

## Minutes of meeting of the VisitScotland Board held at Apex City Quay Hotel & Spa, Dundee on Thursday 20 October 2005

Present: Peter Lederer (Chairman)  
Pat Buchanan  
Willie Dunn  
Alex Pagett  
Lesley Sawers

In attendance: Philip Riddle (Chief Executive)  
Eddie Byers (Director of Industry Engagement)  
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  
Brian Houston  
Riddell Graham

### 1. INTRODUCTION

The Chairman welcomed the two new Board members, Willie Dunn and Lesley Sawers.

### 2. MINUTES OF BOARD MEETING OF 1 SEPTEMBER 2005

The Minutes of the Board meeting of 1 September 2005 were approved.

### 3. MATTERS ARISING

#### **Welcome Tsar Report**

It was agreed that progress on the Welcome Tsar Report would be raised at the meeting with Tom McCabe MSP, Minister for Finance.

#### **Scottish Enterprise / Highlands & Islands Enterprise**

A small group has been set up to take forward partnership working between VisitScotland, Scottish Enterprise and Highlands & Islands Enterprise. Vicki Miller, Area Director, VisitScotland Perthshire, will represent VisitScotland. The Chief Executives of Scottish Enterprise Dunbartonshire and Lochaber Enterprise respectively will represent the Enterprise Networks. The first meeting of the group is to be held on 21 October. It will focus on priorities for the three organisations and identify areas for

partnership. The aim is to agree responsibilities for each organisation on a project basis.

#### **Scottish Executive Policy Week**

Malcolm Roughead (MR) circulated a copy of the feedback letter from the Scottish Executive. He noted that tourism had not been high on the agenda within many areas of the Executive but that progress was being made in terms of highlighting its importance. He stressed the need to keep communicating our messages to all departments across the Executive.

#### **Industry Engagement Account Management**

Eddie Byers (EB) reported that account plans are being developed. The first one to be developed is for MacDonald Hotels which is at detailed draft stage. Others will be finalised by the end of the month.

### **4. PROJECT OVERVIEW**

The Chief Executive gave an update on progress of the major projects currently underway. He noted that Cultural Change is progressing well, although he acknowledged that this could not be rushed. The Employee Opinion Survey will be conducted in late October / early November. While results prior to integration had been extremely positive, it was recognised that this year's results might be less so. However, the survey would provide a useful baseline. The Chief Executive also reported that progress is being made with the Employee Charter. In addition, the relationship with the Extended Management Team is developing well.

The Information and Sales project is the most significant project currently underway. It is still at the research stage but good progress is being made.

Industry Engagement has almost been delivered. The Chairman asked whether there were any examples where it is working particularly well. EB agreed to provide a list of good examples to the next Board meeting. He reported that concerns have been raised by some businesses but it would appear that these are due to a lack of understanding of the move away from membership to a more customer led approach to engagement. He acknowledged that VisitScotland now has to show these businesses how the new opportunities can work for them. Willie Dunn (WD) suggested that concerns from businesses relate to a loss of a sense of ownership which they had as members. MR noted that the new Marketing Groups which are being set up should help to address this problem. Willie Macleod (WMac) also reported that a Business Accreditation Scheme is being developed which should provide businesses with a more visible, tangible sign that they are working with VisitScotland. It was acknowledged that industry engagement is an ongoing project which will take time.

The Administration Review has almost been completed. Implementation should not be onerous.

The Print Strategy is progressing and 42 recommendations have been made to the Management Team. The outcome is relatively complex and will require consideration before moving to implementation stage.

The IT project is moving towards completion. There are still some teething difficulties but staff are beginning to understand the potential of CRM. Training is still to be rolled out.

## **5. CULTURAL CHANGE**

The Chief Executive presented a paper updating the Board on progress being made in respect of cultural change. The Chairman asked whether an analysis of training needs across the organisation exists. The Chief Executive reported that such an analysis had been started but was not yet complete. There is a Learning & Development programme but it needs to be rolled out. Learning & Development will form a major part of the Information & Sales Strategy.

In response to a question from Lesley Sawers, the Chief Executive explained that the objective of the cultural change programme is to make sure staff understand and live the organisation's values, vision and mission. Staff should understand where the organisation is going and know their part in achieving this. The Chief Executive noted that for some people this will represent a big shift, e.g. the concept of being more commercial rather than being a membership organisation.

The Board acknowledged the contribution of Alex Brogan during the integration project while he had covered the Head of HR's maternity leave.

## **6. EUROPEAN FUNDING**

MR reported that the outlook for additional funding is not positive. However, Golf South West received an extra 12 months' funding and it is now necessary to ensure that the project realises its potential.

David Noble (DN) reported that there is a mix of projects which have now been mainstreamed, having originally started as European funded projects. He suggested that VisitScotland and its partners should consider which European funded projects are working well and identify opportunities to keep them going, e.g. through increased funding from local authorities or funding from industry. If projects have been successful, Area Directors will have a sound base to go to local authorities to seek additional funding.

Ken Neilson (KN) reported that auditing of European projects is becoming even more stringent.

## **7. INFORMATION AND SALES STRATEGY**

WMac presented an update on the Information and Sales Strategy. He reported that a significant amount of work is underway. A project team has now been set up and the

project plan is on track. Risks are being monitored, most of which relate to stakeholder management and communication. It will therefore be important to work closely with all stakeholders.

A project advisory group has been established and is meeting monthly. Its role is to act as a sounding board and facilitate two-way communication. The group includes both industry and local authority representatives.

A number of research projects are underway:

- (i) consumer research has been completed and feedback is due shortly
- (ii) analogous industry research has been completed and the report is due
- (iii) competitor destination research is due to report shortly
- (iv) technology research is due to report shortly
- (v) industry research is being conducted, using in-depth interviews which will lead to an on-line survey
- (vi) a review of partnership arrangements in the Highlands and the Stirling / Argyle areas is underway

The results of the research are being tested with a variety of groups:

- (i) TIC Executives and a group of 40 TIC staff
- (ii) Meetings with Area Directors
- (iii) Two discussion groups with industry
- (iv) One discussion group with local authorities
- (v) [visitscotland.com](http://visitscotland.com)

Results of the research will be communicated to the December Board meeting.

Internally, consideration is being given to the HR plan and a financial analysis is being carried out. The aim is to develop a profit and loss account for each TIC and a profit and loss account for each Network Office. In addition, a property audit is being carried out.

In terms of communication, a second project update has been issued. Progress was also reported to the Enterprise & Culture Committee of the Scottish Parliament. Research summaries will be posted on [scotexchange](http://scotexchange). A core presentation and Q&As have been made available to all staff and support is being provided to Area Directors in advance of their meetings with local authorities. A presentation will be made to the TIC Conference in early 2006 and ongoing presentations / discussions are being organised with a wide range of stakeholders, including a presentation to the National Tourism Convention on 9 November. In addition, a process has been agreed for briefing the Minister.

The Board will be presented with a Transition Plan in January and between January and March discussions will be held with stakeholders to prepare the implementation plan. Implementation will be managed and rolled out with pilots and demonstration projects.

Pat Buchanan (PB) noted that running TICs is costly and asked what the long term view is, i.e. is the intention to run them at a profit or at a net cost. She expressed concern that implementing changes slowly might not allow the organisation to reduce the cost of operating TICs or make a profit.

The Chief Executive explained that costs have not yet been quantified. Rather than be constrained by costs, at this stage the aim is to identify the best solution and then establish what the organisation can afford. In terms of the network, it is likely that there will be three or four models of the types of facilities VisitScotland would like to see across the country. There might be some which will need to be subsidised and some which will make a profit. Some might be marginal and therefore we might need to speak to partners to agree joint funding. There will be clear categorisation. PB asked whether such a mix would be fit for purpose and whether it would deliver our overall aim. The Chief Executive stressed that delivery needs will differ in different areas and therefore a mix will be necessary. However, there will be common standards across the country. He further explained that in implementing changes organically, VisitScotland will select priorities to ensure that money is not lost while change takes place. PB asked that consideration also be given to generating profits, not simply avoiding losses. WMac noted that already success has been seen in terms of generating profits through the increased bookings for accommodation.

The Chairman suggested that a marker should be put down with Tom McCabe MSP, Minister for Finance, regarding the funding required to make this project successful. Alex Pagett (AP) noted that the Government's attitude to tourism funding may change as a result of the spending review and that we may need to be more radical in our approach to the Executive and also about whether VisitScotland should be generating income.

WD noted that the Information & Sales Strategy is a bigger project than TNS, simply because of the potential controversy. He suggested that consideration be given to franchising TICs. WMac confirmed that consideration was being given to all suggested approaches, including franchises. He also reported that the Scottish Executive has asked VisitScotland to incorporate the National Box Office proposal into the Strategy.

## **8. ADMINISTRATION REVIEW**

KN reported that the review process had been carried out and communication had taken place with Area Directors and staff concerned. The aim of this exercise had been to determine what administration requirements existed. KN circulated a table showing current staffing levels and recommended levels. Recommendations are similar to what currently exists and therefore no significant changes will take place. Job descriptions will now be finalised and the comparability process commenced. Thereafter, administration posts will be filled following the normal recruitment process.

The Board approved the recommendations.

## 9. INDUSTRY ENGAGEMENT

EB reported that almost 9000 Business Opportunity Packages (BOPs) had been sold, exceeding the KPI of 8000. This compares with an ATB membership level of almost 12,000.

Forty one groups across Scotland have now benefited from the Challenge Fund, representing 1500 businesses. The third round closes on 31 October. Concerns have been raised about branding requirements, although these are clearly stated at all levels of the application process and they are consistent with requirements of similar grants. It was agreed that VisitScotland should maintain a strong position on branding requirements, although MR noted the need to have a degree of flexibility in respect of media other than print, e.g. radio advertising. PB asked for information on the projects which have received funding to date.

**Action: EB to provide an update at the next Board meeting.**

## 10. NEVIS PROJECT

KN updated the Board on progress of the Nevis Project. He reported that there have been problems with Fraxion and the Procurement System. Integration of the system has not been as good as expected. However, SAGE, who have bought over the original company, are now in control and discussions are underway to address the problems.

## 11. LESSONS LEARNED FROM THE LAST YEAR

The Chief Executive led a discussion on lessons learned from the last year. While the project had gone well, he acknowledged that there were lessons to be learned. The constraints of the project were recognised, e.g. starting without a Board or Management Team in place for the new organisation; and lack of resources. Overall, communications had been very good, particularly given that the project was delivered under considerable public scrutiny and in the face of conflicting interests. It is recognised that communication could still improve but with the establishment of the new Directorate, the Chief Executive suggested that the new structure should be given time to settle down before any consideration is given to further changes. It was also recognised that it had been difficult to keep the Board fully apprised of the project given the timescale and the complexity involved. The Chairman noted that the Board had been concerned that the project was high risk and high profile. The most important learning was to ensure communication at Board level from an early stage.

In response to concerns raised by AP, the Chief Executive clarified that the aim of the discussion was to recognise the successes of the project while at the same time acknowledging the problems. The Chairman also emphasised that the project itself had been achieved; it is now important that it is rolled out. AP expressed further concerns that communication of the project had not taken place at a London level. However, the Chairman noted that it had never been the intention to communicate the

restructuring at a London / UK level; rather, communication should now focus on what the new network is delivering.

It was agreed that a more technical post-project analysis is essential, reflecting what went well and what pitfalls could be avoided by organisations going through similar changes in the future. The purpose of such a paper should also be clearly set out at the start. Issues on Board governance should be addressed separately. AP also suggested that an introduction from the Chairman should be included to emphasise that the project could not have been achieved without the right management team in place.

**Action: paper to be drafted and included in Board papers at next meeting.**

## **12. AREA TOURIST BOARD ANNUAL ACCOUNTS TO 31 MARCH 2005**

DN presented an overview of the outgoing financial position of the Area Tourist Boards (ATBs) to 31 March 2005. He reported that nine ATBs are in deficit, although the deficit is lower than previously thought and the balances are higher. Two ATBs have liabilities that are higher than their assets.

There is an under-funded pension liability of £6.3m. Professional advice is being taken as to whether this sum should be shown as a charge against balance sheets. Pension liability does not fall due as a single sum and the liability will likely be addressed through higher employers' contributions.

KN reported that ATBs have traditionally reported the pension liability in notes to their accounts rather than on the balance sheet. According to PWC this is acceptable, although we could ask that the accounts be amended to reflect the deficit in the balance sheet. This would reduce the balance and we would need to consider whether we want to do this.

**Action: Audit Committee to consider how best to deal with this issue.**

DN reported that TIC stocks represent part of the balances. A check is underway to establish the extent to which this stock has been verified by an actual stocktaking. Assets will go forward as a going concern.

There is a high level of provision for debtors. It is important that this sum is collected. It should be easy to achieve as we are still dealing with many of these businesses.

Only Edinburgh and ALLST have left substantial assets, although these are balanced by significant borrowing.

Ayrshire and Arran has a loan from VisitScotland. The sale of Irvine TIC might address this. The situation regarding ELTB's borrowing is more complex. This might be tackled by the Edinburgh Convention Bureau servicing the cost of the loan.

**Action: Audit Committee to consider the appropriate accounting treatment of the Ayrshire & Arran loan.**

DN reported that questions have been raised about governance of some ATBs. A payment was made to Fife Council but legislation prevents the Council from spending money on tourism. The money has not yet been spent so it has been suggested that the network office should ask for it to be returned, with agreement that it be ring-fenced for the area. A similar situation has arisen in Angus & Dundee, where a payment has been made to the Chamber of Commerce.

**Action: Audit Committee to carry out a detailed review of these cases.**

KN reported that some ATBs had made changes to staff terms and conditions immediately prior to the merger. As a result of changes which were made, there are significant implications in respect of redundancy payments. Legal advice received by VisitScotland (and indeed some ATBs) advises that such changes cannot be made. The Scottish Pension Scheme has provided similar advice. The staff affected have been informed that any redundancy payments will be based on original terms and conditions. The Chairman asked whether the Scottish Executive or Audit Scotland had been asked for their views and suggested that having them on board would make VisitScotland's position stronger.

**Action: KN to seek views from Scottish Executive and Audit Scotland.**

LS suggested that settlements should be considered to avoid costs of a legal challenge. However, KN explained that all staff had to be treated on a level playing field and this approach would have to be maintained. However, it might be possible to consider the proposal of a retention bonus which would not be setting a precedent.

**Action: Chief Executive to respond to concerns and queries on behalf of the Board.**

DN reported that ALLST had a wholly owned subsidiary, West Highland and Lowland Holidays Ltd. A decision needs to be taken as to whether there remains a need to retain this company.

**Action: Audit Committee to consider future of West Highland and Lowland Holidays Ltd.**

DN reported that ATBCo is about to become defunct. Tourist Board Training will continue as it is an approved route for European Funding and the organisation delivers programmes that no one else can.

The Board approved the paper, subject to the actions going forward to the Audit Committee. The Chairman also noted that the Scottish Executive should be kept up to date regarding the ATB accounts.

### **13. MUSEUMS AND TOURISM**

WMac presented a paper on the relationship between museums and tourism. A good relationship exists between VisitScotland and the Scottish Museums Council but there are opportunities to develop this relationship further.

WMac drew members' attention to the issues which are potential barriers for the museums sector in becoming more involved with tourism and also to the section on what VisitScotland can offer museums. A number of actions have been recommended in terms of taking the relationship forward. Of particular importance will be the creation of an action plan to tackle the issues identified. This will be produced by March 2006.

PB noted that museums form a large part of visitor attraction stock. Opportunities lie in increasing usage of museums, especially in rural areas where they play an important role, particularly in terms of sustainability. PB suggested that VisitScotland does not need to invest lots of money in museums but rather needs to take a different approach in terms of getting museums to understand tourism and to get them engaged.

The Board gave its support to the proposal that VisitScotland engage more closely with the museums sector.

#### **14. SECTOR DEVELOPMENT AND QUALITY & STANDARDS**

WMac presented a paper clarifying the working relationship between Quality & Standards and Sector Development. This shows that the two departments are working well together but that there is scope for closer working in the future. A notable example of partnership working is culinary tourism where the departments have complemented one another's work.

PB thanked the departments involved for this paper. She was encouraged to see the links between the departments given the importance of ensuring that quality permeates all our activity. If VisitScotland is developing new products in the market, it is essential that quality is at the heart of their work. MR noted that Industry Engagement and Marketing must also be taken into the equation to ensure that the scale of opportunity is there before a new product is taken to market. WMac agreed that it would be helpful to have cross-departmental thinking at the planning stage.

#### **15. SUSTAINABLE TOURISM**

WMac presented a paper seeking Board approval for a new approach to the promotion of sustainable tourism within VisitScotland. He explained that the Minister has asked VisitScotland to mainstream sustainable tourism into VisitScotland's main activity. This proposal does raise some concerns. Currently VisitScotland contributes £28,000 per year to the Tourism & Environment Forum. If the staff are employed by VisitScotland directly, costs will rise. There is also a danger that the other funding partners will remove their funding if the staff are mainstreamed into VisitScotland. In addition, there is a risk that the proposed Sustainable Tourism Partnership could make

policy for our employees to undertake and we would rather there were clearer reporting lines.

The Chairman asked whether sustainable tourism could be mainstreamed elsewhere. WMac suggested that SNH might be a possibility, although he also noted that sustainable tourism is not simply about wildlife and nature but also about the built heritage. The Chairman acknowledged this but noted that these aspects of sustainability could be addressed through project funding from VisitScotland. LS also pointed out that it relates to social and economic sustainability and suggested that Local Economic Forums or Local Enterprise Companies might have a role to play, even if only in terms of project funding.

MR noted that there could be a potential conflict of interest if VisitScotland were to take the lead on sustainable tourism given that growth in tourism is likely to come from low cost airlines and 60% of UK visitors come to Scotland by car.

PB argued that VisitScotland does need to take sustainable tourism seriously. However, she acknowledged that mainstreaming could be managed by another organisation, potentially SNH.

**Action: Sustainable tourism to be discussed with SNH and the Scottish Executive, advising that VisitScotland is happy to play its part in sustainable tourism but not always to lead.**

## 16. AVIAN FLU

The Chief Executive presented a paper on the threat of avian flu, seeking Board approval for the production of a business continuity contingency plan. It was recognised that the threat of avian flu is significant and the impact will be felt far beyond the tourism industry.

LS stressed the importance of communicating with the industry on this matter, advising them that we are monitoring the situation and will keep them updated.

The Board approved the proposal to produce a business continuity contingency plan.

**Action: Joint Tourism Action Group to be revived to produce plan.**

## 17. FINANCE REPORT

KN reported that a full six month report would be available at the next Board meeting. He noted that the organisation is currently behind in income levels from local authorities and industry and has therefore been drawing down its Scottish Executive funding more quickly.

KN reported on the potential sale of Irvine TIC. Negotiations are under way to sell the property for £80,000 from which the local authority will be re-paid a contribution of

£30,000 to cover the original fit out costs. The Board gave KN authority proceed with negotiations.

## **18. COMPETITIVE ENVIRONMENT**

The Chief Executive presented an update on trends in Scotland and across the globe. MR reported that Superfast Ferries are cutting their routes into Rosyth by 50%. Tourism numbers are good but the route has not had sufficient support from freight traffic. VisitScotland will continue to work with Superfast to support the route.

## **19. CHAIRMAN'S REPORT**

The Chairman presented his report on recent activity. He reported that the Director of Strategy, Partnership and Communications has been linked more closely into the tourism strategy group. He also noted that he had held a successful dinner at Gleneagles with the American travel trade. The Minister had been present at this dinner and was impressed with VisitScotland's activity in this market.

## **20. CHIEF EXECUTIVE'S REPORT**

The Chief Executive presented his report on recent activity. He noted that David Williams will be presenting an update on EventScotland activity at the next Board meeting. In addition, the Board will receive a presentation from the Edinburgh Tourism Action Group (ETAG). Board members were invited to advise the Chief Executive if there were any particular points they would like covered.

## **21. PROGRESS AGAINST OBJECTIVES**

The Chief Executive presented the Progress Against Objectives paper. DN updated the Board on the latest situation regarding the Partnership Agreements with local authorities. Twenty eight local authorities have now signed Agreements, representing income of £6.445m. Angus Council has now reached agreement on signing its Agreement and will be providing an additional £4500 in funding. Agreements have still to be signed with East Dunbartonshire, East Renfrewshire and Inverclyde. The Chairman reported that useful discussions had been held with his COSLA Committee regarding simplifying the process.

## **22. VISITSCOTLAND.COM**

MR updated the Board on visitScotland.com's recent activity. The Board noted this progress report.

## **23. ANY OTHER BUSINESS**

The Chairman reported that he and KN would meet to discuss new members of the Audit Committee.

The Chief Executive reported that the Board agenda will be amended to place project updates at the beginning of the agenda, with reports on past activity being placed at the end of the agenda.

Dates for the 2006 Board meetings were circulated. The Chairman noted that he had added a meeting to create eight meetings. He asked members to consider whether they felt even eight would be sufficient given the increased size of the organisation.