

Imagine Belfast 2008

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

NIA 49 /03, HC 826 Session 2003-04, 15 July 2004



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Northern Ireland Audit Office

Report by the Comptroller and Auditor General
for Northern Ireland

*Ordered by the House of Commons
to be printed 14 July 2004*

Imagine Belfast 2008

HC 826 Session 2003 - 04
NIA 49/03

BELFAST: The Stationery Office

£18.00

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J M Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
14 July 2004

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List of Abbreviations

ACNI	Arts Council of Northern Ireland
BCC	Belfast City Council
DCAL	Department of Culture, Arts and Leisure
DCMS	Department of Culture, Media and Sport
DFP	Department of Finance and Personnel
EQIA	Equality Impact Assessment
NIAO	Northern Ireland Audit Office

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Executive Summary

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Background

1. Under a 1999 European Union Agreement, a city is to be designated European Capital of Culture each year from 2005 to 2019. The designated city will be from a different member state each year, with the UK providing the Capital of Culture in 2008. The objective is “to highlight the richness and diversity of European cultures and the features they share, as well as to promote greater mutual acquaintance between European citizens” (paragraph 1.1).
2. The original idea for Belfast to submit a bid came from Belfast City Council (BCC) (paragraph 1.4). The Council approached the newly-formed Department of Culture, Arts and Leisure (DCAL), as the Department responsible for arts and culture within the region as a whole, and also engaged with the private sector to help develop a bid process (paragraph 1.8).
3. Although the Department did not have the lead responsibility for the bid, it became the main funder, contributing £800,000 out of a total of £1.3 million. It also chaired an inter-departmental working group aimed at gaining government agreement to support various aspects of the bid (paragraph 1.9).

Main Findings

On the Decision to Fund the Bid

4. DCAL’s decision to help fund the Capital of Culture bid was closely aligned with the Department’s own objectives and those of other key agencies, and there was strong evidence from the experience of past cities of culture that a successful campaign would reap significant and long-lasting rewards (paragraph 2.9).

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On Conditions for Funding

5. The DCAL grant to Imagine Belfast (the company subsequently formed to take forward the bid) was paid in instalments. It was channelled through the Arts Council (ACNI) and was subject to ACNI's standard conditions of grant (paragraph 2.10 and Appendix 3). The conditions of grant provided a sound control environment for the administration of funds and oversight of their use by Imagine Belfast (paragraph 2.13).

On Mechanisms to Ensure a Successful Bid

6. NIAO identified a number of factors (paragraph 3.1) which would be required to help ensure a successful outcome to the preparation of a competitive bid within the defined timescale:-

Clear, Shared Vision

7. The commonality of objectives of the key agencies and the close alignment of those objectives with the Capital of Culture criteria should have been an advantage in establishing a clear, shared vision. Whilst the large, widely representative Board certainly had the advantage of input from a wide variety of interested parties, it would appear from feedback that the allegiance of some Board members to their own organisations militated against the opportunity to drive forward a common corporate agenda within the time frame given (paragraph 3.8).

Roles and Responsibilities

8. In order to achieve a successful outcome on any project in a limited time period, it is essential that roles and responsibilities are clearly defined and understood by

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all parties at the start of the project. The Department said that the steering group/Board was always clear on its purpose to produce a quality bid. In NIAO's view, the findings of both the external and internal evaluations (paragraphs 3.14 and 3.15) indicate that more could have been done at the outset to ensure that all those working on the bid had a clear understanding of what they were there to do (paragraph 3.16).

Bid Timetable

9. NIAO acknowledges the difficulties in identifying suitable staff for the project. The unsuccessful tender exercise for executive support (paragraph 3.20) significantly shortened the time period for the bid to be prepared. In particular, the appointment of a chief executive 12 months, and creative advisers five months, before the bid submission date (paragraph 3.19) created immense pressures in trying to produce a successful bid document. The fact that a bid was put together in these circumstances must be applauded. Although key personnel have contended that the tight timescale did not affect the bid, and point out that the judges commended the bid document, there must be reservations as to whether the quality of a bid produced in such a short timeframe could not have been improved if the time factor was not so critical (paragraph 3.25).

Resources

10. It appears that some of the difficulties in Imagine Belfast were caused by having insufficient staff with the appropriate skills, which added to the challenges facing the Company. In particular, financial problems (paragraphs 3.29 and 3.30) may not have arisen to the same extent if there had been accurate financial planning and a dedicated financial manager to properly oversee the cash flow of the Company (paragraph 3.36).

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Communication

11. The inter-departmental group was an effective communication vehicle and remained in place throughout the bid process. The main issue of communication appears to have been with the Board itself (paragraph 3.39). While appropriate mechanisms were in place for effective communication and co-ordination between the key agencies, in practice Board feedback suggests that these did not always work as intended, nor did they always succeed in ensuring good communication (paragraph 3.41).

Extent of Consultation

12. We commend the efforts made by Imagine Belfast to consult as widely as possible and ensure a broad range of input to the bid process (paragraph 3.43). However, by its own admission, the Company could have managed its feedback more effectively, thereby minimising the wastage of ideas and frustration for those contributing (paragraph 3.48).

Arts and Culture Context

13. Following the announcement of the short-listed cities, adverse press comment suggested that the judges would have been aware of an unsupportive arts context and this would have had a detrimental effect on Belfast's success in the bidding process (paragraph 3.49). However NIAO believes the actions of the key organisations, in particular the earmarking of £9 million by the Arts Council and £33 million by Government for arts and sports capital infrastructure developments, regardless of the success of the bid, shows commitment to the spirit of the Belfast bid (paragraphs 3.50 and 3.53).

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Key Lessons for Future Projects

14. Based on the experience of the Imagine Belfast bidding process, NIAO recommends that the following, as good practice, should be applied to any similar future projects funded by DCAL and ACNI, and indeed by all departments and public bodies:
- all parties involved must establish at an early stage a clear and common vision of what is to be achieved
 - the roles and responsibilities of all those involved must be clearly defined, documented and understood from the outset
 - the project must have a realistic timetable, to enable all available time to be used constructively. The setting of time targets for specific elements of the process will help to achieve this
 - the project must be adequately resourced, both in terms of finance and personnel with the appropriate skills. There must be appropriate resource planning to help prevent crisis management, and appropriate project management
 - where a number of different parties are involved, there must be appropriate mechanisms in place for effective communication and co-ordination, and a commitment from all concerned to adhere to these
 - where input is sought from a range of interested parties, there must be clear and consistent procedures for the recording, evaluation and use of such input. Those providing input should have a clear idea of how it will be evaluated. (paragraph 3.54)

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On Belfast City Council's audit findings and Imagine Belfast's response

15. The findings of BCC's internal audit team (paragraph 4.9), in their draft report of late April 2002, indicate a lack of basic internal controls within the Company in the first 12 months of its life, although the Board received regular financial reports (paragraph 4.10). Any organisation spending money on the scale of Imagine Belfast would be expected to have in place basic controls such as documented financial procedures, comprehensive tendering procedures, segregation of duties, hospitality guidelines, proper supporting documentation for expenditure and proper authorisation procedures (paragraph 4.12).
16. We have noted the actions taken by the Company in response to the audit findings (paragraph 4.9) and advice from the Chief Executive of BCC. However, by the time these control measures were put in place, around £1 million (75 per cent) of the Company's total expenditure had been incurred. Furthermore, while the need for an audit committee had been discussed by the Board in August 2002, it was not put in place until November 2002, the same month in which the Board took the decision to wind up the Company (paragraph 4.12).
17. Our review revealed no evidence of the misuse of public funds by Imagine Belfast. However, following the review of systems requested by Imagine Belfast, the control weaknesses identified by Belfast City Council Internal Audit are of concern, given the high profile nature of the Company's business. In our view, the Board of the Company and the sponsor organisations should have been alert, from the outset, to the need for sound internal control systems (paragraph 4.20).

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On the Legacy of the Bid

18. Although the bid was unsuccessful, key funding agencies are keen that the process should leave a significant legacy and have highlighted the following outcomes:-
 - significant additional funding (paragraph 5.11)
 - government-wide support (paragraphs 5.12 and 5.13)
 - partnership working (paragraph 5.15)
 - an increase in tourism to Belfast (paragraph 5.16)
 - a recent bid by Belfast City Council to the Millennium Commission for £2 million funding (paragraph 5.19).
19. NIAO acknowledges the commitment and hard work of a small group of staff and Board members in developing the Belfast bid. It understands that the Department has considered carefully the findings of the various evaluation exercises carried out and that the lessons learned have been promulgated to those bodies for which DCAL has responsibility (paragraph 5.8 and Appendix 6). NIAO recommends that, in addition, the Department should make those lessons learned available to all central and local government bodies who might be involved in sponsoring any project where a specific company is established from scratch to achieve a time-limited objective (paragraph 5.20).
20. NIAO recognises that, although the bid itself was unsuccessful, there have been a number of positive legacy gains for the arts and culture sector in Northern Ireland (paragraph 5.21).

Part 1

Introduction

Background

- 1.1 Under an Agreement reached by the European Union in 1999, a city is to be designated European Capital of Culture each year from 2005 to 2019. Its objective will be “to highlight the richness and diversity of European cultures and the features they share, as well as to promote greater mutual acquaintance between European citizens.”¹ The designated city will be from a different member state each year, with the UK providing the Capital of Culture in 2008. This Agreement follows on from the European City of Culture programme which began in 1985, with Glasgow holding the title in 1990. It is widely recognised that Glasgow had a very successful year and has since enjoyed many long-lasting cultural and economic benefits.

Criteria for Application

- 1.2 The Department of Culture, Media and Sport (DCMS) co-ordinated the bid for the UK. In September 2000, it issued criteria based on the European agreement, and information for applicants, and sought applications from interested UK cities by the closing date of 31st March 2002. Among the main criteria set out were:
- clearly defined objectives for a year long programme of events, and the ability to deliver them
 - a programme of events that will increase awareness of, and participation in, cultural opportunities, contributing to the promotion of social inclusion

1. Decision 1419/1999/EC of the European Parliament and of the Council, 25th May 1999

- the ability to ensure co-ordination and full co-operation between stakeholders and investors
- the infrastructure to deliver the programme, or the ability to create it
- the financial resources to deliver the programme, or a well-developed plan to secure these
- a programme of events that is sustainable both financially and in terms of projected attendance figures, and the ability to translate this into long lasting benefits, both cultural and economic.

The full set of selection criteria is listed at Appendix 1.

1.3 Twelve cities applied to be the UK representative in 2008:-

*Belfast	*Bristol	*Liverpool
*Birmingham	*Canterbury and East Kent	*Newcastle and Gateshead
*Bradford	*Cardiff	*Norwich
*Brighton and Hove	*Inverness and the Highlands	*Oxford

Belfast's Bid

1.4 The original idea for Belfast to submit a bid came from Belfast City Council (BCC). The Council's Development Committee, at a meeting in September 1999, agreed that the city should seek designation as Capital of Culture in 2008. The Council invited a wide range of key agencies to a meeting in December 1999, to discuss how a bid process might be taken forward. This led to the formation of a more narrowly-focused steering group, which met for the first time in June 2000. A company limited by guarantee, called "Imagine Belfast 2008", was then constituted in May 2001, to develop the bid.

1.5 In September 2000, the steering group agreed to appoint a cultural adviser to give guidance during the development of the bid. The adviser's role would include

attendance at steering group meetings, commenting on papers and reports generated by the group, advising on aspects of bid preparation and presentation and giving direction on the cultural visioning process. The adviser subsequently appointed had led Glasgow's successful 1990 bid as City of Culture and had been involved with the successful Brussels campaign of 2000.

1.6 In October 2001, the Minister for Culture, Arts and Leisure officially launched Belfast's bid. In the same month, an inter-departmental working group within central Government was established to help drive the Capital of Culture bid process forward through inter-departmental co-operation, and to ensure accountability. Following a wide range of consultations (see paragraph 3.43) and presentations by the Imagine Belfast team to the Assembly's Culture, Arts and Leisure Committee, among others, the Minister sought and secured Assembly backing for the Belfast bid in March 2002.

1.7 Belfast's bid was based on three main themes:

- Through the Eyes of a Child
- Made in Belfast
- To Live Without Walls

Each theme contained two major, transformational projects and a range of supporting projects and ideas. Details are at Appendix 2. A preliminary estimate by Imagine Belfast of the cost of the bid, covering the period up to and including 2008, was around £147.5 million, comprising £90 million on projects and £57.5 million on capital costs.

The Northern Ireland Audit Office Examination

1.8 Six successful short-listed cities were announced in October 2002 to go through to the next phase of the competition, with a final announcement of the UK's nomination for European Capital of Culture made in Spring 2003.² Belfast was

2. Liverpool was announced as the overall winner in June 2003.

not on the short list. To see what lessons could be learnt, NIAO undertook an examination of the bid process. It is recognised that the bid to establish Belfast as Capital of Culture, initiated by Belfast City Council, involved many key players. The Council approached the newly-formed Department of Culture, Arts and Leisure (DCAL) as the Department responsible for arts and culture within the region as a whole, and also engaged with the private sector to help develop a bid process.

1.9 This report concentrates on the role of DCAL because NIAO has statutory authority to report to Parliament on the Department's use of public funds. Although the Department did not have the lead responsibility for the bid, it became the main funder for the development of the bid, contributing £800,000 out of a total of £1.3 million. This was largely in recognition of the different local government arrangements in Northern Ireland, which made government assistance essential for the bidding city. The Department also chaired the inter-departmental working group (see paragraph 1.6 above), aimed at gaining departmental agreement to support various aspects of the wider bid from within their existing baselines, and its Permanent Secretary attended meetings of the Imagine Belfast board as an observer.

1.10 Within this multi-player context, the main issues examined in our report are:

- was the Department's decision to commit funds to the project soundly based?
- did the Department help ensure that the factors needed to contribute to a successful outcome were in place?
- did the Department ensure that appropriate mechanisms were put in place to safeguard the use of DCAL resources in the development of the bid?
- what lessons have been learnt from evaluation of the bid process, and what has been its legacy?

- 1.11 The Department commissioned its own evaluation report from consultants, who produced a report on the bid in November 2003. We commend the Department for subjecting this unique project to such scrutiny and for seeking to learn and promulgate lessons from the process. We refer to this external evaluation as appropriate in the course of this report.

Methodology

- 1.12 Imagine Belfast 2008 no longer exists as a Company and staff are now dispersed. However, NIAO had access to all Imagine Belfast papers. In addition, we examined the papers of both DCAL and the Arts Council Northern Ireland (who administered the funding of the bid on behalf of the Department) in relation to the bid process, spoke to key personnel within these two organisations and reviewed reports produced, both internally and externally, on the Company and the bid.
- 1.13 To further inform our report, we were able to meet with the former Chair and both Chief Executives of the Company, and also with the Chief Executive of Belfast City Council, in order to get their perspective on the Capital of Culture bid.



Botanic Gardens

Part 2

The Department's Decision to Fund the Bid

The Department's Role

2.1 The Department of Culture, Arts and Leisure (DCAL) was established in December 1999, following devolution and the re-organisation of government departments. The role of the Department was to provide a central focus for arts and culture, museums, libraries, inland waterways and fisheries, the creative industries, sport and leisure and to channel funding for these areas through a range of non-departmental public bodies. The Minister of the newly formed Department accepted an invitation from Belfast City Council to attend a seminar in December 1999, to discuss a possible bid from Belfast for the title of Capital of Culture in 2008 (see paragraph 1.4). The Department believed that there was value for Northern Ireland as a region, in the government supporting a bid for European Capital of Culture, which was later endorsed by both the Executive and the Assembly.

2.2 DCAL's objectives, as set out in its 2001-2004 strategy document, include:

- increasing participation in culture, arts and leisure by helping to remove barriers to participation and improve and develop the quality of services and facilities in partnership with others
- contributing to a positive image of Northern Ireland through cultural and sporting activities and the promotion of information resources
- working innovatively through partnership to enhance service delivery and so increase potential resources.

The Arts Council of Northern Ireland

2.3 The Department's funding for the Capital of Culture bid was directed through the Arts Council of Northern Ireland (ACNI), a statutory body funded by DCAL. Among other things, ACNI administers revenue grants to a wide variety of arts and culture groups. The Arts Council's priorities include:

- increasing opportunities for creative participation in the arts
- developing new audiences for the arts and building on existing ones
- extending opportunities for artists to develop their work and practice
- strengthening the capacity of arts organisations to deliver quality experiences of the arts.

The Belfast City Council Role

2.4 Whilst DCAL has regional responsibility for culture and the arts, Belfast City Council has local responsibility in relation to the City of Belfast. The Culture and Arts Unit within the Council's Development Department includes in its strategic aims:

- the promotion of participation in the arts
- the promotion of an awareness and appreciation of the arts
- the support of facilities and activities which contribute to the image of Belfast as an important arts centre
- the encouragement of investment in the arts and the creative industries.

The objectives of the Department, ACNI and BCC all, therefore, aligned closely with the criteria set for the Capital of Culture bid, as outlined at paragraph 1.2.

The Decision to Fund

- 2.5 Having provided the resources to initiate the process for Belfast to bid, BCC first approached DCAL about providing funding for the bid in September 2000. Prior to this, the Department's involvement had been one of providing advice and guidance with regard to the regional aspects of the bid. In July 2001, DCAL confirmed funding of £500,000 for the 2001-02 financial year. An additional £300,000 was provided in July 2002 for the 2002-03 financial year.
- 2.6 In considering the case for funding, the Department told us that it was aware of the prestigious nature of the Capital of Culture competition. It noted that the experience of previous successful cities had been an increase in tourism and an improvement in the cultural infrastructure of not only the city named but also the wider catchment area, and there was an expectation that the case would be the same for Northern Ireland.
- 2.7 The central Government funding for Imagine Belfast, although channelled through the Arts Council, was additional to, and separate from, the Arts Council's block of funding for arts organisations and was ring-fenced specifically for Imagine Belfast. However, ACNI still applied its normal procedures for grant applications and Imagine Belfast had to submit a completed application form for grant support. The Company's application for funding was assessed against three main criteria:
- the quality of arts activity planned
 - the public benefit and strategic impact of the proposed programme
 - financial viability, quality of management and monitoring.
- 2.8 In assessing the application, ACNI concluded that it illustrated "a commitment to ambitious programming of quality, variety and engagement on an unprecedented scale." It also noted that the project would encourage

participation at all levels within the community, would lead to many opportunities for people across Northern Ireland and raise the profile of arts in society. The assessment highlighted that, although much of the necessary visioning had been carried out, further work was needed on developing objectives into specific actions and outcomes. Evaluation and monitoring procedures also needed to be put in place as soon as possible, for accountability purposes. The award of a £500,000 grant was approved by the Arts Council at its meeting in August 2001.

NIAO Comment on the Decision to Fund

2.9 DCAL's decision to help fund the Capital of Culture bid was closely aligned with the Department's own objectives and those of other key agencies, and there was strong evidence from the experience of past cities of culture that a successful campaign would reap significant and long-lasting rewards. Having committed funds, it was essential that the Department, through the Arts Council, ensured that Imagine Belfast had established proper accounting procedures and that they did all they could to ensure a successful outcome.

Conditions for Funding

2.10 The grant to Imagine Belfast was to be paid in instalments and was subject to ACNI's standard conditions of grant (see Appendix 3). Among the main conditions are:

- the grant recipient must supply ACNI with monthly progress reports and other financial information, records of management meetings and yearly audited accounts
- the grant recipient must monitor the success of the project being funded and provide ACNI with any required information
- ACNI must have access to the financial systems and administrative records of the grant recipient

- the accounts and records of the grant recipient must be open to staff of DCAL and NIAO
- ACNI has the right to attend Board meetings of the grant recipient as an observer.

2.11 In addition to the standard conditions of grant, the funding contracts for each of the two years stipulated that the grant was to be used for specified purposes (see paragraph 4.1) and each instalment was to be paid only on the receipt of itemised expenditure listings showing how the money was being spent. Monitoring and evaluation reports were also to be provided to ACNI at specified dates.

2.12 ACNI and DCAL representatives on the Board retained observer status and were not voting members (see Appendix 4). In order to strengthen its representation on the Imagine Belfast Board, in July 2001 ACNI asked that a second nominee be admitted to the Board as an observer. Consequently, the Arts Council's Director of Strategic Development (an original steering group member) joined its Chief Executive as an observer on the Board.

NIAO Comment on Conditions for Funding

2.13 The conditions of grant provided a sound control environment for the administration of funds and oversight of their use by Imagine Belfast. Part 4 considers how the controls were applied in practice.



Grand Opera House, Belfast

Part 3

Mechanisms to Ensure a Successful Bid

Factors for a Successful Outcome

3.1 Following its review of Imagine Belfast papers and general project management guidance, NIAO identified a number of factors which it considered would be required to help ensure a successful outcome to the preparation of a competitive bid within the defined timescale:

- a clear, shared vision
- defined roles and responsibilities
- a realistic timetable and a comprehensive plan of action
- adequate and timely resources, both financial and non-financial
- effective communication and co-ordination
- optimum input from “experts” and others
- an arts and culture context sympathetic to a successful bid.

As the driving force behind the bid, the Imagine Belfast Board had the responsibility to ensure that these factors were in place.

A Clear, Shared Vision

3.2 At a strategic level, as outlined in Part 2, there was a large degree of commonality between the aims and objectives of the various key agencies involved in taking forward the bid. In an internal evaluation report prepared by the Chief Executive

of Imagine Belfast in early 2003, one of the main strengths of the bid process was seen as the congruence between the Programme for Government, the policies of the Department, the Arts Council and the City Council and the criteria for the Capital of Culture bid. The evaluation referred to a level of support and endorsement for the bid that was “unprecedented in Northern Ireland”.

- 3.3 At an early meeting of the steering group in March 2000, the experience of Glasgow in 1990 was held up as an example of good practice and one factor emphasised was the need for a clear, shared vision. However, we noted from steering group minutes that it was February 2001 before the group held an away day, the “central objective” of which was to “develop a common sense of purpose throughout the group”. The Department told us that bid development work was on-going before February 2001 through advisory panels (see paragraph 3.38) and that the away day was a consolidation and team-building exercise. It said that the steering group/Board always had a clear shared vision, which was to develop and submit a quality bid. The former Chair of Imagine Belfast told us that February 2001 was the first opportunity for the coming together of the steering group, following his appointment as Chair in December 2000.
- 3.4 As early as June 2000, the steering group discussed its constitutional status and agreed that the process to establish a limited company should be explored. At a meeting in September 2000, it was formally agreed that a company limited by guarantee³ would be formed. However, it was May 2001 before Imagine Belfast 2008 came into being as a Company and produced its first business plan, which included a mission statement, core values, aims and objectives (see Appendix 5). The Department’s Economic Services Unit was asked to comment on this plan. It said that the objectives set needed to be framed more precisely and to include “ultimate, intermediate and immediate” objectives, with associated time frames.
- 3.5 Following submission of the bid document in March 2002, the chair and deputy

3. A company limited by guarantee is a form of incorporation used for non-profit organisations that require corporate status. It does not have share capital but its members are guarantors who undertake to contribute a nominal amount towards the winding-up of the company in the event of a shortfall on cessation of business.

chair of the Imagine Belfast Board canvassed the views of Board members on the operation of the board to date. NIAO commends this as good practice, which produced a useful assessment of various aspects of the Board's procedures. One of the main weaknesses identified by Board members was the absence of a clear strategic direction from the board. A general view expressed was that the Board needed to be more focussed, with a clear idea of what it was there to do. This view had also been expressed by the bid's cultural adviser (see paragraph 1.5) at the Board meeting in March 2002. In giving his assessment of the bid process thus far, he was critical of the structure of the Board, which he described as having been born out of historical expediency, with its role not always being clear. The Department told NIAO that, in its view, the Board's role was to produce a credible bid and there was recognition that a different vehicle would be required to deliver it. The former Chair also said there was a recognition that, while a representational board had served an essential purpose in bringing together a wide range of interests, a different structure would be required once the bid was signed off.

- 3.6 In June 2002, the Department's Economic Services Unit again commented on the lack of measurable outcomes and targets in Imagine Belfast's draft business plan for 2002-03. It was considered that it would be impossible to assess the extent to which the Company had delivered on its aims and objectives. A revised business plan had to be produced as a basis of further funding.
- 3.7 In an interview with the Belfast Telegraph in November 2002, after Belfast had failed to make the short list for European Capital of Culture, the Chief Executive of Imagine Belfast said that the Company had not always been clear about what it stood for. Similarly, the internal evaluation by Imagine Belfast, completed in early 2003 (see paragraph 3.2), acknowledged that the representational nature of the Board meant that members often had primary allegiance to their own organisation and not to Imagine Belfast. It also said that there had been insufficient planning as to what the objectives of the bidding process were and this had resulted in a lack of clarity of direction and consequent changes of

direction throughout the process. This evaluation also acknowledged that the Company's objectives were too high level and difficult to quantify.

NIAO Comment on Clear, Shared Vision

3.8 The commonality of objectives of the key agencies and the close alignment of those objectives with the Capital of Culture criteria should have been an advantage in establishing a clear, shared vision. However, feedback on the bid process from a range of sources, including some of the key personnel involved in the bid, suggests that the Board had difficulty achieving a common purpose. Whilst the large, widely representative Board certainly had the advantage of input from a wide variety of interested parties, it would appear from feedback that the allegiance of some Board members to their own organisations militated against the opportunity to drive forward a common corporate agenda within the time frame given.

Defined Roles and Responsibilities

The Board

- 3.9 As noted at paragraph 3.7, the nature of the steering group/Board meant there was a diversity of backgrounds in the membership. Because of their role as funders of the bid, representatives of both the Department and ACNI had observer status on the Board but were not voting members.
- 3.10 The Company's Memorandum of Association sets out the objectives of Imagine Belfast, which are couched in much broader terms than those put forward in the Company's business plan, as outlined at Appendix 5. The Articles of Association stipulate how board meetings should be conducted but the role of observers is not defined. The Arts Council's guidance notes to grant-aided bodies describe an observer's role as "a liaison officer" between the Council and the recipient organisation. They say an observer has the right to attend board meetings, receive all board papers and participate in discussions with the Chair's agreement, but "shall not direct the organisation to act in any particular manner" (see Appendix 4).

- 3.11 While the Imagine Belfast Board would have been aware of ACNI guidance on the role of observers, in his assessment of the bid process (see paragraph 3.5) the cultural adviser said that there was “often confusion between the roles of Board members and observers.” In its business plan for 2002-03, presented at the Board’s June 2002 meeting, Imagine Belfast recognised there had been problems with the Board and accepted that “a proper Board structure that clarifies the role of directors and observers has to be developed”. The Department emphasised to NIAO that both its and the Arts Council’s observers were clear about their role. The former Chair of the Company told NIAO that he was clear on the role of observers and that they made a significant contribution to the work of the Board through the bid process. However, in his view, the number of observers and officers in attendance from funding bodies would have to have been reduced on any restructured Board.

The Executive

- 3.12 In addition to the Imagine Belfast Board, there was an “executive” in place to actually produce the bid. Initially this role was filled by staff of Belfast City Council until other options were considered. In March 2001, a Chief Executive was appointed to the Company, on a secondment basis, for a one year period. A business support manager and a marketing and communications manager were appointed in May, and in October 2001, four creative directors were appointed on a freelance basis to help develop the content of the bid.
- 3.13 The cultural adviser reported to the Board that there was a need to clarify the Board’s and management’s responsibilities. In the Board’s own evaluation of its operation up to bid submission (see paragraph 3.5), it recognised the need for greater clarity of roles, remits and powers of the Board and executive.
- 3.14 The external evaluation commissioned by the Department and carried out by TTC International, which reported in November 2003 (see paragraph 1.11), concluded that the range of funding bodies involved should have emphasised

the need for absolute clarity in respect of roles and responsibilities. It pointed out that it was mid-2002 before the role of the Chair was defined and that Board members did not receive guidance on their part in the overall process. In addition, no firm guidelines or direction had been given to the Company. The former Chair of the Company told NIAO that it was mid-2002 before the roles of the Chair and the Board were codified but that they had been pretty well defined prior to that.

3.15 Imagine Belfast's own internal evaluation, undertaken in early 2003 (see paragraph 3.2), also highlighted some problems with the company structure and the workings of the Board and executive, in particular:

- there was lack of clarity of roles and responsibilities from the outset in relation to the operation of the Board, and the representational nature of the Board meant that members often had primary allegiance to their own organisation
- funding agencies represented on the Board found it difficult to have full confidence in the workings of the executive
- there was some tension surrounding the use of an external consultant (see paragraph 1.5), with the Board and executive having different views on his role.

NIAO Comment on Roles and Responsibilities

3.16 In order to achieve a successful outcome on any project in a limited time period, it is essential that roles and responsibilities are clearly defined and understood by all parties at the start of the project. In NIAO's view, the findings of both the external and internal evaluations, outlined above, indicate that more could have been done at the outset to ensure that all those working on the bid had a clear understanding of what they were there to do.

Realistic Timetable

3.17 In order to produce a strong bid, it was important that those driving the bid made the most of the time available before bid submission. The European Union decision (see paragraph 1.1) to nominate a capital of culture annually, from each member state in turn, was made in May 1999, with 2008 specified as the year for a city from the United Kingdom to hold the title. In August 1999, DCMS issued a press release inviting nominations from UK cities.

3.18 Figure 1 summarises some key dates during the development of the bid:

Figure 1 - Timetable of Bid Development

Initial consideration of bid content	Mechanics of bid delivery process	Development of content of bid
September 1999 - Development Committee of BCC agree that Belfast should consider submitting a bid to become European Capital of Culture in 2008		
December 1999 - first meeting of key agencies (including DCAL and ACNI) re development of bid		
March 2000 - BCC bring together key players to form a steering group to consider Belfast making a bid. Steering group advised that bid submission likely to be early 2002		
June 2000 - group agree that limited company status be explored and that a chair and vice-chair be identified. Agreed that BCC staff would continue to provide executive support until other options were considered.		June 2000 - steering group agree that advisory panels be established to help with cultural visioning
September 2000 - steering group agree that limited company should be established	September 2000 - terms of reference agreed for tender for executive support	September 2000 - cultural adviser appointed
	October 2000 - steering group commenced a tender process to secure consultants to provide secretarial support for the bid process	
	November 2000 - only one response to tender; no appointment made	November 2000 - advisory panel members identified
	December 2000 - steering group appointed chair and deputy chair	
	January 2001 - steering group trawled for a chief executive after unsuccessful tender attempt	January 2001 - first meeting of cultural visioning advisory panel

Initial consideration of bid content	Mechanics of bid delivery process	Development of content of bid
	February 2001 - steering group held away day to agree common purpose	
	March 2001 - Chief Executive appointed following trawl of organisations represented on steering group	
		April 2001 - beginning of weekly breakfast briefings, to get ideas from interested groupings. All ideas to be logged on website (website not in place until October 2001)
	May 2001 - Imagine Belfast 2008 registered as limited company and first business plan put in place. Business support manager and marketing and communications manager appointed.	
		July 2001 - Chief executive proposes that five creative advisors be appointed to deliver bid's demonstration projects
		October 2001 - postcard mail-shot to all homes in Belfast, seeking ideas from citizens. Creative directors now in place to develop bid
	November 2001- consultants appointed to advise on financial systems	October 2001 - March 2002 - on-going demonstration project and event activity eg Crane project
		January 2002 - series of away days and meetings to facilitate development and bringing together of bid
		March 2002 - submission of bid document

3.19 Given an overall timeframe of 27 months from the first meeting of key agencies to the submission of the bid document, NIAO notes the following:

- 7 months between the agreement to establish advisory panels and the first meeting of the advisory panel on cultural visioning
- 9 months before a cultural adviser was appointed
- 10 months before the steering group tendered for executive support
- 12 months before a Chair was appointed
- 15 months before a chief executive was appointed

- 17 months before the company, Imagine Belfast 2008, was established
- 17 months before the first business plan was put in place (see paragraph 3.4)
- 22 months before a team of creative advisers was put in place to focus on bid production (leaving only five months to submission of bid document).

3.20 The Department told us that the steering group had problems in identifying a suitable Chair, which resulted in a delayed appointment. Similarly, an initial decision had been taken to appoint consultants to act in an executive capacity and take forward the bid. However a tendering exercise, commenced one month after a decision was taken to form an independent company, did not identify any suitable consultant candidates. This therefore delayed the appointment of a chief executive. In relation to the creative advisers, the Department explained that they were appointed to refine the content of the bid from the large number of ideas that had already been identified through other means, so they were not starting from a “blank sheet”. The Department also pointed out that a cultural adviser had been identified from the outset and formally appointed in September 2000 (see paragraph 1.5).

3.21 Feedback from Board members after bid submission (see paragraph 3.5) raised concerns about the time frame of the bid development process. One view expressed was that the Board was “in danger of perpetual crisis management because of letting time slip by”. The need for better time management was also raised. In its internal evaluation in early 2003, Imagine Belfast said that a major weakness was that the Company was established too late, leaving insufficient time to develop the bid. The evaluation referred to “exceptional time pressures”.

3.22 We discussed the timeframe of the bid with the former Chair and chief executives of the Company, and with the Chief Executive of Belfast City Council. They raised a number of issues which they believe affected progress on getting the appropriate structures into place:

- there was difficulty filling the post of steering group / Board Chair, which had an impact on getting other posts into place
- it was difficult to progress the staffing of the company until it had actually been incorporated
- because executive posts were only short-term contracts, there was a limited pool of people interested.

3.23 The Chief Executive of BCC said that, even though progress may have appeared limited in the early stages, work would have been on-going in the background on building partnerships to advance the bid, even before the actual structures were put in place. He believed that the tight timescale did not affect the quality of the bid produced, a view shared by the former Chair and chief executives of the Company. He also pointed out that DCMS did not establish the criteria for the bid process until September 2000 (see paragraph 1.2), so work on the bid could not start in earnest until after that date.

3.24 The consultants' evaluation commissioned by DCAL reviewed the bid document and said that the later chapters did not have the same time devoted to their development, as time was running out and in the view of the consultants, as a consequence, they weakened noticeably as the pages progressed.

NIAO Comment on Bid Timetable

3.25 NIAO acknowledges the difficulties in identifying suitable staff for the project. The unsuccessful tender exercise for executive support significantly shortened the time period for the bid to be prepared. In particular, the appointment of a chief executive 12 months, and creative advisers five months, before the bid submission date created immense pressures in trying to produce a successful bid document. The fact that a bid was put together in these circumstances must be applauded. Although key personnel have contended that the tight timescale did not affect the bid, and point out that the judges commended the bid document, there must be reservations as to whether the quality of a bid produced in such a short timeframe could not have been improved if the time factor had not been so critical.

Adequate and Timely Resources

Financial Resources

3.26 Imagine Belfast's business plans for the two years of the bid process show estimated income and expenditure for each year to be £1.6 million and £1.7 million respectively.

Figure 2 - Projected Income and Expenditure

	2001-02	2002-03	Total
Projected income	1,616,500	1,753,500	3,370,000
Projected expenditure	1,616,500	1,753,500	3,370,000

3.27 The Company received funding from a number of sources in addition to the Department and Belfast City Council. Further funding was also secured from the Northern Ireland Tourist Board and a range of private sector bodies. The funding directed through the Arts Council was paid in instalments, in line with contracts agreed between the Arts Council and Imagine Belfast. Audited accounts for the two years of the bid process show the following:

Figure 3 - Income for Bid Process

	2001-02*	2002-03**	Total
	£	£	£
DCAL	500,000	293,772	793,772
BCC	249,716	70,282	319,998
NITB	79,825	20,175	100,000
Private sector	92,838	20,500	113,338
Sundry	1,149	15	1,164
Total	923,528	404,744	1,328,272

* figures for 11 month period to March 2002 ** figures for 14 month period to May 2003

Figure 4 - Expenditure for Bid Process

	2001-02*	2002-03**	Total
	£	£	£
Projects	369,728	18,009	387,737
Bid production	265,474	148,972	414,446
Judging process	0	54,110	54,110
Administration	308,509	159,711	468,220
Total	943,711	380,802	1,324,513

* figures for 11 month period to March 2002 ** figures for 14 month period to May 2003

3.28 The internal evaluation by Imagine Belfast makes brief reference to financial planning not being accurate. The former chair of the Company explained that, because this was a unique project, budget formulation was to some extent an estimation exercise as there was no similar event to compare with. Because of time pressures in the first year, some elements of the business plan were not delivered and the failure of the bid to make the shortlist in October 2002 meant that not all of the budget for the second year was required.

3.29 There is evidence in the records of Imagine Belfast that there were cash flow problems during the development of the bid. The audited accounts for 2001-02 show an operating loss of just over £20,000 at the end of the financial year. In May 2002, the Company negotiated an overdraft of £100,000 with its bank, subject to reduction once expected funding was received from those bodies (other than DCAL and ACNI) supporting the bid.

3.30 The internal evaluation of early 2003 highlighted these problems and their cause. It said that “in the absence of appropriate financial expertise and structures within the Company, the lead times and work required to realise funds from the various agencies were underestimated. This led to cash flow problems and a hand-to-mouth existence, which undermined the bid at critical times.”

- 3.31 In its evaluation, Imagine Belfast also outlined the expenditure of other bidding cities on their bids. This varied from £250,000 spent on one bid to £3.9 million spent on another. Belfast spent £1.3 million. However the evaluation cautions against comparisons because of the way certain costs were treated by each city.

Non-financial resources

- 3.32 The main non-financial resource required to actually produce the bid was staff. The appropriate level of staffing with the appropriate skills base would help ensure a smooth bid process. The Company business plan for 2001-02 identified three core staff (chief executive, business support manager and marketing and communications manager) to deliver the bid, supported by City Council staff and advisers as appropriate.
- 3.33 Paragraphs 3.18 and 3.19 highlight the delays that occurred in getting staff into post, within what was already a tight timetable. The creative directors appointed to bring the content of the bid document together from the creative process that commenced in September 2000 had five months to produce the finished article. Both the external and internal evaluations of the bid process identified as a weakness the lateness in getting company structures into place. They also considered the executive team to be significantly under-resourced relative to other bidding cities. The external evaluation points out that, at most, Belfast had six full-time people on its bid development team while Liverpool (the eventual winner of the title) had a full-time team of 11 people, plus a number of administrative support staff. It also points out that the company running the Liverpool bid was fully set up and in operation 22 months before bid submission, compared with 10 months for the Belfast bid.
- 3.34 The evaluation by DCAL's consultants also concluded that administration of the Company was in the hands of inexperienced staff, who would have been unfamiliar with public sector accountability. It was critical of recruitment procedures for staff selection and also said that staff were not given timely

guidance. The consultants believed that either the resources to have full public sector administrative and financial policies in place should have been provided or an acceptance given that “corners would have to be cut” to meet the deadline.

- 3.35 In terms of the skills base of the executive team, the internal evaluation concluded that the focus was on creativity and the generation of ideas, with less emphasis on finance and personnel skills. It believed that this inhibited the effective running of the Company. It said that a dedicated finance manager would have been better able to meet the demands of the various paymasters, which might have helped ease the continuous cash flow problems encountered. The former Chair of the Company told us that the lack of financial expertise was not caused by naivety about finance on the part of Board members, who had considerable experience of public bodies, but rather it was due to the developing nature of the project and the emphasis on getting a bid completed.

NIAO Comment on Resources

3.36 It appears that some of the difficulties in Imagine Belfast were caused by having insufficient staff with the appropriate skills, which added to the challenges facing the Company. In particular, financial problems may not have arisen to the same extent if there had been accurate financial planning and a dedicated financial manager to properly oversee the cash flow of the Company.

Effective Communication and Co-ordination

- 3.37 The main mechanism for co-ordinated working between the key agencies was the Imagine Belfast Board. The Board (and previously the steering group) met approximately 40 times between December 1999 and October 2002, including a number of away days for more intensive discussion and shaping of the bid.

3.38 It was agreed early in the life of the steering group that a number of advisory panels be established in order to get ideas from a wide range of people and groups. The panels established were:

- cultural visioning
- external relations
- fundraising and sponsorship
- marketing and communications.

The advisory panels had a fluid membership and were each chaired by a member of the steering group/Board, who then reported back to the whole Board, thus helping ensure that advisory panel discussions and input were communicated to, and co-ordinated with, the work of the full Imagine Belfast Board. The advisory panels began meeting from January 2001.

3.39 In the Board's assessment of its own operation, there was feedback from some Board members on problems with communication. It said that "there was dissatisfaction with the communications management of the bid process and a sense that it had not succeeded in building bridges either within the Board or between the Company and the community it was working for."

3.40 DCAL took responsibility for co-ordinating the input of government departments through an inter-departmental working group (see paragraph 1.6), established in October 2001 and chaired by DCAL. Each department identified activities within its own programmes which would contribute to the Capital of Culture concept and these were brought together into a set of departmental pledges, which were included as a supporting volume to the published bid for presentation to DCMS. We commend the Department's approach to harnessing input from all departments, through the work of the inter-departmental group.

NIAO Comment on Communication

3.41 The inter-departmental group was an effective communication vehicle and remained in place throughout the bid process. The main issue of communication appears to have been with the Board itself. While appropriate mechanisms were in place for effective communication and co-ordination between the key agencies, in practice Board feedback suggests that these did not always work as intended, nor did they always succeed in ensuring good communication.

Optimum Input from Experts and others

- 3.42 There was recognition by the steering group, in August 2000, that although its view and vision might form the “backbone” of the bid, there was benefit in having wider input, thereby increasing the sense of ownership in the concept of Belfast as a capital of culture. The group had already started work on drawing together advisory panels, with one group member stressing the importance of inviting arts practitioners and administrators on to the panels. In addition, a review was undertaken of other recent consultations on cultural issues, such as Belfast City Partnership Board’s “Belfast Vision” and DCAL’s “Unlocking Creativity” programme, and the strategic visions and plans of all the key agencies involved. Suggestions were also made for a wider consultation with the citizens of Belfast.
- 3.43 Some specific examples of wider consultation and input are summarised in Figure 5. The intention was to log all ideas on the Imagine Belfast website and this “ideas bank” would then form the basis for identifying the content of the bid. The ideas bank subsequently had over 5,000 ideas for consideration, which reflects the extent of consultation.

Figure 5 - Imagine Belfast Consultations

Cultural Adviser	An expert with significant previous experience in such bidding processes (see paragraph 1.5) was appointed in September 2000 to give strategic guidance on how the development of the bid should progress, and comment on its content as it developed
Breakfast briefings	A series of breakfast meetings and briefings was held with a range of professional/interest groups, in order to encourage their input into the bid development process
Presentations	Over 400 formal presentations were made to various groups, including permanent secretaries, the Assembly, the business community and local media, again to seek both support and ideas
Meetings	Over 300 formal and informal meetings were held with interested individuals and organisations
Postcard mail shot	In October 2001, 300,000 postcards were sent, one to every address in Belfast, seeking feedback on ideas for the Belfast Bid
Creative advisers	Four creative advisers were appointed in October 2001 to develop further the content of the bid. Each worked on a different aspect of the bid - arts and culture; architecture and design; media and entertainment; and community and society - and liaised with relevant interest and community groups. A creative co-ordinator was also appointed.

3.44 In the Autumn of 2002, when it was confirmed that Belfast had not made the shortlist for city of culture, there was some criticism in the local press that arts practitioners were not well represented on the Imagine Belfast Board and that, while they had been consulted at an early stage, “any sense of ownership was lost by the time the bid emerged”. The Board itself had recognised the problem of gaps in membership but, because of the time pressure involved in actually producing a bid document, it had agreed that any review of Board membership would wait until after the bid was submitted in March 2002. In the interim it endeavoured to address the issue through the use of creative advisers and a pool of independent artists. In his review of the bid process, the cultural adviser also

pointed out that Board membership was “not representative of the wider cultural constituency” and that this would have to be addressed. The Board recognised this as a key issue for implementation.

- 3.45 The internal evaluation by Imagine Belfast in early 2003 acknowledged problems with the way in which suggestions and ideas were dealt with. It said that there was insufficient structure to the documenting and dissemination of ideas suggested by individuals and organisations. Decision-making processes regarding projects were weak in that selection criteria for ideas were not established and therefore not communicated to those contributing. This resulted in frustration for some people when their ideas were not included.
- 3.46 The Chief Executive of BCC emphasised to NIAO the very varied and fragmented nature of the arts and culture sector in Northern Ireland. This resulted in there being a large number of stakeholders in the bid process, with consequent difficulties in bringing together a wide range of ideas to everyone’s satisfaction.
- 3.47 Section 75 of the Northern Ireland Act 1998 requires an Equality Impact Assessment (EQIA) to be carried out for new policies or programmes to test that there will be no adverse impact. DCAL took responsibility for this review in relation to the Capital of Culture bid and an EQIA steering group was set up, which included a representative of the Equality Commission. The completed EQIA concluded that Imagine Belfast did “relatively well in terms of widespread consultation, given the resource constraints they were operating under. However the feedback from our consultees highlights the fact that truly effective consultation which is perceived to be fully inclusive requires a great deal of time, resources and target groups”.

NIAO Comment on the Extent of Consultation

3.48 We commend the efforts made by Imagine Belfast to consult as widely as possible and ensure a broad range of input to the bid process. However, by its own admission, the Company could have managed its feedback more effectively, thereby minimising the wastage of ideas and frustration for those contributing.

Arts and Culture Context

3.49 When the Capital of Culture shortlist was announced, which did not include Belfast, adverse press comment suggested there may have been a wider context that appeared to be unsupportive of the arts. The commentators believed that the judges would be aware of this and it would have had a detrimental effect on Belfast's chance of success. Examples quoted were:

- in January 2002, ACNI turned down regeneration funding for the Grand Opera House, Crescent Arts Centre and Old Museum Arts Centre
- in March 2002, in a realignment of its overall arts budget, Belfast City Council cut core funding to arts organisations by 20 per cent to fund a new development and outreach initiative in designated areas of the city.

3.50 The Arts Council confirmed to NIAO that it had reduced revenue funding to the Grand Opera House by £50,000 because the Opera House was in a strong profit situation and did not require the same level of revenue funding. In terms of the wider arts context, it was fully committed to the Belfast bid. In December 2001, it had earmarked a total of £9 million lottery funding for arts capital infrastructure in Belfast for the next three years, as an affirmation of its support for the Capital of Culture bid. This included £2 million for the capital development of the Grand Opera House and £3 million for the development of a city centre arts centre incorporating the Old Museum Arts Centre. This funding

was not dependent on the bid's success. Revenue grant to the Crescent Arts Centre was reduced for a year because surrounding development work had made its main space unavailable for use. The full grant was reinstated the following year when the Centre was once again fully usable.

- 3.51 The cutting of core funding to arts organisations by Belfast City Council was part of a strategic decision to re-direct funding to the development of arts in areas of the city where Council research had shown the arts to be under-developed. The overall arts budget was unaffected. However the arts organisations affected by the grant cuts were unhappy that they had not been consulted about the change, particularly as many of them said they had contributed to the capital of culture bid itself. The original chief executive of the Company told us that, although BCC was re-directing funds, the perception among groups directly affected, and more widely, was of a cut in funding at a time when other bidding cities were directing additional funding to arts organisations.
- 3.52 After the Capital of Culture short-listing in October 2002, the arts and sport in Northern Ireland received a substantial financial boost in the 2002 Spending Review (see paragraph 5.11). An additional £33 million was allocated to the Department for the three years up to 2005-06. BCC also emphasised to NIAO its on-going commitment to culture, arts and leisure in the city through its annual £8 million budget and the commitment of £14 million for the development of two new sports facilities.

NIAO Comment on the Arts and Culture Context

3.53 The actions of the key organisations, in particular the earmarking of £9 million by the Arts Council and £33 million by Government for arts and sports capital infrastructure developments, regardless of the success of the bid, shows commitment to the spirit of the Belfast bid.

Key Lessons for Future Projects

3.54 Based on the experience of the Imagine Belfast bidding process, NIAO recommends that the following, as good practice, should be applied to any similar future projects funded by DCAL and ACNI, and indeed by all departments and public bodies:

- all parties involved must establish at an early stage a clear and common vision of what is to be achieved
- the roles and responsibilities of all those involved must be clearly defined, documented and understood from the outset
- the project must have a realistic timetable, to enable all available time to be used constructively. The setting of time targets for specific elements of the process will help to achieve this
- the project must be adequately resourced, both in terms of finance and personnel with the appropriate skills. There must be appropriate resource planning to help prevent crisis management, and appropriate project management
- where a number of different parties are involved, there must be appropriate mechanisms in place for effective communication and co-ordination, and a commitment from all concerned to adhere to these
- where input is sought from a range of interested parties, there must be clear and consistent procedures for the recording, evaluation and use of such input. Those providing input should have a clear idea of how it will be evaluated.

Part 4

The Proper Use of Resources

Introduction

- 4.1 The funding provided by DCAL, and channelled through ACNI, to Imagine Belfast was given for specific purposes. In the first year, 2000-01, the £500,000 grant was to be used to cover staff and marketing costs in general. In 2002-03, the £300,000 grant was to be directed towards four specific “projects”. The Arts Council said that this change was prompted by DCAL wanting more specific detail of exactly what the grant was being used for. Imagine Belfast agreed that it would also allow clearer evaluation of the impact of specific projects. Following Belfast’s failure to make the shortlist, the contract covering grant draw-down was amended, with funds redirected from projects to the rundown and wind-up of the Company.
- 4.2 In addition to using the funds for the purposes specified, Imagine Belfast also had to comply with the conditions of grant imposed by the Arts Council (see paragraphs 2.10 to 2.12 above). This section considers the extent to which these were complied with.

Financial Systems within Imagine Belfast

- 4.3 The Arts Council had right of access to the financial systems and records of Imagine Belfast and exercised this as it would with any other client. The Arts Council was satisfied that the Company had in place a board of management and chief executive, funding was promised from a number of sources, it had its own bank account and there was a business plan and budget in place. ACNI told us

that it took comfort from the fact that Belfast City Council was closely involved with the setting up of the Company and that the Company was already receiving funding from Belfast City Council. It placed some reliance on BCC for ensuring that proper detailed financial systems and procedures were already in place, as evidenced by the appointment of consultants in November 2001 to advise the Company on appropriate financial accounting systems (see paragraph 4.10).

- 4.4 At the Imagine Belfast board meeting in March 2002, just as the bid document was ready for submission, a number of Board members suggested that there was a need for a review of roles, responsibilities, financial infrastructure and resources. It was agreed, from an accountability point of view, that an audit was needed. In early April 2002, the chair of the Company wrote to the chief executive of BCC to request that the Council's Internal Audit staff undertake a review of Imagine Belfast's systems, on behalf of the Company.

BCC Internal Audit Review

- 4.5 BCC Internal Audit produced a draft report in late April 2002, which was submitted to the chair of the Company for response and clarification on a range of issues. The draft report was highly critical of systems and procedures within Imagine Belfast.
- 4.6 Because of the nature of the findings, BCC made the report available in confidence to DCAL, given the Department's position as the main funder of the Company. The timing of the report was sensitive, as the Capital of Culture selection process was now entering the judging phase. DCAL was assured by the BCC chief executive that assistance would be provided to the Board to deal with the matters that were raised. On this basis, DCAL decided to take no immediate action on the findings of the Council's internal audit. The Department informed the chief executive of ACNI that there were matters to be dealt with but that these were being addressed.

- 4.7 The former Chair of the Company explained to NIAO that the review was undertaken within a very limited time frame, between the submission of the bid document at the end of March 2002, and the commencement of the judging process in late May. He said it was unfortunate that the time frame coincided with the chief executive being on leave, resulting in the review being undertaken in her absence. The chief executive of Imagine Belfast resigned in early May 2002.
- 4.8 The new chief executive worked with BCC audit staff and an accountant from the Sports Council, who was brought in to offer advice on appropriate systems and procedures, to address the issues raised. A final response on the review findings was submitted to BCC in early 2003. A final audit report was never produced as, by that time, the Company was being wound up. Figure 6 summarises the main review findings and the Imagine Belfast response.



View of Belfast at night

Figure 6 - Main Findings of Belfast City Council Internal Audit

Audit Finding - April 2002	Imagine Belfast Response - early 2003
<p>Financial regulations are limited to one page of procurement guidelines. These are inadequate. There is insufficient segregation of duties.</p>	<p>In June 2002, Imagine Belfast introduced financial procedures, including segregation of duties and appropriate authorisation of expense payments.</p>
<p>Tendering guidelines do not provide for the opening and security of tenders or indicate who is responsible for establishing tender evaluation criteria and evaluating tenders.</p>	<p>Revised tendering procedures were drawn up in July 2002.</p>
<p>There is no indication as to how the Board obtains assurance that tender guidelines are being adhered to.</p>	<p>The Board now requires the chief executive to report on the financial status of the company at each board meeting and highlight any projected expenditure where tender procedures may be required. An audit committee was formed in November 2002.</p>
<p>No officer or Board member of the company has the expertise or experience to provide advice on all financial matters, keep financial records or maintain an effective system of internal control.</p>	<p>The Board comprises senior accounting officers from major public sector organisations (BCC, DCAL, ACNI) with considerable financial experience..they had strategic financial responsibility. Imagine Belfast appointed an accountancy firm as financial consultants in November 2001 and they were contracted to set up appropriate financial systems. A head of operations and financial controller were appointed to the Company in July 2002. A full-time accountant was also appointed to the audit committee.</p>
<p>The two companies used to design and print the bid document were not appointed through public tender, even though tender limits were exceeded.</p>	<p>The Company was working within an extremely limited timescale in order to achieve the objective of bid delivery. These exceptional circumstances brought about time pressures, which had consequences on traditional processes and resources.</p>
<p>The chief executive and chair of the Company use company credit cards. There are no guidelines as to their use and there does not appear to be an independent approval mechanism for credit card payments.</p>	<p>The use of company credit cards was stopped in August 2002. All previous expenditure has been reconciled and we are content that all expenditure was valid and necessary to the development of the bid. (see paragraph 4.9)</p>
<p>The Company managed its finances through the chief executive's personal bank account for the first three months of its operation.</p>	<p>The time lag between the appointment of the chief executive in March 2001 and the formal constitution of the Company in May 2001 meant that a bank account could not be opened for a company that did not exist. On consideration, the City Council felt the only option at that stage was to transfer money (a one-off payment, largely for wages) into the chief executive's personal account to enable the Company to start operating. The Company's accountants verified the reconciliation of expenditure through the chief executive's account. The original chief executive told NIAO that she recognised this as an unsatisfactory situation but only agreed to it as a temporary arrangement to accommodate the progress of the Belfast bid.</p>

Audit Finding - April 2002	Imagine Belfast Response - early 2003
The Company owns 12 computers. There is no record maintained of the location of each computer along with necessary identifiers such as serial numbers.	An inventory of all equipment was prepared in June 2002.
Over £7,650 was paid in expense claims for meals and drinks between March 2001 and March 2002. There is no policy or guidelines on hospitality payments.	The nature of the type of receptions and engagements required for the bidding process necessitated such expenditure. Specific guidelines for hospitality formed part of the new procedures manual (June 2002).

4.9 NIAO examined credit card expenditure records. It found that, out of a total of £8,516, there were no receipts for £2,469 (29 per cent). For a further £3,685 (43 per cent), receipts did not indicate the purpose of the transaction and how it related to Imagine Belfast business. Therefore, in our view, only 28 per cent of credit card expenditure was properly receipted and documented. The second chief executive of Imagine Belfast told NIAO that the Company’s auditors had been asked to look specifically at credit card expenditure and they were satisfied that there was no misuse of Company funds. The Department said it was not in a position to confirm the figures relating to credit cards.

NIAO comment on BCC’s findings and Imagine Belfast’s response

4.10 NIAO noted that, before the audit review, the Board recognised the need for accountancy expertise and in November 2001, it appointed an accountancy firm to:

- install a single accounting system and design accounting structures to meet the reporting needs of the Company
- assist in the set-up of a purchase ledger and cash book
- install payroll and provide training in this area
- design a manual to govern the operation of the accounting system
- assist in the design of management information and month-end procedures.

However, while these terms of reference ensured that the mechanics of an accounting system were put in place, they did not ensure that the necessary internal controls surrounding the operation of the accounting system were also put in place. The Department told NIAO that the Board received regular finance reports and that an ad hoc finance committee met to consider financial issues as and when required.

4.11 The findings of BCC's internal audit team indicate a lack of basic internal controls within the Company in the first 12 months of its life. Any organisation spending money on the scale of Imagine Belfast would be expected to have in place basic controls such as documented financial procedures, comprehensive tendering procedures, segregation of duties, hospitality guidelines, proper supporting documentation for expenditure and proper authorisation procedures.

4.12 We have noted the actions taken by the Company in response to the audit findings and advice from the Chief Executive of BCC. However, by the time these control measures were put in place, around £1 million (75 per cent) of the Company's total expenditure had been incurred. Furthermore, while the need for an audit committee had been discussed by the Board in August 2002, it was not put in place until November 2002, the same month in which the Board took the decision to wind up the Company.

4.13 NIAO also notes the conclusion of the external evaluation commissioned by DCAL, that "the bad practice identified by BCC Internal Audit was in our view caused by lack of experience, lack of guidance at the beginning and the belief that the key job was to submit the bid."

Expenditure Summaries and Monitoring Reports

4.14 There was evidence on ACNI files that the Arts Council was not always fully content with the expenditure summaries being submitted in support of requests for the draw-down of further funding, and that additional detailed information had to be requested. However, ACNI told us that it was always content that any information sought would be provided in due course. Because of the tight timescale the Company was working to, there were cash flow problems from time to time and funding would have been given in advance of detailed

expenditure information being received. The Arts Council also took comfort from the fact that an accountancy firm had set up Imagine Belfast's accounting system, and there had been no reported abnormalities.

- 4.15 Imagine Belfast was able to provide a complete breakdown of the expenditure at the end of 2001-02, showing how the £500,000 had been directed towards staff and marketing costs. In the second year, a pro forma was devised for draw-down of grant, showing budget and expenditure to date against each of the four specified projects. The Arts Council was content that the grant was being used for the purposes intended.
- 4.16 In relation to monitoring information, the chief executive of ACNI was fully aware of the progress of the bid through her membership, as an observer, on the Imagine Belfast Board and the Arts Council received copies of all Board papers and minutes. Although the standard grant conditions ask for monthly monitoring reports, Imagine Belfast did not provide these on such a frequent basis. In response to the Company's request for draw down of the final instalment of the 2001-02 grant, in March 2002, ACNI said that it needed "evidence of the implementation of a rigorous process of monitoring and evaluation." Imagine Belfast provided the Arts Council with a summary report in June 2002, and a more detailed evaluation of the first year of its operations in July 2002.
- 4.17 In December 2002, ACNI wrote to Imagine Belfast in relation to the use of grant in 2002-03. It reminded the Company again that the contract for funding required the provision of monthly monitoring and evaluation reports but that no reports had been received as at that date. Reports were provided in retrospect. In addition, a detailed evaluation and monitoring report for the 2002-03 year was submitted to the Arts Council by Imagine Belfast in January 2003.
- 4.18 NIAO asked the Arts Council how it could be sure that expenditure and monitoring reports received were accurate and complete and that all expenditure

was legitimate, given the findings of the BCC internal audit. ACNI said that it had not been made aware of the detail of the audit findings but had been assured by the personal involvement of Belfast City Council's chief executive that the matters arising as a consequence of the Council's own internal audit findings would be dealt with by the Company (see paragraph 4.6). It remained content that the grant was being used properly.

Audited Accounts

- 4.19 Under the Arts Council's standard conditions of grant, recipients of funding must submit audited accounts within six months of the year end. Imagine Belfast appointed a major accountancy firm as its auditors in May 2002, one year after the Company was set up. It submitted draft accounts for 2001-02 to the Arts Council in November 2002 and final accounts in January 2003. Final accounts for the 14 month period to 31st May 2003 were made available to ACNI in early August 2003. Both sets of accounts received clear certificates from the auditors, with the audits providing "sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error".

NIAO Comment

4.20 Our review revealed no evidence of the misuse of public funds by Imagine Belfast. However, following the review of systems requested by Imagine Belfast, the control weaknesses identified by Belfast City Council Internal Audit are of concern, given the high profile nature of the Company's business. In our view, the Board of the Company and the sponsor organisations should have been alert from the outset to the need for sound internal control systems.

Part 5

Evaluation of the Bid Process and its Legacy

Introduction

- 5.1 The decision to submit a bid for the European Capital of Culture 2008 title was based on the benefits that might accrue as a result. As noted at the start of this report, the example of Glasgow and its cultural and economic resurgence following its year as European City of Culture in 1990 was something to which Belfast could aspire.
- 5.2 Following submission of the bid in March 2002, DCAL commissioned consultants to undertake a full economic appraisal of the likely economic impact of the programme as presented in the bid document. This appraisal estimated that the potential economic impact, reflecting benefits net of costs, would be in excess of £22 million. The potential employment impact would be 7,757 to 8,628 person years and potential private sector sponsorship would be in the region of £13 million.
- 5.3 When the result of the first stage of judging was announced in October 2002, Belfast did not make the final shortlist. However, the key agencies were keen that momentum created by the bid process would not be lost and that benefits could still be realised, although perhaps not on the scale suggested in the full economic appraisal based on a successful outcome.

Internal Evaluation

5.4 The Board of the Company and the principal funders asked the executive of the Company to prepare an internal evaluation of the bid process (see paragraph 3.2). This was to include an assessment of the contribution of the bidding process to cultural development in Belfast. Among the main strengths of the bidding process identified in the internal evaluation were:

- the aims and objectives focused on the value of the process rather than its outcome, ensuring that benefits would be derived regardless
- the process created a forum to openly debate and actively contribute to the issue of cultural expression
- the bidding process provided a template for collaborative working between central and local government, voluntary and statutory agencies and the private sector. While there were some difficulties with partnership working, learning from these should strengthen any further projects
- the bid was the starting point for a process of cultural development - the challenge is to use it as a foundation on which to build a strategy for the future
- the process helped focus on the considerable gaps that exist in the cultural infrastructure of Belfast, highlighting the urgent need for increased investment and improved planning.

The internal evaluation did not seek to quantify any economic benefits from the bidding process.

DCMS Feedback

5.5 Following the judging panel's decision not to include Belfast in the short-list for

capital of culture, both the Department and the Chief Executive of Imagine Belfast sought feedback from DCMS as to why Belfast had been excluded. The reasons put forward were:

- there were doubts about how the vision contained within the bid could be delivered with certainty
- the cultural development and infrastructure of Belfast, while remarkable in some respects, was still not exceptional
- in the absence of a substantial existing artistic programme of international standards, it was not clear that the cultural programme for 2008 could be exceptional in meeting the high demands of the criteria for the nomination and in attracting a wide range of visitors from across Europe
- the business plan for the bid was not yet fully prepared and issues remained about the further development of tourism infrastructure
- overall, there were strong doubts that the city had sufficient existing cultural assets and about whether it could deliver its proposed programme in time for 2008.

5.6 In its monitoring report to the Arts Council (see paragraph 4.17), Imagine Belfast acknowledged that these reasons were a fair reflection of how things currently stood. However it said that “the judges’ choice of cities appeared to favour those who already had their cultural provision well developed, disregarding those who were using the bidding process to reach this point by 2008”.

External Evaluation

5.7 The Department commissioned consultants to undertake an external evaluation of the bid process (see paragraph 1.11). The main purpose of this was to see what lessons could be learned from the process and identify any legacy for the future.

More specifically the review looked at:

- the extent to which objectives were clear and commonly understood
- the extent to which the Company's structures were fit for the purpose of achieving the objectives
- the effectiveness of processes and relationships within the Company and between the Company and its funders
- the strengths and weaknesses of the bid and whether it could have anticipated and addressed the shortcomings identified by DCMS.

5.8 The consultants reported to the Department in November 2003 and their findings have been referred to as appropriate throughout this report. While recognising the enthusiasm and hard work put into the bid by the individuals involved, the report was critical of the overall approach and staffing of the bid. It also reported the views of the judges that the themes set out in the bid were too aspirational and were not believed to be realistically achievable. Finally, it set out a series of lessons to be learned from the bid process (see Appendix 6).

5.9 The findings and recommendations of the consultants reinforce those of the Audit Office.

The Legacy of the Bid

5.10 Imagine Belfast spent around £1.2 million of public money (and an additional £100,000 of private funding) on developing a bid which was unsuccessful in leading to Belfast being short-listed for European Capital of Culture 2008. The Company has now been entered into members' voluntary liquidation. However, the Company and key funding agencies are keen that the process should have a significant legacy and they point to a number of actions which have happened, or will happen, as a result of the bidding process.

DCAL

- 5.11 In December 2002, the Minister for Culture, Arts and Leisure announced an additional £33 million for arts and sport over the next three years, of which £18 million was earmarked for the arts and £15 million for sport. The Minister said that, although Belfast was not short-listed for the Capital of Culture title, there was a determination that the hard work that went in to preparing the bid would not go to waste and that Belfast could still become an international cultural venue. The Department and the Arts Council believe that the bid process helped to highlight under-funding of the arts in Northern Ireland. Figures drawn together by the Arts Council show significant differences in the funding of the four regional Arts Councils, with Scotland (the highest) securing £6.69 per head of population in 2002-03 compared with £4.34 per head of population in Northern Ireland (the lowest). The bid process was, therefore, a strong lobbying tool in securing the additional funding. Appendix 7 summarises the planned use of the additional arts funding.
- 5.12 The bid document submitted by Imagine Belfast to DCMS and the judging panel showed significant pledges of action by government departments in Northern Ireland that would support and complement the Capital of Culture bid. At a meeting of the inter-departmental working group in November 2002, following the announcement that Belfast was not short-listed, the chair emphasised that the continued agreement of departments to support aspects of the bid was key in maintaining momentum. She said that, if anything, the short-listing result had strengthened the argument for the need for significant cultural development in Belfast and Northern Ireland as a whole.
- 5.13 The Department told us that it recognises this phase of the work of the inter-departmental working group is complete. However it is important to build on the Capital of Culture process to create a legacy that will have a positive impact on the social, economic and cultural life of Belfast and the Northern Ireland region. It is therefore the intention of the Department to monitor annually the

progress of departments' contributions to cultural development (including their pledges) to ensure that culture is being recognised and fully utilised across central Government as a mechanism to develop a creative, informed and inclusive society.

Arts Council

5.14 In December 2001, the Arts Council allocated £9 million of lottery funding in support of the Capital of Culture bid, as outlined at paragraph 3.50. This was to be used for infrastructure developments. This funding was not conditional on the success of the bid and is being used to address one of the main criticisms of the judging panel (see paragraph 5.5), namely that the cultural development and infrastructure of Belfast was not exceptional. Also, because of the additional funding secured by DCAL in December 2002 and the knock-on effect of this, the Arts Council will have more money to spend on the bodies it funds.

5.15 The Arts Council also sees partnership working as an important legacy of the Capital of Culture bid process. Although the need for partnership working was already recognised, the bid process demonstrated in a practical way how this could happen, the problems that could arise and how these might be tackled.

Belfast City Council

5.16 The Chief Executive of BCC was keen to emphasise to us the legacy of the bid process from the City Council's perspective. In addition to the extra funding secured by DCAL, which he commended, he also highlighted:

- departmental agreement, from all areas of government, to support aspects of the bid
- BCC's new Culture and Arts Plan for 2003-06, which seeks to take forward the spirit of the Imagine Belfast bid
- a new protocol within BCC for partnership working

- plans for a year of celebration in 2006 to mark the centenary of the City Hall
- a significant increase in tourism since the bid process began - for example 998,000 out-of-state visitors in 2003, an increase of 14 per cent over the previous year. While this is not all attributable to the Capital of Culture bid, BCC believes the raised profile of the city through the bid process was a contributory factor.

He described the Capital of Culture bid process as a “catalytic” event, leading to a “step change” in the development of arts and culture in the city and the region. He also pointed out that BCC have further built on the Imagine Belfast legacy by submitting a £2 million bid for funding to the Millennium Commission under the Urban Culture Programme (see paragraph 5.19).

External Evaluation

- 5.17 The external evaluation of the bid process (see paragraphs 5.7 to 5.9) also assessed its legacy. It noted the extra £18 million funding for the arts announced in December 2002, which would allow sustainable development of key venues and other infrastructure developments (see paragraph 5.11). However, it said that the physical legacy had not yet appeared on the ground and that there was a need to move beyond the planning phase to demonstrate a major change in the funding and delivery of arts projects. It also noted a legacy in terms of the process, with organisations working together in a way that hadn’t happened before, and a raising of the profile of the arts in general.

Department of Culture, Media and Sport

- 5.18 In its feedback to DCAL and Imagine Belfast (see paragraph 5.5), DCMS said that it was “keen to ensure that all the cities which submitted bids benefit from the experience and that the ideas, energy, enthusiasm and partnerships which the competition has generated are maintained and carried forward.” DCMS is currently involved in a series of meetings with representatives of all twelve cities.

Belfast City Council is taking the lead in this, with one of its senior staff acting as Belfast's representative.

Millennium Commission

- 5.19 In March 2004, the Millennium Commission notified DCMS and DCAL of a new initiative, making available up to £10 million of lottery grant to support an Urban Cultural Programme. The aim of this is to build on the momentum generated by the Capital of Culture bidding process. DCAL has indicated to the Commission its eagerness for Northern Ireland to benefit. Applications for funding for this programme were due by the end of April 2004. BCC has now submitted a bid for £2 million funding (see paragraph 5.16). A decision on this is due in July 2004.

General Conclusions on the Legacy of the Bid

5.20 NIAO acknowledges the commitment and hard work of a small group of staff and Board members in developing the Belfast bid. It understands that the Department has considered carefully the findings of the various evaluation exercises carried out into the Imagine Belfast 2008 bid and the lessons learned from this project, as detailed in the external consultants' report (see paragraph 5.8), have been promulgated to all those bodies for which DCAL has responsibility. NIAO recommends that, in addition, the Department should make those lessons learned available to all central and local government bodies who might be involved in sponsoring any project where a specific company is established from scratch to achieve a time-limited objective.

5.21 NIAO recognises that, although the bid itself was unsuccessful, there have been a number of positive legacy gains for the arts and culture sector in Northern Ireland.

Appendix 1 (paragraph 1.2)

Department of Culture, Media and Sport Selection Criteria

The successful city will have:

- clearly defined objectives for a year long programme of events, and the ability to deliver them
- the ability to create an event of excellence with maximum impact for all its residents and visitors
- a programme of events that will increase awareness of, and participation in, cultural opportunities, particularly amongst the young and within community groups, and contribute to the promotion of social inclusion
- a programme of events that presents opportunities for learning and development to individuals and communities
- the ability to ensure co-ordination and full co-operation between stakeholders and investors
- the ability to display the City's cultural wealth within a European context and encourage other European states' participation
- the infrastructure to deliver the programme, or the ability to create it
- the financial resources to deliver the above, or a well-developed plan to secure these
- a well developed tourism strategy for the year, and the infrastructure to support it
- a well developed media strategy which will promote the Capital of Culture at home and abroad
- a programme of events that is sustainable both financially and in terms of projected attendance figures, and the ability to translate this into long lasting benefits, both cultural and economic.

Appendix 2 (paragraph 1.7)

The Themes of Belfast's Bid

Theme 1 Through the Eyes of a Child

Children, and their role in society, were at the heart of the Belfast bid. This theme looks at life through the eyes of a child.

Major projects

Jack's House

This will be a children's centre of myths, legends, adventure and experience from throughout Europe. It will offer children a place to tell their own stories, and hear those of others.

The Giant's House

This will be a creativity centre for children under five years old. It will have galleries, workshops, a dance studio and a series of cinemas all made to a scale and perspective specifically for children.

Theme 2 Made in Belfast

This is a celebration of Belfast's heritage. It will combine the spirits of creativity and innovation to renew Belfast's sense of itself as a city with international influence.

Major Projects

Legendary Belfast

This will explore the places and people of the city. Belfast Legend Points will be installed at 100 sites across the city so users can access and download information on places they wish to visit.

The Cathedral Quarter

This will become the nucleus of creative activity through the development of a range of cultural venues, with space for artistic production, the commissioning of public art and community development via culture.

Theme 3 To Live Without Walls

Belfast has 23 “peace” walls. The challenge in this theme is to use urban design as an instrument for social change.

Major Projects

Landscape Transformed

This will be a series of initiatives to create the conditions where the “peace” walls in Belfast can come down. It will involve many parties working together, including government agencies and community organisations.

The Big Day Out

This multi-media project will involve every area in Belfast connecting to another culture via the street names of the city which were inspired by faraway and exotic places. Communities will create links with those places in the period to 2008 and then, in that year, will travel to those places and exchange ideas and cultural artefacts.

Supporting projects and ideas for all three themes are contained in the bid.

Appendix 3 (paragraph 2.10)

Arts Council Northern Ireland Standard Conditions of Grant

“The grant is awarded upon the recipient’s acceptance of our standard terms and conditions below:

1. The client shall obtain the Arts Council’s consent in writing to any proposed changes in the programme approved. The Arts Council shall be entitled to withhold any or all of the payments and/or require the client to repay part or all of the grant if there is a substantial or material change in the nature, scale or timing of the programme, or if the grant is used for purposes other than those specified in the application.
2. The client must notify the Arts Council in writing of any change in the source or amounts of funding from those shown on the application form. Any new source of funding which may arise after the date of this letter must also be notified. The Arts Council shall be entitled to review and, if necessary, amend or withdraw this offer in consequence to any such change.
3. Grants may only be used to benefit the people of Northern Ireland. All events and programmes must be open to the public, where appropriate.
4. No part of the grant offered to the applicant may be used to fund wholly or in part an activity or event which has been, or is currently, the subject of an application to the Arts Council’s National Lottery Fund without the prior written approval of the Council.
5. Acknowledgement of the grant must be given prominence in all publicity and

ancillary print material. The Council's logo is the preferred means of acknowledgement. It is sufficient on its own with the words "supported by the Arts Council of Northern Ireland", but those words alone are not sufficient.

6. The recipient of the grant must:
 - (a) supply the Council with monthly progress reports and other financial information, including (1) records of your regular management or committee meetings and (2) yearly audited accounts which are prepared according to legal requirements and submitted within six months of the end of the year;
 - (b) take steps to monitor the success of the programme and provide the Council with any information it requires to satisfy itself that the programme has been completed properly and in accordance with the conditions of grant;
 - (c) assist the Arts Council in its efforts to gather information about the arts sector, the arts market and the impact of the Arts Council's programmes.
7. The Arts Council must be able to have access to your financial systems and administrative records. Staff from the Department of Culture, Arts and Leisure and the office of the Comptroller and Auditor General for Northern Ireland may also need to look at your accounts and records.
8. The Arts Council shall be given the right to receive notification of any committee/board meetings and the right to attend such meetings as an observer.
9. Without prejudice to any other rights of the Arts Council under the letter of offer, the Arts Council shall be under no obligation to make any payment of financial assistance to the applicant if, at any time:
 - (a) the applicant is in breach of any of its obligations under the letter of offer or an event of default under paragraph 10 occurs;

(b) in the opinion of the Arts Council, on the basis of any information provided to it pursuant to the letter of offer or otherwise, the programme has been abandoned or ceased or is not being pursued in a satisfactory manner; or

(c) in the opinion of the Arts Council there has been a material and adverse change in the circumstances of the applicant.

10. An event of default occurs if:

(a) the applicant ceases to operate

(b) an order is made, or an effective resolution is passed, for the winding up of the applicant or a receiver is appointed on all or any of the property of the applicant

(c) the applicant is unable to pay its debts within the meaning of Article 104 of the Insolvency (Northern Ireland) Order 1989 or any statutory modification or re-enactment thereof

(d) the applicant fails to pay or repay to the Arts Council any sum properly due under this letter or otherwise

(e) where the application was made fraudulently, incorrectly or misleadingly in any material particular

(f) where at any time during the completion and in respect of the completion of the programme, the applicant has acted (i) fraudulently or (ii) negligently, to the extent that, in the opinion of the Council, it has a material effect on the programme

then in any such event the Arts Council may suspend or terminate this agreement. The Arts Council may require the applicant to repay such part of the financial assistance as the Arts Council may reasonably determine taking into account any parts of the project that have been successfully completed or that can be rectified within a reasonable timescale.

11. Where procurement of goods, services or works is proposed, the applicant must put in place competitive tendering procedures and apply these unless there are overriding reasons why this would be inappropriate (eg de minimis levels, technical or artistic reasons, protection of exclusive rights). Public bodies must comply with relevant domestic and European legislation on procurement.”

Appendix 4 (paragraph 2.12)

The Role of the Arts Council Observer

1. An observer is appointed by the Arts Council to attend Board, Trustee or management committee meetings and acts as liaison officer with organisations in receipt of substantial financial assistance. If the appointed observer is unable to attend a particular meeting, the Arts Council may nominate another member of the Arts Council staff to attend.
2. The observer shall receive all papers that are circulated to members, and these papers shall be sent to the observer at the same time as they are sent to members.
3. The observer shall be invited to attend all meetings, including any sub-committee meetings.
4. The observer may participate in discussions on the invitation of the Chair or with the Chair's agreement and may draw attention to points of information relevant to the deliberations of the meeting, but the observer shall not direct the organisation to act in any particular manner.
5. The presence of an observer at a meeting, whether s/he speaks on a matter or not, must not be taken to imply Arts Council concurrence with any particular decision. There may also be some matters on which the observer would wish to consult before expressing an Arts Council view.
6. Whether an observer has been present or not, the organisation must communicate in writing as soon as possible any significant decision of which, in

the judgement of the Chair, the Arts Council should be informed. Similarly the Arts Council should be given the earliest notice in writing of any significant change in the organisation's financial affairs.

7. The Arts Council reserves the right of its observer to attend during the selection procedure for senior administrative and artistic appointments to funded organisations, but the selection itself remains the sole responsibility of the organisation.
8. For the avoidance of any doubt, the role of the observer is as a liaison officer only and the Arts Council assumes no responsibility in connection with any decisions made or actions taken by the funded organisation. The organisation shall bear the sole responsibility for its financial affairs and for all acts and omissions concerning its financial situation and solvency.

Appendix 5 (paragraphs 3.4 and 3.10)

Imagine Belfast 2008 - Business Plan 2001-02

MISSION

To bid for the European Capital of Culture 2008 designation for Belfast and in the process initiate a cultural renaissance in the city that will make Belfast the best possible place to live and visit.

AIMS

- ultimately to win the Capital of Culture designation
- to inspire people to think outside their traditional comfort zones and make a contribution to the development of their city
- to instil a sense of pride in being a citizen of Belfast and develop a long lasting social, economic and cultural legacy for the benefit of all citizens
- to create a focal point for creative thinking that will reinstate a sense of pride in the city

CORE VALUES

- open and honest
- inclusive
- confident and tenacious
- respect for diversity
- challenging and innovative

OBJECTIVES*

- to agree and promote the vision, themes and identity of the Belfast bid
- to collate a body of evidence that demonstrates the commitment of Belfast's creative community to the bid
- to assess the cultural infrastructure in the city and ensure that gaps are addressed through the bid
- to secure external partners in Europe and internationally and develop meaningful long term partnerships
- to use every possible mechanism to ensure that the citizens of the city have the chance to genuinely participate in the bidding process
- to secure the resources necessary to deliver the bid and devise a realistic plan for resourcing the planned cultural programme

*These are the main objectives

Appendix 6 (paragraph 5.8)

Main Recommendations of TTC International

- In any future bid process, it must be remembered that time is of the essence and that delay greatly increases the pressure at later stages. A rule of thumb of no more than 25 per cent of time available being used to consider a bid and establish a company should be put in place
- If an independent company is to be established, there is a need to devote as much time, if not more, to the appointment of a chief executive as a chairman
- Such a company must be given clear direction on its aims and objectives, and model guidance on standards in relation to management and administration
- If a competitive situation is being entered then it must be funded to allow a professional and experienced team to be put in place.....It is an inefficient use of funds if those that are made available are not fully adequate to do the job
- In any bid process, there should be a concentration on producing a result that is achievable, grounded in reality and deliverable
- The appointment of an experienced Chair and a representative board with a proven track record is desirable for a critical task. Ad hoc arrangements are not adequate for key posts
- Issues concerning administration and stewardship of funds can be avoided through the appointment of experienced staff with relevant understanding of what is required of them. Posts should be funded properly and/or staff seconded who have the skill sets and knowledge of key standards
- A true legacy of the bid will be believed by the arts community if key capital projects are delivered within a reasonable timeframe. Priority should be given to achieving this aim.

Appendix 7 (paragraph 5.11)

The Application of Additional Arts Funding

The £18 million additional funding secured for the arts in December 2002 was intended to be used as follows:

- **£3.2 million** on improving access both to cultural venues in line with the requirements of disability discrimination legislation and to encourage initiatives for widening participation in culture, art, sport and leisure
- **£4.8 million** on arts development. This includes doubling the level of support for the Individual Artist Programme, administered through the Arts Council; supporting the work of the Arts Council and the five Education and Library Boards in relation to children and young people's creativity; and implementing a three-year programme to raise awareness of under-developed sectors such as theatre, dance, disability arts and language arts
- **£6.0 million** on promotion of the arts. This will be addressed through securing the sustainability of key venues and organisations and setting up a Challenge Fund to encourage and lever local resources for the arts across the region
- **£4.0 million** on capital infrastructure. This will largely be spent on an extension and improvements to the Grand Opera House.

List of NIAO Reports

Title	NIA/HC No.	Date Published
2003		
The Sheep Annual Premium Scheme	NIA 75/02	6 February 2003
The PFI Contract for the Education and Library Board's New Computerised Accounting System	NIA99/02	20 March 2003
Areas of Special Scientific Interest	NIA103/02	27 March 2003
Financial Auditing and Reporting: 2001/02	NIA 107/02	2 April 2003
The Use of Operating Theatres in the Northern Health and Personal Social Services	NIA111/02	10 April 2003
Investigation of Suspected Fraud in the Water Service	HC 735	26 June 2003
Management of Industrial Sickness Absence	HC 736	1 July 2003
Encouraging Take-Up of Benefits by Pensioners	HC 737	3 July 2003
2004		
Navan Centre	HC 204	29 January 2004
The Private Finance Initiative: A Review of the Funding and Management of Three Projects in the Health Sector	HC 205	5 February 2004
De Lorean: The Recovery of Public Funds	HC 287	12 February 2004
Local Management of Schools	HC 297	19 February 2004
The Management of Surplus Land and Property in the Health Estate	HC 298	26 February 2004
Recoupment of Drainage Infrastructure Costs	HC 614	8 June 2004
Use of Consultants	HC641	10 June 2004
Introducing Gas Central Heating in Housing Executive Homes	HC725	1 July 2004
Department of Employment and Learning: Jobskills	HC 762	6 July 2004

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