

FUNDING AGREEMENT BETWEEN THE DEPARTMENT FOR CULTURE MEDIA AND SPORT AND VISITBRITAIN FOR THE PERIOD 2003-4 TO 2005-6

Section One: Strategic context

DCMS Aims and Objectives

1. This agreement is for the three year period from 1 April 2003 to 31 March 2006, but incorporates revisions agreed between DCMS and VisitBritain in March 2004, to take effect from 1 April 2004 and further revisions agreed between DCMS and VisitBritain in March 2005, to take effect from 1 April 2005.
2. The aim of DCMS is "to improve the quality of life for all through cultural and sporting activities, and to champion the creative and leisure industries".
3. The Department has entered into a Public Service Agreement with HM Treasury for the period 2003-4 to 2005-6. The PSA provided for public funding for the achievement of the following DCMS Objectives:
 - Objective 1 Increase participation in culture and sport and develop our sectors.
 - Objective 2 Develop appropriate regulatory frameworks that protect consumers' interests and improve the productivity of our sectors.
 - Objective 3 Modernise delivery to the customer by ensuring that the Department and its sponsored bodies improve performance and pursue institutional excellence.
4. Under Objective 2, the Department's relevant Service Delivery Agreement (SDA) targets are:
 - Strengthen the marketing of Britain overseas as a tourist destination and achieve a rate of return on public investment of 25:1 for 2005/06.
 - Strengthen the marketing of English tourism to the domestic market and prepare a marketing plan for England by September 2003.

Purpose of Government sponsorship of tourism

5. Tomorrow's Tourism recognised the benefits and opportunities that tourism offers:
 - it generates wealth
 - it creates jobs
 - it promotes entrepreneurship
 - it provides social and environmental benefits, and supports local diversity and cultural traditions.

Tourism contributes to a wide variety of cross-Government objectives, from urban and rural regeneration to e-commerce, and provides a 'shop window'

for promoting Britain's image abroad. Many tourism-related businesses are associated closely with other areas for which DCMS is responsible, such as museums and galleries, the historic environment and the arts. Many of these areas are heavily dependent upon tourism for revenue.

6. Tourism also suffers from a number of major weaknesses: its great diversity weakens its ability to think and act strategically, demand is seasonal and subject to changes in fashion and interest, and it suffers from a lack of market information. In 2001, the Quinquennial Review of the British Tourist Authority (BTA) found that the Government should continue to fund tourism activity to help correct market failures, to provide the industry with impartial information, to undertake destination marketing and to provide small and medium sized businesses with a route to market.

The Role of VisitBritain

7. The functions, duties and powers of VisitBritain (legally, the British Tourist Authority) are set out in the Development of Tourism Act 1969. Its functions are to encourage people to visit Great Britain and people living in Great Britain to take their holidays there and to encourage the provision and improvement of tourist amenities and facilities in Great Britain. VisitBritain also has a statutory duty to advise Ministers and public bodies on matters affecting tourism to Great Britain.
8. VisitBritain has the following goals:
 - Promote Britain overseas as a tourist destination, generating additional revenue throughout Britain and throughout the year.
 - To grow the value of the domestic market by encouraging people to spend more on tourism throughout the English Regions, throughout the year.
 - Help the UK tourism industry to address international and domestic markets more effectively.
 - Provide advice to Government on matters affecting tourism to Great Britain and contribute to wider Government objectives.
 - Work in partnership with the devolved administrations and the national and regional authorities.
 - To oversee the development and implementation of a domestic marketing strategy for England, informed by advice from the England Marketing Advisory Board, working with private sector, regional and local government partners.

Key documents

9. The relationship between the Department and VisitBritain is governed by the standard codes laid down in centrally issued publications such as Non-Departmental Bodies: A Guide for Departments, Government Accounting and

Regularity and Propriety, the Management Statement and Financial Memorandum and Accounts Directions for VisitBritain and by this Funding Agreement.

Devolution

10. Tourism is a devolved activity. Relationships between DCMS and the Scottish Executive and Welsh Assembly Government are governed by Concordats. DCMS consults the Scottish Executive and Welsh Assembly Government on this Funding Agreement and on the preparation of Accounts Directions to VisitBritain, the Management Statement and Financial Memorandum and appointments to the Board of VisitBritain, including the chairman. VisitBritain lays copies of its Annual Report and Accounts before the Scottish Parliament and the Welsh Assembly. The Chairs of VisitScotland and the Wales Tourist Board sit on the board of VisitBritain. VisitBritain has entered into Memoranda of Understanding with VisitScotland and the Wales Tourist Board which set out the principles that underpin the way in which they work together to promote the main brands in the Great Britain portfolio overseas. VisitBritain will review these Memoranda over the course of this Spending Review period.

Section Two: Rationale for Targets

11. The return on investment measures contribute to DCMS' objective to improve the productivity of the tourism industry. VisitBritain will promote innovation in the tourism industry by harnessing new technology in its marketing activity. It will seek to work closely with the commercial industry, attracting new companies to participate in partnership marketing campaigns. The Contact Standards score will measure VisitBritain's service to overseas tourists, keeping the focus on 'end-users' and contributing to Britain's competitiveness as a destination.
12. The measures on the regional and seasonal spread of expenditure generated by VisitBritain will contribute to the Government's aim to promote sustainable economic growth, helping to ensure that the benefits of inbound tourism are spread throughout Britain and that 'honeypot' destinations at peak times of the year do not suffer negative impact by unsustainable levels of tourism demand. The measure on projecting Britain's image abroad as a tourist destination links with wider public diplomacy work by the Foreign and Commonwealth Office, and VisitBritain is playing a full part in the FCO-led Public Diplomacy Committee.

Evaluation methodology

13. The return on investment, regional spread and seasonal spread targets will be measured through an annual evaluation survey. Questionnaires will be sent to samples of VisitBritain's customers in every market. Specific questions will be asked in order to gauge the influence VisitBritain has had on generating additional visits, generating additional spend outside of London and on generating additional spend throughout the year.
14. To measure the Contact Standards score VisitBritain has contracted an independent quality assessor (the Teleconomy Group) to monitor the quality

standards within all VisitBritain overseas offices and the Britain and London Visitor Centre, including contact by telephone, e-mail, web, letter and fax. Teleonomy will use mystery shoppers to benchmark VisitBritain against key commercial players in the market place.

15. To measure VisitBritain's work promoting the image of Britain overseas as a tourist destination, press articles and broadcasts which have been generated around the world with VisitBritain's assistance will be recorded using a media evaluation system. Each article will be scored against set criteria and bi-annual reports will be prepared by an independent tourism consultant.

Section Three: Planned activity and its measurement

16. A number of overseas measures have been continued from the previous BTA Funding Agreement, for which targets in 2003/4 have already been agreed.

Overseas Targets

I Annual additional expenditure by overseas tourists generated by VisitBritain^[1]

Targets	2003/4	2004/5	2005/6
Incremental Spend	£994m	£1.03bn	£887.5m
Short-term Return on Investment	28:1	29:1	25:1

II Regional spread of expenditure by overseas tourists generated by VisitBritain

Targets	2003/4	2004/5	2005/6
Additional spend generated outside London ^[2]	60%	61%	55%

III Seasonal Spread of expenditure by overseas tourists generated by VisitBritain

Targets	2003/4	2004/5	2005/6
Proportion of additional spend generated between October and March	32%	34%	36%

^[1] The 2005/06 targets were originally £1.065bn for incremental spend and 30:1 for ROI. The new targets reflect the impact of shifting resources to emerging markets and withdrawing significant activity from 4 near-European mature markets (see paragraph 17).

^[2] The 2005/06 target was originally 62%. The new target reflects the impact of shifting resources to emerging markets and withdrawing significant activity from 4 near-European mature markets. (see paragraph 17).

IV Customer Service Standards

Targets	2003/4	2004/5	2005/6
Contacts standard score	950	970	990

V The projection of Britain's image as a tourist destination abroad

Targets	2003/4	2004/5	2005/6
Average annual score of all evaluated articles	3.9 out of 5	3.9 out of 5	3.9 out of 5

Domestic Targets

VI Annual additional expenditure by domestic tourists in England generated by VisitBritain

Targets	2003/4	2004/5	2005/6
Annual return on investment ^[3]	10:1	11:1	12:1

VII Seasonal Spread of expenditure by domestic tourists in England generated by VisitBritain

Targets	2003/4	2004/5	2005/6
Proportion of additional spend generated between October & March	45%	47%	49%

VIII Participation by partners in joint marketing campaigns

Targets	2003/4	2004/5	2005/6
Marketing support	£3.5m	£3.5m	£3.5m

Infrastructure costs

IX To reduce expenditure on infrastructure by 10% by the end of 2005-06.

This will be measured against a baseline of £33.7 million for BTA and ETC in 2002/03. The definition of infrastructure costs to include staff costs, travel expenses, office/admin (including HR activity, but not IT), property costs (net of rent received) and restructuring costs.

^[3] Originally 10:1; 12:1; 14:1. Targets for 2004/05 and 2005/06 reviewed in October 2004 in the light of evaluation results for 2003/04 (2003/04 actual 6:1, however, this included only 9 months of marketing activity).

Section Four: Funding

17. VisitBritain receives its funding by virtue of the relevant Appropriation Act (Class XI, Vote 1; Section H). In addition to its grant-in-aid funding, VisitBritain raises non-Government funding from partners for overseas and domestic marketing activity. Funding for the domestic marketing of England will be handled separately from funding to promote Britain overseas.

	2003/04	2004/05	2005/06
To promote Britain overseas as a tourist destination (current).	£35.2m	£35.2m	£35.2m ^[4]
To lead and co-ordinate domestic marketing in England (current).	£10.4m	£12.9m ^[5]	£12.4m
To promote England as a tourist destination in 4 near European markets ^[6] .			£An incremental £1m
Capital	£0.3m	£0.3m	£0.3m
TOTAL	£45.9m^[7]	£48.4m	£48.9m

Section Five: Reform

New overseas marketing strategy for Britain

18. VisitBritain will implement its new overseas strategic plan, "Leading the World to Britain". The plan sets out four key strategies for 2003 and beyond:
- Sharpening the brand position of Britain in relation to the nations and regions of the UK
 - Honing VisitBritain's marketing skills and exploiting new media
 - Engaging VisitBritain's public and private sector stakeholders in the marketing of Britain
 - Aligning the organisation and culture to deliver these objectives.

Creation of a relaunched tourism organisation for Britain

^[4] Of which £1m will be transferred to marketing in 10 agreed emerging markets from mature markets.

^[5] £1.5million of this is subject to VisitBritain raising £3.5m in partnership funding. At least £1m of the partnership funding must be in cash contributions. This figure also includes £1m funding for the EnglandNet project, announced in March 2004.

^[6] Markets agreed as France, Germany, Ireland and the Netherlands. VisitScotland, the Wales Tourist Board and Visit London will also be leading on marketing their brands in these markets.

^[7] Excluded from the 2003/4 figures are £1.281m grant-in-aid abated from BTA and ETC in 2002/3 to be drawn down in 2003/4, and £2m for transitional funding.

19. The Government announced in October 2002 its intention to create a national organisation to promote tourism to Britain that includes development of a new marketing force for England by merging functions of the British Tourist Authority and the English Tourism Council. VisitBritain came into existence on 1 April 2003. Access to additional funding has been subject to the successful delivery of this project.

Section Six: Review processes

20. VisitBritain will produce an annual review, which will be copied to the Scottish Executive and the Welsh Assembly Government and will form the basis of an annual meeting between Ministers and the Chairman of VisitBritain. This meeting will combine a general assessment of performance with a discussion of any changes to the Agreement which may be necessary for forthcoming financial years. The meeting will normally be held in February or March of each year.
21. In addition, officials of the DCMS and VisitBritain will meet at least twice a year. In September or October of each financial year, officials will review the previous year's performance, and, in January or February of each financial year, a further meeting of officials will be held to monitor progress and prepare for the Ministerial meeting. Ministers in DCMS, the Scottish Executive and the Welsh Assembly Government will meet twice yearly, with VisitBritain, to discuss general progress.

Signed on behalf of the Department

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Richard Caborn MP, Minister for Tourism and Sport
Date

Signed on behalf of VisitBritain

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Lord Marshall of Knightsbridge, Chairman, VisitBritain

Date
