



**Office of the Comptroller and Auditor General**

**Arm's Length Organisations -  
Visit Jersey**

**06 December 2018**



JERSEY AUDIT OFFICE

**R.149/2018**

## **Arm's Length Organisations - Visit Jersey**

### **Introduction**

- 1.1 Modern government relies on delivery of services not only directly through ministerial departments but indirectly through other bodies which are substantially funded by government.
- 1.2 The States have a large number of Arm's Length Organisations (ALOs) with a range of responsibilities and different governance and accountability arrangements. The establishment of an ALO does not relieve the States from a responsibility for ensuring that good governance is being demonstrated, effective internal control is in place and value for money is being secured. In my 2017 report, *Oversight of Arm's Length Organisations*, I identified weaknesses in the States' arrangements for the oversight of Arm's Length Organisations. I concluded that:
  - a consistent corporate framework for review of the continued operation of ALOs and their ability to deliver was required;
  - the framework for the governance arrangements for ALOs needed strengthening. In particular, the applicable Financial Direction was not fit for purpose for ALOs;
  - oversight of ALOs was variable with differing practices on, for example, documentation of meetings and use of performance indicators to monitor delivery; and
  - the States could not demonstrate that value for money was consistently being secured from ALOs.
- 1.3 Following that review, I identified for inclusion in my work programme further work on ALOs, focussing on individual ALOs.
- 1.4 Visit Jersey was established in 2015 and is one of the larger ALOs. Its mission is to promote tourism to and within Jersey in an innovative, economic and efficient way. The longer-term priorities of Visit Jersey are to:
  - inspire visitors from overseas to visit and explore Jersey;
  - maximise public investment through partner engagement; and
  - advise government and the industry on tourism issues, particularly those affecting competitiveness.
- 1.5 The States funded Visit Jersey through an annual grant of £5 million in 2018. Visit Jersey has an establishment of 14 staff and is governed by an independent Board.

### **Objectives and scope**

- 1.6 My review considers arrangements in place both within the States of Jersey and Visit Jersey:
  - focussing on the States of Jersey, the adequacy of arrangements for the award of the grant, including linkage to strategic objectives and justification for the level of grant;

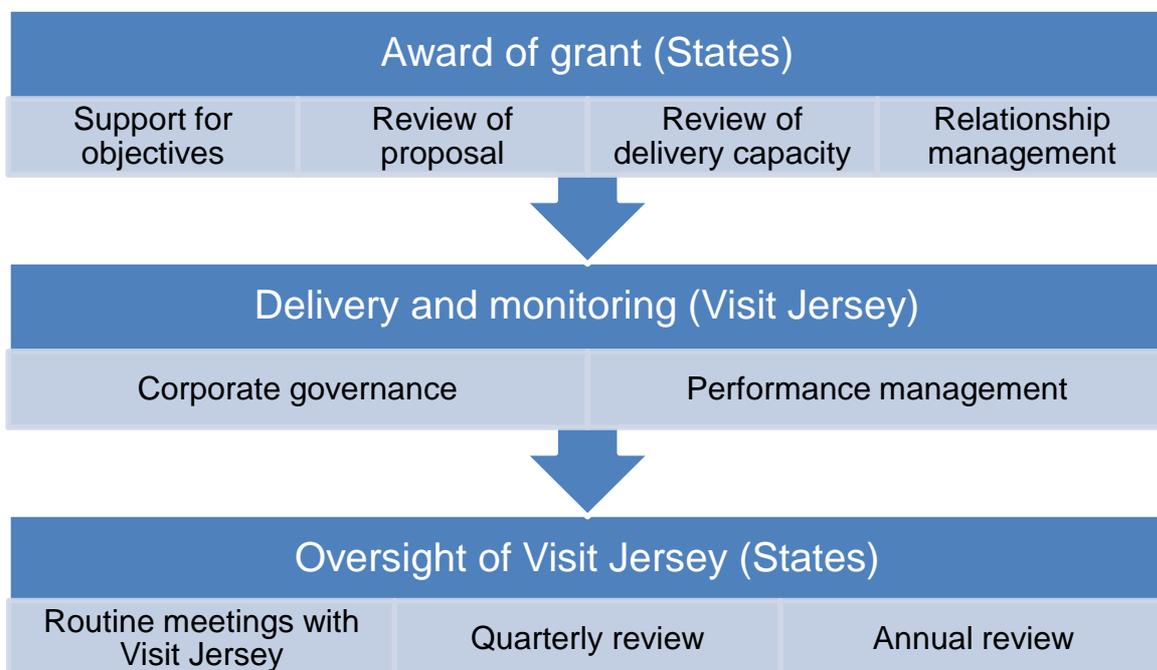
- focussing on Visit Jersey, the adequacy of arrangements for internal control, value for money and corporate governance; and
- focussing on the States of Jersey, the adequacy of arrangements for oversight of Visit Jersey, including measurement of performance against the objectives of the grant.

1.7 The review does not extend to:

- the decision to establish Visit Jersey; or
- decisions relating to the transfer of States staff to Visit Jersey or termination of employment of States staff associated with the establishment of Visit Jersey.

1.8 The report is structured sequentially in three sections (see Exhibit 1).

**Exhibit 1: Structure of the report**



## Award of grant by the States of Jersey

- 2.1 In considering requests for grant support, high performing organisations demonstrate certain characteristics (see Exhibit 2).

### Exhibit 2: Award of grants - best practice

Support for objectives	Review of proposals	Review of delivery capacity	Relationship management
<ul style="list-style-type: none"><li>•Processes to ensure that grants support strategic and departmental objectives</li></ul>	<ul style="list-style-type: none"><li>•Robust and consistent process to review the reasonableness and value for money of grants</li></ul>	<ul style="list-style-type: none"><li>•Robust processes to review delivery capacity, including governance and management processes</li></ul>	<ul style="list-style-type: none"><li>•Clear arrangements for managing the different elements of the relationship with an ALO</li></ul>

- 2.2 I consider each of these in turn.

### **Support for objectives**

- 2.3 The reasons for ongoing funding for Visit Jersey do not flow directly from the States' Strategic Objectives.
- 2.4 The States' Strategic Plan for 2015 to 2018 does not have a specific focus on tourism. The only reference to tourism is the promotion of higher productivity from tourism under the 'Optimising Economic Growth' priority. The Strategic Plan also includes a proposal to develop an Enterprise Strategy at some point in the future that would, presumably, extend to the tourism sector.
- 2.5 In 2015 Visit Jersey published *A Destination Plan for Jersey* that includes contributions to the Foreword by both the Chief Minister and the Minister for Economic Development. The Destination Plan has an overarching objective of increasing the size of the tourism sector but there is limited focus on productivity. Despite the States' strategic objective of promoting higher productivity in tourism, only one of the 21 recommendations in the Destination Plan explicitly relates to the productivity of the sector.

### **Recommendations for the States**

- R1** Prioritise the development of the proposed Enterprise Strategy, linked to the Common Strategic Policy and Government Plan, and explicitly covering the tourism sector.
- R2** Agree objectives for Visit Jersey explicitly linked to the Common Strategic Policy, Government Plan and, when adopted, Enterprise Strategy.

## Review of proposals

- 2.6 As I highlighted in my 2017 report, *Oversight of Arm's Length Organisations*, high performing organisations review both the underlying basis for grant support of an ALO and the application for grant support received.
- 2.7 The States took a conscious decision to establish Visit Jersey as an ALO and to grant fund it. A Partnership Agreement between the States and Visit Jersey was originally entered into covering the period March 2015 to December 2017. Subsequently, a Partnership Agreement is entered into annually. However, there is no ongoing review as to whether these arrangements remain fit for purpose and, even if they do, whether changes in the detailed arrangements (such as moving to a multi-year grant award) might be appropriate.
- 2.8 The 2018 Partnership Agreement specifies Key Performance Indicators (KPIs) in two groups relating to the wider visitor economy and to the activities of Visit Jersey (see Exhibit 3).

### Exhibit 3: 2018 Partnership Agreement KPIs

KPI	Target	Derivation of target
<b>Visitor Economy</b>		
Gross Value Added (GVA) for the Hospitality Sector as proportion of total GVA	8.3%	
Total visitors for year	742,800	2017 number + 2.2%
Staying holiday visitors for year	429,700	2017 number + 4.0%
Day holiday visitors for year	78,700	2017 number + 2.2%
Total nominal visitor expenditure for year	£256.5m	2017 number + 2.5%
Proportion of first-time visitors for year	52%	2017 number
Percentage of holiday visitor numbers outside April to September	21.1%	2017 number + 0.5%
Island revenue per available room	£76	2017 number + £2
Net promoter score of visitors (Note 1)	62	Baseline of 62 from 2016

## Visit Jersey

Return on Investment (RoI) on grant (Note 2)	5:1	Visit Jersey proposal
Travel trade partner satisfaction	67%	2017 number + 1%
Product on-island partner satisfaction	67%	2017 number + 1%
Satisfaction with on-island information provision	89%	2017 number

*Note 1: A measure of likelihood of visitors to promote Jersey on a scale of -100 to +100*

*Note 2: A ratio of additional tourist expenditure attributable to Visit Jersey expenditure*

2.9 In relation to the targets for the visitor economy, I note that:

- only one of the targets directly relates to the States' strategic objective of increased productivity for the tourism sector;
- the August bed occupancy rate, which was a long-term target in the original Partnership Agreement and is a productivity measure consistent with the States' strategic objective for tourism, is no longer a KPI; and
- some targets, while consistent with the Visit Jersey Business Plan, have been revised from the aspirational targets in the Destination Plan in light of experience.

2.10 Exhibit 4 compares the 2018 targets in the Destination Plan with those in the 2018 Business Plan and Partnership Agreement.

### Exhibit 4: Destination Plan, Business Plan and Partnership Agreement targets 2018

Target	2018 target - Destination Plan	2018 target - Business Plan and Partnership Agreement
<b>Gross Value Added (GVA) for the Hospitality Sector as proportion of total GVA (Note 1)</b>	8.3%+	8.3%
<b>Total visitors</b>	765,700	742,800
<b>Staying holiday visitors</b>	372,000	429,700
<b>Day holiday visitors</b>	N/A	78,700

Target	2018 target - Destination Plan	2018 target - Business Plan and Partnership Agreement
<b>Visitor expenditure nominal</b>	£281m	£256.5m
<b>First time visitors</b>	N/A	52%
<b>Holiday visitor numbers outside April to September</b>	N/A	21.1%
<b>Island revenue per available room (Note 1)</b>	£71+	£76
<b>Average Bed occupancy - August</b>	88%	N/A
<b>Net promoter score of visitors (Note 2)</b>	64.5	62

*Note 1: Derived figure: Destination Plan specified 2018 targets as 2016 out-turn plus x%*

*Note 2: A measure of likelihood of visitors to promote Jersey on a scale of -100 to +100*

2.11 The key measure of the direct performance of Visit Jersey is the Return on Investment (RoI). This measure, used by VisitBritain, involves survey techniques to estimate the additional tourism expenditure attributable to Visit Jersey expenditure. It allows the overall performance of Visit Jersey's strategy and business plan to be interpreted by a single indicator and the performance of individual activities to be compared. For 2018 the target RoI is 5:1 (£5.00 of tourism expenditure for every £1 of grant funding). The target is below the 20:1 RoI achieved by VisitBritain. Visit Jersey management highlight factors that in their view justify a lower target, including the smaller scale of the Jersey economy, the higher relative level of funding of Visit Jersey and the lower average length of stay in Jersey.

2.12 Overall, I have not seen sufficient evidence of:

- linkage of KPIs to the States' strategic objectives;
- challenge by the States of the KPIs proposed by Visit Jersey; or
- evaluation of the value for money that the States anticipate will be secured from grant aid to Visit Jersey. Such an evaluation might lead, for example, to changes in the level of grant support.

## Recommendations for the States

- R3** Periodically review the continuing appropriateness of existing arrangements for financial support of tourism.
- R4** Ensure robust review and evaluation of KPIs proposed by Visit Jersey in the context of the States' strategic objectives, with independent expert advice as necessary.

### *Review of delivery capacity*

- 2.13 High performing organisations have robust arrangements for evaluating the capacity of ALOs to deliver prior to the award of a grant.
- 2.14 Financial support to Visit Jersey is via an annual grant approved by the Minister on a recommendation from officers. The Ministerial Decision to award a grant to Visit Jersey for 2018 was made in December 2017. However:
- the Ministerial Decision is based on a brief report from officers that does not provide a detailed analysis of past performance and future targets in the context of the States' objectives; and
  - there is no documentary evidence to demonstrate that officers had, at the time of recommending the grant award to the Minister, undertaken a detailed analysis to satisfy themselves that Visit Jersey had the capacity to deliver the targets it was proposing in its Business Plan.
- 2.15 Subsequently, in January 2018, officers undertook a more detailed review of Visit Jersey using a new schedule that covers areas relevant to making an assessment of its capacity to deliver. I welcome the adoption of the new approach but am concerned that the review was insufficiently robust. Much of the evidence to support the Annual Grant award process came from the self-assessment by Visit Jersey within the Partnership Agreement schedules. In some cases there was insufficient or no documented evidence for conclusions reached and in others the conclusions are inconsistent with the evidence I have obtained. In my view the challenge by the States was insufficiently rigorous (see Exhibit 5).

### **Exhibit 5: States' review of Visit Jersey self-assessment - January 2018**

<b>Question in schedule</b>	<b>Visit Jersey response in schedule</b>	<b>Jersey Audit Office evaluation</b>
<b>Internal controls</b>		
Do you have documented policies and procedures with regard to financial controls?	Yes - Set out in staff handbook and authority limits have now been agreed by the Board.	Inadequate documented evidence to support and inconsistent with findings from this review.

Question in schedule	Visit Jersey response in schedule	Jersey Audit Office evaluation
		Visit Jersey financial procedures are not fully documented (see para 3.25 below).
<b>Effective Board</b>		
Does each Board Member give adequate time to their duties?	Yes	Inadequate documented evidence to support judgement.
Does the Board have the appropriate mix of skills to deliver its objectives?	Yes	Inadequate documented evidence to support judgement.
<b>Business Plan</b>		
Is progress assessed against the business plan at least quarterly?	Yes	Inadequate documented evidence to support judgement. However, consistent with findings of this review.

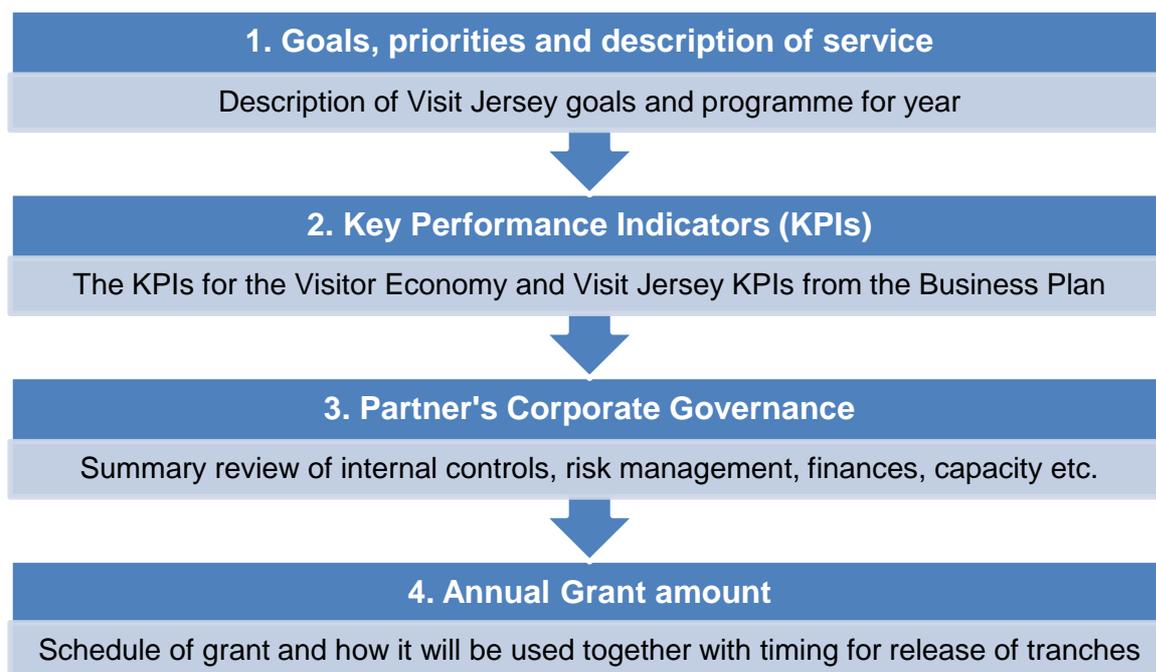
### **Recommendations for the States**

- R5** Ensure that there is sufficient analysis contained in reports to Ministers recommending a grant award.
- R6** Bring forward the timetable for annual review of a grant recipient to ensure that it is undertaken in sufficient time to inform a decision on grant award.
- R7** Ensure that the States' review of Visit Jersey, including Visit Jersey's self-assessment, is challenging and that the conclusions reached are supported by appropriate documented evidence.

### ***Relationship management***

- 2.16 High performing organisations put in place robust, documented arrangements for the ongoing relationship with a grant recipient.
- 2.17 The 2018 Partnership Agreement is in a revised format supported by comprehensive schedules (see Exhibit 6).

## Exhibit 6: Partnership Agreement Schedules



- 2.18 I particularly welcome Schedule 3 that provides a self-assessment questionnaire for completion by Visit Jersey. Used well, this provides a starting point for review and challenge by the States.
- 2.19 There are, however, two areas where the 2018 Partnership Agreement did not fully comply with the requirements of Financial Direction 5.5 *Management of Grants* that was in force when the Partnership Agreement was put in place:
- the inclusion of clear explanations of what each party is expected to provide, including any reports and statements; and
  - details of arrangements for repayment of any surplus grant monies.
- 2.20 I understand that officers plan to update the Partnership Agreement to reflect the requirements of the new Financial Direction that is specifically designed for ALOs.
- 2.21 In addition, the KPIs contained in Schedule 2 do not, as discussed above, align with those in the Destination Plan.
- 2.22 The former Economic Development, Tourism, Sport and Culture Department, consistent with the recommendations of my 2017 report, *Oversight of Arm's Length Organisations*, assigned different roles to officers. One officer serves as Relationship Manager, maintaining the ongoing relationship with Visit Jersey, including through attendance at Board meetings. The Relationship Manager is able to brief Visit Jersey on policy issues and receive feedback from the tourism sector. Another officer serves as Compliance Director, playing a key role in preparing the Partnership Agreement and monitoring compliance with its terms.

2.23 The Partnership Agreement specifies the role of the Compliance Director and the need for independence from the Relationship Manager role. However, the Relationship Manager role, responsibilities and reporting obligations to the Accounting Officer are not specified.

### **Recommendations for the States**

- R8** Ensure that Partnership Agreements are reviewed to ensure compliance with the requirements of the new Financial Direction applicable to ALOs.
- R9** Ensure that the targets contained in key strategic and operational documents are aligned.
- R10** Clearly document and communicate the respective roles of the Relationship Manager and Compliance Director.

## Delivery and monitoring by Visit Jersey

- 3.1 In evaluating the arrangements within Visit Jersey, I have focussed on two areas as set out in Exhibit 7:
- corporate governance, the system by which Visit Jersey is directed and controlled; and
  - performance management, the system to ensure that Visit Jersey's goals are being met.

### Exhibit 7: Evaluation of arrangements within Visit Jersey

Corporate governance	Performance management
<ul style="list-style-type: none"><li>• Leadership and purpose</li><li>• Division of responsibilities</li><li>• Composition, succession and evaluation</li><li>• Audit, risk and internal controls</li><li>• Remuneration</li></ul>	<ul style="list-style-type: none"><li>• Comprehensive and reliable data</li><li>• Objectives and targets</li><li>• Evaluation</li><li>• Reporting, review and challenge</li></ul>

### **Corporate governance**

- 3.2 In evaluating corporate governance arrangements in Visit Jersey, I have considered the requirements of the UK Corporate Governance Code. However, I recognise that some of the requirements of the Code may not be appropriate to an organisation of the size and nature of Visit Jersey. I am therefore not recommending compliance with all the requirements of the Code.

#### *Leadership and purpose*

- 3.3 The Corporate Governance Code advocates strong leadership at Board level including communicating a clear purpose and establishing the means to deliver and demonstrate delivery of objectives.
- 3.4 The Visit Jersey Board has developed and communicated a clear purpose. It has prepared and published a Destination Plan with stretching long-term targets for the tourism sector (see Exhibit 8).

## Exhibit 8: Visit Jersey Destination Plan targets

Year	Visitor numbers (2.25% pa growth)	Visitor expenditure (5% pa growth)	Average expenditure per visitor
2014 (actual)	701,000	£232m	£330
2020 (target)	800,000	£310m	£387
2030 (target)	1,000,000	£500m	£500

- 3.5 The Board initially developed a Marketing Strategy to support the implementation of the Destination Plan. This included some clear objectives and measurable targets. Subsequently, Visit Jersey developed a Products Strategy and an Events Strategy that do not demonstrate the same clarity of objectives and targets as the Marketing Strategy.
- 3.6 Visit Jersey has developed a detailed Business Plan setting out its plans for the current year, aligned to budgets and prioritising actions (see Exhibit 9). The Business Plan includes a simple balanced scorecard of key performance indicators to measure success. It is published on Visit Jersey's website and is therefore available to stakeholders as well as staff.

## Exhibit 9: Visit Jersey Business Plan priorities 2018



- 3.7 Visit Jersey has developed budget setting and monitoring arrangements to support delivery of its Business Plan:
- budget setting is driven by confirmation of the annual grant and includes an element of zero based budgeting;
  - the Board challenges the budget before it is finalised;

- monthly management accounts are prepared which form the basis for discussions between cost centre managers and the Chief Executive; and
  - quarterly management accounts are scrutinised by the Audit Committee and Board.
- 3.8 As part of the overall accountability arrangements, Visit Jersey also provides its quarterly management accounts to the States.
- 3.9 Despite these monitoring arrangements and the general policy of the States to avoid funding bodies to build up surpluses, Visit Jersey had a relatively high accumulated surplus of £345,000 at 31 December 2017.
- 3.10 Visit Jersey committed itself to enhanced communication via publication of minutes of its Board meetings. However, in instances there have been delays of many months in publication of minutes.

### **Recommendations for Visit Jersey**

- R11** Consistently include objectives, targets and actions in strategies.
- R12** Working with the States, develop enhanced arrangements for identifying and managing anticipated underspends.
- R13** Ensure that Board minutes are published promptly.

#### *Division of responsibilities*

- 3.11 The Corporate Governance Code advocates a Board with the right composition and sufficient time to discharge its responsibilities.
- 3.12 The Board demonstrates elements of good practice:
- the Board comprises eight individuals and meets six times a year. The Chairman is expected to input 20 days per annum and the other Non-Executive Directors 12 days per annum; and
  - the Board has established and operates an Audit Committee and a Remuneration Committee with clear remits.

#### *Composition, succession and evaluation*

- 3.13 The Corporate Governance Code advocates a Board with the right range of skills and experience and an annual review of Board effectiveness.
- 3.14 Visit Jersey took account of the recommendations of the Shadow Board in place before it was established in determining the composition of its Board. It has a Board of eight with skills and experience in communication, marketing, hospitality, transport and finance. One Board member is drawn from the UK to provide a different perspective.
- 3.15 In 2017 a member of the Board undertook its first Board effectiveness review. This delivered relevant recommendations relating to:
- rotation and appointment of Board members;

- information provided to the Board; and
  - succession planning for the Chief Executive post.
- 3.16 However, no formal action plan has been adopted to provide the basis for monitoring of agreed recommendations.
- 3.17 I understand that Visit Jersey plans to continue this worthwhile exercise annually. I recognise that, for an organisation the size of Visit Jersey, engagement of external support for such a review annually might be disproportionate. However, regular engagement of external input, linked to the normal term of office of Board members, can enhance the effectiveness of Board effectiveness reviews.
- 3.18 At present there is no individual evaluation of the contribution of individual Board members. Regular structured evaluation of the contribution of Board members is a valuable way of driving Board effectiveness.

### **Recommendations for Visit Jersey**

- R14** Review the continuing appropriateness of the composition of the Board four years after its establishment.
- R15** Adopt formal monitoring of the implementation of agreed recommendations from Board effectiveness reviews.
- R16** Consider regular external input into the Board effectiveness review.
- R17** Introduce a formal evaluation process for Board members.

### *Audit, risk and internal controls*

- 3.19 The Corporate Governance Code advocates the establishment of formal, transparent arrangements for the Board to satisfy itself on the integrity of published financial and non-financial information and the adoption of an active approach to risk management.
- 3.20 Visit Jersey has an Audit Committee with appropriate terms of reference. In common with many organisations of its size, it does not have an internal audit function which means that it has less assurance about the preparation of financial and non-financial information and the consistent operation of internal controls. Some smaller organisations obtain such assurance either by periodic (as opposed to annual) reviews or the institution of some compliance checks operated by management.
- 3.21 Visit Jersey has an accountant, engaged on a part-time basis, who performs key financial management tasks including:
- coordinating the budget process;
  - preparing monthly management accounts;
  - preparing quarterly financial reports to the States;
  - processing payment runs;
  - maintaining the asset register; and

- undertaking year-end procedures.
- 3.22 In my view such an arrangement is appropriate for the size of operation of Visit Jersey. However, I am concerned that there was no formal appointment process based on a specification of requirements before the appointment of the accountant.
- 3.23 Documenting systems and business processes allows an organisation to:
- define norms and standards;
  - promote consistency;
  - understand its business; and
  - analyse and improve its processes.
- 3.24 At present, Visit Jersey has some documented processes including:
- human resources policies and practices;
  - a scheme of delegation;
  - payment authorisation procedures; and
  - a Travel, Expenses and Gifts Policy.
- 3.25 However, procedures in many other areas are not documented, including those relating to budget preparation and monitoring, payroll, procurement and business case preparation.
- 3.26 Visit Jersey has developed arrangements for the identification, evaluation, mitigation and monitoring of risk. A detailed risk register is maintained, identifying risk owners and mitigating actions. This is reported to the Audit Committee and Board. The most significant risks are included in Visit Jersey's Business Plan.
- 3.27 UK listed companies and many public sector organisations (including the States of Jersey) report publicly in their Annual Report and Accounts on the design and operation of their system of internal control. The Partnership Agreement schedules for 2018 provide for the preparation of a formal Statement on Internal Control. Such reporting enhances transparency but also provides a focus for active consideration of internal control, governance and risk management. However, structured work by the Board or Audit Committee is necessary to obtain the evidence necessary to prepare such a statement.

### **Recommendations for Visit Jersey**

- R18** Consider periodic internal audit coverage and/or instituting compliance checks.
- R19** Formalise the engagement of the Visit Jersey accountant, based on a clear specification.
- R20** Develop a structured plan to obtain the evidence necessary to prepare an annual Statement on Internal Control.
- R21** Publish an annual Statement on Internal Control.

### *Remuneration*

- 3.28 The Corporate Governance Code advocates the adoption of remuneration practices that are aligned to corporate strategy, are formal and are transparent.
- 3.29 I am currently undertaking a wider piece of work looking at the arrangements for determining remuneration for Board members of States-owned entities and ALOs. However, I make some brief preliminary observations here, relevant specifically to Visit Jersey:
- the level of remuneration for Non-Executive Directors appears high. At £1,000 per day it compares very favourably with the remuneration of Non-Executive Directors of NHS Trusts in England who receive less than £350 per day. At £12,000 per annum, the remuneration of Visit Jersey Non-Executive Directors exceeds that of VisitBritain Board members;
  - the remuneration of the Chief Executive is not supported by a formal job evaluation; and
  - employees participate in a bonus scheme linked to attainment of individual and corporate targets. However, as discussed below, there is limited assurance over the information supporting the measurement of corporate targets.

### **Recommendation for Visit Jersey**

- R22** Carry out a formal job evaluation exercise prior to the recruitment of the next Chief Executive.

### *Performance management*

- 3.30 Effective management in an organisation includes mechanisms for monitoring, reviewing and challenging current performance and reporting at an appropriate level. In situations where there is an external funder there is also an additional dimension of accountability.
- 3.31 In the context of Visit Jersey, key performance information relates to the KPIs detailed in the Partnership Agreement and discussed above.

### *Comprehensive and reliable data*

- 3.32 As the majority of visitors to Jersey arrive via the Airport or Harbour, passenger numbers are readily available.
- 3.33 This data is supplemented by regular exit surveys at the Airport and Port. The surveys are designed by a professional market research agency and allow visitors to be analysed by:
- demographics;
  - source/exit destination;
  - purpose of stay;

- duration of stay; and
  - on-island spend.
- 3.34 An accountancy firm commissioned by Visit Jersey undertakes a periodic independent review to confirm that data is collected in compliance with the exit survey methodology. The review does not validate the rigour of the methodology.
- 3.35 In addition, Visit Jersey collects data from website surveys, direct e-mails and satisfaction questionnaires. There are no structured arrangements for validating the data collected from these sources.

### **Recommendation for Visit Jersey**

- R23** Develop structured arrangements for validation of all data used to evaluate performance, including evaluation of the design of surveys

#### *Objectives and targets*

- 3.36 As noted above, the economic measures related to the tourism sector are weakly aligned with the States' strategic objective of promoting productivity in the tourism sector. Visit Jersey has a role in proposing KPIs in the context of the States' strategic objectives.

### **Recommendation for Visit Jersey**

- R24** Ensure that the goals, priorities and KPIs proposed for inclusion in the schedules to the Partnership Agreement address the States' strategic objectives.

#### *Evaluation*

- 3.37 There are recognised inherent weaknesses in the RoI methodology. In particular, extrapolation of voluntary response surveys is reliant on an assumption that non-responders would behave in the same way as responders. In a 2004 report, *VisitBritain: Bringing visitors to Britain*, the UK National Audit Office suggested that an adjustment should be made to such an extrapolation to reflect the potential bias.
- 3.38 At individual campaign level, the RoI figures calculated by Visit Jersey previously excluded staff costs. This had the effect of overstating the RoI on individual campaigns. I understand that this has been addressed from 2018.

### **Recommendation for Visit Jersey**

- R25** Working with the States, use external expertise to challenge the robustness of the approach to deriving Rols.

### *Reporting, review and challenge*

3.39 Effective reporting involves identifying the relevant stakeholders and providing appropriate and timely information. This in turn allows effective challenge of performance.

3.40 Visit Jersey reports performance for a range of different users:

- the Board and management receive reports on individual campaigns;
- partners and stakeholders have access to a dashboard showing key information collected by Visit Jersey, including website and social media interactions and referrals to partners, travel providers and accommodation/hotel sectors; and
- the wider public has access to the Annual Report. This contains a substantial volume of information, including narrative evaluation of performance of individual campaigns and performance against targets for social media engagement. However, performance against KPIs included in the Business Plan and Partnership Agreement is not clearly reported:
  - some of the key sector-wide economic targets are referred to in the text but success or failure against these targets is not evident from the tables; and
  - although there is substantial analysis of individual campaigns and RoI is referred to, there is no reporting of RoI either for individual campaigns or in aggregate.

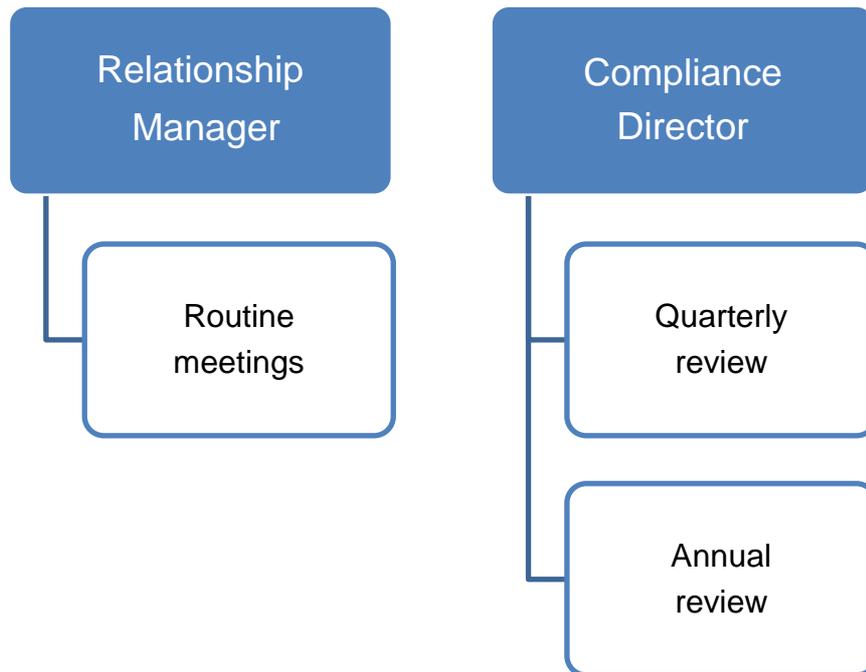
### **Recommendation for Visit Jersey**

**R26** Ensure that the Annual Report gives prominence to Visit Jersey's performance against objectives, including KPIs.

## Oversight of Visit Jersey by the States

4.1 Effective oversight of ALOs does not stop with the award of a grant. In the context of Visit Jersey, it involves different dimensions as detailed in Exhibit 10.

### Exhibit 10: Oversight of Visit Jersey



4.2 I consider these areas in turn.

#### ***Relationship Manager: Routine meetings with Visit Jersey***

4.3 I describe above the helpful separation between the roles of Relationship Manager and Compliance Director. The insights of the Relationship Manager are a valuable source of 'soft' intelligence on the performance of Visit Jersey. However, there is no formal documentation of attendance at and key points arising from meetings with Visit Jersey which reduces the value of this source of information.

#### **Recommendation for the States**

**R27** Routinely document the attendance by the Relationship Manager at and key points arising from meetings with Visit Jersey.

#### ***Compliance Director: Quarterly review***

4.4 For 2018 the States introduced a new formal quarterly assessment of Visit Jersey designed to demonstrate that the funding continues to be the most efficient and effective way of delivering States' policy and strategic objectives. The assessment considers the following key areas:

- whether required information been received from Visit Jersey within the stipulated timescales;
  - financial performance;
  - operational performance and contractual obligations;
  - prior year unspent grant monies and reserves;
  - whether the funding is helping to achieve States' policies and strategic objectives; and
  - any issues regarding the organisational structure and Board composition.
- 4.5 The assessment is carried out in advance of the release of each quarterly tranche of funding, relying substantially on a self-assessment and information provided by Visit Jersey.
- 4.6 I welcome the introduction of the new arrangements which are consistent with the findings in my 2017 report, *Oversight of Arm's Length Organisations*. However, my review of the quarterly assessment for the final quarter of 2017 (completed in April 2018) shows that the assessment undertaken was not sufficiently challenging (See Exhibit 11). In particular, there appears to be:
- significant reliance on the self-assessment without further supporting evidence or supporting documentation; and
  - a lack of documented reasons for judgements made.
- 4.7 My review of the assessment for the first quarter of 2018 (completed in June 2018) confirms this conclusion.

#### **Exhibit 11: Quarterly review of Visit Jersey dated April 2018**

Area	Summary	Jersey Audit Office observations
<b>Background</b>	Factual analysis of context for Visit Jersey, details of the Board members and annual grant.	-
<b>Description of services</b>	Priorities for 2018 clearly documented.	-
<b>Receipt of information</b>	Confirmation that all required information has been provided.	Statement of Internal Control, required by Financial Direction, not provided.  Risk Register, required quarterly, not provided.

Area	Summary	Jersey Audit Office observations
<b>Consideration of Financial Performance</b>	Confirms that financial performance is in line with business plan.	There is no mention of the underspend of £132,000 at 31 December 2017.
<b>Consideration of Operational Performance</b>	Review states that Visit Jersey has exceeded 2017 targets.	<p>No reference to underperformance against original targets in Destination Plan.</p> <p>Response to risk register review question does not confirm that risk register has been reviewed.</p> <p>Confirmation that a review of Statement of Internal Control (SIC) has not raised any concerns but absence of SIC not highlighted.</p>
<b>Review of unspent monies</b>	Review reports no action required on underspend at 31 December 2017.	No explanation why no action is required.
<b>Consideration of whether funding is supporting SoJ objectives</b>	Response is 'yes'.	No explanation of why or how funding supports strategic objectives.
<b>Structure and Board composition</b>	No concerns reported but the feedback lacks analysis.	No evaluation of Board effectiveness.

### Recommendation for the States

**R28** Improve the challenge of Visit Jersey in the quarterly review, including the documentation obtained, and the recording of judgements made.

#### **Compliance Director: Annual review**

4.8 I discussed above the annual review of Visit Jersey undertaken in January 2018 and:

- explained that it was undertaken too late to support the decision to award the 2018 grant made in December 2017; and

- expressed my concern that there was insufficient evidence of challenge in the process.
- 4.9 The revised review process in place during 2018 provides a clearer focus on:
- strategic alignment;
  - appropriateness of the funding arrangement;
  - current performance;
  - business planning;
  - structure and Board composition; and
  - governance arrangements.
- 4.10 In my view there is scope for the annual review to go beyond the quarterly review and provide a more fundamental challenge to support for and performance of Visit Jersey, in the context of the States' strategic objectives. It could usefully extend to areas such as:
- an overall assessment of Board effectiveness drawing on input from the Relationship Manager;
  - an evaluation of the continuing appropriateness of long-term targets; and
  - plans to apply any accumulated surplus.
- 4.11 I would also anticipate that maximum value would be secured if:
- the annual review included monitoring the action taken by Visit Jersey to implement the recommendations to it contained in this review; and
  - the annual review was undertaken alongside annual reviews of other ALOs so that the States could establish whether the funding of ALOs, taken together, most effectively supports the delivery of the States' strategic objectives.

### **Recommendations for the States**

- R29** Develop and document a wider scope for the annual review of Visit Jersey in time for the 2019 grant award deliberations.
- R30** As part of its monitoring of Visit Jersey, monitor the implementation of the recommendations for Visit Jersey contained in this report.
- R31** Undertake the annual reviews of ALOs in parallel to assess whether support for ALOs in aggregate most effectively supports the attainment of the States' objectives.

## Conclusion

- 5.1 In this review I have evaluated arrangements both within the States and within an ALO. The best results for the Island are secured where the arrangements within the States and the ALO are robust and they are working collaboratively to clear objectives.
- 5.2 The States' approach to the oversight of Visit Jersey has developed in response to the findings in my 2017 report on the *Oversight of Arm's Length Organisations*. A more structured approach has been adopted, with documented assessments against relevant factors and better defined roles for officers. I welcome these developments but also recognise that there is scope for improvement in their implementation.
- 5.3 Within Visit Jersey the arrangements for corporate governance and monitoring performance are generally well developed for an organisation of its size. I have, however, identified scope for improvement in a number of areas and made recommendations accordingly.
- 5.4 I am also concerned that:
- the reasons for ongoing funding for Visit Jersey do not flow directly from the States' Strategic Objectives; and
  - there is limited evidence of robust and effective challenge by the States of Visit Jersey's targets and performance.
- 5.5 I recognise that the States, as part of its new Target Operating Model, have appointed a Group Director for Economy and Partnerships and a Head of Partnerships who will sit on the Growth, Housing and Environment Department's Management Team. This new focus on partnerships gives an opportunity to strengthen the States' approach across a wide range of Arm's Length Organisations, including Visit Jersey.
- 5.6 This report has focussed specifically on Visit Jersey. However, many of the findings and recommendations are likely to be directly relevant to the States' dealings with other ALOs. Moreover, the funding of one ALO cannot be evaluated in isolation and the oversight of ALOs should continually challenge whether the pattern of support for ALOs most effectively delivers the States' priorities.
- 5.7 I have made some initial observations on the remuneration of the Visit Jersey Board. I am currently undertaking a wider piece of work looking at arrangements for determining remuneration for Board members of States-owned entities and ALOs. I plan to report the conclusions from this work in 2019.

## Recommendation for the States

- R32** Actively consider and document the consideration of the findings and recommendations in this report for the oversight by the States of other ALOs both individually and generally.

## **Appendix 1: Summary of Recommendations**

### **Award of grant by the States of Jersey**

#### **Recommendations for the States**

- R1** Prioritise the development of the proposed Enterprise Strategy, linked to the Common Strategic Policy and Government Plan, and explicitly covering the tourism sector.
- R2** Agree objectives for Visit Jersey explicitly linked to the Common Strategic Policy, Government Plan and, when adopted, Enterprise Strategy.
- R3** Periodically review the continuing appropriateness of existing arrangements for financial support of tourism.
- R4** Ensure robust review and evaluation of KPIs proposed by Visit Jersey in the context of the States' strategic objectives, with independent expert advice as necessary.
- R5** Ensure that there is sufficient analysis contained in reports to Ministers recommending a grant award.
- R6** Bring forward the timetable for annual review of a grant recipient to ensure that it is undertaken in sufficient time to inform a decision on grant award.
- R7** Ensure that the States' review of Visit Jersey, including Visit Jersey's self-assessment, is challenging and that the conclusions reached are supported by appropriate documented evidence.
- R8** Ensure that Partnership Agreements are reviewed to ensure compliance with the requirements of the new Financial Direction applicable to ALOs.
- R9** Ensure that the targets contained in key strategic and operational documents are aligned.
- R10** Clearly document and communicate the respective roles of the Relationship Manager and Compliance Director.

### **Delivery and monitoring by Visit Jersey**

#### **Recommendations for Visit Jersey**

- R11** Consistently include objectives, targets and actions in strategies.
- R12** Working with the States, develop enhanced arrangements for identifying and managing anticipated underspends.
- R13** Ensure that Board minutes are published promptly.
- R14** Review the continuing appropriateness of the composition of the Board four years after its establishment.
- R15** Adopt formal monitoring of the implementation of agreed recommendations from Board effectiveness reviews.
- R16** Consider regular external input into the Board effectiveness review.
- R17** Introduce a formal evaluation process for Board members.

- R18** Consider periodic internal audit coverage and/or instituting compliance checks.
- R19** Formalise the engagement of the Visit Jersey accountant, based on a clear specification.
- R20** Develop a structured plan to obtain the evidence necessary to prepare an annual Statement on Internal Control.
- R21** Publish an annual Statement on Internal Control.
- R22** Carry out a formal job evaluation exercise prior to the recruitment of the next Chief Executive.
- R23** Develop structured arrangements for validation of all data used to evaluate performance, including evaluation of the design of surveys
- R24** Ensure that the goals, priorities and KPIs proposed for inclusion in the schedules to the Partnership Agreement address the States' strategic objectives.
- R25** Working with the States, use external expertise to challenge the robustness of the approach to deriving Rols.
- R26** Ensure that the Annual Report gives prominence to Visit Jersey's performance against objectives, including KPIs.

## **Oversight of Visit Jersey by the States**

### **Recommendations for the States**

- R27** Routinely document the attendance by the Relationship Manager at and key points arising from meetings with Visit Jersey.
- R28** Improve the challenge of Visit Jersey in the quarterly review, including the documentation obtained, and the recording of judgements made.
- R29** Develop and document a wider scope for the annual review of Visit Jersey in time for the 2019 grant award deliberations.
- R30** As part of its monitoring of Visit Jersey, monitor the implementation of the recommendations for Visit Jersey contained in this report.
- R31** Undertake the annual reviews of ALOs in parallel to assess whether support for ALOs in aggregate most effectively supports the attainment of the States' objectives.

## **Conclusion**

### **Recommendation for the States**

- R32** Actively consider and document the consideration of the findings and recommendations in this report for the oversight by the States of other ALOs both individually and generally.



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