

Memorandum submitted by VisitBritain

**Culture Media and Sport Committee Questions on
Financial Statements for the year ended 31st March 2007**

QUESTION

1. Page 6 of the Annual Report explains that VisitBritain “has chosen to reorganise its British and overseas operations”. In what way will those operations be reorganised, and what are the expected benefits?

- a) In the spring and early summer of 2007, the Board and Executive of VisitBritain carried out a review to ensure that VisitBritain’s structure was synchronized with its core mission of building the value of tourism in Britain. Driven by a continued desire to maximise efficiency and value for money, it was necessary to reflect the static level of Government funding for our international work in recent years and a potentially very tough Government spending environment. (This belief was well founded as in December 2007 the Secretary of State confirmed reduced funding for VisitBritain from the 2007/8 level (£49.9m) to 2008/9 (£47.9m), 2009/10 (£45.4m) and 2010/11 (£40.9m)).
- VisitBritain was also reviewing its strategy in order to exploit the tourism benefits around the London 2012 Olympic and Paralympic Games.
- As a result of the review VisitBritain:
- Appointed a senior manager to the Asia Pacific region to develop growth markets in the region (including India, and China)
 - Opened a sub-regional office for Eastern Europe based in Budapest.
 - Strengthened the leadership of our overseas offices in three Hubs (previously four) in Asia Pacific, Americas and Europe.
 - Reduced our Agency Markets to three (France, Germany and the Netherlands) where core services provided to our National and Regional partners were re-defined.
 - Decided that the VisitBritain office in Dublin would be closed and England, Wales and Scotland would separately market their individual nations to Ireland
 - Moved the Britain Brand and Brand Partnership team to the team responsible for the London 2012 Olympic and Paralympic Games so that there was a more concerted and efficient delivery of the Brand within the context of the 2012 Games.
- b)
- Consolidated the International and England Marketing roles under one Marketing Director
 - Moved the Unit responsible for the Quality Assessment Scheme from the Marketing department to Commercial Services.
 - Re-aligned the Technology Department by moving the digital functions to the Marketing department, on-line commercial technical development to Commercial Services and technology support services to align with facility support services. A Technology Steering and Operations Group

	<p>was formed to give direction and coherence to the combined capabilities.</p> <ul style="list-style-type: none"> - Made further headcount reductions generally across the London office and in particular in publications where our strategy of putting the web at the heart of everything we do has resulted in an 82% reduction in core print requirements since 2004. <p>The above changes were planned at the time of the Annual Report for the year ended 31st March 2007 which was published in July 2007. Further re-alignment of services to meet our core objectives have been made since that date.</p> <p>The expected benefits of the re-organisation are:</p> <ul style="list-style-type: none"> - Potential expansion into the Philippines, Indonesia, Brunei and Vietnam using a virtual presence mostly through the web rather than the opening of representative offices. - Increased activities in Eastern Europe and keeping a watching brief on emerging marketing opportunities in the EU accession states. - Greater leadership of our overseas operations by having the three Regional Directors report directly to the Chief Executive. - Through the Agency Model, VisitBritain can forge relationships with key stakeholders (travel trade, media and public diplomacy partners) to market and provide contacts on territory, provide timely market intelligence, insights and trends to enable tailoring of marketing and sources of information in the market. - Long-term commercial and marketing partnerships with non-tourism partners will be delivered for the 2012 Games by the Brand Partnership Unit. This will include working jointly with Visit London, setting up an industry brand London 2012 Marketing Consultation Group and implementing plans for VisitBritain's presence at the Beijing 08 Games. - The creation of one Marketing Director created economies of scale, sharing of best practice and reduced duplication of effort. A new platform has been created for increased involvement by public and private sector partners across the whole of our marketing output. - The establishment of Quality within Commercial Services provides a sharper business focus and benefits from sitting along side the business services such as EnglandNet and Publishing. - The re-organisation of the technology department has resulted in services more aligned to the front line delivery of those services. <p>The changes mentioned above together with others made since July 2007 have resulted in savings of some £2.6m.</p> <p>It is possible that further changes will need to be made following the current VisitBritain-led Review of British Tourism which was commissioned by the Secretary of State in the latter part of 2007.</p>
2.	<p>A break-down of core grant-in-aid is provided on page 6 of the Annual Report. Was DCMS involved in determining what this Grant-in-Aid was to be spent on? If so, in what way?</p>

The relationship between DCMS and VisitBritain in relation to funding is set out in the “Funding Agreement between The Department for Culture, Media and Sport and VisitBritain for the years 2005/6 to 2007/8.” The Agreement is specific as to the amounts of grant allocated to the “top line activities of VisitBritain,i.e. (for 2006/7):

£m	
Promotion of Britain overseas	35.2
Domestic marketing of England	13.4
International marketing of England	1.0
Capital expenditure	<u>0.3</u>
	<u>49.9</u>

The Agreement also specifies the headline achievements and departmental strategic objectives (linking with the Department’s PSA targets) for VisitBritain as follows:

Headline Achievements

VisitBritain will:

- Lead the world to Britain, and grow the value of the English visitor economy
- Work with DCMS and the tourism industry towards agreed strategic growth objectives, and significantly improve the industry’s levels of productivity by 2008
- Work to reap the maximum possible benefit for Britain’s visitor economy from the 2012 London Games.

Departmental Objectives for VisitBritain

DCMS grant-in-aid for VisitBritain funds work towards:

- the Department’s PSA target to improve the productivity of the tourism, creative and leisure industries by 2008
- the joint DCMS/industry strategic policy aim to increase the turnover of the visitor economy sector to at least £100 billion by 2010 (this target is likely to be reviewed/reconsidered in the context of the Tourism 2012 Strategy).

These Departmental objectives take forward three wider public value aims:

- **Growing the Visitor Economy:** taken together, travel, hospitality and attractions form Britain’s fifth-largest industry, directly employing over 1.4 million people. Growth brings increased employment opportunities and wider economic benefits, often in areas which would otherwise be deprived.
- **Improving Britain’s Image Abroad:** using marketing campaigns and press and PR activity, in supporting Britain’s diverse range of visitor product and services, increasingly with an online focus.
- **Improving Access for British Citizens to a Better Visitor Product:** especially to the cultural and educational experiences which form an important part of the 43.9 million trips taken by domestic visitors to England, generating nearly £10 billion in economic benefits in 2004.

These public value aims are not mutually exclusive. The majority of VisitBritain’s work in any of the three individual areas will create benefits in the other two. However, they form a useful structure under which the agreed targets are organised in the Agreement.

	<p>The Agreement also contains targets which are mutually agreed between VisitBritain and DCMS and are discussed further in answer to Question 6 below.</p> <p>VisitBritain is required to detail how it will deliver the Funding Agreement targets in a comprehensive Business Plan (which includes the budgeted allocation of our Grant-in-Aid) that will set measures to monitor the progress of the entire organisation. The work programme outlined in the Plan is approved by the VisitBritain Board and copies are sent to DCMS.</p>
<p>3.</p>	<p>The paragraphs on expenditure on page 7 refer to an increase of £2.2 million spent on “direct partnership marketing, media and publicity costs as a result of ... the move away from traditional marketing methods by way of publications”. Could VisitBritain explain what “direct partnership marketing” is and why it contributes to an increase in operating charges?</p>
	<p>The increase in expenditure of £2.2m in partnership marketing, media and publicity costs is made up of the following:</p> <p style="padding-left: 40px;">£m</p> <p style="padding-left: 40px;">Partnership Advertising costs:</p> <p style="padding-left: 80px;">2.0</p> <p style="padding-left: 40px;">(Expenditure in relation to the marketing of Britain overseas and England to Britain including direct advertising, promotions, web development – often but not exclusively done in partnership with other tourism bodies).</p> <p style="padding-left: 40px;">Exhibitions and trade fairs (often but not always exclusively done with other tourism bodies).</p> <p style="padding-left: 80px;"><u>0.2</u></p> <p style="padding-left: 40px;"><u>£2.2m</u></p> <p>Statutory accounts classifications require us to disclose the cost of our marketing activities (the main remit for VisitBritain) under “operating costs”. It should be noted that, under the same “operating costs” there has been a reduction of some £1.9m in the cost of publications which is a reflection of the move away from more traditional methods of marketing via publications into on-line and partnership marketing. (See also answer to question 4 below).</p>
<p>4.</p>	<p>The paragraphs on “Marketing Britain” on page 9 describe a shift towards fewer but bigger marketing campaigns. Can VisitBritain explain the reasoning behind this shift?</p>
	<p>In 2006/07, VisitBritain shifted its marketing strategy to undertake larger, more targeted marketing campaigns. The shift reflected the changing emphasis in travel and tourism marketing worldwide, addressing the increasing importance of online marketing. With VisitBritain's core marketing activity now being online, running fewer, larger campaigns allows us to extend our reach globally. It also mirrors the strategies of our key marketing partners, who on a global scale have now moved the balance of their marketing spend to online campaigns and media, away from traditional marketing and print media. For VisitBritain to remain a key player, offering online marketing solutions is of primary importance and ensures we are</p>

	able to continue to attract partner marketing funding.																								
5.	On page 10 there is discussion of ‘British Tourism Week’, which apparently generated £1.16 million in PR value. How was this figure measured? What was the cost of the ‘British Tourism Week’ exercise?																								
	<p>VisitBritain’s Corporate PR Department evaluates media coverage of British Tourism Week by calculating the Equivalent Advertising Value (EAV). This method, well used in PR, is based on the size of the article generated by a press release and establishes how much the same sized article would have cost if it had to be paid for as advertising.</p> <p>We obtain from our cuttings agency, CISION, the articles relating to British Tourism Week and we estimate the size of the article (half, quarter, sixteenth of a page) and establish the cost of such an article by reference to “Mediadisk”. Mediadisk is a media database used extensively by the advertising industry. It can assist with all PR requirements from media contact targeting to list building and from distribution of news releases to evaluation of campaigns and it also holds advertising rates. The EAV is calculated by multiplying the article size by the established advertising rate for such an article.</p> <p>The cash cost of British Tourism Week to VisitBritain, excluding VisitBritain staff, was approximately £43,000.</p>																								
6	The section on outcomes against DCMS Funding Agreement Targets on page 12 explains that some performance figures are to be published in autumn 2007. Could VisitBritain supply these figures or indicate where they have been made available?																								
	<p>Outcomes against DCMS Funding Agreement Targets 2006/7 (not included in Annual Report):</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>Target</u></th> <th style="text-align: left;"><u>Outcome</u></th> </tr> </thead> <tbody> <tr> <td>Incremental spend and Return on Investment:</td> <td></td> </tr> <tr> <td>Britain International at least £1,065m</td> <td>£1,095m</td> </tr> <tr> <td>ROI of at least 30:1</td> <td>31:1</td> </tr> <tr> <td>England International £30m</td> <td>£19.4m</td> </tr> <tr> <td>ROI of 30:1</td> <td>19.1</td> </tr> <tr> <td>England Domestic £174.2m</td> <td>£225.3m</td> </tr> <tr> <td>ROI of 13:1</td> <td>17:1</td> </tr> <tr> <td>Regional spread (overseas visitors):</td> <td></td> </tr> <tr> <td>Achieve a regional spread of at least 54%</td> <td>57%</td> </tr> <tr> <td>Seasonal Spread (overseas visitors):</td> <td></td> </tr> <tr> <td>Achieve a seasonal spread of at least 35%</td> <td>34%</td> </tr> </tbody> </table> <p>In 2006/7 (after the targets were set) a comprehensive review of VisitBritain’s evaluation methodology was undertaken to address the following:</p> <ul style="list-style-type: none"> • The recommendations of the 2004 National Audit Office review of our methodology; • The need to reflect a more conservative approach to measuring the impact of 	<u>Target</u>	<u>Outcome</u>	Incremental spend and Return on Investment:		Britain International at least £1,065m	£1,095m	ROI of at least 30:1	31:1	England International £30m	£19.4m	ROI of 30:1	19.1	England Domestic £174.2m	£225.3m	ROI of 13:1	17:1	Regional spread (overseas visitors):		Achieve a regional spread of at least 54%	57%	Seasonal Spread (overseas visitors):		Achieve a seasonal spread of at least 35%	34%
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	<p>our online activity.</p> <p>The review resulted in lower returns on investment but still in excess of targets set other than in relation to the England International spend. The impact here was greater as EnjoyEngland made more use of online marketing campaigns (73%) compared with England Domestic (44%) and VisitBritain International (32%). Discussions with DCMS will be held to change the target to reflect the new evaluation methodology.</p>
7.	<p>According to the Outcomes against Funding Agreement Targets for both 2005-06 and 2006-07, performance in Customer Service Standards is measured by means of a “customer contact standard score”. How is this score generated? — The Customer Service Standards score in 2005-06 was below target, partly because of the introduction of e-mail as a new medium for customer service; yet the score for 2006-07 was well above target. How was this turnaround achieved?</p>
	<p>The contact standards score measures the quality of VisitBritain’s responses to telephone calls and emails from existing and potential customers in and to Britain in response to VisitBritain’s marketing activities. An external supplier is used for this. (We were using Teleconomy for a number of years and in November 2005 we switched to BPA Corporate Facilities Ltd (“BPA”).</p> <p>The score is generated by using a number of criteria/standards to monitor each telephone call and email. Standards include things such as 'corporate response', 'offering help before being asked' and 'describing the benefits'. Each call is scored out of 1200 points depending on whether the set criteria are met. There are 12 criteria and each is worth 100 points. The email standards include 10 criteria and so these are weighted so that the overall result/score is against 1200 points for both calls and emails.</p> <p>Since November 2005 each contact centre has submitted 10 live recorded calls and 10 actual emails per month to be monitored by BPA. From April 2007 offices submitted 10 emails and 10 telephone calls per quarter. Prior to this Teleconomy would act as a mystery shopper making the telephone calls to the contact centres and sending the emails and monitoring the response that way.</p> <p>During 2006/7 steps were taken to enhance the customer service which resulted in higher scores:</p> <ul style="list-style-type: none"> • We produced guidelines, in consultation with BPA, for all offices and Customer Service Unit (CSU) staff to use. Top tips for high scoring emails and top tips for high scoring telephone calls. • We created a form to query marking, e.g. if a call or email was marked down then the CSU manager could refer back to BPA for specific feedback on exactly why they did not achieve the full score. • As part of a 2 day training course - CSU sales and influencing (June 2006) we also reviewed the standards. • BPA conducted over the telephone training sessions with those CSU managers who requested it.

	<p>On the BPA website all markets had access to an example telephone recording of the ideal opening to a conversation on the telephone - and how to score top points.</p>
8.	<p>One of the DCMS Funding Agreement Targets examined on pages 12 and 13 is ‘investment in VisitBritain’s activity’. Private sector investment declined from £7m received in 2005-06 to £6.3 million; a reduction of 10%. Was there a particular reason for this?</p>
	<p>The extent to which private (non tourism) partners wish to participate in VisitBritain campaigns is determined by the appropriateness of the campaign to their own particular business objectives. Accordingly the level of engagement can vary on a year to year basis. (For example where we work with the Film Industry it does depend on what films are being released and whether they feature any British locations).</p> <p>As mentioned elsewhere in these answers VisitBritain is increasingly moving to on-line marketing campaigns where the cost to the individual partner is less than that of the more traditional publications approach to marketing. Non tourism partners also generate in kind support for our marketing activities but as it is “non cash “it is not recognised in our annual financial statements.</p> <p>It should be noted that in both years mentioned VisitBritain exceeded its overall target for non Government funding and specific targets for private sector investment.</p>
9.	<p>Could VisitBritain provide a summary of the timescale and process for drawing up performance targets under the existing Funding Agreement with DCMS? In particular, were all objectives and proposed by VisitBritain rather than by DCMS? What happens if targets are not met? What is the timetable for drawing up performance indicators under the next Funding Agreement?</p>
	<p>The Funding Agreement between DCMS and VisitBritain specifies the headline achievements and departmental strategic objectives for VisitBritain. They are described in more detail in the answer to Question 2 above.</p> <p>The Agreement is for a three year period (equating to the comprehensive spending review period). It is re-visited on an annual basis (in the autumn for the following financial year starting on 1st April) to ensure that the outcomes still align with Departmental and Government objectives and to review the targets for the following year.</p> <p>The targets are developed jointly between DCMS and VisitBritain and feed into the latter’s business planning and objective setting processes. On an annual basis a report is made to DCMS on the outcomes against the funding agreement targets including explanations as to why targets have not been achieved or have been exceeded. This information is used to inform adjustments to the targets for the following year.</p> <p>Following the Government’s Capability Review, DCMS has decided that it will take</p>

	<p>a more strategic “hands off” approach to its sponsored bodies. The level of involvement by DCMS will, in part, be determined by a risk assessment of its sponsored bodies which consisted of a risk self-assessment by the individual bodies and a separate assessment by DCMS.</p> <p>The VisitBritain element of the review was submitted on 18th December 2007 and we have just commenced the process of determining the contents of the Funding Agreement and targets contained therein. It is anticipated that this work will be completed by 31st March 2008.</p>
<p>10.</p>	<p>On page 18 it is reported that the Chief Executive received a bonus of £21,844 in 2006-07 (down from £23,143 in 2005-06). On page 16, the report states that such bonuses are received ‘if performance is very effective and exceeds expectations’. How was performance assessed and the value of the award determined? In addition, note 1 to the table on page 18 implies that other members of the executive received a performance bonus of some description. Please can VisitBritain provide a breakdown of bonuses for all of the staff included in this table?</p>
	<p>The Chief Executive’s remuneration package is governed by DCMS’s Pay Advice Notice 22 (DCMS04/05(18)) as varied by Dame Sue Street’s letter to the VisitBritain Chairman dated 20th May 2005. Under this, the maximum performance bonus payable to the CEO is 20% of which a maximum of 5% may be consolidated.</p> <p>In March/April each year the Board approves the VisitBritain business plan which includes key performance indicators and these form the CEO’s objectives for that year. On an annual basis his performance against those objectives is assessed and used to inform the Remuneration Committee who decide on the level of bonus.</p> <p>The Chief Executive, Directors and other executives are rewarded purely on the basis of performance. There are no automatic annual increments. Reward has two elements: a variable salary increase (assuming effective performance at least) and a performance bonus if performance is very effective.</p> <p>The bonuses of the other executives included in the table are included in the private and confidential paper attached. [not published]</p>
<p>11.</p>	<p>What rationale is used to determine the level of grants to each Regional Tourist Board or entity (Note 8 to the Accounts, page 42)? Could VisitBritain provide an explanation for the higher level of grant to (a) the East of England Tourist Board in 2005-06 and (b) Tourism South East in 2006-07?</p>
	<p>The grants made to the Regional Tourist Boards (RTB’s) are based on the delivery of specific outcomes and in support of VisitBritain activities.</p> <p>The annual EnjoyEngland Excellence Awards aim to identify and reward the very best in English tourism. They recognize businesses that strive to achieve excellence and provide the best possible experience for visitors.</p> <p>In the year ended 31st March 2007, the main component was a grant of £10,000 made to each of the RTB’s to support the Regional Excellence in England awards.</p>

	<p>Businesses can enter at the regional level with the opportunity to progress to and win at the national level.</p> <p>In the 2006/2007 year, an additional grant of £25k was made to Tourism South East (TSE). TSE was an early adopter of a “content management system” (“CMS”) which was used to manage and publish their consumer website “Visitsoutheastengland.com” which was supported by VisitBritain via its EnglandNet project. TSE was the only region to adopt this “CMS” service.</p> <p>The development of a new generation of VisitBritain websites necessitated radical change to the operation of the existing “CMS” service and it became impractical to support TSE in the future. It was therefore agreed that TSE should be given a grant of £25k to assist in the migration to a new system independent of support from VisitBritain.</p> <p>The most significant element of the £57k paid to the East of England Tourist Board in 2005/6 was a grant for running the assessment, promotion and administration of the Visitor Attraction Quality Assurance Scheme (VAQAS) (£40,000).</p>
12.	<p>Note 22 to the Accounts (on page 49) notes that a complaint alleging improper use of State Aid has been made against the UK Government and could lead to VisitBritain having to pay compensation or penalties. What is the nature of the complaint? Has VisitBritain made an estimate of the potential liability? Has there been any further progress by the European Commission in reaching a decision</p>
	<p>[answer given in confidence and not published]</p>
13.	<p>Note 22 states that at 31 March 2007 VisitBritain was committed to purchasing £11.642 million of foreign currency. Please can VisitBritain provide a copy of the Board Treasury Policy? Does VisitBritain procure the services of an expert to manage these transactions, and if so what is the cost of these services?</p>
	<p>The VisitBritain Foreign Currency Policy is attached. [not published] (Note that in 1984 the DTI was the Sponsor Department for VisitBritain. Any such guidance required now would come from DCMS/Treasury. An updated version of the policy is due to go to the Audit Committee on 18th March 2008 and that is the version attached). Reports on currency commitments are made to the Audit Committee (4 meetings a year).</p> <p>These transactions are managed internally within the Treasury Policy. However once the actual requirement has been determined by reference to our budgets/forward commitments advice is sought from external financial institutions (Royal Bank of Scotland/National Westminster Bank, Anglo Irish Bank, Barclays Bank and HIFX Plc) to obtain current market information and to ensure best rates are obtained for our currency requirements. At present 19 currencies are purchased at spot or forward rates throughout the year. The cost of this service is £12,600 per annum</p>