



**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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## ANNUAL REPORT PERFORMANCE REPORT

### 1.1 CHAIR'S FOREWORD

In my first year as Chair of VisitScotland I have been impressed by the sheer volume of activity that takes place across the organisation. As the role of tourism as a major driver of economic growth gains greater recognition, VisitScotland is increasingly looked upon as an agency which can deliver against the four strategic pillars of the Scottish Government's Economic Strategy – Investment, Innovation, Inclusive growth and Internationalisation. While marketing and events remain at the core of what we do, we recognise that VisitScotland has a valuable contribution to make across a range of issues, including inward investment, skills and training, productivity barriers and innovation not to mention quality and service.

My goal for VisitScotland is to grow the value of the visitor economy and ensuring that the wealth generated by visitors is spread right across the country. In the past 12 months much has already been achieved and this is documented in some detail throughout this Report. Looking ahead to the next 12 months, I look forward to working alongside the various teams at VisitScotland and engaging with destinations across the country to help them grow capacity and improve access to market. A big part of that will include developing the digital capacity of the industry but also ensuring that we have a robust evidence base for all of Scotland's tourism activity. The research currently carried out by VisitScotland is instrumental in terms of driving activity but we want to build on this bringing in other important data sources from both the public and private sectors.

Helping businesses to internationalise will be at the heart of our support for SMEs which make up the vast majority. Our marketing platforms continue to provide an invaluable tool to those businesses wanting to reach beyond the UK and we will build on our existing relationships with leading tour operator and aviation partners to ensure that Scotland is top of mind with prospective visitors. Following on from our successful Spirit of Scotland campaign we are working with partners across the public sector to develop a national brand which will promote Scotland as a place to visit, live, work, study and invest. This collaborative effort, aimed at reinvigorating Scotland's presence in international markets with a view to stimulating economic growth and building Scotland's international reputation, is a great example of how the public sector agencies can work in partnership to ensure the whole is greater than the sum of its parts. Investment in digital activity will be central to this activity, as will the continuation of our advocacy strategy.

Investment in digital will also be at the centre of our information strategy as well as transforming the way in which visitors access information on what to see and do while in the country. Sitting alongside a core network of regional iCentre hubs in high impact locations, VisitScotland, working with a mix of industry partners, is increasing its investment in the number of channels providing content on places to visit and stay, outreach activity through our Coo Vans, and digital products. This new approach, which we will deliver over the next two years, will allow us to deliver information in the right way at the right time to the 15 million visitors Scotland welcomes every year.

This is certainly an exciting time in Scottish tourism and it will continue to be so for some time to come. As we reflect on 2016/17, measuring the impact of our work is an important part of what we do at VisitScotland. I am delighted that the results outlined in this year's Annual Report and Financial Statements demonstrate the important contribution that we make to the continuing success of Scotland's visitor economy.

**The Rt. Hon. the Viscount Thurso**  
Chair

### 1.2 OVERVIEW

#### STATUTORY BACKGROUND

VisitScotland was initially established as the Scottish Tourist Board under the Development of Tourism Act 1969. The Tourist Boards (Scotland) Act 2006 formally changed the name of the Scottish Tourist Board to VisitScotland.

Under the 1969 Act, the principal function of VisitScotland was to encourage British people to visit and to take holidays in Scotland, and to advise Government and public bodies on matters relating to tourism in Scotland. The Tourism (Overseas Promotion) (Scotland) Act 1984 provides the authority for VisitScotland to market Scotland overseas.

VisitScotland's main office is in Edinburgh, and there are also 69 VisitScotland Information Centres and local offices throughout the country.

#### PRINCIPAL ACTIVITIES

The principal activities of VisitScotland involve the marketing of Scotland to all parts of the world (including Scotland, and the rest of the United Kingdom) to attract visitors by providing information and inspiration to new and repeat visitors so that they derive the best experience out of a visit to Scotland. VisitScotland provides quality assurance to visitors and quality advice to industry and works closely with partners to assist the tourism industry in not only meeting but exceeding visitors' expectations. VisitScotland, through the VisitScotland Events

Directorate, is also responsible for the development of a portfolio of events that deliver economic and social impact and international profile for Scotland by establishing Scotland as the perfect stage for events.

VisitScotland has been tasked by Scottish Ministers to position itself across the public sector agencies as both a marketing specialist, and as a key economic development agency, driving growth in the visitor economy alongside Scottish Development International ("SDI"), Highland and Islands Enterprise ("HIE"), and Scottish Enterprise ("SE").

The organisation is clearly seen as the lead body for the visitor economy and as Scotland's destination marketing organisation, our role is focused on the delivery of not only evidence-based activity but also in making a major contribution to the Scottish Government's drive towards the internationalisation of Scottish businesses.

In fulfilling this role in economic development the organisation has pushed beyond its previous boundaries and has taken a more proactive role in areas such as air connectivity, skills, national and local planning (including the National Tourism Development Framework for Scotland), increasing competitiveness, tackling inequality, and as the holder of the vision for the Scottish visitor economy supports the vision of the Scottish Government to be a world class digital country by 2020.

### 1.3 CORPORATE OBJECTIVE AND STRATEGIES FOR 2016/17

VisitScotland's core business priority is to grow and develop Scotland's visitor economy sustainably through our core activity of marketing and events and by working in partnership with businesses and communities.

In so doing, VisitScotland will provide support and contribute to the industry-led strategy, being the Tourism Scotland 2020 ambition of growing tourism revenues by £1 billion by 2020 from a baseline of £4.5bn<sup>1</sup>.

In this respect, VisitScotland plays a crucial role in helping to deliver the government's purpose which is set out in the Programme for Government, *One Scotland*, and Scotland's Economic Strategy ("SES"), and Scotland's International Framework.

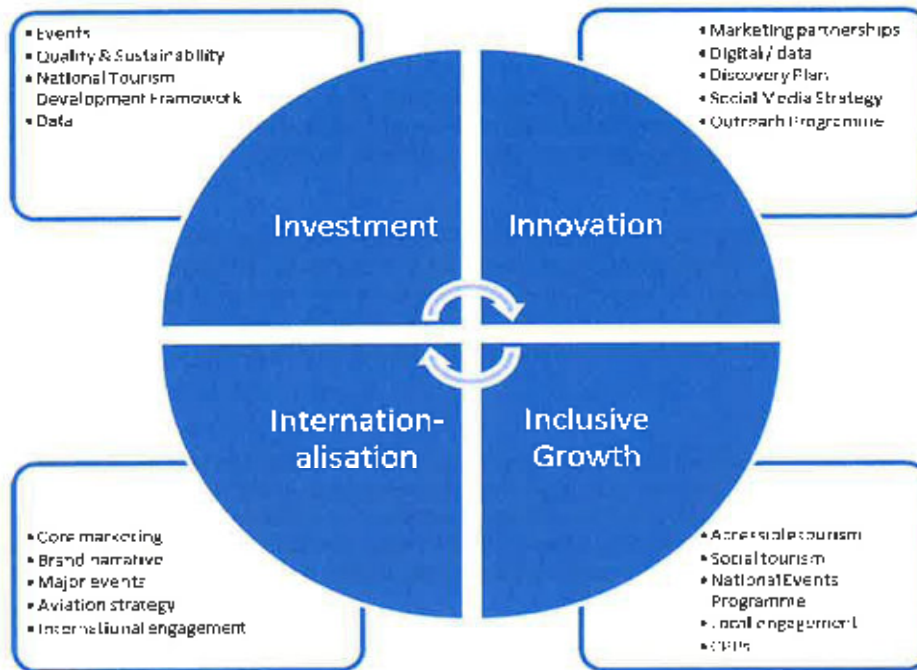
In particular, through our activities to increase competitiveness and tackle inequality, VisitScotland has sought to do this by continuing to deliver its principal role of marketing Scotland to the world as a visitor destination by adopting the following strategies for 2016/17:

- **Marketing:** We will market Scotland and its outstanding assets to visitors from all parts of the world, including the promotion of Scotland to people living in Scotland, and to different parts of the country.
- **Events:** We will support the national events strategy and its delivery and sustain, develop and promote Scotland's international profile as one of the world's foremost events destinations.
- **Internationalisation and International Engagement:** We will utilise all our platforms to enable Scottish based tourism businesses to better understand international opportunities and market to a global audience and we will work within One Scotland Partnerships to optimise the potential afforded by Scotland's Diaspora and our strategic partnerships at regional, European and global levels.
- **Customer experience:** We will provide information and inspiration to visitors both locally and globally via their preferred choice of medium.
- **Quality & Sustainability:** We will provide support and advice to businesses, with the goal of improving the quality and sustainability of the tourism sector in Scotland. We will provide assurance to visitors through our Quality Schemes.
- **Inclusive Tourism:** We will strive to make tourism in Scotland inclusive, and available to all, through our Social tourism projects, National Events Programme, local engagement, and Community Planning Partnership ("CPP") involvement.
- **Working In Partnership:** We will listen to, and work with, the industry, partners and communities to shape our offering and support.

During the year therefore we focused our efforts on the four pillars as laid out in the SES, namely:

1. Deloitte 2013 Report: The economic contribution of the tourism economy in the UK – <http://www.deloitte.com>

## INVESTMENT: INNOVATION: INTERNATIONALISATION: INCLUSIVE GROWTH



In pursuit of our objectives and strategies our achievements and performance for the year are set out below.

### 1.4 THE CHIEF EXECUTIVE'S VIEW ON THE YEAR'S PERFORMANCE

Last year's performance demonstrated the organisation's ability to deliver tangible economic benefit to Scotland and, thereby, contribute significantly to the Scottish Government's National Performance Framework.

VisitScotland's primary purpose is to maximise sustainable economic growth by delivering the best possible return on investment.

Our Consumer Marketing activity generated £1.65 billion of Gross Economic Activity creating and/or supporting 1,216 Full Time jobs.

Our investment in and support for Events have contributed towards the generation of £177 million of Gross Economic Activity supporting and/or creating 1,797 Full Time jobs. Equally impressive results were generated by our investment in Business Events, Route Development and our support for SME's through EXPO, Quality Assurance and Advice and our iCentre Network.

Tourism continues to flourish and contributes approximately £11 billion of economic activity in the wider Scottish supply chain, supporting 217,000 jobs, an increase of 11% on previous year, and over 20,000 diverse businesses of which the majority are SME's (*Source: Tourism Core Brief - OCEA Scottish Government*), and many are in fragile rural communities. 2016 witnessed continued growth from International visitors with trips up 6% year on year and value by 9.1% contributing £1.85 billion in overnight expenditure.

The UK market remains soft but is forecast to reach £3 billion overnight expenditure which, when added to international overnight expenditure, gives an estimated £4.8 billion of overnight expenditure for the period.

It is encouraging to see many more people living in Scotland getting out and about the country and enjoying our natural, historical and cultural assets with day visits increasing by 14.5% year on year generating a spend of almost £5 billion, itself an increase of 23.5% year on year.

Our commitment to working collaboratively with industry partners to continue momentum, increase competitiveness and provide a platform to global opportunities is underpinned by our Trade strategy and business advice through our Quality Assurance scheme and digital workshops.

Whilst progress has been made in terms of value for money, customer experience and information provision through analog and digital channels, we must do more to embrace and exploit the opportunities afforded in this digital age. Investment in product and infrastructure continued with almost £15 billion of project-related activity recorded across the country within the National Tourism Development Framework demonstrating the underlying strength of the industry and its importance to the overall economy, representing approximately 5% of total Scottish Gross Domestic Product ("GDP").

Momentum is crucial to success; confidence inspires investment; and continuous investment in our people, product, and marketing will enhance future performance and increase this organisation's contribution to the industry target as laid out in the 2020 Strategy.

## 1.5 OVERALL DELIVERY OF CORPORATE OBJECTIVES AND PERFORMANCE FOR THE YEAR

### MARKETING.

February 2017 marked the one year anniversary of the launch of *Spirit of Scotland*, VisitScotland's first ever global brand. Underpinned by developments in our digital offering, customer experience and partnerships, 16/17 saw our highest ever level of visitor engagement and industry referrals to date.

#### New website

Our relaunched responsive website, with a slimmed down hierarchy, delivered more qualified search engine traffic than ever before. With 19.1 million visits, data shows we are engaging our audience more effectively with a higher conversion rate. We achieved 1.4 million industry referrals (a 16% year on year increase) and the cost of acquiring these referrals is down 20%. In terms of the value to which this equates, visitScotland.com content marketing generated £660 million of potential new business, and our online listings generated £560 million of potential new business.

#### Product

Along with the redesign and upgrade of visitScotland.com, we launched a number of new tools to enable online personalisation. Over 6,000 people created their own bespoke itineraries using the VisitScotland Trip Planner, and the VisitScotland online community welcomed 5,000 members. In addition, working alongside Scotland's academia, we also launched our first ever virtual reality ("VR") app, Scotland VR, in celebration of the Year of Innovation, Architecture & Design 2016, which received more than 30,000 installs in its first month of release.

#### Social branding

With 1,000 uses every day, #ScotSpirit has been our most successful social campaign to date, helping us deliver a significant increase in our social following – Facebook +52% (over 1 million followers), Twitter +42% (nearly 250k followers) and Instagram +123% (nearly 310k followers). More important than our following is the engagement rates we have achieved on our social channels, which see VisitScotland's engagement ranked 1st by Instagram, and 2nd by Facebook, relative to our five biggest competitors.

#### Visitor communications

The past year has seen our customer database grow to 2.8 million (a 7% year on year increase), and organic e-news sign ups grow by 81%. To ensure that we maintain loyalty and regular engagement amongst our community of potential visitors, we have created increasing amounts of content. Between April 2016 and March 2017, we delivered 85 email campaigns (8 million emails read), with an average email open rate of 18%.

#### Campaigns

Over 66 million potential visitors viewed our broadcast films and mini documentaries, with research showing that ad recall and intent considerably increased post viewing – 45-54 year olds exposed to *Spirit of Scotland* videos were 48% more likely to consider Scotland for their next holiday. Campaign partners helped us extend our reach and reputation, highlights including our '1<sup>st</sup> Look' programme with NBC and Alan Cumming, winner of Best Lifestyle Program at the 2017 New York Emmy Awards.

We delivered more than 13 regional campaigns in partnership with Local Authorities and Destination Management Organisations, creating inspirational content including e-books and videos. In addition, with the generous support of the Scottish tourism industry, our partnership with the Family Holiday Association provided 250 vulnerable and disadvantaged families in Scotland with a holiday in their own country.

#### Public Relations

2016/17 saw VisitScotland secure over 1,000 pieces of coverage across six key markets through publications and broadcasters such as National Geographic, France 2, Bild and Condé Nast Traveler, achieving 98% positive tone, with a quality media reach of more than 465 million.

Beyond more traditional PR, we generated our own stories through activity such as our BBC Three 'YouTuber' travel programme (debuted #1 for non-fiction on UK iTunes), recruiting Scotland's first ever 'Ambassador', supporting the launch of the NC500 (generating over 50 pieces of global coverage) and our 'Where's Andrew?' activity, which achieved an international reach of over 3.25 million.

#### Route & trade development

VisitScotland's route development and marketing activity supported 22 airlines, and helped secure 12 new target routes into Scotland which have been associated with £46.3 million direct economic impact, as measured by the Treasury Green Book, resulting in £28.6 million Gross Value Added ("GVA") and 748 Full Time Equivalent ("FTE") jobs. These new route developments have been particularly exciting as they include long targeted international hub connections such as the new Delta service from JFK into Edinburgh, as well as Air France from Paris Charles de Gaulle into Glasgow, but also, and critically, direct international connections from the major Amsterdam Schiphol hub with KLM and Flybe into Inverness.

The VisitScotland 2016 Expo held in Edinburgh in April 2016 saw 584 buyers (UK & foreign) come to visit 286 exhibitors. In addition, we created 40 Business-to-Business ("B2B") platforms to support the internationalisation of Scottish businesses which we estimate will generate £15.7 million of Scottish product sales globally.

## EVENTS

Following another successful year of events in 2016/17 the VisitScotland Events Directorate has continued to work with its partners to sustain, develop and promote Scotland's international profile as the Perfect Stage for Events.

Across the Directorate, and in line with our International Engagement strategy, the EventScotland team attends a number of major events and conferences, most notably SportAccord, to position Scotland as the 'Perfect Stage' for Events and to develop relationships with international events rights holders. 2016 SportAccord was held in Lausanne in April and provided a number of new event leads. A number of Memoranda of Understanding ("MOU") have continued to have been reached and widened with other destinations, most notably Visit Flanders.

Through the EventScotland team a number of prestigious events were won and hosted throughout the year, such as the Homeless World Cup that took place in Glasgow's George Square in July 2016. Over 500 players from across the world competed in the tournament, which highlights the work of Homeless World Cup Foundation to use football to inspire homeless people to change their own lives. In total 80,000 spectators enjoyed the action in the arena built for the event in George Square, and a record 4 million viewers watched the tournament online. The team managed additional Scottish Government funding provided to VisitScotland for the event to allow Glasgow and Scotland to stage the event successfully. The event attracted 35% of attendees from Glasgow, 43% from rest of Scotland, 6% from the rest of the UK and 16% from overseas. (*Source: Homeless World Cup Spectator Survey*)

### Investment in events

During 2016/17 through the International, National and Beacon Funding Programmes, a total of £2.5 million was invested in 73 events across 23 Local Authorities. These events generated £73.3 million net additional spend and 1,168 full time equivalent jobs. Over 72% of events supported were held outwith Glasgow and Edinburgh, and 72% took place outside of the summer window.

Major events supported were the Davis Cup tie between Great Britain and Argentina, the British Swimming Championships, the European Curling Championships, and the Guinness Pro 12 Final and MOBO Awards.

Scotland's reputation as The Home of Golf, and as the host of world class golf events, was further underpinned by our staging of nine key events supported across the men's, ladies' and seniors' tours including the Aberdeen Asset Management Men's, and Ladies, Scottish Open and the Senior Open Championship. These events are central to our golf activation strategy, which includes strategic partnerships with Sky Sports and NBC.

Another huge success was the 145th Open held at Royal Troon in Ayrshire, which delivered a net economic benefit of £88 million (including the direct multiplier effect) to Scotland. Watched by over 173,134 spectators, almost 46% came from outwith Scotland. (*Source: The Open 2016 Royal Troon: Economic Impact Assessment*)

Demonstrating the strength of Scotland's appeal as the 'Perfect Stage' for events, following the recent hosting of the World Badminton Championships 2017, we can look forward to the hosting of Glasgow 2018 European Championships, the 147th Open, and the opening of the V&A Museum of Design in 2018; the European Athletics Indoor Championships, the World Wheelchair Curling Championships and the 2019 Solheim Cup; the LEN European Short Course Swimming Championships in 2019; followed by the World Men's Curling Championships and UEFA EURO 2020, in 2020.

### Business Events

The Business Events team attracts corporate meetings, incentive groups, association conventions and exhibitions into Scotland from around the world. With staff in London, Toronto and key locations within Scotland, the Business Events team works in partnership with the city convention bureau of Edinburgh, and of Glasgow, Dundee and Aberdeen, plus key venues, hotels and academic centres of excellence, to attract business events related to Scotland's key industry sectors.

#### *The National Conference Bid Fund*

- The £3 million National Conference Bid Fund completed its first four years in existence with a cumulative 192 conferences secured between 2013 and 2024, delivering an estimated total gross spend by delegates of £335 million, in return for £3.0 million of match-funding commitments from Local Authority/Destination Management Organisation commitments. This represents a Gross Value Added ("GVA") of £108m and Full Time Equivalent jobs of 2,785.
- The most common industry sector for international conferences supported by the fund remains Life Sciences & Medical, thereafter Creative Industries/ICT/Electronic Technologies.
- The fund continues to be used to ensure that the benefits of Business Events are felt throughout the country, covering nearly 20 locations as diverse as Arran, Dornoch, Aviemore, Peebles, Kirkwall, Stirling, Kingussie, St Andrews, Inverness, Stornoway and Shetland.

In addition to year round sales & marketing activity to market Scotland as a Meetings, Incentives, Conferences, Exhibitions (“MICE”) destination, the VisitScotland Business Events team also took part in major international MICE trade shows, and delivered on-territory activity including: IMEX (Europe & America), IBTM World Barcelona, Incentive Travel Exchange (Las Vegas), M&I Forums, and Scotland Week 2016 Activity. Year 3 of the Toronto-based VisitScotland Business Event presence saw us build on our North American strategic partnership relationships, and engage with the International Live Events Association to host the inaugural Global Events Summit, in conjunction with IMEX 2016.

Verified and confirmed business into Scotland from previous business events activity has totalled £30.1 million, with a GVA of £11.8 million, and an FTE of 310, excluding the National Conference Bid Fund.

Specific leads generated by business events activity for the full year 2016/17 reached £288 million.

#### *Innovate The Nation*

The national ambassador network of academics and influencers who can help to attract business events to Scotland was rebooted and rebranded as a talk series called ‘Innovate The Nation’ (“ITN”). The talks attract new ambassadors and engage with active members, and complements the programmes of Aberdeen, Dundee, Edinburgh and Glasgow.

**INNOVATEMARINE**, **INNOVATE TECH** and **INNOVATE ROBOTICS** took place in St Andrews University, Eden Court, Inverness and Fairmont St Andrews respectively. To date, two new conferences have been confirmed into Scotland due to connections made at ITN talks.

#### **Development - Events Industry**

The Development team focuses on three key themes: Partnership and Collaboration; Education and Knowledge Exchange; and Quality, Organisation and Delivery across a broad range of projects and programmes. These include Scotland’s Themed Years, Scotland’s Winter Festivals, VisitScotland Expo, Scottish Thistle Awards, a structured Events Industry seminar and engagement programme, and VisitScotland’s Growth Fund. Some of the highlights were:

- 2016 was the Year of Innovation, Architecture and Design. The programme exceeded promotional targets, encouraged new projects, participation and partnerships and promoted Scotland’s Innovation, Architecture and Design assets across the country and the world. In addition to reaching an estimated 142 million people via media and 132 million via marketing activity, every opportunity was taken to promote the year, including aligning the messaging with VisitScotland’s first ever global campaign, ‘**Spirit of Scotland**’. The 28 funded events alone attracted almost 1.6 million attendances, providing new opportunities for Scots and visitors to take part in, and develop further understanding of, Scotland’s great contributions, past and present, to Innovation, Architecture and Design. Engagement across the tourism sector resulted in a number of strong and exciting collaborations and innovations that added value to the tourism product and to the year overall, providing a legacy for future themed years’ work.
- An extensive industry consultation was undertaken early in March 2016 to determine the future approach for Themed Years (post 2018). This revealed strong support for the continuation of the programme and recommended a new delivery model to maximise engagement and opportunities.
- The 16/17 Winter Festivals Programme supported 24 events across 15 local authorities, engaging an estimated total audience of 307,783 in celebrating St Andrews Day, Hogmanay and Burns Night. The events demonstrated strong engagement from local communities and visitors alike with around half of event attendees travelling from outside the host regions to celebrate events across the three National Days.
- VisitScotland Expo 2016 delivered a record year in Edinburgh’s Royal Highland Centre. 584 buyers and 288 exhibitors held more than 8,500 appointments and generated an estimated net economic impact of £2.5 million.
- Scottish Thistle Awards 16/17 saw another record year, generating 1,064 nominations, 715 entries and celebrating success across 14 categories.
- Focus on best practice and collaboration continued with five event industry seminars delivered, engaging 340 partners in topics such as Event Safety and Security, Event Marketing, Fundraising Models and Safety Advisory Groups. Other important work included support of the developing Events and Festivals Industry Group and Policing Events Group.

VisitScotland’s Growth Fund worked with 23 groups across 12 local authority areas with a total available fund of £400,000 throughout 16/17. The programme evaluation undertaken (2016) demonstrated that the Growth Fund enhances the future sustainability of supported groups, providing opportunities for upskilling, relationship building, creation of legacy assets and increased confidence.



## INFORMATION PROVISION

VisitScotland operated a network of 69 iCentres in 2016/17, attracting over 3 million visitors, and generating £1.1 million pounds worth of revenue for the industry through accommodation bookings, and £3.5 million of revenue through ticketing.

Towards the end of the year, significant improvements were commenced at key strategic centres including Portree and Inverness. Free visitor Wi-Fi is now installed in 40 iCentres across Scotland. Along with free information, ticketing and booking services the iCentre estate now offers, via our 'Shop Local' initiative, an opportunity for local artisans, craft makers and food & drink producers to promote and sell their products to visitors.

During the year, VisitScotland worked in partnership with 1,200 businesses to provide a local information service through the newly launched VisitScotland Information Partner ("VIP") programme. The VIP programme recognises the ambassadorial role and quality of local information provided to visitors by the tourism industry, whether that be a visitor attraction, small serviced accommodation provider, hostel, and hotel or holiday park.

Recognising the need to evolve, VisitScotland now operates a face to face information model that is more integrated with the local community, makes best use of technology, and engages more effectively with partners and businesses to retain a strong human element much desired by international visitors. Regionally, plans for face to face services are being developed and implemented with Local Authority partners along with key strategic partners and industry/community groups.

The development of our plans around the provision of comprehensive information in the right way and at the right time to the millions of visitors to Scotland will be further taken forward in October 2017 as we start the next phase of our information strategy. The strategy will deliver more information to more people through more channels, retaining a core network of 26 iCentre hubs in high impact locations, more face to face engagement, increased outreach activity, a greater number of partnerships, and increased on-line provision. The costs associated with this strategy are estimated to be around £500k, for which the pay-back period will be approximately two years depending upon the phasing of the programme.

Our main digital project in 2016/17 was the ongoing optimisation of our website [visitscotland.com](http://visitscotland.com). A key focus of the re-development was to ensure that we were reaching more visitors with great content and connecting more visitors with businesses listed on the site. As such, increased focus was placed on improving the prominence and user experience of the onsite product search. In Quarter 4 (2016/17), site optimisation work was implemented to make product results more visible, leading to March being an increase of 17.8% year on year. The other key digital deliverable was the VS App. Launched Feb-17, the app had over 30,000 installs within the first month, great user engagement with an average of 3 minute per session, 57,000 video views & 26,000 360 degree photo views.

During 2016/17 over 1.42 million visitor referrals were passed to businesses listed, which is a 2.7% year on year increase. Over 46% of accommodation businesses are now providing online availability as a result of VisitScotland's work to integrate web booking engines.

Social media engagement continues to grow, and at the end of March 2017 we had recorded the following increases in fan bases since 1 April 2016:

- **Facebook**  
Reached 1,002,461 Facebook fans globally - up 52% from 661,000.
- **Twitter**  
246,797 Twitter followers globally – up 42% from 173,000.
- **Instagram**  
308,361 Instagram followers globally - up 123% from 138,000.

In addition, information is distributed monthly to over 2.7 million visitors on VisitScotland's database, keeping them up to date with events, seasonal highlights, industry and partner offers.

The new iKnow Community platform was launched successfully in 16-17, providing a rich resource for visitors to get the inside track from people in Scotland on things to do and places to go in Scotland. Within the first calendar year, the Community generated over 4,500 users, 4,800 comments and over 1 million page views.

## QUALITY AND SUSTAINABILITY

VisitScotland's Quality Assurance Schemes continued to receive significant support from the industry with 5,379 awards (annually renewable) issued to businesses during 2016/17.

However, overall there was a 6.3% decline in participation. This decrease is broadly in line with the average fall in participation in the five years leading up to the policy change in 2014 when businesses were allowed to advertise without being quality assured.

With small serviced and self-catering participation continuing to decline, participation in the hostel scheme has remained constant while participation in caravan and camping increased by 1.9%. The visitor attraction sector continues to 'buck the trend' with a 0.2% increase. The scheme has grown 10% since 2007.

Recognising these changes, and the parallel ‘explosion’ in the use of digital technology and online user reviews by consumers to make holiday decisions, VisitScotland has been leading three important quality related initiatives: together with the AA, Visit-England, Visit-Wales and Tourism Northern Ireland a review of the accommodation standards schemes; work with user review aggregator ‘Trust You’; and a look to the long term future of quality set within the context of quality tourism destinations.

## WORKING IN PARTNERSHIP

VisitScotland continues to support the work of the Scottish Tourism Alliance particularly around its role in co-ordinating and encouraging delivery of the national tourism strategy TS2020. VisitScotland is represented on the Tourism Leadership Group and leads on delivery of key strands linked to the quality, investment and digital priority themes identified in the strategy refresh.

During the early part of 2016, brand new partnership opportunities were developed around the launch of the **Spirit of Scotland** campaign. These included working with a range of our National Partners, including accommodation and transport providers as well as a range of attractions in order to deliver a successful Social Tourism based pilot.

As our membership of Community Planning Partnerships (“CPP”) became a statutory requirement during the year, we developed collateral that demonstrated the importance of the visitor economy and how VisitScotland was supporting the relevant outcomes of the CPP plans. This has also been supported by the refresh and integration of the National Tourism Development Framework, which is now an integral part of planning regulations. The Plan will be enhanced further during 2017 through the provision and analysis of key data to determine where future supply is required to meet the type of future demand that is expected.

Working in partnership has also delivered some key successes with the development of the Gaelic Language Tourism Plan and the launch of our ‘Experiencing Gaelic’ scheme allowing visitors to identify businesses that can provide insight and information on the Gaelic culture.

There has been further work with Team Scotland partners in developing and delivering support and intervention to businesses through the Digital Tourism Scotland project, helping tourism businesses make the most of the digital opportunity to enhance their business and respond to the changing needs of the visitor.

The range and nature of work with Scottish destination and sector organisations in 2016 ranged from accessibility and digital workshops to supporting Growth Fund campaign applications and sharing marketing campaign information, trends and insights amongst many more. This work is likely to expand further in 2017.

## MARKETING RESEARCH and INSIGHT

The Insight Department supports VisitScotland’s organisational purpose - to grow and develop the sustainable economic benefit of tourism to Scotland’s visitor economy - by informing and guiding the development of robust, forward-looking and measureable strategies. We create and communicate relevant and valuable knowledge and insights for colleagues, partners and stakeholders.

The department comprises five distinct disciplines and areas of knowledge: Research, Economics, Trends Analysis, Digital Analytics, and Consumer CRM. In addition to their specialist area of work, all members of the Insight department have the responsibility to maintain and share an up-to-date awareness of the latest developments and best practice in their fields, and to pro-actively engage with colleagues and stakeholders so they can benefit from our knowledge and expertise.

A great deal of work goes into ensuring that our decision-making is evidence-based, generates best value for money, delivers a compelling return on marketing investment and adds strategic value, as demonstrated by the development of our **Economic Benefit Performance Measures** (See below - Page 11).

### 1.6 KEY PERFORMANCE INDICATORS

VisitScotland’s success in delivering sustained benefits to the Scottish economy is supported by a large number of performance measures that are developed and reviewed each year, and these are detailed in the Corporate Plan. Achievements against these measures are reported to the Board members and Directors regularly throughout the year.

#### ECONOMIC PERFORMANCE

The basis of VisitScotland’s principal Key Economic Performance Indicators is derived from our **Economic Measurement Framework**, which has four economic measurement indicators, as follows:

- **Gross economic activity** - the monetary value of all economic activity related to or associated with an intervention. In most cases, some of the economic activity would have happened anyway – thus we need to calculate the net impact figure to understand the new money in the economy as a result of the intervention.
- **Net economic impact (direct)** – new money in the economy that would not have happened without the VisitScotland intervention (net impact takes account of what would have happened anyway (deadweight), spend displaced from elsewhere in the economy, leakage, and substitution).

- **Gross Value Added (“GVA”) (direct, indirect, induced)** - this is the economic value added in a business when transforming inputs (things bought-in) into outputs (sales). GVA measures profits and wages of Scotland-based businesses and employees. By measuring our impact on increasing GVA, we are reporting our economic contribution to Scotland’s wider economy.
- **Full Time Equivalent (“FTE”) jobs supported (direct, indirect, induced)** – full time equivalent jobs supported in Scotland’s economy. This indicator can include jobs created, safeguarded, extended hours and/or season, progressing from part-time to full-time, etc.

Underpinning our **Economic Measurement Framework** is a two-pronged approach reflecting our two levels of influence. The framework allows us to undertake robust and rigorous assessment of the economic benefits associated with the activities we support across Scotland adhering to both HM Treasury Green Book<sup>2</sup> standards and Scottish Government guidance. More information is available from our web-site, as follows:

<http://www.visitscotland.org/pdf/VS-Economic-Measurment-Framework.pdf>

The last two years have been a transition in terms of performance measurement, as the new Economic Measurement Framework was successfully embedded-in. The Framework will continue to be advanced and it is anticipated a wider range of interventions will be reported under the Framework in future years. Overall, the advancement of economic measurement practices will be an iterative process, achieved through engagement, both internally (across directorates, departments, management, etc.) and externally (with Scottish Government and other stakeholders).

The table below presents a summary of the economic performance of a range of VisitScotland key activities against the Framework indicators, over the course of 2016-17, and not only represents a snapshot of the return on investment that the Scottish Government receives, but also the impact on the wider economy and Scotland’s economic strategy.

Interventions 2016-17 **	Gross Economic Activity - £m	Net Economic Impact (Direct) - £m	GVA (Direct, Indirect, Induced) - £m	FTE Jobs Supported (Direct, Indirect, Induced)
International Consumer Marketing – Short Haul/Europe (Jan – Dec 2016)	276	16	10	255
International Consumer Marketing – Long Haul (Jan – Dec 2016)	264	17	10	265
Rest of UK & Ireland Consumer Marketing (Mar 2016 – Feb 2017)	755	42	26	670
Scotland Consumer Marketing (Mar 2016 – Feb 2017)	357	1.5	0.9	26
<b>Consumer Marketing Total</b>	<b>1,652</b>	<b>76</b>	<b>47</b>	<b>1,216</b>
EventScotland – Golf Programme (includes The Open 2016)	66	39	23	615
EventScotland – International Programme	85	69	41	1,108
EventScotland – National Programme	19	2.8	1.8	39
EventScotland – Special Beacon & Clan Programme	7	2.3	1.4	35
<b>EventScotland Total</b>	<b>177</b>	<b>113</b>	<b>67</b>	<b>1,797</b>
<b>Expo 2016</b>	<b>5</b>	<b>2.5</b>	<b>1.5</b>	<b>40</b>
<b>National Bid Fund (38 conferences in 16/17)</b>	<b>42</b>	<b>21</b>	<b>13</b>	<b>340</b>
<b>Route Development ( 12 routes launched Jan-Dec 2016, impact within one year of launch)</b>	<b>89</b>	<b>46</b>	<b>29</b>	<b>748</b>
<b>Quality Assurance Scheme</b>	<b>84</b>	<b>19</b>	<b>11</b>	<b>291</b>
<b>iCentre Network (Jan – Dec 2016)</b>	<b>55</b>	<b>1</b>	<b>0.7</b>	<b>17</b>

\*\*In some cases the intervention measurement period does not align with the financial year – where this is true the date ranges included have been highlighted.

**ORGANISATIONAL & OPERATIONAL EFFICIENCIES****a) Public efficiency savings**

Savings have continued to be made in line with the Scottish Government's commitment to Efficient Government. In the current year these efficiency savings continue to be predominantly generated from three main areas: organisational change - the streamlining of functions; asset management - the continuing realignment of the management of IT servers and communication lines; and benefits gained from shared procurement contracts.

During the year new savings have been made totalling £1,673,000 within the following areas:

- Procurement £670,000
- Organisational change (including benefits derived from voluntary redundancy, and non-replacement of senior staff), and shared services £1,003,000

The cumulative savings from 2008 to date under the efficiency programme now exceed £16,870,000.

	2016-17 Achieved	2016-17 Target
<ul style="list-style-type: none"> <li>• <b>Deliver improved public sector efficiency savings p.a. – as above Government targets</b> Single Year Cumulative from 2008 <i>(Source: Analysis of expenditure)</i></li> </ul>	£ Million  1.67 16.87	£ Million  1.2 8.6

**b) Other**

	2016-17 Achieved	2016-17 Target
<ul style="list-style-type: none"> <li>• <b>Deliver Visitor Footfall to VisitScotland Information Centres (VICs)</b> <i>(Source: Footfall counters in VICs)</i></li> </ul>	Million 3.09 ##	Million 3.20
<ul style="list-style-type: none"> <li>• <b>Deliver sustainable efficiencies - level of CO2 Emissions</b> <i>Operational Offices &amp; VICs</i> Energy Waste &amp; Water Transport <b>TOTAL</b> <i>(Source: Operational analyses)</i></li> </ul>	Tonnes Registered  999 53 316 <b>1,368</b>	Tonnes (Not to exceed)  1,637 68 360 <b>2,065</b>

## The drop in visitor footfall over the past two years (2015: 4.26 million) correlates to a reduction in the number of iCentres owned/managed by VisitScotland as part of our information strategy, by opening up the VIP programme, the iKnow community on-line, and focusing on those centres where demand is greatest.

**1.7 CORPORATE OBJECTIVE AND STRATEGIES FOR 2017/18**

VisitScotland's Corporate Plan is built upon sound strategic analysis, insight and direction from the VisitScotland Board, with valuable input from partners and stakeholders.

This organisation's vision of economic growth for all of Scotland is aligned to the two key pillars of Scotland's Economic Strategy, namely increasing competitiveness and tackling inequality.

Our Core Purpose is to accelerate sustainable economic growth through the successful delivery of our key strategies:

- **Marketing:** drive advocacy; work with Scotland to provide quality information, content and advice; empower and enable our large SME base to seize the potential which the digital economy provides
- **Events:** support the delivery of the national events strategy and sustain, develop and promote Scotland as the perfect stage for events
- **Quality & Sustainability:** continue to promote and facilitate continuous improvement within the overall customer experience

- **Inclusive Tourism:** ensure that all of Scotland benefits from tourism growth and that Scotland is accessible to all
- **International Engagement:** work with stakeholders and partners to create and convert opportunities which exist for Team Scotland

Underpinning the above are a number of key drivers ranging from Operational Excellence, Digital Leadership, Developing our People, Focus on Customer Experience, Collaboration to Local Engagement. With our sights set firmly on our contribution to the 2020 Strategy we shall develop and share our view of Beyond 2020 and how VisitScotland will meet the challenges and take the opportunities which lie ahead.

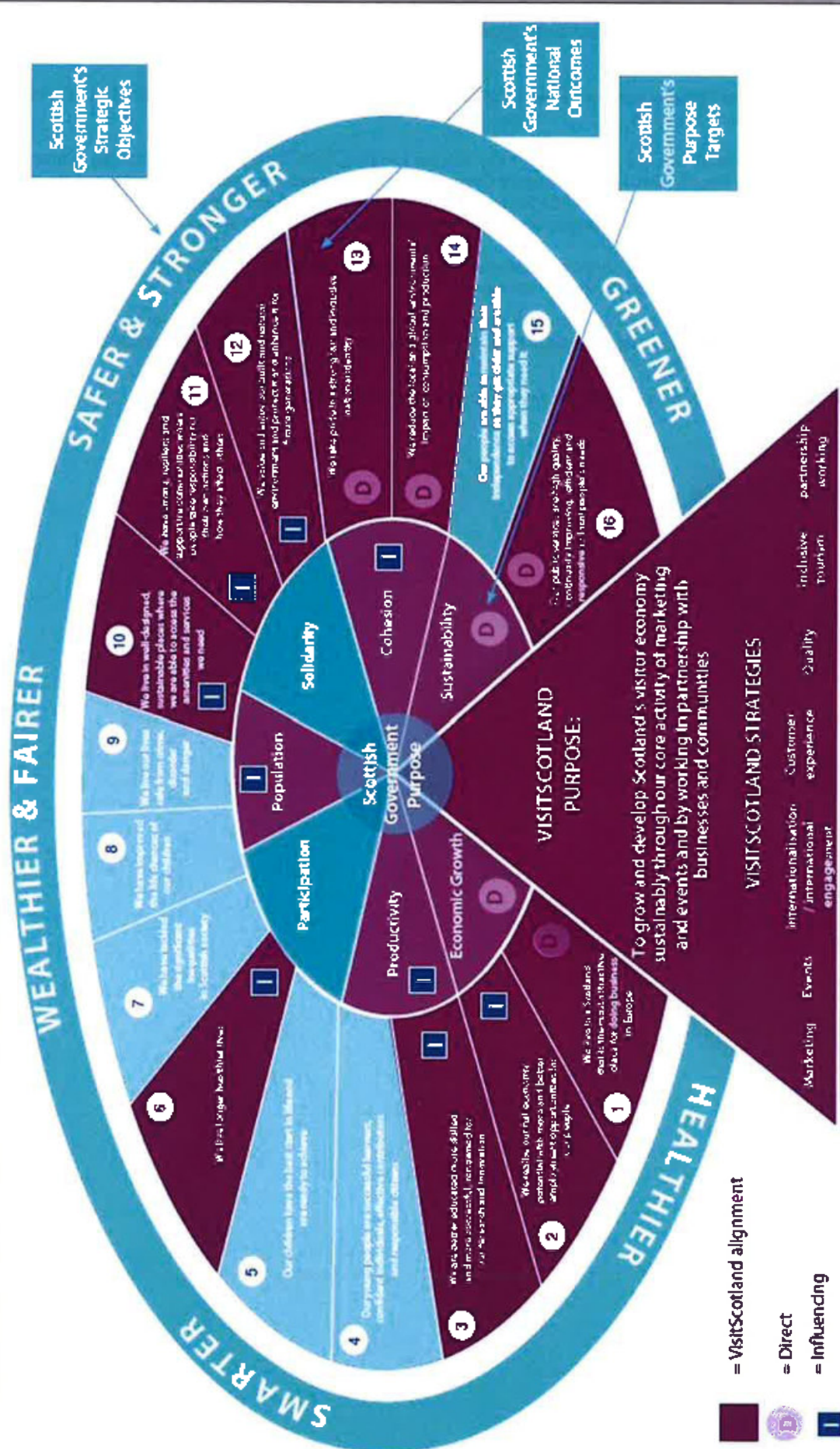
All of VisitScotland's work is directed towards growing and developing the sustainable and inclusive economic benefit of tourism to Scotland's visitor economy.

The Corporate Plan has been prepared in the wider context of the Scotland's Economic Strategy ("SES"), and to support and show our contribution to this, VisitScotland measures its performance through the **National Performance Framework**.

The following diagram (overleaf) displays the manner of VisitScotland's contribution:

# OUR CONTRIBUTION TO THE NATIONAL PERFORMANCE FRAMEWORK

## Ar buaidh air Freám-obrach Déanadas Náiseanta



## 1.8 GENERAL BUSINESS OUTLOOK

Scotland's Economic Strategy identifies the importance of tourism to the Scottish Economy, from supporting fragile communities to promoting Scotland on a global stage. Whilst the industry continues to punch above its weight these are uncertain economic and political times and decisions need, more than ever, to be based on evidence to ensure maximum return on investment. By harnessing the power of data we will look to provide insights to our partners and stakeholders so that they too can make informed investment decisions.

Investment in People and Skills remains crucial if Scotland, and VisitScotland, are to become even more competitive on a global stage. Our People Strategy aims to nurture and develop all our staff providing them with the skills required to flourish in today's working environment.

Digital Skills and our ability, collectively, to convert business are key to our future success and VisitScotland will continue to provide platforms for, and give advice to, our tourism community, with a focus on engaging the digitally disengaged.

Our ambition to be the most sustainable tourism destination in Europe remains and we will continue to encourage sustainability through our Quality Assurance schemes whilst exploring what Quality means in this digital age.

Our Insights team has a key role to play in ensuring that we have a common understanding of visitor trends, their needs and expectations, in addition to their channel usage pre-arrival, on arrival and post-departure. This will help shape how we provide information and services over the next 3-5 years. We will continue to strive towards best practice in the areas of Marketing Research, Economics, Trends and Statistical Analysis, Digital Analytics and CRM.

This detailed knowledge of our customers and markets will support the Marketing strategy's three key pillars: inspiring portrayal of a modern Scotland; harnessing networks of influence and; empowering and enabling the Scottish tourism industry with a particular emphasis on digital platforms.

The National Events Strategy guides our thinking in terms of creating a balanced portfolio of events in addition to ensuring that we continue to support the events industry in its ambition to grow.

Our Business Events team will continue to drive forward the 'Sectors Max' strategy, whereby all of our core activity will focus on supporting and maximising the potential of Scotland's key industry sectors particularly through the Associations market in conjunction with Academic Ambassadors.

We will continue to ensure that tourism is for everyone through the work we are carrying out with partners in the areas of accessibility and social tourism in addition to the continued engagement with and support for our partners within destination marketing organisations thereby spreading the economic benefit of the visitor economy to all of Scotland.

VisitScotland will continue to develop its International Engagement at a corporate and functional level building on the strategic relationships we have established in Europe, North America and Asia-Pacific across the disciplines of Marketing, Events and Quality, sharing best practice and growing Scotland's reputation as a world class destination.

There are certainly challenges ahead, and many opportunities, but the industry is resilient, growing in capacity, capability and confidence and VisitScotland looks forward to seizing, together with its partners, those opportunities which exist both at home and abroad to maximise our potential and grow the visitor economy in a sustainable and inclusive way.

## 1.9 CURRENT ECONOMIC CLIMATE AND TOURIST TRENDS

### ECONOMIC BACKGROUND<sup>4</sup>

#### United Kingdom

Despite the UK being one of the strongest performing G7 economies since 2014, GDP growth has been progressively slowing down on the back of slower consumer spending, and a softening of the services sector, as well as the uncertainties surrounding the vote to leave the European Union ("Brexit"). Whilst the level of growth of 1.8% in GDP during 2016 was driven by robust service sector growth of 2.8%, alongside growth of 2.4%, and 1.2% in the construction and production sectors respectively, a QTR 1 2017 result at 0.2%, following QTR 4 2016 at 0.7%, highlights the increasingly fragile nature of the UK economy. Conversely, the UK labour market has remained buoyant throughout 2016 and into 2017 with the unemployment rate falling to 4.6% in QTR 1 2017, and levels of employment continuing to rise, with the current rate of 74.8% being the highest since comparative records began in 1971.

Similarly, the Scottish economy has experienced a marked change from growth of 1.9% in 2015 down to 0.4% in 2016. Although the service sector grew by 1.6% in 2016, the construction and production sectors fell 3.3% and 4.4% respectively, and Q4 2016 was impacted by contractions in consumer focused subsectors, business services and finance. However, most recent statistics showed that the Scottish economy grew by 0.8% in QTR 1 2017, which is quadruple that of the UK, and an impressive rebound from a fall of 0.2% registered in QTR 4 2016.

The Scottish Labour market data has proved to be more resilient with QTR 1 2017 showing an unemployment rate of 4.4% (down from a level of 6.1% at the start of 2016) which is now below that of the UK. Comparatively, the employment rate of 74.0% (an increase from 73.1% in 2016) is now only 0.8% below that of the UK (74.8%), with 2.62 million people in employment.

#### Global economy

Domestic demand in the Euro area continued to drive GDP growth in 2016 at an annual rate of 1.7%, and in QTR 1 2017 the Eurozone economy expanded at a rate of 0.6%, which was better than forecast, mainly boosted by fixed investment and household consumption, and marked 16 successive quarters of positive growth. Most recent seasonally adjusted unemployment figures indicate that in May 2017 year on year unemployment in the Euro area registered 9.3%, reflecting a continuous fall from a figure of 10.2% in May 2016.

GDP growth in the United States increased in QTR 4 to 2.1%, however, current expectations for growth in 2017 are modest, with QTR 1 2017 displaying an annual rate of 1.4%, according to the "third" estimate released by the United States Bureau of Economic Analysis. Figures for unemployment in the USA released in June 17 indicate the unemployment rate to be at 4.4%, with the number of unemployed persons, at 7.0 million, being little changed. Since January 2017, the unemployment rate and the number of unemployed are down by 0.4 percentage points and 658,000, respectively.

The IMF reported that World economic growth strengthened through 2016 to 3.1%, reflective of more positive outcomes for global manufacturing, and trade, alongside increased business and consumer sentiment.

#### Looking forward

In the July 2017 update of its World Economic Outlook, the International Monetary Fund ("IMF") forecast global economic growth of 3.5% for 2017, and 3.6% for 2018, unchanged from its April outlook, despite cutting its outlook for the United States, from 2.3% to 2.1% for 2017, and to 2.1% from 2.5% for 2018, together with reducing its UK forecast for 2017 growth to 1.7% from 2.0%, while leaving 2018 at 1.5%. The downside of these elements was offset with increased forecasts for many European countries, including Germany, France, Italy, and Spain, and also with higher growth rates in China and Japan.

For the Euro area, output is expected to grow at a rate of 1.7% - 1.9% in 2017, and between 1.6% - 1.7% in 2018 on the back of improving outcomes. Relative to the rest of the G7, quite strong growth is projected for the US economy in 2017/18, as fiscal stimulus strengthens an already recovering economy.

Closer to home, the risks to growth for the UK and Scotland, in the short to medium term, are weighted down due to the increased political and economic uncertainty surrounding Brexit. With the IMF cutting the UK's growth back, as indicated, to around 1.7% for 2017, forecasters are of the opinion that the likely GDP 2017 growth for Scotland, following the improvement displayed by its QTR 1 2017 result, is approximately 1.2%, with between 1.1% - 1.4% expected for 2018.

Brexit continues to present a significant risk to business and consumer sentiment in Scotland, with investment sensitive to changing market signals. However, financial and business services in particular could benefit, with tourist facing services – such as hotels, etc., – also potentially doing well both from increased overseas visitors taking advantage of exchange rate factors, especially in the short-term, and a rise in 'Staycations'.

The expectation beyond 2017 is one of increased uncertainty, with the economies of the UK and Scotland finely balanced in the face of the many economic and political pressures impacting upon economic output.



## TOURISM PERFORMANCE IN SCOTLAND<sup>5</sup>

In Scotland, international tourism again performed strongly, with total spend by international visitors up 9.1%. International visits to Scotland in 2016, as against 2015, recorded an increase of 6%. North America performed particularly well in 2016, with Canada having a 51% increase in visits in 2016. The influx from Canada (rising to 4th place) was principally due to the exchange rate differential.

EU15 markets recorded a 4% decrease in visits from 2015 to 2016 and an 11% decrease in expenditure. Other EU countries experienced a 32% increase in visits between 2015 and 2016.

Rank	Country	2014	2015	2016	% CHANGE	
		Trips (000's)	Trips (000's)	Trips (000's)	14-16	15-16
1	USA	417	409	451	Up 8%	Up 10%
2	Germany	343	323	355	Up 3%	Up 10%
3	France	191	196	152	Down 20%	Down 22%
4	Canada	122	98	149	Up 22%	Up 51%
5	Poland	138	87	138	No Change	Up 59%

Source: (IPS, 2016)

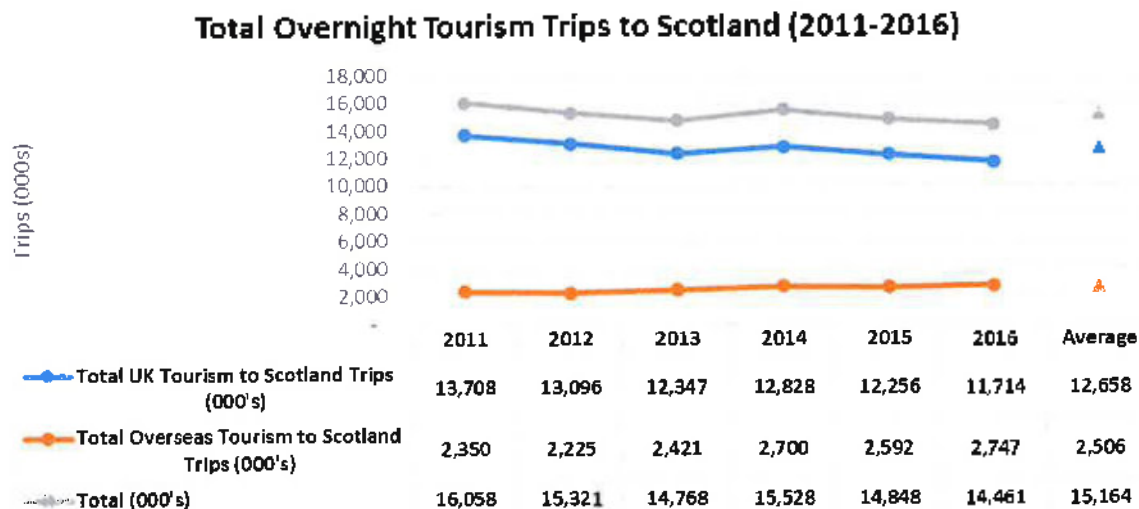
Notably, Poland rose to fifth place with an increase arising mainly due to visiting friends and relatives ("VFR").

Other countries, outwith Europe and North America, had a 5% increase in visits, and a 6% increase in spend between 2015 and 2016.

In 2016, 54% of international visitors to Scotland came for a holiday. VFR accounted for 28%, and business travel for 15%. Holidays trips increased by 1%, while VFR increased by 29%

### Total Overnight Tourism Trips to Scotland 2011-2016

The number of overseas visitors to Scotland almost reached 2.75million in 2016 (the highest level reached since 2011). The number of domestic visits in 2016 registered 11.7 million, which was slightly down on 2015 figures. The total of combined visits in 2016 reached 14.46 million.



Source: (GBTS, 2015; NISRA, 2016; IPS, 2016) [NISRA figures now included for completeness]

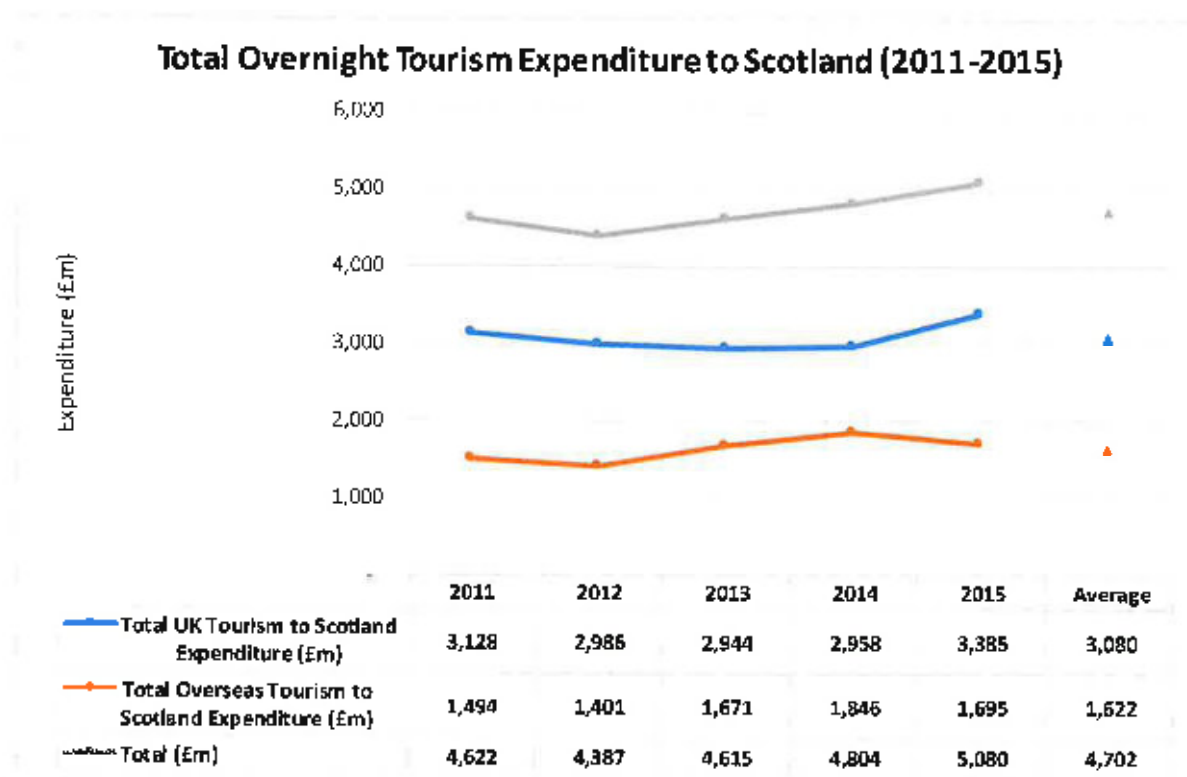
### Total Overnight Tourism Expenditure to Scotland 2011-2016

In 2015 overseas expenditure was £1.7bn, and domestic expenditure reached a record £3.3bn, with overall Overnight Tourism Expenditure in Scotland reaching £5.0bn. Domestic tourism expenditure has risen by 14% in historic prices from 2014, whilst overseas expenditure has declined by 8%. Overall tourism expenditure has grown 6% since 2014, with a 10% growth from 2013 to 2015.

Overseas expenditure was £1.85bn in 2016, which was an increase of 9% on the figure of £1.69bn for 2015.

Unfortunately, the figures in respect of Domestic spend for 2016 (courtesy of Great Britain Tourism Survey ("GBTS")) have not been released by GBTS, as yet (September 2017). The late publication of results for the 2016

survey is due to a significant delay (as we have been advised) in implementing a new data processing programme by the research Agency.



Source: (GBTS, 2015; NISRA, 2016; IPS, 2016)

#### First Quarter 2017 Tourism results

Figures announced in the first quarter IPS publication 'Overseas Travel and Tourism: Quarter 1: 2017' show a 1% increase in overseas visitors to Scotland. During this time, expenditure also increased by almost 14% from a level of £167 million to £190 million. This was largely driven by EU15 markets, which were likely to benefit from the favourable exchange rates during this period.

#### VisitScotland outcomes

VisitScotland continues to be proud of its successes in converting prospective tourists into visitors to Scotland and is working with the tourism industry more closely than ever before. Investment in tourism and VisitScotland is an investment in economic, social and environmental sustainability, and the success of our activities demonstrates that we can stimulate economic growth in the short and long term.

In this respect, VisitScotland's role in being able to stimulate economic growth is now firmly established, and this is borne out by results from our marketing activity, and together with our partners we are all playing our part in contributing to the economic recovery of Scotland<sup>6</sup>.

#### Footnotes: Sources

1. Deloitte 2013 Report: *The economic contribution of the tourism economy in the UK* - <http://www.deloitte.com>
2. HM Treasury Green Book provides guidance on how publicly funded bodies should prepare and analyse proposed policies, programmes and projects to obtain the best public value and manage risks. It also covers the evaluation of policies programmes and projects after they have been implemented to assess economic performance.  
More information can be found online, at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)
3. Scottish Government (2015)-Scotland's Economic Strategy. For more information go to:  
<http://www.gov.scot/Topics/Economy/EconomicStrategy>
4. ONS – Office of National Statistics – Quarterly Statistics - Q1 2017.  
State of the Economy – Dr Gary Gillespie - The Scottish Government – June 2017.  
IMF World Economic Outlook – Jul 2017.  
United States Economic Statistics - (About.com US economy) July 2017.  
United States Bureau of Economic Analysis - (BEA), July 2017  
United States Bureau of Labor Statistics - (BLS) July 2017.  
[www.focus-economics.com/countries/united-states](http://www.focus-economics.com/countries/united-states).

*University of Strathclyde and Fraser of Allander Economic Commentary – The Scottish Economy June 2017*  
*PWC UK economic outlook –July 2017*

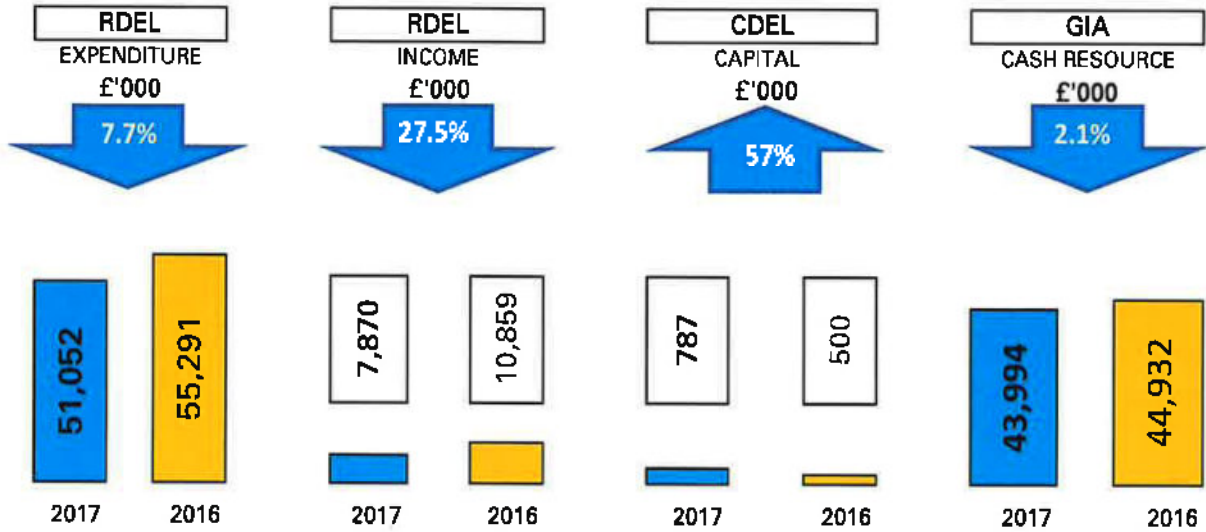
5. *GBTS – Great Britain Tourism Survey*  
*NISRA – Northern Ireland Statistics and Research Agency*  
*IPS – International Passenger Survey*  
*Tourism Visits and Expenditure – The Scottish Government*  
*VisitScotland Insight Department – Monthly Trends & Statistics.*
6. *Delivering for Scotland - <http://www.visitscotland.org/pdf/DeliveringForScotland.pdf>*

## 1.10 UTILISATION OF GOVERNMENT RESOURCE FUNDING

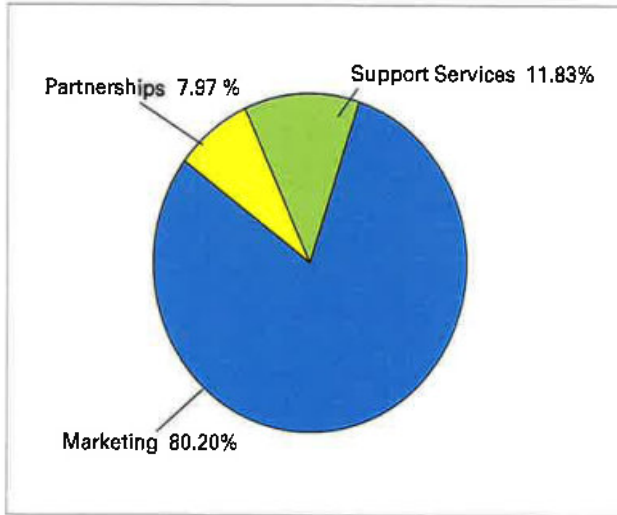
### (I) GRANT-IN-AID RESOURCE ("GIA")

The principal financial objective for VisitScotland is to ensure that the net financial cash outturn for the year is within the Resource Budget allocated by the Scottish Ministers. The Resource Budget is provided to cover capital ("CDEL") and revenue expenditure (on an accruals basis) ("RDEL"), and also 'non-cash' costs including depreciation, impairment, etc. The Resource Budget is supplemented by the generation of retail and commercial income, local authority funding, European grants, and other income.

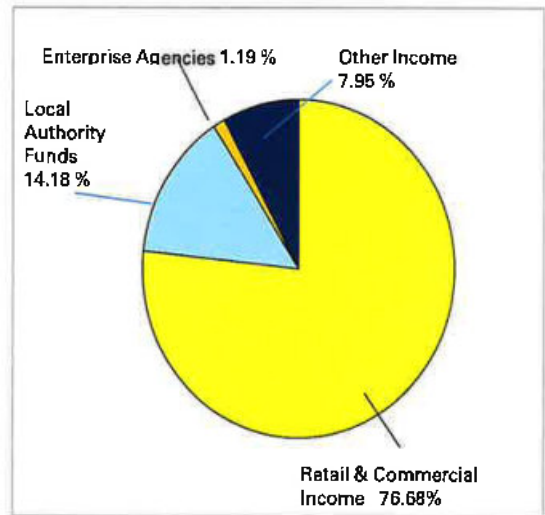
A further non-targetable budget allocation is made by the Scottish Government to cover volatile costs such as pension, provisions and write-downs, which, by their nature, are not necessarily capable of being controlled to the same extent as items charged to the Resource Budget. This non-cash budget allowance is designated Annually Managed Expenditure ("AME").



2017 RDEL EXPENDITURE BY ACTIVITY



2017 RDEL INCOME BY SECTOR



NON-CASH DEL ALLOCATION £'000

NON-CASH Utilisation £'000

0 500 1,000 1,500 2,000 2,500

NON-CASH AME ALLOCATION £'000

NON-CASH AME Utilisation £'000

0 1,000 2,000 3,000 4,000 5,000

NON-CASH DEL utilisation includes depreciation, amortisation, and impairment

NON-CASH AME utilisation includes IAS 19 pension adjustments - VS is NOT measured on this Outturn

RDEL = Resource Departmental Expenditure Limit.

CDEL = Capital Departmental Expenditure Limit.

**(II) STATEMENT OF RESOURCE OUTTURN**

For the year ended 31 March 2017 VisitScotland was successful in achieving its main financial objective for the year, which was to ensure that the financial outturn for the year was within the Resource Budget allocated by the Scottish Ministers

The Statement of Resource Outturn shown below (page 22) reflects VisitScotland's achievement against the respective elements of its overall Resource Budget allocation, in so far as the net 'cash' Revenue expenditure outturn was underspent by £12,000 in relation to a Revenue Budget allocation of £43,194,000. The Capital expenditure budget allocation of £800,000 was underspent by £12,803.

The 'non-cash' outturn was £2,214,000. This was an under-utilisation of £366,000, as against an allocated target of £2,580,000.

In respect of VisitScotland's AME allocation for the year ended 31 March 2017, the outturn produced an underspend of £1,875,000 with regard to this non-core 'non-cash' budget, against which VisitScotland is not measured.

**A. CASH OUTTURN****Core CASH Revenue Expenditure**

The core revenue 'cash budget' is funded from the Grant-in-Aid provision by Scottish Ministers, through the Scottish Government's Business Directorate for Culture, Tourism and Major Events. For 2016/17 this core revenue grant amounted to £43,194,000 (2016: £44,432,000), a decrease of £1,238,000.

The expenditure of £40,880,000 in respect of marketing activities represented 80% of the core revenue Gross Expenditure for the year, as reported in the Statement of Resource Outturn (2016: £45,799,000 (83%)). Partnership and Support Services expenditure totalled £10,100,000 which was an increase of £685,000 year on year.

**Retail, commercial, and other income**

The supplementary income generated, comprising Retail, Commercial, and Other Income, fell back from £10,859,000 to £7,870,000, a decrease of £2,989,000. The principal reason for the reduction in Other Income arises from the fact that monies provided by the Scottish Government in 2016, towards the Scottish Open, and the Solheim Cup 2019 (in total a sum of £2,715,000), were contributed via particular departments' budgets, whereas, in 2017 all monies have been provided direct via core GIA.

Further analysis of areas of income and expenditure can be found in Notes 3 to 6, on pages 62 to 63 of these financial statements.

**Core CASH Capital Expenditure**

The core capital expenditure 'cash budget' is also funded from Grant-in-Aid, and for 2016/17 this grant amounted to £800,000 (2016: £500,000). After in year adjustments, and capital disposals, expenditure amounted to £787,197, a shortfall of £12,803.

The main additions have been £315,410 on the ongoing refurbishment and improvements to the network of VisitScotland Information Centres, and local offices, together with £471,787 on IT hardware and computer equipment upgrades.

**B. NON-CASH OUTTURN****Non-Core Revenue Expenditure**

Depreciation, amortisation and impairment charges, etc., amounted to £2,214,000 (2016: £2,580,000) and reflected an under-utilisation of the resource allocation by £366,000 against the non-cash allowance provided of £2,580,000 (2016: £2,580,000).

**Non-Core Annually Managed Expenditure ("AME")**

The under-utilisation of £1,875,000 with regard to the non-core AME budget of £5,000,000, arose from the charge for net pension service costs and return on assets arising in the year of £3,125,000 (2016: £3,714,000), as determined by Actuaries, charged in accordance with the accounting treatment under IAS 19 "Employee Benefits" (See Note 21).

**REDUCED CORE GIA**

The overall amount of the Grant-in-Aid available to VisitScotland for 2016/17 was £43,994,000 (RDEL: £43,194,000 + CDEL: £800,000), which was a reduction on 2016 of £938,000.

**VISITSCOTLAND****STATEMENT OF RESOURCE OUTTURN**

VisitScotland's Total Resource Outturn including core Revenue and non-core Revenue Expenditure set against its Grant in Aid from Scottish Government for the year ended 31 March 2017 was as follows:

**'CASH' OUTTURN****CORE REVENUE EXPENDITURE**

	OPERATING COSTS	
	2017 £'000	2016 £'000
Marketing activities	40,880	45,799
Partnership engagement	4,069	3,614
Support services	6,031	5,801
<b>Gross expenditure (refer below)</b>	<b>50,980</b>	<b>55,214</b>
Net finance costs & taxation	72	77
Gross expenditure after finance costs & taxation	51,052	55,291
<b>Income</b>		
Retail and commercial	(6,035)	(5,939)
Other income	(1,835)	(4,920)
Net expenditure	43,182	44,432
<b>CORE CAPITAL EXPENDITURE</b>		
Payments to acquire fixed assets	787	500
Total net expenditure	43,969	44,932
<b>FUNDED BY Grant-in-Aid</b>	<b>(43,994)</b>	<b>(44,932)</b>
<b>NET 'CASH' (UNDERSPEND) / OVERSPEND</b>	<b>(25)</b>	<b>-</b>

**'NON - CASH' OUTTURN****NON-CORE REVENUE EXPENDITURE**

Depreciation / Amortisation / Impairment / surplus on de recognition	2,214	2,580
	2,214	2,580
<b>FUNDED BY Grant-in-Aid</b>	<b>(2,580)</b>	<b>(2,580)</b>
<b>NON-CORE REVENUE (UNDERSPEND) / OVERSPEND</b>	<b>(366)</b>	<b>-</b>

**NON-CORE Annually Managed Expenditure (AME)**

Pension Costs - IAS 19 adjustments (Note 21)	3,125	3,714
<b>FUNDED BY Grant-in-Aid</b>	<b>(5,000)</b>	<b>(3,000)</b>
<b>NON-CORE AME (UNDERSPEND) / OVERSPEND</b>	<b>(1,875)</b>	<b>714</b>

**Reconciliation of Statement of Resource Outturn to the Statement of Comprehensive Net Expenditure ('SOCNE')**

	£'000	£'000
Gross expenditure on a resource basis, as per Cash Outturn	50,980	55,214
Add: Depreciation, amortisation and impairment, etc. ( Non-Cash)	2,214	2,580
	53,194	57,794
Add: IAS 19 adjustments ( Non-Cash - Note 21 )	3,125	3,714
Gross expenditure on an IFRS basis, as reported as per SOCNE (page 49)	<b>56,319</b>	<b>61,508</b>

## 1.11 FINANCIAL PERFORMANCE ANALYSIS

### (I) STATEMENT OF COMPREHENSIVE NET EXPENDITURE

The statement of comprehensive net expenditure for the year, on page 49, shows not operating expenditure after taxation of £48,521,000 (2016: £50,726,000), a decrease of £2,205,000. This has arisen primarily as a result of the combination of a reduction in resource expenditure of £4,600,000 and income of £2,889,000.

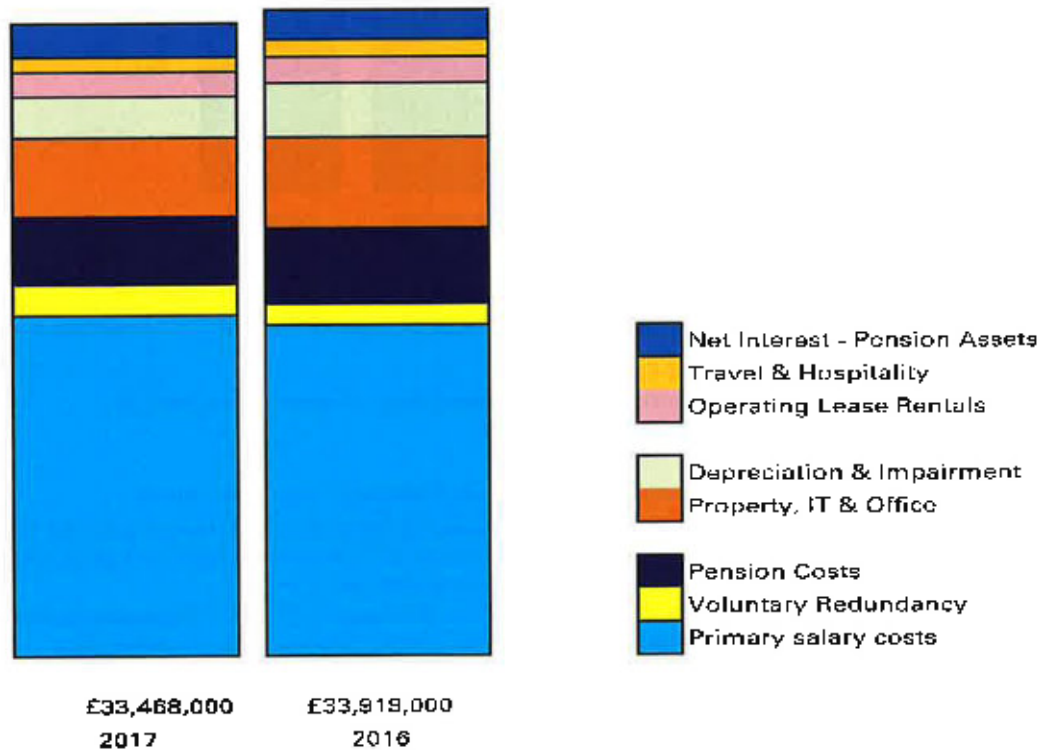
#### a) Gross expenditure (including staff & administration costs)

- Marketing activity - a decrease of £5,396,000  
The reduction in expenditure has been impacted by the decrease in overall Income (See (c)) Retail & Commercial Income, and Other income, together with the reduced Grant in Aid allowance.
- Partnership engagement – an increase of £483,000, as impacted by voluntary severance costs of £275,000.
- Support services – an increase of £313,000, being that associated with voluntary severance costs.
- Pension Scheme costs – a decrease of £589,000

#### b) Staff costs (Note 3) and Administration overheads (Note 4)

#### Staff and Administration costs

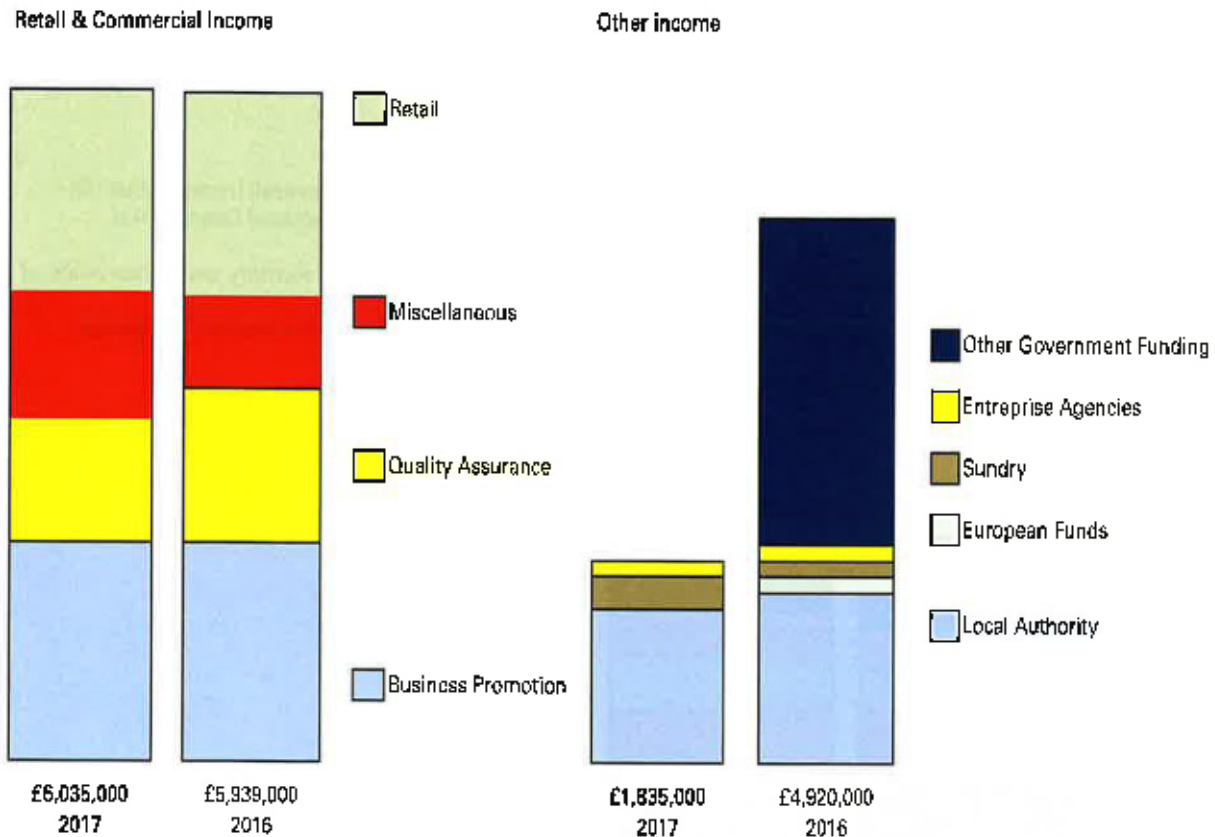
[ Included within Gross Resource Expenditure ]



These costs, as reported on page 62 are included within Gross Resource Expenditure, and the principal spend variances compared to last year are as follows:-

- Total staff costs – an overall increase of £995,000 reflects a rise in payroll / voluntary severance expenditure of £1,471,000, offset by a decrease in Pension Current Service costs of £476,000.
- Net interest cost – Pension assets – a decrease of £36,000.
- Travel & hospitality – a reduction of £114,000.
- Property, IT and office expenses – a decrease of £860,000. This reduction arises, principally, from a release of leasehold properties attributable dilapidations provisions that can materialise upon termination of estate leases. During the year a number of leases came to an end, and together with a review of the overall estate, the provisions were reduced by £697,000. In addition, IT costs underwent a decrease of £87,000.
- Operating lease rentals – a decrease of £116,000.
- Trade bad debt write downs and provisions – an increase in the movement by £46,000.
- Amortisation, depreciation, impairment, etc. – a decrease of £366,000.

c) **Retail & Commercial Income ( Note 5) and Other Income ( Note 6)**



*Retail and Commercial Income* (Note 5) has shown an overall increase of £96,000, and comprises:-

- Net Retail sales – a decrease of £77,000
- Business Promotion & Advertising and Quality assurance – a decrease of £280,000
- Miscellaneous Income – an increase of £453,000

*Other Income* (Note 6) displays a decrease year on year of £3,085,000, being made up of:-

- Other Government Department funding – a decrease of £2,715,000 – Monies provided by the SG in 2016 towards the Scottish Open and the Solheim Cup 2019 were contributed via particular departments budgets, whereas, in 2017 all monies have been provided via core GIA.
- European Regional Development Fund (“ERDF”) – a decrease of £265,000. Regulatory constraints surrounding access to ERDF monies reduced income from this source to nil in the year.
- Local Authority income - a reduction of £401,000, reflective of increased budgetary restraints exercised by Local Authorities.
- Enterprise Agencies & sundry income – an increase of £296,000.

**Other comprehensive expenditure / income** (page 49)

As portrayed, this includes surpluses arising on the revaluation of properties of £29,000 (2016:£83,000), together with the transfer of surpluses from Revaluation Reserve to General Reserve in respect of the expiry of Finance Leases amounting to £409,000 (2016: £51,000).

In addition, in accordance with the requirements to account for defined benefit pensions under International Accounting Standard 19 ‘Employee Benefits’ (IAS 19), the movement in the combined pension schemes’ asset valuation for the year, a surplus of £1,106,000 (2016: Surplus of £9,416,000), is shown, which is recognised in the Statement of Financial Position.



**(III) STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR**

The VisitScotland statement of financial position at 31 March 2017, on page 50, reflects a net liabilities position of £34,745,000 (2016: £31,353,000). The increase of £3,392,000 arises, predominantly, as a result of the combined pension schemes' deficit having now increased to £36,129,000 (2016: £34,110,000), which, dependent upon market fluctuations, and the assumptions taken in assessing the actuarial net pension liability under IAS 19, can vary from year to year, accordingly.

**(III) BASIS OF PREPARATION AND GOING CONCERN**

The financial statements have been prepared on a going concern basis, which assumes that VisitScotland will continue in operational existence for the foreseeable future. To the extent that the net liabilities are not to be met from VisitScotland's other sources of income, these liabilities may only be met by future grants or Grant-in-Aid from the Scottish Government. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need, and insofar as approval for Grant-in-Aid for 2017/18 has already been given, there is no reason to believe that future approvals will not be forthcoming.

On this basis, the Board considers it appropriate to prepare the financial statements on a going concern basis.

**(IV) CASH BALANCES**

VisitScotland does not retain any cash reserves, other than monies required to meet authorised expenditure accrued at the year end.

**(V) PAYMENT TO CREDITORS**

VisitScotland observes the Scottish Government's policy for prompt payment to creditors, and is committed to paying suppliers within 10 days of receipt of a valid invoice. An analysis of invoices received between 1 April 2016 and 31 March 2017 shows that VisitScotland paid 89% of valid invoices received within 10 working days. (2016: 89%)

**1.12 PRINCIPAL RISKS AND UNCERTAINTIES**

VisitScotland has a risk management policy setting out a robust process for identifying and evaluating the risks which it faces in trying to achieve its objectives. A Corporate Risk Register is maintained, which not only identifies all the high level risks which impact on the whole organisation and are likely to affect the achievement of objectives contained in the annual operating plan, but also it contains lower level risks which affect specific areas of operation within VisitScotland.

In addition, there are specific sub-Risk Registers (linked to the Corporate Risk Register) which cover major corporate projects, events, etc., in greater detail that are ongoing at any point in time. In this way, risks are identified and monitored at department level, and, individually, for key projects, and managed accordingly.

VisitScotland categorise risk by four levels, which are, very high; high; medium; and low. All the risks evident in VisitScotland's registers are tracked throughout the year, and the table below highlights the management of the six highest risks as at the end of last year through to March 2017. These risks remain the most significant to the organisation as at 31 March 2017.

There have been no risks categorised as very high during the year.

Risk Description	Progress with Mitigation in the year
There is a risk of the impact of macro-economic factors such as austerity, exchange fluctuations, consumer income and spending impacting in the Visitor Economy.	VisitScotland continues to analyse insight and recommendations on trends, focussing on high value markets. Exchange rate fluctuations have made the cost of marketing abroad more expensive as well as making Scotland a cheaper place to visit.
There is a risk of natural disaster, along the lines of foot and mouth / "bird flu", or terrorism impacting the Visitor Economy.	The organisation, with others, monitors for horizon threats and participates in the Scottish Tourism Emergency Response Group. VisitScotland has its own Business Continuity plan which is tested each year.
Deficit planning with regard to the BTB pension scheme identifies a large increase in employer contributions. Reducing membership of Local Government Pension Schemes brings the risk of closing the schemes, significantly increasing in year employer contributions.	BTB scheme <ul style="list-style-type: none"> <li>The underlying issue is the perceived value of the employers' Guarantee. An integrated Risk Management Report was prepared to support this position, and a request has been made to Government for a legally binding guarantee from them.</li> </ul>

	<p>LGPS schemes</p> <ul style="list-style-type: none"> <li>A legally binding guarantee has been provided by Government and VisitScotland are working with SPPA on revised guidance when there are no active employees in a scheme.</li> </ul>
<p>There is a risk that a reduced Scottish Government budget allocation will mean that the spend budgets are reduced, negatively impacting the returns which VisitScotland could produce for Scotland.</p>	<p>VisitScotland will continue to seek to reinforce with the Scottish Government the contribution of the Visitor Economy and VisitScotland to the wider Scottish Economy. In addition it looks, through its planning processes, to prioritise funds to activities which produce appropriate returns and will implement efficiency plans which will reallocate funds or absorb, in part, any reductions.</p>
<p>There is a risk that VisitScotland does not attract and / or retain key skills across the organisation, which will impact the deliverance of its ambitious business plans.</p>	<p>A new Talent Management scheme is being implemented by the organisation in association with a Learning Plan, which includes a Digital Development element. We continue to look at our benefits packages and grading structure.</p>
<p>There is a risk that non-Government funding income generation plans are insufficient to meet the long term objectives of the organisation.</p>	<p>Late in the financial year VisitScotland were advised by the Managing Authority for the European Regional Development Fund program that it had withdrawn its approval for the organisation's program in the Small to Medium sized Business ("SME") arena. This late withdrawal was well managed by the organisation, however, it does place a strain on income which the organisation is now looking to replace.</p>

Looking forward, other uncertainties that VisitScotland, as an organisation, are faced with include:

- Ensuring effective support for, and partnership with, tourism businesses as the industry responds to the requirements of strengthening the Scottish, and United Kingdom economies.
- Ensuring the investment in information digital technology is maximised for the benefit of the Tourism industry in the deliverance of the wider economic and community benefit.
- The uncertainties arising from the impending departure of the United Kingdom from the European Union Community, and resultant impact on VisitScotland's strategic and operational outcomes.

### 1.13 PUBLIC INTEREST REPORTING

#### Information request processing

As a publicly-funded organisation, VisitScotland is committed to full compliance with the Freedom of Information (Scotland) Act 2002 (FOISA).

- In 2016-17, VisitScotland received 21 information enquiries. (2016: 29 )
- Number of appeals to the Office of the Scottish Information Commissioner: 1 (2016: Nil )

#### Proactive disclosure of Information

The VisitScotland website contains details of our publication scheme and information which we routinely publish: <http://www.visitscotland.org/about-us/our-policies/freedom-of-information.aspx>

Under the Public Services Reform (Scotland) Act 2010 we have, along with other public bodies in Scotland, a duty to publish annual public statements relating to our expenditure in the following areas:

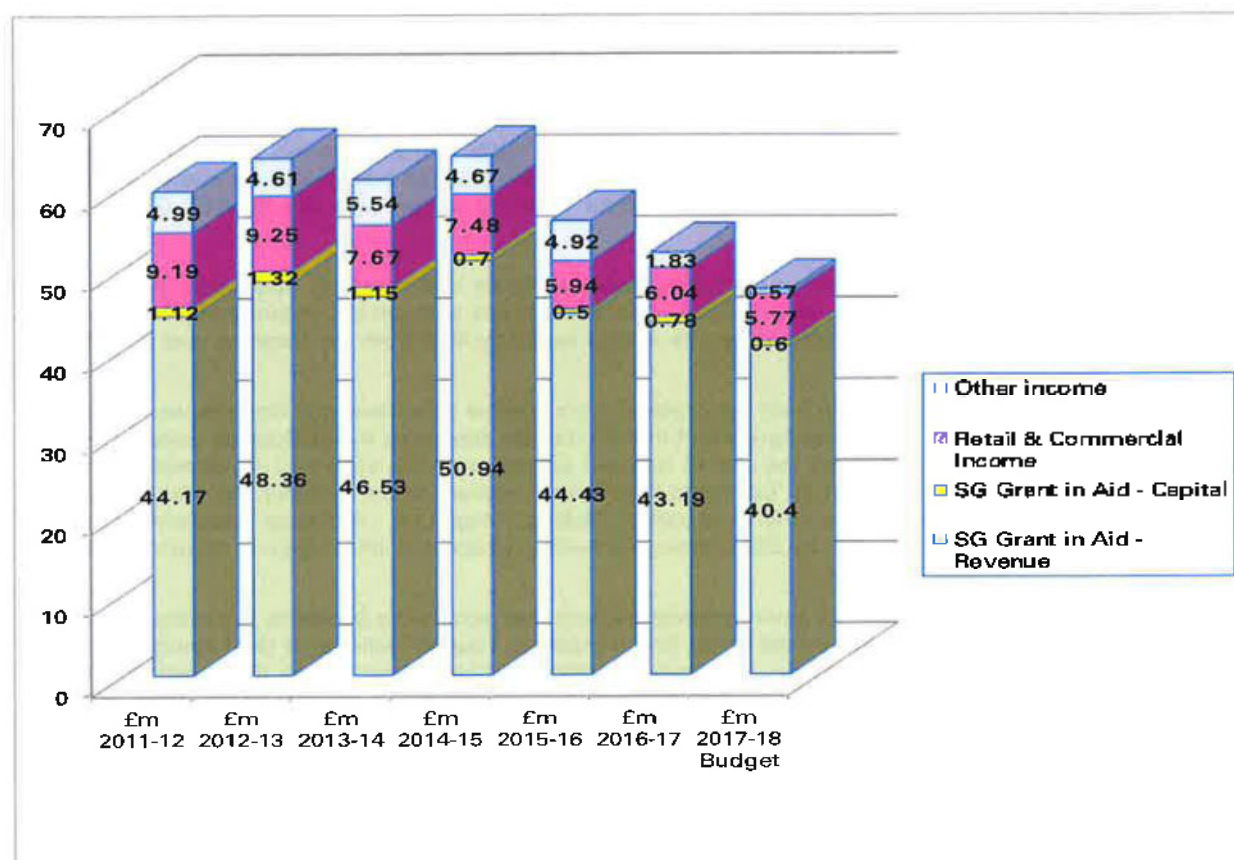
- Public relations
- Overseas travel
- Hospitality and entertainment
- External consultancy
- Payments with a value in excess of £25,000
- Employees/members who receive remuneration in excess of £150,000

VisitScotland's Annual Report and Financial Statements can be downloaded from the VisitScotland website: <http://www.visitscotland.org/about-us/our-focus/annual-report.aspx>

### 1.14 LONG TERM EXPENDITURE TRENDS

VisitScotland's expenditure is principally governed by the funding provided by the Scottish Government through grant-in aid, and the receipt of retail, commercial and other income.

The respective amounts drawn down associated with these principal areas of funding over the last six years together with the indicative budget for 2017/18 are set out in the bar chart below.



Notes:

- Scottish Government Grant in Aid funding for 2017-18 is based on indicative figures as provided by the Government.
- The above figures exclude the Non-Cash allowance and AME allowance made each year.

## 1.15 CORPORATE SOCIAL RESPONSIBILITY

### Environmental performance and sustainable economic development

The Scottish Government has set ambitious climate change targets: to reduce Scotland's greenhouse gas (carbon emissions) by 80% by 2050, with an interim reduction of 42% by 2020, against a 2008/09 baseline.

VisitScotland, as the lead public body for tourism, is committed to achieving best practice in not only its own performance management in relation to sustainability, and reduction of carbon emissions, but also to encourage and assist the tourism industry to follow its lead in support of the Government's targets. In so doing, VisitScotland's management has aligned its operational activities to meet its obligations under The Climate Change (Scotland) Act 2009, which requires all public bodies to exercise their functions in a way that best contributes to the Act's emission reduction targets and delivery of climate change programmes through mitigation and adaptation.

VisitScotland continues to work through Sustainable Scotland Network in the ongoing development of its Carbon Management Plan ("CMP"). This has brought the benefit of significant cost savings and reductions in greenhouse gas emissions for the organisation, in accordance with the aforementioned Act.

The table below tracks our progress to date:

CO2 Emissions (tn)	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17
<b>Buildings- Energy</b>	2,512	2,143	1,745	1,641	1,613	1,394	1,177	1,052
<b>Transport</b>	508	453	431	373	321	383	371	316
<b>Emissions Total</b>	<b>3,020</b>	<b>2,596</b>	<b>2,176</b>	<b>2,014</b>	<b>1,934</b>	<b>1,777</b>	<b>1,548</b>	<b>1,368</b>
<b>TARGET</b>	3,073	2,839	2,669	2,535	2,408	2,288	2,174	2,065
<b>% reduction from 2008 - 09 Baseline</b>	<b>7%</b>	<b>20%</b>	<b>33%</b>	<b>38%</b>	<b>40%</b>	<b>45%</b>	<b>62%</b>	<b>68%</b>

As at 31 March 2017, VisitScotland has achieved a 58% reduction in CO<sub>2</sub> emissions, which exceeds the 2020 target of 42%. This also exceeds the new more ambitious target of a 50% reduction by 2020 currently proposed as part of the new Climate Bill, which is currently with Scottish government for consultation.

In comparison with 2015-16 VisitScotland achieved a 12% reduction in CO<sub>2</sub> emissions. The emission reduction continues to be achieved through a programme of increasing efficiency, driving down resource use (e.g. energy use in buildings, business travel and water use), waste reduction, as well as changes within the VisitScotland estate.

VisitScotland also supports the work of Zero Waste Scotland (“ZWS”) to achieve the waste prevention and recycling targets within the hospitality and tourism sector. We have pledged both to reduce waste arising from the organisation’s internal operations, and increase waste recycling in line with the Scottish Government’s targets.<sup>7</sup>

During 2016/17 VisitScotland undertook a complete review of waste and recycling operations at all sites to enable us to enhance the accuracy of the outcomes. The result of this exercise has meant that whilst, hitherto, we have declared that VisitScotland has reduced its overall waste by 45% from the baseline year 2012/13, the updated recycling figure is 55%.

We have pledged to both reduce waste from the organisation’s internal operations and increase waste recycling in line with the Hospitality Food Services Agreement (HaFSA) targets supported by the Scottish Government. We shall be exploring how we can support the overall targeted outcomes of this voluntary agreement, as well as giving consideration to the promotion of ‘Courtauld 2025’ being relevant to the Industry. We also support the Scottish Government target introduced in 2016 as part of ‘Making Things Last - A circular economy strategy for Scotland’ to reduce food waste by 33% by 2025, through providing advice and information to industry, as well as our internal operations, where relevant.

In addition, VisitScotland improved its environmental performance across the business, for example, with an increase to almost 30% of premises certified under Green Business Tourism Scheme at Gold standard level; an ongoing increase in e-brochure availability; and implementation of Carrier Bag Charge (Scotland) Regulations across our iCentre network. As a signatory to the Carrier Bag Commitment, in the year to 31 March 2017, the iCentre network provided customers with 29,546 chargeable bags. This is approximately a 17% reduction in carrier bag sales from the previous year, and an estimated reduction of 88% from before the charge was implemented. The net proceeds of £1,232 generated from carrier bags sales in 2016/17 will be donated to environmental good causes, as agreed with ZWS.

### **Social and community issues**

A key action of VisitScotland strategic plans is to help enhance the quality of life for Scottish communities. VisitScotland is doing this not only through promoting local accommodation, events, attractions and products to visitors, but also continuing to work in partnership with a number of agencies to ensure that tourism improves the quality of life for local communities and involves them in tourism planning and management. The Partnerships team participates in local tourism partnerships across the country in order to support growing the visitor economy throughout Scotland.

VisitScotland fully supports the link between these tourism partnerships and Community Planning in order to ensure that the tourism sector, including VisitScotland, participate in the community planning process and the on-going design, development and implementation of each Community Planning Partnership’s Local Outcome Improvement Plan.

In addition, VisitScotland works closely with ZWS and Scottish Future Trust to further develop sustainable procurement within our corporate culture, by taking proper account of sustainability in our procurement activity, in accordance with the Sustainable Procurement Action Plan for Scotland 2009.

### **External Facing Sustainability Activity**

We not only recognise our influence among tourism businesses in helping Scotland meet not only its climate change targets, but also follow its Circular Economy strategy, and other relevant sustainable development strategies. In so doing, we are encouraging and supporting businesses and destinations to become more sustainable and we are committed to ensuring the industry continues to innovate.

During 2016/17 VisitScotland has continued to encourage and support a wide range of tourism businesses to make some meaningful progress with regards to their sustainability. Since January 2015 we have incorporated minimum sustainability requirements into our Quality Assurance scheme. For each of following years (2016 and 2017), we have increased the minimum requirements for all industry sectors in order to encourage continuous improvement. Advice and support on becoming more sustainable and resource efficient is provided to businesses through the Quality and Tourism Advisors, the Better Business Guides and Factsheets, as well as working in partnership with Resource Efficient Scotland and Green Tourism.

The Year of Innovation, Architecture and Design in 2016, provided a great opportunity for businesses and destinations across Scotland to showcase how they support sustainability through innovation and design, as

*7. To reduce food and associated packaging waste arising by 5% by the end of 2015 from baseline year 2012/13 and increase the overall rate of food and packaging waste being recycled, sent to anaerobic digestion (AD) or composted to at least 70% by the end of 2015.*

well as highlighting some of the great examples of incorporating sustainability in architecture. For example, we did a series of regional stories in our e-update with case studies on Green Tourism businesses, highlighting innovative actions they implemented to make them more sustainable.

The Year of History Heritage and Archaeology in 2017 will sustain and build upon the momentum of the preceding Themed Years to spotlight, celebrate and promote Scotland's rich and vibrant History, Heritage and Archaeology in order to engage and attract the people of Scotland and our visitors. This will also support one of VisitScotland's Sustainability Objectives to promote Scotland's natural and cultural heritage to visitors and support the activities of organisations responsible for its protection and enhancement.

The efforts to increase the sourcing and profile of Scottish Food and Drink, and thus supporting the Scottish Food and Drink industry, have been reinforced by the increased number of businesses that have achieved VisitScotland's Taste Our Best accreditation, which showcases businesses that provide and promote a quality Scottish Food and Drink experience. By the end of the 2016/17 financial year 1,199 businesses had achieved our 'Taste Our Best' accreditation, which is an increase of 11% on the previous year.

### **Accessible Tourism**

Increased engagement of businesses and partners on Accessible Tourism is ensuring a positive visitor journey for all visitors to Scotland and highlights an excellent development opportunity for many businesses, and with over 900 registrations for our online accessible training, VisitScotland is supporting tourism businesses to increase awareness of equality issues and confidence in communicating with disabled people, and, in conjunction with VisitEngland, we are working on a joint project, which will improve and make it easier for businesses to provide useful and practical information on access facilities and features within their business. A number of regional business workshop events took place and we engaged with over 300 tourism businesses promoting the business and customer benefits of accessible tourism.

In support of VisitScotland's Corporate Plan and its commitment to inclusive growth, as well as the Scottish Government's Economic Strategy, VisitScotland has begun to explore how the tourism sector can contribute to social inclusion, and how we work with partners to explore how social tourism can be developed at national level.

This work has involved two pilot projects in 2016, which together enabled vulnerable and disadvantaged families in Scotland – many of them excluded from participating in tourism by poverty – to experience the magic of a short break or day out in their own country. This was made possible through a VisitScotland partnership with a registered charity - The Family Holiday Association, and the tourism industry. In total, 254 families were able to enjoy a much-needed break or day out, with significant benefits for their health and wellbeing. The project was supported at Ministerial level and the resulting awareness of the importance – and potential – of inclusive tourism generated a debate in the Scottish Parliament, at which inclusive tourism and initiatives of this kind were given cross-party support.

VisitScotland's involvement in this project is to be found at;

<https://www.familyholidayassociation.org.uk/?s=visitScotland>

Looking ahead, VisitScotland is committed to supporting sustainability and inclusive activities, both internal and industry facing, commensurate with the Scottish Government's aim as set out in its Budget for 2017/18 of ensuring the sustainability of our public services and the deliverance of better outcomes for those that use them.

VisitScotland now provides contributory figures to the annual publications on Climate Change produced by the Charity "Keep Scotland Beautiful" ("KSB"), which can be found on their website [HERE](#)

For further details and information see the VisitScotland Annual Sustainability Report that can be found at [http://www.visitscotland.org/about\\_us/our\\_focus.aspx](http://www.visitscotland.org/about_us/our_focus.aspx)



**Malcolm Roughead OBE**

Chief Executive  
VisitScotland

12 October 2017.

## ACCOUNTABILITY REPORT

### 2.1 THE CORPORATE GOVERNANCE REPORT

#### 2.1.1 DIRECTORS' REPORT

##### THE BOARD

The Chair and Board Members are appointed by the Scottish Ministers in accordance with the Code of Practice for ministerial appointments to public bodies issued by the Public Appointments Commissioner for Scotland. The Board operates two sub-committees. These are the Audit & Risk Committee, and the Remuneration Committee, which, during the year, was reconstituted to be a formal meeting of the Board, as required, and its work is considered in the Remuneration and Staff Report.

The Board Members who held office during the year, and their respective committee memberships, were as follows:

The Rt. Hon. the Viscount Thurso (Chair) +	: Appointed 1 April 2016
Professor Anne Anderson+	
Rebecca Brooks+	
Catherine Craig+	
Gordon Dewar+ *	
Stephen Dunlop+ *	
Stephen Hagan+	
Carolyn Jameson+*	
Calum Ross+*	
Caroline Roxburgh+*	: Appointed 15 November 2016

\* Member of the Audit & Risk Committee during the year.

+ Member of the Board Remuneration Committee during the year.

##### SENIOR MANAGEMENT TEAM

The Executive Senior Management Team comprises the Chief Executive, and four Directors. They are responsible for the day to day management of VisitScotland's activities and operations.

Executive Senior Management Team members who held office during the year were as follows:

Malcolm Roughead OBE	Chief Executive
Riddell Graham	Director of Partnerships
Ken Neilson	Director of Corporate Services
Paul Bush OBE	Director of Events
Charles Smith	Director of Marketing

In addition, the Head of Human Resources attends Executive Senior Management Team meetings. Information on the salary and pension entitlements of the Chief Executive and Executive Senior Management Team can be found in the Remuneration and Staff Report on page 37.

VisitScotland recognises the gender imbalance on the Executive Senior Management Team and is actively supporting and developing talent for the future across the organisation to address the situation. In recognition of this, as from 1 April 2017, we have reconfigured our operational senior management team under the banner of the 'Leadership Group'. This new group includes the existing Executive team, together with senior members of staff from across the organisation who have a direct influence on the key challenges and opportunities which VisitScotland will face in the future, and will ensure greater transparency around the links between high level strategy and activity on the ground.

##### REGISTER OF BOARD MEMBERS' INTERESTS

VisitScotland supports the highest standards of Corporate Governance, and has in place Codes of Conduct, both for Board Members and staff. In compliance with the Ethical Standards in Public Life etc. (Scotland) Act 2000, VisitScotland's Code of Conduct for Board Members is published on our corporate website, together with the Register of Board Members Interest, which contains details of company directorships and other significant interests held by Board Members, at the following address:-

<http://www.visitscotland.org/about-us/our-structure/the-board.aspx>.

Short biographies of the members of the Board can also be found at this website address.

##### PERFORMANCE REPORT

In accordance with section 414 (c) (11) of the Companies Act 2006, VisitScotland has chosen to include several matters in the Performance (& Strategy) Report which would otherwise be included in the Directors' Report.

These matters are:-

- Review of business and performance against key performance indicators
- Future developments

- Sustainability and environmental matters
- Information about employees and social and community issues

#### FUNDING

VisitScotland's primary source of funding is Grant in Aid from the Scottish Government. The initial Grant in Aid allocation for 2017/18 is **£43.23** million and together with in year budget revisions and funds generated by VisitScotland from the use or sale of assets, and other partner contributions are deemed adequate for funding the organisation's operating business plan for the ensuing year.

#### FINANCIAL INSTRUMENTS

VisitScotland has exposure to liquidity, credit and market risks from its use of financial instruments. The extent of these risks is set out in Note 22 to the financial statements

#### RETIREMENT BENEFITS

Details of pension schemes in use by VisitScotland can be found in note 21 to the financial statements. The Remuneration and Staff Report (pages 37 - 44) contains specific disclosures relating to Directors' pensions.

#### DATA LOSS

During the financial year there have been no incidents involving unauthorised exposure or loss of personal data that have required reporting to the Information Commissioner's Office.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Executive Senior Management Team who held office at the date of approval of the annual report and financial statements confirm that, so far as they are each aware, there is no relevant audit information of which VisitScotland's auditors are unaware, and each member of the team has taken all necessary steps that he ought to have taken to make himself aware of any relevant audit information and to establish that VisitScotland's auditors are also aware of that information.

#### AUDITOR

VisitScotland's annual report and financial statements are audited by auditors appointed by the Auditor General for Scotland, in accordance with Section 6(4) of the Development of Tourism Act 1969. The appointed auditor for the year ended 31 March 2017 was Audit Scotland.

The fees payable for audit services provided by the appointed auditors in the year to 31 March 2017 were £68,370 (2016: £71,000). There were no fees payable to Audit Scotland for non-audit work during the year (2016: £ Nil.).

### 2.1.2 STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under Section 6(1) of the Development of Tourism Act 1969 the Scottish Ministers have directed VisitScotland to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction, which is reproduced on page 46 of these financial statements.

The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of VisitScotland, and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the financial statements the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- a) observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b) make judgements and estimates on a reasonable basis;
- c) state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- d) prepare the financial statements on a going concern basis.

In accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Permanent Secretary, as the Principal Accountable Officer for the Scottish Administration, has designated the Chief Executive as Accountable Officer of VisitScotland.

The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding VisitScotland's assets, are set out in "Managing Public Money" published by HM Treasury.

As the Accountable Officer, as far as I am aware there is no relevant information of which VisitScotland's auditors are unaware, and that I have taken all necessary steps to make myself aware of any relevant audit information and to establish VisitScotland's auditors are aware of that information.

Furthermore, I can confirm that;

- i) the Annual Report and Financial Statements as a whole, are fair, balanced and understandable, and
- ii) I take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that they are fair, balanced and understandable.

## 2.1.3 THE GOVERNANCE STATEMENT

### GOVERNANCE FRAMEWORK

#### Responsibilities

The Board has corporate responsibility for the overall strategy of the organisation within the strategic and funding framework set by Scottish Ministers, ensuring that VisitScotland fulfils the aims and objectives as directed, and in so doing shall demonstrate high standards of corporate governance at all times.

In pursuit of this the Board, which met a full six times in the year, has established two Committees to scrutinise certain areas of activity in greater depth and make recommendations to the Board. There is an Audit & Risk Committee, and a Board Remuneration Committee, the work of which is considered in the Remuneration and Staff Report.

In addition, at operational level, the Health & Safety Committee, chaired by an Executive Director, exists to review the organisation's health and safety practices, and compliance with appropriate legislation. The Health & Safety Committee provides the Audit & Risk Committee with the dedicated Health & Safety Risk Register for review at each meeting, and, as necessary, also reports on matters to the Board.

#### Codes of conduct

VisitScotland supports the highest standards of corporate governance and has in place Codes of Conduct both for Board Members and for Staff, as approved by the Scottish Ministers. VisitScotland complies with the Code of Practice put in place by the Commissioner for Ethical Standards in Public Life in Scotland as set out in the Public Appointments and Public Bodies etc. (Scotland) Act 2003, and the Guidance issued by the Commissioner. VisitScotland's Code of Conduct for Board Members is published on our website, together with Board Members' Register of Interests.

#### Board attendance

The following sets out the number of meetings the VisitScotland Board and its principal committees held during 2016/17, and the individual attendance by Board and committee members.

	Board	Audit & Risk Committee	Remuneration Committee
The Rt. Hon. the Viscount Thurso	6 (6)	-	1 (1)
Professor Anne Anderson	5 (6)	-	1 (1)
Rebecca Brooks	4 (6)	-	1 (1)
Catherine Craig	4 (6)	-	1 (1)
Gordon Dewar	4 (6)	5 (6)	1 (1)
Stephen Dunlop	6 (6)	4 (5)	1 (1)
Stephen Hagan	5 (6)	-	1 (1)
Carolyn Jameson	4 (6)	3 (6)	1 (1)
Calum Ross	6 (6)	1 (1)	1 (1)
Caroline Roxburgh	3 (3)	3 (3)	1 (1)

*(Meetings attended (Meetings eligible to attend))*

The Rt. Hon. the Viscount Thurso attended one Audit & Risk Committee meeting, in his capacity as a Board member.

The Remuneration Committee was re-constituted during the year, and now comprises of every member of the Board. It meets as and when required, prior to the commencement of a formal Board meeting, and its only meeting in the year was held on 9 September 2016.

### OPERATIONAL MANAGEMENT FRAMEWORK

The delivery of VisitScotland's aims and objectives is supported by an operational framework comprising key corporate business processes and a wide range of control mechanisms, which ensure that: policies and strategies are put in place; values and principles are met; high quality services are delivered; laws and regulations are complied with; processes are in place and complied with; and financial statements and other published information are accurate, timely and comply with relevant standards and best practice.

### APPROACH TO BEST VALUE

The Scottish Public Finance Manual describes the duty of Best Value in Public Services and provides guidance to Accountable Officers on what an organisation should be able to demonstrate in fulfilment of their Best Value duty to secure continuous improvement in the performance of the organisation's functions.

During the year Senior Management and Heads of Department carried out their fifth self-assessment of VisitScotland's Best Value status using the eighteen Audit Scotland guideline Toolkits, which set out an evaluation framework that enables an organisation, in the context of its own resources, and scale, to assess its performance across a range of generic areas and provide an indicative rather than a conclusive judgement of the organisation's capabilities in its achievement of Best Value.



Across the eighteen subjects, in consideration of the three elements of achievements of Basic Practice/ Better Practice/ Advanced Practice, the results show that progressive improvement over the past 4 years has seen the organisation move from a combined rating of 55% for Better Practice / Advanced Practice across all areas to that of a rating of 66%.

#### **BUDGETARY CONTROL**

Operating plans and capital budgets are approved on an annual basis as part of the strategic business planning process. The Executive Senior Management Team receive monthly reports on expenditure against budget together with an explanation for significant variances and proposed corrective action, and regular reports on progress against key performance indicators. All reports are subsequently submitted for review to the VisitScotland Board.

#### **RISK MANAGEMENT**

##### **Internal control framework**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve VisitScotland's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system is based on an ongoing process designed to identify the principal risks to the achievement of VisitScotland's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within VisitScotland accords with guidance from the Scottish Ministers provided in the Scottish Public Finance Manual ("SPFM") and has been in place for the year ended 31 March 2017, and up to the date of approval of the annual report and financial statements.

##### **Approach to Risk Management**

All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

The Board has overall responsibility for VisitScotland's risk management framework, and as a result all corporate external and internal risks are actively managed, reviewed and updated, together with the actions to mitigate them, by the Executive Senior Management Team on a quarterly basis, and reported upon at each Audit & Risk Committee meeting. In addition, the Board also carry out a regular review of the Corporate Risk Register to ensure the strategic and operational cohesion of risks arising. In so doing the Board, through its oversight and the work of the Audit & Risk Committee, fulfils its role of Corporate Risk Governance.

This year there has been a particular emphasis on developing the Board's approach to risk appetite, which was the focus of a workshop, facilitated by Internal Audit, the outcome of which set out the Board's appetite towards the level of desired risk-taking in the achievement of our strategic objectives, in the context of managing our principal risks. Our risk appetite is an expression of the types and amount of risk we are willing to take or accept to achieve our plan, and, ultimately, by defining our risk appetite, we will be able to better determine our strategic actions, as well as design mitigating controls to manage to within acceptable levels both the likelihood of risks occurring and their potential impact.

VisitScotland has a risk management policy setting out a robust process for identifying and evaluating risks which it faces in trying to achieve its objectives. Risk management has been fully incorporated into the corporate planning and decision making processes of the organisation. Preparation of annual departmental operating plans includes a review of existing risks and discussion of any potential new risks. Economic and environmental scanning are key components in this process. They assist in identifying global factors which may affect the business and aid planning to mitigate them. Risks are also identified, managed and reported at project level through project managers.

A Corporate Risk Register is actively in use and not only identifies all the high level risks which impact on the whole organisation and are likely to affect the achievement of objectives contained in the annual operating plan, but also it contains lower level risks which affect specific areas of operation within VisitScotland. Moreover, there are individual sub-Risk Registers (linked to the Corporate Risk Register) which cover specific projects (e.g. website development, Stakeholder Customer Relationship Management), as required, and/or corporate matters (e.g. Health & Safety) and Events (e.g. Solheim Cup 2019) in greater detail that are ongoing at any point in time. In this way, risks are identified and monitored at department level, and, individually, for key projects, and managed accordingly.

An owner is assigned for each risk and is responsible for monitoring that risk and ensuring that any identified actions to mitigate it are implemented. Consequently, VisitScotland has detailed mitigating action plans in place to address all significant risks. As new or changed risks emerge they are identified, reviewed for alignment with the business planning process, reported to senior management, the Audit & Risk Committee, and reviewed by the Board. Each new or changed risk is added to the Corporate Risk Register together with an action plan to address the risk.

A designated risk manager, in tandem with the Audit & Compliance Manager, and Corporate Services Director, is responsible for monitoring, maintaining and updating the Corporate Risk Register, recommending and reporting

to the Executive Senior Management Team, and the Audit & Risk Committee, and promoting risk awareness across the organisation.

Furthermore, VisitScotland is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area. In this respect during the year we have continued to integrate individual personal work objectives with the underlying Project Initiation Documents ("PIDs"), which, annually, underpin the Operating Plans. These are linked through to identifiable Operating Risks/overall Strategic Risks, and respective mitigating actions. This ongoing development adds value to the Corporate Risk Register methodology by providing even greater assurance in the management of risks, and, when complete, individual's performance objectives will be aligned to their risk responsibility in achieving VisitScotland's strategic and operational goals.

### **Key Risks facing the organisation**

There are six principal risks currently facing the organisation, together with other uncertainties, which have been highlighted within the Performance Report (1.12 Principal Risks and Uncertainties), of which the following three are more prominent:

- A reduced Scottish Government budget allocation will mean that the spend budgets are curtailed, negatively impacting the returns which VisitScotland could produce for Scotland.
- The impact of macro-economic factors such as austerity, exchange fluctuations, consumer income, and spending affecting the visitor economy.
- VisitScotland's ability to attract and retain a highly skilled workforce in order to achieve its ambitious business plans.

### **Information Risk and Records Management**

VisitScotland has in place a range of systems and measures which ensure that information held by the organisation, and held by third parties on behalf of the organisation, is secure. This process is further enhanced by the activities of the Data Governance and Security Group which monitors and controls the organisation's overall legal and regulatory compliance concerning the release of data from the organisation. In addition, VisitScotland has implemented Scottish Government guidance on data security and information risk through the creation of an information asset register, an information risk register, utilisation of risk assessments and all round increased awareness training for staff.

In April 2016 the European Parliament and Council of the European Union approved the General Data Protection Regulation ("GDPR"). The GDPR unifies all data protection laws within the EU under a single law, updating and modernising the principles enshrined within Directive 95/46/EC. The GDPR will come into force for all member states on 25 May 2018, and the Information Commissioner's Office ("ICO") has advised that adopting GDPR requirements will be best practice for all British organisations, post 'Brexit'. In preparation, VisitScotland's Data Governance and Security Group has developed an action plan across the organisation to ensure our compliance therewith by 25 May 2018, and in accordance with guidance laid down by the ICO.

The successful implementation of our Records Management Plan ("RMP"), which was formally approved by the Keeper of Records (Scotland) in Jan 2016, thereby fulfilling our obligations under the Public Records (Scotland) Act 2011, has now moved into phase two, wherein, led by our Data Protection/Records Management Officer, we are progressing towards the full integration of our information asset register within our new Sharepoint upgrade. This will provide electronic accessibility for identification and updating of information asset records, and by so doing not only ensure constant monitoring thereof, but also provide flexible reporting controls.

### **INTERNAL CONTROL**

#### **Scope of Responsibility**

As Chief Executive and Accountable Officer I have responsibility for maintaining a robust performance management framework, in accordance with the VisitScotland Management Statement and associated Financial Memorandum, as agreed with the Scottish Government's Directorate for Culture, Tourism and Major Events, which includes a sound system of internal control that supports the achievement of VisitScotland's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I am personally answerable to the Scottish Ministers in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. I am responsible for safeguarding the public funds under my charge, for ensuring propriety and regularity in the handling of those funds and for the day-to-day operations and management of VisitScotland. In addition, I have a duty to ensure that arrangements have been made to secure best value, which includes the concepts of good corporate governance, performance management and continuous improvement.

The HM Treasury publication "Managing Public Money", and the Scottish Public Finance Manual (SPFM) as issued by the Scottish Ministers, provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. They set out the relevant statutory, parliamentary and administrative requirements, emphasise the need for economy, efficiency and effectiveness, and promote good practice and high standards of propriety.

## Review of effectiveness of Internal Control

### *Role of the VisitScotland Audit & Risk Committee*

The VisitScotland Board has established an Audit & Risk Committee to support them in their responsibilities for issues of risk, control, governance and associated assurance. The Audit & Risk Committee of the Board normally meets at least four times a year.

The Audit & Risk Committee comprises Chair and three non-executive Board members. Representatives of the Scottish Government, external and independent internal auditors, together with the Director of Corporate Services, the Head of Finance, and the Audit & Compliance Manager, and myself, attend these meetings.

The Audit & Risk Committee seeks assurances from a number of sources mainly via management, and review the audit reports from both internal and external auditors. In addition, they agree the annual internal audit plan, and review the Corporate Risk Register reports, as well as carrying out ad-hoc reviews of departmental/project Risk sub-registers that underpin the principal Corporate Risk Register. The Chair of the Audit & Risk Committee reports to the Board on audit, risk and control matters, and in so doing the Audit & Risk Committee adds to the Board's confidence in the reliability of internal controls and risk management processes. In addition, the Audit & Risk Committee prepares an annual report which is considered by the Board.

### *Management Assurance Statements*

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

My review is informed by:

- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to VisitScotland's Audit & Risk Committee regular reports, which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit & Risk Committee and a plan to address any weaknesses as they arise, and to ensure continuous improvement of the system is in place.

As Accountable Officer, I am required to provide a Certificate of Assurance to the Scottish Government on an annual basis. To enable signing of this statement I have required assurances on the maintenance and review of internal control systems throughout the organisation from relevant Directors for their areas of responsibility and accountability. To assist with this sign off they will have reviewed their internal control arrangements supported by the completion of an Internal Control Checklist.

The annual completion of the detailed Internal Control Checklist provides the basis for me, as Accountable Officer, to sign off the necessary Certificate of Assurance on the standard of internal control within VisitScotland, in accordance with the Scottish Government requirements.

In summary, on the basis of the above processes, I confirm that I am fully content with the effectiveness of such procedures that enable VisitScotland to maintain appropriate best practice standards of governance and effective risk management, and my overall review has not highlighted any significant internal control weaknesses within VisitScotland. As a consequence, I have confirmed for 2016/17 that controls have been, and are, working well within VisitScotland, and that there are no significant matters arising which would require to be raised.

### *Independent Internal Audit*

VisitScotland's internal audit function operates to standards defined in the Government internal audit manual. Latterly, part of this function has been carried out by our own internal audit team, which monitored the VisitScotland iCentre network as to compliance in accordance with the iCentre manual of financial and operational rules, and the other part has been carried out by the contracted services of independent auditors to report on the adequacy and effectiveness of VisitScotland's systems of internal control together with recommendations for improvement.

The advent of the Electronic Point of Sale ("EPOS") across the network of VisitScotland iCentres, now an established control mechanism, has further improved Head Office monitoring controls around network cash, stock and management reporting, and this has changed the dynamics of our internal audit approach across the network. Following the recent retirement of our own internal audit team it was decided to take the opportunity to outsource the internal audit work on the management and control of the iCentre Network to our internal audit contractor, and as from 1 April 2017, a formal audit programme has been put in place to accommodate this continuing requirement.

In general, the work of the internal auditors is informed by an analysis of the risk to which VisitScotland is exposed. Annual and cyclical audit plans are based on this analysis and cover the whole range of activities within the organisation, over not only set periods of time, but also flexible ad hoc arrangements. The plans include a regular review of the risk strategy and risk register(s), and a follow up of audit recommendations for

improvements, and action points from previous audits, the implementation of which has been regularly reviewed by the Audit & Risk Committee during the year.

For 2016/17 the overall conclusion of the independent internal auditor in respect of the areas reviewed, which were Budgeting and Budgetary Control; Fixed Assets; Corporate Governance; Regulatory Compliance; Solheim Cup 2019 (Initial set-up report); Records Management; European Regional Development Fund ("ERDF"); Marketing; Website Post-Implementation Review, was as follows:

*"In our opinion VisitScotland has a framework of controls in place that allows substantial assurance to be taken on the effective and efficient achievement of the organisation's objectives and the management of key risks. Proper arrangements are in place, in the areas we have reviewed, to promote value for money, deliver best value and secure regularity and propriety in the administration and operation of the organisation."*

*External Audit Review*

During the year VisitScotland, once again, took part in Audit Scotland's bi-annual National Fraud Initiative programme. The matching exercises for 2016/17, embracing payroll and suppliers, have been carried out, and following review it was concluded that there were no material issues arising, and no evidence of fraud had been identified from the exercise.

*Statutory External Audit*

The Auditor General for Scotland is responsible for auditing the VisitScotland financial statements. For a period of five years commencing with 2016/17, the Auditor General has appointed Audit Scotland (taking over from Grant Thornton LLP) to undertake the statutory audit of VisitScotland.

Audit Scotland have given unqualified audit opinions on the financial statements for the year ended 31 March 2017 and on the regularity of transactions reflected in the financial statements. No significant issues have been identified as part of their audit process.

  
**Malcolm Roughhead OBE**  
Chief Executive  
VisitScotland  
12 October 2017.

## 2.2 THE REMUNERATION AND STAFF REPORT

### REMUNERATION COMMITTEE

Hitherto, the Remuneration Committee has been a standalone committee, made up of at least two Board members and the Board Chair. However, during the year it was decided to disband the Committee as originally constituted, and to reform it as a full meeting of the Board, to be held as and when necessary, prior to the commencement of a formal Board Meeting. Therefore, during 2016/17 all Board members were - de facto - members of the *Remuneration* Committee, and the Committee met once on 9 September 2016.

The purpose of the Committee is to:

- review the annual salary and performance-related bonus proposals of the Chief Executive and Directors, in accordance with Scottish Government guidelines;
- consider any changes in the terms and conditions of employment of the Chief Executive and Directors;
- submit any proposed changes to the Chief Executive's salary, and any proposed performance-related bonus payable to the Scottish Government for approval;
- deal with such other matters as may be referred to it by the Board.

*The supporting tables that follow showing Board Members' and Executive Senior Management Teams' Remuneration and Pension Information, together with Median Pay Multiples, Employment Statistics, Staff Costs and Voluntary Severance Costs have been audited by VisitScotland's auditors.*

### REMUNERATION POLICY

Under the terms of the financial memorandum with the Scottish Government an annual pay remit for staff, including Directors, is required to be submitted to the Scottish Government for approval. The pay remit must be within the terms of the Scottish Government's public sector pay policy.

The Chief Executive's performance is appraised by the Chair in consultation with the Board, in session as the Board *Remuneration* Committee ("BRC"). His annual pay award and non-consolidated performance payments of up to 10% of base salary are considered by the BRC, and approved by the Scottish Government. In accordance with the Scottish Government's pay policy for senior appointments, the Chief Executive received a pay increase in 2016-17, but did not receive any bonus award for the year ended 31 March 2017.

Directors' performance is appraised by the Chief Executive in consultation with the BRC. Their annual pay award, and non-consolidated performance payments of up to 10% of base salary, are considered by the BRC, and approved by the Chief Executive. In accordance with the Scottish Government's pay policy, Directors received a pay increase in 2016/17, but did not receive any bonus award for the year ended 31 March 2017.

### SERVICE CONTRACTS

Appointments of the Chief Executive and Directors are made on merit, and the appointments are on a permanent basis. Certain members of the British Tourist Boards' Pension Scheme can choose to retire from age 60.

The notice period is 12 months for both Directors and the Chief Executive. Early termination, other than for misconduct, would result in payments under agreed contractual, or severance arrangements.

### BOARD MEMBERS' REMUNERATION

The Chair and Board Members of VisitScotland are appointed by Scottish Ministers normally for an initial period of three years, with the option of re-appointment for a second term. All current members of the Board as at 31 March 2017 are serving their first term of office.

The Chair and Board members are not members of the pension schemes. Their remuneration is set out in the table below. Remuneration is set by the Scottish Government and is reviewed annually.

		2017	2016
	Appointment within the year	£'000	£'000
The Rt. Hon. the Lord John Thurso- Chair	Appointed 1 April 2016	30 - 35	NIL
Professor Anne Anderson		5 - 10	0 - 5
Rebecca Brooks		5 - 10	0 - 5
Catherine Craig		5 - 10	0 - 5
Gordon Dewar		5 - 10	5 -10
Stephen Dunlop		5 - 10	5 -10
Stephen Hagan		5 - 10	0 - 5
Carolyn Jameson		5 - 10	0 - 5
Calum Ross		5 - 10	5 -10
Caroline Roxburgh (a)	Appointed 15 November 2016	0 - 5	NIL

(a) Caroline Roxburgh receives an annual salary within the banding £5k - £10k.

**Summary of Board Members' remuneration**

	2017	2016
	£'000	£'000
Chair	34	34
Board members	69	62

The number of Board members (excluding Chair) holding office during the year was 9 (2016 : 13).

<b>Total Board Members' remuneration</b>	<b>103</b>	<b>96</b>
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Pensions are paid to two previous Chairmen, and a provision has been made for this in these financial statements (Note 23).

**EXECUTIVE SENIOR MANAGEMENT TEAM**

The following tables provide a breakdown of the executive Directors' remuneration in 2016-17 and 2015-16.

Remuneration includes gross salary, benefits in kind and any other allowance to the extent that it is subject to UK Taxation. All executive Directors received a pay award as at 1 August 2016, in accordance with the Scottish Government's public sector pay policy.

**Directors' Remuneration (Salary, benefits in kind and pension)****Single total figure of remuneration**

As at 31 March 2017

Executive Director		Salary	Car allowance	Benefits in Kind (to nearest £100)	Pension benefits #	TOTAL
		£'000	£'000	£	£'000	£'000
M Roughead (a)	Chief Executive	140 - 145	-	6,176	-	145 - 150
K Neilson	Director of Corporate Services	100 - 105	-	2,403	30	135 - 140
R Graham	Director of Partnerships	90 - 95	6	-	26	120 - 125
P Bush	Director of Events	95 - 100	6	-	28	130 - 135
C Smith	Director of Marketing	120 - 125	6	-	34	160 - 165

(a) As from 1 April 2014 M.Roughead no longer contributes to the BTB Pension Scheme, and also does not contribute to any other VS Scheme.

No performance related bonuses were paid to any directors in the year.

As at 31 March 2016

Executive Director		Salary	Car allowance	Benefits in Kind (to nearest £100)	Pension benefits #	TOTAL
		£'000	£'000	£	£'000	£'000
M Roughead (a)	Chief Executive	140 - 145	-	5,542	-	145 - 150
K Neilson	Director of Corporate Services	100 - 105	-	2,016	33	135 - 140
R Graham	Director of Partnerships	90 - 95	6	-	38	135 - 140
P Bush	Director of Events	95 - 100	6	-	33	135 - 140
C Smith	Director of Marketing	120 - 125	6	-	28	155 - 160

(a) As from 1 April 2014 M.Roughead no longer contributes to the BTB Pension Scheme, and also does not contribute to any other VS Scheme.

No performance related bonuses were paid to any directors in the year.

Note:

# The value of pension benefits accrued during the year is calculated as the *real increase in pensions* and applying the HMRC methodology multiplier of 20, less the contributions made by the individual.

The *real increase in pension* excludes increases due to inflation or any increase due to transfer of pension rights.

**Directors' Pensions**

Pension benefits are provided through either of :

- i) **The British Tourist Boards' Pension scheme (BTBPS)** providing benefits and life assurance for staff based on final pensionable salary. The BTBPS scheme is a multi-employer defined benefit scheme.
- ii) **The Local Government Pension Scheme (LGPS)** run locally by various Local Authority Councils. The LGPS is a final salary defined benefit statutory scheme (as amended to a career average basis in 2015-with prior year protections in place), administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, and the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008.

The Chief Executive no longer contributes to the BTBPS scheme as of 1 April 2014 and he has not subsequently joined the LGPS scheme. All the other Directors are all members of The BTBPS scheme.

As at 31 March 2017

Executive Director	Accrued pension £'000	Real increase in annual pension note (d) £'000	CETV note (b) £'000	CETV: Increase net of members' contributions note (c) & (e) £'000
<b>M Roughead</b> Chief Executive	30 - 35	0	1,097	219
<b>K Neilson</b> Director of Corporate Services	20 - 25	0 - 2.5	722	203
<b>R Graham</b> Director of Partnerships	60 - 65	0 - 2.5	2,093	197
<b>P Bush</b> Director of Events	30 - 35	0 - 2.5	1,079	233
<b>C Smith</b> Director of Marketing	0 - 5	0 - 2.5	91	49

As at 31 March 2016

Executive Director	Accrued pension £'000	Real increase in annual pension note (d) £'000	CETV note (b) £'000	CETV: Increase net of members' contributions note (c) £'000
<b>M Roughead</b> Chief Executive	30 - 35	0	889	20
<b>K Neilson</b> Director of Corporate Services	20 - 25	0 - 2.5	509	47
<b>R Graham</b> Director of Partnerships	60 - 65	0 - 2.5	1,872	127
<b>P Bush</b> Director of Events	25 - 30	0 - 2.5	833	71
<b>C Smith</b> Director of Marketing	0 - 5	0 - 2.5	36	16

Note:

- a) Pension calculations are based on the pensionable salary at 31 March.
- b) **Cash Equivalent Transfer Value (CETV)** is a lump sum value in today's terms of the benefits accrued by a member of the pension scheme. This sum is assessed by an actuary and is the amount which would be offered by the scheme to transfer benefits into another scheme when the member leaves. Within BTBPS, CETV is computed by reference to factors agreed by the Trustees of the BTBPS.
- c) **CETV: Increase net of members' contributions.** This reflects the increase in CETV effectively funded by the employers over the year. It takes account of the change in accrued pension due to additional accrual and salary growth, excluding inflation, and uses common market factors for the start and end of the period. It does not include any increase in value that arises from contributions paid by the employee or the value of any benefits transferred from another pension scheme.
- d) The real increase in annual pension excludes any increase in inflation or any increase due a transfer of pension rights.
- e) The assumptions used include future long-term interest rates and inflation. Over the year to 31 March 2017, anticipated long-term interest rates have fallen significantly and expected inflation has risen slightly, causing a substantial increase in CETVs over the year. In particular, the fall in interest rates has impacted transfer values generating an increase between 20% and 25% in the money required to provide the same pension in the future (as it receives lower expected returns). In addition, CETVs also increase due to additional accrual and salary growth depending upon each member's individual circumstances.

**MEDIAN PAY MULTIPLES**

The highest paid member of the executive senior management team was the Chief Executive. His annualised salary before Pension benefits was **6.27** times the remuneration of **£22,695** median earnings of the organisation's work-force in 2016-17 (2015-16: 6.30 x £22,568).

This year's Median Total Remuneration calculation continues to be impacted by the adoption by VisitScotland of the living wage recommendations, accordingly.

Highest-Paid Director's Salary	<b>2016-17</b> <b>£140k - £145k</b>	2015-16 £140k - £145k
Median Total Remuneration	<b>£22,695</b>	£22,568
Ratio	<b>6.27</b>	6.30

**OUR PEOPLE****Workforce Planning**

VisitScotland has developed a project based approach to workforce planning. This ensures that strategies are developed, workforce implications are assessed and appropriate workforce plans put in place to ensure that skill gaps are highlighted as we deliver our overall corporate strategy. Significant reductions in the workforce have been successfully achieved using this approach, including the restructuring of the Marketing Dept; downsizing and re-aligning management posts in the Partnerships directorate, and the closing of the VisitScotland call centre.

For the next 3-5 years VisitScotland has developed a People Strategy 2016-20, which identifies all the key staffing issues for year one, and in outline for succeeding years. The detailed 2017/18 strategy is now in the process of delivery.

**Employment Statistics**

Full details of the numbers of employees are given below under Staff Costs; other relevant staff information is as follows:

	<b>2016 -17</b>	2015 -16
Staff Turnover	<b>13.82%</b>	14.82%
Sickness Absence	<b>1.80%</b>	1.66%
Sickness Absence days/person	<b>4.67</b>	3.73
Male: Female Ratio – Total Workforce	<b>33 : 67</b>	32 : 68
Male: Female Ratio – Board Members*	<b>50 : 50</b>	56 : 44
Male: Female Ratio – Directors	<b>100 : 0</b>	100 : 0
Male: Female Ratio – Heads of Department	<b>53 : 47</b>	53 : 47
Staff Salary range (excluding Directors)	<b>£16k - £75k</b>	£14k - £75k

\*The Board for 16/17 onwards is comprised of a 50:50 gender balance, including the Chair.

**Staff Costs**

Included within gross expenditure

**All employees (including Board members)**

	2017	2016
	£'000	£'000
Salaries	16,705	16,029
Social security costs	1,564	1,177
Voluntary severance	962	554
	<b>19,231</b>	<b>17,760</b>
Pension costs - Current service	4,446	4,922
<b>Total staff costs</b>	<b>23,677</b>	<b>22,682</b>
Agency fees in respect of temporary staff, included above	44	50



**The average number of full-time equivalent employees during the year was as follows:**

	2017 Number	2016 Number
Executive senior management team	5	5
Operational and support staff		
Hheads of department	17	18
Other staff	562	566
Fixed term contract	20	21
	<b>604</b>	<b>610</b>
Temporary staff	1	1
<b>Total average number of full-time equivalents</b>	<b>605</b>	<b>611</b>

**Voluntary severance costs**

Ongoing business re-organisation during the year has meant that the opportunity for voluntary departure by staff, in accordance with VisitScotland's approved voluntary severance scheme, was taken up by 31 members of staff, at a cost of £962,000, as follows:

	2017 Number	2016 Number
i) No of exit packages agreed within following bandings;		
£0 - £20,000	11	12
£20,001 - £40,000	12	4
£40,001 - £60,000	4	4
£60,001 - £80,001	4	-
£100,001 - £120,000	-	1
<b>Total number of exit packages</b>	<b>31</b>	<b>21</b>
	2017	2016
ii) Total cost of exit packages agreed within each band;	£'000	£'000
£0 - £20,000	135	114
£20,001 - £40,000	360	137
£40,001 - £60,000	202	190
£60,001 - £80,000	265	-
£100,001 - £120,000	-	113
There were no compulsory redundancies ( 2016: None )		
<b>Total cost of exit packages</b>	<b>962</b>	<b>554</b>

**Consultancy Fees**

A total amount of £36,899 was expended in the year on one-off project consultancy costs.

**People Strategy**

The People Strategy remains focused on 4 key areas:

1. Finding and retaining the best people
2. Nurturing our Talent
3. Managing Change
4. Equality of Opportunity

**Finding and retaining the best people**

This has proven to be another challenging year in recruiting to certain posts in the organisation where our current pay levels are significantly below the market rate. These posts are mainly in the digital areas, particularly Digital Design & Development, IT, Digital Marketing and Insight. Unfortunately, the continuing restrictions around public sector pay have made it very difficult to remain competitive in these markets.

In 2017 following an intensive review of our pay and grading arrangements, we intend to introduce a new pay structure. This will introduce an incremental progression arrangement which should help to push roles which

have slipped behind the public and not-for-profit market rate nearer that median. We will also introduce a market supplement for very hard to recruit roles which should make us much more competitive in those markets. We introduced a much improved online recruitment system in 2016, and this has greatly assisted in attracting a higher number of better quality candidates for many posts. We have also continued to develop and improve our induction offering.

In 2016 we benchmarked our benefits against other similar public sector organisations, and were able to demonstrate we were highly competitive with these organisation. In 2017 we intend to pilot the issue of Total Benefits Statements to demonstrate to our staff the value of their total remuneration package.

### **Nurturing our Talent**

In 2017 our key objective is the identification of the potential in our staff and to provide them with development and career opportunities appropriate to their talents and ambitions. To this end we are implementing a Performance / Potential grid model through the performance year with appropriate training and support for staff. We will use the output from this to develop individual development plans appropriate to the individual's matrix placement and to develop talent pools for succession planning purposes.

We will also implement a new career mapping online systems to allow staff to understand possible future career opportunities and what is required to get there.

We continue to invest in Graduates and Modern Apprentices. Every year we employ six modern apprentices (all of whom are guaranteed a further one year contract at the end of their placement) and six graduates. We also implement six two-year mentorships on the Career Ready programme (to help prepare young people from deprived backgrounds for the world of work).

### **Managing Change**

Over the course of the last year there have been a number of restructures and reductions which have all been managed within our change management arrangements and with minimum dislocation to services. A voluntary severance programme was in operation for 2016/2017, with 31 staff subsequently approved for under this scheme. This represents an annual payroll saving of £1,003k, with an overall payback period of 10.9 months.

In 2017 we will be establishing the staffing profile and skillsets required as we right-size and re-align in line with our strategic direction over the next few years and preparing our managers and their staff for these changes. This will include a significant change to how we provide information to customers, moving to a more digitally based focus. We are preparing the ground to implement any staffing changes required as a result of this change.

### **Equality of Opportunity**

In April 2017 we published our Public Sector Equality Duty Mainstreaming Report, and through our internal Equality Group we will use the Report action plans to support equality and diversity activity including: awareness training for employees, reviewing recruitment processes, unconscious bias training, implementing impact assessments for all policy changes and acting as ambassadors and exemplars of good practice.

We also carried out an equal pay audit which we published on our website. While there were no particularly difficult issues identified we will keep the results of the audit under review and examine practical ways in which any potential inequalities can be addressed.

### **Demonstrating fairness**

VisitScotland became an accredited Scottish Living Wage employer in 2016 which means that we will not pay any member of staff less than the Scottish Living Wage, as advised to us every year by Scottish Government. Furthermore, arising from the number of Board retirements last year, we were also able to take the opportunity to equalise the Board complement by the appointment of five female Board Members. Henceforth, the new VisitScotland Board is now comprised of five male and five female Members, including the Chair.

### **Our approach to Diversity and Equality**

Enhancing access to tourism in Scotland, promoting the social and economic benefits of fostering good relations within the tourism industry and between tourism businesses and visitors, and supporting positive opportunities for the sector, are key features of each of our strategies. Equality is therefore an integral driver of our function as a service provider to both tourism businesses and visitors, and also of our own commitment as an employer, and we strive to mainstream the delivery of equality throughout our organisation.

Our dedicated equality outcomes outline the focus of our work towards meeting our duties as a public authority under the general equality duty of the Equality Act 2010, which are to have due regard, in the exercise of our functions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations.

VisitScotland maintains an inclusive environment, and is committed to the continued development of diversity and equal opportunities as represented by its published Mainstreaming Equality Report which can be found on our corporate website. The new Mainstreaming Equality Report was published April 2017, and includes updates on all that we have achieved through mainstreaming equality throughout the organisation, and also working in partnership with industry and the government. There is further work to do in order to meet our duty as regards Equality Impact Assessments, and planning for that is now being undertaken.

As an organisation, we recognise that successfully meeting our general equality duty is not only about working towards specific equality outcomes, but about ensuring that the needs of the duty are an integral part of our

everyday practice. We consider promoting equality to be an organisation-wide responsibility, and have sought to mainstream equality throughout our functions. This coming year we are planning to deliver training on diversity & equality throughout the organisation, and will be recruiting a Diversity & Equality Officer who will take charge of this important task.

VisitScotland recognises the gender imbalance on the Executive Senior Management Team and is actively supporting and developing talent for the future across the organisation to address the situation. In recognition of this, as from 1 April 2017, we have reconfigured our operational senior management team under the banner of the 'Leadership Group'. This new group includes the existing Executive team, together with senior members of staff from across the organisation who have a direct influence on the key challenges and opportunities which VisitScotland will face in the future, and will ensure greater transparency around the links between high level strategy and activity on the ground.

In addition, we have set up a new staff group to monitor and review Equality issues, which is made up from representatives from across the organisation, and, meeting quarterly the purpose of the group is to:-

- Support VisitScotland in ensuring that staff policies and procedures reflect our organisational values, and that the principles of equality, as defined by the Equality Act 2010, are embedded in our day to day working practices.
- Establish and maintain effective communication between different equality groups to provide an active business focused inclusive group approach to support the mainstreaming of equality in VisitScotland.
- Support the Equality Impact Assessment process by reviewing policies and procedures as required, ensuring that they do not either directly or indirectly discriminate against or disadvantage protected groups.
- Discuss equality matters in general and where appropriate make suggestions for active business improvement across VisitScotland.

### Accessible Tourism

Looking externally VisitScotland has a dedicated programme of activity focused on Inclusive and Accessible Tourism. The aim is to support tourism businesses and destinations in catering for visitors who have accessibility requirements such as disabled people, but also those who traditionally would not have been included in the term "accessible tourism". These would include parents with young children, senior travellers and people with temporary injuries, and their travel companions, so that tourism in Scotland is inclusive and available to all.

Our Accessible Tourism programme covers a range of activity, including both providing support to individual tourism businesses and coordinating larger projects. This work aspires to promote equality by contributing towards eliminating discrimination for people with access requirements in accessing tourism services in Scotland, advancing the equality of opportunity for access to tourism, and encouraging dialogue between visitors in the Accessible Tourism market and the Scottish tourism industry. Through our work in this area, we also aim to help increase visitor spend on Accessible Tourism in Scotland, and therefore the contribution of this market to Scotland's economy.

There are 11.6 million people living in the UK with a long-term disability, impairment or illness. (*Source: Office for Disability Issues ("ODI") "Disability Prevalence Issues Est 2011/12"*) and some notable statistics, arising from surveys carried out for the year ended December 2015 (*Great Britain Tourism Survey (GBTS) 2015 and Great Britain Day Visitor Survey ("GBDVS") 2015*), are as follows:

- Tourism parties, in which at least one member was identified as disabled, contributed approximately £1.3 billion to Scotland's economy. This included £504 million on domestic overnight trips and £822 million on day visits in Scotland (over a fifth of the total expenditure on day visits in Scotland).
- The value of the GB Resident Overnight Accessible Tourism market to Scotland has now grown by 55% since 2009, compared to a 20% increase in the overall value of all visits.
- Volume of visits: the Accessible Tourism market represented 15% of all overnight trips, and 19% of all day visits to Scotland in 2015.
- Value of visits: trips by those in the Accessible Tourism market represented 15% of the overall value of overnight trips, and 21% of the overall value of day visits to Scotland in 2015.
- There has been a 33% increase in volume of visits by those in the Accessible Tourism market to Scotland since 2009.
- The average length of domestic overnight stay by those in the accessible market is longer than for the rest of the market (3.7 nights vs. 3.4 nights).
- Only 10% of Accessible Tourism visitors to Scotland in 2015 were wheelchair users – in comparison, 25% of all accessible tourism visitors stated being deaf or having partial hearing loss.
- Disabled people tend not to travel alone and are often accompanied by carers, family and friends. Over 60% travel with a partner, 20% with a child and 21-25% with a companion. This increases occupancy and brings in extra revenue.

The most significant factor is the percentage of the overall accessible expenditure measured against the total, which was registered as 12% in 2009, and has now risen to a figure of 15% in the 6 years to 2015. (*GBTS Survey*).

This year, with the emphasis on Inclusive Tourism which encompasses Accessible Tourism, it is proposed to take on another member of staff to assist in the communications of our new Access Guide web-site and tools that are available on the corporate web-site. We have developed the new web-site in partnership with VisitEngland,

which **has underlined the importance of both organisations needing to work together to enable those with access requirements to access holidays and leisure pursuits in the same way as everyone else.** The new Guide plus other training tools that we have developed this last year are available on: [www.visitscotland.org](http://www.visitscotland.org) under the Accessible Tourism link from the home page.

The new site will be part of a planned communications roll-out across the country with events and meetings being held especially looking at areas in the north and the Highland's and down in the Borders. Following the industry launch of the new site, the consumer launch will be later in the autumn which will provide a new platform for customers with access requirements to find suitable accessible accommodation and attractions through the search facility which is linked to the new Guides. This will drive business to the provider, whilst providing good quality information to the consumer in an accessible format.

Last September, VisitScotland hosted a two day European Conference on Accessible Tourism raising our profile across Europe, and we have set new links to work with partners in Ireland as a result of this work, as well as working with our colleagues in Wales and Northern Ireland. VisitScotland is part of the European Network for Accessible Tourism, and has been invited to speak at their annual Conference in Brussels.

We continue to work with charities, third sector and disabled people's organisations through our Accessible Tourism Steering Group and work is continuing both here in Edinburgh and Glasgow. Glasgow has set up a new Task Force following a successful Accessible Tourism Innovation Workshop led by VisitScotland and Scottish Enterprise, which is working towards making Glasgow Scotland's most accessible destination for the European Athletic Championships, and the three major International Disability Conferences that are coming to the City in 2018.

This year we have also been looking to further promote Scotland as an LGBTI inclusive destination and currently working with the Scottish Government Tourism team to establish the business case for this work. This will form part of the Inclusive tourism programme work.

#### **Our commitment**

These actions both internal and external as identified above, and in VisitScotland's Mainstreaming Equality Report 2017, support the key business objectives contained within the VisitScotland Corporate Plan 2014 - 2017. The contribution of the economic value confirms that the Accessible Tourism programme over the last four years adds real value to the Scottish economy and no longer should it be viewed as an "add on" to the work that VisitScotland does, but be accepted as being mainstreamed into all our work.

An equality statement is embraced within the main body of the corporate plan, and underlines a commitment to mainstreaming diversity into the core business of the organisation, and ensures that VisitScotland meets the highest requirements of the legislation and also delivers real, visible, and sustainable change.



**Malcolm Roughead OBE**

Chief Executive  
VisitScotland

12 October 2017.

## 2.3 PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

### REGULARITY OF EXPENDITURE

In all material respects the expenditure and income in the accompanying financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

VisitScotland successfully achieved its main financial objective for the year which is to ensure that the financial outturn for the year is within the Resource Budget allocated by Scottish Ministers. The Statement of Resource Outturn can be found on page 22 of these financial statements.

### Losses and special payments

Other than Trade debts written off during the year, as reported on page 88 of these financial statements VisitScotland incurred no such designated losses during the financial year 2016-17 (2015-16: None)

During the year VisitScotland made payments with regard to Voluntary Severance packages to 31 members of staff, as reported on page 41 of these financial statements, totalling £962,000 (2016: £554,000). In respect of these payments the highest amount paid was £68,724, the lowest was £3,956, and the median was £26,263.

VisitScotland has not made any other special payments during the financial year ended 31 March 2017 (2016: ENil)

### Fees and Charges

VisitScotland receives Retail and Commercial revenue from the following income streams

	Notes	2017 £'000	2016 £'000
<b>Retail Sales</b>			
Product Income	I	3,079	3,126
Cost of Sales		(1,457)	(1,477)
Gross Profit		<u>1,622</u>	<u>1,649</u>
<i>GP percentage</i>		<i>52.7%</i>	<i>52.8%</i>
<b>Business Promotion and Advertising Income</b>			
Exhibitions and Promotional advertising	II	1,033	1,033
Joint Promotional Campaigns	III	1,144	1,159
		<u>2,177</u>	<u>2,192</u>
<b>Quality Assurance</b>			
Award Scheme Fees	V	1,044	1,309
Less : Direct Costs of Service		1,235	1,395
Net Cost of Service Delivery		<u>(191)</u>	<u>(86)</u>

### Notes:

- I. The primary purpose of the 69 VisitScotland iCentres situated across Scotland is to provide information to visitors. As part of this service VisitScotland provides information and visitor products, such as maps, books, postcards, stamps, transport tickets, and also showcase local products. The Gross Profit generated is used as a contribution towards the cost of operations of the Visitor Information network.
- II. Exhibitions / Promotions supported during the year (e.g. IBTM World - London 2016, and the Meetings Show 2016 – London; IMEX Frankfurt & America; M & I Forums – London, Scotland in London – Winter 2016; VisitScotland Annual Expo – April 2016, etc., etc. The principal objective is to use such trade exhibitions and promotional advertising to promote business linked tourism to Scotland with our partners. In so doing VisitScotland seeks only to charge our partners for the cost of our services, expertise, and support administration on a cost recovery basis.
- III. Joint Promotional campaigns with business partners arranged on a 50/50 cost share basis.
- IV. The objective of the Quality Assurance programme is to promote the many accommodation providers across Scotland by awarding a grading of their respective establishments in accordance with approved standards as laid down by the Common Standard's Agreement between VisitScotland, other National Tourist Boards, and the Automobile Association. VisitScotland charges a fee based upon the size of the establishment, and the number of rooms therein. The fees are intended to offset the direct cost of delivery of the service. Accommodation providers are free to participate or not in the Quality Award programme, and receive a listing on the VS website, regardless of their participation.

- v As reported last year, VisitScotland changed the basis of the QA billing arrangements from seasonal to calendar year in 2015, which resulted in invoicing to customers being lower in 2014/15, and, as a consequence, higher in 2015/16. Subsequently, the level of billing achieved in 2016/17 has not reached the target as budgeted of £1.2 million. The reduction arose as a result of a fall in the number of accommodation providers signing up for the QA scheme, and also a degree of change in the mix between large and small organisations taking part and their respective contributory payments.

#### Remote Contingent liabilities

As reported in the financial statements (page 88), the impact of the change in accounting policy in 2012 with regard to the treatment of Government grants, etc., was such that the grants will no longer be held in reserve with amounts being released over the life of the asset. However, there remains the possibility that, until the official timeline expires in respect of a number of the grants that have hitherto been received there may be a requirement to repay a proportion of such grants in the event that the associated assets were to be sold or the nature of their use was to be changed.



**Malcolm Roughhead OBE**

Chief Executive  
VisitScotland

12 October 2017.

## 2.4 DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in pursuance of Section 6(1) of the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006, hereby give the following direction.

- i) The statement of accounts for the financial year ended 31 March 2008, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRaM) which is in force for the year for which the statement of accounts are prepared.
- ii) The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
- iii) This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 17 January 2006 is hereby revoked.



Signed by the authority of the Scottish Ministers  
Dated 30 July 2008

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VISITSCOTLAND AND THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Report on the audit of the financial statements:*

### **Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of VisitScotland for the year ended 31 March 2017 under the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006, and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2017 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM; and
- have been prepared in accordance with the requirements of the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006, and directions made thereunder by the Scottish Ministers.

### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Other information in the annual report and financial statements**

The Accountable Officer is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

*Report on regularity of expenditure and income*

**Opinion on regularity**

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

**Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

*Report on other requirements*

**Opinions on other prescribed matters**

I am required by the Auditor General for Scotland to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006, and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

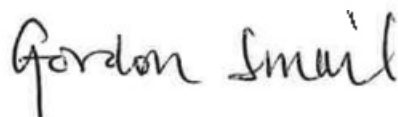
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006, and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006, and directions made thereunder by the Scottish Ministers.

**Matters on which I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.



Gordon Smail  
Assistant Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh EH3 9DN

13 October 2017



**VISITSCOTLAND**  
**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017	2016
		£'000	£'000
<b>Resource Expenditure</b>			
Marketing activities		42,234	47,630
Partnership engagement		4,284	3,801
Support services		6,676	6,363
		<b>53,194</b>	<b>57,794</b>
<b>Non - Resource Expenditure</b>			
Pension Costs - IAS 19 adjustments	21(f)	3,125	3,714
		<b>56,319</b>	<b>61,508</b>
<b>Gross expenditure</b>			
<b>Income</b>			
Retail and commercial	5	(6,035)	(5,939)
Other income	6	(1,835)	(4,920)
<b>Net expenditure</b>		<b>48,449</b>	<b>50,649</b>
Finance costs	7	72	77
Finance income	7	-	-
<b>Net operating expenditure before taxation</b>		<b>48,521</b>	<b>50,726</b>
Corporation tax	8	-	-
<b>Net operating expenditure</b>		<b>48,521</b>	<b>50,726</b>
<b>Other Comprehensive Expenditure /(Income)</b>			
Net actuarial (surplus)/deficit on valuation of retirement benefit schemes	21(d)	(1,106)	(9,416)
Transfer from revaluation reserve on expiry of Finance Leased assets.		409	51
Transfer to general reserve on expiry of Finance Leased assets		(409)	(51)
(Surplus)/Deficit arising on revaluation of property, plant and equipment		(29)	(83)
<b>Total other comprehensive expenditure</b>		<b>(1,135)</b>	<b>(9,499)</b>
<b>TOTAL COMPREHENSIVE NET EXPENDITURE</b>		<b>47,386</b>	<b>41,227</b>

The notes on pages 53 to 89 form part of these financial statements

**VISITSCOTLAND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	Notes	2017	2016
		£'000	£'000
<b>Assets</b>			
<b>Non-Current</b>			
Tangible fixed assets	10	4,463	5,888
Intangible assets	9	3	344
Investments in subsidiaries	12	-	-
<b>Total non current assets</b>		<b>4,466</b>	<b>6,232</b>
<b>Current</b>			
Inventories	13	681	658
Trade and other receivables	14	1,428	3,965
Cash and cash equivalents	15	5,371	4,126
<b>Total current assets</b>		<b>7,480</b>	<b>8,749</b>
Non-Current assets classified as held for sale	11	433	265
<b>Total Assets</b>		<b>12,379</b>	<b>15,246</b>
<b>Liabilities</b>			
<b>Current</b>			
Other borrowings	19	(321)	(510)
Trade and other payables	17	(9,711)	(10,487)
<b>Total current liabilities</b>		<b>(10,032)</b>	<b>(10,997)</b>
<b>Net current liabilities</b>		<b>(2,119)</b>	<b>(1,983)</b>
Other borrowings	19	(843)	(1,368)
Provisions	23	(120)	(124)
Other payables	17	-	-
Retirement benefit obligations	21	(36,129)	(34,110)
<b>Total non-current liabilities</b>		<b>(37,092)</b>	<b>(35,602)</b>
<b>Total Liabilities</b>		<b>(47,124)</b>	<b>(46,599)</b>
<b>Net Liabilities</b>		<b>(34,745)</b>	<b>(31,353)</b>
<b>Taxpayers' equity</b>			
General reserve		478	1,471
Pension reserve		(36,129)	(34,110)
Revaluation reserve		906	1,286
<b>Total Equity</b>		<b>(34,745)</b>	<b>(31,353)</b>

The notes on pages 53 to 89 form part of these financial statements

The Chief Executive & Accountable Officer authorised these financial statements for issue on 12 October 2017

  
 Malcolm Roughead OBE

Chief Executive & Accountable Officer

VisitScotland

12 October 2017

**VISITSCOTLAND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Net operating expenditure before taxation		48,521	50,726
<i>Items not involving the flow of cash</i>			
Depreciation of tangible fixed assets	10	(1,810)	(1,556)
Impairment of tangible non-current assets awaiting sale	11	(42)	-
Impairment of tangible fixed assets	10	(126)	(708)
Amortisation of intangible fixed assets	9	(341)	(316)
Surplus arising on de-recognition of Finance Lease asset		105	-
Net pension service costs and return on assets	21(f)	(3,125)	(3,714)
Miscellaneous		1	-
<b>Net financing costs</b>	7 (i)	(72)	(77)
<i>Movements in working capital</i>			
Increase /(Decrease) in inventories	13	23	(219)
(Decrease)/Increase in receivables	14	(2,529)	1,945
Decrease/(Increase) in payables	17	773	(2,024)
<i>Movement in provisions</i>			
(Increase) / Decrease in provisions		(4)	42
<b>Net cash flow from operations</b>		<b>41,374</b>	<b>44,099</b>
Interest paid	7	72	77
<b>Net cash outflow from operating activities</b>		<b>41,446</b>	<b>44,176</b>
<b>Cash flows from investing activities</b>			
Payments to acquire tangible fixed assets	10	787	406
Payments to acquire intangible fixed assets	9	-	94
<b>Net cash flows used in investing activities</b>		<b>787</b>	<b>500</b>
<b>Cash flows from financing activities</b>			
Grant-in-Aid from Scottish Government		(43,994)	(44,932)
Repayment of loans		3	2
Early termination/de-recognition of finance lease asset		(201)	-
Decrease in other borrowings- obligations under finance leases		714	509
<b>Net cash flows from financing activities</b>		<b>(43,478)</b>	<b>(44,421)</b>
<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(1,245)</b>	<b>255</b>
Cash and cash equivalents as at 1 April	15	4,126	4,381
<b>Cash and cash equivalents at 31 March</b>	<b>15</b>	<b>5,371</b>	<b>4,126</b>

The notes on pages 53 to 89 form part of these financial statements

**VISITSCOTLAND**  
**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	General Reserve	Pension Reserve	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2015</b>	<b>3,500</b>	<b>(39,812)</b>	<b>1,254</b>	<b>(35,058)</b>
Net operating expenditure	(50,726)	-	-	(50,726)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	83	83
Transfer balance on revaluation reserve on expiry of Finance Lease	51	-	(51)	-
Transfer between reserves	3,714	(3,714)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	9,416	-	9,416
<b>Total recognised income and expense</b>	<b>(46,961)</b>	<b>5,702</b>	<b>32</b>	<b>(41,227)</b>
Grant in aid from Scottish Government	44,932	-	-	44,932
<b>Balance at 1 April 2016</b>	<b>1,471</b>	<b>(34,110)</b>	<b>1,286</b>	<b>(31,353)</b>
Net operating expenditure	(48,521)	-	-	(48,521)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	29	29
Transfer balance on revaluation reserve on expiry of Finance Lease	409	-	(409)	-
Transfer between reserves	3,125	(3,125)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	1,106	-	1,106
<b>Total recognised income and expense</b>	<b>(44,987)</b>	<b>(2,019)</b>	<b>(380)</b>	<b>(47,386)</b>
Grant in aid from Scottish Government	43,994	-	-	43,994
<b>Balance at 31 March 2017</b>	<b>478</b>	<b>(36,129)</b>	<b>906</b>	<b>(34,745)</b>

The notes on pages 53 to 89 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

A summary of the principal accounting policies of VisitScotland is set out below:

#### Basis of preparation

These financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FReM) issued by the Scottish Government. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context, and without limiting the information given, the financial statements meet the relevant disclosure requirements, so far as those requirements are appropriate, and in accordance with the Accounts Direction given by Scottish Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of VisitScotland for the purpose of giving a true and fair view has been selected.

By reason of the fact that all VisitScotland subsidiaries are now non-trading / dormant, there is no longer any purpose to be served by the consolidation of subsidiary accounts, since their inclusion is not material for the purpose of giving a true and fair view.

The particular policies adopted by VisitScotland covering these financial statements for the year ended 31 March 2017 are described below. They have been applied consistently in dealing with the items that are considered material to the financial statements.

#### Basis of accounting

Under Section 6(1) of The Development of Tourism Act 1969, VisitScotland is required to prepare an annual Statement of Accounts in such form, and containing such particulars as Scottish Ministers may from time to time direct. A copy of the Accounts Direction, at present in force, is set out on page 46.

These financial statements are presented in £ sterling, which is the organisation's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### Going concern

The terms of the management statement between the Scottish Ministers and VisitScotland require that VisitScotland shall conduct its affairs so as to remain solvent within the total resources made available to it by funding bodies. These financial statements have been prepared on this basis. VisitScotland has net liabilities as at the date of the statement of financial position of £34.75 million (2016:£31.35 million net liabilities), arising from its obligations in respect of the inclusion of retirement benefit obligations falling due in future years, in accordance with the accounting treatment required by IAS 19 'Employee Benefits'.

To the extent that they are not to be met from VisitScotland's other sources of income, these liabilities may only be met by future grants or Grant-in-Aid from the Scottish Government. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant in Aid for 2017-18, taking into account the amounts required to meet the VisitScotland's liabilities falling due in that year, has already been included in the Scottish Government's estimates for that year, which have been approved by the Scottish Parliament. There is no reason to believe that the Scottish Government's future sponsorship and future parliamentary approval will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements. Details of VisitScotland's liquidity position is given in Note 22.

#### Accounting convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangibles, inventories, and assets classified as held for sale.

#### Non-Consolidation

In accordance with section 405 of Companies Act 2006, and with the agreement of the Scottish Government, VisitScotland no longer prepares consolidated financial statements embracing its subsidiary companies since all are now in a dormant state, and their inclusion is no longer material to show a true and fair view.

In addition, VisitScotland does not have any Equity accounted investees – associates and jointly controlled entities.

#### Funding

Much of the expenditure incurred by VisitScotland is met from funds advanced by the Scottish Government within an approved allocation of Grant-in-Aid ("GIA"). Cash drawn down to fund expenditure within this approved allocation is credited to the general fund.

## **Income**

Income is received from a variety of retail and commercial operations, revenue grants, business partner contributions and other sources, and is recognised in the period in which it is receivable. Income from the sale of products, goods and services is recognised in the period in which ownership transfers or the service is provided to the extent that the income has become receivable. Grants and contributions are recognised in the period to which they relate.

Where applicable, income is shown exclusive of Value Added Tax (VAT).

## **Government grants**

Where assets are financed by government grant or donation, the funding element is recognised as income and taken through the statement of comprehensive net expenditure. Deferral of this income will only occur when a condition has been imposed by the funder to the extent that it must be a requirement that the future economic benefits embodied in the grant/donation are consumed as specified by the grantor/donor or must be returned to them.

Grants-in-Aid received from the Government, whether for revenue or capital purposes, are treated as contributions from controlling parties giving rise to a financial interest in the residual interest of the reporting entity, and are credited to general reserves, and not to income or deferred income.

## **Expenditure**

### **i) Marketing activities**

Marketing activities incorporate all expenditure, direct and indirect, associated with the marketing, selling, support, and deliverance of the principal function of VisitScotland, i.e. the development of tourism in Scotland.

The expenditure is recorded in the period in which the goods are received, or the services are carried out, and includes costs associated with United Kingdom and international marketing, digital & media communications, grant payments made towards domestic and international event tourism, visitor information network services and infrastructure support, tourist publications, web-based outlet facilities, salaries, and miscellaneous selling and support costs.

### **ii) Partnership engagement**

Partnership engagement includes all expenditure relating to the involvement with commerce, industry and local government in the development of partnership arrangements to promote tourism in Scotland, together with all expenditure associated with the provision of direct support in the maintenance, and monitoring, of quality standards within the network of providers of tourist accommodation and facilities across Scotland.

The expenditure is recorded in the period in which the goods are received, or the services carried out, and also includes salary related costs associated with business development managers and quality assurance assessors, together with all related ancillary costs.

### **iii) Support services**

Support services include the remaining administrative costs of running the organisation, which embraces central procurement, human resources, facilities, and finance, and includes related salaries, general administrative expenses and other miscellaneous costs.

Where applicable, all categories of expenditure are shown exclusive of Value Added Tax (VAT).

## **Grants paid**

Grants awarded to third parties are accounted for on an accruals basis, subject to the grantee meeting specific terms and conditions attached to each grant.

## **Inventories**

Inventories of saleable publications, retail and promotional items are stated at the lower of cost and net realisable value. Costs incurred in producing free issue brochures, and obtaining promotional items for which no selling price is charged, are written off to the statement of comprehensive net expenditure in the year of purchase.

## **Foreign exchange**

Assets and liabilities denominated in foreign currencies have been translated into Sterling equivalent values at the spot rate of exchange ruling at the date of the statement of financial position. All transactions in foreign currencies are translated into the sterling equivalent at the spot rate ruling at the date of the transaction. Any exchange rate fluctuations are taken to the statement of comprehensive net expenditure.

## Goodwill

Goodwill represents the excess of the cost of an acquisition over VisitScotland's interest in the net fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment.

On the partial or complete disposal of an operation, the goodwill attributable to that operation is included in the determination of the gain or loss on disposal.

A review of the impairment of goodwill is carried out annually by directors, and any impairment charged to the statement of comprehensive net expenditure.

## Intangible assets

In accordance with IFRS 3 an intangible asset acquired in a business combination is deemed to have a cost to VisitScotland of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the organisation. Intangible assets, arising upon acquisition, are recognised separately from goodwill.

Under IAS 38 "Intangible Assets", after initial recognition, intangible assets are carried at their re-valued amounts, being their fair value at the date of the revaluation, less any subsequent accumulated amortisation, and any subsequent accumulated impairment losses, unless there is no active market for those assets, in which case the assets are carried at the lower of depreciated replacement cost and value in use for cash generating assets, and depreciated replacement cost for non-generating assets.

Other intangible assets are stated at fair value determined at the date of acquisition of the related underlying business, or at cost if they are separately acquired or represent internally developed software, less accumulated amortisation and impairment losses.

Direct costs related to the development of software for internal use are capitalised only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable and VisitScotland intends to use the software. All other costs, including all overhead, general and administrative and training costs, are expensed as incurred.

Amortisation is computed, and charged to the statement of comprehensive net expenditure, using the straight-line method based on the estimated useful lives, which are as follows:

Information technology	3 - 4 years
Software licenses	3 - 4 years
Web site development	4 - 10 years

Software licenses are capitalised when they are capable of being used in VisitScotland activities for more than one year, can be valued, and have a cost of at least £2,000.

The useful lives are reviewed, and adjusted if appropriate, at the date of each statement of financial position.

An impairment review of other intangible assets is carried out annually by directors, and any impairment charged to the statement of comprehensive net expenditure.

## Impairment

The carrying value of VisitScotland's assets, except deferred tax assets, is reviewed at the date of each statement of financial position to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use.

### *Goodwill*

For the purposes of impairment testing, goodwill is allocated to each of the cash generating units that is expected to benefit from the synergies of a business combination. Each unit, to which the goodwill is allocated, represents the lowest level within VisitScotland at which goodwill is monitored for internal management purposes.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired.

Goodwill on acquisitions of equity accounted investees is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired.

An impairment loss is recognised for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less cost to sell and its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other asset of the cash generating unit pro-rata on the basis of the carrying amount of each asset in the cash-generating unit.

Any impairment loss recognised for goodwill is not reversed in subsequent periods.

### *Non-current assets other than goodwill*

Non-current assets are assessed at fair value. An impairment loss is recognised in the statement of comprehensive net expenditure for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, impairment losses recognised in respect of non-current assets other than goodwill may be reversed, and recognised immediately in the statement of comprehensive net expenditure. The carrying amount is increased to the revised estimate of the recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

### **Property, plant and equipment**

#### *Property - Land and Buildings*

Land and buildings are carried at fair value.

The fair value of all land and buildings is assessed by performing a full valuation at least every five years, and an interim valuation in year three. Interim valuations are carried out in years one, two and four where it is deemed likely that there has been a material change in value. The valuations are carried out by professionally Qualified Valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards, insofar as these Standards are consistent with the agreed requirements of the FReM.

Land is regarded as having unlimited useful life and therefore is not depreciated.

Buildings are depreciated on straight line basis over their expected useful lives between 30-50 years.

Buildings under the course of construction are valued at current cost (determined by the application of an appropriate index to the incurred cost) during the construction phase as an asset under construction. At first valuation after being brought into use, any write down of the cost is treated as impairment, and charged to the statement of comprehensive net expenditure.

After initial valuation, upon subsequent revaluation gains are credited to the statement of comprehensive net expenditure to the extent that they reverse previous impairment on that asset. All other gains are credited to the revaluation reserve.

Losses on revaluation are first charged against the surplus previously credited to reserve for that property, to the extent of that surplus, with the balance of any loss being charged to the statement of comprehensive net expenditure.

An annual review takes place to consider losses in value (impairment) due to a change in the consumption of economic benefits, with such losses being charged to the statement of comprehensive net expenditure.

#### *Leasehold Property - designated as Finance Leases*

Leasehold land is accounted for as an operating lease.

In respect of leasehold buildings, the subject of a finance lease, they are recognised at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

At first valuation after being brought into use, any write down of the cost is treated as impairment and charged to the statement of comprehensive net expenditure.

Subsequent valuations are undertaken on the basis of the fair value of VisitScotland's remaining heritable interest in the leased building, at least every five years, with an interim valuation being carried out in year three. Interim valuations are carried out in years one, two and four, where it is deemed likely that there has been a material change in value.

The valuations are carried out by professionally Qualified Valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards, insofar as these Standards are consistent with the agreed requirements of the FReM.

Gains arising on revaluation are credited to the revaluation reserve, and losses on revaluation are first charged against the surplus remaining, previously credited to the reserve, for that property, to the extent of that surplus, with the balance of any loss being charged to the statement of comprehensive net expenditure.

Upon early termination of a lease any surplus remaining in the revaluation reserve in respect of a leasehold building is transferred to the statement of comprehensive net expenditure in the year of termination.

An annual review takes place to consider any losses in value (impairment) due to a change in the consumption of economic benefits, with such losses being charged to the statement of comprehensive net expenditure.

#### *Non-Property*

##### *Leasehold building improvements*

Refurbishments are carried at fair value using appropriate indices, and depreciated straight line over the expected life of the building, or the term of the relevant lease, when shorter.



*Plant, Equipment, Fixtures and Fittings*

Items of plant, equipment, fixtures and fittings are stated at cost, or valuation, less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of an asset, and includes borrowing costs incurred during construction.

Depreciation is computed, and charged to the statement of comprehensive net expenditure, using the straight-line method based upon the estimated useful lives of the items of plant, equipment, fixtures and fittings, taking into account the estimated residual value, together with any provision for permanent diminution in value.

All other subsequent expenditure represents repairs and maintenance, and is expensed as incurred.

The estimated useful lives of plant, equipment, fixtures and fittings are:

Vintage railway carriage	25 years
Fixtures and fittings	5 - 10 years
Plant & equipment	4 - 6 years
IT hardware equipment	4 years
Motor vehicles	4 years

Only plant and equipment and computer hardware costing in excess of £2,000 are capitalised.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

**Non-current assets held for sale**

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, the asset is being actively marketed for sale, and a sale within a period of 12 months is considered highly probable.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

Non-current assets held for sale are not depreciated, however, any impairment is charged to the statement of comprehensive net expenditure.

**Leases***VisitScotland as a lessee*

Property, plant and equipment acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards incidental to ownership are capitalised.

They are recognised at their fair value at the inception of the lease, or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a financing obligation. Lease payments are apportioned between finance charges and repayment of the finance lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive net expenditure.

Contingent rentals are charged to the statement of comprehensive net expenditure in the period in which they are incurred.

Assets held under finance leases are depreciated over their expected useful lives, on the same basis as owned assets, or the term of the relevant lease, whichever is shorter.

Leasehold Property - Land and Buildings - in use on a peppercorn rent are deemed 'owned' by VisitScotland, and recorded at fair value in the statement of financial position, and depreciated over their useful lives or the term of the relevant lease, whichever is shorter.

Leases that do not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Rentals payable are charged to the statement of comprehensive net expenditure on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense on a straight-line basis over the lease term.

*VisitScotland as a lessor*

Assets leased out under operating leases are included within their respective asset designation, and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

In the event that lease incentives are paid to lessees to enter into operating leases, such incentives are initially recorded as an asset and recognised as a reduction of rental revenue in the statement of comprehensive net expenditure on a straight-line basis over the term.

Where VisitScotland transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments.

As payments fall due, finance income is recognised in the statement of comprehensive net expenditure so as to achieve a constant rate of return on the remaining net investment in the lease.

### **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive net expenditure except to the extent that it relates to items recognised directly in reserves. In this case, the tax is also recognised in reserves.

The current corporation tax charge is calculated on the basis of the tax laws enacted, or substantively enacted, at the balance sheet date, and adjustments for current taxes payable (receivable) for prior years.

VisitScotland is liable to corporation tax only on bank interest received at the rate under current legislation, enacted, or substantively enacted at the date of the statement of financial position.

#### *Deferred tax*

In accordance with IAS 12 'Income Taxes', full provision is made for tax assets and liabilities, arising from timing differences between recognition of gains and losses in the financial statements and their recognition in the tax computation.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantively enacted, at the date of the statement of financial position. Deferred tax is measured on a non-discounted basis.

Deferred tax assets, including deferred tax assets for tax loss carry forward positions, and tax credit carry forward positions, are recognised only to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilised.

### **Financial instruments**

#### *Financial liabilities*

##### **Borrowings**

VisitScotland borrowings are derived principally from central Government bodies, Local Authorities and external third parties. The borrowings are either at a fixed, or a variable rate of interest, depending upon the nature of the loan agreement, until the repayment date.

The loans are recognised initially at fair value (plus/net of transaction costs), and subsequently at amortised cost under the effective interest rate method.

The effective interest rate is the rate which exactly discounts estimated future cash flows through the expected life of the borrowings, or where appropriate, a shorter period, to the net carrying amount of the borrowings.

##### **Trade and other payables**

Trade and other payables are initially recognised at fair value, which represent the invoiced amounts, less adjustment for estimated revenue deductions and subsequently measured at amortised cost.

#### *Financial assets*

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value. Cash and cash equivalents with regard to GIA and all expenditure are held within the Government Banking Service ("GBS") nominated accounts, and miscellaneous receivables within other commercial bank balances.

At initial recognition, VisitScotland classifies all other financial assets as either (i) at fair value through the statement of comprehensive net expenditure (ii) loans and receivables or (iii) available for sale, depending on the purpose for which the financial assets were acquired. Financial assets are initially recognised at fair value (plus/net of transaction costs).

##### **Other financial assets**

- (i) At fair value through the statement of comprehensive net expenditure

Financial assets in this category are either held for trading or designated at fair value through the statement of comprehensive net expenditure, and are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive net expenditure.

*(ii) Loans and receivables*

This category comprises trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market.

Trade receivables are initially recognised at fair value that represent the invoiced amounts, less adjustments for estimated revenue deductions such as rebates and cash discounts.

Loans and other receivables are carried at amortised cost (plus/net transaction costs) using the effective interest method, less any impairment losses. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the date of the statement of financial position.

*(iii) Available for sale*

Available for sale financial assets are those non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

They are measured at fair value based on quoted market prices. Gains and losses arising from changes in fair value are recognised in the statement of comprehensive net expenditure.

**Impairment of financial assets**

If there is any subsequent indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded in the statement of comprehensive net expenditure.

The impairment loss can be reversed if the value is recovered in the future. In which case, the reversal of the impairment loss is reported within the statement of comprehensive net expenditure.

**Critical accounting estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires the Board and Accountable Officer to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is as follows:

*(i) Retirement benefit obligations*

The present value of retirement benefit obligations depends upon a number of factors that are determined on an actuarial basis using a number of assumptions.

The assumptions used in determining the net cost or income for pensions include discount rate, salary growth, inflation rate, etc. Any changes in these assumptions will impact the carrying amount of retirement benefit calculations.

VisitScotland determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations.

In determining the appropriate discount rate, the VisitScotland considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligations.

VisitScotland determines the appropriate rate for salary inflation based on consideration of inflation and long term assumptions in respect of salary increases.

Other key assumptions for retirement benefit obligations are based, in part, on current market conditions.

Additional information is disclosed in Note 21.

*(ii) Valuation of assets*

The discounted cash flow model used to assess the impairment of intangible and tangible assets includes a number of assumptions, including estimates of future cash flows, discount rate, and other variables.

VisitScotland determines the appropriate discount rate at the end of each year that reflects current market assessments of the time value of money, and the risks specific to the asset.

### Comparative amounts

Comparative amounts are provided in accordance with IAS 1 'Presentation of Financial Statements', except where a Standard or Interpretation permits otherwise and includes narrative and descriptive information when this is relevant to the understanding of the financial statements.

If it is necessary to re-classify comparative amounts, but deemed impractical so to do, in accordance with IAS 1 re-classification is not adopted, and a note shown in the financial statements to that effect.

### Changes in accounting policy, accounting estimates and mis-statements

Changes in accounting policy, accounting estimates and mis-statements, are recognised in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

### Provisions

Provisions are recognised when;

- i) VisitScotland has a present (legal or constructive) obligation as a result of past events;
- ii) it is more likely than not that an outflow of resources will be required to settle the obligation, and
- iii) the amount can be reliably estimated.

The amount recognised is the best estimate of the expenditure required to settle the obligation. Provisions are discounted (at a rate prescribed by HM Treasury) whenever the effect of the time value of money is significant.

### Related party transactions

Related party transactions are identified, considered and disclosed in line with the requirements of IAS 24 'Related Party Disclosures' (Note 28).

### Employee benefits

#### (a) Retirement benefits

VisitScotland employees are members of either Scottish Local Government Pension Schemes ("LGPS") or the British Tourist Boards' Pension Scheme ("BTBPS"). All existing and new members of staff have the option of joining either the Lothian local government pension scheme or the BTBPS.

*Local Government Pension Schemes, and the British Tourist Boards' Pension Scheme ("the Schemes")*

The Schemes are defined benefit pension schemes providing benefits based on final pensionable pay, which are contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Schemes are held separately from those of VisitScotland.

Defined benefit obligations are actuarially calculated at least annually at the date of the statement of financial position using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

Contributions to the Schemes are calculated so as to spread the cost of pensions over employees' working lives with VisitScotland. The contributions are determined by independent actuaries on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the Schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Schemes after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the Schemes is recognised in the statement of comprehensive net expenditure on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS 19 'Employee Benefits' and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

All actuarial gains and losses so determined are recognised through the statement of comprehensive net expenditure.

#### (b) Short-term employee benefits

A liability and an expense is recognised for holiday days, holiday pay, bonuses and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned, but not taken. Accruals are recognised for material amounts in respect of holiday days, holiday pay, bonuses and other short-term benefits earned but not taken or paid at the date of the statement of financial position.

#### (c) Revised accounting standard – IAS 19 (Employee Benefits)

Revisions to IAS 19 (Employee benefits) came into effect from 1 January 2013 for accounting periods starting after that date, and subsequent amendments as adopted thereafter. The revised standard provides for increased disclosure analysis of pension assets in use, and restricts the estimated rate of return to be earned on pension assets to a level equivalent to the discount rate used in assessing future pension liabilities.

### **Losses and special payments**

Net operating cost includes certain losses which would have been made good through insurance cover had VisitScotland not been bearing its known risks. Losses and special payments are disclosed in Note 24 to the financial statements.

### **Accounting standards issued but not yet adopted**

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2017, have been adopted, where applicable to VisitScotland.

There are a number of new accounting standards which have been issued, but have not yet been applied by VisitScotland in these financial statements. The standards that are considered relevant to VisitScotland and the anticipated impact on the financial statements are as follows:

#### **IFRS 9 - Financial instruments (2014)**

This standard is mandatory for accounting periods commencing on or after 1 January 2018. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 could change the classification and measurement of financial assets. The impact on the financial statements has not been determined.

#### **IFRS 15 – Revenue from contracts with customers**

This standard is mandatory for accounting periods commencing on or after 1 January 2018. This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised by depicting the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The new revenue standard will supersede all current revenue recognition requirements under IFRS. The impact on the financial statements has not been determined.

#### **IFRS 16 – Leases (2015)**

This standard is mandatory for accounting periods commencing on or after 1 January 2019. The adoption of this standard will affect VisitScotland, as a lessee of property, vehicles and equipment. The new standard provides a single lessee accounting model, eliminating the distinction between operating and finance leases, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The impact on the financial statements has not been determined.

## **2. SEGMENTAL REPORTING**

As of 1 April 2015 VisitScotland underwent a strategic restructure of its Directorate operations to provide enhanced support and commitment in furtherance of its objectives, and as a consequence, with the merging of operational & management reporting requirements there is no longer considered the need for segmental reporting that distinguished between VisitScotland and its special event outlet – EventScotland.

**3 STAFF COSTS**

included within gross expenditure

	2017	2016
	Number	Number
Salaries, Social Security & Voluntary Severance	19,231	17,760
Pension Costs - Current service	4,446	4,922
<b>Total staff costs</b>	<b>23,677</b>	<b>22,682</b>

Further details on Total Staff Costs can be found within the Remuneration &amp; Staff report (see 2.2 - pages 40 &amp; 41)

**4 ADMINISTRATION OVERHEADS**

included within gross expenditure

	2017	2016
	£'000	£'000
Travel and hospitality	1,067	1,181
Property, information technology, and office expenses	3,827	4,687
Operating lease rentals:		
Property	1,277	1,342
Vehicles and equipment	101	152
Depreciation of tangible fixed assets	1,810	1,556
Amortisation of intangible assets	341	316
Impairment of tangible fixed assets	126	708
Impairment of tangible non-current assets awaiting sale	42	-
Surplus arising on de-recognition of Finance Lease asset	(105)	-
Net interest cost and return on pension assets	1,276	1,312
Trade bad debts		
Written off	25	25
Increase /(decrease) in provision	8	(38)
(Decrease)/ increase in past pension provision	(4)	(4)
<b>Total administration overheads</b>	<b>9,791</b>	<b>11,237</b>

Administration overheads also includes:

	2017	2016
	£'000	£'000
Fees payable for the audit of these financial statements	68	71
<b>Total audit fees</b>	<b>68</b>	<b>71</b>

<b>TOTAL STAFF COSTS &amp; ADMINISTRATION OVERHEADS</b>	<b>33,468</b>	<b>33,919</b>
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**5 RETAIL AND COMMERCIAL INCOME**

	2017	2016
	£'000	£'000
<b>Retail</b>		
Products income	3,079	3,126
Cost of sales	(1,457)	(1,477)
<i>Gross surplus</i>	1,622	1,649
Other consumer income	116	166
	<b>1,738</b>	<b>1,815</b>
<b>Commercial</b>		
Business promotion and advertising	2,177	2,192
Quality assurance	1,044	1,309
Miscellaneous income	1,076	623
	<b>4,297</b>	<b>4,124</b>
<b>Total retail and commercial income</b>	<b>6,035</b>	<b>5,939</b>

**6 OTHER INCOME**

	2017	2016
	£'000	£'000
Other Government Departmental funding	-	2,715
Local authority income	1,116	1,517
European regional development fund income	-	265
Enterprise agency contributions	94	110
Sundry income	625	313
<b>Total other income</b>	<b>1,835</b>	<b>4,920</b>

**7 FINANCING COSTS**

	2017	2016
	£'000	£'000
<b>Finance costs</b>		
Interest payable on loans (The amount paid was under £125)	-	-
Interest charge - finance lease obligations	72	77
<b>Total finance cost</b>	<b>72</b>	<b>77</b>
<b>Finance income</b>		
Bank interest receivable (The amount received was under £250)	-	-
<b>Total finance income</b>	<b>-</b>	<b>-</b>
<b>7(i) NET FINANCING COSTS</b>	<b>72</b>	<b>77</b>

**8 TAXATION**

	2017	2016
	£'000	£'000
<b>Corporation Tax</b>		
Current tax (The amount payable is under £50)	-	-
<b>Total tax charge</b>	<b>-</b>	<b>-</b>

**Current tax**

Corporation tax is calculated at 19% (2016:20%) based on bank interest received during the year.

**9 INTANGIBLE ASSETS**

	Development Costs	Acquired Technology	Software Licenses	Total
	£'000	£'000	£'000	£'000
At 1 April 2015	2,248	1,150	780	4,178
Re-allocation	51	(2)	(49)	-
Additions	94	-	-	94
<b>At 31 March 2016</b>	<b>2,393</b>	<b>1,148</b>	<b>731</b>	<b>4,272</b>
At 1 April 2016	2,393	1,148	731	4,272
Additions	-	-	-	-
<b>At 31 March 2017</b>	<b>2,393</b>	<b>1,148</b>	<b>731</b>	<b>4,272</b>
<b>Amortisation</b>				
At 1 April 2015	1,800	1,081	731	3,612
Re-allocation	1	-	(1)	-
Charge for the year	279	36	1	316
<b>At 31 March 2016</b>	<b>2,080</b>	<b>1,117</b>	<b>731</b>	<b>3,928</b>
At 1 April 2016	2,080	1,117	731	3,928
Re-allocation	-	-	-	-
Charge for the year	310	31	-	341
<b>At 31 March 2017</b>	<b>2,390</b>	<b>1,148</b>	<b>731</b>	<b>4,269</b>
<b>Net book value</b>				
<b>At 31 March 2017</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>At 31 March 2016</b>	<b>313</b>	<b>31</b>	<b>-</b>	<b>344</b>
<b>At 31 March 2015</b>	<b>448</b>	<b>69</b>	<b>49</b>	<b>566</b>
<b>Asset Financing</b>				
Owned / beneficially owned	3	-	-	3
Finance Lease	-	-	-	-
<b>Net book value</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>At 31 March 2017</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>

**10 TANGIBLE FIXED ASSETS***Freehold Property*

All Freehold Land & Buildings, and those held under beneficial ownership, were valued at 31 March 2017 by Graham & Sibbald - Chartered Surveyors, on a fair value basis as defined in the Valuation Standards Standards 2014 (Red Book) issued by The Royal Institution of Chartered Surveyors.

*Leasehold Finance Lease Property*

All Finance Leasehold properties were valued at 31 March 2017 by Graham & Sibbald - Chartered Surveyors on a fair value basis with regard to the remaining heritable interest of VisitScotland.

*All Properties*

For this year (Year 1 in the valuation cycle ) the values of the respective properties have been assessed on a desk-top basis, and have only been adjusted where there has been a material change therein, and /or there was deemed a need to inspect the property to re-assess its value, and amend, accordingly.



## 10 TANGIBLE FIXED ASSETS (continued)

	Land	Buildings	Leasehold Improvements	Fixtures, Fittings & Equipment	Computer Equipment	Motor Vehicles	Vintage Railway Carriage	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At cost or valuation</b>								
At 1 April 2015	445	4,540	6,105	7,790	2,106	43	497	21,926
Additions	-	32	221	-	153	-	-	406
Impairment	-	(380)	(328)	-	-	-	-	(708)
Revaluation	1	82	-	-	-	-	-	83
Transfer on revaluation	-	(1,566)	-	-	-	-	-	(1,566)
Re-allocation	7	(7)	-	-	-	-	-	-
Transfer - awaiting Sale	(66)	(199)	-	-	-	-	-	(265)
<b>At 31 March 2016</b>	<b>387</b>	<b>2,902</b>	<b>5,998</b>	<b>7,790</b>	<b>2,259</b>	<b>43</b>	<b>497</b>	<b>19,876</b>
At 1 April 2016	387	2,902	5,998	7,790	2,259	43	497	19,876
Additions	-	50	266	3	458	-	-	787
Impairment	-	(126)	-	-	-	-	-	(126)
Revaluation	-	29	-	-	-	-	-	29
Disposals	-	(95)	-	(889)	-	-	-	(984)
Transfer - awaiting Sale	-	(210)	-	-	-	-	-	(210)
<b>At 31 March 2017</b>	<b>387</b>	<b>2,550</b>	<b>6,264</b>	<b>6,904</b>	<b>2,727</b>	<b>43</b>	<b>497</b>	<b>19,372</b>
<b>Depreciation</b>								
At 1 April 2015	-	1,033	4,213	6,995	1,574	43	140	13,998
Charge for the year	-	533	604	170	229	-	20	1,556
Transfer on revaluation	-	(1,566)	-	-	-	-	-	(1,566)
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>4,817</b>	<b>7,165</b>	<b>1,803</b>	<b>43</b>	<b>160</b>	<b>13,988</b>
At 1 April 2016	-	-	4,817	7,165	1,803	43	160	13,988
Charge for the year	-	435	559	434	562	-	20	1,610
On Disposals	-	-	-	(889)	-	-	-	(889)
<b>At 31 March 2017</b>	<b>-</b>	<b>435</b>	<b>5,376</b>	<b>6,710</b>	<b>2,165</b>	<b>43</b>	<b>180</b>	<b>14,909</b>
<b>Net book value</b>								
<b>At 31 March 2017</b>	<b>387</b>	<b>2,115</b>	<b>888</b>	<b>194</b>	<b>562</b>	<b>-</b>	<b>317</b>	<b>4,463</b>
<b>At 31 March 2016</b>	<b>387</b>	<b>2,902</b>	<b>1,181</b>	<b>625</b>	<b>456</b>	<b>-</b>	<b>337</b>	<b>5,888</b>
<b>At 31 March 2015</b>	<b>445</b>	<b>3,907</b>	<b>1,892</b>	<b>795</b>	<b>532</b>	<b>-</b>	<b>357</b>	<b>7,928</b>
<b>Asset Financing</b>								
Owned / beneficially owned	387	997	888	194	562	-	317	3,345
Finance Lease	-	1,118	-	-	-	-	-	1,118
<b>Net book value</b>	<b>387</b>	<b>2,115</b>	<b>888</b>	<b>194</b>	<b>562</b>	<b>-</b>	<b>317</b>	<b>4,463</b>
<b>At 31 March 2017</b>	<b>387</b>	<b>2,115</b>	<b>888</b>	<b>194</b>	<b>562</b>	<b>-</b>	<b>317</b>	<b>4,463</b>

**11 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

	2017	2016
	£'000	£'000
<b>Freehold property</b>		
At 1st April	265	-
Assets transferred in year	210	265
	475	265
Impairment	42	-
<b>At 31 March</b>	<b>433</b>	<b>265</b>

Land and buildings which are demonstrably available for sale on the open market, and for which a sale might be expected to be completed within the ensuing year, are classified within current assets, and are valued at market value less sale costs.

**12 INVESTMENT****Investment in subsidiaries**

The total cost of the shareholdings held in the subsidiaries as at 31 March 2017 is £100 ( 2016 : £100 )

***Subsidiary companies***

VisitScotland's six subsidiary companies, all of which are wholly owned, are classified as non-trading and dormant, namely:

- Scottish Tourist Board Limited
- Etourism Limited
- TourCo Limited
- Tourist Board Training Limited - Limited by guarantee
- VisitScotland Limited
- VisitShetland Limited

**13 INVENTORIES**

	2017	2016
	£'000	£'000
Retail stock	681	658
<b>At 31 March</b>	<b>681</b>	<b>658</b>

**14 TRADE AND OTHER RECEIVABLES**

	2017	2016
	£'000	£'000
<b>Current</b>		
Trade receivables	1,177	2,190
less: Provision for impairment	(114)	(106)
Trade receivables - net	1,063	2,084
Prepayments	303	166
Accrued income	50	1,700
Other receivables	12	15
<b>At 31 March</b>	<b>1,428</b>	<b>3,965</b>

Trade and other receivables reported above *include*:**Receivables - Public sector balances**

	2017	2016
	£'000	£'000
<b>Current</b>		
Local Authorities	101	237
Other Central Government bodies	134	2,124
<b>At 31 March</b>	<b>235</b>	<b>2,361</b>

**15 CASH AND CASH EQUIVALENTS**

	2017	2016
	£'000	£'000
Balance at 1 April	4,126	4,381
Net change in cash and cash equivalent balances	1,245	(255)
<b>At 31 March</b>	<b>5,371</b>	<b>4,126</b>
<b>The balances at 31 March were held at:</b>		
Commercial banks and cash in hand	2,162	3,222
Government Banking Service	3,209	904
<b>At 31 March</b>	<b>5,371</b>	<b>4,126</b>

Outwith monies held within the Government banking framework, cash at bank earns interest at floating rates based on daily bank deposit rates

**16 RECEIVABLES - PROVISION FOR IMPAIRMENT**

Impairment provisions are used to record impairment losses unless VisitScotland is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and written off directly against the financial asset.

Impairment provisions are as follows:

	Trade receivables	Other receivables	Total
	£'000	£'000	£'000
At 1 April 2015	144	-	144
Utilised during year	(67)	-	(67)
Movement in Provision	29	-	29
<b>At 31 March 2016</b>	<b>106</b>	<b>-</b>	<b>106</b>
At 1 April 2016	106	-	106
Utilised during year	(94)	-	(94)
Movement in Provision	102	-	102
<b>At 31 March 2017</b>	<b>114</b>	<b>-</b>	<b>114</b>

The following represents VisitScotland receivables for which full provision has been made at 31 March 2017 and the ageing of these receivables was as follows:

	2017	2016
	£'000	£'000
Under 60 days	-	-
Impairment	-	-
Over 90 days	114	106
Impairment	(114)	(106)
<b>Impaired receivables at 31 March</b>	<b>114</b>	<b>106</b>

Other than amounts due from subsidiary undertakings, receivables assessed as individually impaired were mainly as a result of various bed and breakfast, and hotel establishments, which went into administration, liquidation, etc. Receivables which are less than three months past their due date are not considered to be impaired.

At 31 March 2017 receivables with a carrying value of £NIL ( 2016: £NIL ) were past their due date, but not considered to be impaired.

<b>At 31 March</b>	<b>-</b>	<b>-</b>
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**17 TRADE AND OTHER PAYABLES****a) Current**

	2017	2016
	£'000	£'000
Trade payables	520	1,317
Social security and other taxes	373	344
Amounts owed to subsidiary undertakings	47	47
Accruals	7,944	8,037
Deferred income	553	721
Loans	-	3
Other payables	274	18
	<b>9,711</b>	<b>10,487</b>
Corporation tax	-	-

<b>At 31 March</b>	<b>9,711</b>	<b>10,487</b>
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Trade and other payables reported above *include*:**b) Public sector balances**

	2017	2016
	£'000	£'000
<b>Current</b>		
Local Authorities	-	20
Other Central Government bodies	532	344

<b>At 31 March</b>	<b>532</b>	<b>363</b>
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**18 LOANS**

	Current			Non - current		Total 31 March £'000
	Within 1 year £'000	Between 1 - 5 years £'000	After 5 years £'000			
	Aberdeen Council Loans Fund - Unsecured	3	-	-		
<b>At 31 March 2016</b>	<b>3</b>	<b>-</b>	<b>-</b>			<b>3</b>
Aberdeen Council Loans Fund - Unsecured	-	-	-			-
<b>At 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>-</b>

The Aberdeen Council Loans Fund loan was repaid during the year. The loan was subject to a variable rate of interest during the year of 4.07% pa.

**19 OTHER BORROWINGS**

Finance lease obligations are payable as follows:

	Minimum lease payments	Future finance charges	Present value of lease obligations
	£'000	£'000	£'000
Within one year	585	(75)	510
Between one and five years	1,358	(98)	1,262
After five years	109	(3)	106
<b>At 31 March 2016</b>	<b>2,052</b>	<b>(174)</b>	<b>1,878</b>
Within one year	367	(46)	321
Between one and five years	838	(47)	791
After five years	52	-	52
<b>At 31 March 2017</b>	<b>1,257</b>	<b>(93)</b>	<b>1,164</b>

Finance lease obligations are principally for buildings. Terms range from 20 to 25 years and include renewal options if it is reasonably certain, at the inception of the lease, that they will be exercised.

At the time of entering into finance lease agreements, the commitments are recorded at amounts equal to the fair value of the leased property or, if lower, the present value of value of the minimum lease payments, using the interest rate implicit in the lease, if this is practicable to determine; if not, the Scottish Government advised interest rate for long-term borrowings is used.

As at 31 March 2017, the finance lease obligations are recorded at their present value at an average interest rate of 6.0% (2016 : 6.0%).

**20 OPERATING LEASES****a) Operating lease agreements where VisitScotland is the lessee**

VisitScotland has entered into commercial leases on certain properties, motor vehicles, and items of office equipment. The leases have a duration of between 1 and 15 years.

*Future minimum rentals payable under non-cancellable operating leases are as follows:*

	2017	2016
	£'000	£'000
<b>Leasehold properties</b>		
Not later than one year	1,027	1,151
After one year but not more than five years	2,714	3,102
After five years	29	565
<b>At 31 March</b>	<b>3,770</b>	<b>4,818</b>
	2017	2016
	£'000	£'000
<b>Leasehold plant &amp; equipment</b>		
Not later than one year	63	83
After one year but not more than five years	49	90
After five years	-	-
<b>At 31 March</b>	<b>112</b>	<b>173</b>

**b) Operating lease agreements where VisitScotland is the lessor**

VisitScotland undertakes sub-lets of various premises to third parties on a rolling annual renewal basis, prior to arranging formal non-cancellable leases of between 1 and 10 years.

*Future minimum rentals receivable under non-cancellable operating leases are as follows:*

	2017	2016
	£'000	£'000
Not later than one year	261	276
After one year but not more than five years	504	687
After five years	-	-
<b>At 31 March</b>	<b>765</b>	<b>963</b>

## 21 POST - RETIREMENT BENEFITS

### a) BRITISH TOURIST BOARD'S PENSION SCHEME (BTBPS)

VisitScotland is a participant in the British Tourist Boards' Pension Scheme ("BTBPS") providing benefits and life assurance for staff based upon final pensionable salary. The scheme is a multi-employer defined benefit scheme, contracted out of the State Second Pension Scheme, with the principal Employer (also a participating Employer) being VisitBritain together with the other participating Employers, namely VisitScotland, and the Welsh Assembly Government (accrual ceased with effect from 1 February 2009) (VisitLondon ceased to be a participating employer in 2011/12).

A full actuarial valuation was carried out using membership data as at 31 March 2015, by Xafinity Consulting Limited, qualified independent actuaries, and the liabilities for these accounting disclosures have been calculated by rolling forward the valuation liabilities from that valuation date to the measurement date (31 March 2017). The roll forward methodology utilises the payroll and benefit information supplied and the resulting liabilities have then been adjusted to reflect the different assumptions used. The 31 March 2015 valuation has not yet been finalised.

During the year ended 31 March 2017, a total contribution of **23.5%** (2016:23.2%) of pensionable salaries was paid by VisitScotland. This included employees' contributions of 5%, and employer's contributions of 18.5%. Employer contributions paid by VisitScotland for the year to 31 March 2017 amounted to **£1,533,000** (2016:£1,438,000). The rate to be paid during the year to 31 March 2018 by VisitScotland is a composite rate of **18.5%**, plus the deficit contributions due in accordance with the recovery plan.

The current service cost of **£3,365,000** (2016:£3,724,000) represents VisitScotland's cost of additional benefits earned by active members during the year, and includes administration expenses of £144,000 (2016:£173,000), which, set against the employer contributions paid, reflects a deficit in the year of £1,832,000 (2016:£2,286,000)

The Trustees of the Scheme are currently undertaking a review of the level of employers' contributions necessary to meet the ongoing Scheme deficit, in conjunction with assessing the strength of the respective employers' guarantees and/or covenants in support thereof.

Each employer's share of the scheme's assets has been identified by considering the cashflows relating to each employer and adjusting the proportion of total assets held, accordingly. The following table illustrates VisitScotland's share of respective liabilities:-

	31 March 2017	31 March 2016
Share of total past service liabilities -	<b>28.4%</b>	27.5%
Share of benefit outgo -	<b>19.0%</b>	21.2%
Share of future service cost -	<b>51.0%</b>	50.8%

The net interest expense of £969,000 is a charge to the statement of comprehensive net expenditure and reflects the addition of interest to the beginning of the year funded status (surplus or deficit) at the discount rate adopted at the start of the year.

Although the expected return on assets was £2,207,000 over the period, the actual investment return (net of the Scheme's investment expenses) was £14,944,000. As a consequence, there was an asset gain over the period of £12,737,000.

However, owing to changes in financial market conditions (falling bond yields, etc.) over the year, and the resultant changes in assumptions used to value the liabilities and for experience arising, the resulting overall actuarial loss produced was **£13,474,000**.

The Scheme's assets are held in funds managed by Newton, Legal & General, M&G, Fidelity, Baillie Gifford, Black Rock and Threadneedle. At the measurement date the fair value of investments with these companies was £292.35 million. In addition, the Scheme also holds a series of annuity policies purchased in the Trustees' name to meet benefits due to pensioners. The value of the assets in respect of these policies is equal to the value of the liability that they cover, which at the measurement date was £16.51 million. Details of VisitScotland's share of the fair value of the assets and liabilities held are shown on page 76.

VisitScotland's share of the Scheme assets, as disclosed at fair value, amounts to **£75,397,000** (2016: £60,462,000), as compared to its share of Scheme liabilities of **£103,422,000** (2016: £86,126,000) results in the funded status of VisitScotland's share of the Scheme reflecting a liability of **£28.03 million** as at 31 March 2017 (2016: £25.66 million).

Early retirement and enhanced pension liabilities are accounted for under International Accounting Standard 37 'Provisions, Contingent liabilities and Contingent assets' (IAS 37), and are disclosed in Note 23.



**21 POST - RETIREMENT PENSION BENEFITS ( continued)****a) BRITISH TOURIST BOARD'S PENSION SCHEME (continued)****ASSUMPTIONS**

After consultation with actuarial advisors the Directors advise that the principal actuarial assumptions used are as follows:

**Financial :**

As at 31 March	2017 % p.a.	2016 % p.a.
Inflation assumption	2.40 CPI	2.45 CPI
Principal rate of increase in pensionable salaries	3.40 *	4.35 **
<i>*1.00% until 31 March 2020, then 2.40% until 31 March 2025, thereafter 3.40%</i>		
<i>** (2016: 3.35% until 31 March 2019: 4.35% thereafter)</i>		
Rate of increase for pensions in payment	2.40 CPI	2.45 CPI
<i>The CPI assumption for 2017 has been calculated as RPI (3.40%) less 1.0% p.a. ( 2016: RPI (3.35%) less 0.9% p.a.)</i>		
Liability discount rate	2.70	3.65
Expected return on employer Assets	2.70	3.65

**Mortality:**

Pre and post retirement assumptions are based on the following criteria:

Male life expectancy is derived from 97% of SAPS S1NMA table with 2014 CMI projections, based upon year of birth, trending to 1.25% per annum.

Female life expectancy is derived from 90% of SAPS S1NFA table with 2014 CMI projections based on year of birth, trending to 1.25% per annum.

*Expected age at death of current pensioner at age 65*

Male aged 65 at year end	89.6 years	89.5 years
--------------------------	------------	------------

Female aged 65 at year end	91.5 years	91.4 years
----------------------------	------------	------------

*Expected age at death of future pensioner at age 65*

Male aged 45 at year end	91.3 years	91.2 years
--------------------------	------------	------------

Female aged 45 at year end	93.3 years	93.2 years
----------------------------	------------	------------

*Life expectancy on 31 March 2014 mortality assumptions*

**Commutation:**

It is assumed that 100% of active and deferred members will commute 10% of their pensions for a cash sum.

**Sensitivity Analysis:**

The degree of sensitivity to each of the actuarial assumptions is linked to the maturity profile of the liabilities, and the duration of VisitScotland's liabilities within the Scheme as at 31 March 2017 amounts to approximately 22.0 years. ( 2016 : 23.4 years). Under IAS 19 because the liabilities are discounted by reference to bond yields, whereas the Scheme invests a significant proportion of its assets in equities and other return seeking assets, scheme valuations, as required, are likely to remain volatile in future years.

The approximate impact of a 0.5% change in the respective RPI inflation and discount rate assumptions on the Scheme liabilities is as follows:

*i) RPI Inflation*

These calculations take into account an appropriate variance in the assumptions for the increases to pensions in payment, for the revaluation of deferred pensions before retirement and for salary growth to ensure consistency with the revised RPI inflation assumption.

	-0.50%	Central assumption	0.50%
	2.90%	3.40%	3.90%
Liabilities	£92.2m	£103.4m	£116.4m

*ii) Discount rate*

	-0.50%	Central Assumption	0.50%
	2.20%	2.70%	3.20%
Liabilities	£117.1m	£103.4m	£91.9m

*iii) Life expectancy*

The calculation sets out the effects if life expectancies increase or reduce by one year.

	- 1 Year	Central assumption	+ 1 year
Liabilities	£99.5m	£103.4m	£107.3m

These figures are provided for illustration only; they are not intended to be regarded as a recommendation for this or for future accounting disclosures.

**21 POST - RETIREMENT PENSION BENEFITS (continued)****a) BRITISH TOURIST BOARD'S PENSION SCHEME (continued)****MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY  
FOR THE YEAR ENDED 31 MARCH 2017**

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	60,462	-	60,462
Present value of funded liabilities	-	86,126	(86,126)
Present value of unfunded liabilities	-	-	-
<b>Opening position as at 1 April 2016</b>	<b>60,462</b>	<b>86,126</b>	<b>(25,664)</b>
Service cost			
- Current service cost**	(144)	3,221	(3,365)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>(144)</b>	<b>3,221</b>	<b>(3,365)</b>
Net interest			
- Interest income on plan assets	2,207	-	2,207
- Interest cost on defined benefit obligation	-	3,176	(3,176)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>2,207</b>	<b>3,176</b>	<b>(969)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>2,063</b>	<b>8,397</b>	<b>(4,334)</b>
Cashflows			
- Plan participants contributions	354	354	-
- Employer contributions	1,533	-	1,533
- Transfers in	29	29	-
- Benefits paid	(1,781)	(1,781)	-
<b>Expected closing position</b>	<b>62,660</b>	<b>91,125</b>	<b>(28,465)</b>
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	13,474	(13,474)
- Other experience	-	(1,177)	1,177
- Return on assets excluding amounts included in net interest	12,737	-	12,737
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>12,737</b>	<b>12,297</b>	<b>440</b>
Fair value of employer assets	75,397	-	75,397
Present value of funded liabilities	-	103,422	(103,422)
Present value of unfunded liabilities	-	-	-
<b>Closing position as at 31 March 2017</b>	<b>75,397</b>	<b>103,422</b>	<b>(28,025)</b>

\*\* The current service cost includes administration expenses of £144,000.

**21 POST - RETIREMENT PENSION BENEFITS ( continued)****a) BRITISH TOURIST BOARD'S PENSION SCHEME (continued)****MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY  
FOR THE YEAR ENDED 31 MARCH 2016**

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	58,834	-	58,834
Present value of funded liabilities	-	85,208	(85,208)
Present value of unfunded liabilities	-	-	-
<b>Opening position as at 1 April 2015</b>	<b>58,834</b>	<b>85,208</b>	<b>(26,374)</b>
Service cost			
- Current service cost**	(173)	3,551	(3,724)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>(173)</b>	<b>3,551</b>	<b>(3,724)</b>
Net interest			
- Interest income on plan assets	1,878	-	1,878
- Interest cost on defined benefit obligation	-	2,758	(2,758)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>1,878</b>	<b>2,758</b>	<b>(880)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>1,705</b>	<b>6,309</b>	<b>(4,604)</b>
Cashflows			
- Plan participants' contributions	330	330	-
- Employer contributions	1,438	-	1,438
- Transfers in	29	29	-
- Benefits paid	(1,893)	(1,893)	-
<b>Expected closing position</b>	<b>60,443</b>	<b>89,983</b>	<b>(29,540)</b>
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	2,040	(2,040)
- Change in financial assumptions	-	(8,396)	8,396
- Other experience	-	2,499	(2,499)
- Return on assets excluding amounts included in net interest	19	-	19
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>19</b>	<b>(3,857)</b>	<b>3,876</b>
Fair value of employer assets	60,462	-	60,462
Present value of funded liabilities	-	86,126	(86,126)
Present value of unfunded liabilities	-	-	-
<b>Closing position as at 31 March 2016</b>	<b>60,462</b>	<b>86,126</b>	<b>(25,664)</b>

\*\* The current service cost includes administration expenses of £173,000.

**21 POST - RETIREMENT PENSION BENEFITS ( continued)**
**a) BRITISH TOURIST BOARD'S PENSION SCHEME (continued)**
**FAIR VALUE OF EMPLOYER ASSETS**

The Fund's assets are at bid values as required under IAS 19

Asset Category	31 March 2017				31 March 2016			
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	
<b>Equity Securities:</b>								
Consumer	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Energy & Utilities	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-
Health & Care	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Debt securities:</b>								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government:	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Private Equity:</b>								
All	-	-	-	-	-	-	-	-
<b>Real Estate:</b>								
UK Property	6,472	-	6,472	8.7%	6,307	-	6,307	10.4%
Overseas Property	-	-	-	-	-	-	-	-
<b>Investment funds and unit trusts:</b>								
Equities	28,833	-	28,833	38.2%	22,706	-	22,706	37.5%
Corporate Bonds	-	-	-	-	-	-	-	-
Hedge Funds	12,876	-	12,876	17.1%	12,253	-	12,253	20.3%
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other - LDI repo	24,870	-	24,870	32.9%	17,226	-	17,226	28.5%
Other - Insurance Annuities	1,917	-	1,917	2.6%	1,976	-	1,976	3.3%
<b>Derivatives:</b>								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Cash and cash equivalents:</b>								
All	429	-	429	0.6%	(6)	-	(6)	0.0%
<b>Totals</b>	<b>76,397</b>	<b>-</b>	<b>76,397</b>	<b>100.0%</b>	<b>60,462</b>	<b>-</b>	<b>60,462</b>	<b>100.0%</b>

The Scheme has no investments in the Employer, or in property occupied by the Employer(s)

**HISTORY OF EXPERIENCE GAINS AND LOSSES**

As at 31 March

	2017 £'000	2016 £'000	2015 £'000
Fair value of employer assets	76,397	60,462	58,834
Present value of defined benefit obligation	(103,422)	(86,126)	(85,208)
<b>Net pension (liability)</b>	<b>(28,025)</b>	<b>(25,664)</b>	<b>(26,374)</b>
Experience: (Losses)/gains on assets	12,737	19	6,409
Experience: (Losses)/gains on liabilities	(12,297)	3,857	(14,787)
	<b>440</b>	<b>3,876</b>	<b>(8,378)</b>
<b>Experience: Cumulative actuarial (losses)/gains recognised</b>	<b>(15,645)</b>	<b>(16,085)</b>	<b>(19,961)</b>

**21 POST- RETIREMENT BENEFITS (continued)****b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS)**

VisitScotland participates in a number of Local Government Pension Scheme ("LGPS"), which are defined benefit statutory schemes, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, and also the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

All the LGPS have hitherto been contracted out of the State Second Pension Scheme (now ceased), and the consolidated figures from each individual scheme are detailed in the tables below. The latest triennial formal valuations of LGPS Fund, in which VisitScotland participates, were carried out as at 31 March 2014 by Hymans Robertson, qualified independent actuaries. For this year's valuation the actuary has projected forward the results of the valuations as determined at 31 March 2014 to the measurement date (31 March 2017) using consistent methods of approximation. The next formal valuation is due to be carried out as at 31 March 2017.

The various LGPS Schemes in which VisitScotland participates, together with the employers' contribution rates for the year, are as follows:

	Contribution Rate	
	%	%
	2017	2016
Aberdeen City Council Pension Fund	20.8	20.8
Tayside Superannuation Scheme	17.0	17.0
Falkirk Council Pension Scheme	24.7	24.7
Dumfries and Galloway Council Pension Fund	19.5	19.5
Lothian Pension Fund	15.2	15.2
Strathclyde Pension Scheme	21.3	21.3
Highland Council Pension Fund	22.1	22.1
Highland Council Pension Fund (Western Isles)	21.3	21.3
Fife Council Superannuation Fund	29.8	29.8
Orkney Islands Council Pension Fund	18.8	21.4
Scottish Borders Council Pension Fund	18.0	18.0
Shetland Islands Council Pension Fund	27.6	27.6

Employee contributions are applied in tiers ranging from 5.5% to 12%, depending upon the employee's pensionable pay on 31 March. Employer's principal contributions paid by VisitScotland for the year to 31 March 2017 amounted to £1,064,000 (2016: £1,082,000). The amount of employer contributions expected to be paid during the year to 31 March 2018 by VisitScotland is £1 million.

The Trustees of the Schemes are currently undertaking a review of the level of employers' contributions necessary to meet the ongoing Scheme deficits, in conjunction with assessing the strength of the respective employers' guarantees and/or covenants in support thereof.

The current service cost of £1,081,000 (2016:£1,165,000), represents VisitScotland's cost of additional benefits earned by active members during the year, and includes an administration allowance of 0.3% of payroll (2016: 0.3%).

The following table illustrates VisitScotland's membership spread in relation to their respective share of the Scheme's defined benefit obligation:-

	31 March 2017	31 March 2016
Active members -	31.5%	31.5%
Deferred members -	39.1%	35.5%
Pensioner members – in payment	29.4%	33.0%

The actuary has reported that whilst the interest on assets was £1,862,000 over the period, the actual investment return (net of the Scheme's investment expenses) was £11,089,000. As a result there was an asset gain over the period of £9,227,000. However, changes in financial market conditions, and the resulting changes in assumptions used to value the liabilities, and for experience arising, leads to an actuarial loss of £9,255,000.

VisitScotland's share of the LGPS Scheme assets, as disclosed at fair value, as at 31 March 2017, amounts to £62,033,000 (2016: £51,005,000), which when compared to its share of Scheme Liabilities of £70,137,000 (2016: £59,451,000) results in the funded status of VisitScotland's share of the Scheme, as at 31 March 2017, standing at a reduced liability of £8.10 million (2016: £8.45 million).

The asset split at the accounting date, as shown on page 81, is based on the split of each Fund's asset as at the most recent date this information was available, and, particularly, the division between those assets with prices quoted in active markets and those where prices are not quoted in active markets is an estimate based on the allocation as provided last year.

**21 POST - RETIREMENT PENSION BENEFITS ( continued)**
**b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS) (continued)**
**ASSUMPTIONS**

After consultation with actuarial advisors the Directors advise that the principal actuarial assumptions used are as follows:

**Financial :**
**As at 31 March**

	2017 % p.a.	2016 % p.a.
Inflation assumption	2.40 CPI	2.45 CPI
Principal rate of increase in pensionable salaries	3.40 *	4.35 **
<i>*1.00% until 31 March 2020, then 2.40% until 31 March 2025, thereafter 3.40%</i>		
<i>** (2016: 3.35% until 31 March 2019: 4.35% thereafter)</i>		
Rate of increase for pensions in payment	2.40 CPI	2.45 CPI
<i>The CPI assumption for 2017 has been calculated as RPI (3.40%) less 1.0% p.a. (2016: RPI (3.35%) less 0.9% p.a.)</i>		
Liability discount rate	2.70	3.65
Expected return on employer Assets	2.70	3.65

**Mortality:**

Life expectancy is based on the Vitacurves as applied to the Lothian Pension Fund at the 2014 valuation with improvements in line with the core parameters of the CMI2012 model and a long term rate of improvement of 1.25%.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

*Expected age at death of current pensioner at age 65*

Male aged 65 at year end	87.2 years	87.1 years
Female aged 65 at year end	88.8 years	88.7 years

*Expected age at death of future pensioner at age 65*

Male aged 45 at year end	89.3 years	89.2 years
Female aged 45 at year end	91.4 years	91.3 years

Mortality assumptions have not been changed since the previous accounting period.

**Commutation:**

The allowance for commutation is consistent with the assumptions used at the formal valuations carried out as at 31 March 2014, adjusted to allow for any known experience.

**Major categories of plan assets as a percentage of total plan assets.**

The actuaries have been supplied with a split of each Fund's assets at the most recent date this information was available. These dates range from 31 December 2016 to 31 March 2017. The asset split for VisitScotland has been assumed to be in the same proportion to each Fund's asset allocation, as advised, as shown on page 81.

**Sensitivity Analysis**

The degree of sensitivity to each of the actuarial assumptions is linked to the maturity profile of the liabilities, and the duration of VisitScotland's liabilities within the Scheme amounts to approximately an average of 19.7 years. ( 2016 : 19.7 years )

The approximate impact of a 0.5% change in the respective RPI inflation and discount rate assumptions on the Scheme liabilities, if all other assumptions remain unchanged is as follows:

	% Increase in Liabilities	Approximate amount
0.5% decrease in Real Discount Rate	10.5%	£7.4m
0.5% increase in the Salary Increase Rate	1.3%	£0.9m
0.5% increase in the CPI inflation Rate	8.1%	£5.7m
1 year increase in member life expectancy	3.0%	£2.1m

These figures are provided for illustration only; they are not intended to be regarded as a recommendation for this or for future accounting disclosures.

## 21 POST - RETIREMENT PENSION BENEFITS ( continued)

## b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS)(continued)

## MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY

FOR THE YEAR ENDED 31 MARCH 2017

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	51,005	-	51,005
Present value of funded liabilities	-	58,297	(58,297)
Present value of unfunded liabilities	-	1,154	(1,154)
<b>Opening position as at 1 April 2016</b>	<b>51,005</b>	<b>59,451</b>	<b>(8,446)</b>
Service cost			
- Current service cost*	-	1,081	(1,081)
- Past service cost (including curtailments)	-	-	-
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>1,081</b>	<b>(1,081)</b>
Net interest			
- Interest income on plan assets	1,862	-	1,862
- Interest cost on defined benefit obligation	-	2,169	(2,169)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>1,862</b>	<b>2,169</b>	<b>(307)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>1,862</b>	<b>3,250</b>	<b>(1,388)</b>
Cashflows			
- Plan participants' contributions	266	266	-
- Employer contributions	1,004	-	1,004
- Contributions in respect of unfunded benefits	60	-	60
- Benefits paid	(1,331)	(1,331)	-
- Unfunded benefits paid	(60)	(60)	-
<b>Expected closing position</b>	<b>52,806</b>	<b>61,576</b>	<b>(8,770)</b>
Remeasurements of net defined benefit obligations			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	9,255	(9,255)
- Other experience	-	(694)	694
- Return on assets excluding amounts included in net interest	9,227	-	9,227
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>9,227</b>	<b>8,561</b>	<b>666</b>
Fair value of employer assets	62,033	-	62,033
Present value of funded liabilities	-	68,937	(68,937)
Present value of unfunded liabilities	-	1,200	(1,200)
<b>Closing position as at 31 March 2017</b>	<b>62,033</b>	<b>70,137</b>	<b>(8,104)</b>

\* The current service cost includes an allowance for administration expenses of 0.3% of payroll. ( Approximating to £14,000 together with any other costs arising).

**21 POST - RETIREMENT PENSION BENEFITS ( continued)**
**b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS) (continued)**
**MOVEMENT IN FAIR VALUE OF PLAN ASSET, DEFINED BENEFIT OBLIGATION, AND NET LIABILITY**

FOR THE YEAR ENDED 31 MARCH 2016

	Assets £'000	Obligations £'000	Net (liability)/asset £'000
Fair value of employer assets	49,727	-	49,727
Present value of funded liabilities	-	61,899	(61,899)
Present value of unfunded liabilities	-	1,266	(1,266)
<b>Opening position as at 1 April 2015</b>	<b>49,727</b>	<b>63,165</b>	<b>(13,438)</b>
<b>Service cost</b>			
- Current service cost*	-	1,165	(1,165)
- Past service cost (including curtailments)	-	33	(33)
- Effect of settlements	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>1,198</b>	<b>(1,198)</b>
<b>Net interest</b>			
- Interest income on plan assets	1,593	-	1,593
- Interest cost on defined benefit obligation	-	2,025	(2,025)
- Impact of asset ceiling on net interest	-	-	-
<b>Total net interest</b>	<b>1,593</b>	<b>2,025</b>	<b>(432)</b>
<b>Total defined benefit cost recognised in statement of comprehensive net expenditure</b>	<b>1,593</b>	<b>3,223</b>	<b>(1,630)</b>
<b>Cashflows</b>			
- Plan participants' contributions	255	255	-
- Employer contributions	1,022	-	1,022
- Contributions in respect of unfunded benefits	60	-	60
- Benefits paid	(1,218)	(1,218)	-
- Unfunded benefits paid	(60)	(60)	-
<b>Expected closing position</b>	<b>51,379</b>	<b>65,365</b>	<b>(13,986)</b>
<b>Remeasurements of net defined benefit obligations</b>			
- Change in demographic assumptions	-	-	-
- Change in financial assumptions	-	(4,834)	4,834
- Other experience	-	(1,080)	1,080
- Return on assets excluding amounts included in net interest	(374)	-	(374)
- Changes in asset ceiling	-	-	-
<b>Total remeasurements recognised in other comprehensive income</b>	<b>(374)</b>	<b>(5,914)</b>	<b>5,540</b>
Fair value of employer assets	51,005	-	51,005
Present value of funded liabilities	-	58,297	(58,297)
Present value of unfunded liabilities	-	1,154	(1,154)
<b>Closing position as at 31 March 2016</b>	<b>51,005</b>	<b>59,451</b>	<b>(8,446)</b>

\* The current service cost includes an allowance for administration expenses of 0.3% of payroll.( Approximating to £14,000 together with any other costs arising).



**21 POST - RETIREMENT PENSION BENEFITS ( continued)**
**b) LOCAL GOVERNMENT PENSION SCHEMES (LGPS)(continued)**
**FAIR VALUE OF EMPLOYER ASSETS**

The Fund's assets are at bid values as required under IAS 19

Asset Category	31 March 2017				31 March 2016			
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	
<b>Equity Securities:</b>								
Consumer	5,648	-	5,648	9.10%	4,670	-	4,670	9.2%
Manufacturing	4,670	27	4,697	7.57%	3,521	20	3,541	6.9%
Energy & Utilities	2,063	-	2,063	3.33%	2,023	-	2,023	4.0%
Financial Institutions	3,969	-	3,969	6.40%	3,295	-	3,295	6.4%
Health & Care	2,462	-	2,462	3.97%	1,967	-	1,967	3.9%
Information technology	4,104	3	4,107	6.62%	2,927	2	2,929	5.7%
Other	1,938	72	2,010	3.24%	3,565	132	3,697	7.2%
<b>Debt securities:</b>								
Corporate Bonds (investment grade)	729	177	906	1.46%	357	87	444	0.9%
Corporate Bonds (non-investment grade)	2	-	2	0.00%	-	-	-	-
UK Government	2,058	283	2,341	3.77%	1,045	144	1,189	2.3%
Other	273	2	275	0.44%	405	3	408	0.8%
<b>Private Equity:</b>								
All	266	4,597	4,863	7.84%	197	3,402	3,599	7.1%
<b>Real Estate:</b>								
UK Property	932	2,952	3,884	6.26%	988	3,132	4,120	8.1%
Overseas Property	19	1,716	1,735	2.80%	1	101	102	0.2%
<b>Investment funds and unit trusts:</b>								
Equities	5,961	8,244	14,205	22.90%	4,971	6,874	11,845	23.2%
Bonds	863	4,129	4,992	8.05%	746	3,570	4,316	8.5%
Hedge Funds	10	-	10	0.02%	-	-	-	-
Commodities	35	-	35	0.06%	42	-	42	0.1%
Infrastructure	15	59	74	0.12%	50	194	244	0.5%
Other	695	361	1,056	1.70%	620	322	942	1.8%
<b>Derivatives:</b>								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	14	-	14	0.0%
Other	1	-	1	0.00%	7	-	7	0.0%
<b>Cash and cash equivalents:</b>								
All	1,725	973	2,698	4.35%	1,030	581	1,611	3.2%
<b>Totals</b>	<b>38,438</b>	<b>23,595</b>	<b>62,033</b>	<b>100.0%</b>	<b>32,441</b>	<b>18,564</b>	<b>51,005</b>	<b>100.0%</b>
<b>HISTORY OF EXPERIENCE GAINS AND LOSSES</b>								
As at 31 March					2017	2016	2015	
					£'000	£'000	£'000	
Fair value of employer assets					62,033	51,005	49,727	
Present value of defined benefit obligation					(70,137)	(59,451)	(63,165)	
<b>Net pension (liability)</b>					<b>(8,104)</b>	<b>(8,446)</b>	<b>(13,438)</b>	
Experience: (Losses)/gains on assets					9,227	(374)	3,965	
Experience: (Losses)/gains on liabilities					(8,561)	5,914	(5,549)	
					666	5,540	(1,584)	
<b>Experience: Cumulative actuarial (losses)/gains recognised</b>					<b>(5,724)</b>	<b>(6,390)</b>	<b>(11,930)</b>	

**21 POST - RETIREMENT PENSION BENEFITS ( continued)****c) TOTAL PENSION SCHEME EMPLOYER'S CONTRIBUTIONS REFLECTED IN THE STATEMENT OF COMPREHENSIVE NET EXPENDITURE**

	2017	2016
	£'000	£'000
British Tourist Boards' Pension Scheme	1,533	1,438
Local Government Pension Schemes	1,064	1,082
Other Pension Schemes	8	8

<b>At 31 March</b>	<b>2,605</b>	<b>2,528</b>
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**d) TOTAL PENSION SCHEME ACTUARIAL LOSSES / (GAINS) RECOGNISED IN OTHER COMPREHENSIVE INCOME**

	2017	2016
	£'000	£'000
British Tourist Boards' Pension Scheme	(440)	(3,876)
Local Government Pension Schemes	(666)	(5,540)

<b>At 31 March</b>	<b>(1,106)</b>	<b>(9,416)</b>
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**e) TOTAL DEFICIT ON RETIREMENT BENEFIT OBLIGATIONS**

	2017	2016
	£'000	£'000
British Tourist Boards' Pension Scheme	(28,025)	(25,664)
Local Government Pension Schemes	(8,104)	(8,446)

<b>At 31 March</b>	<b>(36,129)</b>	<b>(34,110)</b>
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**f) IAS 19 ADJUSTMENT AS DISCLOSED IN THE PERFORMANCE REPORT**

	BTBPS	LGPS
	£'000	£'000
Charges recognised in the statement of comprehensive net income	4,334	1,388
Employer's contributions	(1,533)	(1,004)
Contributions in respect of unfunded benefits	-	(60)
	<u>2,801</u>	<u>324</u>

<b>Annually Managed Expenditure (AME)</b>	<b>3,125</b>
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## 22 FINANCIAL INSTRUMENTS

VisitScotland has exposure to the following risks from the use of financial instruments:

**Liquidity risk; Credit risk; Market risk; Currency risk.**

This note presents information about VisitScotland's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and stewardship of the risk management framework.

The Audit & Risk Committee oversees how Management monitors compliance with VisitScotland's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by VisitScotland.

VisitScotland has no derivative financial assets or liabilities.

### i) Liquidity risk

Liquidity risk is the risk that VisitScotland will not be able to meet its financial obligations as they fall due.

The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. VisitScotland's primary source of funds is the Grant-in-Aid provision from the Scottish Government. The loan, which hitherto has been highlighted in Note 18, represented the remaining borrowing facility with an external party, and was repaid during the year. Other borrowings are representative of the Finance Lease obligations with regard to Leasehold properties reported in accordance with IAS 17, and highlighted in Note 19.

VisitScotland manages its liquidity by the monthly drawdown of Grant-in-Aid, and the daily management of cash resources. Regular monitoring of actual performance against budgets and forecasts takes place to ensure alignment with the annual operating plan.

The following tables summarise the maturity profile of VisitScotland's financial liabilities as at 31 March, based on contractual undiscounted payments.

Financial liabilities	Net carrying amount £'000	Contractual cash flows			Total £'000
		Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	
<b>As at 31 March 2016</b>					
Loans	3	3	-	-	3
Other borrowings	1,878	585	1,358	109	2,052
Trade and other payables	10,484	10,484	-	-	10,484
<b>Total financial liabilities</b>	<b>12,365</b>	<b>11,072</b>	<b>1,358</b>	<b>109</b>	<b>12,539</b>
<b>As at 31 March 2017</b>					
Loans	-	-	-	-	-
Other borrowings	1,164	367	838	52	1,257
Trade and other payables	9,711	9,711	-	-	9,711
<b>Total financial liabilities</b>	<b>10,875</b>	<b>10,078</b>	<b>838</b>	<b>52</b>	<b>10,968</b>

**22 FINANCIAL INSTRUMENTS (continued)****ii) Credit risk**

Credit risk is the risk of financial loss to VisitScotland if a customer, or counter party, fails to meet its contractual obligations, and arises from the trade receivables.

VisitScotland carries out appropriate credit checks on potential customers before significant sales transactions are entered into in order to mitigate the credit risk that VisitScotland are exposed to from any single counterparty. The maximum exposure to credit risk is represented by the carrying value of each financial asset as stated in the statement of financial position.

Credit risk arising from VisitScotland's normal operations is controlled from within the management framework of the Corporate Services directorate, in accordance with the policies and procedures laid down.

VisitScotland operates a debt management process including monitoring, escalation procedures and recourse to court action, if necessary, to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. The movement in the impairment provision in respect of financial assets is set out in Note 16 above.

VisitScotland operates within the Government Banking framework, and Banks associated therewith, and any remaining cash and cash equivalents are held with AAA rated banks, which are not expected to fail.

VisitScotland's exposure to credit risk is likely to have increased in the current economic climate, but management does not consider this to have had a significant impact as the risk is spread across a large number of receivables.

The maximum exposure to credit risk at the reporting date was:

	2017	2016
	£'000	£'000
<b>Current receivables</b>		
Trade and other receivables	1,428	3,965
Cash and cash equivalents		
Government Banking Service	3,209	904
Commercial banks	2,162	3,222
<b>At 31 March</b>	<b>6,799</b>	<b>8,091</b>

**22 FINANCIAL INSTRUMENTS (continued)****iii) Market risk**

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect the statement of comprehensive net expenditure, or the value of holdings in financial instruments.

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
<b>Fixed interest rate</b>				
At 31 March 2016				
<i>Financial liabilities</i>				
Other borrowings	(510)	(1,262)	(106)	(1,878)
<b>Total</b>	<b>(510)</b>	<b>(1,262)</b>	<b>(106)</b>	<b>(1,878)</b>
At 31 March 2017				
<i>Financial liabilities</i>				
Other borrowings	(321)	(791)	(52)	(1,164)
<b>Total</b>	<b>(321)</b>	<b>(791)</b>	<b>(52)</b>	<b>(1,164)</b>
<b>Variable interest rate</b>				
At 31 March 2016				
<i>Financial assets</i>				
Trade and other receivables	3,965	-	-	3,965
Cash and cash equivalents	4,126	-	-	4,126
<i>Financial liabilities</i>				
Loans	(3)	-	-	(3)
Trade and other payables	(10,484)	-	-	(10,484)
<b>Total</b>	<b>(2,396)</b>	<b>-</b>	<b>-</b>	<b>(2,396)</b>
At 31 March 2017				
<i>Financial assets</i>				
Trade and other receivables	1,428	-	-	1,428
Cash and cash equivalents	5,371	-	-	5,371
<i>Financial liabilities</i>				
Loans	-	-	-	-
Trade and other payables	(9,711)	-	-	(9,711)
<b>Total</b>	<b>(2,912)</b>	<b>-</b>	<b>-</b>	<b>(2,912)</b>

**22 FINANCIAL INSTRUMENTS (continued)****iii) Market risk (continued)****Fair values of financial instruments**

The following tables present the fair values of financial instruments compared to the carrying amounts for which these instruments are included in the statement of financial position.

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<i>Financial assets</i>				
Trade and other receivables	1,428	1,428	3,965	3,965
Cash and cash equivalents	5,371	5,371	4,126	4,126
<i>Financial liabilities</i>				
Loans - Variable interest rate	-	-	(3)	(3)
Other borrowings	(1,164)	(1,164)	(1,878)	(1,878)
Trade and other payables	(9,711)	(9,711)	(10,484)	(10,484)
<b>At 31 March</b>	<b>(4,076)</b>	<b>(4,076)</b>	<b>(4,274)</b>	<b>(4,274)</b>

**Fair value hierarchy**

VisitScotland's financial assets and liabilities that are valued at fair values are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable market inputs).

All material VisitScotland financial assets and liabilities are defined as level 3 instruments.

**Estimation of fair values**

The following methods and assumptions were used to estimate fair values:-

Trade and other receivables: The fair value is deemed to be the same as the carrying value, less any provision for impairment.

Cash and cash equivalents: The fair value is deemed to be the same as the carrying value.

Trade and other payables: The fair value is deemed to be the same as the carrying value.

Loans - Variable interest: The fair value is deemed to be the same as the carrying value.

Other borrowings: The fair value is deemed to be equal to the net present value of future lease payments.

## 22 FINANCIAL INSTRUMENTS continued

### iii) Market risk (continued)

#### Interest rate sensitivity analyses

##### *Loans*

During the year VisitScotland was a party to one contractual loan which was variable as to interest rate risk, however, this loan was subsequently settled prior to the year end.

##### *Cash and cash equivalents*

VisitScotland operates within the Government Banking framework and by so doing does not engage in depositing monies outwith the framework. As a consequence there is minimal interest receivable on its daily bankings, and therefore the sensitivity analysis previously applied to monies held on deposit, and shown for illustrative purposes only, is no longer considered to be necessary.

### iv) Currency risk

VisitScotland is exposed to currency risk on transactions and balances that are denominated in currencies other than sterling. Where practical, VisitScotland enters into agreements in its functional currency in order to minimise currency risks.

VisitScotland is exposed to currency risk from its activities conducted overseas, but does not enter into any hedge arrangements, and does not consider such currency risk to be material.

**23 PROVISIONS**

	Pension provision £'000
At 1 April 2015	128
Utilised	(19)
Charged	15
<b>At 31 March 2016</b>	<b>124</b>
At 1 April 2016	124
Utilised	(19)
Charged	15
<b>At 31 March 2017</b>	<b>120</b>

VisitScotland is liable for the pension and early departure costs associated with past chairmen, and the provision is adjusted, as necessary, to account for the timing of payments, and the resultant annually discounted liability.

**24 LOSSES AND SPECIAL PAYMENTS**

	2017 £'000	2016 £'000
Total losses for the year were:		
Trade bad debts written off	25	25
<b>At 31 March</b>	<b>25</b>	<b>25</b>

**25 CAPITAL COMMITMENTS**

There were no capital commitments as at 31 March 2017 ( 2016: None ).

**26 CONTINGENT LIABILITIES**

The impact of the change in accounting policy in 2012 with regard to the treatment of Government grants, etc., was such that the grants will no longer be held in reserve with amounts being released over the life of an asset. However, there remains the possibility that, until the official timeline expires in respect of a number of the grants that have hitherto been received, there may be a requirement to repay a proportion of such grants in the event that the associated assets were to be sold or the nature of their use was to be changed.

**27 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE****Post reporting period - Non-Adjusting Event**

On October 12, VisitScotland formally announced the next phase of its information strategy. This represents further development of a key element of VisitScotland's business and will deliver more information to more people through more channels, using a combination of fewer traditional visitor centres, more face to face engagement, increased outreach activity, a greater number of partnerships, and increased on-line provision. The costs associated with this strategy are estimated to be around £500k, for which the pay-back period will be approximately two years depending upon the phasing of the programme.



## 28 RELATED PARTY TRANSACTIONS

VisitScotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government, which in turn, is regarded as a related party.

During the year VisitScotland has had various material transactions, excluding Grant-in-Aid, with the Scottish Government, and with other entities for which the Scottish Government is regarded as the parent body.

In compliance with the FReM and IAS 24 "Related Party Disclosures" requirements, details of material transactions with other Government bodies and companies, all of which have arisen in the normal course of business conducted by VisitScotland, where Board members, Directors and senior staff, have an interest, are disclosed, as follows:

Representative	Company name	Role	Nature of supply	Sales to £'000	Debtor balance £'000	Purchases from £'000	Creditor balance £'000
Anne Anderson	University of Glasgow	Vice Principal	Promotions / marketing projects	-	-	17	-
Rebecca Brooks	Scottish Tourism Alliance	Non-Executive Director	Sponsorship / Mktg	4	-	58	1
	Abbey Scotland	Managing Director	Sponsorship / Mktg	6	-	4	-
Cathy Craig	Abellio Scotrail	Commercial Director	Hire of Train-Borders Railway	8	-	3	-
	Argyll & The Isles Tourism Co-operative Ltd	Director	Sponsorship	-	-	22	-
Gordon Dewar	Edinburgh Airport Ltd	Chief Executive Officer	Retail commission/ Services	3	-	33	-
	Scottish Tourism Alliance	Non-Executive Director	Sponsorship/ Mktg	4	-	58	1
Stephen Dunlop	Scottish Canals	Chief Executive Officer	Promotions / Rent	-	-	23	-
Stephen Hagan	Orkney Islands Council	Member	Rent / marketing promotions / Rates	68	-	78	-
Calum Ross	Argyll & The Isles Tourism Co-operative Ltd	Vice Chairman	Sponsorship	-	-	22	-
	Loch Melfort Hotel	Partner	Quality Assurance Fee	1	1	-	-
	Scottish Tourism Alliance	Non-Executive Director	Sponsorship / Mktg	4	-	58	1
Caroline Roxburgh	Edinburgh International Festival	Board Director/ Trustee	Event sponsorship grant	-	-	50	-
Malcolm Roughhead	University of Strathclyde	Lay Member	Room hire	-	-	4	-
Paul Bush	Edinburgh Military Tattoo	Ambassador	Sponsorship	1	-	1	-

With the exception of the transactions described above, none of the other Board Members, key management staff, or other related parties, has undertaken any material transactions with VisitScotland during the year.

The nature of VisitScotland's operations, and the composition of its Board make it very likely that transactions will take place with companies or other organisations in which a member may have an interest. All transactions involving companies, or organisations in which a member may have an interest, are conducted at arm's length in the normal course of business, and in accordance with VisitScotland procurement guidelines and expenditure approval limits.

