

Minutes of meeting of the VisitScotland Board held at Murrayshall House Hotel, Perth on 8 May 2006

Present: Peter Lederer (Chairman)
Brian Houston
Alex Pagett
Lesley Sawers

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: Pat Buchanan
Donal Dowds
Willie Dunn

1. MINUTES OF BOARD MEETING OF 24 MARCH 2006

The minutes of the Board meeting of 24 March 2006 were approved, subject to the following addition:

- item 5: "The Board noted the Business Plan and approved it subject to agreement on Key Performance Indicators and to the Chairman's discussions with Mike Ewart."

2. MATTERS ARISING

Corporate Governance

The Chairman reported on his discussions with Brian Houston (BH) and their subsequent meeting with the Chief Executive and the Director of Corporate Services. It was agreed that Audit Scotland, the Scottish Executive and possibly other NDPBs should be asked for their views on corporate governance.

Action: Chairman and BH to collate views and report back to the Board.

Corporate Plan

Riddell Graham (RG) reported that the plan had been revised in line with comments made at the previous Board meeting. In addition, the number of KPIs had been reduced. The plan has been submitted to the Scottish Executive's Tourism Division along with the supplementary budget before being submitted formally to the Minister. RG noted that the supplementary budget is in three parts (i) marketing; (ii) new media; and (iii) enabling technology investment. He also explained that the letter accompanying the Corporate Plan highlighted VisitScotland's concerns regarding local authority and European funding.

Policy Development

RG reported that the Scottish Executive had responded positively to VisitScotland's proposals regarding policy development.

Action: Lynne Raeside to circulate copy of response.

EventScotland

The Chief Executive reported that he had spoken informally with Mike Ewart about the Board's concerns regarding the governance of EventScotland. It is unlikely that the Scottish Executive will change the status of EventScotland. The Chief Executive therefore suggested that an alternative solution should be presented to Mike Ewart.

Action: Chairman and Chief Executive to present options to Mike Ewart to address governance of EventScotland.

Challenge Fund

Eddie Byers (EB) confirmed that he would present a paper to the August Board meeting following the review of the Challenge Fund. This review will consider simplifying the process.

3. COMPETITIVE ENVIRONMENT

The Chief Executive reported that initial UKTS results had been received. These are not comparable with previous years as the methodology has changed. They therefore do not reflect the trends seen in other surveys such as the Occupancy Survey and the Visitor Attraction Barometer. They do, however, represent a more accurate picture as the methodology is more robust: the sample size has doubled; the survey is conducted face to face; and the recall period is much shorter.

The Chief Executive recommended that a detailed briefing should be prepared as a means of presenting the new figures which could be presented as the base line for 50% growth. The briefing should consider progress towards the 50% growth ambition and should conclude that tourism is doing well but more requires to be done in order to achieve the industry ambition.

Action: Briefing paper to be prepared.

4. VISITSCOTLAND.COM

The Chief Executive updated the Board on discussions regarding visitscotland.com. He explained that the decision to change technology supplier might lead to a change in the shareholding arrangements as the new supplier would acquire shares as part of the deal. VisitScotland may also increase its shareholding and will seek the right to nominate an independent chair to the eTourism Board. In addition, it is envisaged that an industry advisory group would be established. The aim would be to secure a greater sense of ownership from within the industry. There will also be a VisitScotland representative on a strategic advisory group to be set up for the potential new technology supplier's customers world-wide.

Alex Pagett (AP) asked whether VisitScotland had sufficient expertise internally to maximise the opportunities. The Chief Executive confirmed that in the longer term, there will be a need for additional expertise within the VisitScotland team and this requirement is at the heart of the new media proposals which are being submitted to the Scottish Executive.

BH asked whether there would be any risk of substantial financial restructuring. Ken Neilson (KN) reported that the Auditors have advised VisitScotland that there is no risk provided that it does not acquire more than 50% of the shares.

The Board approved the direction being taken and agreed that reports on progress should be made through the Tourco Board.

5. EVENTSCOTLAND

The Chief Executive led a discussion on EventScotland. He reported that draft Key Performance Indicators had been circulated for comment. BH expressed concern that there remains a gap in respect of the operational efficiency of EventScotland. He suggested that the KPIs should include activity inputs to assist in determining how EventScotland has contributed to the success of events.

Subject to these concerns being addressed, the Board agreed that the general direction of the KPIs was correct.

6. CHIEF EXECUTIVE OVERVIEW OF KEY DEVELOPMENTS

Planning & Budget

The Chief Executive reported that the Corporate Plan and a draft supplementary budget had been issued to officials in the Tourism Team before being formally submitted to the Minister.

Information & Sales

Willie Macleod (WMac) reported that good progress is being made in taking forward the proposals contained within the "Way Forward" document. The main focus of activity had been on staff communication, with letters being issued to all TIC staff. Feedback so far has been positive and the team is on track to match the majority of

staff by the end of May. Externally, communication has been carried out with the Scottish Tourism Forum, Area Tourism Partnerships, the Scottish Executive and Scottish Enterprise. Positive feedback has been received.

WMac further reported that the Advisory Group had developed into an “ad hoc panel” to advise on specific issues. It has been extremely helpful to date.

In respect of implementation, budgets and priorities are now being finalised and consideration is being given to the introduction of pilot projects. TIC categorisation is being finalised and consideration is being given to how best to take forward retail.

WMac reported on a number of initiatives which are moving forward in respect of each of the five programmes. A number of these have generated interest from Area Directors, while others still require action. Detailed discussions are also being held with Cairngorm National Park and the Forestry Commission to consider opportunities for joint working.

Culture Change

The Chief Executive reported on the first pre-recorded all staff briefing which had been held at the end of March. He noted that copies of the DVD had been circulated to all Board members and encouraged them to view the briefing.

Nevis Project

KN reported that the System Design Document and the Statement of Work were now ready to be signed off. These documents have been discussed with the Chairman of the Audit Committee (BH). The Board agreed that KN should be delegated to sign off the relevant documents.

KN further reported on the risks associated with the project, namely:

- (i) Employee buy-in as a result of the problems experienced with the existing spend management system. Meetings with area offices and heads of department are being organised to show how the new system works so that people are prepared for the training. Training will take place in June.
- (ii) Budget
- (iii) Notification of account structure – the number of account codes is being streamlined.
- (iv) Infrastructure improvements – as a result of improvements being made to the network, servers will require to be upgraded.
- (v) Resources – the project is very resource intensive and additional staff will be required.

Notwithstanding the risks, KN confirmed that there is now confidence in the procurement system and Line 500 systems. Concerns remain about the interface with CRM but steps have been taken to do undertake this manually if required.

Quality Assurance

The Chief Executive reported that the Scottish Independent Hostels had voted at their AGM in favour of VisitScotland QA participation being a condition of their membership. Similarly the Association of Scotland's Self-Caterers also voted to adopt a policy of only promoting businesses which are VisitScotland Quality Assured. It was agreed that both these decisions represented significant steps forward and were to be welcomed.

Tourism (Scotland) Bill

The Chief Executive noted that concerns had been expressed about the references to reductions in local authority funding and VAT and pension liabilities in VisitScotland's response to the Scottish Parliamentary Finance Committee. He explained that a supplementary letter had been sent to the Committee to address these concerns and to explain in more detail the ATB deficits. The Chief Executive further reported that COSLA had argued in its response for two dedicated COSLA positions to be created on the VisitScotland Board. Board members agreed that such a move should be resisted on the basis that appointments should be made on merit only. Lesley Sawers (LS) offered to secure support for this position from other organisations if required.

Expo

The Chief Executive reported that feedback from Expo had been extremely positive. A record number of buyers had attended the event and the level of exhibitor sign up for next year is already very encouraging.

Print Review

Malcolm Roughead (MR) reported that the findings of the first working group had been circulated. Once all working groups have reported an executive summary of the findings will be produced.

The paper on Fulfilment and Distribution focuses on inefficiencies and cost savings. The recommendations from this paper will be subject to EU tendering.

The e-publishing group has recommended that e-publishing should be considered as part of the wider Information & Sales project.

The cartography group is about to report but it is unlikely that its recommendations will be contentious.

Recommendations in respect of marketing areas may prove to be contentious as it is likely that the number of areas will be reduced. However, MR noted that these recommendations will have to be placed in context as the more limited number of marketing areas will be used when marketing to first time UK visitors. For repeat visitors who have greater knowledge of Scotland, the approach will be more bespoke.

MR offered to send the remaining papers to the Board for information and to bring any potentially contentious issues to Board meetings for discussion.

In response to a question from the Chairman, MR confirmed that an overall paper on efficiencies would be presented to the September Board meeting.

LS asked how the industry had reacted to the prospect of e-brochures. MR reported that there had been a mixed response but work was being carried out to identify how the savings could be passed on to the business customer.

Action: Paper on overall efficiencies to be presented to the September Board meeting.

7. LOCAL AUTHORITY FUNDING

David Noble (DN) introduced a paper on local authority funding. He noted that although cuts in funding were modest, there was a shift from core funding to project funding. This shift is partly due to pressures on their own budgets but also because Audit Scotland is asking for more detailed information on local authority expenditure.

DN reported that funding cuts were being dealt with in a number of ways, primarily through efficiencies in fixed costs rather than through frontline marketing. He further reported that Dundee City Council had decided to adopt a rather radical approach. The Council no longer wishes to fund the Tourist Information Centre (TIC), arguing that funding should come from VisitScotland centrally as it is a strategic TIC. Angus has voiced similar views.

DN explained that as a result of cuts in local authority funding, VisitScotland no longer has sustained core funding. It was therefore agreed that the Chairman and Chief Executive should raise these concerns with the Minister as a matter of urgency.

The Chief Executive noted that it would not be helpful to suggest that money be taken from local authorities. He suggested therefore that VisitScotland should ask for incremental funding of £5 million. He also noted the importance of continuing to work closely with local authorities on a project funding basis.

Action: Chairman and Chief Executive to raise concerns regarding local authority funding with the Minister.

8. EMERGENCY MANAGEMENT – AVIAN FLU

RG introduced a paper updating Board members on the actions taken in dealing with the recent Avian Flu incident in Fife. He sought Board approval for the draft emergency action plans for both the organisation and the wider industry.

BH asked whether the Steering Group should have a representative with extensive project management expertise. RG confirmed that a project manager is due to be appointed to the Strategy, Partnership and Communications Directorate and she will take on this role. RG also agreed to ask the Scottish Executive what project management expertise they had available.

AP asked whether VisitScotland had plans for pandemic flu. RG confirmed that in addition to the two plans for avian flu, similar plans exist for pandemic flu. He explained that no proactive communication was taking place at this stage in an attempt to avoid panic. AP noted that major international companies are now beginning to hold information sessions and suggested that VisitScotland should consider adopting a similar approach. RG agreed to consider what communication might be required.

The Board approved the plans for avian flu.

Action: RG to review communication plans for pandemic flu, taking into consideration what other organisations are doing.

9. HARMONISATION OF TERMS & CONDITIONS

The Chief Executive introduced a paper which outlined the proposals for the finalisation of VisitScotland terms and conditions of employment. He noted that redundancy payment and pension arrangements require to be finalised. There are currently three scenarios under discussion for the latter:

- (i) long term: gathering information to determine whether the pensions should be harmonised or whether a number of schemes should co-exist;
- (ii) medium term: with the wind up of the Network Tourist Boards, VisitScotland, because it can only contribute to the Lothians pension scheme, could transfer all staff in local authority pension schemes to the British Tourist Boards' scheme, although this would trigger a liability. Alternatively, VisitScotland could become an admitted body to all the local authority schemes. The latter approach would require a letter of comfort from the Scottish Executive. Three further alternatives exist, although all three would require legislation: (i) VisitScotland could become a scheduled body (this would trigger a liability); (ii) the pension assets and liabilities could be transferred; or (iii) all members of staff could become members of the Lothians scheme. Feedback is currently being sought from the Scottish Executive on these proposals.
- (iii) Short term: with the harmonisation of terms and conditions, new members of staff should not be offered the old pension scheme.

The Board noted the update.

10. TARTAN WEEK

The Chairman welcomed Izzi O'Brian, Head of Events, and Ewan Colville, International Marketing Manager (North America & Asia Pacific), to give a presentation on Tartan Week.

IO'B outlined the role of the Scottish Village in Tartan Week and its purpose as providing a focal point. She reported that it provided themed displays, a full stage set, with music, fashion shows, chefs' demonstrations, Scottish dance and private events.

Industry can become involved with the village in four key ways: as headline sponsor, stage sponsor, sponsorship of a zone, or retail opportunities.

EC outlined the marketing activity which took place. In addition to a new website, co-funded by the Scottish Executive, VisitScotland invested £170,000 in marketing activity around Tartan Week. This included press and online advertising, a lightpole banner package, "What's on" flyers, and "touring" and "ancestral" newsletters. Public relations efforts focused on broadcast media such as Fox, WNBC, radio remotes on 1010 Wins, WOR and Q104.3. Partner messages also featured in interviews. Other Tartan Week activity included Dressed to Kilt, the premier of the Rosslyn Enigma and Whisky Live. In addition, the Business Tourism Unit held a networking event and sales mission. Similarly, the US Trade Promotions Team held a sales mission, which included partners such as Macdonald Hotels and JAC Travel.

Although a full evaluation has not yet been concluded, the following initial results are now available:

- 60,000 came through the Village, accounting for 300,000 engagements (compared with 240,000 in 2005);
- \$3m of PR coverage generated;
- 62,000 user sessions on tartanweekny.com (an increase of 25% compared with 2005);
- 10,000 prospects opted in to the VisitScotland enewsletter.

Partner feedback from the Village has yet to be fully collated but IO'B reported that initial feedback had been very positive.

For the future, consideration is being given to extending the concept to key territories, e.g. West Coast of the US, Toronto, Sydney. In addition, the aim would be to increase commercial support / investment, e.g. to develop official sponsorship properties such as the Whisky of Tartan Week.

A full evaluation will be available at the end of May.

The Chairman thanked IO'B and EC for an informative and comprehensive presentation.

11. STAKEHOLDER RESEARCH

RG introduced a paper summarising the results of the most recent Stakeholder Survey. He noted that a number of improvements had been achieved, although concerns remained regarding communication with tourism businesses. He also reported that there had been some resistance from businesses to participate because of the format of the survey. LS suggested that offering a charity contribution in return for participation might address industry resistance. BH noted that improvements in industry communication would demonstrate the success of industry engagement.

The Board noted the paper.

12. PROPERTY LEASES

KN introduced a paper advising the Board of property lease issues and seeking approval to lease extensions subject to Scottish Executive approval.

The Board approved the recommendations.

13. FINANCE REPORT

KN presented the Finance Report which summarised the financial position of VisitScotland at 28 February and 31 March 2006. He reported that VisitScotland is on target to break even. He also reported that a presentation is being made to the Scottish Executive to identify the savings which have been achieved as part of the Efficient Government initiative.

The Board noted the report.

14. CHAIRMAN'S REPORT

The Chairman presented a report outlining his activity since the previous Board meeting. He drew particular attention to his visit to Shetland which he noted had been very successful.

15. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented a report outlining his activity since the previous Board meeting and updating the Board on operational matters. He reported that two Employment Tribunals are pending. KN noted that a third potential Tribunal may transpire. The Chief Executive also noted that two Area Director vacancies existed. He thanked the two outgoing Area Directors, James Fraser and Lesley Craig, for their many years' support and commitment to the tourism industry generally and the VisitScotland network specifically. He also noted that Virginia Blatch, his Executive Assistant, would be leaving shortly. Arrangements are in place to find replacements for these positions.

The Board noted this report.

16. PROGRESS AGAINST OBJECTIVES

The Chief Executive presented a paper which provided a progress report on business performance based on the organisation's core business objectives.

17. ANY OTHER BUSINESS

The Chairman expressed his thanks to the teams responsible for the most recent package of marketing material and for the staff magazine, VS View.

18. PRESENTATION FROM VICKI MILLER, AREA DIRECTOR, PERTHSHIRE

Vicki Miller, Area Director VisitScotland Perthshire, gave an update on local activity. She reported that income levels in respect of industry engagement are on a par with the previous year. The area has worked with around 100 new businesses and there are opportunities to work with more this year as a result of additional packages. The area has run a series of networking events, in partnership with Angus & Dundee. These have been informal events, covering topics such as quality assurance and marketing opportunities. Approximately 600 businesses have attended. The area has also been successful in securing Challenge Funding for six projects. There are nine local tourism associations which are being used to consult on the Area Tourism Plan. VM reported that the response to this year's Marketing Opportunities package was still relatively low and an intensive contact programme would therefore be activated.

In respect of the local authority, VM noted that the network office has a good relationship with Perth and Kinross Council (current funding is £360,000). They have worked together on a number of projects. She noted, however, that the Council was likely to want more detailed reporting.

VM reported that the Area Tourism Partnership is working well. It has 14 representatives on it. It is chaired by a Councillor and the vice-chair is a hotelier. The first draft of the Area Plan is now complete.

VM acknowledged that the area is already seeing the benefits of integration, having undertaken its first piece of direct mail activity through one of the national campaigns in both autumn and spring. For the first time this year, the area also undertook activity in London by providing a Christmas tree for the city, thereby generating excellent PR.

Business tourism is benefiting particularly well from the integration. Central support and access to bigger budgets has resulted in an additional £1.2 million of conference business this year. An ambassador programme has just been launched.

VM noted that there are eight TICs across the Perthshire area. Visitor numbers to the TICs are down, but retail sales have increased and accommodation bookings are up. Perthshire is also establishing a Neighbourhood Information Point at Baxters.

In response to a question from BH, VM suggested that additional marketing opportunity packages which would be useful for the Perthshire area would include golf, retail and restaurants. EB confirmed that the Business Propositions Department is already considering new packages.

The Board thanked VM for the update on local activity.