



# Annual Report and Accounts for the Year Ended 31 March 2017

British Tourist Authority trading as VisitBritain & VisitEngland

Presented to Parliament pursuant to Section 6(4)  
and Section 6(6) of the Development of Tourism Act 1969.

Ordered by the House of Commons to be printed 17 July 2017



# **BRITISH TOURIST AUTHORITY**

TRADING AS

## **VISITBRITAIN & VISITENGLAND**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

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## 1. THE PERFORMANCE REPORT

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### CHAIRMAN'S FOREWORD

Inbound tourism has continued to see record levels of growth during 2016/17 with a strong surge towards the end of the year and a good start to 2017. Final figures for 2016 were a record 37.3 million inbound visits to the UK, up 3% on 2015 with visitors spending £22.2 billion, matching 2015's record spend. The International Passenger Survey's monthly data up to March 2017 shows that in the first three months of 2017 8.1 million inbound visits were made, 7% higher than last year. Spend is also up 11% for January-March at £4.2 billion. Inbound tourism continues to be one of Britain's most successful export industries. Our forecast is that we will continue to see increasing numbers of visits and spend during 2017 – up 4% and 8% respectively.

The England domestic picture is more mixed. The number of domestic overnight trips fell back by 3% in 2016, but this was driven entirely by a 9% drop in trips to visit friends and relatives. In contrast, business travel grew by +2%, as did the number of holiday trips, up by 2% and growing for a second consecutive year.

Specifically within the holiday or "staycation" sector, growth was driven by longer, 4+ night trips, where the 6% increase in trip volumes represented the strongest year on year growth since 2009, indicating that the market for longer domestic holidays – a more traditional trip profile - has perhaps benefited most from the depreciation of the pound. In contrast, short breaks, which represent some two thirds of the market by volume, and which have been the driver of growth in recent years, held stable at 2015 levels.

Tourism day visits, which account for over half of all tourism expenditure in England, recorded a 4% increase in volume, but spending remained unchanged year on year.

Tourism has continued to deliver jobs even at times of economic uncertainty – tourism employs around 1 in 10 people in the UK – and those jobs are spread across every constituency. For every 22 Chinese visitors the work of the BTA attracts to Britain another tourism job is created.

In a post- Brexit world it is ever more important for Britain to compete internationally for tourism growth – we continue to be outspent by other tourist boards in our major source markets. While we have a short term advantage of a weaker currency, Britain is still perceived to be an expensive destination – and our research shows that many potential visitors are not motivated by changes in exchange rates. Europe is our most important region – around 74% of inbound visits and 52% of spend come from European visitors – and our work this year continues to focus on the value and welcome for these visitors, as well as ensuring we protect against any anti-UK sentiment during the Brexit process.

The role of the BTA has never been more important to:

- Build the value of tourism to the nations and regions of Britain in international markets.
- Develop world class product in England that is supported by distribution and marketing.

The BTA continues to be a strong partner in the GREAT campaign, now moved to the Department for International Trade (DIT), alongside the Foreign and Commonwealth Office, Department for Culture Media and Sport (DCMS) and British Council. The £22.8 million funding from GREAT without which we simply would not function is essential to our operation, given that we receive a core grant in aid budget allocation of £27.3 million from DCMS. The GREAT funding allows us to invest in our most valuable inbound markets – the US, France, Germany, India, China and the Gulf, and for the coming year, Australia. Closer working relationships with GREAT partners in international markets have enabled us to bid successfully for additional funding from the GREAT Challenge Fund. The GREAT funding also includes £2.5 million ringfenced for the domestic market that allowed us to run a major TV campaign showing the exciting experiences to be had in Britain.

With limited funds we continue to build strong partnerships to extend our reach and influence. Our commercial partnership strategy is focused on larger long term strategic partnerships. This year we have delivered a three year in principle agreement with Expedia for £25 million and Flight Centre for £10million. Partnerships with the Chinese carrier Hainan Airlines have supported the growth in new flights from China to Manchester as well as London. And in the US we have attracted 2 for 1 funding from BA/AA for an innovative campaign targeting millennials.

**Chairman's Foreword** *(Continued)*

This has been the first year of the Discover England Fund and I am delighted to report that through a competitive bidding process, 21 projects across England have been funded to deliver tourism products that appeal to international visitors as well as domestic. We have had a busy year setting up the governance of the fund, building a bank of research to inform bidders, running road shows to reach the broadest possible audience and we are now starting to host sessions to share best practice. Alongside this we have been working across the Destination Management Organisations, (DMOs), landscape to ensure the joined up working that is fundamental to the success of English tourism. Next year will see the funding of some of the larger multi-year projects and we have already received 32 expressions of interest.

The need to relicence the accommodation quality assurance scheme (i.e. star ratings) was an opportunity to review what customers and industry want from these schemes. The willingness and ability to develop the scheme to ensure its relevance in a digital age, led to us awarding the AA the contract for all our assurance schemes over a three year period from April 2017

While the BTA has continued to deliver at a high level, it has been undertaking significant structural and organisational changes. The bringing together of VisitEngland and VisitBritain has been delivered by new integrated teams in London. The overseas network of VisitBritain has been reorganised into four regional hubs - the Americas, Europe, North Asia, and Asia-Pacific Middle East and Africa (APMEA) – enabling us to have more senior staff overseas. Two regional directors have been promoted internally and two external candidates are being sought for the Americas and North Asia.

At Board level we have two new Chairs from April 2017. As the incoming Chair of the BTA I would like to give my thanks to Christopher Rodrigues and Lady Penelope Cobham who share my passion for tourism and the people who have made this industry one of Britain's economic success stories. Christopher Rodrigues leaves as the Chair of the BTA, though as the new Chair of the British Council I am sure we will continue to work together. Lady Penelope Cobham leaves as the Chair of the VisitEngland Advisory Board (VEAB) and I would like to thank her for all her support for both organisations over many years. I welcome the new Chair of the VEAB, Denis Wormwell, who was a Board member during 2016/17. We have a number of Board vacancies that we will be looking to fill this year.

I look forward to the year ahead.

**Steve Ridgway**  
**Chairman**  
**British Tourist Authority**

## OVERVIEW

### Chief Executive's Report

2016-17 has been a year of continued high performance delivered alongside major organisational and structural changes. In the last Comprehensive Spending Review, (CSR), (November 2015) the Government brought VisitBritain and VisitEngland more closely together with ring fenced budgets, refocused the remit for England activity and announced the £40m Discover England fund to be administered by VisitEngland.

VisitBritain's international network is a core asset of the organisation – enabling us to better understand our customers and our markets, and using that knowledge to inform not just our own activity but that of the Government, nations, regions and broader tourism industry. To ensure that we keep senior expertise we have restructured into four regional hubs led by regional directors who have more flexibility to act across their region. To deliver on the England remit we formed a new division focused on the Discover England Fund governance and business advice, supported by integrated teams on partnerships, marketing, research, policy and engagement, and finance and HR.

Our focus for Britain is on building the value of tourism to the nations and regions. We have strong relationships with Visit Wales, VisitScotland, Tourism Northern Ireland and London & Partners, who are all represented on our Board. This year we have developed a high level marketing plan that sets out areas where we can cooperate to multiply our impact and ensure the best use of public funding. Targets for delivery of additional visits to the nations have been agreed with Department of Culture Media and Sport and the devolved Governments and we report back quarterly on our activity.

Post Brexit vote, our statutory role to advise Government continues to be fundamental - we have attended roundtables run by the Minister and Secretary of State, given evidence to Select Committees and we continue to meet with the Minister and officials across Westminster and Whitehall.

Our marketing is heavily reliant on the GREAT funding which is allocated annually from the programme board. With limited funds it is essential that we focus on the areas where we really make a difference. This year we have invested in digital and content - getting the right content at the right time to the right customer - in our marketing and partnerships. We have developed our intelligence and audience insights to understand the customer journey and how we influence that at a market level. Our GREAT campaign has developed a compelling digital offer - #OMGB Home of Amazing Moments - used across 80% of our activity this year and we are working on refining the Britain brand proposition for tourism to underpin all our activity.

To ensure that we continue to make the best use of public money and have a firm basis for our results, we have increased our investment in evaluation, enabling us to measure more activity and to adjust campaigns while still in market.

Business Visits and Events is an area VisitBritain was asked to assist in the CSR settlement working at both an England and Britain level. Our new team, based in London, New York and Paris is delivering our strategy of

- Targeting international business events aligned with Britain's strategic interests through the Event Support Programme.
- Build demand to host business events across Britain through a pipeline marketing programme.

Our partners are crucial to our delivery. This year we have focused on deeper and longer partnerships with fewer global partners. That has led to multimillion partnerships with Expedia and Flight Centre, a gateway concept that has supported new routes from China and the US to Manchester, and 2 for 1 funding from BA/AA for a millennials campaign in the US.

**Chief Executive's Report** *(Continued)*

Our other GREAT partners - the Foreign and Commonwealth Office (FCO), Department for International Trade, (DIT), and British Council - are also key in ensuring that inbound tourism continues to grow. We have developed a clear strategy and practical implementation guide for our teams in international markets. In the US our Regional Director is invited to DIT and FCO pan-US meetings to profile our work and the importance of tourism. This closer working has left us well placed to bid for discrete projects from the GREAT Challenge Fund - we had four successful VisitBritain led bids this year securing an additional £619,000 in funding plus tourism being a component of 15 other bids.

We continue to develop our commercial capabilities with our online shop, increasing the product we offer outside of London and improving the back office operational efficiency. The shop delivered £2.24 million net contribution this year - money that adds to our marketing activity.

Aligned to our work on the Discover England Fund we have built our capability to develop bookable product that can then be distributed in international markets. One example is a joint Department for Environment, Food and Rural Affairs (DEFRA), project looking at food hubs in London, the South West, Yorkshire and Scotland to shift perceptions of British food, build our export capability and develop food based itineraries for international visitors.

We have reviewed our popular international missions that enable small suppliers to meet international buyers and build their export capacity - this year once again we took record numbers of tourism businesses to China and then to South Korea. We also bring hundreds of buyers to the UK to meet suppliers and then tour regions of Britain to sample the offer for themselves. This event - Explore GB - will be hosted by Newcastle next year moving on from a very successful March 2017 event in Brighton.

On England our focus has been on establishing the governance of the Discover England Fund, running a competitive process for year one to enable smaller projects to get up and running and test concepts and build bookable product. The fund has enabled us to support some innovative ideas such as the fund some innovative ideas that needed seed funding such as the South West coastal path, BritRail Pass, (moving from a paper based system to digital passes), BritExplorer, (the final mile challenge), and e-car club. We have also funded a bank of research that helps bidders develop their concept and think about what markets would be best suited for distribution. In 2017/18 we will be awarding funds to the larger two year projects - as well as continuing to fund a number of smaller projects. These will be supported by distribution and marketing activity in 2017/18

These projects have helped build partnerships across the England landscape between public and private sector, Destination Management Organisations, (DMOs), and Local Enterprise Partnerships (LEPs). We will continue to support joint working and the sharing of best practice through a regular engagement programme across England, the Destination Management Forum and the creation of focused DMO groupings around Coastal and Rural areas. English Tourism Week, held at the end of March, was a particular cause for celebration with events right across England and MPs being invited to come and visit a tourism business in their constituency.

England's digital, social and PR activity continues to enthuse consumers about the experiences to be found on their own doorsteps. Following on from our TV campaign in 2016 we were given funding from GREAT to launch a domestic campaign in spring 2017. Our focus is a younger audience - a lost generation - that our research shows are less likely to book holidays at home, and encouraging out of peak season visits to support year round capacity utilisation.

Our work in 2016/17 lays a good foundation for our activity in 2017/18, ensuring that we continue to focus our activity on areas where we add value and demonstrably contribute to the success of Britain's tourism industry, delivering economic growth across the nations and regions.

## Purpose, Objectives and Activities

### Purpose

The British Tourist Authority (BTA) is a Non-Departmental Public Body funded by the Department for Culture, Media and Sport (DCMS). The functions, duties and powers of the BTA are set out in the Development of Tourism Act 1969 (the Act). The Act defines BTA's functions as:

- Encouraging overseas visitors to come to Great Britain;
- Encouraging people who live in Great Britain to take their holidays in Great Britain;
- Promoting the provision and improvement of tourist amenities and facilities in Great Britain.

BTA also has a duty to advise ministers and public bodies on tourism matters in Great Britain.

The English Tourist Board (ETB, also known as VisitEngland) is the dedicated tourist board for England and has similar functions and the same duty under the Act in relation to England but does not have power to encourage overseas visitors to come to England unless it is acting on behalf of the BTA. The ETB is an advisory board responsible for advising the Executive and the Board of the BTA on English tourism matters. The ETB's remit includes responsibility for the provision of advice to the BTA on how best to deliver English activity through an England action plan and the monitoring of its implementation.

### VisitBritain 2016/17 Corporate Objectives

VisitBritain is the strategic body for inbound tourism. VisitBritain's mission is to build the value of tourism to Britain, working in partnership with the industry, nations and regions. Following the Spending Review settlement and requirements the priorities for 2016/17 were agreed as:

1. Develop and implement a new organisational development strategy;
2. Deliver and amplify the GREAT #OMGB Marketing campaigns;
3. Implement a coherent Digital and Content strategy for Britain;
4. Build our commercial capabilities across retail and product development;
5. Deepen our partnership relationships; and
6. Establish a clear strategy and role in the Business Visits and Events sector.

**Purpose, Objectives and Activities** *(Continued)*

**VisitEngland 2016/17 Corporate Objectives**

VisitEngland is the National Tourist Board for England. It ensures the success of tourism in England by driving forward the quality, competitiveness and sustainable growth of England's visitor economy.

In 2016/17, VisitEngland's corporate objectives were to:

1. Deliver the Discover England Fund;
2. Implement a coherent Digital and Content strategy for England;
3. Promotion of England as a leading destination for business visits and events;
4. Maintain and develop strategic partnerships; and
5. Implement and appraise the tender evaluation for the National Quality Assessment Schemes.

**Our Network**

Around 75% of Britain's inbound tourism comes from the 21 markets where VisitBritain has a physical presence, spanning Europe, America, Asia-Pacific and the Middle East. VisitBritain activity reaches a global audience to ensure that it captures the growth from some of the buoyant secondary markets, such as Malaysia, South Africa, South Korea and Turkey.

Through our network we gather market intelligence, develop and maintain relationships with international media and influencers, work with the trade to ensure that Britain is being sold to the customer, secure partners on-territory and also look after public diplomacy liaison. We also ensure that relevant content is distributed to the customer through the most appropriate channels.

Our approach is global, thanks to our focus on Europe, the Americas, Asia-Pacific, Middle East & Africa and China & North East Asia as well as our new 'Rest of the World' strategy. This approach aims to work closely with HMG partners both in London and overseas to grow our understanding of tourism to the UK and its potential and the levers for growth.

The focus is now on the development of regional tourism product working with the overseas travel trade, UK travel industry and commercial partners. This activity helps VisitBritain deliver its objectives of providing access to international markets for the UK industry, building regional British Tourism product and ensuring that the right product is available to the end consumer in the right place at the right time.

## Risk Management

BTA's strategy is to recognise that good risk management can add value to its work by increasing the likelihood that the organisation will achieve its objectives and targets and by enabling it to take action to reduce the impact if something goes wrong. Good risk management also enables VisitBritain and VisitEngland to exploit opportunities in a managed way. It helps us to use resources more effectively and leads to better decision-making and management of activity. At the heart of our risk management process are documented procedures and an integrated system of planning, allocation of responsibilities and budgetary control.

We aim to manage risk at an appropriate level to achieve our policies, aims and objectives. We cannot eliminate all risk, but we aim to reduce risk to such a level as is reasonably practicable. The risk management policy encourages the taking of controlled risk designed to maximise new opportunities and to promote the use of innovative approaches to further the interests of BTA and to achieve its objectives, provided the resultant exposures are within our risk appetite.

Our corporate risk register is kept under review by the Executive, Board and Audit Committee and the principal risks and uncertainties receive a high level of scrutiny within our internal audit work programme.

Our targets are primarily related to increasing visitor numbers and spend. In VisitBritain's case, the ability to deliver can be affected by: changing economic factors such as foreign exchange fluctuations; changing conditions in market, economies and politics; changes in air capacity or world events such as terrorist attacks and pandemics. Any of these factors can lead to potential visitors deciding not to come to Britain. We therefore endeavour to maintain the flexibility to switch our activities between markets rapidly to mitigate any detrimental effects.

Risks of this nature also threaten VisitEngland's ability to meet its targets: for instance a strengthening pound or poor weather can lead to UK residents substituting a domestic holiday with an overseas one.

The result of the UK's referendum to leave the European Union (EU) may impact upon tourism if Britain imposes restrictions on EU tourists. Now that Article 50 has been triggered, however, the UK Government can commence the process of negotiating with the EU; arrangements could include visa waiver provisions for EU tourists visiting the UK. Following the referendum there has been a drop in the value of the pound, this may create opportunities for British citizens to consider staycations and encourage international tourists to travel to Britain to take advantage of the value of the pound.

As an international organisation, we trade in several currencies around the world and are therefore exposed to movements in currency markets. We believe that the forward purchase or sale of currencies can provide a measure of financial stability for overseas operations and represents the most effective approach to mitigate against foreign currency risk. A Foreign Currency Policy is in place which complies with the guidance in Managing Public Money.

Pension liabilities continue to be a focus for the BTA, its Board and Sponsor alike. The triennial actuarial valuation of BTA's share of the assets and liabilities in the British Tourist Board pension scheme for 31 March 2015 remains in progress. Taking into account the assumptions of the employer's actuary and those of the Pension Trustees advisor, dependent on the assessed covenant strength from weak to strong, the range of deficit lies between circa £2m and £47m respectively.

We have embarked on a strategic review of our pension arrangements this year to address the increasing financial risk. This has included commissioning an integrated risk management review, using the latest guidance from the Pensions Regulator. We have also taken steps to mitigate against future pension liabilities, by making additional contributions, in agreement with the Department for Culture Media and Sport (DCMS), where possible and affordable. We have also introduced a defined contribution scheme, in agreement with the BTB Pension Trustees, for new starters from 1 April 2017. It had been hoped that the review would be concluded during the 2016/17 financial year, however, we continue to work with the Pension Trustees, the Pensions Regulator, DCMS and other Government departments to agree the principles and assumptions of the valuation, and then a proposal for addressing the assessed risks and financial deficit. We intend to conclude the recovery plan with the Pension Trustees in 2017/18.

## Basis of Preparation and Going Concern

The financial statements have been prepared on a going concern basis, which assumes that BTA will continue in operational existence for the foreseeable future. At the year-end 31 March 2017, BTA had a taxpayers' deficit of £23,686,000 (2015/16: £26,491,000) which originates from the UK pension scheme deficit.

The Board has considered the position of BTA, with respect to its obligations, to ensure the business can continue in operational existence for the foreseeable future and confirms its approval to adopt the going concern basis for preparing these accounts.

The main factors the Board of BTA have considered in reaching this conclusion are summarised as follows:

- BTA is a non-departmental public body that is funded by the Department for Culture, Media and Sport (DCMS).
- BTA operating cash flows, taking into consideration Grant in aid funding, remains positive and based on current forecasts and budgets it will continue to do so for the foreseeable future;
- The taxpayers deficit is considered to be primarily caused by the retirement benefit obligation and related actuarial losses recognised in 2010 in the amount of £21,714,000 and which reflects a balance of £26,170,000 at 31 March 2017;
- Negotiations with the UK Pension Trustees are in progress in respect of the Triennial Actuarial Valuation. Details are provided in the risk management section of the report and the relevant notes to the financial statements.

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

Sally Balcombe  
Accounting Officer  
BTA  
29 June 2017

## PERFORMANCE SUMMARY AND ANALYSIS

### Performance Summary

#### VisitBritain Performance on 2016/17 Priorities

2016/17 Priority	Performance
<b>Develop and implement a new organisational strategy</b>	
Complete our recruitment plan for the new staffing structure.	New Directorships and combined teams are now in place in line with budget revisions. 2 key vacancies (Director China and Director Americas) are still in progress.
Retain and motivate staff through positive engagement and with opportunities to influence, develop and learn.	Staff engagement group set up in 2016, with activity continuing in 2017. Staff survey initiated in February 2017 with timetable for action planning and delivery. Staff turnover remains at 15%, representing a normal level of retention.
Evolve our organisational culture and new ways of working.	Since reorganisation activity in 2016, our prime focus for the new year is on leadership.
Provide a work environment which engenders productivity, innovation and commerciality.	Learning and development programmes are budgeted for and are designed to support productivity, innovation and commerciality. This is also supported by regular staff briefings on product development as well as our presence at events such as Explore GB.
<b>Deliver and amplify the GREAT #OMGB marketing campaigns</b>	
One centralised strategy for #OMGB to align activity and build brand equity and trust along the visitor journey.	Across all of #OMGB Home of Amazing Moments campaign delivered through 80% of all activity.
One campaign, one direction, one team managed centrally, planned market by market.	Market by market approach delivered integrating central and in market teams. Learnings from the process will inform how we develop the process and governance of groups for 17/18.
Across the GREAT and non-GREAT markets there will be contained campaigns across digital, PR partners and media activation.	Integrated campaigns by market were delivered under the #OMGB banner.
<b>Implement a coherent digital and content strategy for Britain and England</b>	
Timely planning, delivery, evaluation and optimisation of digital activities to support the delivery and amplification of #OMGB and partnership campaigns.	New evaluation framework and planning process delivered across the directorate.
Identifying relevant insights, actions and outcomes from data to meet the digital needs of visitors on a per market basis.	Developed our intelligence and audience insights to understand the customer journey per market. This will be implemented 2017/18.

Performance Summary (Continued)

2016/17 Priority	Performance
<b>Build our commercial capabilities across retail and product development</b>	
<p>Make a bigger impact in and for the industry, leveraging public investment to secure visitor growth.</p>	<p>We revised our focus and rolled out a new strategy across the operation, increasing the range of product we offer beyond London and into the regions, the customer service, back office efficiency of operation and developing our own team.</p> <p>In September 2016 we introduced the new role of Merchandising and Communications Executive with the responsibility for onsite merchandising and customer communication. This previously overlooked area has proved to be particularly fruitful in terms of increasing customer loyalty, making them aware of the product that we sell and increasing average order value.</p> <p>We have changed our approach with the Affiliates channel with pro-active account management and product focus, as a result we are trending at + 50% year on year revenue growth (April - December).</p>
<b>Deepen our partnership relationships</b>	
<p>Deepen our partnership relationships to share common agendas, in order to maximise our reach and impact.</p>	<p>Our new approach working with fewer global partners over a wider range of activities and across the full breadth of the consumer journey rolled out successfully. We signed three year in principle agreements with Expedia for the value of £25m, and Flight Centre for the value of £10m. We successfully piloted a new Gateway Partnership that leverages disparate funding sources behind a compelling regional proposition working with Marketing Manchester, Manchester Airport and relevant Airlines.</p> <p>This partnership successfully supported the launch of new routes from China and the US. Our more strategic approach has also been successful in attracting 2 for 1 funding from BA/AA for an innovative campaign targeting Millennials in the US, this collaboration setting the precedent for both Airlines which we will build on over the next two years.</p> <p>In addition we have partnered with the Department for Environment, Food and Rural Affairs (DEFRA), for the first time to develop a long-term approach to shifting the perception of foods in Britain which supports both exports and tourism.</p>
<p>Put tourism on the agenda of GREAT partners, ensured that it's included in their planning and activity.</p>	<p>New Public Diplomacy Partner Engagement Strategy in place which will aid us in strengthening our relationships with GREAT partners going forward. Some Foreign and Commonwealth Office posts, such as Sweden, Russia, Australia and China, have included tourism in their business plans for 2017/18 but it is on the agenda informally for many more.</p>

Performance Summary (Continued)

2016/17 Priority	Performance
<b>Deepen our partnership relationships (cont'd)</b>	
<p>Ensure VisitBritain and tourism is a natural partner in bids for new funds such as the GREAT Challenge Fund (GCF).</p>	<p>Four VisitBritain led bids were successful in 2016/17 - securing VB £619,500 funding from the Global Challenge Fund (GCF).</p> <ul style="list-style-type: none"> <li>• #OMGB Spain and Italy (Pure brand - £300,000)</li> <li>• #OMGB South Africa (Tactical with British Airways - £100K GCF)</li> <li>• Football is GREAT China (Marketing Manchester lead - £210K GCF)</li> <li>• Japan: Beatles (GCF £9.5K)</li> </ul> <p>In addition tourism featured in 15 bids initiated by Public Diplomacy Partners - worth over £1.3 million of the GCF pot.</p>
<p>Agree a shared agenda with strategic partners as set out in the high level marketing plan.</p>	<p>Together we have shaped a new high level marketing plan for 2017/18 which identifies how the national boards can work together to deliver sustainable growth. We have strengthened our relationship with strategic partners, restarting the British Marketing Board and holding business planning sessions for both leisure and business visits events with Visit Wales, VisitScotland and London &amp; Partners.</p>

Performance Summary (Continued)

**VisitEngland Performance on 2016/17 Priorities**

2016/17 Priorities	Performance
<b>Develop and deliver the £40m Discover England Fund</b>	
<p>Fund strategy and engagement plan established.</p>	<p>Fund strategy narrative and architecture established including the governance model assessment and decision making process for awarding the funding in second quarter 2016/17. Fund engagement sessions and regional roadshows held during 2016 and further three (Chester, Salisbury and Peterborough) held during the fourth Quarter 2016/17 to raise awareness and share early progress and learnings.</p>
<p>Deliver funded programmes for Round 1 projects. And evaluate the government funded programmes for Round 2 and 3 and projects.</p>	<p>Guidance and criteria for Round 1 and Round 2 opportunities developed and launched on the new Discover England fund web pages.</p>
	<p>21 Round 1 projects (valued at £3.8m) awarded funding and in delivery - a number have product ready for international distribution and have received additional funding to support this activity e.g. Golf Tourism England; Rail Delivery Group; and London and Partners.</p>
	<p>For Round 2 and 3 projects, 32 Expressions of Interest received by October 2016 deadline and 14 confirmed to move towards a full application. These were submitted in April 2017 and are currently going through the assessment and decision-making process.</p>

**Quality Assessment and Assurance Schemes**

<p>Quality assessment and assurance schemes options evaluated and future delivery model recommended to the BTA board.</p>	<p>Delivery model recommendation ratified by the BTA board and tender specification document issued to the market using the new contracts concession regulations in November 2016.</p>
<p>Award contract and develop project plan for the mobilisation of the new enlarged service.</p>	<p>Contract awarded to AA to operate all of the National Tourism Quality Schemes, both accommodation, franchises and non-accommodation, for a three year period with effect from April 2017.</p>

## **2016/17 National Policy Context**

VisitBritain continues to focus on the international tourism promotion of Britain and its nations and regions and VisitEngland on the development of standout tourism products (through the management of an English tourism challenge fund) and domestic marketing following the Triennial Review in 2015/16. Following the EU referendum, the UK has seen an average 15% decline in the value of sterling, placing budgetary pressures on VisitBritain in overseas markets.

### **Leaving the European Union**

The United Kingdom's decision to leave the European Union is dominating almost every government department and the wider media landscape. The formal process, known as Article 50, was triggered on 29 March, leading to the UK entering into a long negotiation period with the remaining European Union member states and its institutions. The Prime Minister, Theresa May, has outlined her objectives which include leaving the single market, hinting strongly that the UK will also look to leave the customs union and negotiate a free trade deal with the EU.

In the UK, Parliament will look to pass a Great Repeal Act which will enshrine EU laws into UK statute and allow the UK to have a strong basis for a deal with the EU post-leave, and will then allow the UK to remove legislation without an imposed timetable. The tourism industry will be reviewing this legislation and looking at areas of possibility for the future.

### **Tourism Action Plan**

In the summer 2016, the Government published its Tourism Action Plan. Reporting on the actions taken to implement the 5 Point Plan for Tourism, the Action Plan sets out a vision for the tourism industry in the future. The Government's key aims are to strengthen co-ordination and collaboration, boost skills, and examine the scope for deregulation and improving transport for visitors. There is a continued commitment to the GREAT Welcome and improving the UK's visa system for overseas visitors.

VisitBritain continues to work through the Tourism Industry Council and with wider industry to turn the key aims into reality.

### **Government's Industrial Strategy**

In January 2017, the Government published its paper on a future industrial strategy. Included within this consultation document are 10 key pillars the government considers the UK economy needs to be more innovative and competitive.

These pillars include developing skills, upgrading infrastructure, delivering growth across regions and creating the right institutions to bring key sectors together. The government will conclude sector deals as a way of delivering its industrial strategy and advising government on its longer term objectives and policy decisions. The legislation will proceed from consultative stage in April through the summer and will likely come together prior to the autumn budget.

Following the sector's agreement to work for a tourism sector deal, the BTA has agreed to provide research, strategic guidance and coordination needed to pull one together. The BTA will play the role of a neutral player for the tourism sector and will not lead the overall direction of the sector.

## VisitBritain and VisitEngland Performance Report for the Year

### A. 2016/17 Key Performance Indicators

#### VisitBritain

	Indicator Description	Definition	Result for 2015/16	Target for 2016/17	Result for 2016/17
<b>Core Marketing Programme</b>	Incremental Visitors Spend	The amount visitors spend in Britain that resulted from VisitBritain interventions	£389m	**£813	Available late 2017
	Marketing and PR Spend	Grant-in-aid spent on Marketing and PR	£10.6m	£11.1m	£12.2m
	Partner Contribution (Cash and In-kind Offers)	Cash and In-kind contributions from partners to VisitBritain activities	£9.7m	£10.2	£8.8m
	Indicator Description	Definition	Results for 2015/16	Target for 2016/17	Results For 2016/17
<b>GREAT Campaign</b>	Incremental Visitor Spend	The estimated visitor spend in Britain that resulted from VisitBritain interventions	£412m	**	Available late 2017
		Cash contributions (including indirect cash and Marketing in Kind) from partners to VisitBritain activities	*£3m	£14.5m	£12.3m
	Indicator Description	Definition	Result for 2015/16	Result for 2016/17	
<b>Other Indicator</b>	Overseas Presence	Number of top and emerging markets VisitBritain operates in	20	16	

\*2015/16 result was only direct cash match

\*\* 2016/17 incremental visitors spend target is both for GREAT and Core.

VisitBritain and VisitEngland Performance Report for the Year (Continued)

VisitEngland

	Indicator Description	Definition	3 Year Target to 2017	Cumulative Results to 31 March 2017
<b>Discover England fund</b>	2016/17 Projects awarded and launched	Projects supported by the Discover England Fund to encourage incremental visitor spend in England.	No targets set	
	Incremental Visitor Spend	The amount visitors spend in England that resulted from VisitEngland interventions.	No targets set yet*	Available early 2018

\*No target set or anticipated to be set for 2016-17 activity. Target for large scale 2017-20 activity to be set once projects awarded funding.

	Indicator Description	Definition	Results for 2016/17
<b>Brand marketing &amp; Promotion. GREAT UK campaign</b>	Additional Visitor Expenditure	The amount visitors spend in England that would not have happened had there not been VisitEngland interventions, including GREAT and GIA funded activities	£120m
	Marketing and PR Expenditure	Grant-in-aid spent on marketing and PR activities, including the campaign <i>Holidays at Home are GREAT</i> .	£3m

	Indicator Description	Definition	Results for 2015/16	Target 2016/17
<b>Business Visits &amp; Events</b>	% increase in successful bids as a result of intervention and negotiations	Building pipeline demand to host business events across England and converting them to successful bids.	No targets set	

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

### B. Marketing and Partnerships Activities

#### **#OMGB - Oh My GREAT Britain - Home of Amazing Moments**

2016/17 saw a consolidated roll out of #OMGB into new markets, as well as phase 2 in established markets. Campaigns were launched in Australia, the Gulf Cooperation Council, (GCC), and China across the summer and autumn, with India going live in February 2017. New markets developed cross-platform strategies to drive consumers to custom landing pages. These were hosted on the new VB.com site and featured content about unique moments in Britain. A framework was established with content nuanced for each territory and managed in-house. Optimisations and learnings were developed as each new market went live, which influenced the Year 2 website strategy in established markets.

France and Germany launched #OMGB phase 2 in early February 2017, featuring a mix of content heavy supplements and digital media. Both campaigns have delved deeper into specific themes to provide more practical information around curated moments, most relevant to each market.

Home of Amazing Moments branding has been incorporated into all commercial partnership activations, an approach that has successfully combined core messaging, partner branding as well as GREAT. This has worked together to establish a more consolidated branded global approach.

#### **GREAT Britain and Northern Ireland - Home of Amazing Moments (domestic)**

In 2016, #OMGB - Home of Amazing Moments replaced Aardman characters like Wallace and Gromit and Shaun the Sheep in VisitEngland's domestic activity, in partnership with the tourist organisations of Wales, Scotland and Northern Ireland and UK tour operators and travel agents. The campaign went live on 20 May 2016 with a TV advert filmed in Snowdonia (Wales), Glen Coe and Dunnottar Castle (Scotland), The Giant's Causeway (Northern Ireland) and the Lake District and Manchester (England). Other media buy live until 20 June included video on demand, social, Digital out of Home (DOOH) in prominent locations, Pay per click (PPC), industry print media and finally digital display showing travel trade offers bookable on the campaign website [homeofamazing.com](http://homeofamazing.com). A partnership with the Guardian commenced on 20 June with advertorial and editorial content both in print and online.

User-generated content formed an important part of the campaign's objective of creating consumer advocacy. Working with DUEL (a bespoke website for users to upload their summer moments), Instagram (for users to share their moments on a certain theme), the Guardian (an image competition within the paid activity), over 6,000 images were submitted, many of which can be used for future activity. The campaign achieved an return on investment of 27:1 and £120m incremental spend.

#### **Expedia - 365 days of #OMGB**

Launched on 10 October 2016 in France, Germany and the US. 365 days of #OMGB is a fully integrated partnership campaign that touches on every point of the consumer funnel, from inspiration to consideration, through to booking and then advocacy. An always-on approach encompasses a full media mix with TV (U.S. only), digital, and social and blogger activity being aligned to consumer behaviour throughout the year. This drives to a bespoke platform which has been populated with rich content and bookable product.

Original TV media investment was for \$2.5m per partner, but an additional \$8.42m in added value was achieved through Expedia's own brand promotion of our assets.

#### **#OMGB - Home of Amazing Fans**

VisitBritain continued its longstanding partnership with the Premier League for the ninth season in 2016/17 promoting Britain as the home of amazing fans as part of its #OMGB campaign. Targeting football fans in Norway and China, VisitBritain worked with the official Premier League broadcasters in market to run a contest to find the biggest Premier League fan and reward them with a money-can't-buy football-themed trip to Britain. Fans were invited to upload videos and photographs showing why they were the biggest fans with over 800 entries received across the two markets and 32,000 people voting for the winning entry in China. The campaigns included an on-air #OMGB-branded TV advert, digital and social activation.

## VisitBritain and VisitEngland Performance Report for the Year (Continued)

### #OMGB - Where Giant Dreams Come to Life

VisitBritain continued its work on screen tourism and partnered with Disney in 2016 on a campaign to celebrate the release of the film adaptation of *The BFG* by British-born author, Roald Dahl. 2016 also marked the 100<sup>th</sup> anniversary of Roald Dahl's birth and the social and digital campaign adapted #OMGB to 'Oh My GIANT Britain' showcasing giant British landmarks and experiences driving visitors to a dedicated website where they could learn more about filming locations, Roald Dahl events and exclusive competitions. The £350,000 campaign delivered over 74,000 competition entries, 177,000 web visits and a press release announcing the partnership reached 36 million.

### Partnerships

VisitBritain have been nurturing partnerships with government agencies and collaborating with commercial partners and global brands for many years. The aim being to leverage government investment, providing strong returns for our partners and attracting ever-increasing numbers of visitors.

A new approach to commercial partnerships has been developed and rolled out successfully in 2016. The approach is to work with fewer, where possible global, partners over a wider range of activities and across the full breadth of the consumer journey from inspiration, consideration, and conversion through to advocacy. In this year we have signed 3 year in principle agreements with Expedia for the value of £25m and Flight Centre for the value of £10m for example. We also successfully piloted a new Gateway Partnership that leverages and layers up disparate funding sources behind a compelling regional proposition working with Marketing Manchester, Manchester Airport and relevant airlines. This partnership successfully supported the launch of new routes from China and the US. Our more strategic approach has also been successful in attracting 2 for 1 funding from BA/AA for an innovative campaign targeting millennials in the US, which we will build on over the next two years. In addition we have partnered with another government department (Department for Environment, Food and Rural Affairs, for the first time to develop a long term approach to shifting the perception of foods in Britain which supports both exports and tourism. Working as one global team we have improved the quality of strategic engagement and account management and by introducing more rigorous planning processes we have ensured the mix of partners is continually reviewed against strategic priorities.

VisitBritain's Significant Partnerships in 2016/17 included;

American Airlines	Virgin Atlantic
British Airways	Flight Centre
Expedia	Qatar
STA Travel	Etihad
Cox and Kings	Emirates
Superbreaks	HelloWorld
Laterooms	Mercury Travel
easyJet	Hainan Airlines
Pand O Ferries	BBC

### Partnership with Expedia

In 2016 VisitBritain signed a three-year agreement with Expedia, which focuses on the U.S., France and Germany. The campaign includes digital, social and blogger activity to promote '365 Days of #OMGB' moments across Britain. The campaign featured [bespoke content platforms](#) that were created in each market to showcase the amazing year-round experiences on offer across Britain's nations and regions.

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

The content platforms incorporate product and partner offers to promote and to convert the inspiration to visit into bookings. A TV campaign also ran in the US to promote the great experiences and amazing moments that can only be experienced in Britain.

### **Funds**

#### **GREAT Inverness Loch Ness Fund**

The Year 2 campaign was developed in France and the Netherlands, live in market from October to November. A launch campaign was developed in Germany for the same period, a new market to bring into the fund and thereby dropping the USA. A new creative suite of assets showcased a bigger portfolio of experiences and locations through both photography and video. A £225k media spend delivered a bigger overall story and helped drive 150k web visits and 45k competition entries.

#### **#OMGB Spain and Italy - GREAT Challenge Fund**

VisitBritain was successful in its bid for funding to extend #OMGB Home of Amazing Moments into the top two non-GREAT European markets, Spain and Italy. The brand campaigns include content and a digital media buy, promoting amazing moments in Britain. The campaign will drive users to bespoke #OMGB pages on the Italian and Spanish sites of visitbritain.com.

#### **Welcome to England - Discover England Fund**

Working with the agency producing print and digital content for easyJet and American Airlines, a print supplement with various experiences and attractions across England ran in each airline's inflight magazine from 1 - 31 March 2017. Additional activity includes video on digital, social and inflight channels and digital and influencer content.

## **C. PR and Media Relations**

### **International Media and Destination PR**

Our overall results have shown that 65% of our coverage is consumed by digital channels, through online travel and lifestyle websites, newspapers and blogs.

Highlights of the year include:

- Working with a greater number of bloggers, YouTubers and Instagrammers to reach target customers and grow our sphere of influence.
- Nineteen global GREAT press trips increased our delivery of coverage on the GREAT campaign pillar themes, working in alliance with our strategic and commercial partners as well as the wider tourism industry.
- VisitBritain partnered with the Foreign and Commonwealth Office to take 33 international journalists on a day trip to Highclere Castle in Berkshire to mark the 300th anniversary of 'Capability' Brown and promote tours of their Brown landscapes as a way to showcase his stunning work at the property. Media attending on the day included Paris Match, der Spiegel, Hola Magazine and The Hindu.
- As part of our Premier League partnership VisitBritain hosted Super Sport TV and CCTV, two of China's top TV channels and rights holders for broadcasting Premier League in China to film premier league games and destinations in Birmingham, Leicester, Swansea and London. They produced five episodes which will be broadcast to an audience in excess of fifty million.

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

### **National Media**

Highlights of England PR activity in 2016/17 include:

- A 'Year of the English Garden' domestic PR campaign, which generated nearly 500 media articles and reached an audience of 112 million. Highlights included a media party at Chelsea Flower Show and a group press trip following in the footsteps of 'Capability' Brown.
- Planning for, and launch of, the 2017 consumer campaign: Year of Literary Heroes. The campaign was introduced to over 100 media contacts and 40 tourism and destination partners at a media launch held at The View from The Shard in November.
- Summer campaign supporting the domestic release of Swallows and Amazons in partnership with Studio Canal.
- PR support for the domestic launch of #OMGB.
- Partnership with Entone around the release of Spielberg's BFG and the Roald Dahl centenary celebrations.
- PR support for Hull2017, including a Visiting Journalist Programme to promote the city as Capital of Culture for 2017.

### **2016/17 PR Highlight: The Social Travel Summit**

To highlight Inverness as the gateway to the Highlands, we hosted the Social Travel Summit - an annual conference for some of the world's most influential travel bloggers and content creators. Now in its third year, the conference took place in Inverness in September to highlight travel in the shoulder season. 48 top travel influencers from 17 different countries were among the 111 delegates who attended. To showcase the region, pre-conference trips around Inverness and Loch Ness were arranged and supported by Visit Inverness Loch Ness. A gala dinner at Achnagairn castle, co-hosted by VisitScotland was held to encourage delegates to find their #ScotSpirit. 27 influencers visited other regions of Britain following the conference to highlight why Britain is the Home of Amazing Moments.

During the week of the conference, there were 20,407 shares of #OMGB content across social channels, a 74% increase in the use of #OMGB week on week and we saw #OMGB trend during the conference and again during the Twitter chat. The sharing of #OMGB content by these influencers created 328.3 million opportunities to see (OTS) across Twitter, Facebook and Instagram in our key markets. Brands Eye, an independent social media evaluation company measured the return on investment for this activity to be 56:1.

## **D. Trade/B2B**

### **Reaching International Buyers Online**

The B2B trade website ([trade.visitbritain.com](http://trade.visitbritain.com)) is a hub dedicated to international travel trade 'Buyers' to discover more about prospective tourism to Britain, search for Supplier products and services, research business opportunities, and source inspiration to build holiday packages. The site is available in nine languages and has visitors from over 140 countries.

The free to register searchable supplier directory now features over 1,000 UK companies.

### **Destination Training**

BritAgent is VisitBritain's online training tool for international travel agents. The scheme has 12,418 registered users. Just under 1,500 agents graduated the scheme in 2016/17. Graduates come from a total of 94 countries.

New training modules launched this year: London advanced, Inverness and Loch Ness, Travel by Rail and London Plus.

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

### Events and Missions

#### Events in 2016/17

- May: **Australian Sales Mission** – Brisbane, Melbourne, Sydney. 19 suppliers met with approximately 100 travel agents in each city. First large scale activity in Australia for 10 years.
- May: **International Luxury Travel Market (ILTM)**, Shanghai. 21 suppliers on Britain stand.
- October: **VisitBritain International Business Exchange (VIBE)**. 64 suppliers in London met with VisitBritain B2B staff from across the world. 668 individual appointments. For the first time, we then took this event to Cardiff where we were joined by a further 53 suppliers, 23 new to VisitBritain. 663 individual appointments. This event is the first step in internationalisation for many organisations, allowing them the opportunity to discuss their tourism product and find out which particular markets to target.
- November: **Destination Britain China**, Shanghai. 86 Suppliers; 101 Buyers; 7,000 appointments.
- November: **Destination Britain South Korea**, Seoul. 28 Suppliers; 30 Buyers; 1,000 appointments. First VisitBritain event in this growing source market.
- November: **Destination Britain Nordics**, Stockholm. 28 Suppliers; 35 Buyers; 2,000 appointments.
- December: **International Luxury Travel Market (ILTM)**, Cannes. 12 suppliers on Britain stand.
- January: **Destination Britain India**, Pune. 25 Suppliers; 76 Buyers; 4,000 appointments. First VisitBritain event held in India on this scale.
- March: **ExploreGB** (see below).
- March: **ITB Berlin**. 45 suppliers on the Britain stand. Largest ever. More than 30% up on 2016.

A highlight of the year was the third **ExploreGB** which took place in March 2017 in Brighton, with 320 suppliers and 311 buyers participating in a total of over 30,000 one-to-one meetings. Buyers then enjoyed one of the 19 familiarisation trips organised across Britain.

### GREAT China Welcome Programme

- 400 UK supplier members - accommodation, attractions, retailers, tour operators and destinations.
- Since inception, Britain has risen 11 places in the Chinese league of most welcome destinations, from 14 to 3.
- In a survey of GREAT China Welcome members in Spring 2016:
  - 90% said it was helpful to their business
  - 50% said it had helped them generate more business from China

### B2B Evaluation

Results will be available later in 2017 and are expected to build on the successes of 2015/16, when VisitBritain's incremental spend from overseas B2B activity was £56.5 million and UK businesses increased turnover by £6.7 million (£2.5m in 14/15) as a direct result of participating in VisitBritain B2B activity. Safeguarded sales for UK business stood at £8.8m compared with £5.4m the previous year.

VisitBritain and VisitEngland Performance Report for the Year (Continued)

**E. Retail**

In 2016 we revised our focus and rolled out a new strategy across, increasing the range of product we offer, and improving the customer service, back office efficiency, and developing our own team.

The Product Team have developed our offering to reflect Great Britain as a whole, increasing regional focus by implementing a ‘hub’ strategy. Creating product offering and itineraries around key cities and regions means we can offer international visitors a greater choice and more reasons to visit.

This approach has been well received by our customers and suppliers alike, as reflected in the figure below.



We are working very closely with TFL to support their sales ambitions and promoting them where relevant to our international network as well as introducing them to new partners and opportunities that may further enhance their product.

We have improved our relationships with suppliers leading to some unique opportunities; e.g. Houses of Parliament tours. This has allowed us to move into a new arena of more short-term sales and be even more relevant in terms of the product that we are offering our customers.

From an efficiency perspective, we have reviewed a number of processes including centralising the warehouse operation, introducing an improved ‘work flow’ system across the team, as well as redefining the responsibilities of the team.

In September 2016 we introduced the new role of Merchandising and Communications Executive with the responsibility for onsite merchandising and customer communication. This previously overlooked area has proved to be particularly fruitful in terms of increasing customer loyalty, making them aware of the product that we sell and increasing average order value.

The strategy for 2017/18 is to continue the focus on product, the customer and efficiency of the operation whilst increasing the efforts on business development through both existing and new channels, building on the foundations that we have put in place this year.

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

### **F. Delivering Organisational Efficiencies**

Good governance, along with efficient and effective business processes, serve to ensure that we can deliver our strategic and operational plans and secure value for money from the deployment of public money. In general, we have robust systems, policies and procedures in place to ensure that best practice is adhered to in all areas of financial and non-financial governance, but we continually strive to make improvements.

At the start of 2016/17, it was estimated that savings of £4.7m would be required to meet estimated cost pressures (including 1% year on year cumulative savings required in the DCMS funding settlement) and potential risks against core grant in aid. These targets were monitored closely through the year, particularly in light of the political and economic changes and the implications for VisitBritain/VisitEngland.

The Shared Business Services team supports the organisation in these endeavours, providing professional and technical advice and support.

The team led or supported a range of key projects and initiatives in 2016/17 which included:

- Providing support and advice on the organisation design development work and plans for development of new capabilities and competencies.
- Supporting the organisational recruitment drive following the implementation of the new organisational structure at the end of 2015/16.
- Reduction of the London Office footprint coincided with the structural changes this year which delivered further cashable savings in support of budget targets.
- The development of new technologies to ensure continued maintenance of the organisation's global infrastructure including the further use of Cloud technology and investment in mobile technology.
- Continued review of systems and processes to improve operational efficiency and effectiveness.
- Review of contracts to drive efficiency and best value.
- Progressing the Actuarial Pension Valuation; liaising with UK Trustees, The Pensions Regulator and Department for Culture Media and Sport.
- Providing support to a range of projects and management of the various "Funds".

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

### G. Trusted Advisor to Industry and Government

#### **Supporting HM Government**

Alongside our work with partners and the travel trade, we continued to be an essential advisor to industry and government on matters affecting Britain's standing as a leading tourism market, making the case for tourism to be prioritised in policy making. We supported No 10, Department of Culture, Media and Sport (DCMS) and other departments and Ministers throughout the year and in the development of the Government's Tourism Action Plan and continued to support in its delivery. We also continued to support the wider government agenda, with the successful completion of a People to People Dialogue in China in November 2016.

In 2016/17, we worked with the All Party Parliamentary Groups on China and the Visitor Economy and provided briefings to MPs, Lords and Ministers for Parliamentary debates and overseas speeches. We have responded to a variety of consultations, including:

- Submitting a detailed report for the Foreign Affairs Select Committee's inquiry on China.
- Attended a number of roundtables on Brexit at the DCMS.
- Gave evidence to the EFRA Select Committee on Rural Tourism.
- Work with UK Visas and Immigration on activity to address some of the misperceptions that both trade and consumers have in some key markets and to ensure that the British visa system is seen as fair and accessible.
- Support innovations such as the new two year visa for Chinese nationals.
- The British Tourism Industry Group and the Welcome Group have continued to meet quarterly in order to discuss issues of interest across the sector and influence VisitBritain's position.

VisitEngland continued to work across central government departments, arm's length bodies and agencies to ensure that the tourism sector benefits from government measures and continues to achieve its growth potential. This included working with the Department for Environment, Food and Rural Affairs on existing and future Rural Development Programmes for England, with BEIS on local growth and Local Enterprise Partnerships, with the Department for Communities and Local Government on Coastal Communities Fund and with the Department for Transport on rail initiatives.

#### **Keeping Industry Informed and Sharing Insights on Tourism**

VisitBritain/VisitEngland's corporate communications channels help keep the industry informed with the latest market intelligence and insights and industry news. All research and evaluation results have been made available on the VisitBritain/VisitEngland corporate website and disseminated through their communications channels and via industry facing conferences, seminars and events, with refreshed reports, topic papers and infographics developed to support usage and understanding of survey deliverables.

VisitBritain/VisitEngland communication channels

- Website: 40,000 unique visitors and over 150,000 page views each month.
- VisitBritain/VisitEngland newsletter reaches around 12,500 organisations.
- VisitBritain only newsletter (Scotland and Wales audience) reaches around 1,100 organisations.
- VisitBritain Twitter: 13,000 followers.
- VisitEngland Twitter: 12,400 followers.
- VisitBritain LinkedIn company page: 14,200 followers.
- VisitEngland LinkedIn company page: 4,143 followers.

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

### **A New Structured, Consistent and Assertive Approach**

We have developed a new Public Diplomacy Partner Strategy. It aims to support staff in building stronger, more structured relationships and ensuring that we are more consistent and assertive in our engagement in London and across the world.

The strategy sets out why we should engage, what good looks like, and includes detailed engagement plans for markets where we have a presence and those where we have a strategic interest but more light touch approach. Its tenets include extending our reach and impact through partnership, positioning tourism as a crucial delivery mechanism for soft power and a driver of economic development, and developing a shared agenda on common issues.

### **Tourism's Inclusion in FCO Business Plans**

Tourism has been included in draft 2017/18 business plans in 4 markets: China, Australia, Sweden and Russia. We will look to build our relationship with Public Diplomacy Partners in 2017/18 and hope to ensure tourism is recognised in 2018/19 across our network.

### **Global Challenge Fund**

VisitBritain's strategy was to use the Global Challenge Fund to extend the #OMGB campaign into markets where core / GREAT money is not present.

4 VisitBritain led bids were successful in 2016/17 - securing VB £619,500 funding from the GCF.

- #OMGB Spain and Italy (Pure brand - £300,000)
- #OMGB South Africa (Tactical with British Airways - £100K GCF, Total Project £170K)
- Football is GREAT China (Marketing Manchester lead - £210K GCF, Total Project £430K)
- Japan Beatles (GCF £9.5K, Total Project £19.5K).

In addition tourism featured in 15 bids initiated by Public Diplomacy Partners - worth over £1.3 million of the GCF pot.

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

### H. England Action Plan

#### Discover England Fund

VisitEngland has been tasked with delivering the new £40m Discover England Fund on behalf of Government. It is intended that the Fund should deliver and facilitate growth in international tourism and support the domestic market through delivering world class, stand-out, bookable tourism products in response to market opportunities and consumer needs. The funding is available for three years from 2016/17 for large-scale collaborative and innovative bids that join-up and develop the product offering across geographies and themes.

##### Objectives of the Fund

- To grow tourism in the regions of England
- To increase the competitiveness of England's tourism offer, domestically and internationally
- To develop world-class bookable tourism products in line with market trends and in response to consumer demands

VisitEngland has drawn from the valuable lessons from previous Funds, including the Northern Tourism Growth Fund (NTGF) and the South West Tourism Growth Fund (SWTGF), in shaping the Discover England Fund, for example:

- The short term and political nature of NTGF and SWTGF has been addressed through the commitment of the £40m three year Discover England programme
- Capacity issues locally addressed through designing criteria that supports large-scale collaboration across Destination Organisations of all shapes and sizes; through seed-funding for large scale projects and the design and delivery of an advice and support package that includes an allocated VE relationship manager; access to VE/VB expertise and external expertise on product innovation and evaluation; and identifying strategic challenges and national solutions to be delivered centrally for the benefit of all projects and the industry
- Timing and budget phasing (£6.5m Year 1; £11.5m Year 2; £22m in Year 3) of the Discover England Fund means that early learnings can be extracted, shared and built into projects and future planning; 2 year projects will allow time for partnership and activities to be effectively delivered and achieve demonstrable impacts
- The objective of spreading the economic benefits of growth in international tourism outside of the London so integral to previous Funds remains the core objective and will ensure the building blocks put in place can be maximised

#### Delivery to date - Year 1

Fund industry engagement sessions and regional roadshows were held during 2016 to inform the set up and development of the Fund. A further three (Chester, Salisbury and Peterborough) were held in the fourth quarter of 2016/17 to raise awareness of the Fund and share early learnings.

Guidance and criteria for the Round 1 and Round 2 opportunities were developed and launched on the new DEF website pages. The web pages were set up in 2016 as the key hub for information and materials produced as a result of the Discover England Fund. Each funding opportunity has been widely communicated across the tourism industry through social media and industry communications and events.

The Round 1 call for applications which focused on test and learn projects to trial new approaches to product development in the first phase of the Fund resulted in the following:

- 172 expressions of interest
- 78 applications submitted
- 21 approved projects (valued at £3.8m)
- Up to £350,000 per project
- £3.8 Million claimed

### VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

A key priority for the Fund was to build industry knowledge and insights on product development through an extensive programme of research. This kicked off in Year 1 and examples of the outputs to date include:

- £850,000 of commissioned research
- 37 industry research requests have been undertaken in 10 new work - streams
- 6 international case studies now available to industry
- 5 visitor characteristics reports produced
- Product opportunities mapping report and guidance

The economic consultants, SQW were awarded the contract providing evaluation and monitoring services in order to assess the impact of the Discover England Fund. SQW was contracted to define the approach to evaluating the Fund, develop logic models and frameworks for each individual project, provide advice and support, and report on programme/project outputs and other measurements at key intervals over the three-year lifecycle.

An £800,000 welcome campaign was also delivered in direct response to Brexit and the concern about a decrease in the perception of England and its regions being welcoming. The campaign targeted audiences in Europe and the USA by means of "Welcome to England" supplements in the inflight magazine and video production featuring relevant content with a focus on people and a competition.

#### **Year 2 to date**

Year 2 of the Discover England Fund is split into 2 funding streams;

- Large £1 million projects to be delivered over 2 years
  - The fund aims to support a series of Destination Organisation led projects to deliver £1 million + of activity over 2 years with an aim of bringing a step-change to bookable English tourism product and demonstrate collaborative working across large geographies and themes:
    - 32 formal expressions of interest
    - 14 projects taken to application stage
    - £280,000 seed funding to assist in partnership creation and idea generation
    - £15.5 million total Value of requested funding
- Test and Pilot projects to be delivered in 1 year
  - The fund aims to support up to around 10 projects and pilots out of a funding allocation of £1.6 million which can move quickly from development to delivery, i.e. achieve outputs and agreed financial expenditure by 31 March 2018. Higher value projects will be considered which meet the assessment criteria and demonstrate a robust business plan with clear outputs and fulfil state aid considerations:
    - 32 pilot project proposals received;
    - DEF funding applied for - £4,784,280;
    - Third party cash match-funding - £1,564,700; and,
    - Third party monetised in-kind support, £991,060.

## VisitBritain and VisitEngland Performance Report for the Year *(Continued)*

### ***Business Advice Hub***

VisitEngland has continued to develop this unique knowledge bank of support tools and information for the independent tourism operator and in the latter part of 2016/17 commissioned a review of this service to inform our future role and strategy in this area. The results received at the end of 2016/17 will be considered with a view to setting a plan in 2017/18.

### ***Industry Development - National Quality Assessment Schemes***

VisitEngland is responsible for the management and delivery of a range of one-to-one business support services. The majority of these operational transactions are delivered under licence agreement with Quality in Tourism (QiT), a sub-division of G4S or through accreditation schemes operated directly by VisitEngland.

During 2016/17 VisitEngland continued to work through these schemes to ensure participating businesses received good quality advice and support in the development of stand-out English tourism products and customer services.

We have continued to support the industry and businesses to address specific issues; such as relationships with online travel agents; the digital market place - reaching and influencing customers, developing partnerships and sharing good practice.

The licence arrangements with QiT for the Accommodation accreditation came to an end at 31 March 2017, so the BTA took steps to undertake a review of all its accreditation schemes and concluded to go to market to procure a partner for a licence to operate all the schemes on its behalf. The outcome of this competitive process was the award of the licence to the AA.

### ***English Tourism Week***

The sixth annual English Tourism Week (ETW) campaign was held from 25 March to 2 April 2017. This campaign is designed to provide a platform on which individual businesses and destination managers can build their own activity or campaign to highlight the richness of their local tourism offer and the contribution the tourism sector makes to the local economy and residents' quality of life. This year, highlights of the Week included the Tourism Superstar campaign, which highlights careers in tourism and promotes quality, customer service and excellence within England's tourism industry. The campaign generated 642 pieces of media coverage and 9,249 votes by the public for their favourite tourism employee. Other important activities were a Parliamentary Reception, attended by over 40 MPs. Over 20 MPs were also prompted by ETW to engage with tourism businesses in their constituency.

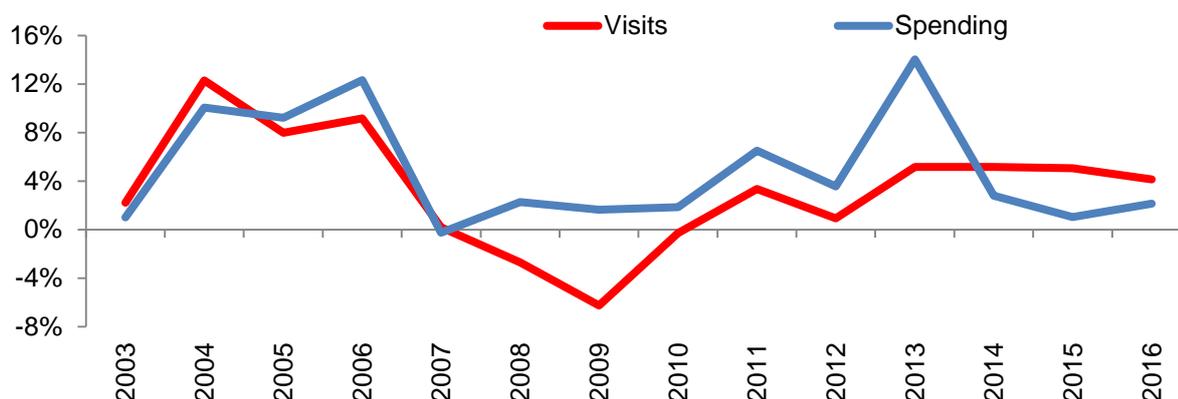
## The Tourism Landscape in 2016/17

### International Trends

#### **2016 Inbound Tourism in Numbers**

- A record £22.5 billion in overseas visitor spend<sup>1</sup>, 2% up in nominal terms on 2015. This is equivalent to spend of over £700 per second.
- 37.6 million Visits from overseas, up 4% on 2015<sup>1</sup>.

**Figure 1 - Year-on-year Change in Visits and Spending**



Furthermore, the 2016 Anholt Nations Brand Index survey ranked Britain as the fifth most aspirational destination to visit, if money was no object.

#### **Trip Purposes and Destinations**

Growth was led by visits to friends and relatives (VFR) in 2016, with 11% more visits than in 2015. Holiday visits were flat across the year as a whole but picked up from November onwards with double digit growth, a trend that has continued into early 2017. Business visits grew by 4% to 9.2 million for a seventh straight year of growth and finally surpassed the previous high point set in 2006.<sup>1</sup>

**Figure 1 - 2016 Purpose of Journey in Britain**

Holidays	VFR	Business	Misc
0%	+11%	+4%	1%
13.9 million	11.6 million	9.2 million	3.0 million
<i>Picking up in Q4 with 13% growth</i>	<i>New record</i>	<i>Surpassing 2006's previous record</i>	

International visits to London grew 3% from 2015's performance at 19.1 million although spending was flat at £11.9bn. Visits to England outside London rose by 5% with particularly strong growth in East of England (10%) and East Midlands (19%); spending in England outside London rose by 4%. Visits to Scotland rose by 6% with spending up 9% and to Wales up 11% with spending up 8%.<sup>1</sup>

<sup>1</sup> International Passenger Survey final 2016 figures

**The Tourism Landscape in 2016/17 (Continued)**

**Market View**

Links to international markets from across the country are seeing improved access, with direct air capacity to the UK up 10% in 2016 compared with 2015, surpassing the growth in visit numbers. Seat capacity from the United States rose by 9%, China by 13% and UAE by 11%, although capacity from Brazil fell by 15%.<sup>2</sup>

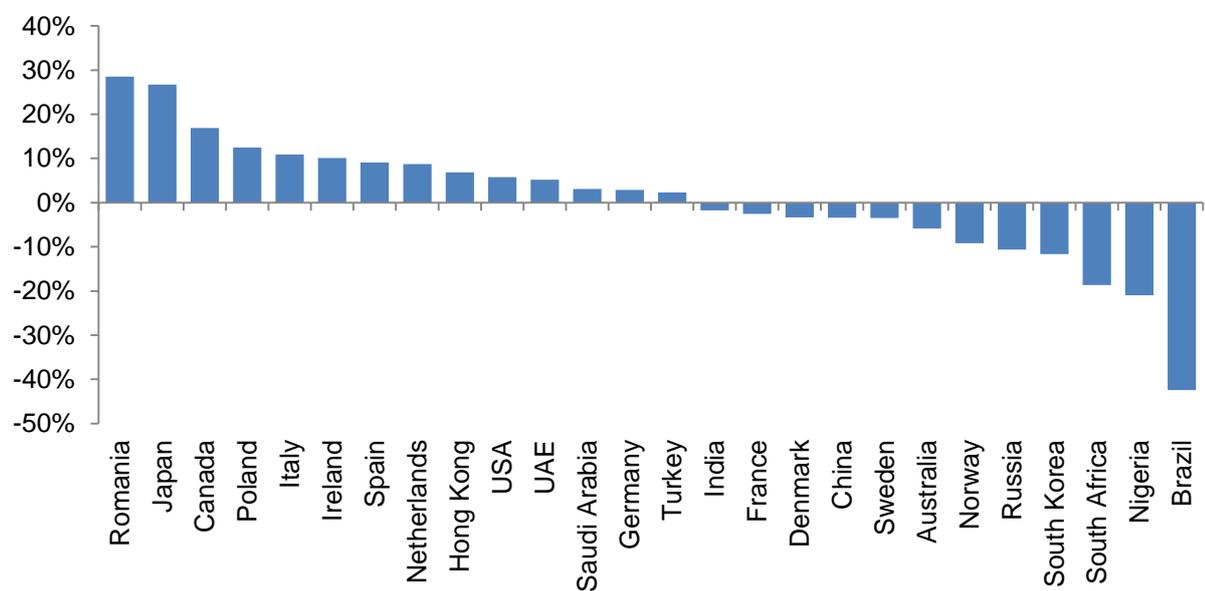
Growth in visits came from a range of regions across the world. Visits from the EU15, the UK’s largest visit generating region, grew by 4% to 20.7 million; from Eastern EU by 12% to 4.7 million; and from North America by 8% to 4.3 million. Visits from countries outside Europe and North America were mixed, falling by 2% overall to 5.5 million.

Visits grew at double digit rates from long haul markets Japan and Canada and near neighbours Italy, Poland, Ireland and Romania. Visits also grew from key markets like UAE, Spain, Netherlands and Germany. There was a sharp fall in visits from Brazil, where a severe recession hurt short term prospects.

Visits from China fell by 3% but this followed growth of 46% in 2015 so visit numbers are still up 41% on 2014 and by 138% since 2010. Chinese visitors are among the UK’s highest spending, with an average spend per visit of £1,972.

Visits from the United States grew by 6% in 2016 to 3.5 million, following growth of 10% in 2015. Prospects for 2017 are promising with visits from North America up by 17% in the first three months of 2017, according to provisional data. The United States is the UK’s most valuable visitor source market; American visitors spent £3.4bn in 2016, up 11%.

**Figure 3 - Growth in Visits to the UK between 2015 and 2016, by market**



**Competitive view and forecast**

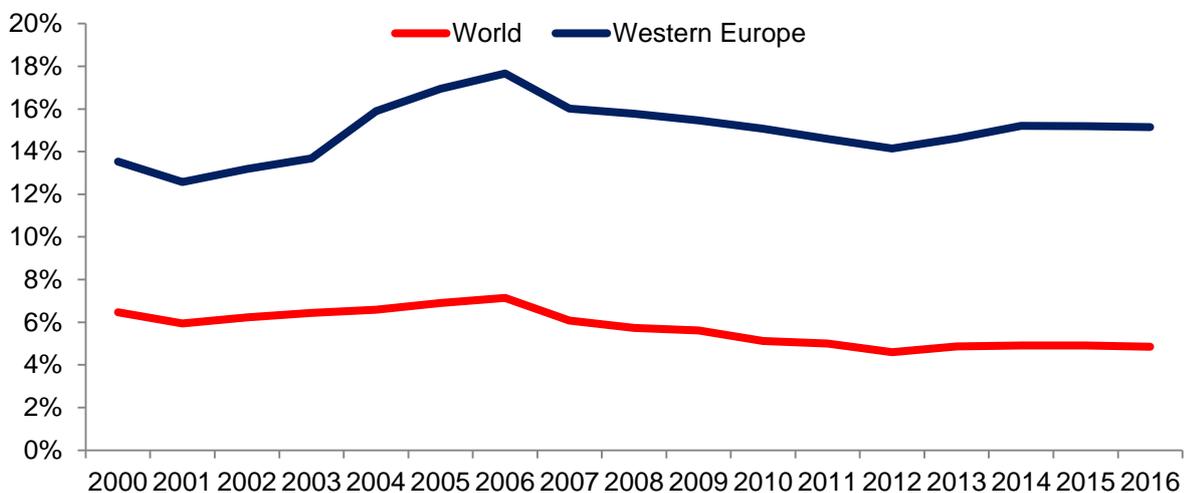
The UK’s performance in 2016 was very similar to the global average, with total global overnight tourism visits growing by an estimated 3.9% in 2016, according to UNWTO. Visits to Europe grew by an estimated 2.1%, less than the UK. The UK’s performance was similar to Italy (+4%), Germany (+2%) and Netherlands (+6%); Ireland and Spain saw double digit growth although France, Belgium, Turkey and Russia saw declines.<sup>3</sup>

<sup>2</sup> Apex

<sup>3</sup> United Nations World Tourism Organisation

### The Tourism Landscape in 2016/17 (Continued)

**Figure 4 - UK share of inbound visitor nights, as a proportion of World and Western Europe**



The UK comprises 4.9% of world inbound visitor nights and 15.2% within Western Europe, numbers that have been stable since 2014.<sup>4</sup>

Looking to 2017, VisitBritain's forecast from November 2016 was that visits will increase by 4.0% with visitor spend predicted to grow by 8.1%. Risks to the visits forecast were weighted to the upside, the main upside being the impact of the weak pound on leisure bookings to Britain. Since this forecast, recent data has revealed strong growth in visitor numbers (up 9% in Q4 2016 and up 7% in provisional data in the first three months of 2017), indicating a strong possibility of a faster growth rate than predicted by the forecast.

The forecast of an increase in average spend per visitor is in contrast to the decline in spend per visit that has been seen in the last three years of data. If realised, this growth in spending has the potential to bring greater economic benefits to the whole of Britain, with the challenge continuing to be ensuring that overseas visitors are aware of why, and how, they should access the product offering outside the capital.

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<sup>4</sup> Tourism Economics

**The Tourism Landscape in 2016/17 (Continued)**

**DOMESTIC TRENDS**

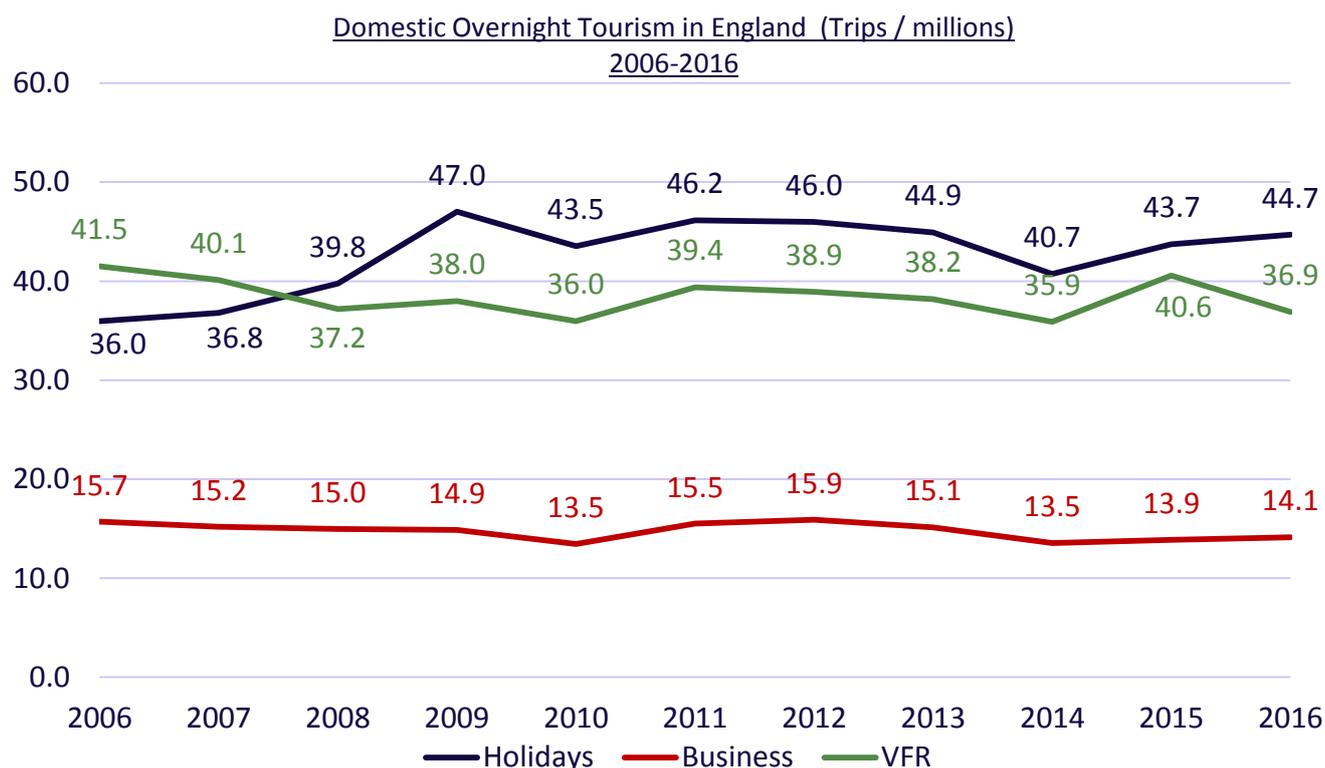
**Domestic Overnight Tourism**

In 2016, the total number of domestic overnight trips taken in England fell back, by 3%.

There were increases in the number of holiday trips and business trips, both up by 2%, but these were offset by a 9% decline in trips to visit friends and relatives (VFR).

Specifically within the holiday sector, 2016 saw a change in trends relating to trip length. In recent years, the domestic market has been driven by growth in the number of short breaks of 1-3 nights, while trips taken for 4+ nights have declined. In 2016, the number of longer holiday trips grew by over 20%, whereas short breaks, which still account for over 60% of the market by volume, fell back by 6%.

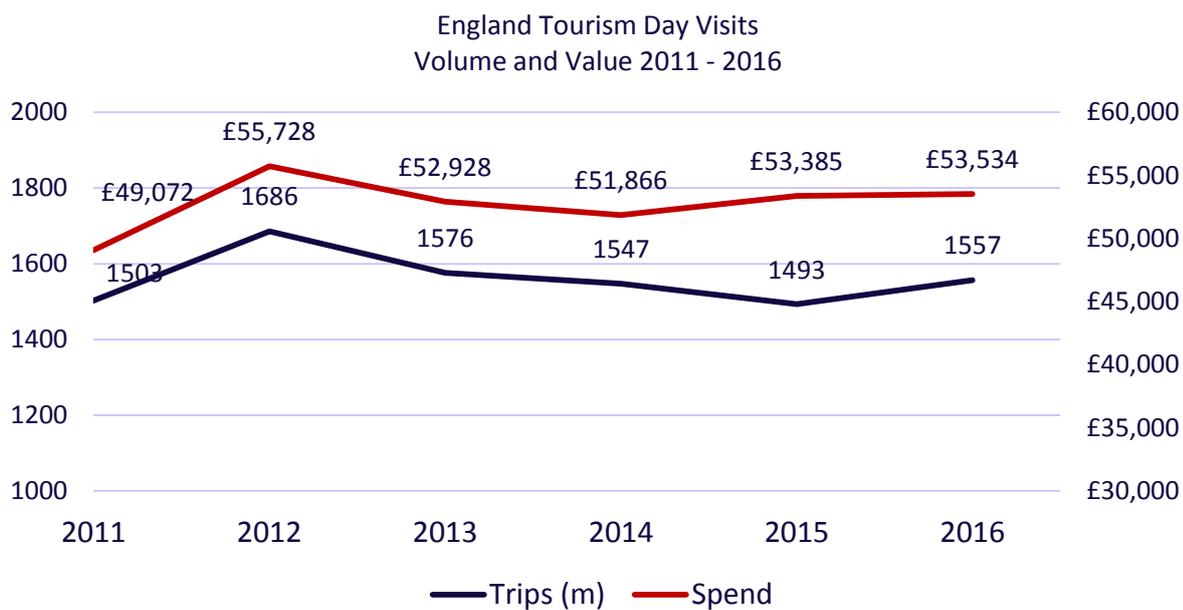
In the VFR sector, trips to visit friends and relatives for holiday purposes held stable - the decline was driven by a reduction in the number of other “duty” VFR trips.



**The Tourism Landscape in 2016/17 (Continued)**

**Domestic Day Visits**

2016 saw an increase in tourism day visits, with volumes standing at 1.6 billion, a 4% increase year on year. Expenditure on day visit tourism was on a par with 2015, at £53.5 billion. Day visits to visitor attractions showed particularly strong growth - at an estimated 86 million, the number of trips taken reached an all-time high for the survey.



2011-15 data has been restated to be comparable with data collected in 2016 methodology

## **VisitBritain and VisitEngland Strategic Priorities in 2017/18**

### **VisitBritain Specific Priorities**

VisitBritain plays a unique role in increasing the value and volume of tourism, developing Britain's economy by promoting Britain worldwide by providing customer focussed marketing strategy built on content, digital and PR. Our international network connects us with a global audience across four regions - Europe; the Americas; Asia Pacific, Middle East and Africa (APMEA), and China and North East Asia - serviced by offices around the world. Across these markets our priorities will be to build relationships with local trade, media and commercial partners, as well as implementing a broad range of relevant, timely and local campaign strategies to maximise return. This activity is based on our customer insight, our knowledge of the barriers to inbound tourism growth and our solutions for addressing them. As well as working closely with destinations across the nations and regions, we will act as a route to market for small tourism businesses through our travel trade, digital and retail activities and provide advice and support to tourism providers in England on setting up and growing their tourism business.

Alongside our work with partners and the travel trade, our priority in 2017/18 is to be a trusted advisor to Government and industry on matters affecting Britain's standing as a leading tourism market, particularly those that affect the UK's international competitiveness, making the case for tourism to be prioritised in policy making by providing policy solutions, market intelligence and customer insights.

### **VisitEngland Specific Priorities**

2017/18 will see VisitEngland continuing its work on the implementation of the Government's Tourism Action Plan, as part of its wider strategic objectives to grow and support the English tourism industry. Round 2 of the Discover England Fund offers a substantive investment opportunity for the industry, with funding of between £1-2m available for large scale collaborative projects led by Destination Organisations. In 2017/18 our major focus will be making decisions on Round 2 funding applications and driving forward set-up and delivery. Outside of the Discover England Fund, wider product development will remain a significant priority, with England's food offer and the improvement of the marketing, distribution and accessibility of rail tourism sitting as key priorities. Further, as Parliament's Rural Tourism Inquiry comes to a conclusion, we hope to build on the recommendations of the Select Committee and continue the successes of 2016/17 in developing England's rural and coastal tourism offer and encouraging visitors to take advantage of it. Sharing this offer will form the backbone of our wider marketing campaigns and industry engagement through 2017/18.

### **VisitBritain and VisitEngland Priorities**

Britain is the best value it has been in over a decade yet interest in Britain does not automatically convert into visits. We need to drive conversion and advocacy to convert interest and appetite to travel into solid bookings through a focused marketing campaign, building our social media presence to maximise the opportunities of new technology and developing relationships with key influencers. We will use data and analytics to deliver a more bespoke offer, ensuring that we reach our targeted audience with appropriate content at every part of the customer journey and working with our partners to drive through bookable product to deliver conversion. We will communicate with people in their own language and build advocates for England and Britain who amplify our messages in their own social channels.

VisitBritain and VisitEngland Strategic Priorities in 2017/18 (Continued)

CORPORATE PRIORITIES - SUMMARY

<p>1. <b>Deliver tourism growth across the nations and regions</b></p>	<ul style="list-style-type: none"> <li>• Focussed regional strategies around our hub structure</li> <li>• Deliver activity that drives economic growth across the regions and nations</li> <li>• Customer focused marketing strategy built on content, digital and PR</li> <li>• Britain Brand</li> <li>• Commercial strategy - reviewing trade and intermediary activity across commercial partnerships</li> <li>• Product development for England and Britain</li> <li>• England action plan including review of business support</li> <li>• Launch new national tourism quality scheme</li> </ul>
<p>2. <b>Delivery of the Discover England Fund</b></p>	<ul style="list-style-type: none"> <li>• Evaluate and share best practice of year 1 bids</li> <li>• Award and oversee delivery of larger scale year 2 bids</li> <li>• Award and oversee small number of one-year bids</li> </ul>
<p>3. <b>Deliver and amplify the GREAT #OMGB marketing campaigns</b></p>	<ul style="list-style-type: none"> <li>• GREAT investment in USA, France, Germany, Gulf, China, India, Australia</li> <li>• Domestic #OMGB campaign focused on under 35s, rural and coast.</li> <li>• Bid for GCF funds to extend #OMGB into unfunded markets</li> <li>• Use insight and learnings from analytics to optimise campaigns and measure performance</li> </ul>
<p>4. <b>Deliver research and insights to inform Government, industry and our marketing activity</b></p>	<ul style="list-style-type: none"> <li>• Body of research as part of Discover England Fund</li> <li>• Provide analysis of statistics and trends</li> <li>• Deliver measurement of VisitBritain marketing activities using digital and real time data sources</li> <li>• Deliver the inbound tourism forecast for Britain</li> <li>• Advise Government on issues affecting tourism through Brexit.</li> <li>• Statutory research from VisitEngland</li> <li>• Communicate statistics and trends through proactive press engagement</li> </ul>
<p>5. <b>Deepen our partner relationships to leverage value</b></p>	<ul style="list-style-type: none"> <li>• Commercial - Implement structured segmented partnership strategy to amplify effectiveness of our activity and deepens partner engagement in areas such as data sharing.</li> <li>• Retail - Build breadth of product suppliers to maximise revenue</li> <li>• Strategic partners - Agree joint activity and shared outcomes as set out in the High Level Marketing Plan (HLMP)</li> <li>• Public Diplomacy Partners (PDP) – Ensure joint working to address common issues and support tourism growth.</li> </ul>
<p>6. <b>Develop our role in the Business Visits and Events sector</b></p>	<ul style="list-style-type: none"> <li>• Support major event bids for Britain</li> <li>• Develop new capacity for England</li> <li>• Generate demand for future business for Britain.</li> </ul>
<p>7. <b>Ensure that we manage our funds efficiently and comply with Government guidelines</b></p>	<ul style="list-style-type: none"> <li>• Implement pension changes</li> <li>• Seek freedoms to enable us to spend our funds more efficiently</li> <li>• Review partnership processes</li> <li>• Successfully implement new licensed-contract for the quality schemes</li> <li>• Implement project management approach</li> <li>• Develop IT/IS strategy</li> </ul>
<p>8. <b>Build the skills and capabilities of our staff and teams to deliver on our priorities.</b></p>	<ul style="list-style-type: none"> <li>• Continue to develop our people strategy</li> <li>• Develop and implement new performance management framework</li> <li>• Review pay and reward policies</li> <li>• Focus to address skills gaps: digital, commercial and relationship management space.</li> <li>• Ensure compliance with new Government initiatives and legislation (e.g. apprenticeships, IR35)</li> </ul>

## Financial Performance Review for the Year 2016/17

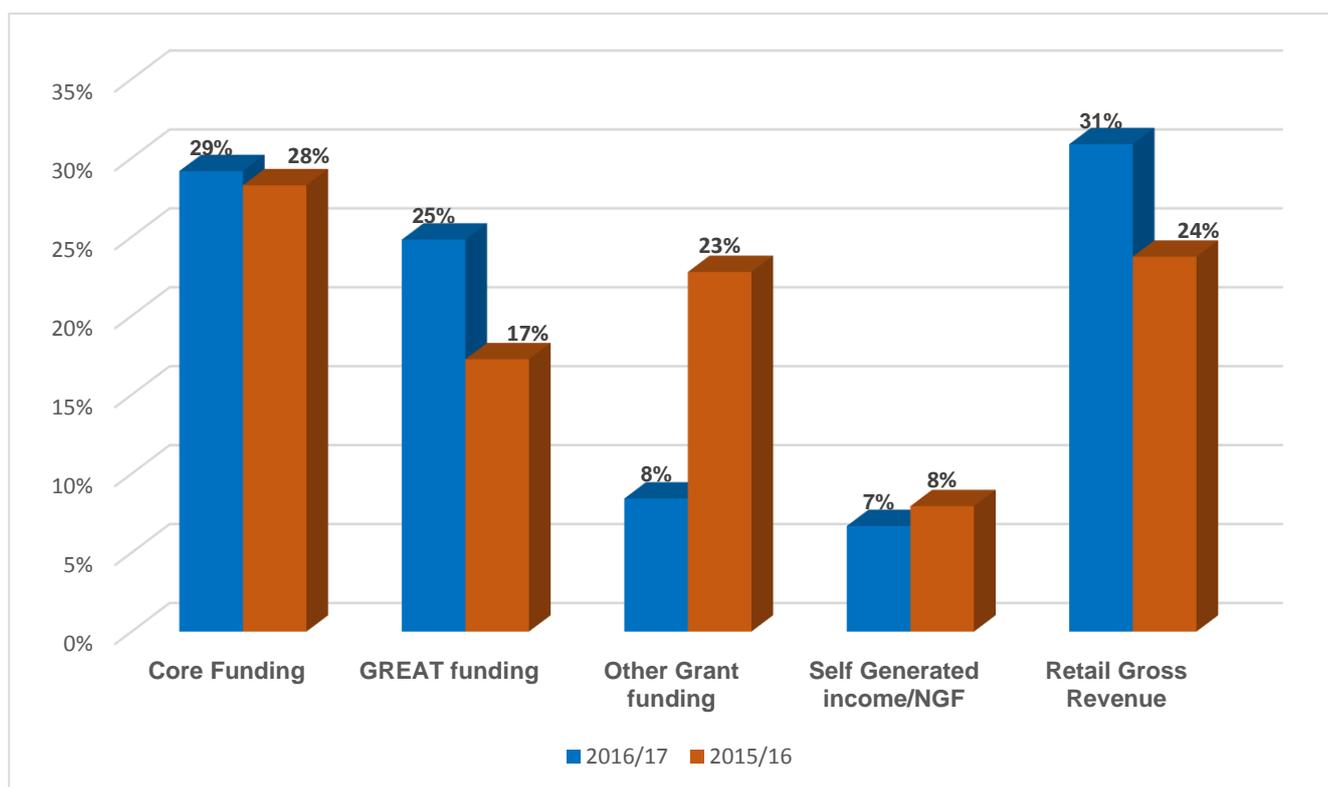
### Source of Funding

During the period covered by these accounts, BTA was funded from the following sources:

- Core grant-in-aid from DCMS.
- GREAT Programme: once again a significant proportion of funding was provided under the GREAT brand for international image campaigns and a campaign to persuade people to holiday in Britain.
- Discover England Fund (DEF) which is a three year funding programme to encourage incremental visitor spend in England.
- Additional one-off Grants were received for Loch Ness, Welcome to Yorkshire and Mayflower projects.
- Revenue generated through other activities including the VisitBritain online retail shops.

The overall income (both grant and non-grant income) for 2016/17 totalled £91.8m (2015/16 - £97.4m) which includes gross revenue from retail operation.

### Analysis of Funding by source 2016/17 v 2015/16



### Grant Funding

Grant budget allocation for the year amounted to a total of £57.82 million, a decrease of £9m (13.4%) from 2015/16 (£66.8million). The funding allocation included the £6.5m for the Discover England Fund, a new fund that totals £40m over a 3-year period to 2018/19.

**Financial Performance Review for the Year 2016/17 (Continued)**

The table below reconciles GIA Budget and Cash Allocation per DCMS Funding Agreement; which reflects a lower level of GIA cash drawdown at £56.97million resulting from prior year £600k underspends relating to the Chinese visa refund scheme and £250k additional funding given in March, so the cash will be drawn down in 2017/18.

**BTA Funding - 2016/17**

	<b>VisitBritain</b>	<b>VisitEngland</b>	<b>BTA (Total)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
GIA Original Management Agreement	19,554	6,978	26,532
Additional GIA - Europe Campaign	250		250
Capital GIA	400	100	500
GREAT Funding	20,300	2,500	22,800
GREAT fund transfer from VE to VB	400	(400)	-
Discover England Fund (DEF)		6,500	6,500
Other Funding	500	740	1,240
<b>Total Grant in Aid (Budget) Allocation per the DCMS Funding Agreement</b>	<b>41,404</b>	<b>16,418</b>	<b>57,822</b>
<i>Cash GIA reduction to reflect the VRS underspend in 2015/16</i>	<i>(600)</i>		<i>(600)</i>
<i>Cash GIA allocation c/f transferred to 2017/18 (Europe Campaign)</i>	<i>(250)</i>		<i>(250)</i>
<b>Total Grant in Aid (cash) Allocation per the DCMS Funding Agreement</b>	<b>40,554</b>	<b>16,418</b>	<b>56,972</b>

**Other Income (non-GIA Income)**

Income from non-GIA funded activities increased by 12%, in 2016-17 compared with 2015/16 from £30.8 million to £34.5 million (see Notes 6 and 7 to the Accounts). The main variances were:

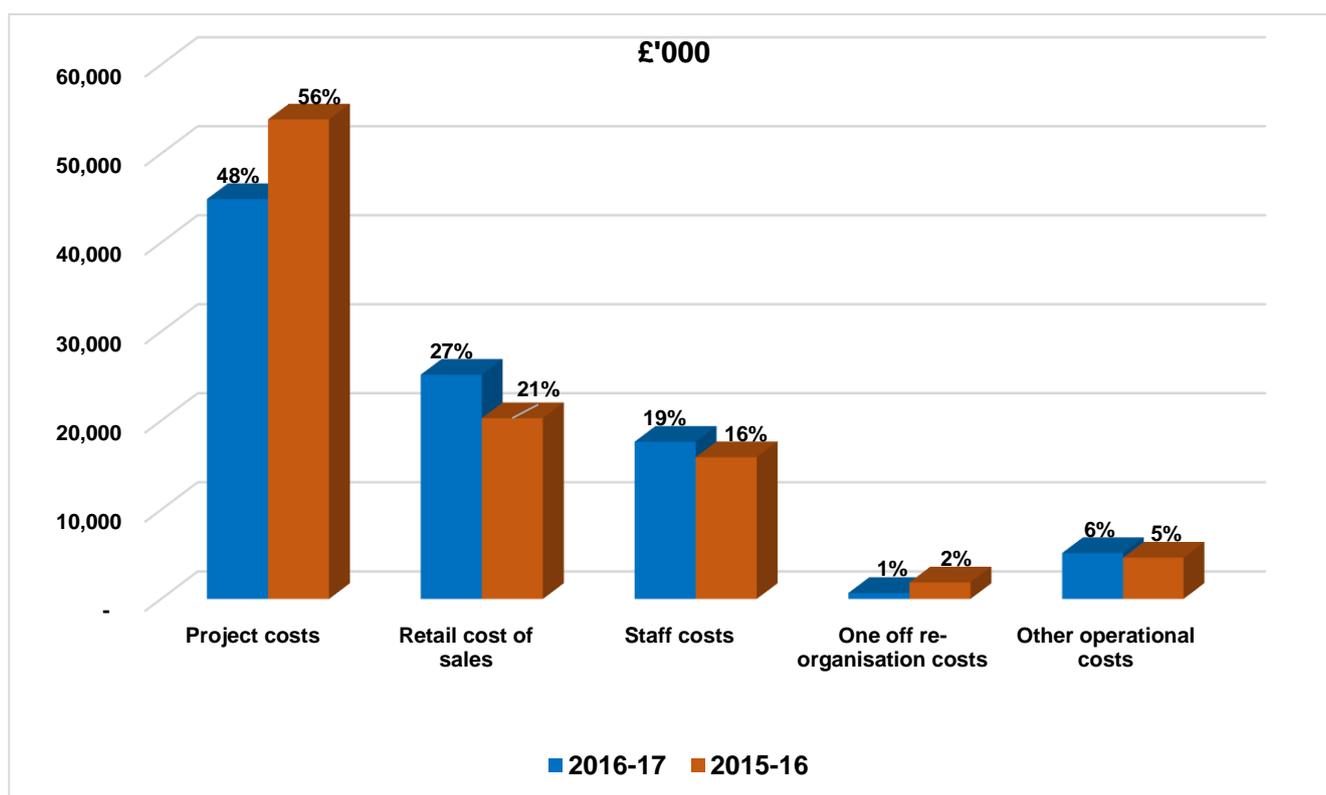
- Income from commercial activities which increased by £5.1million (or 22.1%) as a result of the continuing growth of online retail activity worldwide;
- Income from partnerships activities decreased by £1.2million (or 32.4%) following changes to procurement procedures to meet Government policy and legislative requirements. Partnerships have been developed which enable customer reach through other for example, alignment of campaign activity, insights, expertise and marketing in kind;
- Other grant income (see note 7) decreased by £1.1 million (or 92%) due to a one off grant contribution received last year from UKTI/DIT for a joint campaign;
- There was also an increase on other income which was due to backdated overseas VAT refund (see note 7);
- Income from exhibitions, workshops and fairs also increased by 8.4%, reflecting a more appropriate contribution and recharge of fees to participants at trade fairs.

**Financial Performance Review for the Year 2016/17 (Continued)**

**Expenditure**

The overall expenditure (excluding employee benefit costs) in 2016/17 has decreased by £4.8 million (or 5.9%) to £75.9 million, primarily because of reduced partnership marketing spend (£7.0 million less than 2015/16), which was partly offset by an increase in costs of sales from the improved levels of commercial activity as reported above under income section.

**Analysis of Total Expenditure (%)**



The other main changes in operating costs were (see note 8, 9 and 11):

- A £4.9 million increase in commercial cost of sales, although this was largely countered by similar revenue growth in retail activities;
- Employee benefit costs increased by 10% from 2015/16, mainly due to pension accounting;
- Additional investment from DEF and Great funding on research resulted an increase of £1.3 million in Research and evaluation activities;
- Decrease of Grant payments to Destination Organisations by £1.5 million was mainly due to more funding allocation in 2015/16 from the Tourism Growth Fund;
- Decrease in the irrecoverable VAT by £1.3 million to £3.8 million, is mainly due to a reversal of unused provision carried forward from 2015/16;
- A reduction in reorganisation costs to £665k, £1.2million down from the £1,847k in 2015/16, which reflected the restructuring following the SR2015 settlement;
- An increase in overseas operational costs is a combination of increased investment and cost increase due to weak pound.

## Financial Performance Review for the Year 2016/17 (Continued)

### **Pension Schemes**

Employee benefits, including pensions and other post-retirement benefits, are presented in these financial statements in accordance with the amended IAS 19 'Employee Benefits'.

Following the last full valuation of the scheme, the employers agreed a deficit recovery plan with the trustees. The plan requires BTA to pay in a proportion to its share of the deficit. BTA's contribution for 2016/17 was £1,338k (2015/16: £1,946k). This consists of

- £379k (2015/16: £369k) in respect of the required deficit recovery contribution,
- £189k (2015/16: £185k) in respect of administration costs, and
- An additional voluntary contribution towards the deficit of £770k (2015/16: £1,392k).

Current employer contributions in respect of future service are 24.4% for members with a retirement age of 60, and 13.1% for members with a retirement age of 65. Prior to September 2013 the employer contribution was 17.3%. BTA also has an additional unfunded pension liability of £177,000 (2015/16: £191,000) for pension payments to former chairmen which is included in the Statement of Financial Position.

### **Working Capital**

Net working capital decreased by approximately 29% or £826k. The main contributors to this decrease were significantly higher inventory levels compared with 2015/6, largely negated by lower receivables, cash and payables levels at year end. These levels reflect a return to more normal expected levels. 2015/16 was the result of a postponement in the BTA's usual spending cycle that saw a substantial amount of budget spend delayed until the fourth quarter of the financial period, driving working capital levels up, in particular cash and accounts payable.

### **Creditor Payments Policy**

BTA is a signatory to the Confederation of British Industry code of practice on supplier payment and is committed to the payment of its suppliers to agreed terms or within 30 days. From 1 November 1998 the organisation has incorporated into this policy the regulations contained in the Late Payment of Commercial Debts (Interest) Act 1998. There were no claims for interest payment under the terms of this Act in this financial year. Since January 2013, BTA has committed to the Government pledge to pay its suppliers, wherever possible, to the agreed terms or within 10 days and is monitoring progress against this target. During 2016/17 66% (2015/16: 58%), of suppliers' invoices not in dispute were settled within these parameters. The results for paying invoices within 30 days are as follows: - 91% in 2016/17 and 92% in 2015/16.

Sally Balcombe  
Accounting Officer  
BTA  
29 June 2017

## 2. THE ACCOUNTABILITY REPORT

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### CORPORATE GOVERNANCE

#### The Director's Report for the Year 2016/17

##### Scope of responsibilities

The British Tourist Authority (BTA) was established by the Development of Tourism Act 1969. It undertakes Britain-wide and England-specific activity respectively under the brands "VisitBritain" and "VisitEngland" in accordance with the governance structure established as a result of the 2015 Spending Review.

VisitBritain and VisitEngland were brought structurally closer together in 2015. Therefore, we have consolidated the accountability for delivery of England and Britain into the remit of a single body under the BTA.

The BTA Board receives advice on English tourism matters from the English Tourist Board (also known as the VisitEngland Advisory Board). This is the advisory board responsible for advising the Executive and Board of the BTA on the development and implementation of the England Action Plan and provides continued guidance and advice on how best to deliver England activity through the England Action Plan. The VisitEngland Advisory Board monitors delivery and advises the BTA Board on the progress of the Plan's implementation.

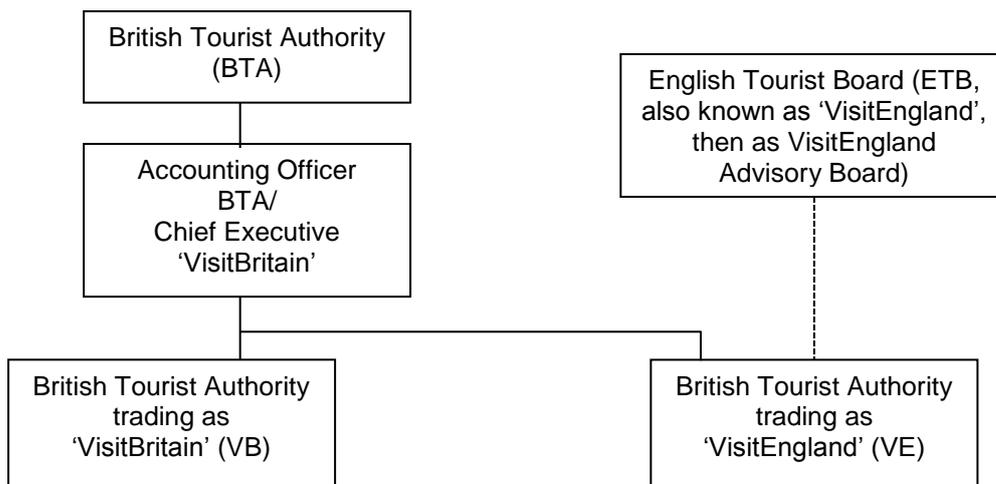
In relation to the Discover England Fund, the VisitEngland Advisory Board advised on the preparation of criteria for assessing bids and its comments and advice were communicated to the BTA Board to inform the BTA Board's decisions.

Given its advisory function, the VisitEngland Advisory Board continues to convene board meetings, no less than four times a year with additional meetings where appropriate.

VisitEngland is legally accountable to the BTA Board and Accounting Officer of BTA who exercise their responsibilities through a Memorandum of Understanding with ETB which details the corporate governance arrangements.

**The Directors' Report for the Year 2016/17** *(Continued)*

ETB does not receive any income directly from the Exchequer or from any other source. All costs and expenses incurred by VisitEngland connected to ETB's work are met from BTA's resources. The Secretary of State for Culture, Media and Sport has issued Accounts Directions to BTA which include the requirement for BTA to disclose all expenditure made on behalf of ETB.



**The Directors' Report for the Year 2016/17 (Continued)**

**Organisation**

***British Tourist Authority (BTA)***

The BTA Board comprises the Chairman, Christopher Rodrigues CBE, (who was first appointed in 2007 and then again in 2011), and six other members, five of whom are appointed by the Secretary of State for Culture, Media and Sport and one by the Welsh Assembly. The Chairman of ETB and of VisitScotland sit on the Board in an ex-officio capacity. In addition, during the year, Katy Best and Kevin Murphy attended Board meetings by invitation as observers in their capacity as members of the boards of the Northern Ireland Tourist Board and London & Partners. Lise-Anne Boissiere and Giles Smith also attended the Board meetings as Observers in capacity as DCMS representatives and Hazel Cunningham as Executive Director for BTA.

The Department for Culture, Media and Sport appointed new Chairs for the BTA Board and the VisitEngland Advisory Board, Steve Ridgway CBE succeeded Christopher Rodrigues CBE as BTA Chairman and Denis Wormwell succeeded Penelope, Viscountess Cobham CBE as Chairman of the VisitEngland Advisory Board. The new appointments commenced as Chairmen on 1 April 2017 for a term of three years, however, both Chairmen had previously sat as members of the respective Boards.

Three sub-committees report to the Board; the VisitEngland Advisory Board, the Audit Committee and the Remuneration Committee. Members of both Committees during the year are identified below.

**Chief Executive Officer: Sally Balcombe\***

**British Tourist Authority Board Members**

	<b>Appointed</b>	<b>Appointment Expires</b>
Christopher Rodrigues CBE (Chairman)*	01 January 2007	31 March 2017
Penelope, Viscountess Cobham CBE* ** ***	01 April 2009	31 March 2017
Angela Bray	01 January 2016	31 December 2018
John Lindquist***	15 March 2010	14 September 2019
Margaret Llewellyn OBE**	01 November 2015	31 October 2018
Ian McCaig*	13 February 2014	12 February 2019
Stephen Ridgway CBE*	11 July 2013	31 March 2020
Rt. Hon. Viscount Thurso**	01 April 2016	31 March 2019
Denis Wormwell* **	01 April 2017	31 March 2020

**British Tourist Authority Board Observers**

	<b>Position, Organisation</b>
Katy Best	Board Member, Northern Ireland Tourist Board
Lise-Anne Boissiere	Head of Tourism, Heritage and Cultural Diplomacy DCMS (Observer until October 2016)
Hazel Cunningham	Executive Director, Finance and Business Services, BTA
Kevin Murphy	Board Member, London & Partners
Giles Smith	Head of Tourism, Heritage and Cultural Diplomacy, DCMS (Observer from November 2016)

\* Members of the British Tourist Authority's Remuneration Committee

\*\* Rt. Hon. Viscount Thurso and Penelope, Viscountess Cobham CBE (succeeded by Denis Wormwell) sit on the Board in an ex-officio capacity in their roles as Chairman of VisitScotland and VisitEngland respectively. Margaret Llewellyn was appointed by the Welsh Assembly.

\*\*\* Members of the British Tourist Authority's Audit Committee

**The Directors' Report for the Year 2016/17 (Continued)**

**English Tourist Board (ETB, also known as VisitEngland)**

The ETB Board comprises the Chairman and five other members, all of whom are appointed by the Secretary of State for Culture, Media and Sport. In addition one observer attends the Board meetings by invitation.

<b>English Tourist Board Members</b>	<b>Appointed</b>	<b>Appointment Expires</b>
Penelope, Viscountess Cobham CBE (Chairman)* ** Sally Balcombe attends as BTA Accounting Officer/Chief Executive Officer, BTA	01 April 2009	31 March 2017
Nigel Halkes*	13 January 2014	12 January 2018
John Hoy	30 May 2011	29 May 2019
Sarah Stewart OBE	30 May 2011	29 May 2019
Denis Wormwell* **	22 June 2009	31 March 2020

**English Tourist Board Observers**

**Position, Organisation**

Suzanne Bond	Former Chief Executive, Cornwall Development Agency
Hazel Cunningham	Executive Director, Finance and Business Services, BTA
Giles Smith	Head of Tourism, Heritage and Cultural Diplomacy, DCMS

\* Members of the British Tourist Authority's Audit Committee

\*\* Members of the British Tourist Authority's Remuneration Committee

Penelope, Viscountess Cobham CBE left the ETB at the end of the term noted above. The Department for Culture, Media and Sport appointed Denis Wormwell to succeed Penelope, Viscountess Cobham CBE as Chairman of the VisitEngland Advisory Board. The new appointment commenced on 1 April 2017 for a term of three years, however, Denis Wormwell previously sat on the Board as a member.

BTA and ETB both maintain Registers of Board Members' Interests. Copies of these Registers can be obtained from the Secretary to the Boards.

The biographies of the Members of both Boards are available on our corporate website: <https://www.visitbritain.org/our-team>

**Audit arrangements**

The audit of the British Tourist Authority's financial statements by the National Audit Office (NAO) enables the Comptroller and Auditor General to fulfil his statutory duty under the Development of Tourism Act 1969, to lay before Parliament certified copies of the annual accounts and his report.

The fees paid to the NAO for audit services amount to £49,500 (2015/16: £53,000), and there are no other services provided by the NAO.

So far as the Accounting Officer is aware, there is no relevant audit information of which BTA auditors are unaware. She has taken all necessary steps to make herself aware of any relevant audit information and to establish that BTA's auditors are aware of that information.

Sally Balcombe  
Accounting Officer BTA  
29 June 2017

## Statement of Corporate Governance by the Accounting Officer

### Scope of Responsibility

The British Tourist Authority responsibilities under the Act and its wider governance arrangements are explained in detail in the Directors' Report page 39. BTA is sponsored, and part funded, by the Department for Culture, Media, and Sport which has been confirmed through the funding letter of the 3 March 2016 for the financial year 2016/17.

BTA is committed to high standards of governance and ethical behaviour and adopts systems and implementation arrangements which are appropriate for its business.

### The Governance Framework

The Chairman of the BTA is accountable to the Secretary of State for Culture, Media and Sport for the performance of the BTA in its Britain and England activities.

The BTA Board is responsible for ensuring that VisitBritain and VisitEngland operate within the terms of the Development of Tourism Act 1969 and for overseeing the delivery of planned results. In carrying out its responsibilities in relation to VisitEngland, the BTA Board is advised by the Advisory Board of ETB which I attend in my capacity as BTA Accounting Officer/Chief Executive Officer.

The roles of the BTA Chairman and BTA Board are set out in full in BTA's Code of Practice for Board Members and the Management Agreement with DCMS. In broad terms, the BTA Board is responsible for:

- Maintaining accountability for delivery of all activity on British and English tourism;
- Maintaining both VisitBritain and VisitEngland brands;
- Establishing the overall strategic direction of VisitBritain and VisitEngland and subsequently monitoring performance against the targets set out in the Business Plans, Management Agreement or which are attached to any other sources of Government funding;
- Consulting with the VisitEngland Advisory Board as appropriate for advice on English tourism matters (but not delegating final decision making to the VisitEngland Advisory Board);
- Ensuring that it fulfils its role under the Development of Tourism Act 1969 and meets the aims and objectives established by the Secretary of State for Culture, Media and Sport as set out in the Management Agreement;
- Ensuring it takes account of any guidance received from DCMS in reaching its decisions; and complies with statutory and administrative requirements for the use of public funds;
- Ensuring that high standards of corporate governance are observed at all times.

The BTA Board is supported by the work of the Audit and Remuneration Committees which is discussed below.

We started 2016/17 with new Governance arrangements and during the year the Board has delivered to its responsibilities to DCMS and supported me as the Accounting Officer. However, in consultation with the BTA chairman, we felt that there were opportunities to improve the overall effectiveness of the Board and its Committees.

In January 2017, the BTA embarked upon a comprehensive review of the governance arrangements for the BTA Board and the ETB. The appointment of the new Chairs of the respective Boards also created an opportunity to review the existing framework. The governance review was facilitated by Stanton Marris and was concluded in May 2017. A number of recommendations were agreed and adopted to enhance the focus and input of the Board and its committees as well as their general administration.

We still have a number of vacancies on our Board and Committees which means that we do not have the breadth and diversity of the experience we require at Board level as we develop and implement our new strategies and plans. We intend to recruit to these vacancies during 2017/18.

### **Statement of Corporate Governance by the Accounting Officer (Continued)**

As Accounting Officer, I have responsibility for accounting to Parliament, DCMS, the BTA's Board and other stakeholders. I am personally responsible for safeguarding the public funds for which I am in charge; for ensuring propriety and regularity in the handling of those public funds; and, reporting to the Board of the BTA, for the day-to-day operations and management of the BTA and the achievement of its strategic aims. In addition, I ensure that the BTA as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in "Managing Public Money".

As Accounting Officer, I am responsible for the day-to-day operations and management of BTA and remain accountable to the Department for Culture, Media and Sport and to Parliament for the income and expenditure of all BTA work carried out under the VisitBritain and VisitEngland brands.

I am supported by a team of operational Executive Directors, including the Director of Business Services who has responsibility for financial and compliance matters, and the Secretary to the Boards who supports both Boards and are members of the Executive Team.

Well-developed information and reporting systems are in place to assist in monitoring progress against financial and non-financial targets and to provide access to detailed management and transactional information.

Accountability, limits of authority and lines of reporting are clearly defined and every employee in VisitBritain and VisitEngland teams, including myself, has annual performance targets which are linked to the BTA Business Plan.

### **Compliance with HM Treasury and Cabinet Office's Code of Good Practice 2011**

BTA complies with HM Treasury and Cabinet Office's Code of Good Practice 2011 in relation to Corporate Governance to the extent that it is relevant and appropriate to BTA. However, as BTA is a mature organisation, with a mature control environment and governance and risk management arrangements in place, PwC and Mazars, the internal auditors, have not been invited to attend any Board meetings during the year. They do, however, attend all Audit Committee meetings, and I have met with them separately to discuss procurement issues: see Key Governance Issues overleaf.

### **The Effectiveness of the Governance Framework**

As Accounting Officer I have responsibility for reviewing the effectiveness of BTA's corporate governance arrangements. In carrying out this duty I am advised and supported by the BTA Board, the ETB (VisitEngland) Advisory Board, and the Audit Committee, the internal and external auditors as well as by the Executive Directors and Secretary to the Boards.

BTA has well embedded governance policies and procedures in place which are subject to regular testing and review. An annual programme of internal audit work is agreed with the Audit Committee on those areas which are known to be of higher risk or which may be of an innovative nature or where it is appropriate to carry out a review of existing systems.

We also introduce new systems of internal control as necessary to meet the changing needs of our business and the risks to which the organisation is exposed.

We also operate within other Government Governance Frameworks, such as the Efficiency Reform Group (ERG), which scrutinises and agrees planned marketing and advertising expenditure to ensure value for the taxpayer and complies with Government policy and legislation. Activity and expenditure in respect of GREAT funding is scrutinised by the GREAT Programme Board.

The Discover England Fund is implemented by an established governance model, this includes a comprehensive programme board for assessment and decision making followed by an independent awards panel. This process enables the BTA Board to make informed decisions when approving bids.

### **Statement of Corporate Governance by the Accounting Officer (Continued)**

The BTA (VisitBritain and VisitEngland) Management accounts are produced on a monthly basis and available for all budget holders to monitor their budget. The Executive Directors review the Management Accounts and performance report quarterly to monitor the financial and performance are on target against planned results. BTA Board review the latest Management Accounts at each of their meetings, as does the Audit Committee. We also meet with and report to our Government Sponsor Department throughout the year, in compliance with our Management Agreement. In particular we conduct a quarterly review process with DCMS officers through which we highlight performance achievements against targets as well as risks and respective mitigation strategies.

### **Board Governance**

The composition and membership of the BTA Board is reported below. I attend every meeting as does the Director of Business Services.

The recruitment and appointment process for those Board Members appointed by the Secretary of State for Culture, Media and Sport is carried out in accordance with the Office of the Commissioner of Public Appointments' Code of Practice, and takes full account of the Chairman and Board's assessment of any gaps in the skills and competencies required to ensure a well-rounded Board equipped to carry out its responsibilities for BTA. Board Members are normally appointed for their ability to add to the Board's collective wisdom.

Appointments or re-appointments are normally for periods ranging from a minimum of 3 years to a maximum of 5. The maximum term any BTA Board member can serve continuously is 10 years.

The Chairman ensures that all Members of the BTA Board, when taking up office, are fully briefed on the terms of their appointment and on their duties and responsibilities.

All new Board Members receive a comprehensive induction pack, which includes copies of all relevant governance material, and attend an induction session with the Chief Executive Officer and Directors.

The BTA Board normally meets at least six times during each calendar year. BTA Board Members receive timely, regular and appropriate management and other information to enable them to fulfil their duties. They also have direct access to the advice and services of the Secretary to the BTA Board and have regular informal contact between meetings with the Chairman, Chief Executive, and Senior Management Team as appropriate; particularly in relation to any discrete areas of activity which individual Members sponsor. This helps to foster an open relationship and regular exchange of knowledge and experience between the Management Team and Board Members.

BTA Board Meetings held between April 2016 and March 2017 took place on following dates:

1. 28 April 2016
2. 14 June 2016
3. 13 September 2016
4. 26 September 2016
5. 18 October 2016
6. 6 December 2016
7. 25 January 2017
8. 8 March 2017

**Statement of Corporate Governance by the Accounting Officer (Continued)**

The attendance by individual Board Members, Observers and Committee Members at meetings during 2016/17 was as follows:

	<b>Board Member / Observer / Independent Seconded</b>	<b>Board Meetings Attended</b>	<b>Audit Committee Meetings Attended</b>	<b>Remuneration Committee Meetings Attended</b>
Christopher Rodrigues CBE	Chairman of the Board and Remuneration Committee	8 (8)		1 (1)
Penelope, Viscountess Cobham CBE	Board Member and member of the Audit and Remuneration Committees	7 (8)	1 (4)	1 (1)
Sally Balcombe	Chief Executive Officer and member of the Remuneration Committee	8 (8)	2 (4)	1 (1)
Katy Best	Observer	6 (8)		
Lise-Anne Boissiere*	DCMS	4 (5)		
Angie Bray	Board Member	8 (8)		
Hazel Cunningham	Executive Director, Finance and Business Services, BTA	7 (8)	4 (4)	
Hugh Green	Independent Member of the Audit Committee		4 (4)	
Nigel Halkes	Member of the Audit Committee (ETB Board Member)		4 (4)	
John Lindquist	Board Member and Chairman of the Audit Committee	7 (8)	4 (4)	
Margaret Llewellyn OBE**	Board Member	8 (8)		
Ian McCaig	Board Member	7 (8)		1 (1)
Kevin Murphy	Observer	8 (8)		
Steve Ridgway CBE	Board Member	8 (8)		1 (1)
Giles Smith**	DCMS	3 (4)		
Rt. Hon. Viscount Thurso	Board Member	7 (8)		
Denis Wormwell	Member of Remuneration Committee (ETB Board Member)			1 (1)

\* During period April 2016 - March 2017, Lise-Anne Boissiere attended 4 Board meetings in April, June and September and October 2016 for DCMS prior to stepping down.

\*\* During period April 2016 - March 2017, Giles Smith attended 3 Board meetings in December 2016, January and March 2017, for DCMS following the stepping down of Lise-Anne Boissiere.

### **Statement of Corporate Governance by the Accounting Officer (Continued)**

Arrangements are in place through which potential conflicts of interests are recorded and managed. The purpose of these arrangements is to avoid any danger of Board Members being influenced, or appearing to be influenced, by their private or other interests in the exercise of their public duties for BTA.

The register of Board Members' interests is available on request from the Secretary to the Board. Employees are also asked to declare potential conflicts of interest and a separate register is maintained to record these. In addition, at all Board and Committee meetings Members are required to declare an interest if they or their close family have an interest, financial or otherwise, in any matter being considered at the meeting. The Board or Committee will then decide whether or not it is appropriate for the Member to participate in the discussion on the item in question. In 2016/17 there were no withdrawals from Board or Committee discussions.

### **The Work of the Board in 2016/17**

During 2016/17 the Board reviewed progress against the agreed corporate priorities and also considered a number of key programmes and change management initiatives, these included:

- Continued to oversee the organisation's digital marketing strategy and distribution programme.
- Reviewed and considered the competitive landscape for tourism; reviewed market performance and strategies to meet targets for inbound visitors and regional dispersal across Britain, with particular focus on the Americas and Europe.
- Continued to develop #OMGB/ GREAT campaign strategy.
- Reviewed and considered the options for the current pension arrangements to ensure future compliance with HM Treasury requirements for public sector pension reform.
- Continued to develop the commercial partnership strategy.
- Implemented and reviewed the Discover England Fund.
- Implemented a tender for the new concessions contract in relation to the National Tourism Quality Schemes.

### **The Quality of Data used by the Board**

The data and information used by the Board include assessments and statistics relating to both industry performance and BTA's financial performance and progress in meeting its corporate targets and performance measures; reports on the progress of major programme activities, reviews of the competitive landscape and reports from VisitEngland.

- Industry performance is assessed using data from independent third party sources such as the ONS International Passenger Survey and insights and market intelligence gathered on territory by our managers. Relevant data is presented to the Board at each meeting.
- Financial Data is provided by our Financial Information System from which the management accounts and comparisons to budget are produced. These, together with commentary, are provided to the Audit Committee and Board at each meeting. The performance for the financial year is also monitored monthly and reported to the Board.
- A range of Human Resources data and metrics are reported on a quarterly basis. The Remuneration Committee also commissioned and considered, on behalf of the Board, payroll benchmarking data.
- Non-financial performance reports, including separate reports on our retail activity, enable the Board to monitor progress against corporate and business plan targets. These include measures of campaign performance and PR reach and effectiveness. Evaluation is based on tourism industry standards for campaign performance, compiled by internal experts. Measures also exist for digital, including social media, and marketing in-kind.
- Progress reports on major areas of programme activity and reviews of the competitive landscape and the issues which impact on Britain's performance as a global destination in each of the territories in which VisitBritain operates are presented to the Board on a regular basis.
- Reports on VisitEngland's financial and non-financial performance are presented quarterly to allow the Board to track progress on business plan objectives and budgetary compliance.

### **Statement of Corporate Governance by the Accounting Officer (Continued)**

The Board considers the standard of this data and information in terms of quality, accuracy and timeliness commensurate with its responsibilities but if it considers it necessary, requests additional information or clarification.

The Board's understanding and scrutiny of the quality of data are also informed by the work of the Audit Committee and that of the internal and external Auditors.

### **BTA Board Committees**

BTA does not have Nominations or Governance Committees. The Remuneration Committee does the work of a Nominations Committee to the extent applicable and the Audit Committee reviews and considers any governance matters referred to it by the Board.

### **VisitEngland Board**

During 2016/17 the VisitEngland Board reviewed progress against VisitEngland's agreed corporate priorities and considered a number of key programmes and change management initiatives, including the following:

- Oversight of Discover England Fund awards, ensuring the development of English tourism products launched in market.
- Delivered successful GREAT campaign in partnership with the trade.
- Consumer campaigns and digital content delivered.
- Developed Business Events strategy for England.
- Strategic partnerships maintained and developed.
- Evaluated and assessed the bids in relation to the National Tourism Quality Schemes and made recommendations to the BTA.

### **The Remuneration Committee**

The Remuneration Committee consists of five members: the Chairmen of BTA and ETB and three other members of the Boards of BTA and ETB. The Chief Executive Officer, Director, Business Services and the Head of People and Performance attend meetings as required but no member of staff, including the Chief Executive, is present when her remuneration is being discussed.

In common with other government departments and agencies, BTA must operate within public sector pay policy guidelines, further details of which are given in the Remuneration Report. However, the Committee reviews the pay remit prior to its submission to DCMS and, subsequently, reviews the final consolidated and non-consolidated payment ranges to be awarded to staff which are both based on performance during the year.

### **The Audit Committee**

The Audit Committee meets at least four times a year and its remit reflects the good practice principles for Audit and Risk Assurance Committees in central government as set out in HM Treasury's Audit and Risk Assurance Committee Handbook (April 2013).

The Committee consists of four members: three are drawn from the Boards of BTA and ETB and the fourth is an external member who is a Partner at KPMG LLP. I also attend meetings together with the Director of Finance and Business Services and the Secretary to the Board. The Internal and External Auditors are also invited to attend meetings, in particular to discuss the results of internal audit activity and the annual audit respectively. During the year, the Committee Chairman met privately with both sets of Auditors.

### Statement of Corporate Governance by the Accounting Officer (Continued)

An annual programme of internal audit work is agreed with the Audit Committee on those areas which are considered to be of higher risk or which may be of an innovative nature or where it is appropriate to carry out a review of existing systems. The Committee reviews this programme during the year to re-allocate resources to areas of risk which come to its attention during the year.

During the year, the Audit Committee has continued to scrutinise the internal controls and risk management. Key areas of review this year have included:

- follow-up reviews on key areas from the previous plan, including Procurement improvement plan progress
- Human Resources
- Online retail operation and strategy
- General Data Protection Regulations preparedness

Following a Government internal audit framework competitive process, Mazars were appointed as auditors running through to 31 March 2020.

The Internal Audit Annual Report for the year ended 31 March 2017 produced by Mazars states:

*On the basis of our audit work finalised at the time of drafting this report, we consider that the British Tourist Authority's governance, risk management and internal control arrangements are generally adequate and effective. Reviews of (Commercial Income - Retail and Assurance Mapping) are currently at fieldwork stage. Certain weaknesses and exceptions were highlighted by our audit work, none of which was fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.*

### **Executive**

The Board appoints and employs the Chief Executive, who leads an Executive Director team. The Executive team are responsible for the management and performance of the organisation and the delivery of the strategy on behalf of the Board under the Financial Control Framework and procedures approved by the Board. Executive appointments are filled through open recruitment. Executive Directors who served during 2016-17 are listed on page 54.

### **Overall Control Environment**

The Audit Committee has:

- Reviewed all Internal Audit reports and management responses and monitors progress on the implementation of any agreed recommendations;
- Followed an annual work programme to ensure that it also reviews the corporate risk registers to satisfy itself that risks are being well managed and that all new emerging risks have been identified;
- Reviewed the Annual Report and Accounts prior to submission to the Board and any matters arising from the audit of the Accounts by the National Audit Office.

BTA has suffered no protected personal data incidents during 2016/17 and has therefore made no report to the Information Commissioners office.

We have not received any Ministerial Directions during the year.

The Chairman of the Audit Committee, in his annual report to the Board, advised that without giving specific assurance on the effectiveness of the whole system, the Audit Committee is satisfied that the internal control environment appears to be well supported by the various embedded mechanisms and working practices.

**Statement of Corporate Governance by the Accounting Officer** *(Continued)*

**Key Governance Issues**

In 2016/17 the Audit Committee considered and agreed a number of recommendations from the NAO and PWC and Mazars. Key areas of consideration and assurance included:

The Discover England Fund is a new strategy objective with a value of £40m over a 3-year period and consequently we have made our project management and grant-giving regime a priority to ensure policies and procedures reflect good practice and the appropriate application of public sector controls.

Compliance with procurement regulations remains an area of focus. We continue with an organisation-wide procurement education programme, covering revised guidance, process improvement and updated staff training and tools. We also continue to ensure our future strategy enables us to work with partners whilst complying fully with procurement regulations, applying the Light Touch Regime and Government Spending Controls. The need to identify appropriate solutions to enable us to work with our potential partners, even when they are contractually tied to their own agencies, is becoming increasingly critical to meet our match-funding targets and ultimately leverage optimum use of public resources in order to make greater impact, in increasingly competitive overseas markets, to meet Government targets.

The Committee has also supported the challenges which arise from the operation of the e-commerce business. During this last year, we invested in the product development and digital areas of the team to build and develop organisational capacity and capability. We also conducted reviews which identified recommendations and a number of improvements controls and processes have been implemented.

I am grateful to the Audit Committee and DCMS for their support.

Sally Balcombe  
Accounting Officer  
BTA  
29 June 2017

## REMUNERATION AND STAFF REPORT

### Remuneration Report

#### Remuneration Report Policy for Staff

Under the terms of the Development of Tourism Act 1969 and the Management Agreement issued by DCMS, the conditions of service that BTA offers to its staff, and its pay award scheme, must be approved by the DCMS. DCMS must, in turn, obtain HM Treasury approval before agreeing the pay award framework each year. The arrangements for the Chief Executives of VisitBritain and VisitEngland are slightly different but the same principles apply.

During the year BTA implemented pay increases, in line with DCMS guidelines, limited to 1% of the annual consolidated salary bill and one-off non-consolidated annual performance bonus payments limited to the same percentage (2.66%) of the annual salary bill as for the previous three years. The payment of both consolidated pay (pensionable) and non-consolidated bonus payments (non-pensionable) is performance related and depends on the outcome of annual performance review of objectives and competencies and on staff being in post on 1 August 2016. The maximum consolidated payment made was 1.75% of basic pay and the maximum non-consolidated payments was 5.5%. Payments to Directors were made in line with the arrangements for all staff.

#### Remuneration of Boards

The Chairmen and Board Members of BTA and ETB have had their salaries frozen for five years with effect from 1 April 2010 (except Penelope, Viscountess Cobham who had a salary increase in 2013). Having waived the pay increase of 1.5% to which they would have been entitled on 1 April 2009 their remuneration has therefore been held at 2008/09 levels.

**Remuneration Report (Continued)**

The information in pages 52 - 57 falls within the scope of the Comptroller and Auditor General's audit opinion on the accounts and is audited.

**BTA Board members' remuneration:**

	Remuneration 2016/17 £	Remuneration 2015/16 £
Christopher Rodrigues CBE (Chairman)	49,090	49,090
Rt. Hon. Viscount Thurso	-	-
Penelope, Viscountess Cobham, CBE	-	-
Margaret Llewellyn OBE	-	-
John Lindquist	9,435	9,435
Ian McCaig	9,435	9,435
Stephen Ridgway CBE	9,435	9,435
Angela Bray	9,435	2,359
	<b>86,830</b>	<b>79,754</b>
Pensions to former Chairmen	16,805	20,506
<b>Total remuneration</b>	<b>103,635</b>	<b>100,260</b>

**British Tourist Authority Board Observers**

Katy Best\*\*\*

Lise-Anne Boissiere\*\*\*

Hazel Cunningham\*\*\*

Kevin Murphy\*\*\*

Giles Smith\*\*\*

**Position, Organisation**

Board Member, Northern Ireland Tourist Board

DCMS (Observer until October 2016)

Executive Director, Finance and Business Services, BTA

Board Member, London & Partners

DCMS (Observer from November 2016)

Board Members' remuneration is £9,435 per annum / 12 month period. Where a Member's term of office commences or expires during the year they receive a pro-rata payment.

\*\* Margaret Llewellyn, Rt. Hon. Viscount Thurso and Penelope, Viscountess Cobham sit on the Board in an ex-officio capacity in their roles as Chairmen of VisitScotland and VisitEngland respectively and do not receive any remuneration from VisitBritain.

\*\*\* Observers receive no remuneration but Hazel Cunningham was remunerated by VisitBritain as Director of Finance and Business Services of VisitBritain.

**Remuneration Report** *(Continued)*

**VisitEngland Board members' remuneration:**

	Remuneration 2016/17 £	Remuneration 2015/16 £
Penelope, Viscountess Cobham CBE (Chairman)	45,210	45,210
Nigel Halkes	9,435	9,435
John Hoy	9,435	9,435
Sarah Stewart OBE	9,435	9,435
Denis Wormwell	9,435	9,435
<b>Total remuneration</b>	<b>82,950</b>	<b>82,950</b>

**English Tourist Board Observers**

Suzanne Bond\*

Hazel Cunningham\*

Giles Smith\*

**Position, Organisation**

Former Chief Executive, Cornwall Development Agency

Executive Director, Finance and Business Services, BTA

DCMS (Observer from November 2016)

Board Members' remuneration is £9,435 per annum / 12 month period. Where a Member's term of office commences or expires during the year they receive a pro-rata payment.

\* Observers receive no remuneration but Hazel Cunningham as Director of Finance and Business Services of VisitBritain.

**Remuneration of CEO's and Directors**

***Remuneration of CEOs***

The basis of the Chief Executive Remuneration packages is set out in the contract of employment and stipulates that they are eligible to be considered for an annual performance bonus of up to 12.3% for the current VisitBritain's CEO subject to the approval of the Remuneration Committee. In each case, the Remuneration Committee approved the respective Chairmen's recommendation to award their Chief Executive the maximum bonus payable in recognition of their outstanding performance during the performance year under review. The bonus was non-consolidated and a consolidated increase of 9% was also awarded.

***Remuneration of Directors***

Each Director is set personal objectives linked to the Business Plan which are assessed at the end of the business year taking into account the results achieved. Assessments are used to determine increases to base pay and annual performance bonus payments. Bonus payments are based on performance levels attained and are made as part of the appraisal process. The maximum bonus payment for the Directors was 5.5%. All payments are based entirely on performance, no discretion was exercised. Payments were approved by the Remuneration Committee.

The bonuses reported in 2016/17 relate to performance in 2015/16 and the comparative bonuses reported for 2015/16 relate to performance in 2014/15.

Remuneration Report (Continued)

The information below relates to the Accounting Officer/Chief Executive of VisitBritain, and the Senior Executives of VisitBritain and VisitEngland.

2016-17

Name	Salary & Allowances (£'000) <sup>1</sup>	Bonus Payments (£'000)	Accrued pension benefits during the year (£'000)	Total Remuneration Figure (£'000)	Employer pension contributions (£'000)	Real Increase in pension at Retirement Age (£'000)	Total accrued pension at Retirement Age as at 31.03.2017 (£'000)	Cash equivalent transfer value as at 31.03.2016 (£'000)	Cash equivalent transfer value as at 31.03.2017 (£'000)	Real increase cash equivalent transfer value (£'000) <sup>2</sup>
Sally Balcombe (Accounting Officer BTA/CEO VB) <sup>4</sup>	155-160	15-20	46	215-220	15-20	2.5-5	5-10	76	166	81
Hazel Cunningham (Director, Business Services) <sup>4</sup>	120-125	5-10	40	165-170	15-20	0-2.5	0-5	28	85	50
Joss Croft (Director, Britain Marketing) <sup>3 4</sup>	15-20	0	3	15-20	0-5	0-2.5	25-30	600	807	200
Patricia Yates (Director, Strategy and Communications) <sup>4</sup>	115-120	0-5	138	255-260	25-30	5-7.5	20-25	484	809	314
Robin Johnson (Director, Europe) <sup>4</sup>	105-110	5-10	129	240-245	20-25	5-7.5	15-20	182	412	222
Carol Dray (Director Commercial) <sup>4 6</sup>	115-120	0	34	150-155	15-20	0-2.5	0-5	5	55	44
Clare Mullin (Director, Britain Marketing) <sup>4 5</sup>	25-30	0	5	30-35	0-5	0-2.5	0-5	0	7	5
Sumathi Ramanathan (Director, APMEA Region) <sup>4 5 7</sup>	145-150	0-5	0	150-155	0	0	0	0	0	0
Paul Gauger (Interim Director, Americas) <sup>4 5 7</sup>	135-140	0-5	20	155-160	15-20	0-2.5	5-10	111	174	58
Andrew Stokes (Director, England) <sup>4 6</sup>	90-95	0	33	125-130	10-15	0-2.5	0-5	3	46	38

<sup>1</sup> No benefit in kind was paid in 2016-17

<sup>2</sup> The real increase in cash equivalent takes into account an assumed rate of revaluation of nil, in line with the Government's statutory revaluation order for 2016/17.

<sup>3</sup> Joss Croft left BTA on 6th May 2016 on an FTE of £93,702.

<sup>4</sup> All Directors have a normal retirement age of 65, except Robin Johnson and Patricia Yates who have a normal retirement age of 60. No pension contribution for Sumathi Ramanathan as there are no pension arrangements for staff based in Dubai.

<sup>5</sup> Clare Mullin started on 9th Jan 2017 with an FTE of £120,000. Paul Gauger was appointed as interim Director on 1st May 2016 with an FTE of £143,000. Sumathi Ramanathan was appointed as Director on 1st April 2017

<sup>6</sup> Carol Dray and Andrew Stokes were initially appointed as interim Directors. Carol Dray was confirmed as permanent on 7th July 2016. Andrew Stokes was confirmed as permanent on 3rd April 2017

<sup>7</sup> Sumathi Ramanathan's salary includes an allowance for accommodation and travel of £5.5k. Paul Gauger's salary includes an accommodation allowance of £42.3k

**British Tourist Authority trading as VisitBritain and VisitEngland**

**Annual Report and Financial Statements for the Year Ended 31 March 2017**

**Remuneration Report (Continued)**

The information below relates to the Accounting Officer/Chief Executive of VisitBritain, the Chief Executive of VisitEngland and the Senior Executives of VisitBritain and VisitEngland. The 2015-16 opening and closing cash equivalent transfer values and the real increase in cash equivalent transfer values have been restated to report on the basis of the actuarial valuation method as required by the HM Treasury's Financial Reporting Manual. *The figures before restatement are shown in brackets in the table below.*

**2015-16**

Name	Salary & Allowances (£'000) <sup>1</sup>	Bonus Payments (£'000)	Accrued pension benefits during the year (£'000)	Total Remuneration Figure (£'000)	Employer pension contributions (£'000)	Real Increase in pension at Retirement Age (£'000)	Total accrued pension at Retirement Age as at 31.03.2016 (£'000)	Cash equivalent transfer value as at 31.03.2015 (£'000)	Cash equivalent transfer value as at 31.03.2016 (£'000)	Real increase cash equivalent transfer value (£'000) <sup>3</sup>
Sally Balcombe (Accounting Officer BTA/CEO VB) <sup>4</sup>	140-145	5-10	41	190-195	15-20	0-2.5	0-5	26 (24)	76 (72)	47 (48)
James Berresford (CEO VE) <sup>2 4</sup>	175-180	10-15	38	225-230	10-15	0-2.5	15-20	291 (266)	337 (310)	39 (44)
Jenny McGee (Director VE, Enterprise) <sup>2 4</sup>	145-150	0-5	156	300-305	410-415 <sup>7</sup>	7.5-10	45-50	965 (748)	1261 (908)	292 (160)
Hazel Cunningham (Director BTA, Business Services) <sup>4</sup>	105-110	0	30	140-145	10-15	0-2.5	0-5	0 (0)	28 (36)	28 (36)
Joss Croft (Director VB, Britain Marketing) <sup>4</sup>	90-95	0-5	21	115-120	20-25	0-2.5	25-30	594 (550)	600 (576)	1 (26)
Patricia Yates (Director VB, Strategy and Communications) <sup>4</sup>	85-90	0-5	28	115-120	20-25	0-2.5	15-20	431 (282)	484 (316)	48 (32)
Robin Johnson (Interim Director VB, Overseas) <sup>4 6 8</sup>	75-80	0-5	48	125-130	15-20	2.5-5	0-5	158 (207)	182 (259)	20 (52)
Tim Holt (Director VE, Marketing) <sup>4</sup>	70-75	0-5	58	130-135	15-20	2.5-5	15-20	203 (240)	238 (302)	32 (62)
Louise Stewart (Director VE, Strategy & Development) <sup>4 5</sup>	45-50	5-10	24	75-80	5-10	0-2.5	5-10	102 (142)	113 (166)	6 (26)
Carol Dray (Interim Director BTA, Commercial) <sup>4 5</sup>	10-15	0	3	10-15	0-5	0-2.5	0-5	0 (0)	5 (4)	5 (4)
Andrew Stokes (Interim Director VE) <sup>4 5</sup>	10-15	0	1	10-15	0-5	0-2.5	0-5	0 (0)	3 (2)	3 (2)

<sup>1</sup>No benefit in kind was paid in 2015/16

<sup>2</sup>Mr Berresford's and Ms McGee left the organisation on 15/01/2016 and 31/03/2016 respectively. Their salaries include "Pay in lieu of notice" compensation paid, falling in a range of £55-60k and £70-75k respectively.

<sup>3</sup>The real increase in cash equivalent takes into account an assumed rate of revaluation of nil, in line with the Government's statutory revaluation order for 2015/16; in 2014/15 the inflation rate was 1.2%.

<sup>4</sup>All directors have a normal retirement age of 60, except J Beresford and L Stewart, who have a normal retirement age of 65.

<sup>5</sup>Louise Stewart left the organisation on 9th Oct 2015 on an FTE of £93,690. Carol Dray started on 29th Feb 2016 with an FTE of £120,000. Andrew Stokes started on 3rd Feb 2016 with an FTE of £87,999.

<sup>6</sup>Robin Johnson became interim Director on 1st April 2015 with an FTE of £80,000.

<sup>7</sup>Includes additional employer contribution of £396,652 paid direct to the scheme as pension enhancement.

<sup>8</sup>Opening and closing CETV and the real increase in CETV have been restated due to incorrect start date applied for calculation on last year's account

**Remuneration Report** *(Continued)*

'Salary' includes gross salary, consolidated performance pay and any other allowances. Bonuses paid are accounted for separately. The pension benefits for the Executives are provided through the British Tourist Boards' Pension Scheme (see Note 25 to the Accounts).

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid Director in BTA in the financial year 2016/17 was £170,000-175,000 (2015/16 - £150,000-£155,000). This was 4.8 times (2015/16: 4.3) the median remuneration of the workforce, which was £36,309 (2015/16: £35,164). The increase in the salary for the highest-paid director from 2015/16 to 2016/17 is due to the change in organisational structure which resulted in consolidation of the VE CEO role with the BTA. The median remuneration is based on all UK and overseas staff only; it excludes agency workers and contractors.

No employees were paid more than the highest paid director. Remuneration ranged from £4,000 to £175,000 (2015/16: £4,000 - £155,000). Total remuneration includes salary, non-consolidated performance-related pay, bonuses and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Sally Balcombe  
Accounting Officer  
BTA  
29 June 2017

## Staff Report

VisitBritain and VisitEngland staff are employed by BTA and all employment matters are managed jointly.

### Staff costs

Staff costs comprise:

	2017			2016		
	Permanent Staff £'000	Others £'000	Total £'000	Permanent Staff £'000	Others £'000	Total £'000
Staff costs (including Directors) comprise:						
Salaries	7,676	4,467	12,143	7,309	4,750	12,059
Social Security costs	852	502	1,354	688	441	1,129
Other pension costs	3,054	85	3,139	1,880	44	1,924
<b>Administration operating staff costs</b>	<b>11,582</b>	<b>5,054</b>	<b>16,636</b>	<b>9,877</b>	<b>5,235</b>	<b>15,112</b>

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2017 Number	2016 Number
Permanent (UK) staff	174	168
Other Staff	115	134
<b>Total staff numbers</b>	<b>289</b>	<b>302</b>

### Exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of BTA's Premature Retirement and Redundancy policy. Exit costs (which includes pension enhancement costs) are accounted for in full in the year of departure. Where BTA has agreed early retirements, the additional costs are met by BTA and not the BTBP Scheme.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2016/17	(2015/16)	2016/17	(2015/16)	2016/17	(2015/16)
<£10,000	-	6	-	-	-	6
£10,000 - £25,000	-	8	-	-	-	8
£25,000 - £50,000	2	5	1	-	3	5
£50,000 - £100,000	2	7	-	1	2	8
£100,000 - £150,000	-	1	-	-	-	1
£150,000 - £200,000	1	1	-	-	1	1
>£200,000	-	1	-	-	-	1
<b>Total number of exit packages by type (total cost)</b>	<b>5</b>	<b>29</b>	<b>1</b>	<b>1</b>	<b>6</b>	<b>30</b>
<b>Total resource cost</b>	<b>£369,811</b>	<b>£1,527,043</b>	<b>£32,557</b>	<b>£59,555</b>	<b>£402,368</b>	<b>£1,586,598</b>

**Staff Report** *(Continued)***Consultancy Expenditure**

Included within support costs is £162k of consultancy expenditure for the year ending 31 March 2016/17 (£nil - 2015/16).

**Tax policy for off-payroll appointees**

The Government's review of the tax arrangements of public sector appointees highlighted the possibility of artificial arrangements to enable tax avoidance, such as the use of personal service companies. The results and recommendations of this review were published on 23 May 2012, including measures for organisations to implement from 2013/14.

All new VisitBritain and VisitEngland contracts and contract renewals have been amended to include a clause which allows us to obtain assurance that individuals are paying the correct amount of tax and national insurance contributions.

The tables below show the number of off-payroll engagements. Note: table 3 shows the number of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", between 1 April 2016 and 31 March 2017. This is a wider definition than is used for determining which individuals should be included in the Remuneration Report.

Table 1: For all off-payroll engagements as of 31 March 2017, for more than £220 per day and lasting longer than six months.

<b>No. of existing engagements as of 31 March 2017</b>	<b>8</b>
Of which...	
No. that have existed for less than one year at time of reporting.	<b>3</b>
No. that have existed for between one and two years at time of reporting.	<b>3</b>
No. that have existed for between two and three years at time of reporting.	<b>1</b>
No. that have existed for between three and four years at time of reporting.	<b>1</b>
No. that have existed for four or more years at time of reporting.	<b>-</b>
Confirmation that all existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.	<b>Confirmed</b>

**Staff Report** (Continued)

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months.

<b>No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017</b>	<b>6</b>
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	<b>6</b>
No. for whom assurance has been requested	<b>6</b>
Of which...	
No. for whom assurance has been received	<b>6</b>
No. for whom assurance has not been received	<b>-</b>
No. that have been terminated as a result of assurance not being received.	<b>-</b>
In any cases where, exceptionally, the department has engaged without including contractual clauses allowing the department to seek assurance as to their tax obligations - or where assurance has been requested and not received, without a contract termination - the department should set out the reasons for this.	<b>N/A</b>

Table 3: For any off-payroll engagements of board members and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	<b>-</b>
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements.	<b>22</b>

**Employment**

The number of employees at 31 March 2017 classified by gender is as follows:

	Male	Female
Senior Executives	3	6
Total number of employees	83	205

## **Staff Report** *(Continued)*

### **Internal Communications**

BTA recognises the Public and Commercial Services Union (PCS) as representing the interests of staff in official negotiations. During the year PCS was consulted on a range of issues, including contractual terms and conditions, organisational changes and pay and grading issues. The PCS union represents staff in grievance and disciplinary cases.

BTA ensures that information is provided to employees in a timely manner and they are consulted on significant matters. This is achieved through the use of a range of communication channels including the staff intranet (incorporating up-to-date news and information, as well as networking forums), staff surveys, regular presentations on initiatives and developments within the organisation and industry, as well as meetings with senior management.

### **Pay**

BTA operates a performance management system and individual objectives are aligned to the Corporate Business Plans. Performance is assessed against targets and demonstration of corporate competencies with payments made based on achievements in both areas. All employees are rewarded purely on the basis of performance. There are no automatic annual increments.

### **Pension**

In the UK BTA offers a defined benefit (final salary) pension for all employees employed before 1 April 2017. BTA introduced a new defined contribution scheme, in agreement with the BTB Pension Trustees, for new starters from 1 April 2017. BTA also offers a defined benefit (final salary) pension for its employees, in the USA, a defined contribution schemes in other parts of the world. All new staff in UK are auto-enrolled into the scheme.

### **Contracts of Employment**

Contracts are open-ended rolling contracts; notice periods for staff are between 1 and 6 months. Termination payments are limited to the notice period unless redundancy is applied in which case a formula is used to calculate the amount of compensation (approximately equating to a lump sum compensation of one month's pay for each complete year of service). Fixed-term contracts are used to employ staff for short project based assignments as appropriate.

### **Sickness Absence**

The average sickness absence per full time employee in 2016/17 was 1 day compared with 1.8 days in 2015/16.

### **Training and Development**

BTA's performance management system is aligned to the corporate competencies of VisitBritain and VisitEngland. As part of the performance management process, training and development needs are identified and all staff are encouraged to take ownership of their own development through Personal Development Plans.

**Staff Report** *(Continued)*

**Equal Opportunities and Disability**

BTA maintains an inclusive environment. All employees have equal opportunities for employment and advancement solely on the basis of ability, qualifications and relevant skills and experience for the work. We are committed to an environment where there is no discrimination on any grounds including age, gender, racial or national origin, religious belief, sexual orientation or disability.

BTA regularly monitors and reports on a range of staff statistics including gender and ethnic origin.

**Investor in People**

VisitBritain has been recognised as an 'Investor in People' since 1994, and currently holds the Silver status which it retained in October 2015. This status is valid until 30 October 2018. BTA is recognised as an ACCA approved employer.

## SUSTAINABILITY REPORT

### Introduction

Consistent with practices from previous years, we continued with initiatives during 2016-17 to improve energy efficiency and our overall impact on the environment. Around the world we have a policy of co-locating with our public diplomacy partners wherever possible. Of our 19 overseas offices in 15 countries, 17 are located within FCO or British Council premises. Our London head office is also based within another government department building. This shared arrangement of energy usage and waste disposal has helped us significantly reduce our carbon footprint.

### Summary of Performance

BTA's key sustainability performance indicators are summarised below:

Sustainability area	Units	Performance	
		2016/2017	2015/2016
<b>Non-financial indicators</b>			
Total CO <sub>2</sub> emissions	Tonnes	677	629
Energy consumption	KWh	917,937	851,769
Total waste	Tonnes	47	42
Water consumption	Meter <sup>3</sup>	3,328	2,792
<b>Financial indicators</b>			
Energy consumption costs	£'000	£91.2	£82.0
Official business travel costs	£'000	£380.7	£360.7
Waste disposal costs	£'000	£9.91	£8.84
Water supply costs	£'000	£3.22	£3.78

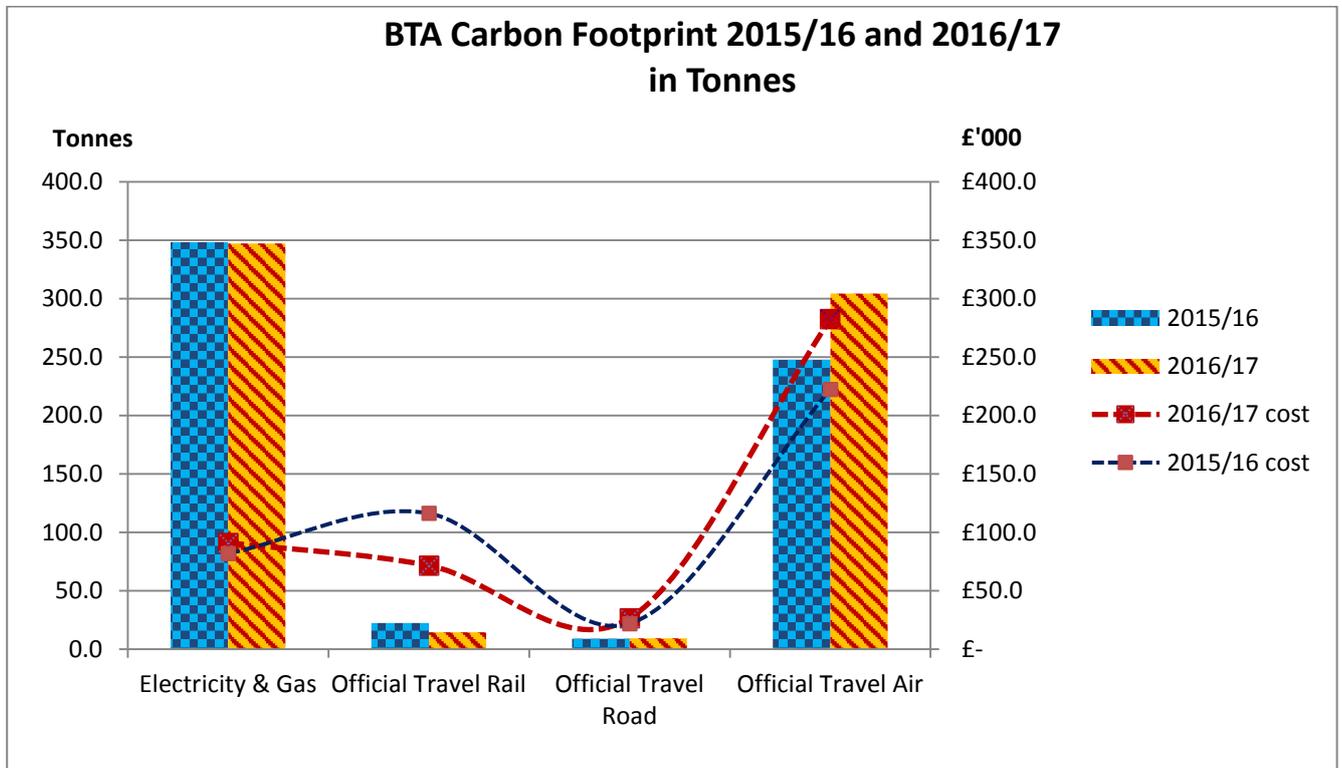
### Notes:

The scopes and conversion rates are set out in the Guidelines to DEFRA/DECC's Greenhouse Gas Protocol Conversion Factors for Company Reporting.

The rental arrangements for most of our overseas offices mean energy, water consumption and waste data are not readily available. Best estimates have been made using data from comparable offices.

Statement of Sustainability (Continued)

**BTA Carbon Footprint**



In 2016/17 there have been increases in CO<sub>2</sub> emissions, electricity and water consumption compared with 2015/16. This is due to an increase in the total number of personnel employed during the year in the UK office. Also, our Dubai team moved into a larger premises, which contributed to the increase in the consumption of utilities.

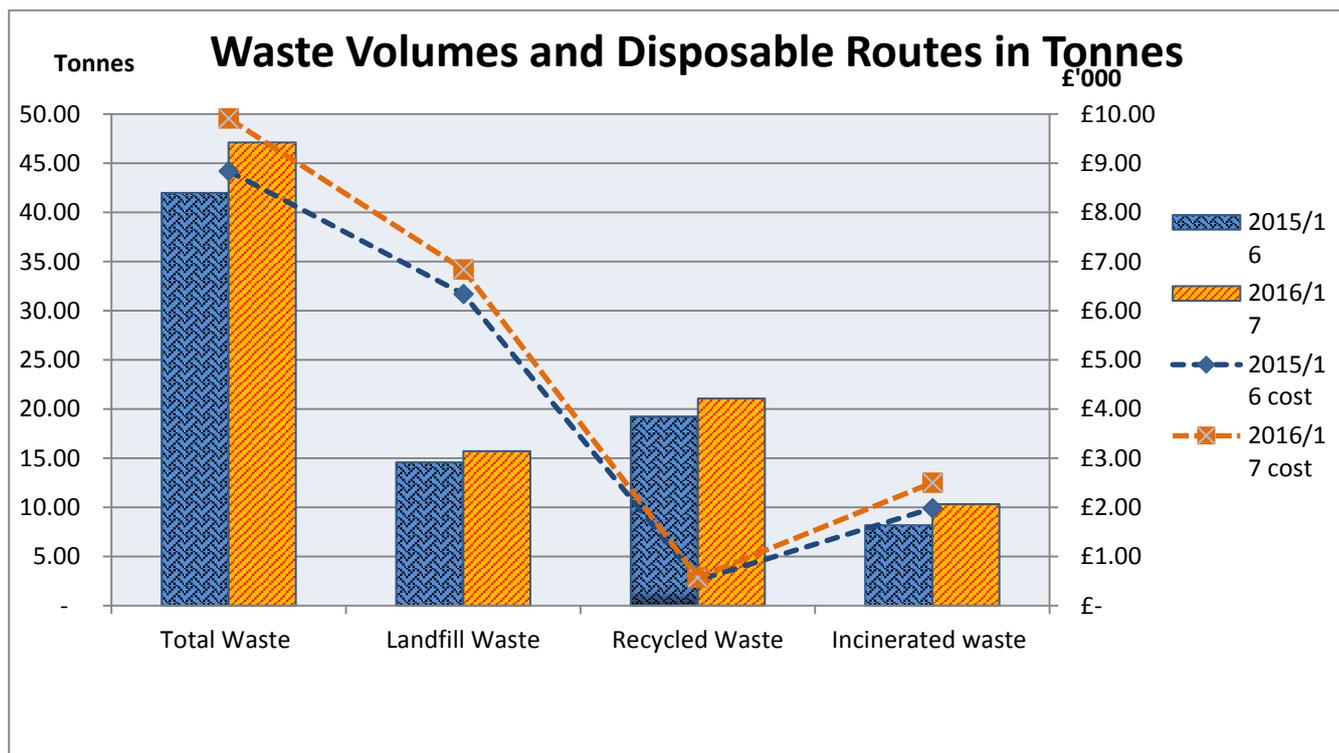
In addition to this, the increase in CO<sub>2</sub> emissions is also due to the increase in air travel during the year (please see below). Despite this our London office reduced the amount of floor space occupied and promoted flexible working conditions in an attempt to save on costs and environmental impact.

We are an international organisation that needs to maintain good communication with staff around the world and to communicate our work to our stakeholders. There was an increase this year in air travel undertaken by the organisation, as compared with 2015/16, mainly due to travel undertaken to meet with commercial partners and attend industry trade events. This was necessary in order to achieve our organisational objectives and increase our commercial reach. Inductions for new overseas staff also contributed towards our increased travel requirements. Wherever possible however, our company uses information technology, such as video conferencing and webinars, to hold meetings and communicate with our staff.

We operate a Cycle Loan scheme offering staff an interest-free loan to purchase bicycles and we are also a member of the Evan's Cycles Ride2Work scheme. This scheme takes advantage of the Government's Green Transport Plan by allowing BTA employees to lease a new bike and receive tax savings while doing so.

Statement of Sustainability (Continued)

			2016/2017	2015/2016
Non- Financial Indicators ( tonnes)	Total Waste		47.11	41.98
	Hazardous waste	Total	-	-
		Landfill	15.71	14.57
		Reused/Recycled	21.07	19.24
		Incinerated/Energy from Waste	10.32	8.17
Financial Indicators £'000	Total disposal cost		9.91	8.84
	Hazardous waste - Total Disposal cost		-	-
	Non-hazardous waste - Total disposal cost	Landfill	6.84	6.34
		Reused/Recycled	0.57	0.52
		Incinerated/energy from waste	2.50	1.98



**Statement of Sustainability** *(Continued)*

The removal of individual waste bins and provision of communal separate bins for recyclable and non-recyclable waste has promoted more sustainable waste disposal practices.

**Sustainable Procurement**

We employ Government Buying Standards when procuring affected goods and services. Additionally, where sustainability issues are critical to the performance of a product or service, we will ensure that they are included in our selection process. Such information may include energy consumption, the life-cycle of consumables or the lifetime of a product.

Our print buying policy recommends using Forest Stewardship Council certified or recycled paper for our marketing materials, leaflets and books. We avoid using materials and print finishes that are non-recyclable and regularly review print volumes and stock levels to minimise wastage.

## STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES

Under Section 6(1) of the Development of Tourism Act 1969, the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, has directed the British Tourist Authority to prepare for each financial year a statement of accounts in the form, and on the basis, set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the British Tourist Authority and of its comprehensive net expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- 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 accounts; and
- Prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Culture, Media and Sport has appointed me as the Accounting Officer of the British Tourist Authority. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the BTA's assets, are set out in Managing Public Money published by the HM Treasury.

As Accounting Officer, I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Sally Balcombe  
Accounting Officer  
BTA

29 June 2017

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SCOTTISH PARLIAMENT

I certify that I have audited the financial statements of the British Tourist Authority for the year ended 31 March 2017 under the Development of Tourism Act 1969. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows and Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the in the Remuneration and Staff Report that is described in that report as having been audited.

### **Respective responsibilities of the Board, Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer Responsibilities, the British Tourist Authority and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Development of Tourism Act 1969. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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 British Tourist Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the British Tourist Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report 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 certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities that govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the British Tourist Authority's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Development of Tourism Act 1969 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Development of Tourism Act 1969; and
- the information given in the Performance and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement of Corporate Governance by the Accounting Officer does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
12 July 2017

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

### 3. FINANCIAL STATEMENTS

	<i>Note</i>	2017 £'000	2016 £'000
<b>Revenue</b>			
Income from activities	6	33,014	29,044
Other income	7	1,452	1,768
<b>Expenditure</b>		<b>34,466</b>	<b>30,812</b>
Employee benefits costs	8	(16,636)	(15,112)
Depreciation and amortisation	17, 18	(480)	(312)
Other operating charges	9	(69,428)	(71,605)
Grants paid	11	(5,293)	(6,836)
Re-organisation costs	12	(665)	(1,847)
		<b>(92,502)</b>	<b>(95,712)</b>
<b>Net Expenditure before finance income</b>	<b>13</b>	<b>(58,036)</b>	<b>(64,900)</b>
Finance income	15	27	48
Finance expense	15	(1,016)	(828)
<b>Net Expenditure for the year</b>		<b>(59,025)</b>	<b>(65,680)</b>
<b>Other Comprehensive Income / (Expenditure)</b>			
<i>Items that will not be reclassified to net expenditure</i>			
Decrease (Increase) in UK pension liability on unfunded schemes	25	14	103
Remeasurements of defined benefit pension obligations	25	4,844	(3,910)
<b>Other Comprehensive Expenditure</b>		<b>4,858</b>	<b>(3,807)</b>
<b>Total Comprehensive Net Expenditure for the year</b>		<b>(54,167)</b>	<b>(69,487)</b>

All income and expenditure derived from continuing activities

The Notes on pages 73 to 112 form part of these financial statements.

British Tourist Authority trading as VisitBritain and VisitEngland

Statement of Financial Position as at 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	367	168
Intangible Assets	18	230	405
Investment in subsidiary	19	1	1
Retirement benefit assets	25	27	-
<b>Total non-current assets</b>		<b>625</b>	<b>574</b>
<b>Current assets</b>			
Inventories	20	6,354	4,515
Trade and other receivables	21	4,429	6,056
Cash and cash equivalents	22	4,834	7,408
<b>Total current assets</b>		<b>15,617</b>	<b>17,979</b>
<b>Total assets</b>		<b>16,242</b>	<b>18,553</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	(13,565)	(15,048)
Derivative financial liabilities	24	(16)	(69)
<b>Total current liabilities</b>		<b>(13,581)</b>	<b>(15,117)</b>
<b>Total Assets less Current Liabilities</b>		<b>2,661</b>	<b>3,436</b>
<b>Non-current liabilities</b>			
Retirement benefit liabilities	25	(26,347)	(29,927)
<b>Total non-current liabilities</b>		<b>(26,347)</b>	<b>(29,927)</b>
<b>Total liabilities</b>		<b>(39,928)</b>	<b>(45,044)</b>
<b>Total Net Liabilities</b>		<b>(23,686)</b>	<b>(26,491)</b>
<b>Taxpayers' Equity</b>			
Income and expenditure reserve		(23,686)	(26,491)
		<b>(23,686)</b>	<b>(26,491)</b>

The financial statements were approved by the Board on 27<sup>th</sup> June 2017 and were signed on its behalf by:

Sally Balcombe  
Accounting Officer  
BTA

The Notes on pages 73 to 112 form part of these financial statements.

**British Tourist Authority trading as VisitBritain and VisitEngland**

**Statement of Cash Flows for the Year Ended 31 March 2017**

	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(59,025)	(65,680)
Adjustments for:			
Depreciation and amortisation	17, 18	480	312
Defined benefit pension cost	25	2,612	2,322
Net finance costs – UK & US pension scheme	25	1,016	828
Unrealised foreign exchange difference on US pensions scheme	25	26	14
Defined benefit employer pension contribution	25	(2,403)	(3,428)
Fair value adjustment on financial assets	24	(53)	69
<b>Cash flows from operating activities before changes in working capital and provisions</b>		<b>(57,347)</b>	<b>(65,563)</b>
Decrease in trade and other receivables		1,627	1,321
(Increase) in inventories		(1,839)	(1,255)
(Decrease)/Increase in trade and other payables		(1,483)	5,380
<b>Net cash flows from operating activities</b>		<b>(59,042)</b>	<b>(60,117)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(462)	(179)
Purchases of Intangible Assets		(42)	(74)
<b>Net cash (outflows) from investing activities</b>		<b>(504)</b>	<b>(253)</b>
<b>Financing activities</b>			
Grant-in-aid received from the DCMS		56,972	66,768
<b>Net cash flows from financing activities</b>		<b>56,972</b>	<b>66,768</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,574)</b>	<b>6,398</b>
Cash and cash equivalents at beginning of the year	26	7,408	1,010
Cash and cash equivalents at end of the year	26	<b>4,834</b>	<b>7,408</b>

The Notes on pages 73 to 112 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2017

	Income and Expenditure £'000	Total Taxpayer's deficit £'000
<b>Balance as at 1 April 2015</b>	<b>(23,772)</b>	<b>(23,772)</b>
<b>Changes in reserves 2015/16</b>		
Total comprehensive net expenditure for the year	(69,487)	(69,487)
Grant in Aid - Resource (see note 5)	66,582	66,582
Grant in Aid - Capital (see note 5)	186	186
<b>Balance as at 31 March 2016</b>	<b>(26,491)</b>	<b>(26,491)</b>
<b>Changes in reserves 2016/17</b>		
Total comprehensive net expenditure for the year	(54,167)	(54,167)
Grant in Aid - Resource (see note 5)	56,472	56,472
Grant in Aid - Capital (see note 5)	500	500
<b>Balance as at 31 March 2017</b>	<b>(23,686)</b>	<b>(23,686)</b>

**Reserve**

Income and expenditure

**Description and purpose**

Cumulative net gains and losses recognised in the consolidated income and expenditure statement.

The Notes on pages 73 to 112 form part of these financial statements.

## 1 Accounting Policies

These financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Accounts Direction issued by the Secretary of State under the Development of Tourism Act 1969. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of BTA, for the purpose of giving a true and fair view, has been selected. The particular accounting policies adopted by BTA are described below. They have been applied consistently in dealing with items that are considered material to the accounts, unless otherwise stated.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all of the years presented unless otherwise stated.

### *Basis of Preparation and Going Concern*

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and inventories.

The financial statements have been prepared on a going concern basis, which assumes that BTA will continue in operational existence for the foreseeable future. At the year-end 31 March 2017, BTA had a taxpayers' deficit of £23,686,000 (2015/16: £26,491,000).

The Board has considered the position of BTA, with respect to its obligations to ensure the business can continue in operational existence for the foreseeable future and confirms its approval to adopt the going concern basis for preparing these accounts.

The main factors the Board of BTA has considered in reaching this conclusion are summarised as follows:

- BTA is a non-departmental public body that is funded by the Department for Culture, Media and Sport (DCMS) through the Comprehensive Spending Review (CSR) process;
- BTA operating cash flows, taking into consideration Grant in aid funding, remains positive and based on current forecasts and budgets it will continue to do so for the foreseeable future;
- The taxpayers deficit is considered to be primarily caused by the retirement benefit obligation and related actuarial losses recognised in 2010 in the amount of £21,714,000 and which reflects a balance of £26,170,000 at 31 March 2017. Negotiations are in progress with the UK Pension Trustees aimed at rescheduling a planned programme of repayments to clear the deficit will be agreed as Actuarial Triennial valuation. We will also be in discussion regarding future potential changes to meet HM Treasury requirements on Pension Reform and their potential impact.

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

### *Government Grants*

Grant-in-aid received for revenue purposes from the sponsoring body is treated as financing by crediting it to the income and expenditure reserve per FReM 8.1.13. Grant-in-aid received for the purchase of fixed assets in general is credited to the income and expenditure reserve.

## Accounting Policies (Continued)

### *Property, Plant and Equipment*

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Property, plant and equipment are subsequently carried at current value in existing use and are subject to revaluation under Modified Historic Cost Accounting (MHCA) when material. Changes in current value in existing use are recognised in the revaluation reserve. An appropriate transfer is made from the revaluation reserve to the income and expenditure reserve when property, plant and equipment are expensed through the Statement of Comprehensive Net Expenditure (e.g. through depreciation, impairment or sale).

BTA has a policy of capitalisation of all property, plant and equipment over £1,000.

### *Depreciation*

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items evenly over their expected useful economic lives or to their estimated residual values. It is applied at the following rates:

Improvement to leasehold land and building - the lease term

Fixtures and fittings - six years\*

Computer equipment - three years\*

\* For these categories of assets, depreciation is charged for a full year in the year of purchase and no charge is made in the year of disposal.

### *Intangible assets*

Acquired intangible assets are initially recognised at cost. Costs are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

Intangible assets are subsequently carried at current value in existing use. Where no active market exists of the intangible assets, current value in existing use is determined with reference to the lower of depreciated replacement cost and value in use (if the asset is income generating). Changes in current value in existing use are recognised in the revaluation reserve. An appropriate transfer is made from the revaluation reserve to the income and expenditure reserve when intangible assets are expensed through the Statement of Comprehensive Net Expenditure (e.g. through amortisation, impairment or sale).

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by BTA are recognised as intangible assets if the following can be demonstrated:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the BTA is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

### Accounting Policies (Continued)

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years. The amortisation expense is included in the Statement of Comprehensive Net Expenditure.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the Statement of Comprehensive Net Expenditure as incurred.

#### *Inventories*

Inventories consist of transport and attraction tickets, publications and maps/guides. Inventories are initially recognised at cost, and subsequently measured at the lower of cost and net realisable value. Net realisable value is estimated selling price in the ordinary course of business less further expected costs to be incurred to completion and estimated costs necessary to make the sale. Costs incurred in producing publications and promotional items for which no revenue is obtained are charged to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

#### *Derivatives and Financial Instruments*

The recognition and measurement of financial instruments complies with IAS 39 'Financial Instruments - Recognition and Measurement' in so far as it applies to BTA.

#### *Financial Assets*

BTA has not classified any of its financial assets as held to maturity or available for sale.

BTA accounting policy for each category is as follows:

*Fair value through profit and loss:* This category comprises only in-the-money derivatives. They are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Net Expenditure in 'other operating charges'. Other than derivative financial instruments which are not designated as a hedging instrument, BTA does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit and loss.

*Receivables:* These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables). They are recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective interest rate method.

#### *Financial Liabilities*

*Financial liabilities measured at amortised cost:* This category includes trade payables and other short-term monetary liabilities, which are recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

*Financial liabilities measured at fair value through profit and loss:* This category comprises only out of the money derivatives. They are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Net Expenditure in other operating expenses.

## Accounting Policies (Continued)

### *Provisions for Liabilities and Charges*

Provisions are made when a current obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Restructuring provisions are made for direct expenditure of a business reorganisation where the plans are sufficiently detailed and well advanced, approved by the Board of BTA and where appropriate communication to those affected has been undertaken at the Statement of Financial Position date.

### *Impairment of Non-financial Assets (excluding Inventories, Investment Properties and Deferred Tax Assets)*

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the other operating charges line item in the Statement of Comprehensive Net Expenditure, except to the extent they reverse gains previously recognised, in which case they are debited to the revaluation reserve.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that BTA will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Net Expenditure. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### *Translation of Foreign Currencies*

Foreign currency transactions arising from normal trading activities are recorded at the rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the Statement of Comprehensive Net Expenditure as they arise.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated Statement of Comprehensive Net Expenditure.

### *Value Added Tax (VAT)*

UK VAT - BTA is subject to partial restriction on the deductibility of VAT on inputs calculated in accordance with a formula agreed with HM Revenue and Customs (HMRC). The amount of irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure in the year to which it relates.

Overseas VAT - In countries where BTA is not registered for VAT and does not recover VAT the costs of activities are charged gross, inclusive of VAT, to the Statement of Comprehensive Net Expenditure. In countries where BTA recovers VAT, either fully or partially, the treatment of irrecoverable VAT is the same as for UK VAT.

## Accounting Policies (Continued)

### *Leased Assets - Operating Leases*

Leases of property, plant and equipment where BTA holds substantially all the risks and rewards of ownership are classified as finance leases. BTA currently has no leases of this type.

Leases where a significant portion of the risks and rewards are held by the lessor are classified as 'operating leases'. All leases regarded as operating leases and rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

### *Revenue*

Revenue represents the fair value of consideration received or receivable for services provided and goods sold, net of discount and sales taxes. Revenue from long term contractual arrangements is recognised based on the percentage of completion method.

Revenue from the Quality Assessment Schemes is derived from annual participation fees and one-off joining fees from those who participate in the schemes. Only when an assessment has been physically undertaken is the participation fee recognised as income. New joiners to the scheme pay a non-refundable joining fee which is recognised as income when received.

### *Retirement Benefits*

Employee benefits, including pensions and other post-retirement benefits are presented in these financial statements in accordance with IAS 19 'Employee Benefits'. BTA has both defined benefit and defined contribution plans.

### *Defined Contribution Plan*

A defined contribution plan is a pension plan under which BTA pays fixed contributions into a scheme and has no legal or constructive obligations to pay further if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Net Expenditure in the year to which they relate.

### *Defined Benefits Scheme*

A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

**Accounting Policies** *(Continued)*

Re-measurements of the net defined obligation/asset are recognised directly within equity through other comprehensive income / (expenditure) in the period in which they arise. The re-measurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

Service costs are recognised in the Statement of Comprehensive Net Expenditure, and include current and past service costs as well as gains and losses on curtailments. They are included as part of staff costs.

Net interest expense (income) is recognised in the Statement of Comprehensive Net Expenditure, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period. The assets are shown within finance costs or finance income as appropriate.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in the Statement of Comprehensive Net Expenditure.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

Recognition of any surplus in the defined benefit schemes is limited based on the economic gain the BTA is expected to benefit from in the future by means of a refund or reduction in future contributions to the plan, in accordance with IAS 19.

Contributions are made to the British Tourist Boards' Staff Pensions and Life Assurance Scheme (see Note 25) in accordance with the advice of independent actuaries and are charged to the Statement of Comprehensive Net Expenditure in the year to which they relate. Overseas pension schemes are treated similarly.

## Accounting Policies (Continued)

### *Standards, Amendments and Interpretations to Existing Standards not yet Effective*

The application of any new or amended IFR standards is governed by their adoption by the FReM. Usually such changes are not put into effect by the FReM until the effective date of the related IFRS, although occasionally some changes are adopted early or may be delayed. The following standards have been published but are not effective for the periods presented and BTA has chosen not to early adopt:

- IFRS 9: Financial Instruments (from 1 January 2018)
- IFRS 14: Regulatory Deferral Accounts (not endorsed by the EU)
- IFRS 15: Revenue from Contracts with Customers (from 1 January 2018)
- IFRS 16: Leases - Replace IAS 17 in its entirety (from 1 January 2019)
- Amendments to IAS 7: Statement of cash flows - disclosure initiative amendments (from 1 January 2017)
- IAS 12 (Amendment) - Income taxes - Statement of cash flows - Recognition of Deferred Tax assets for unrealized losses (from 1 January 2017)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (from 1 January 2018)
- IFRIC 22: Foreign currency transactions and advance consideration (from 1 January 2018)
- Annual improvements 2014 -2016 (from 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (from 1 January 2018)

IFRS 9: Financial Instruments (effective from 1 January 2018). It is envisaged that this standard will replace IAS 39: Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 (2010) deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. IFRS 9 has not yet been adopted by the European Union

IFRS 15: Revenue from Contracts with Customers (for accounting periods beginning on or after 1 January 2018) establishes a single comprehensive model to use in the accounting of revenue arising from customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity is entitled in exchange for those goods or services.

BTA is currently assessing the impact of these amendments, revisions and interpretations on its Financial Statements but, at this stage, does not consider that they will have a significant material effect save for any additional disclosure requirements.

IFRS 16: Leases (for accounting periods beginning on or after 1 January 2019) replaces IAS 17 in its entirety and addresses the recognition, measurement, presentation and disclosure requirements of lease agreements. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases over 12 months. IFRS 16 has not yet been adopted by the European Union.

## 2 Significant Accounting Estimates and Judgements

BTA makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets are measured at fair value depreciated over their useful lives to their estimated residual values. Fair values, useful lives and residual values are based on management's estimates and are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in carrying value and amounts charged to the Statement of Comprehensive Net Expenditure in specific periods.

### (b) Inventories

The net realisable value of, and demand for, inventories are reviewed on a regular basis and particularly at the year end to provide assurance that it is stated at the lower of cost and net realisable value. Factors that could impact estimated demand and selling prices include the timing and success of innovations, competitor activities, supplier prices and economic trends.

### (c) Defined Benefit Assumptions

The costs, assets and liabilities of the defined benefit schemes operated by BTA are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in Note 25. BTA takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the Statement of Comprehensive Net Expenditure and the Statement of Financial Position.

### 3 Financial Instruments and Risk Management

The principal financial instruments are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Forward exchange contracts (classified as derivative financial assets/liabilities)

The following tables show financial instruments by category:

	2017			2016		
	Loans and Receivables	Financial assets at fair value through profit & loss	Total	Loans and Receivables	Financial assets at fair value through profit & loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Financial assets</u>						
Trade and other receivables	3,386	-	3,386	2,547	-	2,547
Cash and cash equivalents	4,834	-	4,834	7,408	-	7,408
	<b>8,220</b>	<b>-</b>	<b>8,220</b>	<b>9,955</b>	<b>-</b>	<b>9,955</b>

	2017			2016		
	Financial liabilities held at amortised cost	Financial liabilities at fair value through profit and loss	Total	Financial liabilities held at amortised cost	Financial liabilities at fair value through profit and loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Financial liabilities</u>						
Trade and other payables	11,336	-	11,336	11,026	-	11,026
Derivative financial liabilities	-	16	16	-	69	69
	<b>11,336</b>	<b>16</b>	<b>11,352</b>	<b>11,026</b>	<b>69</b>	<b>11,095</b>

### 3 Financial Instruments and Risk Management *(Continued)*

The table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by BTA. BTA considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

There were no transfers between levels during the year (2015/16: Nil).

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The derivative financial instruments recognised as financial liabilities at fair value through profit and loss in the amount of £16k (2015/16: £69k) were classified as level 2 instruments.

Financial liabilities held at amortised cost include trade payables and other short term monetary liabilities, which are recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. There is no material difference between the net carrying amounts and the fair values, and consequently no amortisation of interest on this financial liability class due to their short term nature.

BTA's overall risk management programme seeks to minimise potential adverse effects on BTA's financial performance.

BTA's financial instruments comprise cash and liquid resources and various items such as trade payables and receivables that arise directly from its operations. BTA is exposed through its operations to the following risks:

- Credit risk
- Liquidity risk
- Market risk

In common with all other organisations, BTA is exposed to risks that arise from its use of financial instruments. This Note describes BTA's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in BTA's exposure to financial instrument risks and consequently the objectives, policies and processes are unchanged from the previous period.

The Board of BTA has overall responsibility for the determination of the risk management policies. The objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting BTA's competitiveness and effectiveness. Further details of these policies are set out below:

### 3 Financial Instruments and Risk Management *(Continued)*

#### *Credit Risk*

BTA is primarily exposed to credit risk of £2.7million (2015/16: £2.4million) of trade receivables which are spread over a range of customers and countries. BTA has recovered more than 99% of trade receivables over the last 2 years and write offs in the year 2016/17 amounted to Nil (£500 in 2015/16).

It is group policy, implemented locally, to assess the credit risk of each new customer before entering into binding contracts. Each customer account is then reviewed on an on-going basis (at least once a year) based on available information and payment history.

Quantitative disclosure of the credit risk exposure in relation to trade and other receivables is given in Note 21.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. BTA's main banking arrangements are with Royal Bank of Scotland. Amounts held by overseas operations with banks are kept to a minimum.

BTA does not enter into derivatives to manage credit risk.

#### *Liquidity Risk*

The cash requirements of BTA are met mainly through grant-in-aid provided by the DCMS under the provision of the Act. Following the Government's objectives, BTA seeks to ensure that optimum use is made of all resources during the financial year and so far, as is consistent with its objectives, seeks to maximise non-exchequer resources generally through close working partnerships with the private sector and commercial activities. As a result BTA is not exposed to significant liquidity risk.

#### *Market Risk*

Market risk arises from BTA's interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value, or future cash flows, of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign currency exchange rates (foreign currency risk).

#### *Interest Rate Risk*

BTA is exposed to interest rate risk through its financial assets and liabilities. These financial assets and liabilities carry no or nominal interest, thus BTA considers its exposure to interest rate risk not to be significant. Bank balances are placed on overnight deposit at current bank deposit rates.

The group has no long term borrowings. BTA is not permitted to take out mortgages or other forms of borrowing without explicit government guarantee and should gain DCMS's agreement to any commitment, including borrowing. Any expenditure financed by borrowings without explicit consent from the sponsoring department and HM Treasury would be considered irregular.

#### *Foreign Currency Risk*

Foreign exchange transaction risk arises when individual operations enter into transactions denominated in a currency other than their functional currency.

BTA has a foreign currency policy in place, which has been agreed by the BTA Board and Audit Committee. The latter receives reports at each meeting of the Committee on currency purchases and the outstanding position at that time. BTA's policy is, where possible, to settle liabilities denominated in their functional currency with the cash generated from their commercial operations in that currency. Where considered appropriate, foreign currency exchange forward contracts are used to control the risk of foreign currency fluctuations. At 31 March 2017, BTA had £2.6m open foreign currency exchange forward contract commitments (2015/16: £2m).

#### 4 Segment Information

BTA overall has determined seven reportable segments, five for VisitBritain and four for VisitEngland, that are largely organised and managed separately according to a combination of the nature of services provided and operational spend and geographical location based on the management information.

The main reportable segments are as follows:

##### VisitBritain and VisitEngland

- *Marketing*: International and Domestic marketing activities with the core objective of 'inspiring travellers from overseas to visit and explore Britain' and England both domestic and internationally;
- *Commercial*: has responsibility for partnership activities, product development and distribution and organising events and missions as well as trade support;
- *Retail*: Maximise public investment through commercial activity. The retail operation was reported as part of the Global Network in prior years;
- *Global Network*: Delivering a global network to support tourism promotion overseas, providing an overseas office network for all the national and regional tourist boards and for the tourism industry. By sharing market intelligence, customer insights, local contacts and operational and execution capabilities, VisitBritain helps its UK partners reach overseas customers and together create substantial efficiency savings;
- *Strategy and Communication*: Engaging industry and Government in support of its growth of the tourism industry, Delivering the programme of activity to deliver the national tourism strategy and facilitate sector growth;
- *England*: has responsibility for accommodation standards and visitor attraction grading schemes and provides advice and business support with the overall aim of improving the quality of tourism provision in England;
- *Support Services and CEO Board*: This segment involves the business and administration services of VisitBritain and VisitEngland, and servicing the Board.

The changes in the internal organisation structure during the year as a result of the joining of VisitBritain and VisitEngland into a single body, lead to a change in the manner the BTA presents its reportable segments. The comparative information has accordingly been restated to reflect the new operating segments.

##### *Measurement of operating segment income and expenditure, assets and liabilities*

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

BTA evaluates performance on the basis of the net expenditure i.e. excluding the effects of finance income and notional costs. There are no inter-segment revenue streams.

Due to the nature of VisitBritain and VisitEngland's business, assets and liabilities are not managed on a sector basis and consequently no allocation of assets and liabilities are made to individual operating segments.

## 4 Segment Information (Continued)

## VisitBritain &amp; VisitEngland Total

	Commercial Division	England	Global Network	Marketing	Retail	Strategy & Communication	Support Services & CEO Board	BTA Total
2016/17	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	2,091	715	64	2,176	28,350	13	1,057	34,466
Inter-segmental revenue	-	-	-	-	-	-	-	-
<b>Revenue from external customers</b>	<b>2,091</b>	<b>715</b>	<b>64</b>	<b>2,176</b>	<b>28,350</b>	<b>13</b>	<b>1,057</b>	<b>34,466</b>
Segment deficit for the year	(12,619)	(4,639)	(5,330)	(20,854)	2,238	(4,679)	(11,439)	(57,322)
Net finance (costs)/income	-	-	-	-	-	-	-	(989)
Depreciation and amortisation	-	-	-	-	-	-	-	(480)
Defined benefit pension costs	-	-	-	-	-	-	-	(2,637)
Defined benefit pension contribution adjustment	-	-	-	-	-	-	-	2,403
<b>Segment net expenditure for the year</b>	<b>(12,619)</b>	<b>(4,639)</b>	<b>(5,330)</b>	<b>(20,854)</b>	<b>2,238</b>	<b>(4,679)</b>	<b>(11,439)</b>	<b>(59,025)</b>
<b>2015/16 (Re-stated)</b>								
Income	2,325	928	51	4,139	23,125	32	212	30,812
Inter-segmental revenue	-	-	-	-	-	-	-	-
<b>Revenue from external customers</b>	<b>2,325</b>	<b>928</b>	<b>51</b>	<b>4,139</b>	<b>23,125</b>	<b>32</b>	<b>212</b>	<b>30,812</b>
Segment deficit for the year	(4,041)	(5,426)	(4,757)	(32,627)	1,772	(6,624)	(13,976)	(65,679)
Net finance (costs)/income	-	-	-	-	-	-	-	(780)
Depreciation	-	-	-	-	-	-	-	(312)
Defined benefit pension costs	-	-	-	-	-	-	-	(2,322)
Defined benefit pension contribution adjustment	-	-	-	-	-	-	-	3,413
<b>Segment net expenditure for the year</b>	<b>(4,041)</b>	<b>(5,426)</b>	<b>(4,757)</b>	<b>(32,627)</b>	<b>1,772</b>	<b>(6,624)</b>	<b>(13,976)</b>	<b>(65,680)</b>

**4 Segment Information** *(Continued)*

Geographical Information:

Income (excluding GIA) by country:

	2017	2016
	£'000	£'000
UK	15,699	15,980
Germany	5,172	3,745
France	3,019	2,243
Holland	1,890	1,547
Other Countries	1,785	1,839
United States Of America	1,571	1,534
Italy	1,371	859
India	872	811
Spain	826	485
Australia	740	434
Japan	694	665
Canada	440	310
Sweden	387	360
	<b>34,466</b>	<b>30,812</b>

Geographical information about BTA's non-current assets is not available and the cost to produce this is considered excessive.

**5 Grants**

Government grant-in-aid cash allocation from the Department for Culture, Media and Sport amounts to £56.972 million including £500,000 capital (2015/16: £66.768 million including £186,000 capital grant-in-aid).

Other grants received (see Note 7) include £96k (2015/16: £1,175k) from the UK Trade and Investment for part funding partners attending trade shows overseas to promote UK tourism and £nil (2015/16: £49k) from the European Commission.

**6 Income from Activities**

Gross income represents the invoiced amount of goods sold and services provided (stated net of trade discount and value added tax) and, in the case of continuing activities, the value of work done during the year.

	2017	2016
	£'000	£'000
Revenue arises from:		
Partnership marketing, media and publicity income	2,463	3,645
Income from exhibition, fairs and workshops	1,684	1,553
Income from Commercial activities	28,179	23,084
Quality scheme income	688	762
	<hr/>	<hr/>
Total revenue	<u>33,014</u>	<u>29,044</u>

**7 Other Income**

	BTA	
	2017	2016
	£'000	£'000
Other grants	96	1,224
Office rental income	228	218
VAT Recovered*	825	-
Other income	303	326
	<hr/>	<hr/>
<b>Total other operating income</b>	<u>1,452</u>	<u>1,768</u>

\*relates to the backdated Italian VAT refund.

BTA sub-lets properties in London and also received rental income from London & Partners and Visit Wales in the USA. For the year ended 31 March 2017, the total rental income from the sub-let of properties was £228k (2015/16: £218k).

**8 Employee Benefits Costs**

	2017			2016		
	Permanent Staff	Others	Total	Permanent Staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs (including Directors) comprise:						
Salaries	7,676	4,467	12,143	7,309	4,750	12,059
Social Security costs	852	502	1,354	688	441	1,129
Other pension costs	3,054	85	3,139	1,880	44	1,924
<b>Administration operating staff costs</b>	<b>11,582</b>	<b>5,054</b>	<b>16,636</b>	<b>9,877</b>	<b>5,235</b>	<b>15,112</b>

The average number of employees during the year were as follows:

	2017	2016
	Number	Number
Permanent (UK) staff	174	168
Other Staff	115	134
<b>Total staff numbers</b>	<b>289</b>	<b>302</b>

**9 Other Operating Charges**

	2017	2016
	£'000	£'000
Partnership marketing, media and publicity costs	31,292	38,269
Publishing	1,529	1,413
Commercial cost of sales and overhead cost	25,085	20,226
Quality Scheme Costs	81	55
Distribution costs	111	144
Research and evaluation	3,695	2,433
Property and support costs - Overseas	2,086	1,724
Property and support costs - UK	2,567	2,563
VisitEngland Board secretariat operation costs	22	12
Irrecoverable VAT (UK and Overseas)	3,780	5,106
Prior year creditors provision written off	(316)	(405)
Foreign exchange (gain)/loss	(491)	49
Fair value adjustment on financial asset	(13)	16
<b>Total other operating charges</b>	<b>69,428</b>	<b>71,605</b>

**10 Analysis of Expenditure by Programme and Administration Budget**

Programme expenditure relates to the “GREAT” Image (VB), and ‘Holidays at Home are GREAT’ (VE) Campaigns as well as the Discover England Fund paid out as grant to destinations.

	Administration	Programme	Total	Administration	Programme	Total
	2017	2017	2017	2016	2016	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Partnership marketing, media and publicity costs	12,657	18,635	31,292	19,218	19,051	38,269
Publishing	763	766	1,529	542	871	1,413
Commercial cost of sales and overhead cost	25,085	-	25,085	20,226	-	20,226
Quality scheme costs	81	-	81	55	-	55
Distribution costs	18	93	111	106	38	144
Research and evaluation	2,459	1,236	3,695	2,158	275	2,433
Property and support costs - Overseas	1,603	483	2,086	1,387	337	1,724
Property and support costs - UK	2,567	-	2,567	2,563	-	2,563
VisitEngland Board secretariat operation costs	22	-	22	12	-	12
Irrecoverable VAT (UK and Overseas)	1,315	2,465	3,780	2,733	2,373	5,106
Prior year creditors provision written off	(304)	(12)	(316)	(374)	(31)	(405)
Foreign exchange (gain)/loss	(491)	-	(491)	49	-	49
Fair value adjustment on financial asset	(13)	-	(13)	4	12	16
Employee Benefits Costs	15,529	1,107	16,636	14,409	703	15,112
Depreciation and amortisation	480	-	480	312	-	312
Grants Paid	90	5,203	5,293	5,263	1,573	6,836
Re-organisation costs	665	-	665	1,847	-	1,847
<b>Total other operating charges</b>	<b>62,526</b>	<b>29,976</b>	<b>92,502</b>	<b>70,510</b>	<b>25,202</b>	<b>95,712</b>

**11 Grants Paid**

	2017	2016
	£'000	£'000
General grants relating to Regional Tourism entities	1,457	175
Discover England grants spend on projects	3,836	-
Tourism Fund grants relating to Destination entities	-	6,661
<b>Total grant payments to regional and other tourism bodies</b>	<b>5,293</b>	<b>6,836</b>

**12 Reorganisation Costs**

	2017	2016
	£'000	£'000
Staff redundancy costs*	267	1,014
Other staff and recruitment costs	244	187
Legal and professional fees	6	52
	517	1,253
Office Closure Costs	13	81
Pension enhancement costs**	135	513
	<b>665</b>	<b>1,847</b>

\*Staff redundancy costs include exit packages and other related costs

\*\* Pension enhancement costs incurred in 2016/17 was £135k (2015/16 to £513k), all relating to the BTBP pension scheme, which was adjusted (credited) per the IAS 19 accounting requirement implemented.

**Reporting of Civil Service and other Compensation Schemes - Exit Packages**

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2016/17	(2015/16)	2016/17	(2015/16)	2016/17	(2015/16)
<£10,000	-	6	-	-	-	6
£10,000 - £25,000	-	8	-	-	-	8
£25,000 - £50,000	2	5	1	-	3	5
£50,000 - £100,000	2	7	-	1	2	8
£100,000 - £150,000	-	1	-	-	-	1
£150,000 - £200,000	1	1	-	-	1	1
>£200,000	-	1	-	-	-	1
<b>Total number of exit packages by type (total cost)</b>	<b>5</b>	<b>29</b>	<b>1</b>	<b>1</b>	<b>6</b>	<b>30</b>
<b>Total resource cost</b>	<b>£369,811</b>	<b>£1,527,043</b>	<b>£32,557</b>	<b>£59,555</b>	<b>£402,368</b>	<b>£1,586,598</b>

**13 Net Expenditure before Finance income/(expense)**

	BTA	
	2017	2016
	£'000	£'000
Net expenditure for before finance cost	(58,036)	(64,900)
This has been arrived at after charging/ (crediting):		
VisitBritain Board Members' remuneration	87	80
VisitEngland Board Members' remuneration	83	83
Auditors' remuneration*	52	56
Operating lease expense:		
- Land and buildings	1,750	2,082
- Vehicles and equipment	3	5
Travel, subsistence and hospitality:		
- Chairman and Board Members (VisitBritain)	32	31
- Chairman and Board Members (VisitEngland)	8	9
- Employees	1,296	1,143
Depreciation (note 17)	263	109
Amortisation (note 18)	217	203

\*The external audit fee includes £49.5k (2015/16: £53k) in respect of external audit services performed by the National Audit Office. The fee does not include any fees for non-audit work as no such work was undertaken during the year.

#### 14 Overseas and Domestic Activities

BTA is required under the current Accounts Direction issued by the DCMS to disclose separately, expenditure on the promotion of Britain internationally and England domestically and internationally and to disclose the expenditure made on behalf of the ETB Board Members.

The following table reports total expenditure split between international and domestic marketing activities:

2016/17	Britain	England	England	Total
	International	Domestic	International	
	£'000	£'000	£'000	
Employee benefit costs (see note 8)	12,107	4,529	-	16,636
Re-organisation staff related costs and professional fees (see note 12)	365	287	-	652
Re-organisation other costs (see note 12)	13	-	-	13
Project costs	54,111	9,657	181	63,949
Operational costs	8,731	2,506	15	11,252
<b>Gross expenditure per the Statement of Comprehensive Net Expenditure</b>	<b>75,327</b>	<b>16,979</b>	<b>196</b>	<b>92,502</b>
Less:-				
Other grant income	90	-	6	96
Non-Government Funding (NGF) (see note 6 and 7)	33,371	958	41	34,370
Finance income (see note 15)	(712)	(277)	-	(989)
<b>Net expenditure per the Statement of Comprehensive Net Expenditure</b>	<b>42,578</b>	<b>16,298</b>	<b>149</b>	<b>59,025</b>

\* Project costs include marketing, commercial cost of sales and research (see notes 9 and 11).

\*\*Operational costs relates to overhead costs, depreciation and amortisation (see notes 9, 17 and 18)

2015/16	Britain	England	England	Total
	International	Domestic	International	
	£'000	£'000	£'000	
Employee benefit costs (see note 8)	10,617	4,495	-	15,112
Re-organisation staff related costs and professional fees (see note 12)	853	913	-	1,766
Re-organisation other costs (see note 12)	81	-	-	81
Project costs	54,333	12,248	-	66,581
Operational costs	10,061	2,111	-	12,172
<b>Gross expenditure per the Statement of Comprehensive Net Expenditure</b>	<b>75,945</b>	<b>19,767</b>	<b>-</b>	<b>95,712</b>
Less:-				
Other grant income	1,075	149	-	1,224
Non-Government Funding (NGF) (see note 6 & 7)	28,408	1,180	-	29,588
Net finance cost (see note 15)	(534)	(246)	-	(780)
<b>Net expenditure per the Statement of Comprehensive Net Expenditure</b>	<b>46,996</b>	<b>18,684</b>	<b>-</b>	<b>65,680</b>

**14 Overseas and Domestic Activities** *(Continued)*

The allocation of expenditure between international and domestic activity is made as follows:

1. Expenditure undertaken directly for international or domestic activity is allocated directly;
2. Expenditure that is a shared resource for economic or control reasons is allocated using various ratios that recognise the underlying impact. The criteria used for such allocation includes; time, space or allocation recognising use of corporate resources;
3. It is not possible to split capital expenditure between domestic and international activity as the fixed assets are shared between all areas.

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (see note 8)	16,636	15,112
Exceptional re-organisation staff costs (see note 12)	517	1,253
Exceptional re-organisation other costs (see note 12)	148	594
Other operating charges (see note 9)	69,428	71,605
Depreciation and Amortisation (see note 17 and 18)	480	312
Grant paid to Regional Tourist Boards (see note 11)	5,293	6,836
<b>BTA expenditure per Statement of Comprehensive Income</b>	<b>92,502</b>	<b>95,712</b>

<b>VisitEngland Board Member's expenditures</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Board Members' remuneration	82,950	82,950
Employers NI & other taxes	5,850	5,850
Travel & subsistence and secretariat	8,410	9,160
<b>Total expenditure</b>	<b>97,210</b>	<b>97,960</b>

**15 Finance Income**

	<b>BTA</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Finance Income:</i>		
Interest received on bank deposits	27	48
	<u>27</u>	<u>48</u>
<i>Finance expense:</i>		
Net interest cost on UK & US pension schemes (see note 25)	(1,016)	(828)
<b>Net finance expense</b>	<u><b>(989)</b></u>	<u><b>(780)</b></u>

**16 Tax Expense**

BTA is assessed for Corporation Tax in the UK on its activities, excluding those funded by grant-in-aid. Unused taxable losses carried forward to 2016/17 amount to £83million (2015/16: £72.9million) and the estimated taxable losses for 2016/17 are approximately £10.1million.

BTA is assessed for corporate tax in Germany and India and in all of these countries there is no corporate tax due.

**17 Property, Plant and Equipment**

	Leasehold improvements £'000	Motor vehicles £'000	IT equipment £'000	Fixtures fittings & equipments £'000	Total £'000
<b><i>Cost or valuation</i></b>					
Balance at 31 March 2015	-	25	311	-	336
Additions	-	-	179	-	179
Disposals	-	(25)	(162)	-	(187)
<b>Balance at 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>328</b>	<b>-</b>	<b>328</b>
Additions	17	-	429	16	462
Disposals	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>17</b>	<b>-</b>	<b>757</b>	<b>16</b>	<b>790</b>
<b><i>Accumulated depreciation</i></b>					
Balance at 31 March 2015	-	25	213	-	238
Charge for the year	-	-	109	-	109
Disposals	-	(25)	(162)	-	(187)
<b>Balance at 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>160</b>	<b>-</b>	<b>160</b>
Charge for the year	8	-	252	3	263
Disposals	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>8</b>	<b>-</b>	<b>412</b>	<b>3</b>	<b>423</b>
<b><i>Net carrying value</i></b>					
At 31 March 2016	-	-	168	-	168
At 31 March 2017	9	-	345	13	367

**17 Property, Plant and Equipment** *(Continued)*

**Improvements to leasehold land and buildings, motor vehicles, computer equipment, fixtures, fittings and equipment**

These classes of assets are carried at fair value and are subject to revaluation under Modified Historic Cost Accounting (MHCA). As in 2015/16, appropriate indices were used and indexation was considered to be insignificant, accordingly no adjustment has been recognised in this regard.

**Capital Commitment**

BTA has no contractual commitment to purchase property, plant and equipment.

**18 Intangible Assets**

	Computer software £'000	Computer software under development £'000	Total £'000
<b><i>Cost or valuation</i></b>			
Balance at 31 March 2015	-	534	534
Additions	-	74	74
Transfers	608	(608)	-
	<hr/>		
Balance at 31 March 2016	<b>608</b>	-	<b>608</b>
Additions	42		42
Transfers			-
	<hr/>		
<b>Balance at 31 March 2017</b>	<b>650</b>	-	<b>650</b>
<b><i>Accumulated amortisation</i></b>			
Balance at 31 March 2016	203	-	203
Charge for the year	217		217
	<hr/>		
<b>Balance at 31 March 2017</b>	<b>420</b>	-	<b>420</b>
<b><i>Net carrying value</i></b>			
At 31 March 2016	<b>405</b>	-	<b>405</b>
	<hr/>		
<b>At 31 March 2017</b>	<b>230</b>	-	<b>230</b>
	<hr/>		

**19 Investment in Subsidiary Undertakings**

	2017	2016
	£'000	£'000
<b>Cost</b>		
At beginning of the year	1	1
Disposal of subsidiary	-	-
At end of the year	<u>1</u>	<u>1</u>

Subsidiary undertaking	Country of Incorporation	Proportion of ownership interest at 31 March	
		2017	2016
VBSIPL	India	100%	100%

The results of the VisitBritain Services India Private Ltd (VBSIPL) have been excluded from the consolidation on the basis that its inclusion is not material for the purposes of giving a true and fair view.

**20 Inventories**

	2017	2016
	£'000	£'000
Finished goods and goods for resale	6,354	4,515
<b>Total inventories</b>	<u>6,354</u>	<u>4,515</u>

**21 Trade and Other Receivables**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	2,736	2,356
Less: provision for impairment of trade receivables	(14)	(14)
<b>Trade receivables – net</b>	<b>2,722</b>	<b>2,342</b>
VAT receivables	85	1,841
Other receivables	664	205
Prepayments	907	1,553
Accrued income	46	110
HM Government - Section 4 grants recoverable	6	6
Less provisions for irrecoverable section 4 grants	(1)	(1)
<b>Total trade and other receivables</b>	<b>4,429</b>	<b>6,056</b>

There is no material difference between the net carrying amounts and the fair values of trade and other receivables due to their short term nature.

There is no particular concentration of credit risk to BTA's trade receivables as BTA has a large number of customers. The majority of customers are based in the United Kingdom.

**The provision for impairment is analysed as follows:**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April beginning of the year	14	13
Income and Expenditure statement movement	-	1
Provision utilised	-	-
<b>At 31 March end of the year</b>	<b>14</b>	<b>14</b>

The creation and release of provision for impaired receivables has been included in the comprehensive statement of income and expenditure under other expenses.

**21 Trade and Other Receivables** *(Continued)*

The provision for impaired receivables has been included in the Statement of Comprehensive Net Expenditure under other operating charges.

BTA does not hold any collateral as security.

As at 31 March 2017 trade receivables of £544k (2015/16: £318k) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2017 £'000	2016 £'000
Up to 90 days	544	304
Over 90 days	-	14
	<b>544</b>	<b>318</b>

The carrying values of BTA's trade and other receivables are denominated in the following currencies:

	2017 £'000	2016 £'000
<b>VisitBritain (BTA)</b>		
Pound sterling	2,437	5,268
US dollar	1,034	320
Euro	90	225
Other	868	243
	<b>4,429</b>	<b>6,056</b>

**22 Cash and cash equivalents**

	2017 £'000	2016 £'000
Opening Cash at bank and in hand	7,408	1,010
Movement	(2,574)	6,398
<b>Closing Cash at bank and in hand</b>	<b>4,834</b>	<b>7,408</b>

All cash in bank balances are held in commercial bank accounts

**23 Trade and Other Payables**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	4,261	5,857
Other taxes and social security taxes	1,318	3,446
Other payables	1,031	4
Deferred income	906	571
Accruals	6,044	5,165
HM Government - Section 4 grants payable	6	6
Less provisions for irrecoverable section 4 grants	(1)	(1)
<b>Total trade and other payables</b>	<b>13,565</b>	<b>15,048</b>

There is no material difference between the net carrying amounts and the fair values of trade and other payables due to their short term nature.

Maturity analysis of the financial liabilities classified as financial liabilities measured at amortised cost is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Up to 30 days	3,820	4,498
30 to 90 days	422	1,324
Over 90 days	7,094	5,204
	<b>11,336</b>	<b>11,026</b>

The carrying values of BTA's trade and other payables are concentrated in the following principal currencies:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Pound sterling	12,762	13,178
Euro	117	596
US dollar	233	622
Other	453	652
	<b>13,565</b>	<b>15,048</b>

**24 Derivative Financial Instruments**

	2017	2016
	£'000	£'000
Forward foreign exchange contracts - liability	(16)	(69)
<b>Total financial instruments classified as held for trading</b>	<b>(16)</b>	<b>(69)</b>

BTA had £2.6m open foreign exchange contracts at 31 March 2017. All contracts at 31 March 2017 matured in less than 12 months; therefore the instruments were classified as current.

The fair value of BTA's foreign exchange derivatives were based on bank valuations.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative instruments in the Statement of Financial Position.

**25 Retirement Benefits**

BTA operates two post-employment defined benefit schemes for its employees, in the United Kingdom and the USA, and defined contribution schemes in other parts of the world.

The total pension contributions cost of BTA was £3.078million (2015/16 - £3.547million), of which £1.065million (2015/16 - £1.044million) is normal contribution related to BTA's main defined benefit pension scheme, the British Tourist Boards' Pension Scheme. There was also £1,338k (2015/16 - £1,946k) paid to reduce the pension deficit as agreed with the Trustees (see Note 1), and a further £500k accrued at year end in this regard. During 2015/16 a special contribution of £438k was paid to the BTBP Scheme as pension enhancement for staff who took early retirement as part of BTA's restructuring programme. An additional £135k (2015/16 - £75k) has been accrued in this regard pending acceptance of the terms of the restructuring programme.

Total amounts charged for contributions to pension schemes were as follows:

	2017	2016
	£'000	£'000
Normal contribution	1,065	1,044
Pension enhancement exceptional contributions	-	438
Pension deficit recovery contribution*	1,338	1,946
Total pension contribution to the BTBPS	2,403	3,428
Pension enhancement exceptional contributions accrued	135	75
Pension deficit recovery contribution accrued	500	-
Normal contribution - Overseas pension schemes	40	44
Total Pension contribution	3,078	3,547

\*The 2016/17 contribution figure includes £770k of additional voluntary contribution (2015/16 - £1,392k)

BTA is a participant in the British Tourist Boards' Pension Scheme providing pension benefits and life assurance for all UK permanent staff, based upon final pensionable pay.

BTA employees in the USA employed on a local status basis can join the USA defined benefit scheme.

## 25 Retirement Benefits *(Continued)*

The scheme is subject to regular actuarial valuations, which are carried out every three years. The next actuarial valuation for the UK scheme is due to be carried out with an effective date of 31 March 2018 and for the US in January 2019. An actuarial valuation was carried out for both the UK and the US schemes by Xafinity Consulting and Mercer Limited respectively as at 31 March 2016, and has been updated for the accounting disclosure as at 31 March 2017 by the respective qualified independent actuaries. The valuation using IAS 19 assumptions and methodology form the basis of this disclosure.

BTA also has additional pension liability of £177k (2015/16: £191k) for pension payments to ex-chairmen which are unfunded and are included within the retirement benefit liabilities in the Statement of Financial Position.

### UK BTBP Scheme

The UK scheme is a multi-employer defined benefit scheme including other Tourist Boards where the employers' contributions are affected by a surplus or deficit in the scheme, but the contribution rate is set at a common level and does not reflect the liability of the individual participating employer. In accordance with IAS 19, BTA's share of the assets and liabilities has been identified and is reflected in the accounts.

BTA (along with the other participant employers) sponsors the British Tourist Boards' Staff Pension Scheme, a funded defined benefit pension scheme in the UK. The scheme provides pensions and lump sums to members on retirement and to their dependants on death. The scheme is set up as a separate trust independent of the employers and is administered by independent trustees. The trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

Responsibility for making good its share of the deficit within the scheme lies with the BTA and this introduces a number of risks for the BTA. The major risks are:

- Investment risk - this is the risk exposure to a movement in the discount rate used (high quality corporate bonds) against the actual return of plan assets.
- Interest rate risk - decreases/increases in the discount rate used (high quality corporate bonds) will expose BTA to an increase/decrease in the defined benefit obligation.
- Longevity rates - changes in the estimation of the mortality rates of current and former employees similarly expose BTA's defined benefit obligation measurement.
- Salary risk - this is the risk exposure to changes in future salaries.

BTA and the Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The trustees manage governance and operational risks through a number of internal control policies, including a risk register.

The trustees ensure that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long term investments that are in line with the obligations under the pension schemes. The objective is to match assets to the pension obligations by investing in a diversified portfolio of investments with maturities that match the benefit payments as they fall due. These investments include a mix of equities, bonds, gilts, annuities and property, as disclosed below. The portfolio of investments is considered to offer the best return over the long term with an acceptable level of risk. The strategy is regularly reviewed and updated as considered appropriate by the trustees.

## 25 Retirement Benefits *(Continued)*

Following the valuation of the scheme in 2012 the employers agreed a deficit recovery plan with the trustees. The plan requires BTA to pay an annual amount in proportion to its share of the deficit. Based on the funding shortfall and agreed contribution levels it is expected that the shortfall will be eliminated by 2033. Funding levels are set in accordance with the scheme's statement of funding principles as agreed with the employers. Current employer contributions in respect of future service are 24.4% for members with a retirement age of 60, and 13.1% for members with a retirement age of 65.

The trustees and employers have also agreed that, if cumulative annual increases in pensionable salaries exceed the equivalent increase in the consumer price index, additional contributions will become payable by the employers to fund the unfunded increase in the scheme liabilities.

BTA's share of the deficit in the UK scheme at the measurement date under the assumptions used is £26.2million (2015/16: £29.5million). The decrease in the defined benefit obligation is primarily due to changes in economic conditions over the year resulting in changes to the assumptions used to value the scheme assets and liabilities, in particular the discount rate and inflation rate assumptions, as well as higher than assumed investment returns on the plan assets. These resulted in an actuarial re-measurement gain of £4.5million (2015/16: loss of £3.6million) being recognised in the year. Actual return on assets amounted to £33.7million (2015/16: £4.5million) compared with an expected return of £4.9million (2015/16: £4.7million), while interest on the defined benefit obligation component amounted to £5.9million (2015/16 - £5.5million), resulting in a net interest cost recognised in the Net expenditure for the year of £1,004k (2015/16 - £831k).

### US Pension Scheme

Similar to the UK scheme, the US pension scheme is administered by a separate fund. The board of trustees of the fund is made up of representatives of BTA and employees (present and former). Plan assets held in trust are governed by local regulation, as is the relationship between BTA and the trustees and their composition. The board also has responsibility for the plan, including setting investment, contribution and other relevant policies.

The scheme is a final salary pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. BTA is responsible for all contributions to the scheme. The level of benefit provided depends on a number of factors including age, years of service and retirement date compensation. Pensions in payment are generally updated for inflationary increases in line with the retail price index. In addition to the inflationary risk, the scheme is exposed to a number of other risks, including:

- Investment risk - this is the risk exposure to a movement in the discount rate used (high quality corporate bonds) against the actual return of plan assets.
- Interest rate risk - decreases/increases in the discount rate used (high quality corporate bonds) will expose BTA to an increase/decrease in the defined benefit obligation.
- Longevity rates - changes in the estimation of the mortality rates of current and former employees similarly expose BTA's defined benefit obligation measurement.
- Salary risk - this is the risk exposure due to changes in future salaries.

The overall position of the US pension scheme is reflects a net asset of £27k (2015/16: liability of £273k). Similar to the UK scheme, the asset in the current year was mainly caused by higher than assumed investment returns on plan assets, which accounted for a £388k gain in the fund (2015/16: loss of £184k) BTA employer contribution is nil for the current year, which should continue for the foreseeable future as the trustees seek to limit the BTA's exposure to future contributions.

**25 Retirement Benefits** *(Continued)*

Details of BTA's defined benefit schemes are as follows:

	2017			2016		
	UK scheme	Overseas (US) scheme	Total	UK scheme	Overseas (US) scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Reconciliation to statement of financial position</b>						
Fair value of plan assets	176,630	2,635	<b>179,265</b>	146,454	2,081	<b>148,535</b>
Present value of funded obligations	(202,800)	(2,608)	<b>(205,408)</b>	(175,917)	(2,354)	<b>(178,271)</b>
Total of funded schemes	(26,170)	27	<b>(26,143)</b>	(29,463)	(273)	<b>(29,736)</b>
Present value of unfunded obligations	(177)	-	<b>(177)</b>	(191)	-	<b>(191)</b>
Net assets/ (liabilities)	(26,347)	27	<b>(26,320)</b>	(29,654)	(273)	<b>(29,927)</b>

**Reconciliation of movement in fair value of plan assets**

The movement in the fair value of plan assets over the year is reconciled as follows:

	2,017			2,016		
	UK scheme	Overseas (US) scheme	Total	UK scheme	Overseas (US) scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At the beginning of the year	146,454	2,081	<b>148,535</b>	144,129	2,867	<b>146,996</b>
Interest income	4,920	81	<b>5,001</b>	4,650	99	<b>4,749</b>
Administrative expenses paid	(326)	(10)	<b>(336)</b>	(387)	(29)	<b>(416)</b>
Remeasurements:						
Transfers in	41		<b>41</b>			
Return on plan assets (excluding interest)	28,743	307	<b>29,050</b>	(148)	(283)	<b>(431)</b>
Exchange gain/(loss)	-	327	<b>327</b>	-	58	<b>58</b>
Contributions by participants	339	-	<b>339</b>	320	-	<b>320</b>
Contributions by BTA	2,403	-	<b>2,403</b>	3,428	-	<b>3,428</b>
Benefits paid	(5,944)	(151)	<b>(6,095)</b>	(5,538)	(631)	<b>(6,169)</b>
At end of year	176,630	2,635	<b>179,265</b>	146,454	2,081	<b>148,535</b>

**25 Retirement Benefits (Continued)**

	2017			2016		
	UK scheme	Overseas (US) scheme	Total	UK scheme	Overseas (US) scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Composition of plan assets</b>						
Equity - Unquoted	92,686	2,621	<b>95,307</b>	78,228	2,078	<b>80,306</b>
Bonds	-	-	-	-	-	-
Gilts	-	-	-	-	-	-
Liability Driven Investment funds	55,269	-	<b>55,269</b>	38,617	-	<b>38,617</b>
Property	14,382	-	<b>14,382</b>	14,123	-	<b>14,123</b>
Annuities	13,209	-	<b>13,209</b>	13,690	-	<b>13,690</b>
Cash in bank	1,084	14	<b>1,098</b>	1,796	3	<b>1,799</b>
	176,630	2,635	<b>179,265</b>	146,454	2,081	<b>148,535</b>

**Reconciliation of movement in present value of defined benefit obligation**

The movement in the present value of the defined benefit obligation over the year is reconciled as follows:

	2017			2016		
	UK scheme	Overseas (US) scheme	Total	UK scheme	Overseas (US) scheme	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At the beginning of the year	(175,917)	(2,354)	<b>(178,271)</b>	(170,295)	(2,791)	<b>(173,086)</b>
Interest cost	(5,924)	(93)	<b>(6,017)</b>	(5,481)	(96)	<b>(5,577)</b>
Current service cost	(2,241)	(35)	<b>(2,276)</b>	(1,901)	(85)	<b>(1,986)</b>
Past service cost	-	-	-	-	80	<b>80</b>
Remeasurements:						
Transfers in	(41)	-	<b>(41)</b>			
Actuarial (loss)/gain from changes in demographic assumptions	-	-	-	(4,357)	-	<b>(4,357)</b>
Actuarial (loss)/gain from changes in financial assumptions	(26,086)	80	<b>(26,006)</b>	4,838	39	<b>4,877</b>
Actuarial (loss)/gain from experience adjustments	1,804	(4)	<b>1,800</b>	(3,939)	(60)	<b>(3,999)</b>
Exchange gain/(loss)	-	(353)	<b>(353)</b>	-	(72)	<b>(72)</b>
Contributions by plan participants	(339)	-	<b>(339)</b>	(320)	-	<b>(320)</b>
Benefits paid	5,944	151	<b>6,095</b>	5,538	631	<b>6,169</b>
At end of year	(202,800)	(2,608)	<b>(205,408)</b>	(175,917)	(2,354)	<b>(178,271)</b>

**25 Retirement Benefits** *(Continued)*

The weighted average duration of the UK and US schemes are 20 and 16.66 years respectively (2015/16: 19.5 and 16.44 years).

The significant actuarial assumptions were as follows:

Principal actuarial assumptions	2016/17		2015/16	
	UK Scheme	Overseas (US) scheme	UK Scheme	Overseas (US) scheme
Discount rate on defined benefit obligation	2.65%	3.90%	3.40%	3.70%
Salary growth rate	3.10%	2.75%	3.10%	2.75%
Inflation / Pension growth rate (RPI)	3.10%	2.25%	3.10%	2.25%
Inflation / Pension growth rate (CPI)	2.35%	2.25%	2.35%	2.25%

Life expectancy on UK scheme mortality assumptions:

Retiring at the end of the reporting period:

- Male	24.6	24.5
- Female	26.5	26.4

Retiring 20 years after the reporting period:

- Male	26.3	26.2
- Female	28.3	28.2

**25 Retirement Benefits** *(Continued)*

The sensitivity of the defined benefit obligation to changes in the principal assumptions is presented in the table below:

Actuarial assumption	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
<b>UK Scheme</b>			
<b>2016/17</b>			
Discount rate	0.50%	£19.1 million decrease	£22.3 million increase
RPI Inflation rate	0.50%	£21.4 million increase	£18.5 million decrease
Mortality rate	1 Year	£8.1 million increase	£8.1 million decrease
<b>2015/2016</b>			
Discount rate	0.50%	£15.4 million decrease	£17.9 million increase
RPI Inflation rate	0.50%	£17.3 million increase	£15 million decrease
Mortality rate	1 Year	£4.8 million increase	£4.7 million decrease
<b>US Scheme</b>			
<b>2016/2017</b>			
Discount rate	0.50%	£0.204 million decrease	£0.226 million increase
<b>2015/2016</b>			
Discount rate	0.50%	£0.184 million decrease	£0.204 million increase

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the Statement of Financial Position.

**Defined Contribution Schemes**

Other schemes in place during the year to 31 March 2017 are in Germany, Belgium, India, Denmark, Norway, Netherlands, Poland, Brazil, Sweden, Australia, Canada and GCC nations. All of these are defined contribution schemes with the employer's basic rate of contribution varying between 3% and 8% of pensionable salaries. The total charges for contributions to these schemes in the year were £40k (2015/16: £44k) and are included within the total pension cost for the year.

**26 Notes Supporting the Statement of Cash Flow**

Cash and cash equivalents for purposes of the cash flow statement comprise the following:

	BTA	
	2017	2016
	£'000	£'000
Cash available on demand	4,834	7,408
	<u>4,834</u>	<u>7,408</u>

**27 Leases and other Commitments**

The total future values of minimum lease payments (undiscounted) under non-cancellable operating leases are due as follows:

	Land & Buildings	Other	Land & Buildings	Other
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Not later than one year	1,022	8	1,734	4
Later than one year and not later than five years	703	2	1,323	-
Later than five years	373	-	548	-
	<u>2,098</u>	<u>10</u>	<u>3,605</u>	<u>4</u>

**Sub-lease income**

	Land & Buildings	Land & Buildings
	2017	2016
	£'000	£'000
Not later than one year	175	175
Later than one year and not later than five years	700	700
Later than five years	373	548
	<u>1,248</u>	<u>1,423</u>

Included in lease commitments above are obligations under operating lease agreements in respect of the BTA's premises in the UK and overseas as well as obligations under shared corporate services arrangements entered into with the Foreign and Commonwealth Office for the provision of corporate service facilities to certain overseas offices. Commitments include rental and related costs only.

Sub lease income relates to rental agreements entered into with subtenants on parts of the premises rented by the BTA in the UK and overseas.

**28 Related Party Transactions**

In compliance with the FReM and IAS 24 'Related Party Disclosures' requirements, details of material transactions with government bodies and companies where Board Members, Directors and senior staff have an interest are disclosed below. The Remuneration Report on pages 51 to 56 contain details of compensation payments made to key management personnel.

Details of transactions and balances (over £10k) with government bodies and other entities where BTA and ETB Board Members, directors and senior staff have an interest are as follows.

Company name	Representatives	Role	Nature of supply	Sales to £'000	Debtor balance £'000	Purchases from £'000	Creditor balance £'000
<b>2016/17</b>							
Shakespeare Birthplace Trust	Penelope Viscountess Cobham	Trustee	Marketing promotions	7	-	9	-
Tourism South East	John Hoy	Member Sub Regional Committee	Marketing promotions	11	3	4	-
Historic England	Sally Balcombe	Commissioner	Marketing promotions	12	-	-	-
English Heritage	Ian McCaig / Sally Balcombe	Trustee / Commissioner	Marketing promotions	33	5	56	1
Make It York	Lyndsey Swift	Advisor	Marketing promotions	107	99	40	-
Newcastle Gateshead Initiative	Sarah Stewart	CEO	Marketing promotions	-	-	21	-
British Council	Christopher Rodrigues	Chairman	Marketing promotions	-	-	28	-
				170	107	158	1

**28 Related Party Transactions (Continued)**

Company name	Representatives	Role	Nature of supply	Sales to £'000	Debtor balance £'000	Purchases from £'000	Creditor balance £'000
<b>2015/16</b>							
Blenheim Palace	John Hoy	CEO	Marketing promotions	12	-	2	-
English Heritage	Ian McCaig / Sally Balcombe	Trustee / Commissioner	Marketing Promotions	13	-	43	1
Historic England	Sally Balcombe	Commissioner	Marketing Promotions	12	-	-	-
Make it York	Lyndsey Swift	Advisor	Marketing Promotions	-	-	251	21
Newcastle Gateshead Initiative	Sarah Stewart	CEO	Marketing promotions	32	2	398	67
Northern Ireland TB	Katy Best	Board Member	Marketing promotions	25	-	-	-
The National Trust	Christopher Rodrigues	Council Member	Marketing promotions	3	1	209	-
Tourism South East	John Hoy		Marketing promotions	14	4	2	-
Ukinbound	Jaco Coetzee	Board Member	Marketing promotions	-	-	109	-
VisitScotland	Michael Cantlay	Chairman	Marketing promotions	107	2	20	-
Windsor Leadership Trust	Christopher Rodrigues / Ian McCaig	Pro-bono Chairman / Partner	Marketing promotions	-	-	12	-
				218	9	1046	89

Under IAS 24, the BTB (UK) and the US pension schemes are defined as a related party to the BTA. For details of transactions with the pension schemes, refer to Note 25.

**29. Contingent Liability**

A complaint was made against the BTA on allegation of the infringement of Intellectual Property ("IP"). In particular, it is alleged that BTA used IP material from an exhibition known as ADA ("ADA IP") in a recent campaign which appeared across various digital platforms, including (but not limited to) Twitter and Facebook. Having taken legal advice BTA's view is that the complaint is misconceived and there is a strong prospect of an amicable settlement. Further details have not been provided as it could prejudice the outcome of the case.

**30. Third-party assets**

As at 31 March 2017 the BTA held assets of £515k (£nil - 2015/16) on behalf of third party. These assets represent third party cash held at the BTA bank account during the transition period of contract transfer from G4S to AA for the QiT Accommodation accreditation scheme. The fund was transferred to AA in April 2017.

### **31. Events after the Statement of Financial Position date**

The Annual Report and Accounts were authorised for issue by the Accounting Officer on the date of the audit certificate.

Following a tendering process in the latter part of 2016/17, the BTA awarded a contract for a 3-year licence to operate its quality accreditations schemes to the AA with effect from April 2017. The transition from the previous provider for the accommodation accreditation scheme, was managed closely including any terms of that contract which survive the termination.

There are no other events after the Statements of Financial Position date.



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