

Minutes of Meeting of the VisitScotland Board held on 25 July 2008

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

In attendance: Philip Riddle (Chief Executive)
Malcolm Roughead (Director of Visitor Engagement)
Riddell Graham (Director of Strategic Partnerships)
Eddie Byers (Director of Business Engagement)
David Anderson (Head of Human Resources)

Minutes: Lynne Raeside

Apologies: Lesley Sawers
Ken Neilson (Director of Corporate Services)

1. MINUTES OF BOARD MEETING 30 MAY 2008

The minutes of the meeting held on 30 May 2008 were approved. Alex Pagett (AP) asked whether the presentation on Board training would be circulated. Riddell Graham (RG) confirmed that it was being addressed under agenda item 11 and a copy of the presentation would be circulated following this Board meeting.

Action: Circulate a copy of the Board training presentation.

2. CONFLICTS OF INTEREST

No conflicts of interest were recorded.

3. MATTERS ARISING

Pension

The Chairman reported that he had spoken informally with the Chairman of VisitBritain regarding representation of VisitScotland on the Pension Trustees. A more formal discussion will follow in due course. Alex Pagett (AP) noted that the economic situation had not yet impacted on the pension fund as a significant proportion of the fund had been invested in bonds which are still buoyant. However, it is unclear how long the fund will remain unaffected.

VisitScotland / SNH Tourism Prospectus Paper

RG noted that the Scottish Government has a copy of the above paper and are circulating it as an exemplar of good practice in respect of government efficiency. Brian Houston (BH) also reported that he had attended the Non-Departmental Public

Bodies (NDPB) Forum on behalf of VisitScotland and had referred to the SNH / VisitScotland paper as an exemplar of good practice.

4. COMPETITIVE ENVIRONMENT

RG introduced the competitive environment paper which covers current market trends, competitor information and a review of key trends and drivers affecting tourism. He noted that first quarter UKTS results showed a slight increase in visitor numbers but a decline in spend. Board members expressed concern about the spend factor. The Chairman noted that in many areas visitor numbers have not dropped but spend has dropped as people are having to spend so much more on petrol.

Malcolm Roughead (MR) explained that caution has to be exercised in respect of the first quarter results. Because the first quarter is the smallest, the sample size is small and therefore the margin of error is greater. He also noted that it is important to go beyond the top level figures to gain a full understanding of the changes. For example, business tourism has fallen and given that business tourism is high value per trip, this partly explains the above average drop in expenditure.

The Board discussed the impact of the economic situation on the tourism industry and how this is being manifested. Feedback from the industry would suggest a mixed picture with some businesses suffering but others performing well. Eddie Byers (EB) noted that the self-catering market is being distorted by the problems in the property market, with new properties coming onto the market: where people have been unable to sell their properties, they are letting them as holiday lets. This has led to an increase in supply. It was also noted that this could potentially lead to a reduction in professionalism / quality.

RG reported that industry feedback is suggesting that quality properties are still doing well. Similarly, businesses which can be booked online are also doing better. MR reported that footfall in Visitor Information Centres (VICs) has declined by around 15% but that retail spend per head has increased. Feedback would also suggest that there has been an increase in day visits.

RG circulated the provisional first quarter IPS figures. These show an increase in overseas visitors. However, caution should also be exercised in respect of these figures given the sample size.

RG reported that a survey of 400 tourism businesses is currently being conducted to ascertain more accurately the impact of the economic situation. The results of this survey are due at the beginning of August and will be shared with the Board.

5. VISITSCOTLAND.COM

MR reported on the latest performance of VisitScotland.com. He noted that revenue had fallen by 1% and is forecast to remain at a 1% reduction by the end of the year. The venture is no longer in the position to make any more cost savings to address reductions in revenue. MR also reported that there had been a surge in last-minute bookings. However, the value of growth has been minimal.

The Chief Executive led a discussion on market and consumer trends and how these might impact on VisitScotland.com and its future strategy. The Board asked to be kept informed of any changes in direction through the Tourco Board.

The Board noted the report.

6. EVENTSCOTLAND

The Chairman reported on the EventScotland sub-committee meeting which had been held the day before the Board meeting. He noted that Homecoming 2009 had been raised as a major issue. The Chairman has asked Paul Bush, Chief Operating Officer of EventScotland, to draft a letter to be issued to the First Minister to outline activity and to alert the First Minister that there is a need for an additional £500,000 for the programme and £500,000 for marketing activity.

AP expressed considerable concern about Homecoming 2009 and the lack of national engagement. He noted that the launch had been extremely successful but there has been little activity since then and most people around the country have little understanding, if any, about the initiative. The coverage in the regional press around the launch needs to be sustained and local MSPs need to be given material. There is an urgent need for a PR strategy. MR reported that a new PR manager has been employed and discussions will follow to determine how VisitScotland corporately can assist the Homecoming team to ensure that a programme of national engagement is developed.

The Board noted the report.

Action: Discussions to be held internally to develop a programme of national engagement.

7. CHIEF EXECUTIVE OVERVIEW OF KEY DEVELOPMENTS

The Chief Executive introduced a paper outlining key developments since the last Board meeting, covering: the National Investment Plan; Sage Line 500 – CRM Project; Highland Spring Activity; the economic environment; the fuel crisis; Homecoming Scotland 2009 Launch; Hospitality Assured; EasyJet Campaign results; Winter White Campaign results; Culture, Media & Sport Committee Report; and the VisitScotland Tourism Events Diary 2008. The Chief Executive drew particular attention to the following:

Economic Environment

Press coverage of the impact of the economic environment is being well managed. A number of proactive stories and reactive enquiries have been dealt with and VisitScotland's balanced message is being well communicated. Key messages are also being fed to the industry through regular communication and VisitScotland is receiving regular feedback through its links with the Scottish Tourism Forum and other industry bodies.

The Board noted the report.

8. ECONOMY, ENERGY AND TOURISM COMMITTEE INQUIRY UPDATE

The Chief Executive introduced a paper updating the Board on the outcome of the Scottish Parliament's Economy, Energy and Tourism Committee Inquiry into "the feasibility of meeting the Scottish Government's ambition for a 50% increase in revenue from tourism by 2015 [and] to identify the key challenges and suggest measures to overcome these." The Chairman recorded his thanks to Chris Maguire who had managed VisitScotland's input to the Inquiry.

The Chief Executive confirmed that VisitScotland welcomed the outcome of the report. In particular VisitScotland welcomed the Committee's recommendations regarding (i) the National Investment Plan and the Austrian Bank for Tourism Development; and (ii) skills and training, with reference in particular to the potential for a hotel school. It was also noted that the Report provides VisitScotland with a good basis for articulating its response to the development of Destination Management / Marketing Organisations.

BH expressed concern that the process agreed with HIE, SE and SDI in respect of the National Investment Plan might be viewed as overly complex and confusing. The Chief Executive noted that the Committee has identified that VisitScotland should take the lead on the development of the Plan but that the role and responsibilities of the other public sector bodies would not change and they would therefore have an important part to play. There will be a challenge to ensure that the organisations work together but work so far has proved encouraging.

It was agreed that the proposed response requires to be more robust in respect of Homecoming 2009, de-cluttering, education / skills (and the proposed hotel school) and the planning process. BH also suggested that VisitScotland should emphasise its concern about the achievability of the 50% ambition, outlining what action needs to be taken now to address the challenges. In doing so, the opportunity should be taken to focus on the National Investment Plan as a catalyst for growth. The Chief Executive noted that the report clearly gives VisitScotland a mandate to develop the National Investment Plan.

RG reported that the Scottish Government has asked for VisitScotland's response to the Committee Report in order to brief the Minister prior to the debate in Parliament. A paper will be produced and shared with the Board prior to it being submitted to Government officials. The Board also suggested that the Minister should be briefed directly by the Chairman.

The Board approved the approach outlined in the paper, subject to amendments being made to the elements above to make the VisitScotland response more robust.

PB noted interest in the appendix to the paper which provided more detail on the Austrian Bank for Tourism Development. In particular, the model is interesting given the similarities in the composition of the Austrian tourism industry with the Scottish industry. It was agreed that the Government should be briefed positively about this and the VisitScotland response should be robust in its support of such an initiative.

Action: Briefing to be prepared for the Scottish Government Tourism team, focusing on achievability of the 50% target, the National Investment Plan and the Austrian Bank for Tourism Development, decluttering (local authorities and DMOs), Homecoming Scotland 2009, education / skills (the hotel school) and the planning process. The Chairman to write directly to the Minister.

9. LOCAL AUTHORITY UPDATE

RG introduced a paper updating the Board on developments with local authorities. He reported that local authorities now have two distinct points of contact with VisitScotland: (i) a strategic relationship; and (ii) a commercial relationship. Meetings have been held with all 32 local authorities and VisitScotland has been proactive in developing relationships both individually and with groups such as SLAED and COSLA. There are, however, two issues of concern: (i) a decline in local authority funding, due in part to budgetary pressures being faced by all local authorities; and (ii) a shift in funding from VisitScotland to local bodies. RG acknowledged that VisitScotland needs to improve its reporting to local authorities, demonstrating more clearly how their money is being spent.

The Board discussed the time being spent on reporting to local authorities, with some members questioning whether this was a good use of resources. However, it was noted that once local authorities understand the benefits they derive from investing in VisitScotland, they are keen to invest and it is hoped that they might invest more in future. In addition, local authorities play such an important role in the success of tourism. It is therefore vital that VisitScotland engage with them. On this basis it was agreed that efforts should be continued.

The Chairman reported that he has written to John Swinney, Cabinet Secretary for Finance and Sustainable Growth, outlining VisitScotland's concerns about local authority funding for tourism. He also reported on a meeting he had held with one of the Government's Special Advisors. The meeting was extremely positive. The Chairman suggested that a Concordat should be developed between VisitScotland and COSLA which could then be supplemented with individual agreements tailored for each local authority. As part of this Concordat, a position should be developed and agreed on DMOs. The Board firmly recommended that VisitScotland should not be in favour of public sector money being given to DMOs. While businesses working in partnership should be encouraged, they should not be provided with funding to establish new structures.

RG reported that a further paper will be brought to the Board at its September meeting.

10. NATIONAL INVESTMENT PLAN

The Chief Executive presented an update on the National Investment Plan. He reported that meetings had been held with SE, HIE and SDI to define the process. These meetings had identified some issues which need to be addressed but had largely been positive. In addition, the Economy, Energy and Tourism Committee Report had been supportive of the initiative, giving us a good basis to take this

forward. The next steps are to develop the role of industry champions, identify the gaps, health-check the gap analysis and test the framework externally. It is hoped that focus groups will be held in October, with the first round of the gap analysis having been carried out prior to that date.

The Chief Executive explained that work on the gap analysis has commenced, with research being carried out into consumer trends, focusing on how visitors travel to Scotland, how they travel within Scotland, what kind of accommodation they stay in and what they do when they are here. Using this data, the research team has projected forward to identify potential changes in behaviour. The analysis is almost at a stage where it could be shared with local authorities and investors.

The Board noted the report with interest, agreeing that it appeared robust.

11. BOARD MEMBER TRAINING & DEVELOPMENT SURVEY REPORT

RG presented the findings of the Scottish Government's report on Board member training and development. The Board noted the report and agreed that it would be useful to find out how the Government intends to take forward the recommendations.

Action: copy of the presentation to be circulated to Board members and report to be provided on follow-up action by the Scottish Government.

12. PROPERTY MATTERS

The Chief Executive presented a paper seeking Board approval:

- (i) for a lease extension to the Bo'ness TIC;
- (ii) in retrospect for lease of property for Hawick TIC and Paisley TIC; and
- (iii) to sub-let Thistle House, Inverness, to Highland Council on a five year term and to sub-let the remaining area within the building.

The Board approved the paper.

13. PROCUREMENT ARRANGEMENTS

The Chief Executive presented a paper advising the Board of the current procurement activity within the Central Government Centre of Procurement Expertise and its implications for VisitScotland. He explained that the purpose of the Centre is to stimulate, facilitate and deliver effective procurement across central government, with the aim of developing collaborative procurement. The Chief Executive reported that VisitScotland is participating in a number of the User Intelligence Groups. He noted that even if VisitScotland is not involved in the User Intelligence Groups, there will be an opportunity to participate in the collaborative contracts. However, it is not certain whether participation will become compulsory. The Chief Executive confirmed that the current process does not supersede normal governance arrangements and it should be beneficial in terms of savings in the longer term.

The Board gave its approval for the process for the award of collaborative contracts.

14. PROCUREMENT: AWARD OF TENDERED CONTRACTS

The Chief Executive introduced a paper seeking the Board's approval to extend for 12 months the current contract for legal services. He explained that provision of legal services is being targeted as an opportunity for collaborative procurement, with a tender event scheduled to commence during the first quarter of 2009. The extension of the current contract would allow VisitScotland to consider participating in the collaborative contract in 2009.

The Board gave its approval.

15. FINANCE REPORT

The Chief Executive introduced the finance report which gave an update on: 2008 year end accounts and audits; the 2000/06 European Programme; 2008/09 financial performance to 31 May 2008; and the 2008/09 budget. He reported that considerable effort is being put into finalising the year-end accounts, with the reconciliation of European claims proving particularly time consuming. In addition, considerable resources are being input to auditing the Customer First project spend.

The Chief Executive noted that a re-forecast of the 2008-09 budget is currently underway to take account of the new structure. A report will be made to the September Board.

AP asked whether budgetary constraints had been behind the decision to hold the July Board meeting in Edinburgh rather than in the South of Scotland. He expressed concern that the Board had made a decision to hold meetings outwith Edinburgh and had not done so. The Chairman noted that the Board had to demonstrate that meetings held outwith Edinburgh were beneficial to the business given the costs involved. Businesses have indicated that they are not keen to meet with VisitScotland over the summer months, hence the reason to hold the July meeting in Edinburgh. The policy of holding meetings elsewhere remains in place. AP suggested that meetings outwith Edinburgh should include a dinner with editors of local papers, leading industry representatives locally, VisitScotland Regional Directors and other stakeholders, including local authorities. The purpose of the dinners should be to find out what is happening in the local area, the performance of the industry in the area and any challenges they are facing.

The Board noted the report and agreed that the policy of holding Board meetings outwith Edinburgh should continue but only when there would be a valuable output.

16. CHAIRMAN'S REPORT

The Chairman introduced a report on his activities since the last Board meeting. He invited David Anderson (DA) to expand on meetings which had been held regarding pay. DA reported that negotiations are underway with the Scottish Government Pay Unit to agree this year's pay settlement. As part of these negotiations, attempts are being made to address the claw-back, salary anomaly issues and equality issues.

Based on the negotiations, the proposed increase over a two-year period is 3.3%. VisitScotland's submission should go to the Scottish Government Remuneration Committee on 11 August after which Directors will be asked to consider the internal distribution of the salary increase. The aim is to ensure staff receive the increase with their September pay.

The Chairman reported on his meeting with David Fisher, Chairman of the Scottish Government Remuneration Committee. He noted that this had been a positive meeting.

The Board noted the report.

17. CHIEF EXECUTIVE'S REPORT

The Chief Executive introduced a report on his activities since the last Board meeting. The Board noted the report.

18. PROGRESS AGAINST OBJECTIVES

The Chief Executive introduced a report on the organisation's performance against key corporate objectives. The Board noted that the only item currently at risk relates to the close out of pre-merger ERDF projects. However, this activity is being addressed and the Chief Executive confirmed that he is confident that deadlines will be met.

The Board noted the report.

19. ANY OTHER BUSINESS

Board Survey

The Chairman reported on the feedback from the Board Survey. He noted that four key issues had been identified:

- Board members do not feel that the Board papers provide sufficient clarity about the level of engagement expected of Board members
- Board members would like to see more discussion on strategy rather than operational issues.
- There should be more engagement with industry and other stakeholders.
- The Board should hold more joint events with other Boards.

Board Appointments

The Chairman reported that an advert would appear in early September announcing the next appointment round for the VisitScotland Board. Four appointments will be announced, although the appointment dates will vary.

Hospitality Assured

The Chief Executive reported that VisitScotland had achieved Hospitality Assured status. Congratulations were recorded to RG for driving the organisation through the process. It was agreed that the result was particularly encouraging given the recent restructuring.