

# Governance, Risk and Best Value Committee

10.00am, Tuesday 8 December 2020

## Marketing Edinburgh Annual Report 2019/20 – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine  
Wards All  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Housing, Homelessness and Fair Work Committee has referred an annual update report on Marketing Edinburgh to the Governance, Risk and Best Value Committee for scrutiny.

**Andrew Kerr**

Chief Executive

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# Referral Report

## Marketing Edinburgh Annual Report 2019/20

### 2. Terms of Referral

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- 2.1 On 5 November 2020, the Housing, Homelessness and Fair Work Committee considered a report which provided an update on the annual performance of Marketing Edinburgh Limited for the financial year 2019/20.
- 2.2 The Housing, Homelessness and Fair Work Committee agreed:
  - 2.2.1 To note the annual report provided by Marketing Edinburgh Limited for 2019/20.
  - 2.2.2 To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

### 3. Background Reading/ External References

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Minute of the Housing, Homelessness and Fair Work Committee of 5 November 2020

### 4. Appendices

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Appendix 1 – report by the Executive Director of Place

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

## Marketing Edinburgh Annual Report 2019/20

Executive/routine Wards Council Commitments	Executive ALL
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### 1. Recommendations

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- 1.1 It is recommended that Committee:
  - 1.1.1 Notes the annual report provided by Marketing Edinburgh Limited for 2019/20; and
  - 1.1.2 Refers this report to Governance, Risk and Best Value Committee for scrutiny.

#### Paul Lawrence

Executive Director of Place

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## Marketing Edinburgh Annual Report 2019/20

### 2. Executive Summary

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- 2.1 This report provides an update on the annual performance of Marketing Edinburgh Limited (Marketing Edinburgh) for the financial year 2019/20.

### 3. Background

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- 3.1 City of Edinburgh Council agreed to set up a new destination promotion body for the Council – Marketing Edinburgh – on [18 November 2010](#).
- 3.2 The business case supporting the creation of this new body was also approved by the City of Edinburgh Council on [18 November 2010](#). Fundamental to the business case was integration of the Destination Edinburgh Marketing Alliance, Edinburgh Convention Bureau, and Edinburgh Film Focus, into a single official, promotional body for Edinburgh - to be known as *Marketing Edinburgh* - with a remit to promote the city to visitors, tourists and investors.
- 3.3 Since being established, Marketing Edinburgh has operated under an SLA with reducing annual funding from the Council. In 2018/19 Marketing Edinburgh received £0.890m of grant funding from the City of Edinburgh Council. On [21 February 2019](#) the Council approved an allocation of £0.590m funding for Marketing Edinburgh in 2019/20.
- 3.4 In 2019/20, Marketing Edinburgh had four core service areas:
- 3.4.1 Business Tourism;
  - 3.4.2 Commercial and Memberships;
  - 3.4.3 Film Edinburgh; and
  - 3.4.4 Marketing and Commercial.
- 3.5 A Service Level Agreement (SLA) for 2019/20 between the Council and Marketing Edinburgh was approved by the Housing and Economy Committee on [21 March 2019](#).
- 3.6 There have been a number of update reports to Committees since March 2020 in respect of the future of Marketing Edinburgh. The most recent report to Policy and

Sustainability Committee was on [9 July 2020](#) and includes a summary of the Council decisions taken on Marketing Edinburgh.

## 4. Main report

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- 4.1 Appendix 1 provides a summary of Marketing Edinburgh's activities in the financial year 1 April 2019 – 30 March 2020.
- 4.2 The Council decision in February 2019 on funding for Marketing Edinburgh led to a reduction in funding of £0.3m in 2019/20, with a further reduction of £0.490m to be applied in 2020/21.
- 4.3 In 2019/20 Marketing Edinburgh went through a period of significant change within the organisation. This report provides an update on the performance of the organisation against the Strategic Objectives which were outlined in the approved SLA.
- 4.4 Appendix 2 links to the Marketing Edinburgh accounts for 2018/19 as submitted to Companies House.

### **Marketing Edinburgh – Future Business Planning**

- 4.5 A business plan for the future operation of the company was considered by Housing, Homelessness and Fair Work Committee on 31 October 2019 (B agenda). However, this approach was not agreed.
- 4.6 In advance of the October Committee meeting, the Board of Marketing Edinburgh resigned and therefore a new Board was appointed through November 2019, and a new business plan was developed in line with the funding available.
- 4.7 On 31 October 2019, Committee agreed to transfer responsibility for film from Marketing Edinburgh to the Council with effect from 1 April 2020.
- 4.8 However, towards the end of the financial year, the outbreak of COVID-19 immediately affected the operations of Marketing Edinburgh and led to a further review of the future service operations of the company.
- 4.9 This led the Council to decide to hibernate the company, and to subsequently decide to transfer the staff, assets and liabilities into the Council.

## 5. Next Steps

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- 5.1 This performance update together with Appendix 1 should be referred to Governance Risk and Best Value Committee, in line with the Council's governance arrangements for arm's length companies.
- 5.2 The staff of Marketing Edinburgh transferred to the Council on 14 September. At the time of writing the arrangements to transfer the current Marketing Edinburgh assets and liabilities into the Council is on-going.

## **6. Financial impact**

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- 6.1 The Council provided grant funding of £0.590m to Marketing Edinburgh in 2019/20 for delivery of the Strategic Objectives set out in the SLA. The outcomes delivered are summarised in this report and reported in more detail in Appendix 1.
- 6.2 Marketing Edinburgh's annual audited accounts for the year 2019 have recently been submitted to Companies House and are linked in Appendix 2.
- 6.3 The Council agreed additional financial support to Marketing Edinburgh to enable the company to meet its ring-fenced liabilities and to deliver operational activities in 2020/21.

## **7. Stakeholder/Community Impact**

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- 7.1 The Boards of Marketing Edinburgh carried out significant stakeholder engagement in 2019/20 to develop the business plans for future service operations.
- 7.2 Council officers will continue to work closely with the Board of Marketing Edinburgh and with stakeholders to conclude the transfer of staff, assets and liabilities to the Council.

## **8. Background reading/external references**

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- 8.1 Previous annual reports on Marketing Edinburgh's performance were reported to the appropriate Committee. The last annual report was considered by Housing and Economy Committee on [6 June 2019](#) and Governance Risk and Best Value Committee on [13 August 2019](#).

## **9. Appendices**

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- 9.1 Appendix 1 - Marketing Edinburgh Annual Report 2019/20
- 9.2 Appendix 2 – [Marketing Edinburgh Accounts for 2019](#)
- 9.3 Appendix 3 – Auditor Report

## Appendix 1 – Marketing Edinburgh Annual Review 2019/20

### Introduction

The purpose of this report is to provide City of Edinburgh Council with information on the performance and activities of Marketing Edinburgh Limited (Marketing Edinburgh) during the financial year 2019/20 (1 April 2019 – 31 March 2020).

### Marketing Edinburgh Performance

In 2019/20 Marketing Edinburgh's activities were delivered in four distinct areas:

- Business Tourism;
- Commercial and Membership;
- Film; and
- Marketing and Partnerships.

The Business Tourism team sourced and facilitated conventions and conferences into the city, working closely with conference centre venues and hotels across the city.

The Commercial and Memberships team delivered a range of benefits for Marketing Edinburgh members, including providing information on upcoming conferences and events, promoting member activities and campaigns, facilitating the sharing of ideas and views, and booking accommodation for delegates visiting Edinburgh for conferences and conventions.

Film Edinburgh acts as the film office for the city, providing film office services for Edinburgh, East Lothian and the Scottish Borders. On 1 April 2020 responsibility for the film office transferred to City of Edinburgh Council.

Marketing and Partnerships were responsible for raising awareness of Edinburgh as a destination for visitors and residents, maintaining the city's digital media channels. A summary of the digital channels and campaigns during the year is provided at the end of this report.

The table below summarises Marketing Edinburgh's performance against the Service Level Agreement (SLA) targets agreed with the Council for the period 1 April 2019 to 31 December 2019. The Marketing Edinburgh team reported being on target to achieve all of the SLA targets prior to a period of significant change for the organisation.

Activity	2018/19 Actual	2019/20 Target	2019/20 Actual 1 April 2019 – 31 December 2019
<b>Membership</b>			
Income	£388,000	£335,000	£311,454
Digital Advertising	£53,185	£60,000	£42,968
Accommodation Service Commission	£108,610 Commission	£85,000	£116,619
Total Sales	£549,795	£480,000	£471,041
<b>Business Tourism</b>			
Economic Impact of conferences to the city in 2019/20	£72.4m	£65m	£41.8m
<b>Partnership</b>			
Revenue	£0.643m	£25,000	£20,275
City Pass Revenue	N/A	£6,900	£16,480

Film Activities	2018 Actual	2019 target	2019 (1 January 2019 – 31 December 2019)
Enquiries	481	450	480
Conversions	66%	60%	71%
City Economic Impact	£5.7m	£5m	£14.4m
Locations	51	40	32
Revenue	£0.0115m	£0.012m	£0.017m
Industry Workshops	N/A	2	4

### Marketing Edinburgh – Digital Summary for Marketing and Subvention

In 2019/20, the results for [www.edinburgh.org](http://www.edinburgh.org) were:

- 3m website page views;
- 1.5m website sessions;
- 1.2m website users;
- 15.8m social media reach;
- 0.753m social media engagements; and
- 0.470m social media followers.

In 2019/20, the results for Convention Edinburgh were:

- 0.026m web page views;
- 0.018m website sessions
- 0.016m website users;
- 0.005m social media followers;
- 0.363m social media reach; and
- 0.05m social media engagements.

### Marketing Edinburgh – Future Plans

Through financial year 2019/20 plans were made for the future of Marketing Edinburgh, taking account of the Council decision to reduce grant funding to the organisation over a two year period.

In early 2020 a redundancy consultation commenced. An initial business plan was developed which retained the three business areas, with reduced staffing capacity. At the same time the global coronavirus pandemic (COVID-19) was identified in the United Kingdom and began immediately impacting on Marketing Edinburgh's core business activities. This led to a revised business plan and a significant reduction in the number of members of staff employed by Marketing Edinburgh.

The Board of Marketing Edinburgh worked closely with the remaining team and with Council officers to maintain the digital channels, to support the Ambassador programme and to maintain support for Marketing Edinburgh members.

In July 2019, the Council's Policy and Sustainability Committee agreed to transfer the staff, assets and liabilities of Marketing Edinburgh into the Council.











APPENDIX A

Prioritisation of Recommendation:

- High Significant findings which requires urgent attention
- Medium Important findings which requires imminent attention
- Low Findings which requires non urgent attention

OBSERVATION	PRIORITY	RISK	RECOMMENDATION	COMPANY RESPONSE
<b>VAT – Sales to EU countries</b> Sales to EU countries have not been accounted for correctly with respect to VAT.	Low	The accounting team correctly charged no VAT on these sales, however coded to T0 rather than T24 within the system. In addition, we noted one invoice that did not state the customer VAT number.	VAT in relation to sales to EU countries should be posted to T24 rather than T0 going forward.	
<b>VAT – Business entertainment</b> There are some transactions noted in the year that could be considered business entertainment, and if this is the case, then VAT should not have been reclaimed.	Low	If hospitality such as food or drink, or other entertainment is provided free of charge to individuals who are not employees, then this could constitute business entertainment.	If provided as part of the taxable membership fee, then this may fall outside the business entertainment classification, however, to ensure the accounting is appropriate, additional VAT advice should be sought.	
<b>VAT - In kind transactions</b> It was noted that no VAT is recorded in respect of memberships in kind.	Low	There is a risk that you are under accounting for output VAT and input VAT on in kind transactions, although there would be no impact upon the net VAT figure.	VAT in relation to in kind transactions should be accounted on the value of the goods or services provided or bought.	
<b>VAT – Partnerships</b> It was noted during the fieldwork that there is a risk on certain projects that VAT may not be reclaimable on expenditure incurred for the partnership project.	Low	Although not considered a material risk this year, input VAT could be claimed on projects when it was not appropriate to do so.	If the entity is involved in projects that are reclaiming VAT on supply costs, it is recommended that the organization confirms that this is the appropriate VAT treatment with a VAT expert.	