



## Annual Report and Accounts for the Year Ended 31 March 2018

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 23 May 2019

# **BRITISH TOURIST AUTHORITY**

TRADING AS

## **VISITBRITAIN & VISITENGLAND**

**ANNUAL REPORT AND ACCOUNTS**

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## 1. THE PERFORMANCE REPORT

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### CHAIRMAN'S FOREWORD

The tourism industry is one of Britain's most successful industries and continues to be ambitious for the future. It is worth £127 billion to the UK employing people in every constituency, is one of our most valuable export industries worth £29.8 billion a year and is already growing faster than the digital sector. Last year £5 billion was invested in British hotels with £2.7 billion from international investors; indicating the underlying strength of the sector.

Yet Government has often found this diverse industry full of innovators difficult to engage with. That is why in my first year as Chairman of the BTA I have taken on the challenge of becoming the lead of a tourism sector bid, bringing the industry together to unite around a number of key asks of Government as part of the Industrial Strategy. These asks are about building a long-term skills campaign to make the industry one of choice, building connectivity, both physical and digital, and addressing productivity by extending the tourism season and stepping up Britain's prowess in business events. Because of the sheer scale of the industry a small increase in productivity will have a profound effect on the British economy; increase tourism's productivity by 1% and tourism would deliver an additional £12 billion to the economy. The conversations and visits I have had over the year with key industry leaders right across the UK have helped inform my advocacy of this bid to Government and convinced me that there is a real will to show that tourism can deliver. We await a final announcement but are hopeful that we have made a good case.

Throughout the year the BTA Board has supported me in ensuring that we make best use of Government funding. The scale of our ambition and indeed the opportunity that tourism offers Britain in both economic growth and soft power engagement as we count down to Brexit are not matched by our levels of Government funding. This year we had £19.5m core grant in aid for VisitBritain, which supports all our core activity and teams and our network of 21 offices overseas, and £6.9 million for VisitEngland. We continue to be heavily reliant on funding from the GREAT campaign of £22.1m, which is only allocated annually and is used to upweight marketing in seven high priority markets – the USA, France, Germany, Australia, China, India and the Gulf Cooperation Council – and run a UK domestic campaign.

Our England remit is largely centred around delivery of the Discover England Fund with a £10 million allocation this year. This second year of the Fund has seen some outstanding and innovative products delivered. These projects reflect the immense variety of high quality tourism product that England has to offer and it has been inspiring to see the industry react so positively to the challenge of scaling up the inbound offer. The National Quality Assessment Schemes overseen by VisitEngland has been successfully migrated to the AA as the new licensee and the team continues to work closely with the AA to retain oversight over the schemes.

The Board has also reviewed and agreed changes to the pension scheme during the year and continues to support the executive on its implementation plans.

I would like to thank all my Board for their contribution during the year. My thanks to Kevin Murphy and Margaret Llewellyn OBE who have stepped down from the BTA Board and welcome to Dame Judith Macgregor DMCG LVO. And my thanks to Denis Wormwell, who has completed his first year, as Chair of the VisitEngland Advisory Board and member of the BTA Board and welcome to Fiona Pollard and Allan Lambert who have recently joined the VisitEngland Advisory Board.

And to the Executive team lead by CEO, Sally Balcombe, who continue to punch well above their weight in delivering tourism growth across the nations of Britain and regions of England.

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

## OVERVIEW

### Chief Executive's Report

This year VisitBritain/VisitEngland has continued to deliver on its mission to market Britain overseas to drive growth in international leisure and business tourism and to maintain distinct activities to develop and market English tourism.

Our strength as an organisation is our knowledge of customers and markets. This year we have deepened that understanding by building customer segments of the best prospects for Britain and looking at how they choose and book their travel. This enables us to see where and when we can make the most effective interventions to ensure people are inspired to come to Britain and then convert that inspiration to a booking. In a digital first world you have to have great content and we have strengthened our content resource to enable us to be agile and get it to the right customers at the right time. We have moved to an always on calendar so that international travellers are continuously influenced by our activity rather than having campaign peaks and troughs. And we have refreshed our GREAT campaign to focus on the passion people have for travel and the unexpected experiences to be found in Britain with the global launch of the 'I travel for ' campaign.

We amplify our message by working with a range of partners including some of the biggest names in travel. Our award winning ad campaign in the US, in partnership with Expedia, promoted regional Britain in a quirky and engaging way. Our Ctrip partnership enabled us to showcase Britain on China's largest OTA (online travel agent). Airlines such as British Airways, American Airlines, Virgin Atlantic and Etihad have worked with us to drive conversion of consumer bookings and on new routes to deliver greater regional connectivity. We work with the Foreign & Commonwealth Office in overseas markets to ensure we are working jointly to capture tourism growth and address barriers; with shared activity and messaging. And we work with our strategic partners – the National Tourist Boards – to ensure alignment of activity where possible.

We have stepped up our activity in the business events market providing platforms for venues to meet international buyers to win events for Britain. At MeetGB we brought 120 global meetings planners to do business with 80 meeting and events suppliers from across the UK and then took the suppliers to see venues. This year our Event Support Programme awarded funds to six live bids with additional funding to five UK cities.

Our regional in-market teams have been boosted by the appointment of new Regional Directors in the Americas, APMEA and North Asia, joining the Europe Director and giving us experienced senior leadership in our international network.

We facilitated the Tourism Industry Response Group (TIER) which provided a coordinated response following the attacks in London and Manchester – enabling industry to share positive messaging and feeding in impact assessments from our international teams.

As the authoritative voice for tourism we have advised Government on issues affecting tourism, in particular supporting the development of the tourism sector bid for the industrial strategy. Our research, forecasting and insights informs Government, industry and our own activity – this year we have continued to monitor sentiment in Europe post the referendum, build a bank of research for the Discover England Fund and delivered statutory research for England that gives the size and value of the domestic overnight and day trip market.

Our England activity is focused on delivering the Discover England Fund which we have set up from scratch. So far 40 projects have been awarded funding representing over £19m of investment; all representing the best of English tourism that can now be booked and accessed by overseas visitors. We engage with a broad range of Destination Management Organisations across England; sharing best practice, facilitating meetings and sharing our research and insights.

Our Domestic marketing, largely funded by GREAT, has been focused on the millennial generation who find it easier to hop on a plane to go abroad than to holiday at home but our funds here are severely limited.

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

We have acted as a voice for England with a very successful English Tourism Week; engaging customers, the industry and MPs to promote English tourism at the start of the season and celebrating success with the England for Excellence Awards, supplemented by the Tourism Superstar award run with the Daily Mirror.

After a year of continued tourism growth, we now have a framework for us to build on achievements, review our activities and focus, in order to set a new 5-year strategy.

Sally Balcombe  
CEO VisitBritain/VisitEngland

## Business Model - Purpose, Objectives and Activities

### Purpose and organisational structure

The British Tourist Authority (BTA) is a Non-Departmental Public Body funded by the Department for Digital, 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.

The 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.

### Strategic Priorities

Our strategic priorities continue to be:

<b>VisitBritain</b>	<b>VisitEngland</b>
1. Deliver against our mandate*	1. Deliver against our mandate*
2. Drive volume, value and regional dispersal	2. Deliver Discover England Fund
3. Represent Britain	3. Provide a voice for England
4. Be an expert; provide strategic advice to Government and industry	4. Be an expert; provide strategic advice to Government and industry
5. Grow and diversify our funding	5. Grow and diversify our funding
6. Customer understanding	6. Product and supply understanding

\*The BTA will:

- Continue to market Britain overseas to drive growth in international leisure and business tourism
- Maintain distinct activities to develop and market English tourism



**Business Model - Purpose, Objectives and Activities** *(Continued)*

**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 & Africa (APMEA), and China & 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 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**

In 2017/18 VisitEngland is 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 offered investment opportunity for the industry, with funding for large scale collaborative projects led by Destination Organisations. Outside of the Discover England Fund, wider product development has remained a significant priority; including a focus on England's food offer and the improvement of the marketing, distribution and accessibility of tourism. Following on from Parliament's Rural Tourism Inquiry, we have continued to build on the recommendations of the Select Committee and the successes of 2016/17 in developing England's rural and coastal tourism offer, by incorporating this offer into our wider marketing campaigns and industry engagement in 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.

**Business Model - Purpose, Objectives and Activities (Continued)**

**VisitBritain and VisitEngland Corporate Priorities for 2018/19**

<p><b>1. Build Tourism’s value across the nations and regions – and deliver positive results with the GREAT fund</b></p>	<ul style="list-style-type: none"> <li>• Focus on seven GREAT markets and key customer segments/channels within these markets</li> <li>• Digital and content will drive marketing activity – moving to an always on approach</li> <li>• Launch I Travel for ... to capture new markets and drive future travellers to consider Britain</li> <li>• Re-align marketing activity to up-weight England and London to bring them back on target</li> <li>• Ensure that bookable tourism product is successfully distributed into International markets</li> </ul>
<p><b>2. Manage the Discover England Fund</b></p>	<ul style="list-style-type: none"> <li>• Oversee the successful delivery to market of the group of £1million plus projects</li> <li>• Launch a further set of 1 year small product development projects</li> <li>• Deliver the pilot test phase of the Discover England digital platform</li> </ul>
<p><b>3. Advise on Tourism Growth</b></p>	<ul style="list-style-type: none"> <li>• Continue to support the Tourism Sector Deal bid and implementation as appropriate</li> <li>• Deliver research and insights on the domestic market and tourism industry</li> <li>• Deliver International market intelligence to support decision making across the industry</li> </ul>
<p><b>4. Deepen our partnerships to leverage their reach, innovation and value</b></p>	<ul style="list-style-type: none"> <li>• Build the commercial partnership portfolio aligned to key customers/markets and VisitBritain objectives</li> <li>• Shape breadth of product suppliers to provide routes to market through retail and trade</li> <li>• Create effective joint activity and shared outcomes with Visit partners</li> <li>• Ensure cross agency working with government partners to support tourism growth</li> </ul>
<p><b>5. Deliver business events wins across the UK</b></p>	<ul style="list-style-type: none"> <li>• Build a pipeline of target events and raise awareness and create the case to win selection</li> <li>• Develop new business events assets, data and insights to support the industry</li> </ul>
<p><b>6. Drive towards operational excellence</b></p>	<ul style="list-style-type: none"> <li>• Develop the People Strategy to deliver on reward, recruitment, performance and learning</li> <li>• Develop an IT strategy for future proof key enabling systems</li> <li>• Continue to review and improve internal processes</li> </ul>

Further details can be found in the Performance Report for the Year section, (pages 20-27).

## 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 integrated planning, allocation of responsibilities and budgetary control.

We aim to manage risk at an appropriate level to achieve aims and objectives and comply with our policies. We cannot eliminate all risks, so 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 Directors, the Audit Committee and the Board; the principal risks and uncertainties are reviewed and scrutinised under our Assurance Framework and subsequently 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 and 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 rapidly switch our activities between markets 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.

### Brexit

The UK's decision to leave the European Union (EU) and consequent preparations for 2019 appear to have had some impact on sentiment towards Britain and tourism in the European markets. On the other hand over the last financial year the lower value of the pound has helped to create opportunities; whether for British citizens to consider staycations or encourage international tourists to travel to Britain to take advantage of the lower value of the pound.

### Overseas Currencies

As an international organisation, we trade in several currencies around the world and are therefore exposed to movements in currency markets. A Foreign Currency Policy is in place which complies with the guidance in Managing Public Money; the BTA operates within this framework to proactively review and manage currency cash flows, bank balances and foreign currency requirements, to plan forward purchase or sale of currencies which provides for some financial stability for overseas operations and represents the most effective approach to mitigate foreign currency risk.

## **Risk Management** *(Continued)*

### Pension Scheme

Pension liabilities continue to be a key focus for the BTA, its Board and Sponsor. The BTA, having established a strategy in respect of pension risk and provision, consulted staff during 2017 regarding the British Tourist Boards' Staff Pension and Life Assurance Scheme (BTBSPLAS) and its closure to future defined benefit accrual. The BTA executive, Pension Trustees and Trade Union representatives worked constructively through this period to ensure an open process for staff. Following the conclusion of the consultation period the proposal was approved by the Board, Department for Digital, Culture, Media and Sport and HM Treasury. However, VisitScotland was unable to agree the proposals due to wider BTA/VisitScotland considerations in connection with the provision of government support. Discussions with all stakeholders is ongoing and BTA is hopeful that agreement can be reached by mid-2019 on both government support and the closure to future accrual. At the time of this report, in regard to government support, the Parliamentary Under Secretary of State for Arts, Heritage and Tourism, (for Department for Digital, Culture, Media and Sport), has notified Parliament of its intention to provide a Guarantee to cover the shortfall between the scheme's assets and its liabilities should the BTA close down.

In the meantime, we are discussing the principles and assumptions of the triennial actuarial valuation as at 31 March 2018 with the Trustees, along with the investment strategy and the possibility of paying further contributions to improve the funding position of the Scheme.

The BTA also took steps as part of its pension provision strategy to mitigate future pension liabilities by introducing a new defined contribution scheme, for new starters from 1 April 2017 which is separate to the BTBSPLAS scheme structure.

## **Human rights, anti-bribery and anti-corruption**

BTA's employees constitute its greatest asset. In order to ensure a high quality workforce it is vital that we provide a work environment that is underpinned by a culture of integrity and equality, while embracing diversity of the communities that we serve. BTA supports the protection of Human Rights and have policies and processes in place to ensure that all employees act in accordance with the organisation's values which encompass areas such as business conduct, equal opportunities, anti-corruption and whistleblowing.

Following the introduction of the Bribery Act 2010 BTA introduced a policy on bribery and corruption for all employees to strictly adhere to. Management ensures that the policy is complied with, and updates the policy and procedures as and when required. All staff are trained on these aspects at the commencement of their employment and staff are reminded of their obligations in this regard as part of their annual compliance declarations.

Further information on our employment practices are discussed in the Staff Report section of the Accountability report.

## The Environment

Every organisation needs to be aware of the impact of its operations on the environment. BTA is conscious of the need to use scarce resources as efficiently as possible, to minimise waste and to acknowledge its responsibility to limit harmful emissions wherever possible.

BTA's contribution to the environment is measured through to key areas:

- Carbon footprint
- Waste management

BTA is proud of the progress made in these areas during 2017/18. The fruits of our efforts and everyone's commitment to play an active role in promoting sustainability throughout the organisation, is evident in the remarkable improvement in our key performance indicators compared to 2016/17. Our total CO2 emissions reduced 29% on the previous year, and both energy and water consumption was down 42% on 2016/17 figures. In addition, our total waste output reduced 11%.

BTA takes its responsibilities towards the environment seriously and remains committed to promote sustainability in the workplace.

## Basis of Preparation and Going Concern

The financial statements have been prepared on a going concern basis as set out in Note 1 on page 68.

Sally Balcombe  
Accounting Officer  
BTA  
13 May 2019

## PERFORMANCE SUMMARY AND ANALYSIS

### Performance Summary

#### 2017/18 Key Performance Indicator

The following are the key targets agreed with DCMS against which VisitBritain/VisitEngland is measured.

Other deliverables are set as part of the organisational business plan and explained in the Performance Report for the Year.

	Indicator Description	Definition	Result for 2016/17	Target for 2017/18	Result for 2017/18
<b>Core Marketing Programme</b>	Incremental Visitors Spend	The amount visitors spend in Britain that resulted from VisitBritain interventions	£488.9m	*£860m	£548.9m
<b>GREAT Campaign</b>	Incremental Visitor Spend	The estimated visitor spend in Britain that resulted from VisitBritain interventions	£262.8m	*	£340.8m

\* 2017/18 incremental visitors spend target is for both GREAT and Core.

## Financial Performance Review for the Year 2017/18

### 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 and Mayflower projects.
- Revenue generated through other activities including the VisitBritain online retail shops.

The overall income (both grant-in-aid and non-grant-in-aid income) for 2017/18 totalled £94.8m (2016/17 - £91.4m) which includes gross revenue from retail operation.

### Grant Funding

Grant budget allocation for the year amounted to a total of £60.4 million, an increase of £2.6m (4%) from 2016/17 (£57.8million). The funding allocation included the £10m for the Discover England Fund, a fund that totals £40m over a 3-year period to 2018/19.

The table below reconciles GIA Budget and Cash Allocation per DCMS Funding Agreement; which reflects a higher level of GIA cash drawdown at £60.633million due to £250k additional funding given in March 2017 (*namely 2016/17 financial year*) but cash was drawn in 2017/18.

#### BTA Funding - 2017/18

	VisitBritain £'000	VisitEngland £'000	BTA (Total) £'000
GIA Original Management Agreement	19,554	6,978	26,532
Capital GIA	966		966
GREAT Funding	19,625	2,500	22,125
GREAT fund transfer from VE to VB			0
Discover England Fund (DEf)		11,500	11,500
Discover England Fund (DEf) - budget c/f to 2018/19		(1,500)	(1,500)
Other Funding	500	260	760
<b>Total Grant in Aid (Budget) Allocation per the DCMS Funding Agreement</b>	<b>40,645</b>	<b>19,738</b>	<b>60,383</b>
<i>Cash GIA allocation for activity in 2016/17 (Europe Campaign)</i>	<i>250</i>		<i>250</i>
<b>Total Grant in Aid (cash) Allocation per the DCMS Funding Agreement</b>	<b>40,895</b>	<b>19,738</b>	<b>60,633</b>

\* DEf includes £200k capital budget allocation specific for Research & Development activities

**Financial Performance Review for the Year 2017/18 (Continued)**

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

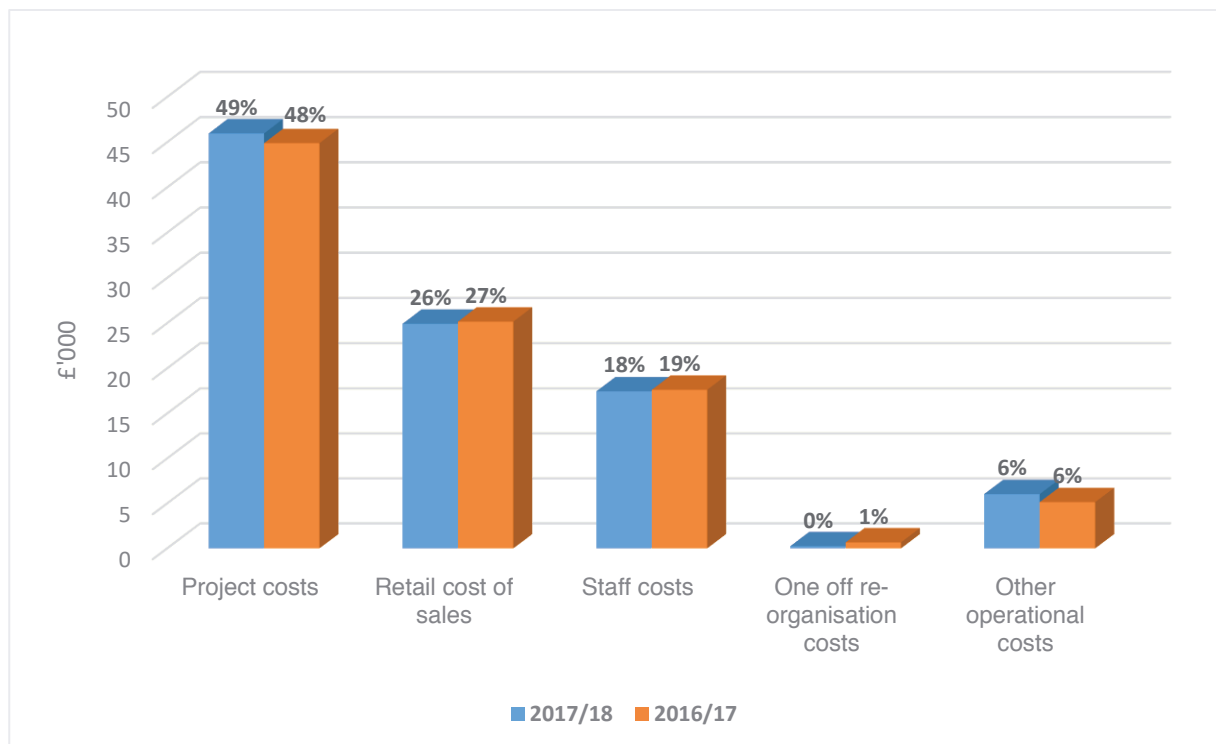
Income from non-GIA funded activities decreased by (0.8%), in 2017-18 compared with 2016/17; from £34.5 million to £34.2 million (see Notes 6 and 7 to the Accounts). The main variances were:

- Income from commercial activities decreased by £0.6 million (or 2%) as a result of the continuing challenge of online retail activity;
- Income from partnerships activities increased by £1.2 million (or 49%) following increased allocation of Great funding on campaigns with partners;
- There was also a decrease in other income mainly due to a one off income received last year relating to backdated overseas VAT refund (see note 7).
- This was partially offset by increased other grant income received from FCO for a joint campaign;
- Income from exhibitions, workshops and fairs increased by 8%, reflecting a more appropriate contribution and recharge of fees to participants at trade fairs.

**Expenditure**

The overall expenditure (excluding employee benefit costs) in 2017/18 increased by £1.3 million (or 1.7%) to £77.2 million due to a number of factors. A substantial part is attributable to foreign exchange translation losses which were £341k compared to an accounting gain of £491k in 2016/17. Irrecoverable VAT was another factor which contributed to the cost increase in 2017/18.

**Analysis of Total Expenditure (%)**





### Financial Performance Review for the Year 2017/18 (Continued)

The other main changes in operating costs were (see note 8, 9, 11 and 12):

- A £251k decrease in commercial cost of sales, driven by the decrease in online retail sales;
- Decrease of £1.4 million in Partnership marketing, media and publication costs,
- Research and evaluation costs reduced £515k following increased research activities in 2016/17 as a result of additional investment from DEF and Great funding;
- Increase of Grant payments to Destination Organisations by £1.2 million was mainly due to more funding allocation in 2017/18 from the Discover England Fund;
- increase in the irrecoverable VAT by £419k to £4.2 million which is due to a reduction in commercial income, resulting lower vat recovery rate;
- A reduction in reorganisation costs to £236k, £429k down from the £665k in 2016/17;
- An £662k increase in UK property and support costs, mainly incurred in connection with the relocation to new Head Office premises during the year.

### Pension Schemes

Employee benefits, including pensions and other post-retirement benefits form part of our people strategy; part of the employee proposition the pay and reward strategy is a means to attract and retain staff. Benefits such as pensions have both annual cost implications but also longer term financial commitments that require close and ongoing attention.

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 pension contributions for 2017/18 totalled some £2,518k (2016/17: £1,338k); with current employer contributions in respect of future service being 24.4% for members with a retirement age of 60, and 13.1% for members with a retirement age of 65. BTA also has an additional unfunded pension liability of £168,000 (2016/17: £177,000) for pension payments to former chairmen which is included in the Statement of Financial Position. Further details are presented in these financial statements in accordance with the amended IAS 19 'Employee Benefits' - see note 25.

### Working Capital

Net working capital increased by approximately 15% or £299k. The main contributors to this increase were significantly higher cash balance compared with 2016/7, partly negated by lower receivables and increased payables levels at year end. These levels reflect a part postponement in the BTA's usual spending cycle, resulting in an 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 2017/18 65% (2016/17: 66%), of suppliers' invoices not in dispute were settled within these parameters. The results for paying invoices within 30 days are as follows: 91 % in 2017/18 and 91% in 2016/17.

Sally Balcombe  
Accounting Officer  
BTA  
13 May 2019

## The Tourism Landscape

### Inbound Trends

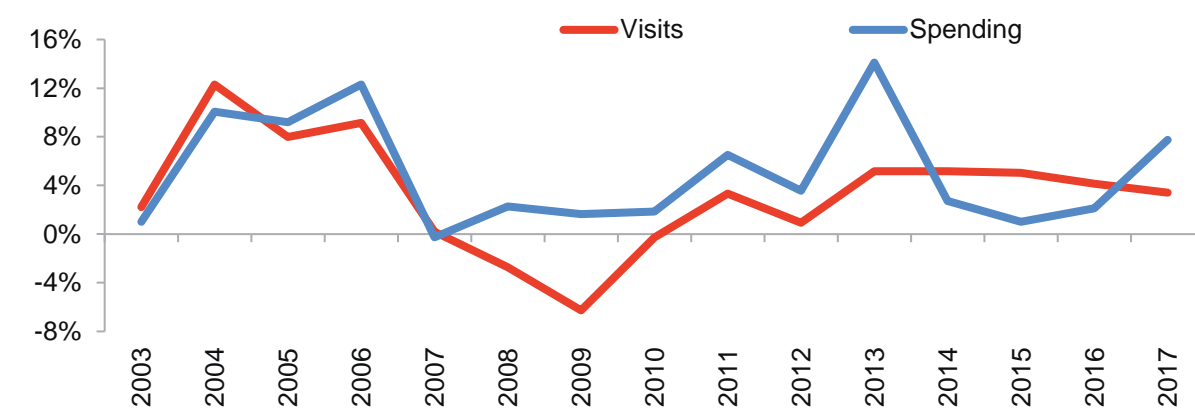
#### 2017 Inbound Tourism in Numbers

- 2017 saw a record £24.5 billion in overseas visitor spend<sup>1</sup>, 9% up in nominal terms on 2016.
- This is the fastest rate of growth in spending since 2013 and the second fastest since 2006.
- There were 39.2 million visits to the UK from overseas, up 4% on 2016<sup>1</sup>, a similar rate to that seen in recent years.

Visits grew rapidly in the first half of the year, up 10% in Q1 and 9% in Q2 compared to 2016. Visits grew 4% in Q3 although fell 5% in Q4.

The increase in average spend per visitor is in contrast to the decline in spend per visit that had been seen in 2014-16.

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



### Trip Purposes

Growth was led by holiday visitors in 2017, with visits 11% up on 2016 to 15.4 million. This was the fastest rate of growth in holiday visits since 2004. While the fourth quarter of the year saw a decline in holiday visits, there was 20% growth in the first half of the year and 9% growth in Q3 (July-September).

Visits to friends and relatives (VFR) also set a new record in 2017, up 4% on 2016 to 12.0 million visits.

After seven years of growth, business visits fell back in 2017 to 8.8 million visits, 4% less than the record set in 2016.

**Figure 2 - 2017 Purpose of journey of inbound tourists to the UK<sup>1</sup>**

Holidays	VFR	Business	Misc.
+11%	+4%	-4%	+3%
15.4 million	12.0 million	8.8 million	3.1 million

<sup>1</sup> International Passenger Survey 2017 figures

## The Tourism Landscape (Continued)

## Regions and Nations

Figure 3 – inbound visits to the nations and regions of the UK<sup>1</sup>

	Visits (000s)	Growth
Scotland		
Wales	1,079	0%
London		4%
Rest Of England	16,496	3%
North East		-1%
North West	3,138	11%
Yorkshire		-2%
West Midlands	2,322	6%
East Midlands		-4%
East Of England	2,407	0%
South West		3%
South East	5,320	2%
<b>UK TOTAL</b>		<b>4%</b>

Visits to London were up 4% in 2017, to a record 19.8 million. Spending too set a record of £13.5 billion, up 14% compared to the previous year.

Visits to England outside London were up 3%, resulting in a record of 16.5 million visits. Spending was the same as in 2016: £7.8 billion.

There were 1.1 million visits to Wales, the same as in 2016. However, spend decreased by 17% compared to the record set in 2016 to £369 million.

Scotland posted record breaking inbound numbers in 2017. There was a 17% rise in the number of visits, resulting in 3.2 million visits. Spending grew 23% to a record £2.3 billion.<sup>2</sup>

## Market View

Growth in visits came from a range of markets across the world, although in general visits from long-haul markets grew at a faster rate than short-haul in 2017.

Visits from Europe grew 1% to a record 28.1 million. Visits from North America were up 11% to 4.7 million and visits from the Rest of the World were up 14% to a record 6.3 million.<sup>1</sup>

Looking at visitors to the UK from individual countries, growth was led by some large emerging markets:

- China: visits were up 29% to a record level of 337,000 visits - almost twice as many as in 2012. Spending has also set new records; Chinese visitors spent a total of £694 million, 35% higher than in 2016.
- India: set both new visit and spend records. There were 562,000 visits (up 35% compared to 2016) who spent a combined £454 million (up 5% on 2016).
- Brazil: after a tough 2016, both visit and spend levels from Brazil to the UK rebounded. There were 244,000 visits in 2017 – 31% more than in 2016. Visitors spent £263 million – 34% more than 2016.
- Russia: the market has also rebounded after a sharp fall between 2014 and 2016; visits were up 55% to 227,000 and spending 70% to £188 million.

Visits from the United States, the UK's most valuable inbound source market, were up 13% to 3.9 million – just short of the record set back in 2000. USA visitor spending reached record levels at £3.6 billion, up 9% on 2016.

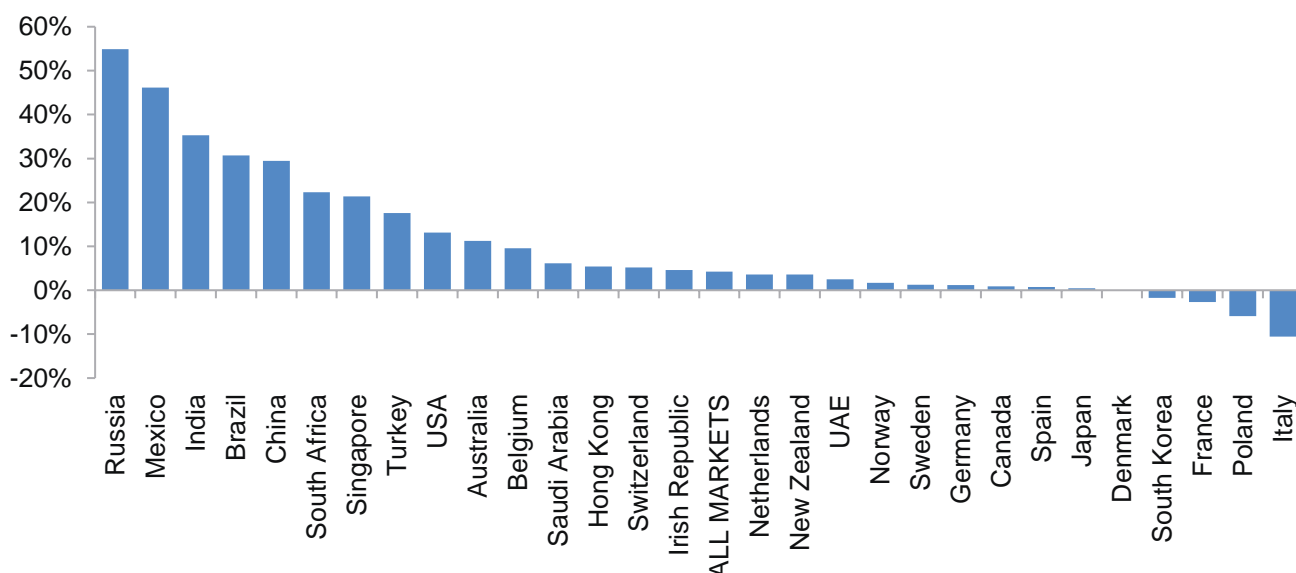
### The Tourism Landscape (Continued)

The UK also saw double digit visits growth from long haul markets such as South Africa and Australia in 2017.

Amongst European markets, visits growth above the global average was seen from a few markets, including Belgium and Romania. Visits from Irish Republic, Netherlands and Switzerland grew at around the global average. Lower growth was seen from markets such as Germany, Austria, Spain, Sweden and Norway. Denmark equalled its performance in 2016. Several major European markets saw declines in visits in 2017, including Poland, France and Italy.

Links to international markets across the country are seeing improved access, with direct air capacity to the UK up 5% in 2017 compared to 2016, following on from 10% growth in 2016. Direct seat capacity from the United States rose by 2%, Canada 4%, China by 6% and from the UAE by 1%, although capacity from Brazil fell by 12% and Saudi Arabia 2%.

**Figure 4 - Growth in visits to the UK between 2016 and 2017, by market**



### Competitive view and forecast

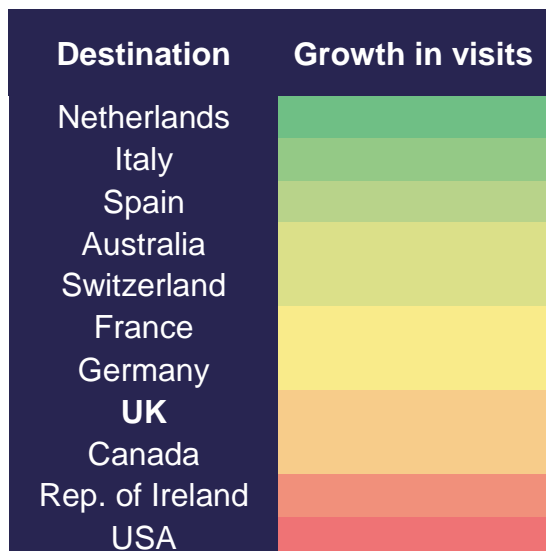
Inbound overnight arrivals to the UK grew at 5% in 2017, a similar pace to some competitor destinations such as France, Germany and Canada. Several leading mature destinations grew by a faster pace, including Netherlands, Spain, Italy and Australia. However, the UK saw higher growth than the Republic of Ireland and USA.

Globally, overnight tourism arrivals grew by 7%, a slightly faster pace than the UK saw. Within this, total visits to Europe grew by 8%. However, in value terms, inbound spending in the UK rose by 9%, ahead of the global average of 5% in local currency terms, and slightly ahead of the European average of 8%. The UK therefore lost share in volume terms but gained share in value terms.<sup>2</sup>

<sup>2</sup>UNWTO Barometer October 2018

**The Tourism Landscape** *(Continued)*

**Figure 5 - Growth in inbound overnight visits, by destination, in 2017<sup>2</sup>**



The 2018 Anholt Nation Brands Index survey ranked Britain as the 4<sup>th</sup> strongest tourism nation brand overall, the 4<sup>th</sup> for contemporary culture and the 7<sup>th</sup> for cultural heritage, and the 5<sup>th</sup> most aspirational destination to visit, if money was no object.

**Domestic Trends**

**Domestic Overnight Tourism<sup>3</sup>**

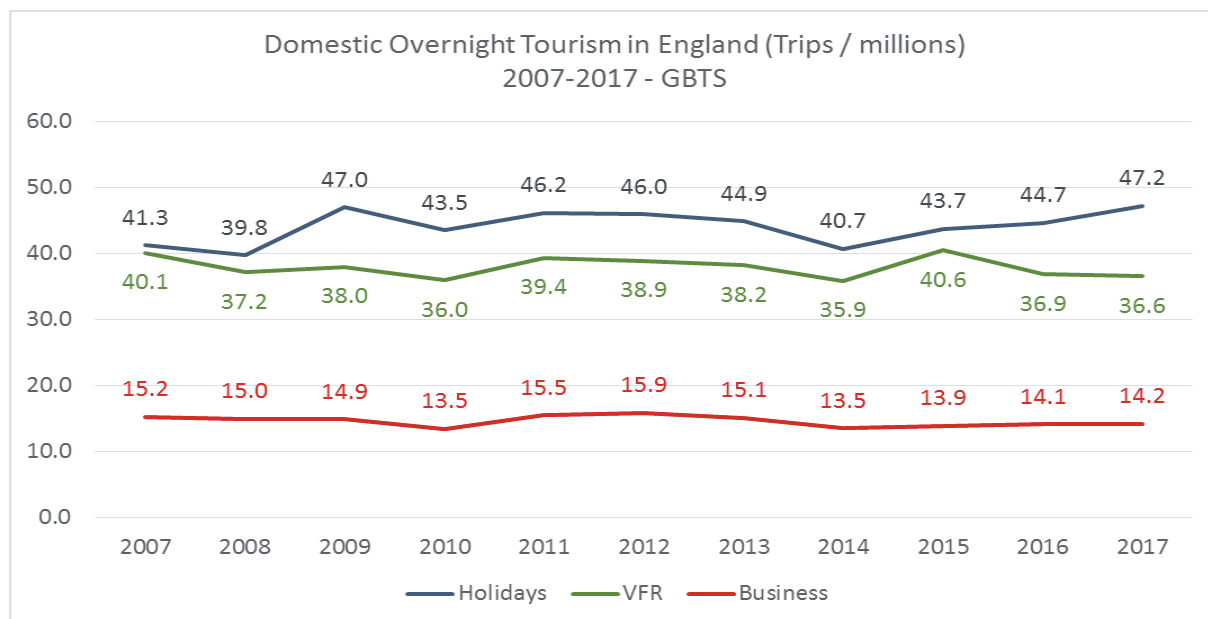
In 2017, the total number of domestic overnight trips taken in England rose by 1.3% to 101 million. The number of holiday trips increased by 6% to 47.2 million, which is on par with the previous record set in 2009. While the number of business trips remained relatively unchanged, there was a decline of 1% in the number of trips for visiting friends and relatives (VFR).

2017 saw a continuation of the trend for an increased number of short breaks of 1-3 nights, which increased by 7%. The number of longer breaks of 4+ nights has in recent years remained unchanged, however in 2017 they increased by 3%.

In the VFR sector, trips to visit friends and relatives for both holiday and non-holiday both saw a decline of 1%.

<sup>3</sup> Great Britain Tourism Survey 2017 report

The Tourism Landscape (Continued)



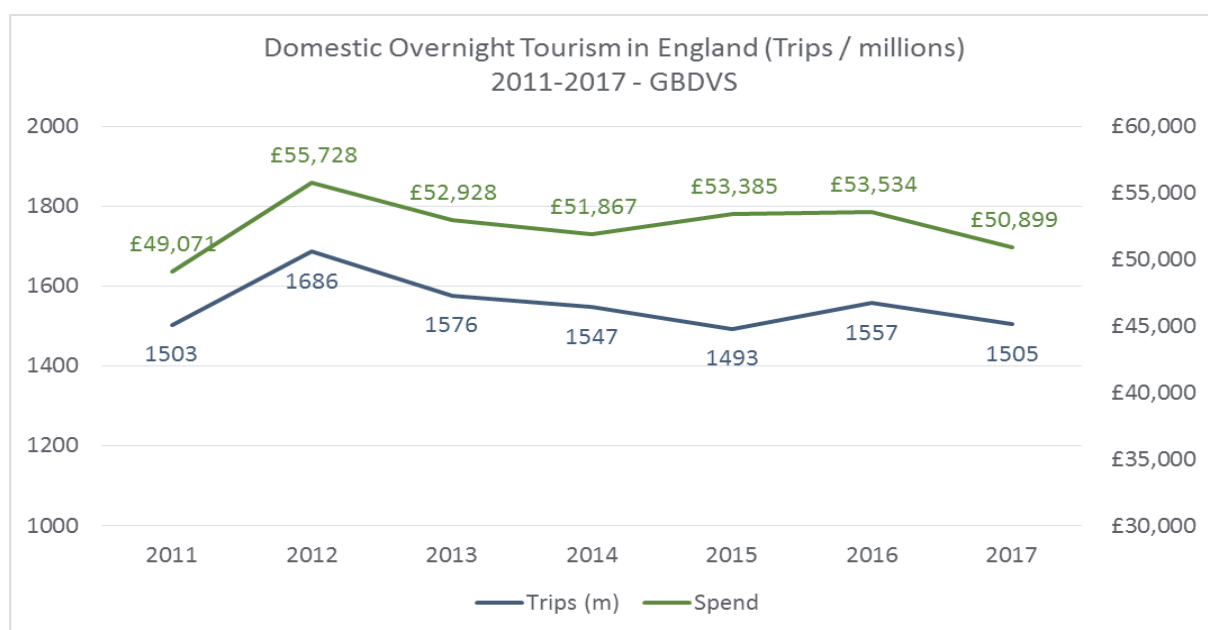
2017 saw an increase of 3% in overall expenditure from domestic overnight trips.

The amount of expenditure on holiday trips increased by 6% to £11 billion, which is on par with the previous record year of 2012. VFR saw an increase of expenditure of 1%, driven entirely by trips to visit friends and relatives for holiday purposes, while business trip expenditure fell by 2%.

Domestic Day Visits<sup>4</sup>

In 2017, the overall volume of tourism day visits declined by 3% to 1.5 billion.

Expenditure declined by 5% to £51 billion, driven mostly by a decline in ‘special shopping items that you do not regularly buy’ which decreased by 20%, a drop of £2 billion, returning to a similar level seen in 2015.



<sup>4</sup> Great Britain Day Visits Survey 2017

## **2017/18 National Policy Context**

### **Statutory Duty to advise government**

The BTA continues to engage with a wide and varied number of stakeholders.

68 MPs took part in English Tourism Week constituency days supporting their local tourism industry and visiting businesses. Over 2017/18, the Tourism Affairs team met with over 80 MPs, and Ministers in eight Government Departments, including hosting a series of roundtable events. The BTA has held a number of events in parliament, including the annual China APPG event. The BTA continues to work beyond Whitehall and has met with Metro Mayors and Local Enterprise Partnership chairs, as well as devolved politicians and ministers.

### **Tourism Sector Deal**

The BTA has supported the submission of a bid for a Sector Deal in the Government's Modern Industrial Strategy. This bid has been led by Steve Ridgway, the BTA Chairman, and a series of meetings have been held with the Business Secretary, Ministers, and senior officials to press the case for a deal. In November 2018 the Government announced it would enter into negotiations with the tourism sector on an ambitious industrial strategy sector deal. In the first part of 2019 VisitBritain is working with the sector to gain further clarification and commitment from industry.

The industry has committed significant resource and money to supporting a new skills campaign, and helping to develop a model for a series of Tourism Zones.

## VisitBritain and VisitEngland Performance Report for the Year

### Performance against the 2017/18 corporate priorities.

#### 1. Deliver tourism growth across the nations and regions

##### Developing Regional Hub Strategies

2017/18 has seen a wealth of activity undertaken to deliver tourism growth across the nations and regions of Britain.

We developed our understanding of our global customers, their customer journey, triggers that would make them travel to Britain and the best partners and channels for us to reach them. This deeper understanding allowed us to assess the size of the target audience in each market and **develop Regional Hub Strategies** in our overseas markets to identify which of our customer segments held the biggest opportunity in each region.

Two global audience segments emerged as key for inbound tourism to Britain – the BuzzSeeker and the Explorer, more detailed profiles can be found on our website. The hub approach has allowed us to develop clear integrated market plans identifying the right time and channel to engage with our consumers.

##### Partnerships

We partnered with the **regional gateway** of Manchester to support the new direct Virgin Atlantic routes from Boston and San Francisco. We also partnered with Birmingham and various other partners in the West Midlands to leverage new flights by low cost carrier Primera.

Our **brand partnership** with Warner Bros. on the release of *King Arthur: Legend of the Sword* was used to drive urgency to visit exciting locations across England, Scotland and Wales. The fully integrated activation ran in the US, Australia, Germany and France across channels including Facebook, Instagram, Snapchat, Digital billboards, influencer trips and more. Our partnership with the Premier League continued into its 10<sup>th</sup> year promoting towns and cities across Britain that are home to a Premier League club pushing content that showcases what else there is to do beyond the game.

##### PR and Influencers

Our PR agenda continued to support activity across the organisation. We worked with all four nations to create an integrated campaign - **24 Hours in the UK** - a video project to showcase the best moments across a 24-hour day. This focused on our domestic Gen Y audience and had over **30,000 engagements** across social media with an additional 500,000 people reached through traditional PR outlets. The footage was also used across owned and commercial partner channels, further increasing the reach.

Our domestic always on activity saw us implement a strategic year-long ambassador programme of **micro-adventure programmes** that targeted Gen Y audience with thematic, seasonal content via influencers to highlight the diverse and exciting experiences visitors can have just a few hours from home. The areas covered were spread across England and included themes such as adventure, city breaks, food, seaside and countryside. Over the course of the year **over 1.1 million of our target audience had the opportunity to see this content.**

##### Content

We continued to create and amplify content promoting Britain's nations and regions on our social media channels. A **magical map of Britain**, which showcased destinations right across the country, from the Isle of Skye to Cornwall had a reach of over 250k on Facebook and was liked more than 18K times on Instagram. We also produced a map showcasing **England's literary locations** which had a reach of 1.4 million on Facebook, and was shared 10K times.

Following the completion of our content strategy, we piloted a new approach to co-creating content with England's destination marketing organisations. This provided us with a suite of content promoting Bristol, NewcastleGateshead and Yorkshire for our global target audiences.



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

### Business Support

We continued our business support by implementing key recommendations from TEAM Tourism Consulting to rebuild and reposition the Business Advice Hub as the principal on-line portal for English tourism businesses looking to grow.

In June 2017 VisitEngland, in partnership with VisitScotland, launched a new Accessibility Guides website to help businesses market themselves to those with disability requirements.

We facilitated three workshops, hosted by destination organisations and delivered by Barclays Digital Business Eagles, to help SME's make the most of digital.

The VisitEngland Awards for Excellence 2017 – which welcomed 67 finalists across 22 categories – were presented at an afternoon tea ceremony hosted by Sue Perkins at London's Waldorf Astoria on 24 April 2017. The VisitEngland Awards for Excellence 2017 competition was launched and judging was completed for 343 applications across 18 categories. Four commercial sponsors were secured and a strategic review of the Awards instigated.

### Quality Schemes

In April 2017, a contract was awarded to the AA to run VisitEngland's Quality Assessment Schemes under licence as VisitEngland Assessment Services. Progress has been made on developing the schemes and providing advice and support for participants to help them grow their business.

## 2. Delivery of the Discover England Fund

The second year of the Discover England Fund has seen some outstanding and innovative products delivered. These projects reflect the immense variety of high quality tourism product that England has to offer and it has been inspiring to see the industry react so positively to the challenge of scaling up the inbound offer.

Early successes include 14 new, market-ready products across all England's regions, from the packaging of itineraries along the South West Coast Path to an innovative augmented reality experience in Durham Cathedral and 13 other historic sites across the country. These new tourism products increase the competitiveness of England's tourism offer for the consumer and travel trade.

40 projects in total have been awarded funding, representing over £19m of investment. Successes to date from pilot projects delivered in Year 1 (2016/17) include:

- 160 bookable itineraries and product clusters
- 39 fam trips (press and trade)
- Over 1,200 individuals engaged across a range of product workshops and events
- Sales of 1,365 passes and packages
- Improved partnership working among tourism stakeholders

Evaluation of Year 1 projects have been completed, and a final report of the findings was delivered in February 2019. At time of publication of this Annual Report, the evaluation report had not yet been fully signed off by BTA's Programme Management Board. A travel trade economic impact assessment was also undertaken as part of this with a selection of projects that are particularly driving travel trade as a route to market.

12 large-scale projects granted £1 million each were announced in the summer and are now in delivery to create a step change in bookable tourism product in England; these projects have seen nationwide partnerships forming between destination organisations and other public and private sector partners which will continue to drive forward delivery in 2017/18.

Eight pilot projects have been granted up to £500,000 to trial approaches to product development in 2017/18; the projects delivered to timescale and opportunities to extend activities into 2017/18 were offered where a clear demonstration of success and value added could be shown.

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

A dedicated Discover England Fund microsite aimed at the travel trade was developed and went live in September 2017. The site showcases the projects, their bookable products and information to help with the development of future England tour programmes.

National investment was made to develop new partnerships with six Destination Marketing Companies (DMC's) and establish distribution partnerships to support getting new regional products out to market internationally. Activities have included product development, training, educational trips, sales support, incentives and shared marketing.

We have continued to conduct further research to support the industry and Discover England Fund projects including concept testing with the consumer and travel trade across Large Scale bids and delegate expenditure and business extenders research to support the Business Events Sector.

A successful Discover England Fund conference also took place for industry stakeholders in July 2017 to share the learnings from Year 1; further events will follow in 2018/19 once Large-Scale projects are well underway with delivery and progress.

### **3. Deliver and amplify the GREAT#OMGB marketing campaigns**

In February 2018 we launched our new global marketing campaign 'I Travel For...' to boost inbound tourism to Britain. The campaign was created based on the passion points that we know our international customers travel for. It uses short films and story-telling to highlight unexpected experiences, less explored destinations in Britain, as well as Britain's globally renowned iconic landmarks and attractions. The digital campaign kicked off internationally with a launch film on Facebook and Instagram and was followed by a series of videos and images promoting destinations across Britain in partnership with National Geographic.

#### **Partnerships**

We partnered with 20<sup>th</sup> Century Fox on the release of the Kingsman 2 film in the US market where we ran a digital activation in partnership with Expedia focusing on exciting, high-end experiences.

#### **PR**

We continued to run a series of global GREAT trips targeted at international media and promoting travel around the country. This year saw trips to Wales, the south west and central England showcasing the best offers for adventure, food, royalty and luxury amongst other things. The publications on this trip provided access to over **65 million opportunities for our target international audiences to see inspiring content.**

The international always on activity continues to promote travel to the nations and regions based on the trigger points of our target audience. To date we have **created 2.2 billion opportunities for our target international audiences to see inspiring content** about Britain with details on how they can find out more and book.

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

### 4. Deliver Research and insights to inform Government, industry and our marketing activity

#### Delivering Research and Insights to Inform Government & Industry

VisitBritain regularly keeps the tourism industry informed about the latest **inbound tourism statistics and insights** across many topic areas through regular publications and its corporate website. This included:

- Publishing data on our website from the International Passenger Survey using an interactive data tool, allowing users to tailor the most relevant inbound tourism statistics
- Releasing 19 market profiles during 2017-18, giving an in-depth view of key visitor source markets, as well as two-page infographics that deliver the most crucial facts
- Publishing thematic reports providing in-depth analysis on subjects including: The Visitor Experience of tourists in the UK; How the World Views Britain; Regional Spread; Perceptions of Britain and its Competitors

VisitBritain has **advised the Government on issues affecting welcome through the ‘Welcome to Britain’ group and tourism through Brexit**. We ran the third and fourth wave of our post-referendum sentiment research in September 2017 and March 2018. This was an online survey in seven European markets (France, Germany, Italy, Netherlands, Poland, Spain and Sweden) and two long haul markets (China and USA), focussing on themes including welcome, value for money and intent to visit.

In addition, VisitBritain formulated the **inbound tourism forecast for Britain**. The original forecast for 2017 was released in December 2016 and forecast visits growth of 4.0% and spending growth of 8.1%. This was revised to take account of the latest available data in July 2017 and again in November 2017. The final forecast was for visits growth of 6.2% and spending growth of 11.6%. The forecast for 2018 was for visits growth of 4.4% and spending growth of 6.8%.

VisitEngland delivered its **statutory research obligations**, specifically the Great British Tourism Survey and Day Visits Survey (monthly and annual reports), Annual Attractions survey (annual report) and England Occupancy survey (delivered twelve monthly reports).

In addition, we delivered a bank of dedicated Discover England Fund (DEF) market research and insights, including:

- **DEF project research** - summary reports for twelve large-scale DEF projects
- **Travel Trade research** – second phase of research, looking at concept testing large scale DEF projects amongst key travel trade partners
- **Activities / themes** – International market level analysis for key activities and themes by demographic, attitude towards holidaying in England, market consideration for activities
- **Outdoor activities research** – carried out in US, France, Germany, Netherlands and UK
- **Two pieces of Business Events research** – Motivations & Barriers; Delegate Expenditure
- **Inbound analysis and future trends** - Inbound Day Trip analysis; Destination summary reports; Future trends identification

Our **dedicated industry website** is a one-stop shop on English and British tourism for the industry, providing a wealth of official statistics and other market research and resources:

- Insights, research and statistics on [inbound tourism to Britain](#) and on the [domestic tourism landscape for England](#)
- [Wide-ranging business advice and support](#)
- [Opportunities](#) for destinations and businesses to reach international and domestic markets
- [Support for English tourism businesses](#) on hot topics such as visitor perceptions on key destinations
- Inbound [market and customer-based insights](#) and market profiles, alongside trend analysis

These materials enable the sector to adapt and grow. The website received over 1.2 million visits between April 2017 and March 2018.

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

We produced a **regular industry newsletter** signposting industry to the latest research and insights, distributing it to over 13,000 recipients in 2017/18. In addition we reached thousands of individuals and organisations through our Twitter (over 28,000 followers) and LinkedIn (over 24,000 followers) channels.

We also facilitated the **Tourism Industry Emergency Response Group (TIER)**, which provided a coordinated response following the terror attacks in London and Manchester; including coordinating media lines to make it clear Britain and its attractions remained open for business, and providing coordinated impact assessment to government. TIER also monitored the potential impact of the Russian Spy incident.

We continue to share our insights and research with a wider audience, communicating the importance of tourism to the UK economy regionally, nationally and internationally through our corporate/industry PR. This activity positioned us as the go to experts on tourism matters, shaping the national media narrative by regularly communicating the value of tourism to the economy and raising the industry's profile to the public and stakeholders, providing a voice for tourism.

In the last year we secured more than 6,500 pieces of press coverage in national, regional, trade and international press (online, print, broadcast) – covering our activities as well as the latest tourism news.

### Delivering research and insights to inform our Marketing Activity

#### Segmentation and customer journey research.

We have identified five global segments through research carried out across key markets (Australia, China, India, USA, France, Germany, Netherlands, and GCC) and detailed, segment level customer journey maps. These insights allow our marketing and overseas teams to target and message our audiences with greater efficiency. The segmentation framework will be implemented across all international marketing activity to provide analysis of campaign effectiveness at a segment level.

We are using innovative **analytical data practice** to make key marketing decisions, optimise performance & ROI:

- **Strategy definition and investment decisions:** We have implemented integrated tagging and tracking which means we have accurate performance data across all our campaigns and can understand what did and did not work well at a detailed level. This informs our strategy development and investment decisions.
- **Agile approach to marketing:** we have implemented a “data analysis self-service” project, creating automated dashboards so senior VisitBritain management can view and interact with insights and performance data on a near real-time basis. This allows us to be more agile, addressing opportunities and issues as they occur during campaigns.
- **Using data to reach the right customers with the right content:** we use data to better understand, segment and target our users. This means we can produce targeted content to reach the right user at the right time.
- **Using data to influence product development:** Data gives us a better understanding of why people come to the UK – we use this to inform our product development work.

### 5. Deepen our partner relationships to leverage value

#### Engaging with Destinations & Public Diplomacy Partners

We ran the English Destinations Forum in November 2017 to enable the sharing of best practice in destination management. We set up regular coastal and rural destination steering groups to enable us to more effectively engage with and support coastal and rural destinations.

English Tourism Week, held from 17-25 March 2018, yet again provided a platform for the industry to highlight tourism offers, events and resident festivals at the beginning of the spring season. Our Tourism Superstar campaign with the Daily Mirror celebrated exceptional customer service across the country and encouraged over 20,000 votes by the public. Both activities were supported by consumer marketing activity and by an engagement programme with MPs, with 68 MPs visiting a tourism business on Constituency Day.

We have a structured and effective process of engagement with our strategic partners – London & Partners, Visit Scotland and Visit Wales. They are represented on the BTA board, we have annual business events and leisure business planning sessions and we convene regularly to share best practise, plan and deliver joint activity through the Britain Tourism Strategy Board, British Marketing Board and six expert to expert ‘inter-boards’.

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

Outputs in 2017/18 ranged from the development of a High Level Marketing Plan for 2017/18 which set out how the boards can work together to deliver sustainable growth, delivering an innovative and jointly funded influencer campaign “24 hours in Britain” and the inaugural MICE mission to China.

We also stepped up our engagement with our public diplomacy partners- the FCO, DIT, UKVI and British Council in London and overseas. We developed and implemented an engagement plan with three distinct aims:

- **Raising tourism’s profile and acting as one Her Majesty’s Government (HMG):** Ensuring that the value of tourism is understood and recognised and that VisitBritain acts as part of the Ambassador’s / High Commissioner’s team in our overseas markets;
- **Mutual Support:** Extend our reach and impact through working with PDPs, while supporting their soft power agenda.
- **Problem Solving:** Collaborate strategically to build a shared agenda around common challenges and opportunities.

### Europe

Key European partners, easyJet, Expedia and P&O, aligned to the regional and seasonal strategies of each of the Europe markets with focused activity around specific regions on the UK across the four quarters. In the case of our easyJet partnerships we were able to leverage the additional investment of Bristol and Newcastle Airports and the associated Destination Marketing Organisations (DMO). In the case of P&O we were able to extend the partnership to include a focus on Wales with investment from Visit Wales.

### US

A tripartite partnership was established with American Airlines and British Airways to promote Britain to the US millennial audience. VisitBritain acted as the catalyst for closer working between the two airlines as part of their business alliance and achieved a 2:1 partner to VisitBritain ratio of investment. VisitBritain, Marketing Manchester, and Manchester Airport invested equal amounts in gateway activity specific to the new direct Virgin Atlantic routes from Boston and San Francisco and were able to leverage match funding from Virgin Atlantic. VisitBritain, Birmingham Airport along with a collection of destinations including West Midlands Growth Company, Shakespeare’s England and Peak District combined funds and resources to leverage the new direct flight by low cost carrier Primera.

### China

VisitBritain negotiated a partnership with C-trip, China’s largest Online Travel Agency (OTA) and achieved significant added value through access to their channels. The deal was negotiated using our experience of working with Expedia across the rest of the world and through close collaboration between London based and market staff.

### APMEA

VB negotiated a commitment from Etihad to increase its partner investment for the next three years to £1 million per year, a particular achievement against a backdrop of significant political and financial challenges for ME carriers.

### Food & Drink

British food and drink became a key focus in China and the USA and in partnership with DEFRA and DiT we linked the tourism and export messages to reach a wider audience successfully aligning cross government funding and attracting commercial investment from British Airways.

### DMC Partnerships

VisitBritain initiated six strategic partnerships with Destination Management Companies (Abby Tour, JAC, Hotels& More, E-Voyage, AC Tours and Angela Shanley) and were able to leverage their specific commercial relationship with key resellers in target markets as well as their turnkey marketing and sales capability to get new DEF product to market.



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

### 6. Develop our role in the Business Visits and Events sector

#### Support major events bids

The Event Support Programme has provided support for six live bids in the last year with additional funding to five UK cities. The programme included an 'internationalising event' element which gave the opportunity for national events to develop through an international audience. The programme provided additional support to 11 diverse UK domestic events and helped them expand their international footprint.

With the new business events team in place there has been interaction with destinations on ad hoc support needs; one example is a request for UK Visas and Immigration information for an event London was bidding for to ensure a win: VisitBritain provided a solution and the event is now confirmed.

#### Developing new capacity for England

Through a Discover England Fund project, phase one of a 'Capacity and Mapping' exercise was completed. This has created a supply database of venues across 22 English destinations whose capacity is more than 400 persons. The next phase will identify the occupancy of these venues and therefore the availability to sell space available to market.

Through destination and core cities meetings, opportunities have been identified to educate and share best practice to develop skills across destinations and win more business. Two key events were used to gain information and intelligence on what the industry needs from VisitBritain; Destinations Summit, attended by 22 destinations and 70 delegates and Academic Venues Conference, attended by over 40 venues and 75 delegates.

To support new capacity development, we also conducted two fairly extensive studies; one that focused on delegate spend and the other which addressed the barriers to doing business in the UK. These studies have been widely promoted and used by destinations.

#### Generating demand/creating connectivity for future business for Britain

In market activity has generated opportunities for destinations to engage with buyers in Paris, Geneva, Brussels, Washington DC, Boston, New York and Chicago. An event for 2019 has been secured from the Paris activity, which will generate an economic contribution in the region of £1.6 million. Opportunity continues to be realised from these events with Europe alone creating a platform to some 40 attendees with 56,000 event delegates and £64 million economic contribution.

VisitBritain, through VisitEngland, attended the key industry tradeshows; IMEX America, IMEX Frankfurt and IBTM World creating the opportunity for destination partners to meet with thousands of buyers.

Raising visibility is key in the meetings industry. VisitBritain through a comprehensive sponsorship agreement attended PCMA Convening Leaders, Nashville, where a SKIFT report on UK's Intellectual Capitals and Creative Industries was presented to an American buyer audience. Association World Congress, Antwerp, gave VisitBritain the platform to talk about the many destinations on offer and to support destinations attending the event. ICCA (International Congress and Convention Association) Prague gave VisitBritain business events team an opportunity to meet, learn from and network with the global meetings industry to understand trends and new approaches to winning international events.

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

### **7. Ensure that we manage our funds efficiently and comply with Government guidelines**

#### **Pension Scheme Changes**

In order to comply with Government requirements the BTA has been going through a process of reviewing and restructuring the staff pension scheme. The staff consultation process was completed at the end of 2017 and the BTA Board, DCMS and HM Treasury have approved that the existing defined benefit final salary staff pension scheme will be closed to future accrual once approval is given by both the Pension Trustees and VisitScotland, as the other employer in the scheme, to the deed of amendment. Discussions with all stakeholders is ongoing and we are hopeful agreement can be reached by mid-2019. It is intended that future pension provision for affected staff will be in the form of a defined contribution scheme. New starters already join a defined contribution scheme which has been in place since 1 April 2017.

#### **National Quality Assessment Schemes**

The migration of the National Quality Assessment Schemes to the AA, the new licensee, has been successfully completed. VisitEngland continue to work closely with the AA to retain oversight over the schemes.

#### **Project Management Approach**

Following setting up a Project Management Office (PMO) in 2017, a project governance structure is now in place together with a standard project process with supporting templates and tools. Projects now go through governance gateways and are prioritised as part of a portfolio rather than in isolation. PMO staff as well as others throughout the organisation have attended Agile project management training and projects are now being delivered using Agile methods. Key projects such as our office relocation and the implementation of a new intranet have been successfully delivered on time and budget using these new ways of working.

#### **Information Technology/System Strategy**

Under the guidance of our new cross division IT governance board an IT/IS strategy for the BTA has been developed. It covers our key architecture principles and the three year roadmap of proposed activity. The governance board will prioritise project work in line with the roadmap and provide programme and project governance for the delivery of the roadmap.

### **8. Build the skills and capabilities of our staff and teams to deliver on our priorities**

During the past year, there has been a fresh look at what skills are needed to enable our people to deliver their very best. This can be defined into four broad areas:

1. Personal effectiveness – time management, influencing and persuading, resilience, presentation skills, recruitment training
2. Business-area skills: training in digital, content, Search Engine Optimization (SEO) and other tailored skills
3. Project management: particularly in agile methodology
4. Management skills: having better conversations, performance management

We ran a number of training courses including pivotal conversations, managing stress, mental health first aid training, SEO, google analytics, job evaluation, presentation, influencing skills, performance review training, having difficult conversations, storytelling, agile project management and leadership.

We have developed and are implementing in 2018 a new performance management system, and have commenced the review of policies and processes, to optimise clarity and costs.

We have created a new compliance training approach via an e-learning environment, enabling staff to access training worldwide. Induction and onboarding has been refreshed. We are currently tendering for a new HR system, which will be available on mobile devices, enabling access on the move and across the globe, which will improve process productivity.

## 2. THE ACCOUNTABILITY REPORT

### CORPORATE GOVERNANCE

#### The Director's Report for the Year 2017/18

##### 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.

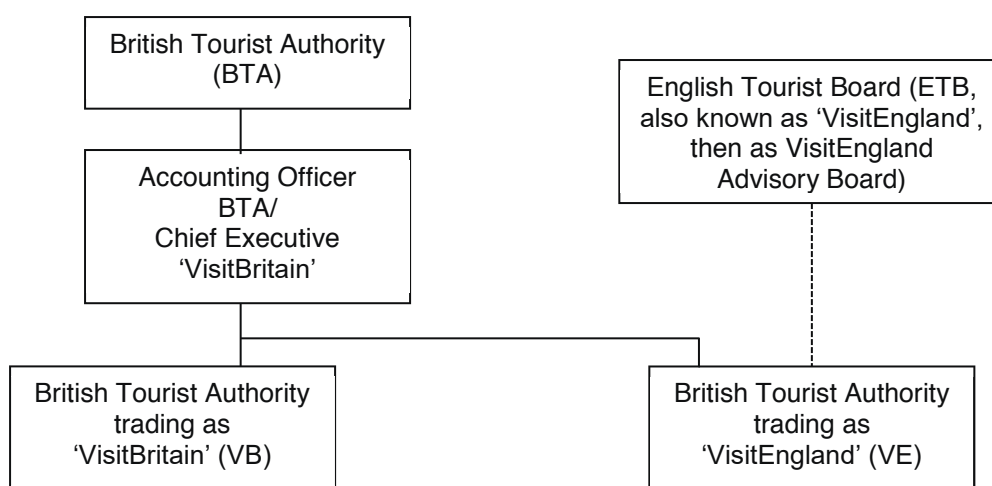
The BTA Board receives advice on English tourism matters from the English Tourist Board (also known as the VisitEngland Advisory Board). This is the advisory board responsible for advising the Executive and Board of the BTA on the development and implementation of the England Action Plan and provides 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.

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 Digital, Culture, Media and Sport has issued Accounts Directions to the BTA which include the requirement for the BTA to disclose all expenditure made on behalf of the ETB.





**The Directors' Report for the Year 2017/18 (Continued)**

**Organisation**

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

The BTA Board comprises the Chairman, Steve Ridgway CBE, and seven other members, six of whom are appointed by the Secretary of State for Digital, 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. Giles Smith and Stephen Darke also attended the Board meetings as Observers in capacity as DCMS representatives and Hazel Cunningham as Executive Director for BTA.

The Department for Digital, 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\***

<b>British Tourist Authority Board Members</b>	<b>Appointed</b>	<b>Appointment Expires</b>
Stephen Ridgway CBE (Chairman)*	11-Jul-13	31-Mar-20
Lord John Thurso**	01-Apr-16	31-Mar-19
Denis Wormwell* ** ***	01-Apr-17	31-Mar-20
Margaret Llewellyn OBE**	01-Nov-15	26-Jan-18
John Lindquist***	15-Mar-10	14-Sep-19
Ian McCaig*	13-Feb-14	12-Feb-19
Dame Judith Macgregor	01-Dec-17	30-Nov-20
Angela Bray	01-Jan-16	31-Dec-18

<b>British Tourist Authority Board Observers</b>	<b>Position, Organisation</b>
Katy Best	Board Member, Northern Ireland Tourist Board and Commercial Director, Belfast City Airport
Giles Smith	DCMS (Observer until December 2017)
Stephen Darke	DCMS (Observer from January 2018)
Kevin Murphy	Board Member, London & Partners (Observer until December 2017)
Hazel Cunningham	Executive Director, Finance and Business Services, BTA

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

\*\* Rt. Hon. Viscount Thurso and 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 2017/18 (Continued)**

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

The ETB Board comprises the Chairman and five other members, all of whom are appointed by the Secretary of State for Digital, 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>
Denis Wormwell (Chairman)* **	22-Jun-09	31-Mar-20
Nigel Halkes*	13-Jan-14	12-Jan-22
John Hoy	30-May-11	29-May-19
Sarah Stewart OBE	30-May-11	29-May-19
Allan Lambert	05-Mar-18	04-Mar-22
Fiona Pollard	05-Mar-18	04-Mar-22

<b>English Tourist Board Observers</b>	<b>Position, Organisation</b>
Suzanne Bond	Former Chief Executive, Cornwall Development Agency
Stephen Darke	DCMS
Hazel Cunningham	Executive Director, Finance and Business Services, BTA

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

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

Sally Balcombe attends VisitEngland Advisory Board meetings in her capacity as BTA Accounting Officer/Chief Executive Officer, BTA

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 £61,000 (2016/17: £49,500), 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 the BTA auditors are unaware. She has taken all necessary steps to make herself aware of any relevant audit information and to establish that the BTA's auditors are aware of that information.

Sally Balcombe  
Accounting Officer BTA  
13 May 2019

## 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 28. BTA is sponsored, and part funded, by the Department for Digital, Culture, Media, and Sport which has been confirmed through the funding letter of the 3 March 2016 for the financial year 2017/18.

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 Digital, 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 Digital, 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 2017/18 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.

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 HM Treasury's "Managing Public Money".

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

As Accounting Officer, I am responsible for the day-to-day operations and management of BTA and remain accountable to the Department for Digital, 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 Finance & Business Services who has responsibility for financial and compliance matters, and the Secretary to the Boards who supports both Boards and is a member 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 employees in VisitBritain and VisitEngland teams, including myself, have annual performance targets which are linked to the BTA Business Plan.

### **Compliance with HM Treasury and Cabinet Office's Code of Good Practice 2017**

BTA complies with HM Treasury and Cabinet Office's Code of Good Practice 2017 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, Mazars, the internal auditors, have not been invited to attend any Board meetings during the year, however, they attend all Audit Committee meetings.

### **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 communications spend controls (Cross Government Professional Assurance), 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 check performances 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 Finance & Business Services.

The recruitment and appointment process for those Board Members appointed by the Secretary of State for Digital, 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 2017 and March 2018 took place on following dates:

1. 3 May 2017
2. 20 June 2017
3. 27 June 2017 (*Extraordinary Board meeting*)
4. 28 September 2017
5. 5 December 2017
6. 25 January 2018
7. 20 March 2018

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

The attendance by individual Board Members, Observers and Committee Members at meetings during 2017/18 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>
Steve Ridgway CBE	Chairman of the Board and Remuneration Committee	7 (7)		1 (1)
Denis Wormwell	Board Member and member of the Audit and Remuneration Committees	7 (7)	4(4)	1 (1)
Sally Balcombe	Chief Executive Officer and attendee to the Remuneration and Audit Committees	7 (7)	4(4)	1 (1)
Katy Best	Observer	6 (7)		
Giles Smith*	DCMS	3 (5)		
Angie Bray	Board Member	7 (7)		
Hazel Cunningham	Executive Director, Finance and Business Services, BTA	7 (7)	4(4)	
Hugh Green	Independent Member of the Audit Committee		4(4)	
Nigel Halkes	Member of the Audit Committee (VEAB Member)		3(4)	
John Lindquist	Board Member and Chairman of the Audit Committee	7 (7)	4(4)	
Margaret Llewellyn OBE***	Board Member	6 (6)		
Ian McCaig	Board Member and member of the Remuneration Committee	7 (7)		1 (1)
Kevin Murphy****	Observer	5 (6)		
Stephen Darke**	DCMS	2 (2)		
Rt. Hon. Viscount Thurso	Board Member	6 (7)		
Dame Judith Macgregor	Board Member	3 (3)		

\* During period April 2017 - March 2018, Giles Smith attended 3 Board meetings in May, September and October 2017 for DCMS prior to stepping down.

\*\* Stephen Darke attended 2 Board meetings in January and March 2018, for DCMS following the stepping down of Giles Smith.

\*\*\* Margaret Llewellyn attended 6 Board Meetings in May, June, September, October, December 2017 and January 2018 in her capacity as Chair of the Wales Tourism Advisory Board, which has ceased to exist.

\*\*\*\*Kevin Murphy attended 5 meetings in May, June, September, October and December 2017 before stepping down as Board Member from London & Partners.



### **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 2017/18 there were no withdrawals from Board or Committee discussions.

The BTA is committed to providing a fair and open culture and has a Whistleblowing policy in place documenting the procedures to allow employees to raise any issues, freely and without concern, with their Line Manager. The policy is available to all staff via the corporate intranet. The policy explains how employees or others may make a disclosure or "blow the whistle" on any element of the organisation's activity, which they perceive is contrary to its policies and the Standards of Conduct Policy, and falls within the category of malpractice.

Our Sponsor Department DCMS received a whistleblowing complaint from a VisitBritain employee last year. The whistleblowing complaint was handled under the DCMS Whistleblowing and Raising a Concern Procedure, VisitBritain was not involved with the whistleblowing process. We received confirmation from DCMS in December 2018 that the whistleblowing complaint had been closed since the matters raised form part of an ongoing programme of work that DCMS was undertaking, including audits of VisitBritain by The Government Internal Audit Agency (GIAA) and DCMS HR.

### **The Work of the Board in 2017/18**

During 2017/18 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 market Britain overseas to drive growth in international leisure and business tourism.
- Maintained distinct activities to develop and market English tourism.
- Developed the I Travel For campaign strategy.
- Continued to review the options for the current pension arrangements to ensure future compliance with HM Treasury requirements for public sector pension reform.
- Continued to build the commercial partnership strategy.
- Continued to manage the Discover England Fund.

### **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.

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

- 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.

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 2017/18 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.
- Maintain distinct activities to develop and market English tourism.
- Consumer campaigns and digital content delivered.
- Continued to developed Business Events strategy for England.
- Maintained Strategic partnerships.

#### **The Remuneration Committee**

The Remuneration Committee, which had a vacancy during 2017/18, consists of four members: the Chairmen of BTA and ETB and two other members of the Boards of BTA and ETB. The Chief Executive Officer, Director of Finance & Business Services and the Head of People and Talent attend meetings as required but no member of staff, including the Chief Executive, is present when their 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.



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

### 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 2016).

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 & 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 the internal auditors, Mazars.

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, 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 policies and procedures, retail operations
- Workforce Development and Human Resources operations
- Overseas Offices financial operations
- Discover England Fund; operation and fund management
- General Data Protection Regulations preparedness and accordingly revisions to data management policies

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 2018 produced by Mazars states:

*On the basis of our audit work, we consider that the British Tourist Authority's governance, risk management and internal control arrangements are generally adequate and effective, with the exception of HR – Workforce Development. Certain weaknesses and exceptions were highlighted by our audit work, specifically a 'Limited' assurance awarded in HR – Workforce Development. 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 2017/18 are listed on page 44.

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

### **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; Reviewed 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 2017/18 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 2017/18 the Audit Committee considered and agreed a number of recommendations from the NAO and Mazars. Key areas of consideration and assurance included:

Compliance with policies, procedures and regulations has been an area of focus this year; ensuring awareness and understanding across all our global operations. In response to reviews conducted, including those in conjunction with DCMS, which covered aspects of procurement, funds management and HR, we have strengthened a number of procedures across these areas and commenced the development of compliance training some of which will be delivered via a new e-platform. The platform will facilitate the monitoring of take up of training across teams and staff understanding, thus enabling us to target additional training, support or other necessary, management planning.

The Audit Committee has also endorsed a new governance process which commence this year; requiring each of the Executive Directors to complete an Annual Assurance Statement to the Accounting Officer in respect of their delegated responsibilities across functional and portfolio areas.

The Audit Committee has discussed in detail the HR workforce development audit, recommendations made by the Internal Audit team and management responses. This review highlighted procedural weaknesses that touched on other areas.

As highlighted in the Head of Internal Audit report, "All of these have been, or are in the process of being addressed, as detailed in our individual report." The Audit Committee has endorsed the action plan which is now well in progress.

During the annual audit conducted by the National Audit Office (NAO), it was highlighted that four staff severance payments were not appropriately approved in accordance with the governance requirements as set out in Managing Public Money; Our internal control process relies on manual intervention to ensure that anomalies involving severance payments are identified and duly presented for approval with the DCMS prior to settlement. It is clear that there was a weakness in this control process due to poor staff skills and knowledge in the interpretation of the procedure required and the lack of a final authorisation stage. In each of the identified cases, the circumstances varied:

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

One case was subject to a legal mediation process, which due to its unique nature and timing, did not follow the standard approval process. Approval was requested retrospectively following conclusion of the mediation process; The next two cases were initially submitted to DCMS for information rather than approval. They related to two severance payments in the US office. Given that these cases were identified as a potential litigation risk, they were referred to external US counsel for consideration. Counsel's advice was that the payment had become contractual due to custom and practice. Given this advice we mistakenly notified rather than sought approval. Once this had been clarified, retrospective approval was immediately secured.

The fourth instance resulted from an exit payment following a redundancy of an employee. The exit payment which included payment in lieu of notice was inadvertently judged not to be subject to employees' tax and NIC. Once discovered the related tax obligation was notified to HMRC and reported accordingly, but due to the agreed terms of the exit payment for the redundancy the BTA was unable to recover the amount from the past employee. In respect of the latter case, the BTA has not secured retrospective approval from DCMS and HM Treasury.

While these payments are not material in value and individually have a valid business case, I understand the need to comply with processes for approval and the requirements for of Managing Public Money. It is acknowledged that the failure to secure retrospective approval in respect of the fourth matter has caused the Comptroller and Auditor General to qualify his regulatory audit opinion on BTA's accounts for 2017/18 in respect of this matter as set out in pages 58-63.

I have considered issues highlighted by the various audit reviews, and taken action to ensure an improvement plan in place and implemented to improve procedures and controls, which is now well in progress. The plan includes but is not limited to the following:

- Widened the Remuneration Committee Remit to oversee the improvement plan;
- We have invested in the Human Resources team; both restructuring and upskilling the team;
- Reviewed a number of HR policies, which have been revised and consulted on
- Reviewed and implemented enhanced controls for all HR processes including exit payments
- Reviewed and implemented a strengthened performance management framework
- Strengthened Staff Probation Management
- Increase HR support to staff on-boarding and off-boarding
- Launched New Values Framework
- Increased Training & Development over a range of themes such as management, culture and diversity, finance, procurement and compliance with Government requirements
- Launched a well-being programme
- Procured and commenced implementation of new HR Information System.

I recognise culture is key to the effectiveness of our compliance framework; embedding this culture change is already underway at senior executive team; partly through the assurance statements and going forward through greater clarity and visibility of objective setting.

I also recognise the culture of compliance must be understood and demonstrated by our Board and Committees and will ensure appropriate training particularly as we recruit to Board vacancies, as well as demonstrable discussion and oversight.

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

We continue to monitor our use of and compliance with the Light Touch Regime in respect of Partnership working. 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 secure match-funding, access to resources and consumer insights information and ultimately leverage optimum use of public resources in order to make greater impact, in increasingly competitive overseas markets, to meet Government targets.

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. Consideration for investment this year in strategic and national challenges has been a focus of attention. In particular, the potential for national level technological investment to support a range of bids to the Fund and future projects has been tested through a pilot which has been scrutinised through BTA Governance, DCMS Investment Committee as well as Government Digital Service.

In preparation for the introduction of GDPR legislation the BTA set up a working group made up of representatives for each of our data processing systems plus legal and technical subject matter experts. Major GDPR work included:

- Identifying and mapping the flow of personal data within and between VisitBritain/VisitEngland systems
- Creating a raft of new and updated policies relating to GDPR
- Modifying the content and layout of our B2C and B2B data capture forms
- Implementing new back up arrangements
- Training and data cleaning activity
- Confirming with suppliers that they are operating within the new law

Other areas of focus this year have included; IT security, cyber fraud and attacks and pension liabilities & risks.

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

Sally Balcombe  
Accounting Officer  
BTA  
13 May 2019

## 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 2017. The maximum consolidated payment made was 1.75% of basic pay and the maximum non-consolidated payments was 5.75%. Payments to Directors were made in line with the arrangements for all staff.

#### Remuneration of Boards

The Board Members of BTA and ETB have had their salaries frozen for five years with effect from 1 April 2010. The new Chairman was appointed on a lower rate, in accordance with the thresholds set by DCMS. New board members have also been appointed on the same principles.

**Remuneration Report (Continued)**

The information in pages 42 - 48 falls within the scope of the Comptroller and Auditor General's audit opinion on the accounts and is audited.

**BTA Board members' remuneration:**

	<b>Remuneration 2017/18</b>	<b>Remuneration 2016/17</b>
	<b>£</b>	<b>£</b>
Christopher Rodrigues CBE (Chairman to 31st March 2017)	-	49,090
Penelope, Viscountess Cobham, CBE*	-	-
Stephen Ridgway CBE (Chairman from 1st April 2017)	40,000	9,435
Lord John Thurso*	-	-
Denis Wormwell*	-	-
Margaret Llewellyn OBE*	-	-
John Lindquist	9,435	9,435
Ian McCaig	9,435	9,435
Dame Judith Macgregor	2,560	-
Angela Bray	9,435	9,435
	<b>70,865</b>	<b>86,830</b>
Pensions to former Chairmen	15,268	16,805
<b>Total remuneration</b>	<b>86,133</b>	<b>103,635</b>

**British Tourist Authority Board  
Observers\*\***

Katy Best

Giles Smith

Kevin Murphy

Stephen Darke

Hazel Cunningham

**Position, Organisation**

Board Member, Northern Ireland Tourist Board and Commercial Director, Belfast City Airport

DCMS (Observer until December 2017)

Board Member, London & Partners (Observer until December 2017)

DCMS (Observer from January 2018)

Executive Director, Finance and Business Services, BTA

Board Members' remuneration is stated 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 Denis Wormwell sit on the Board in an ex-officio capacity in their roles as Chairmen of Visit Wales, VisitScotland and VisitEngland respectively, and do not receive any remuneration from VisitBritain. Penelope, Viscountess Cobham's role as Chairman of VisitEngland ended on 31st March 2017.

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

Stephen Ridgway took over the position of Chairman from Christopher Rodrigues on 1st April 2017.

Jason Thomas, The Director for Wales, attended one meeting in 2017/18 and received no remuneration.

**Remuneration Report** *(Continued)***VisitEngland Board members' remuneration:**

	<b>Remuneration 2017/18 £</b>	<b>Remuneration 2016/17 £</b>
Penelope, Viscountess Cobham CBE (Chairman until 31st March 2017)	-	45,210
Denis Wormwell (Chairman from 1st April 2017)	16,560	9,435
Nigel Halkes	9,435	9,435
John Hoy	9,435	9,435
Sarah Stewart OBE	9,435	9,435
Allan Lambert	-	-
Fiona Pollard	275	-
<b>Total remuneration</b>	<b>45,140</b>	<b>82,950</b>

**English Tourist Board Observers\*****Position, Organisation**

Suzanne Bond	Former Chief Executive, Cornwall Development Agency
Stephen Darke	DCMS
Hazel Cunningham	Executive Director, Finance and Business Services, BTA

Board Members' remuneration is 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 Chairman's recommendation to award the Chief Executive the maximum bonus payable in recognition of her outstanding performance during the performance year under review. The bonus was non-consolidated and a consolidated increase of 7% 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 12.5%. All payments are based entirely on performance, no discretion was exercised. Payments were approved by the Remuneration Committee.

The bonuses reported in 2017/18 relate to performance in 2016/17 and the comparative bonuses reported for 2016/17 relate to performance in 2015/16.

Remuneration Report (Continued)

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

2017-18										
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 31.03.2018 (£'000)	Cash equivalent transfer value as at 31.03.2017 (£'000)	Cash equivalent transfer value as at 31.03.2018 (£'000)	Real increase cash equivalent transfer value (£'000) <sup>2</sup>
Sally Balcombe (Accounting Officer BTA/CEO VB) <sup>4</sup>	165-170	15-20	43	225-230	20-25	0-2.5	5-10	166	234	56
Hazel Cunningham (Director, Business Services) <sup>4</sup>	120-125	10-15	34	165-170	15-20	0-2.5	5-10	85	130	37
Patricia Yates (Director, Strategy and Communications) <sup>4</sup>	115-120	10-15	25	150-155	25-30	0-2.5	25-30	809	816	-23
Robin Johnson (Director, Europe) <sup>4</sup>	105-110	10-15	26	145-150	25-30	0-2.5	20-25	412	474	45
Carol Dray (Director Commercial) <sup>4</sup>	120-125	15-20	34	170-175	15-20	0-2.5	0-5	55	106	44
Clare Mullin (Director, Britain Marketing) <sup>4</sup>	110-115	0-5	39	150-155	15-20	0-2.5	0-5	7	47	38
Sumathi Ramanathan (Director, APMEA Region) <sup>3 4 7</sup>	155-160	0	0	155-160	0	0	0	0	0	0
Paul Gauger (Interim Director, Americas) <sup>4 6</sup>	105-110	5-10	11	125-130	10-15	0-2.5	5-10	174	200	18
Andrew Stokes (Director, England) <sup>4</sup>	110-115	5-10	32	150-155	10-15	0-2.5	0-5	46	89	38
Gavin Landry (Director, Americas) <sup>5 8</sup>	70-75	0	0	70-75	0	0	0	0	0	0
Trisha Warwick (Director, APMEA Region) <sup>5</sup>	115-120	0	0	115-120	0	0	0	0	0	0

<sup>1</sup> No benefit in kind was paid in 2017-18

<sup>2</sup> The real increase in cash equivalent takes into account an assumed rate of revaluation of 3%, in line with the Government's statutory revaluation order for 2017/8

<sup>3</sup> Sumathi Ramanathan left BTA on 21st August 2017. Her final settlement included £90-95k accrued statutory entitlement in respect of "end of year" service

<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> Gavin Landry was appointed as director on 23rd August 2017 with an FTE of £110k - 115k. • Ms T Warwick's services as an Interim Director of APMEA region were procured by the BTA through Scherwick Group Ltd and the service started in August 2017 and ended in May 2018 when she officially joined BTA on a permanent contract with an FTE of £134,000. For 2017/18, expenditure of £119,246 was incurred in respect of her services.

<sup>6</sup> Paul Gauger served as interim director until 31st December 2017 on FTE £143,000 & paid in local currencies converted back to GBP

<sup>7</sup> Sumathi Ramanathan's salary includes an allowance for accommodation and travel of £2.3k. Paul Gauger's salary includes an accommodation allowance of £55.2k

<sup>8</sup> No pension contribution for Gavin Landry as he is only eligible to join the US pension scheme after twelve months of service.



British Tourist Authority trading as VisitBritain and VisitEngland

Annual Report and Financial Statements for the Year Ended 31 March 2018

Remuneration Report (Continued)

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

**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 2017/18 was £180,000-£185,000 (2016/17 - £170,000-£175,000). This was 5.1 times (2016/17: 4.8) the median remuneration of the workforce, which was £36,326 (2016/17: £36,309). The increase in the salary for the highest-paid director from 2016/17 to 2017/18 is due to the change in performance related pay increase. 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 £5,000 to £185,000 (2016/17: £4,000 - £175,000). 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  
13 May 2019

## Staff Report

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

### Staff costs

Staff costs comprise:

	2018			2017		
	Permanent Staff £'000	Others £'000	Total £'000	Permanent Staff £'000	Others £'000	Total £'000
Staff costs (including Directors) comprise:						
Salaries	8,037	4,103	12,140	7,676	4,467	12,143
Social Security costs	920	581	1,501	852	502	1,354
Other pension costs	3,070	87	3,157	3,054	85	3,139
<b>Administration operating staff costs</b>	<b>12,027</b>	<b>4,771</b>	<b>16,798</b>	<b>11,582</b>	<b>5,054</b>	<b>16,636</b>

### Average number of persons employed

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

	2018 Number	2017 Number
Permanent (UK) staff	173	174
Other Staff	112	115
<b>Total staff numbers</b>	<b>285</b>	<b>289</b>

**Staff Report** *(Continued)*

**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	
	2017/18	(2016/17)	2017/18	(2016/17)	2017/18	(2016/17)
<£10,000	4	-	1	-	5	-
£10,000 - £25,000	2	-	-	-	2	-
£25,000 - £50,000	3	2	-	1	3	3
£50,000 - £100,000	1	2	-	-	1	2
£100,000- £150,000	-	-	-	-	-	-
£150,000- £200,000	-	1	-	-	-	1
>£200,000	-	-	-	-	-	-
<b>Total number of exit packages by type (total cost)</b>	<b>10</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>6</b>
<b>Total resource cost</b>	<b>£230,890</b>	<b>£369,811</b>	<b>£4,000</b>	<b>£32,557</b>	<b>£234,890</b>	<b>£402,368</b>

**Staff Report** *(Continued)*

**Consultancy Expenditure**

Included within support costs is £149.2k of consultancy expenditure for the year ending 31 March 2018 (£162k - 2016/17).

**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 2017 and 31 March 2018. 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 2018, for more than £245 per day and that last for longer than six months.

<b>No. of existing engagements as of 31 March 2018</b>	<b>5</b>
Of which...	
No. that have existed for less than one year at time of reporting.	<b>1</b>
No. that have existed for between one and two years at time of reporting.	<b>1</b>
No. that have existed for between two and three years at time of reporting.	<b>0</b>
No. that have existed for between three and four years at time of reporting.	<b>2</b>
No. that have existed for four or more years at time of reporting.	<b>1</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 2017 and 31 March 2018, for more than £245 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 2017 and 31 March 2018</b>	<b>1</b>
Of which...	
No. assessed as caught by IR35	<b>0</b>
No. assessed as not caught by IR35	<b>1</b>
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	<b>0</b>
No. of engagements reassessed for consistency / assurance purposes during the year.	<b>0</b>
No. of engagements that saw a change to IR35 status following the consistency review	<b>0</b>

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018.

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	<b>1</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>17</b>

**Employment**

The number of employees at 31 March 2018 classified by gender is as follows:

	Male	Female
Senior Executives	3	6
Total number of employees	90	199
	93	205

**Staff Report** (Continued)**Internal Communications and trade union relationships**

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, pay and grading issues, and proposed future pension scheme changes. 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.

BTA's trade union facility time information is presented below:

**Human Capital Management**

BTA's aim is to attract and retain a quality workforce by investing in training, development and rewards. The focus is on keeping staff challenged and engaged through numerous learning opportunities and programmes offered, and developing talent in-house to ensure that the necessary skills and expertise are available within the organisation to continue to deliver a quality service. In addition, remuneration and benefits packages are closely monitored to ensure employee benefits are market related and retention measures are effective.

<b><u>Table 1</u></b>	
<b>Relevant union officials</b>	
Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
5	5
<b><u>Table 2</u></b>	
<b>Percentage of time spent on facility time</b>	
0%	2
1%-50%	3
51%-99%	-
100%	-
<b><u>Table 3</u></b>	
<b>Percentage of bill spent on facility time</b>	
Provide the total cost of facility time	32,743
Provide the total pay bill	16,468,000
(Total cost of facility time / total pay bill) X 100	0.2%
<b><u>Table 4</u></b>	
<b>Paid Trade Union activities</b>	
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period / total paid facility time hours) X 100	36%

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

### **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**

The UK BTA currently offers a defined benefit (final salary) pension for all employees employed before 1 April 2017, although it is proposed to close this scheme and establish a defined contribution scheme. As stated on page 27 the aforementioned change it is now expected during 2019 subject to approval by relevant parties. BTA introduced a new defined contribution scheme, in agreement with the BTB Pension Trustees, for new starters from 1 April 2017 and all new staff in the UK are auto-enrolled into this scheme. BTA also offers a defined benefit (final salary) pension for its employees in the USA and defined contribution schemes in other parts of the world

### **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 2017/18 was 2.4 days compared with 1 day in 2016/17.

### **Training and Development**

BTA's performance management system has been reviewed, completely revised and relaunched, and is aligned to the corporate priorities 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.

### **Health and safety of our people**

Despite a predominantly administrative and office based workforce BTA is firmly committed on working towards zero accidents at work. BTA maintains stringent safety standards that helps to deliver good health and safety practices in the business. These are regularly reviewed and all staff receive training on this aspect to ensure a safe and healthy work environment for all.

### **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 was recognised as an 'Investor in People' (IIP) from 1994 until October 2018, with the Silver status. We have not sought renewal of investors in people at this time. We are evaluating our training and development programme and made the decision, to use the money it would have cost for IIP, to invest directly into staff training and development activities.



## PARLIAMENTARY ACCOUNTABILITY DISCLOSURES

### Fees and charges

BTA is required in accordance with HM Treasury's Managing Public Money to disclose results for the areas of its activities where fees and charges are levied. BTA considers its retail activities to be the only area of the business where material fees and charges are levied.

	Gross Income £'000	Full cost £'000	Surplus £'000
<b>2017/18</b>			
Retail activities	27,774	26,461	1,313
<b>2016/17</b>			
Retail activities	28,350	26,823	1,527

The financial objective of the BTA's retail activities for which fees and charges are rendered is to recover the costs of providing the services and to make a contribution towards financing other operational costs. These activities have enabled BTA to offset some of its costs by marketing Britain and offering tourism related services to businesses and individuals around the world travelling to the United Kingdom. During 2013/14 BTA identified a particular opportunity in delivering online tourism services and invested substantially in this area to develop its online commercial retail capabilities through its VisitBritain online retail shop. This activity delivers a vital service to businesses, the general public and tourists worldwide and is expected to continue to make a substantial contribution towards financing our business operations as set out in our strategic objectives.

### **Losses and special payments and other disclosures**

Foreign exchange losses incurred during the year amounted to £438k (2016/17: no losses above reporting threshold). By nature of its operations and overseas activities, BTA is naturally exposed to foreign currency risk. The weakening of the Pound Sterling during the current year has resulted in the loss recognised during the year. BTA's foreign currency risk management policy is discussed further in note 3 of the notes to the financial statements. In addition, BTA incurred a loss of £8k in connection with a staff redundancy settlement as a result of an error in employees tax and NIC calculation.

BTA incurred no special payments or made any gifts during the year (2016/17: Nil) that needs to be reported in accordance with HM Treasury's Managing Public Money guidance. BTA is not aware of the existence of any remote contingent liabilities (2016/17: None) that needs to be reported.

The Parliamentary accountability disclosures falls within the scope of the Comptroller and Auditor General's audit opinion on the accounts and is audited.

## SUSTAINABILITY REPORT

### Introduction

Consistent with practices from previous years, we continued with initiatives during 2017-18 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 21 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:

<u>Sustainability area</u>	<u>Units</u>	<u>Performance</u>	
		<u>2017/2018</u>	<u>2016/2017</u>
<b>Non-financial indicators</b>			
Total CO2 emissions	Tonnes	483	677
Energy consumption	KWh	536,125	917,937
Total waste	Tonnes	42	47
Water consumption	Meter <sup>3</sup>	1,925	3,328
<b>Financial indicators</b>			
Energy consumption costs	£'000	£62.9	£91.2
Official business travel costs	£'000	£371.1	£380.7
Waste disposal costs	£'000	£1.42	£9.91
Water supply costs	£'000	£1.54	£3.22

### Notes:

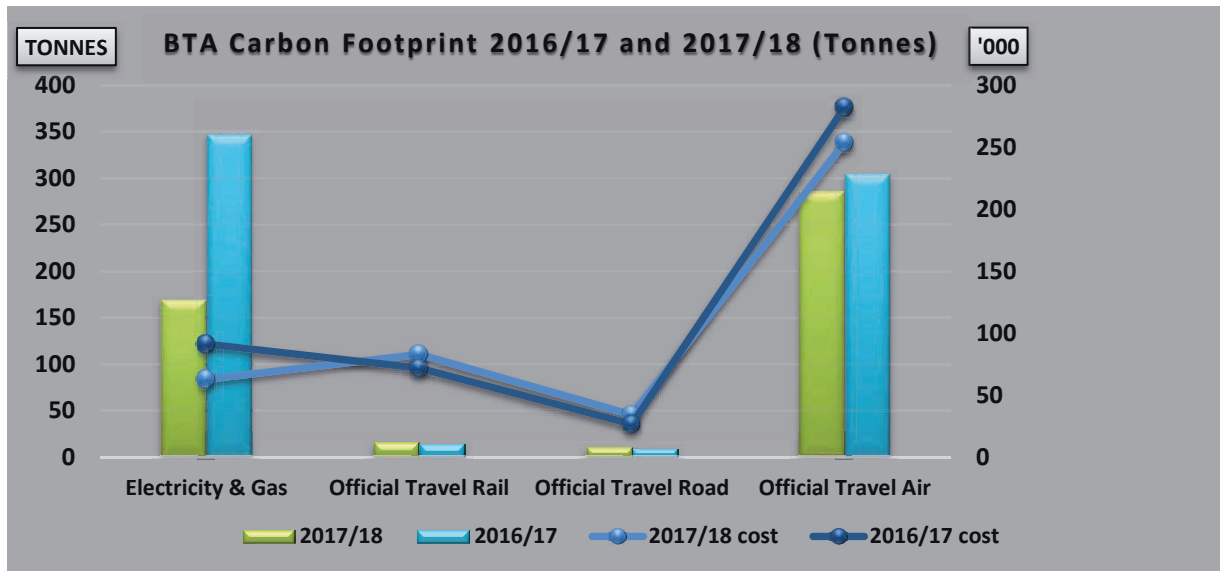
The scopes and conversion rates are set out in the Guidelines to Defra/DECC's Greenhouse Gas Protocol Conversion Factors for Company Reporting.

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.

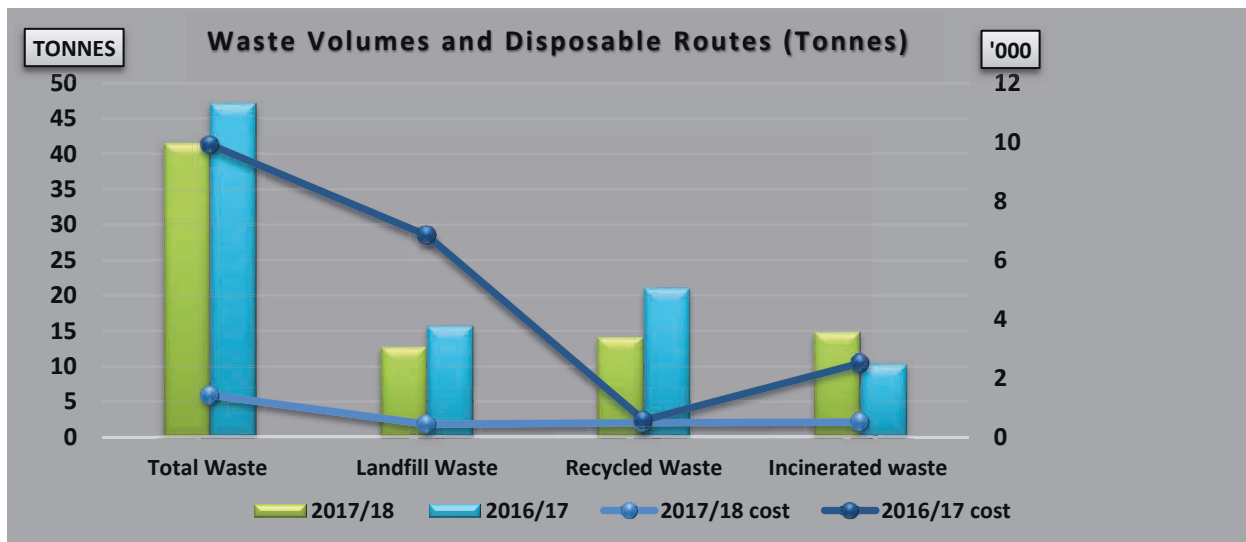
The CO2 emissions/energy consumption/Waste/Water consumption data and the costs therein are based on the full year data provided for the new premises in which BTA are located despite only occupying the building for 6 months in 17/18. This is due to the non-availability of the data from the previous premises.

Sustainability Report (Continued)

**BTA Carbon Footprint**



			2017/2018	2016/2017
Non- Financial Indicators (Tonnes)	Total Waste		41.58	47.11
	Hazardous waste	Total	-	-
		Landfill	12.70	15.71
		Reused/Recycled	14.05	21.07
		Incinerated/Energy from Waste	14.83	10.32
Financial Indicators £'000	Total disposal cost		£1.42	£9.91
	Hazardous waste - Total Disposal cost		-	-
	Non-hazardous waste - Total disposal cost	Landfill	0.43	6.84
		Reused/Recycled	0.48	0.57
		Incinerated/energy from waste	0.51	2.50



### **Sustainability Report** *(Continued)*

In 2017/18, BTA Head office in London moved to a new location in September 2017. This has resulted in significant changes of how different areas of the sustainability are measured and therefore reported as compared with 2016/17.

As per the new agreement, BTA is responsible for 4.14% of the building at 1 Victoria Street. This is the percentage on which the main sustainability areas attributable to BTA have been calculated. This is a marked departure from previous years wherein the number of employees through the year was utilised to calculate the relevant figures. This is a reflection of the fact that in the new premises, BTA occupy a much lesser proportion of a bigger building. As such, 17/18 sees a marked decrease in the Energy/Water consumption levels as well the levels of CO2 emissions (and therefore the costs) as compared with 16/17 that are attributable to BTA.

Following from above, BTA Head office in London has moved from 1 Victoria Street to 151 Buckingham Palace Road in October 2018.

In addition to the above decreases in CO2 emissions and Energy/Water consumption levels there was reduction in air travel during the year (please see above). We are an international organisation that needs to maintain good communication with staff around the world and to communicate our work to our stakeholders. As such there were numerous conferences/trade events/meetings for which air travel was necessary during 17/18 (as with previous years). However, despite these requirements there was a dedicated effort by all the employees in the organisation to enhance the use of information technology, such as video conferencing and webinars to hold meetings and communicate with staff in different locations as opposed to travelling to the relevant destinations by air resulting in the reduction in air travel in 17/18. The organisation hopes to continue with this policy of only travelling by air if necessary in the foreseeable future. In addition to the above, our London office has continually promoted flexible working conditions in an attempt to save on costs and environmental impact.

We also 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.

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 Digital, 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 Digital, 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 Digital, 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  
13 May 2019

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

### Opinion on Financial statements

I certify that I have audited the financial statements of the British Tourist Authority for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2018 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.

### Qualified opinion on regularity

In my opinion, except for the matter described in the basis for the qualified opinion paragraph below, 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.

### Basis for the qualified opinion on regularity

The British Tourist Authority is required to comply with the requirements of HM Treasury's "Managing Public Money". During 2017-18, the British Tourist Authority negotiated settlement terms for a UK employee and agreed to make a payment in lieu of notice without deducting tax or national insurance. The British Tourist Authority did not pay employer's national insurance on the amount. Such payments are outside of the British Tourist Authority's delegation and require explicit approval from the Department for Digital, Culture, Media and Sport (the Department) and HM Treasury but this approval was not obtained.

In my opinion, this exit payment did not conform with the authorities which govern it and resulted in an irregular payment of £8,112. I consider this irregular payment to be material in the context of the failings of the control environment.

Further details can be found in my report, below.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the British Tourist Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Respective responsibilities of the Board and Accounting Officer for the financial statements**

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.

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

My responsibility is to audit, certify and report on the financial statements in accordance with the Development of Tourism Act 1969.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the British Tourist Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the British Tourist Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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



## **Other Information**

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the Performance Report and Accountability Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Development of Tourism Act 1969;
- in the light of the knowledge and understanding of the British Tourist Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report 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 parts of the Accountability 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date:** 16 May 2019

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

## Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

### Introduction

1. The purpose of this Report is to explain the circumstances which led me to qualify my audit opinion on regularity on the 2017-18 financial statements of the British Tourist Authority (BTA).
2. BTA made severance payments to a number of its staff during the year which were in breach of its delegated authority. The Accounting Officer's Statement of Corporate Governance goes some way towards explaining how this occurred, citing poor staff skills and knowledge. The statement does not, however, explain that BTA did not provide all key information to its sponsoring department, the Department for Digital, Culture, Media and Sport (the Department), to inform the Department's decision on whether to support BTA's case for retrospective approval of one payment. This matter is discussed in my Report.

### Qualified audit opinion arising from irregular expenditure on exit payments

3. During the year, BTA incurred expenditure outside of the agreed framework, and did not comply with HM Treasury rules, by making a number of severance payments including extra-contractual elements, without the necessary approvals. BTA sought and received retrospective approval from HM Treasury for three of four such payments, but not for one of them. As a result, £8,112 of expenditure during the year was irregular.
4. HM Treasury sets out the requirements for managing funds in the public sector through Managing Public Money. It requires public sector bodies to act with probity, transparency and in the public interest. Managing Public Money sets out guidance for the governance and accounting for potentially novel, contentious or repercussive transactions including special severance payments.
5. Special severance payments are severance payments made to individuals which are beyond statutory or contractual requirements. Managing Public Money<sup>5</sup> states that special severance payments always require HM Treasury consent before proceeding to payment because they are usually novel, contentious and potentially repercussive. Managing Public Money provides examples of transactions requiring explicit HM Treasury consent and explains that it is improper for a public sector organisation to spend or make commitments outside of agreed delegations. Where prospective consent has not been obtained from HM Treasury, HM Treasury may subsequently agree to give retrospective consent, but only if the expenditure in question would have been agreed if permission had been sought at the right time. HM Treasury make this judgement based on the business case provided by the entity seeking retrospective approval.
6. The exit package information reported on pages 48 and 86 of the Annual Report and Accounts discloses 11 exit payments recorded during 2017-18. My audit found that BTA management did not comply with Managing Public Money requirements in four of these exit payments as special severance payments were agreed or made without having received HM Treasury approval in advance. This means that the commitment to make severance payments totalling £62,489 was outside of BTA's framework of authorities.
7. BTA had identified one of the four cases itself and had applied for and received retrospective approval from HM Treasury. This regularised the transaction. The other three cases were identified by my audit and, when I advised BTA management in June 2018 to seek retrospective approval from HM Treasury for each of these payments, BTA management challenged this conclusion as it believed that HM Treasury approval was not required.

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<sup>5</sup> Managing Public Money: Use of public funds, Treasury consents, paragraph 2.3.4 – 2.3.5.

8. In two of the remaining three cases, BTA made redundancy payments to staff in an overseas office despite the individuals having no contractual right to redundancy payments. Notwithstanding this, BTA believed that there were firm expectations under the custom and practice of employment contracts in this country, a position it argues was supported by its legal advice. (BTA had made two similar severance payments to departing staff in this overseas office in 2016-17 for which it sought, and received, retrospective HM Treasury approval to regularise). Following my audit, BTA approached the Department to request HM Treasury approval to regularise the two payments made in 2017-18. HM Treasury granted its retrospective approval on 13 July 2018.

*The Department did not support BTA's request for retrospective approval of one special severance payment*

9. In the final case, BTA negotiated settlement terms with a UK employee, agreeing to make a payment in lieu of service to the individual without deducting income tax and employee national insurance contributions. BTA also failed to pay employer's national insurance on the payment. BTA had no authority to enter into such an agreement without prior approval from the Department and HM Treasury. The facts are as follows:

- BTA is required to inform the Department of all proposed severance payments and, when my audit identified this issue, BTA initially notified the Department in July 2018 that the payment to this individual was contractual.
- My team reviewed the payment and supporting evidence and concluded that the tax and national insurance elements were non-contractual and therefore required approval from the Department and HM Treasury.
- When my team met the Department to discuss the case in August 2018, they found that there was a disparity between the Department's account of the circumstances leading up to the payment and the evidence that we had seen as part of the audit. This was because BTA had not disclosed all pertinent evidence to the Department.
- After reviewing all the evidence, the Department informed HM Treasury, in November 2018, that it could not support BTA's request for retrospective approval to regularise this payment. The Department cited BTA's history of seeking retrospective approval for severance payments in 2016-17 and 2017-18 with this being indicative of inadequate planning, management and weak governance.
- On 20 December 2018, HM Treasury responded to the Department, agreeing with the Department's decision not to support BTA's request for retrospective approval. In addition, HM Treasury stated that it expects BTA to make significant improvements to how it manages special payments and HM Treasury would not be granting retrospective approval for any further requests of this nature until it had confidence that BTA was managing these payments effectively.

10. Since retrospective approval of the payment has not been received from the Department and HM Treasury, the extra-contractual element of this payment, totalling £8,112, remains in breach of regulations. I consider this irregular payment to be material in the context of the failings of the control environment.

*The British Tourist Authority made extra-contractual severance payments without seeking prior approval in the previous year*

11. As noted above, this is not the first time that BTA has not adhered to HM Treasury approval requirements. Following my audit of the 2016-17 financial statements, I reported concerns to those charged with governance at BTA that BTA had made two special severance payments without HM Treasury approval and these were identified only by my audit. As with two of the 2017-18 cases, the two 2016-17 cases that I brought to management's attention were for redundancy payments to staff in overseas offices where the individuals had no contractual right to redundancy payments. I informed BTA that it would need to secure retrospective approval from HM Treasury to regularise these payments, and this was sought and obtained.

12. In my June 2017 report to those charged with governance at BTA, I recommended that BTA management put in place appropriate procedures to ensure future adherence to required approval procedures and BTA management agreed to do this. However, within one month of this report, BTA had entered into another special severance agreement without seeking prior HM Treasury approval with a further three non-contractual settlements being agreed in the six months that followed, again without HM Treasury approval.

**Action taken by the British Tourist Authority and the Department for Digital, Culture, Media and Sport**

13. BTA's repeated contravention of the approvals regulations for severance payments are symptomatic of failures in its internal control environment. I welcome and endorse BTA's identification in its 2017-18 Statement of Corporate Governance by the Accounting Officer of the need for significant improvement in the general control environment.
14. The Department commissioned a review of BTA's HR practices during 2017-18 and concluded that the findings were cause for considerable concern. The Department's Permanent Secretary advised BTA that remedying issues identified in the review should be a top priority for BTA's management team and, in August 2018, asked BTA to formulate a proposal to address the key findings, an implementation plan and details of how BTA will ensure it delivers against relevant compliance and control specifications across the business. The Department's Director of Finance and Commercial has also asked for assurances that BTA is taking steps to ensure that no further breaches of delegated authorities occur.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date:** 16 May 2019

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

### 3. FINANCIAL STATEMENTS

#### Statement of Comprehensive Net Expenditure

	<i>Note</i>	2018 £'000	2017 £'000
<b>Revenue</b>			
Income from activities	6	33,344	33,014
Other income	7	845	1,452
		<b>34,189</b>	<b>34,466</b>
Employee benefits costs	8	(16,798)	(16,636)
Depreciation and amortisation	17, 18	(709)	(480)
Other operating charges	9	(69,728)	(69,428)
Grants paid	11	(6,486)	(5,293)
Re-organisation costs	12	(236)	(665)
		<b>(93,957)</b>	<b>(92,502)</b>
<b>Net Expenditure before finance income</b>	<b>13</b>	<b>(59,768)</b>	<b>(58,036)</b>
Finance income	15	29	27
Finance expense	15	(686)	(1,016)
<b>Net Expenditure for the year</b>		<b>(60,425)</b>	<b>(59,025)</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	9	14
Remeasurements of defined benefit pension obligations	25	(4,559)	4,844
<b>Other Comprehensive Expenditure</b>		<b>(4,550)</b>	<b>4,858</b>
<b>Total Comprehensive Net Expenditure for the year</b>		<b>(64,975)</b>	<b>(54,167)</b>

All income and expenditure derived from continuing activities.

The Notes on pages 68 to 107 form part of these financial statements.

## Statement of Financial Position

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	722	367
Intangible Assets	18	14	230
Investment in subsidiary	19	1	1
Retirement benefit assets	25	97	27
<b>Total non-current assets</b>		<b>834</b>	<b>625</b>
<b>Current assets</b>			
Inventories	20	6,108	6,354
Trade and other receivables	21	3,014	4,429
Derivative financial assets	24	-	-
Cash and cash equivalents	22	8,063	4,834
<b>Total current assets</b>		<b>17,185</b>	<b>15,617</b>
<b>Total assets</b>		<b>18,019</b>	<b>16,242</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	(14,850)	(13,565)
Derivative financial liabilities	24	-	(16)
<b>Total current liabilities</b>		<b>(14,850)</b>	<b>(13,581)</b>
<b>Total Assets less Current Liabilities</b>		<b>3,169</b>	<b>2,661</b>
<b>Non-current liabilities</b>			
Retirement benefit liabilities	25	(31,197)	(26,347)
<b>Total non-current liabilities</b>		<b>(31,197)</b>	<b>(26,347)</b>
<b>Total liabilities</b>		<b>(46,047)</b>	<b>(39,928)</b>
<b>Total Net Liabilities</b>		<b>(28,028)</b>	<b>(23,686)</b>
<b>Taxpayers' Equity</b>			
Income and expenditure reserve		(28,028)	(23,686)
Revaluation reserve		-	-
		<b>(28,028)</b>	<b>(23,686)</b>

The financial statements were approved by the Board on 26<sup>th</sup> March 2019 and were signed on its behalf by:

Sally Balcombe  
Accounting Officer  
BTA

The Notes on pages 68 to 107 form part of these financial statements.

## Statement of Cash Flows

	<i>Note</i>	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(60,425)	(59,025)
Adjustments for:			
Depreciation and amortisation	17, 18	709	480
Defined benefit pension cost	25	3,666	2,612
Net finance costs – UK & US pension scheme	25	686	1,016
Unrealised foreign exchange difference on US pensions scheme	25	7	26
Defined benefit employer pension contribution	25	(4,129)	(2,403)
Fair value adjustment on financial assets	24	(16)	(53)
<b>Cash flows from operating activities before changes in working capital and provisions</b>		<b>(59,502)</b>	<b>(57,347)</b>
Decrease in trade and other receivables	21	1,415	1,627
(Increase) in inventories	20	246	(1,839)
(Decrease)/Increase in trade and other payables	23	1,285	(1,483)
<b>Net cash flows from operating activities</b>		<b>(56,556)</b>	<b>(59,042)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	17	(848)	(462)
Purchases of Intangible Assets	18	-	(42)
<b>Net cash (outflows) from investing activities</b>		<b>(848)</b>	<b>(504)</b>
<b>Financing activities</b>			
Grant-in-aid received from the DCMS	5	60,633	56,972
<b>Net cash flows from financing activities</b>		<b>60,633</b>	<b>56,972</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,229</b>	<b>(2,574)</b>
<b>Cash and cash equivalents at beginning of the year</b>	26	<b>4,834</b>	<b>7,408</b>
<b>Cash and cash equivalents at end of the year</b>	26	<b>8,063</b>	<b>4,834</b>

The Notes on pages 68 to 107 form part of these financial statements.



## Statement of Changes in Taxpayers' Equity

	Income and Expenditure £'000	Total Taxpayer's deficit £'000
<b>Balance as at 1 April 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
	<hr/>	<hr/>
<b>Balance as at 31 March 2017</b>	<b>(23,686)</b>	<b>(23,686)</b>
<b>Changes in reserves 2017/18</b>		
Total comprehensive net expenditure for the year	(64,975)	(64,975)
Grant in Aid - Resource (see note 5)	59,667	59,667
Grant in Aid - Capital (see note 5)	966	966
	<hr/>	<hr/>
<b>Balance as at 31 March 2018</b>	<b>(28,028)</b>	<b>(28,028)</b>

The Notes on pages 68 to 107 form part of these financial statements.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

These financial statements have been prepared in accordance with the 2017/18 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 2018, BTA had a taxpayers' deficit of £28,028,000 (2016/17: £23,686,000).

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 Digital, 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 recognition of the retirement benefit obligation and related actuarial losses in 2010 and subsequently. The liability recognised in 2010 amounted to £21,714,000 and at 31 March 2018 it reflected a balance of £31,029,000. Discussions and negotiations are in progress with the UK Pension Trustees, DCMS, HM Treasury and the Pensions Regulator with regard to the covenant. The outcome of these discussions and the conclusion of work undertaken by the BTA in relation to future pension provision will inform the Actuarial Triennial valuation; and the agreement to rescheduling a planned programme of repayments to clear the deficit.

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 April 2020)
- 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 17: Insurance contracts Replace IFRS 4 in its entirety (from 1 January 2021)
- IFRIC 23: Uncertainty over Income Tax Treatments (from 1 January 2019)
- IFRS 15 (Clarifications) : Revenue from Contracts with Customers (from 1 January 2018)
- Annual improvements 2015 -2017 (from 1 January 2019)
- Amendments to IAS 19: Plan amendment, Curtailment or Settlement (from 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (from 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS standards (from 1 January 2020)

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. The new standard sets out three new areas: classification and measurement, impairment and a new hedge accounting model. The new standard will impact the recognition and measurement of BTA's financial instruments and will require certain additional disclosures. IFRS 9 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 been adopted by the European Union for years commencing 1 January 2018.

BTA is continuing to assess the impact of IFRS 9 but the changes to recognition and measurement of financial assets and liabilities, changes to hedge accounting activities and impairment of financial assets are not currently considered likely to have a material impact on the organisation.

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.

For BTA, transition to IFRS 15 will take place on 1 April 2018. BTA intends to adopt the standard using the "modified" retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 will be restated.



### Accounting Policies (Continued)

BTA is in the process of completing its assessment of the impact of the standard on its financial statements and to date has identified the following areas that will be materially affected:

- *Income from commercial activities*  
Certain arrangements establish an agency relationship in accordance with IFRS 15, which is considered principal under existing standards. Accordingly revenue from these arrangements will be recognised on a net basis from the date that IFRS 15 is adopted. The implication is expected to impact the classification of items in the statement of comprehensive net expenditure only.
- *Presentation of contract assets and contract liabilities in the statement of financial position and related disclosures*  
IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 April 2017 in relation to advance payments, accrued and deferred revenue which are currently included in other balance sheet line items. Other presentation changes are limited to additional disclosure requirements under IFRS 15 only.

IFRS 16: Leases (for accounting periods beginning on or after 1 April 2020) 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. DCMS has indicated that it will adopt IFRS 16 with effect from 1 April 2019, accordingly for BTA transition will take place on 1 April 2019.

IFRS 16 eliminates the classification of leases for lessees as either operating leases or finance leases as per IAS 17, and introduces a single lessee accounting model. For lessees, lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a corresponding loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Consequently, there will be a reduction in operating expenses and an increase in finance costs. The accounting for leases that are currently designated as finance leases will be largely unchanged under IFRS 16. The accounting for leases that are currently designated as operating leases will be fundamentally different to the current treatment of expensing the rental charges on a straight line basis. For lessors, IFRS 16 does not contain substantial changes compared to IAS 17, a lessor still has to classify leases as either finance or operating, depending on whether substantially all of the risk and rewards incidental to ownership of the underlying asset have been transferred. For a finance lease, the lessor recognises a receivable at an amount equal to the net investment in the lease which is the present value of the aggregate of lease payments receivable by the lessor and any unguaranteed residual value. If the contract is classified as an operating lease, the lessor continues to present the underlying assets.

BTA continues to assess the impact of IFRS 16 on the financial statements, however, the changes are expected to have a material impact on the statement of financial position. BTA is continuing to assess the impact on the income statement.

When IFRS 16 is adopted, BTA has to recognise the cumulative effect of application as an adjustment to opening equity on the date of adoption, with no retrospective restatement of prior year comparatives.

## 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:

	2018			2017		
	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	1,817	-	1,817	3,386	-	3,386
Cash and cash equivalents	8,063	-	8,063	4,834	-	4,834
	<b>9,880</b>	<b>-</b>	<b>9,880</b>	<b>8,220</b>	<b>-</b>	<b>8,220</b>

	2018			2017		
	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	13,407	-	13,407	11,336	-	11,336
Derivative financial liabilities	-	-	-	-	16	16
	<b>13,407</b>	<b>-</b>	<b>13,407</b>	<b>11,336</b>	<b>16</b>	<b>11,352</b>

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

Financial instruments recognised at fair value are 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, (2016/17: 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 and classified as level 2 instruments is Nil (2016/17: £16k).

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:

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

### *Credit Risk*

BTA is primarily exposed to credit risk of £1.3million (2016/17: £2.7million) 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 2017/18 amounted to £895 (£Nil in 2016/17).

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 2018, BTA had no open foreign currency exchange forward contract commitments (2016/17: £2.6m).

## 4 Segment Information

BTA overall has determined seven reportable segments, four of which relate to both VisitBritain and VisitEngland. The two segments for VisitBritain and one segment for VisitEngland 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.

### *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 & VisitEngland Total								
	Commercial Division	England	Global Network	Marketing	Retail	Strategy & Communication	Support Services & CEO Board	BTA Total
2017/18	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	3,991	260	122	1,797	27,774	50	195	34,189
Inter-segmental revenue	-	-	-	-	-	-	-	-
<b>Revenue from external customers</b>	<b>3,991</b>	<b>260</b>	<b>122</b>	<b>1,797</b>	<b>27,774</b>	<b>50</b>	<b>195</b>	<b>34,189</b>
Segment deficit for the year	(11,829)	(6,642)	(6,146)	(18,327)	2,040	(4,572)	(14,039)	(59,515)
Net finance (costs)/income	-	-	-	-	-	-	-	(657)
Depreciation and amortisation	-	-	-	-	-	-	-	(709)
Defined benefit pension costs	-	-	-	-	-	-	-	(3,673)
adjustment	-	-	-	-	-	-	-	4,129
<b>Segment net expenditure for the year</b>	<b>(11,829)</b>	<b>(6,642)</b>	<b>(6,146)</b>	<b>(18,327)</b>	<b>2,040</b>	<b>(4,572)</b>	<b>(14,039)</b>	<b>(60,425)</b>
<b>2016/17</b>								
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	-	-	-	-	-	-	-	(480)
Defined benefit pension costs	-	-	-	-	-	-	-	(2,637)
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>

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

Geographical Information (Revenue by Country):

	2018	2017
	£'000	£'000
UK	13,571	15,699
Germany	5,503	5,172
United States Of America	4,352	1,571
France	3,172	3,019
Holland	1,488	1,890
Italy	1,145	1,371
Other Countries	4,958	5,744
	<b>34,189</b>	<b>34,466</b>

Above table includes total income from all sources excluding grant in aid funding from DCMS.

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 Digital, Culture, Media and Sport amounts to £60.633 million including £1,166k capital (2016/17: £56.972 million including £500k capital grant-in-aid).

Other grants received (see Note 7) include £66k (2016/17: £96k) from UK Trade and Investment for part funding partners attending trade shows overseas to promote UK tourism, £180k (2016/17: Nil) from Foreign Commonwealth Office, and £25k Section 106 grant funding received from North York Moors National Park Authority.



## 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.

	2018	2017
	£'000	£'000
Revenue arises from:		
Partnership marketing, media & publicity income	3,676	2,463
Income from exhibition, fairs & workshops	1,818	1,684
Income from Commercial activities	27,604	28,179
Quality scheme income	246	688
<b>Total revenue</b>	<b>33,344</b>	<b>33,014</b>

## 7 Other Income

	2018	2017
	£'000	£'000
Other grants	271	96
Office rental income	234	228
VAT Recovered*	-	825
Other income	340	303
<b>Total other operating income</b>	<b>845</b>	<b>1,452</b>

\*relates to the backdated Italian VAT refund.

BTA sub-lets properties in London and also received rental income from London & Partners, Visit Wales and Marketing Manchester in the USA and China. For the year ended 31 March 2018, the total rental income from the sub-let of properties was £234k (2016/17: £228k).

## 8 Employee Benefits Costs

	2018			2017		
	Permanent Staff £'000	Others £'000	Total £'000	Permanent Staff £'000	Others £'000	Total £'000
Staff costs (including Directors) comprise:						
Salaries	8,037	4,103	12,140	7,676	4,467	12,143
Social Security costs	920	581	1,501	852	502	1,354
Other pension costs	3,070	87	3,157	3,054	85	3,139
<b>Administration operating staff costs</b>	<b>12,027</b>	<b>4,771</b>	<b>16,798</b>	<b>11,582</b>	<b>5,054</b>	<b>16,636</b>

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

	2018 Number	2017 Number
Permanent (UK) staff	173	174
Other Staff	112	115
<b>Total staff numbers</b>	<b>285</b>	<b>289</b>

## 9 Other Operating Charges

	2018 £'000	2017 £'000
Partnership marketing, media & publicity costs	29,919	31,292
Publishing	1,717	1,529
Commercial cost of sales and overhead cost	24,834	25,085
Quality Scheme Costs	88	81
Distribution costs	459	111
Research and evaluation	3,180	3,695
Property and support costs – overseas	2,066	2,086
Property and support costs – UK	3,229	2,567
VisitEngland Board secretariat operation costs	17	22
Irrecoverable VAT (UK and overseas)	4,199	3,780
Prior year creditors provision written off	(329)	(316)
Foreign exchange (gain)/loss	341	(491)
Fair value adjustment on financial asset	8	(13)
<b>Total other operating charges</b>	<b>69,728</b>	<b>69,428</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
	2018	2018	2018	2017	2017	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Partnership marketing, media & publicity costs	10,983	18,936	29,919	12,657	18,635	31,292
Publishing	366	1,351	1,717	763	766	1,529
Commercial cost of sales and overhead cost	24,834	-	24,834	25,085	-	25,085
Quality scheme costs	88	-	88	81	-	81
Distribution costs	452	7	459	18	93	111
Research and evaluation	2,247	933	3,180	2,459	1,236	3,695
Property and support costs – Overseas	1,722	344	2,066	1,603	483	2,086
Property and support costs – UK	3,229	-	3,229	2,567	-	2,567
VisitEngland Board secretariat operation costs	17	-	17	22	-	22
Irrecoverable VAT (UK and overseas)	1,382	2,817	4,199	1,315	2,465	3,780
Prior year creditors provision written off	(126)	(203)	(329)	(304)	(12)	(316)
Foreign exchange (gain)/loss	338	3	341	(491)	-	(491)
Fair value adjustment on financial asset	8	-	8	(13)	-	(13)
Employee Benefits Costs	15,660	1,138	16,798	15,529	1,107	16,636
Depreciation and amortisation	709	-	709	480	-	480
Grants Paid	67	6,419	6,486	90	5,203	5,293
Re-organisation costs	236	-	236	665	-	665
<b>Total other operating charges</b>	<b>62,212</b>	<b>31,745</b>	<b>93,957</b>	<b>62,526</b>	<b>29,976</b>	<b>92,502</b>

**11 Grants Paid**

	2018	2017
	£'000	£'000
General grants relating to Regional Tourism entities	592	1,457
Discover England grants relating to Destination entities	5,894	3,836
<b>Total grant payments to regional and other tourism bodies</b>	<b>6,486</b>	<b>5,293</b>

**12 Reorganisation Costs**

	2018	2017
	£'000	£'000
Staff redundancy costs*	235	267
Other staff & recruitment costs	1	244
Legal and professional fees	-	6
	236	517
Office Closure Costs	-	13
Pension enhancement costs**	-	135
	<b>236</b>	<b>665</b>

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

\*\* Pension enhancement costs incurred in 2017/18 was £nil (2016/17 to £135k), 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	
	2017/18	(2016/17)	2017/18	(2016/17)	2017/18	(2016/17)
<£10,000	4	-	1	-	5	-
£10,000 - £25,000	2	-	-	-	2	-
£25,000 - £50,000	3	2	-	1	3	3
£50,000 - £100,000	1	2	-	-	1	2
£100,000- £150,000	-	-	-	-	-	-
£150,000- £200,000	-	1	-	-	-	1
>£200,000	-	-	-	-	-	-
<b>Total number of exit packages by type (total cost)</b>	<b>10</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>6</b>
<b>Total resource cost</b>	<b>£230,890</b>	<b>£369,811</b>	<b>£4,000</b>	<b>£32,557</b>	<b>£234,890</b>	<b>£402,368</b>

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Net expenditure before finance cost	(59,768)	(58,036)
This has been arrived at after charging/ (crediting):		
VisitBritain Board Members' remuneration	71	87
VisitEngland Board Members' remuneration	45	83
Auditors' remuneration*	61	52
Operating lease expense:		
- Land and buildings	1,864	1,750
- Vehicles and equipment	4	3
Travel, subsistence and hospitality:		
- Chairman and Board Members (VisitBritain)	31	32
- Chairman and Board Members (VisitEngland)	16	8
- Employees	1,106	1,296
Depreciation (note 17)	493	263
Amortisation (note 18)	2 16	217

\*The external audit fee includes £61k (2016/17: £49.5k) 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:

2017/18	Britain	England	England	Total
	International	Domestic	International	
	£'000	£'000	£'000	
Employee benefit costs (see note 8)	12,500	4,293	5	16,798
Re-organisation staff related costs and professional fees (see note 12)	185	51	-	236
Project costs*	51,079	11,470	1,169	63,718
Operational costs**	10,135	3,033	37	13,205
<b>Gross expenditure per the Statement of Comprehensive Net Expenditure</b>	<b>73,899</b>	<b>18,847</b>	<b>1,211</b>	<b>93,957</b>
Less:-				
Other grant income	246	25	-	271
Non-Government Funding (NGF) (see note 6 & 7)	33,313	553	52	33,918
Net finance cost (see note 15)	(482)	(175)	-	(657)
<b>Net expenditure per the Statement of Comprehensive Net Expenditure</b>	<b>40,822</b>	<b>18,444</b>	<b>1,159</b>	<b>60,425</b>
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 & 7)	33,371	958	41	34,370
Net finance cost (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)

**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>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (see note 8)	16,798	16,636
Exceptional re-organisation staff costs (see note 12)	236	517
Exceptional re-organisation other costs (see note 12)	-	148
Other operating charges (see note 9)	69,728	69,428
Depreciation & amortisation (see notes 17 & 18)	709	480
Grant paid to Regional Tourist Boards (see note 11)	6,486	5,293
<b>BTA expenditure per Statement of Comprehensive Net Expenditure</b>	<b>93,957</b>	<b>92,502</b>

<b>VisitEngland Board Member's expenditures</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Board Members' remuneration	45,140	82,950
Employers NI & other taxes	1,708	5,850
Travel & subsistence and secretariat	15,797	8,410
<b>Total expenditure</b>	<b>62,645</b>	<b>97,210</b>

## 15 Finance Income and Expense

	2018	2017
	£'000	£'000
<i>Finance Income:</i>		
Interest received on bank deposits	29	27
	<u>29</u>	<u>27</u>
<i>Finance expense:</i>		
Net interest cost on UK & US pension schemes (see note 25)	(686)	(1,016)
	<u>(657)</u>	<u>(989)</u>
<b>Net finance expense</b>	<b>(657)</b>	<b>(989)</b>

## 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 2017/18 amount to £94.7million (2016/17: £83million) and the estimated taxable losses for 2017/18 are approximately £11.7million.

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	IT equipment £'000	Fixtures fittings & equipment £'000	Total £'000
<b>Cost or valuation</b>				
Balance at 31 March 2016	-	328	-	328
Additions	17	429	16	462
<b>Balance at 31 March 2017</b>	<b>17</b>	<b>757</b>	<b>16</b>	<b>790</b>
Additions	357	428	63	848
Disposals	-	(148)	-	(148)
<b>Balance at 31 March 2018</b>	<b>374</b>	<b>1,037</b>	<b>79</b>	<b>1,490</b>
<b>Accumulated depreciation</b>				
Balance at 31 March 2016	-	160	-	160
Charge for the year	8	252	3	263
<b>Balance at 31 March 2017</b>	<b>8</b>	<b>412</b>	<b>3</b>	<b>423</b>
Charge for the year	128	345	20	493
Disposals	-	(148)	-	(148)
<b>Balance at 31 March 2018</b>	<b>136</b>	<b>609</b>	<b>23</b>	<b>768</b>
<b>Net carrying value</b>				
At 31 March 2017	9	345	13	367
<b>At 31 March 2018</b>	<b>238</b>	<b>428</b>	<b>56</b>	<b>722</b>

**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 2016/17, appropriate indices were used and indexation was considered to be insignificant, accordingly no adjustment has been recognised in this regard.

**Capital Commitment**

As at 31 March 2018, BTA had no contractual commitment to purchase property, plant and equipment.

**18 Intangible Assets**

	Computer software	Total
	£'000	£'000
<b><i>Cost or valuation</i></b>		
Balance at 31 March 2016	608	608
Additions	42	42
<b>Balance at 31 March 2017 and 2018</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
<b>Balance at 31 March 2017</b>	<b>420</b>	<b>420</b>
Charge for the year	216	216
<b>Balance at 31 March 2018</b>	<b>636</b>	<b>636</b>
<b><i>Net carrying value</i></b>		
At 31 March 2017	230	230
<b>At 31 March 2018</b>	<b>14</b>	<b>14</b>

## 19 Investment in Subsidiary Undertakings

	2018	2017
	£'000	£'000
<b>Cost</b>		
At beginning of the year	1	1
<b>At end of the year</b>	<u>1</u>	<u>1</u>

Subsidiary undertaking	Country of Incorporation	Proportion of ownership interest at 31 March	
		2018	2017
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

	2018	2017
	£'000	£'000
Finished goods and goods for resale	6,108	6,354
<b>Total inventories</b>	<u>6,108</u>	<u>6,354</u>

**21 Trade and Other Receivables**

	2018	2017
	£'000	£'000
Trade receivables	1,272	2,736
Less: provision for impairment of trade receivables	(14)	(14)
<b>Trade receivables – net</b>	<b>1,258</b>	<b>2,722</b>
VAT receivables	83	85
Other receivables	559	664
Prepayments	968	907
Accrued income	141	46
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>3,014</b>	<b>4,429</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:

	2018	2017
	£'000	£'000
At 1 April beginning of the year	14	14
Income and Expenditure statement release	1	-
Provision utilised	(1)	-
<b>At 31 March end of the year</b>	<b>14</b>	<b>14</b>

The creation and release of 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.

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

As at 31st March 2018 trade receivables of £136k (2016/17: £544k) were past due but not impaired. The ageing analysis of these receivables are as follows:

	2018 £'000	2017 £'000
Up to 90 days	133	544
Over 90 days	3	-
	<u>136</u>	<u>544</u>

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

	2018 £'000	2017 £'000
Pound sterling	1,932	2,437
US dollar	259	1,034
Euro	265	90
Other	558	868
	<u>3,014</u>	<u>4,429</u>

**22 Cash and cash equivalents**

	2018 £'000	2017 £'000
Opening Cash at bank and in hand	4,834	7,408
Movement	3,229	(2,574)
<b>Closing Cash at bank and in hand</b>	<u><b>8,063</b></u>	<u><b>4,834</b></u>

All cash in bank balances are held in commercial bank accounts

**23 Trade and Other Payables**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	6,743	4,261
Other taxes and social security taxes	1,001	1,318
Other payables	797	1,031
Deferred income	437	906
Accruals	5,867	6,044
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>14,850</b>	<b>13,565</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>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
	-	-
Up to 30 days	5,444	3,820
30 to 90 days	1,271	422
Over 90 days	6,692	7,094
	<b>13,407</b>	<b>11,336</b>

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
	-	-
Pound sterling	14,136	12,762
Euro	168	117
US dollar	327	233
Other	219	453
	<b>14,850</b>	<b>13,565</b>

## 24 Derivative Financial Instruments

	2018	2017
	£'000	£'000
Forward foreign exchange contracts - liability	-	(16)
<b>Total financial instruments classified as held for trading</b>	<b>-</b>	<b>(16)</b>

BTA had no open foreign exchange contracts at 31 March 2018 (2016/2017 £2.6 million).

The fair value of BTA's foreign exchange derivatives at 31 March 2017 were based on bank valuations.

The maximum exposure to derivative related 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. BTA also operates a defined contribution scheme for employees who started employment after 1<sup>st</sup> April 2017.

The total pension contributions cost of BTA was £3.62million (2016/17 - £3.078million), of which £953k (2016/17 - £1.065million) is normal contribution related to BTA's main defined benefit pension scheme, the British Tourist Boards' Pension Staff Pension and Life Assurance Scheme. There was also £2,518k (2016/17 - £1,338k) paid to reduce the pension deficit as agreed with the Trustees (see Note 1), and a further £500k accrued during 2016/17 in respect of the pension deficit recovery was paid during the year. Contributions towards defined contribution and overseas pension schemes amounted to £149k (2016/17: £40k).

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

	2018	2017
	£'000	£'000
Normal contribution	953	1,065
Pension deficit recovery contribution*	2,518	1,338
Total pension contribution to the BTBPS	3,471	2,403
Pension enhancement exceptional contributions accrued	-	135
Pension deficit recovery contribution accrued	-	500
Normal contribution - UK defined contribution	104	-
Normal contribution - Overseas pension schemes	45	40
<b>Total Pension contribution</b>	<b>3,620</b>	<b>3,078</b>

\*The 2017/18 contribution figure includes £1,935k of additional voluntary contribution (2016/17 - £770k)

BTA is a participant in the British Tourist Boards' Staff Pension and Life Assurance 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.

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 (so both are currently underway). 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 2018 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 £168k (2016/17: £177k) for pension payments to ex-chairmen which are unfunded and are included within the retirement benefit liabilities in the Statement of Financial Position.



## Retirement Benefits *(Continued)*

### UK BTBSPLA 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 future service 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 and Life Assurance 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 of 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.

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 additional increase in the scheme liabilities.

### Retirement Benefits *(Continued)*

BTA's share of the deficit in the UK scheme at the measurement date under the assumptions used is £31.0million (2016/17: £26.2million). The increase 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. These resulted in an actuarial re-measurement loss of £4.6million (2016/17: gain of £4.5million) being recognised in the year. Actual return on assets amounted to £5.0million (2016/17: £33.7million) compared with an expected return of £4.7million (2016/17: £4.9million), while interest on the defined benefit obligation component amounted to £5.3million (2016/17: £5.9million), resulting in a net interest cost recognised in the Net expenditure for the year of £686k (2016/17: £1,004k).

### 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 reflects a net asset of £97k (2016/17: £27k). 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 £255k gain in the fund (2016/17: £388k). 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.

## Retirement Benefits (Continued)

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

	UK scheme	Overseas (US)	2018	UK scheme	Overseas (US)	2017
	£'000	scheme £'000	Total £'000	£'000	scheme £'000	Total £'000
<b>Reconciliation to statement of financial position</b>						
Fair value of plan assets	179,927	2,445	<b>182,372</b>	176,630	2,635	<b>179,265</b>
Present value of funded obligations	(210,956)	(2,348)	<b>(213,304)</b>	(202,800)	(2,608)	<b>(205,408)</b>
Total of funded schemes	(31,029)	97	<b>(30,932)</b>	(26,170)	27	<b>(26,143)</b>
Present value of unfunded obligations	(168)	0	<b>(168)</b>	(177)	0	<b>(177)</b>
Net assets/ (liabilities)	(31,197)	97	<b>(31,100)</b>	(26,347)	27	<b>(26,320)</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:

	UK scheme	Overseas (US)	2018	UK scheme	Overseas (US)	2017
	£'000	scheme £'000	Total £'000	£'000	scheme £'000	Total £'000
At the beginning of the year	176,630	2,635	<b>179,265</b>	146,454	2,081	<b>148,535</b>
Interest income	4,658	94	<b>4,752</b>	4,920	81	<b>5,001</b>
Administrative expenses paid	(461)	(25)	<b>(486)</b>	(326)	(10)	<b>(336)</b>
Remeasurements:						
Transfers in	117	0	<b>117</b>	41	0	<b>41</b>
Return on plan assets (excluding interest)	320	161	<b>481</b>	28,743	307	<b>29,050</b>
Exchange gain/(loss)	0	(288)	<b>(288)</b>	0	327	<b>327</b>
Contributions by participants	309	0	<b>309</b>	339	0	<b>339</b>
Contributions by BTA	3,471	0	<b>3,471</b>	2,403	0	<b>2,403</b>
Contributions by BTA - previously accrued	658	0	<b>658</b>	0	0	<b>0</b>
Benefits paid	(5,775)	(132)	<b>(5,907)</b>	(5,944)	(151)	<b>(6,095)</b>
At end of year	179,927	2,445	<b>182,372</b>	176,630	2,635	<b>179,265</b>

## Retirement Benefits (Continued)

	2018			2017		
	UK scheme £'000	Overseas (US) scheme £'000	Total £'000	UK scheme £'000	Overseas (US) scheme £'000	Total £'000
<b>Composition of plan assets</b>						
Equity	93,752	2,402	96,154	92,686	2,621	95,307
Bonds	0	0	0	0	0	0
Gilts	0	0	0	0	0	0
Liability Driven Investment funds	57,250	0	57,250	55,269	0	55,269
Property	15,196	0	15,196	14,382	0	14,382
Annuities	12,464	0	12,464	13,209	0	13,209
Cash in bank	1,265	43	1,308	1,084	14	1,098
	179,927	2,445	182,372	176,630	2,635	179,265

## 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:

	2018			2017		
	UK scheme £'000	Overseas (US) scheme £'000	Total £'000	UK scheme £'000	Overseas (US) scheme £'000	Total £'000
At the beginning of the year	(202,800)	(2,608)	(205,408)	(175,917)	(2,354)	(178,271)
Interest cost	(5,344)	(94)	(5,438)	(5,924)	(93)	(6,017)
Current service cost	(3,163)	(17)	(3,180)	(2,241)	(35)	(2,276)
Past service cost	0	0	0	0	0	0
Remeasurements:						
Transfers in	(117)	0	(117)	(41)	0	(41)
Actuarial (loss)/gain from changes in demographic assumptions	0	0	0	0	0	0
Actuarial (loss)/gain from changes in financial assumptions	(4,313)	(42)	(4,355)	(26,086)	80	(26,006)
Actuarial (loss)/gain from experience adjustments	(685)	0	(685)	1,804	(4)	1,800
Exchange gain/(loss)	0	281	281	0	(353)	(353)
Contributions by plan participants	(309)	0	(309)	(339)	0	(339)
Benefits paid	5,775	132	5,907	5,944	151	6,095
At end of year	(210,956)	(2,348)	(213,304)	(202,800)	(2,608)	(205,408)

The weighted average duration of the UK and US schemes are 21 and 16.44 years respectively (2016/17: 20 and 16.66 years).

**Retirement Benefits** (Continued)

The significant actuarial assumptions were as follows:

Principal actuarial assumptions	2017/18		2016/17	
	UK Scheme	Overseas (US) scheme	UK Scheme	Overseas (US) scheme
Discount rate on defined benefit obligation	2.50%	3.80%	2.65%	3.90%
Salary growth rate	3.05%	2.75%	3.10%	2.75%
Inflation / Pension growth rate (RPI)	3.05%	2.25%	3.10%	2.25%
Inflation / Pension growth rate (CPI)	2.30%	2.25%	2.35%	2.25%
Life expectancy on UK scheme mortality assumptions:				
Retiring at the end of the reporting period:				
- Male	24.7		24.6	
- Female	26.6		26.5	
Retiring 20 years after the reporting period:				
- Male	26.4		26.3	
- Female	28.4		28.3	

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>2017/2018</b>			
Discount rate	0.50%	£19.9 million decrease	£23.2 million increase
RPI Inflation rate	0.50%	£22.2 million increase	£19.2 million decrease
Mortality rate	1 Year	£8.4 million increase	£8.6 million decrease
<b>2016/2017</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>US Scheme</b>			
<b>2017/2018</b>			
Discount rate	0.50%	£0.184 million decrease	£0.203 million increase
<b>2016/2017</b>			
Discount rate	0.50%	£0.204 million decrease	£0.226 million increase

**Retirement Benefits** *(Continued)*

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 2018 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 £45k (2016/17: £40k) and are included within the total pension cost for the year. With effect from 1 April 2017, a defined contribution scheme was also introduced in the UK for employees joining after that date, with the employer's basic rate of contribution varying between 9% and 11% of pensionable salaries. The total charges for contributions to this scheme in the year was £104k 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:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Cash available on demand	8,063	4,834
	<b>8,063</b>	<b>4,834</b>

## 27 Leases and other Commitments

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

	<b>Land &amp; Buildings 2018 £'000</b>	<b>Other 2018 £'000</b>	<b>Land &amp; Buildings 2017 £'000</b>	<b>Other 2017 £'000</b>
Not later than one year	1,408	1	1,022	8
Later than one year and not later than five years	2,688	-	703	2
Later than five years	447	-	373	-
	<b>4,543</b>	<b>1</b>	<b>2,098</b>	<b>10</b>

### Sub-lease income

	<b>Land &amp; Buildings 2018 £'000</b>	<b>Land &amp; Buildings 2017 £'000</b>
Not later than one year	175	175
Later than one year and not later than five years	700	700
Later than five years	198	373
	<b>1,073</b>	<b>1,248</b>

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 41 to 46 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>2017/18</b>							
English Heritage	Ian McCaig	Trustee/Chair of Audit & Risk Committee	Marketing promotions	31	-	68	1
Belfast City Airport	Katy Best	Commercial Director	Marketing promotions	13	-	-	-
London & Partners	Kevin Murphy	Chairman and Director	Marketing promotions	615	128	484	226
Visit Wales	Margaret Llewellyn	Chair, Visit Wales Tourism Advisory Board	Marketing promotions	932	101	41	-
Historic England	Sally Balcombe	Commissioner	Marketing promotions	12	-	-	-
Newcastle Gateshead Initiative	Sarah Stewart	CEO	Marketing promotions	70	0	370	28
Beamish Museum	Sarah Stewart	CEO	Marketing promotions	3	-	-	-
Roman Baths & Pump Room	Fiona Pollard	Board Member	Marketing promotions	3	-	-	-
Windsor Leadership Trust	Ian McCaig	Trustee	Marketing promotions	-	-	5	-
				1679	229	968	255

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



## 29 Events after the Statement of Financial Position date

### **BTB Staff Pension and Life Assurance Scheme**

Ongoing discussions and changes affecting the British Tourist Boards' Staff Pension and Life Assurance Scheme are disclosed on page 8. In addition, the impact of guaranteed minimum pensions (GMP) equalisation is actively being considered in line with best practice since the Statement of Financial Position date. A reasonable estimate of the financial effects of these non-adjusting events is ongoing and will be reflected in the relevant future accounting periods.

### **Intellectual Property Complaint**

A complaint was made against the BTA on an allegation of the infringement of Intellectual Property ("IP"). In particular, it is alleged that the BTA used IP material from an exhibition known as ADA ("ADA IP") in a previous campaign which appeared across various digital platforms, including (but not limited to) Twitter and Facebook. This matter was originally reported to the Committee in 2017, however, the complaint was not pursued until recently.

The complaint is still at the pre litigation stage, but the complainant has indicated that proceedings may be issued prior to the United Kingdom's Exit from the European Union ("Brexit Day"). Brexit Day was originally scheduled for 29th March 2019 but is now scheduled for 31st October 2019.

The complaint is unquantifiable because the potential liability cannot be estimated with a degree of certainty at the current time.

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

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

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