confirming that no additional funding is available at present.

The Chief Executive reported on a useful meeting which he had held with Superfast ferries. The route is continuing to do well and the company remains committed to it.

The Chief Executive reported that one Tribunal had been held in respect of a former Area Tourist Board staff member whose employment had been terminated. The lawyers have advised VisitScotland that the organisation has a strong case. An outcome is expected in two to three weeks. It is hoped that the remaining case will be resolved without going to a tribunal.

AP asked what resources had been devoted to Malawi. The Chief Executive confirmed that VisitScotland has only spent limited resources on this initiative.

17. PROGRESS AGAINST OBJECTIVES

BH expressed concern that the Progress Against Objectives paper did not provide sufficient linkages between actions, outputs and outcomes to identify whether the organisation is delivering against its objectives. It was agreed that there required to be a good balance between providing a good breadth of information on activities and information on outcomes.

The Chief Executive suggested that his report should provide a summary of progress against KPIs and the Progress Against Objectives paper should contain the more detailed information on activities. RG also noted that there would be a formal report on KPIs twice a year.

The Board approved this approach.

18. ANY OTHER BUSINESS

The Chairman reported that changes might require to be made to Board meeting dates and locations. A new timetable of dates and locations would be circulated shortly.

19. ABERDEEN NETWORK OFFICE UPDATE

The Chairman welcomed Ian Dunlop, Area Director VisitScotland Aberdeen & Grampian, to the meeting. ID outlined the importance of tourism to the local economy, noting that the area recognises that tourism offers good economic opportunities. He reported that VisitScotland is engaged locally with about 1000 business but approximately 5000 businesses exist in the area. There is considerable potential for growth but there are also constraints; there is a need for at least two new hotels to deal with business tourism. Business tourism costs are, however, pushing out leisure travellers because of high costs which is not good for the destination.

ID noted that the area has good products, although there is no major iconic draw. There have been seven new routes into Aberdeen airport in the last year and ID would like to see routes coming from Sweden and Iceland.

ID reported that the local office has built good relationships with the industry. He emphasised the need to build relationships with the industry in addition to selling the commercial messages. He noted that there has been a slow take up of marketing opportunities but that the staff would be addressing this.

Engagement at the corporate level is very good, with relationships being developed with the Economic Forum, the Chamber of Commerce, the SCDI and FSB. The Area Tourism Partnership is also working well and the ATP Plan is almost finalised.

With regard to the public sector, the relationship with the local authorities is good, with the three local authorities together investing almost £1m. ID reported on the development of Destination Management Organisations which are being supported by Local Enterprise Companies. The Chairman expressed concern about this trend and asked what Scottish Enterprise's strategic direction was. RG reported that a meeting was being held shortly with Scottish Enterprise and this subject would be raised then.

Internally, although it has been an unsettling period, staff morale is improving and the office is developing well. The Industry Engagement team has been held back by the administration of new systems but it is hoped that as the systems develop and staff become more familiar with them, these problems will be resolved.

In response to a question from BH regarding the development of marketing, ID acknowledged the need to work with the central marketing team and to integrate Aberdeen messages as part of the national work. ID also noted that Aberdeen's key market is Scotland. In terms of the mix, in the rural areas it is one third business tourism and two thirds leisure; and in the cities it is two thirds business tourism and one third leisure.

In terms of contributing to the 50% growth agenda, ID suggested that the area needed to consider initiatives to fill capacity in the quieter seasons. Seasonality can be a problem as attractions are often closed. Events could also be used to assist in extending the season. ID also suggested that there required to be additional hotel space for the business tourism market and that there should be greater links between accommodation and other attractions to ensure a quality experience everywhere.

The Board thanked Ian Dunlop for the update on local activity.