

NATIONAL AUDIT OFFICE

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

**Merseyside Development
Corporation:
Grand Regatta Columbus and
Fanfare for a New World Concert**

ORDERED BY
THE HOUSE OF COMMONS
TO BE PRINTED
31 MARCH 1994

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

John Bourn
Comptroller and Auditor General

National Audit Office
30 March 1994

The Comptroller and Auditor General is the head of the National Audit Office employing some 800 staff. He, and the NAO, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

Contents

	Page
Executive summary	1
Report	
Background	2
Findings of the National Audit Office examination	6
Table 1: Grand Regatta Columbus: Forecast and actual expenditure	14

Executive summary

- 1 This report by the Comptroller and Auditor General examines the financial and management control exercised by the Merseyside Development Corporation over their involvement in the Grand Regatta Columbus and Fanfare for a New World Gala Concert held on Merseyside in August 1992.
- 2 The experience of initiating and managing the two projects - and the dangers identified - reinforces the need to ensure that:
 - the viability of commercial projects supported or underwritten by public funds is properly appraised and evaluated before approval. Such appraisals should be re-visited at appropriate stages in the life of projects so that changes in circumstances can be properly considered;
 - the financial viability and relevant past experience of private-sector partners is properly appraised to ensure they are capable of delivering what is required;
 - appropriate financial control mechanisms are put in place to ensure that public funds are safeguarded;
 - the responsibilities of all parties involved are clearly laid down to avoid any ambiguity which could lead to later misunderstandings; and
 - similarly, the terms of and conditions attached to requests for financial approvals and of approvals when given should be in accordance with departmental instructions and guidance setting out the procedures to be followed.
- 3 These are important controls which are applicable to non-departmental public bodies and other similar organisations using public funds in a commercial environment.

Report

Background

- 1 Merseyside Development Corporation were set up in 1981 under the Local Government Planning and Land Act 1980 to secure the regeneration of their designated area. The Corporation's programme for 1992-93 amounted to £41 million gross of which £32 million was grant-in-aid from the Department of the Environment. The Chief Executive is the Accounting Officer for the Corporation and is appointed by the Board with the approval of the Secretary of State.
- 2 Urban Development Corporations are generally free to pursue regeneration of their area as they think best. The Department exercise control only where necessary, through the examination of corporate plans, the provisions of a financial memorandum issued to the corporations, and the approval of expenditure above delegated limits. The financial memorandum sets out terms and conditions for the payment of grant including types of eligible expenditure and delegated levels of authority; matters requiring approval by the Department; and arrangements for accounting and financial control. More detailed guidance on matters such as project appraisal and contract letting is provided in a guidebook for Urban Development Corporations issued by the Department. Contact with Merseyside Development Corporation is maintained by the regional office of the Department - the Merseyside Task Force - which is responsible for encouraging and supporting the Corporation in their regeneration objective.
- 3 Between 12-16 August 1992 the Tall Ships visited Merseyside at the end of the Grand Regatta Columbus, held to commemorate the quincentenary of Christopher Columbus' voyage to America in 1492. One of the centrepiece events of the visit was the staging on 14 August at King's Dock, Liverpool of a gala concert "Fanfare for a New World" under the patronage of Their Majesties King Juan Carlos I and Queen Sofia of Spain and involving stars such as Montserrat Caballé, Dennis O'Neill, Rita Hunter and Sir Peter Ustinov. Other events included a Grand Parade of Sail. In Europe in 1992 the event was second only to the Barcelona Olympics as a public spectacle.
- 4 Merseyside Development Corporation played a leading part in arranging and financing the regatta programme. They also sponsored and made a financial contribution to the concert. Both events were originally intended to break even with no net cost to the Corporation other than costs, for example on estate management, appropriate to the Corporation as landowner. Nevertheless, the Corporation took the prudent step of seeking the Department's approval to contribute up to £400,000 to the events should this prove necessary (paragraph 11); at December 1993 the Corporation had incurred direct net expenditure on the two events of some £695,000. And they spent a further £285,000 on related projects, much of it on permanent dock and riverfront improvements such as new railings, pontoons, better safety measures and improved surfaces, and on other cultural events. Though this expenditure was brought forward to allow completion of the works in time for the regatta and concert, most of it was planned

programme expenditure, not attributable directly to the two events and providing continuing operational and development benefits. For example, the Corporation have pointed out that the improved public safety measures benefited other public events including the Battle of the Atlantic 50th anniversary commemoration in May 1993.

- 5 Merseyside had previously hosted a visit of the Tall Ships Race in 1984. A return visit would be expected to attract national and international media coverage which the Corporation believed would help to counteract Merseyside's negative image among inward investors. So in 1986 they, together with Wirral Metropolitan Borough Council and the Mersey Docks and Harbour Company, invited the International Committee of the Sail Training Association to re-visit Merseyside as part of the 1992 Tall Ships Race. The invitation was accepted later that year and discussions on organisational and funding arrangements took place with various bodies, including the Merseyside Task Force. In 1990 an Honorary Committee was formed to promote the Merseyside component of the International Grand Regatta Columbus and an Executive Committee was later appointed to co-ordinate and oversee the event. This comprised the three leading partners already referred to, Liverpool City Council, other public authorities, police and emergency services and, from September 1991, the Merseyside Task Force. The Executive Committee appointed a project manager who was a consultant retained by the Corporation to chair the Committee and co-ordinate the organisation of the regatta.
- 6 However, the Executive Committee had no formal constitution, terms of reference or legal status. In December 1991 the Corporation's Board therefore agreed that, in view of their responsibilities as the riparian land owner, the Corporation should take on full legal and accounting responsibilities on behalf of the Committee. With the tacit agreement of the Committee, the Corporation therefore effectively became the lead agency in organising the Merseyside end of the Grand Regatta Columbus, though continuing to work closely with the others involved. In July 1992, the Merseyside Task Force asked the Corporation to explore the taking out of insurance cover for matters relating to the regatta; some insurance responsibilities were taken on board.
- 7 It was recognised from 1989 onwards that there would be benefits in linking the regatta with a wider artistic and cultural programme of international significance, but that such events could involve substantial gross costs. Originally the outline programme for the regatta included a concert by the Royal Liverpool Philharmonic Orchestra. But towards the end of 1991 the Corporation were approached by their local public relations consultants, Carroll Communications Ltd, with a proposal to stage an outdoor gala concert for 15,000 people involving leading opera performers. This was seen by the Executive Committee as being consistent with their desire to raise the profile of the regatta to enhance the international image of Merseyside. The Executive Committee, however, took no responsibility for overseeing the arrangements for and finances of the concert. In March 1992, the Committee agreed that all concert costs be kept entirely separate from the main regatta budget.
- 8 Carroll Communications Ltd were a small company with no experience of organising a major event of this nature. So the Corporation engaged a leading opera impresario, Alan Sievwright, to examine the feasibility of the concert proposal, in consultation with Brendan Carroll of Carroll Communications Ltd. Their report in December 1991 concluded that the project could be successfully staged at a cost

of about £350,000, including the fees of artists. With ticket sales, sponsorship, television, video and compact disc rights the Corporation and Carroll Communications Ltd considered that the event should be self-financing if not actually profitable.

- 9 In February 1992 the Corporation agreed that the feasibility study team together with a television producer, Mike Mansfield, and an expert in producing and marketing such events, Rod Gunner, should stage the concert. The Corporation decided that they should not be the lead agency for the concert and should pass the risk to the private sector, with appropriate steps to protect their own responsibilities as land owner. They did, however, agree to underwrite any losses of up to £150,000 which the concert might incur. This was done under a form of contract which reflected the Corporation's standard approach to such activities, and included clauses governing, among other things, the terms and conditions for the use of Corporation land for the concert. The underwriting arrangements were unusual but were also included in the terms of the contract.
- 10 Carroll Communications Ltd formed a separate company, with share capital of £2, to stage the concert. This company, Carroll Promotions Ltd, took on full responsibility for promoting the event, arranging sponsorship, contracting with artists and suppliers, and meeting any final losses. Arranging matters in this way was seen as being consistent with the concert being a private sector event, albeit with the support and financial backing of the Corporation. However, because Carroll Promotions Ltd had limited funds until income from sponsorship and tickets started to come in - and as explained below income from both sources was slow and disappointing - the Corporation released funds to Carroll Promotions Ltd on the basis of certified invoices.
- 11 Notwithstanding the objective of making both the regatta and the concert break even, the Corporation and their partners recognised from the outset that some financial risk was involved (for example, due to the vagaries of the weather and uncertainty of sponsorship). To provide for possible losses the Corporation therefore agreed at the outset to 'underwrite' the regatta and the concert up to a maximum of £250,000 and £150,000 respectively. The Merseyside Task Force, when responding to the Corporation's proposals, informed them that they were not considered to be underwriting expenditure but rather estimating a potential financial contribution. Maximum contributions of £100,000 by Wirral Metropolitan Borough Council and £50,000 by Liverpool City Council in respect of the regatta were also promised if required.
- 12 In the event neither the regatta nor the concert recovered their directly attributed costs. In the case of the regatta the most recent information available (December 1993) shows that as at that date expenditure of £962,000 exceeded income by £426,000. This loss has necessitated a call on the total underwriting contributions of £400,000 promised by the Corporation and the two Councils. Although the net deficit is currently estimated at £26,000, further costs may be identified and the final liability of the Corporation is still uncertain pending resolution of two outstanding disputes with debtors totalling some £20,000 (Table 1).

- 13 In the case of the concert, final income and expenditure figures are not yet available because Carroll Promotions Ltd have gone into liquidation, the liquidator is still to report and there remains the possibility of legal action by creditors. But the costs falling on the Corporation at present are estimated at £419,000, (excluding staff costs of £25,000), comprising:
- their initial underwriting contribution of £150,000;
 - a payment of £50,000 to the television producer Mike Mansfield Television in July 1992 as a contribution towards the estimated £150,000 cost of televising the concert. Having failed to raise the external financial support needed to televise the concert the producer had requested a contribution of £50,000 from Carroll Promotions Ltd. They too were unable to provide any funds. The Corporation saw television coverage as being vital to obtaining positive media coverage for Merseyside and to this end they agreed to pay the £50,000 on the basis that they would be repaid out of any further profits made by the concert;
 - a further payment of £150,000 made four days before the concert because some of the sub-contractors building the set threatened to withdraw their services if they were not paid immediately. As Carroll Promotions Ltd had no funds the Corporation provided £60,000 by buying large numbers of concert tickets which they then distributed free to the crews of the Tall Ships. The Corporation had received complaints from the crews of the ships and the Regatta International Committee at the standard of hospitality being provided. The provision of free tickets helped to resolve these problems. In addition the Corporation provided a further £90,000 in return for main sponsorship rights;
 - a balance of £69,000 comprising mainly outstanding amounts due from Carroll Promotions Ltd and legal fees.
- 14 In April 1993 Carroll Promotions Ltd went into voluntary liquidation with creditors estimated at £233,000, including £51,000 owed to the Corporation. The Corporation have taken legal advice and are satisfied that in the light of their contract with Carroll Promotions Ltd, and notwithstanding their initial funding of concert expenditure, they have no legal liability for any matters likely to arise from the examination and report of the liquidator. The National Audit Office are aware that some of the creditors of Carroll Promotions Ltd do not accept this view, and we have received specific complaints to that effect from creditors' representatives. However, this is a legal matter on which issues are still outstanding, and it would therefore be wrong for the National Audit Office to intervene; it has therefore been regarded as falling outside the scope of this report.
- 15 The Corporation terminated their contract with Carroll Communications Ltd as their local public relations consultants in April 1993.

Findings of the National Audit Office examination

- 16** The paragraphs below consider the financial management and control by the Merseyside Development Corporation over their involvement in the regatta and the concert, focusing on certain key questions. Later paragraphs consider the wider impact of the events for regeneration on Merseyside.

Did the Corporation have the necessary statutory authority to support these events?

- 17** Yes. The Corporation have very wide powers under section 136 of the Local Government Planning and Land Act 1980, which provides that they may "generally do anything necessary or expedient" to meet the objective of regenerating their designated area.
- 18** Whilst events such as the regatta and concert lie outside the normal activities and experience of most Urban Development Corporations, Merseyside do have knowledge and experience in this type and scale of event, based on their previous involvement with the 1984 Tall Ships visit, the 1984 International Garden Festival and a number of major concerts. Nevertheless, the National Audit Office consider that the obvious risks and uncertainties involved, and the Corporation's potential financial commitment which they recognised from an early stage, made it particularly important for them to carry out full and realistic appraisals of the proposed events; to engage the right specialist support; to ensure that there were sound contractual and financial controls; and to monitor the projects closely.

Did the Corporation carry out detailed and timely appraisals of the risks and the likely costs and benefits of the two events?

- 19** Not to the extent required. Departmental guidance requires Urban Development Corporations to subject all expenditure proposals to proper appraisal, including a clear statement of the expected outputs from the expenditure. Where projects involve private sector participants, the appraisal should consider their track record and financial viability. Appraisals should also quantify the maximum financial contribution of the Corporation if a 'worst case' situation arises. In the December 1991 report to the Board seeking their approval to underwriting, a worst-case scenario of total net expenditure by the Corporation on the regatta and concert was estimated at £600,000. The need for full and realistic appraisals was not diminished by the steps the Corporation took to try to limit their direct involvement and their potential financial commitment, which were in the event unsuccessful.

- 20** In the case of the regatta:

- a timely and comprehensive project appraisal was not carried out. A detailed proposal should have been prepared at the time of the original invitation in 1986 setting out and seeking approval for any contribution envisaged by the Corporation. This should have been reviewed and, if necessary, revised at the time the invitation was accepted. A further opportunity to review the event was in December 1991 when the Corporation assumed the leading role and

before the proposal to underwrite was put to the Department. The Corporation agree that a strategic appraisal of potential public sector costs and allocations of responsibility should have been carried out at the time of the original invitation, though they do not consider they were the automatic choice to carry out such an appraisal. At that time there was some uncertainty as to whether the Corporation would still exist in 1992 as they were due to be wound up in 1988;

- the Corporation based their assumption that the regatta would break even largely on the experience of the previous event staged by Merseyside County Council in 1984, when a small profit had been made, although it is now recognised that there were significant organisational problems at the time, and that certain costs were absorbed by Merseyside County Council and were not therefore reflected in the outturn.

21 As regards the concert, the Corporation regarded the initial feasibility study (paragraph 8) as a sufficient project appraisal. However, the National Audit Office noted that:

- the feasibility report dealt primarily with the availability of various artists and technical issues involved in staging the concert, and did not fully examine financial and related aspects;
- the budgets prepared for the event were incomplete and the figures that were included were based on the concert, "Symphony for a Spire" held in Salisbury in 1991;
- despite the special nature of the event, and the potential risks, the Corporation relied on the views of those being engaged to run the event and did not use independent consultants to review the study findings and proposals. The Corporation believe this would have been second-guessing;
- the Corporation did not closely examine the competence of Carroll Promotions Ltd to plan and organise a project of this size and nature, nor did they assess the financial viability of the company in relation to the commitments it was proposing to take on. They relied on the fact that Carroll Communications Ltd were well known to the Corporation and had a sound reputation throughout the public and private sectors on Merseyside, and that the individuals being brought together to stage the event had a good reputation both nationally and internationally.

Did the Corporation obtain the necessary Departmental approvals to incur expenditure on these events?

22 No, not entirely. Conditional agreement was given by the Department in March 1992 for potential financial contributions of up to £250,000 and £150,000 for the regatta and the concert respectively should these prove necessary. The Department were concerned that the Corporation might find it difficult to limit their financial support to the agreed level, and agreement was therefore given on the understanding that expenditure would be cut back if sponsorship or ticket sales did not meet expectations. But although the Corporation gave assurances that in

such circumstances every effort would be made to contain costs, with hindsight these assurances proved to be unrealistic, particularly given the nature of the events and considerations of public safety, although the Executive Committee did take steps to contain expenditure on the regatta. However, the Corporation were concerned about the potential damage to the image of Merseyside which any significant scaling down might cause; they did not believe that such scaling down was in practice possible at that late stage; and they could not take unilateral action on what was a partnership venture.

- 23 From their membership of the Executive Committee, the Merseyside Task Force were aware, in general terms, of the developing proposals for the regatta but there was no prior indication from this source of the need to inject into the concert the further £150,000 referred to in paragraph 13. Nor by 11 August had financial returns to the Department shown clearly that the Corporation had been committing the initial £150,000 as pump-priming. It was accordingly not clear to the Department on 11 August that expenditure in addition to the initial £150,000 was involved, and the further injection of funds by the Corporation was not approved at that time by the Department. Furthermore, the Corporation did not deem it necessary to seek approval from the Department for the additional payment of £50,000 to secure television coverage as they considered approval had already been given as part of the general marketing budget (paragraph 13).
- 24 It is clear, however, that some of what followed between March 1992 and the regatta and concert in August was based on the differing interpretations which the Department and Corporation placed on the Department's letter of 3 March 1992. The Corporation believed that full approval for contingent expenditure of up to £400,000 had been given, whereas the view of the Department was that full approval was dependent on further communication, when and if the need for expenditure arose, and on the submission of formal requests for authorisation. The Corporation believed that it had approval to commit funds as pump-priming for the concert; they were in practice drawing down grant-in-aid funds on the basis of returns to the Merseyside Task Force which included expenditure on the regatta and concert. The Department believed that, as a private sector venture, the concert would be financed privately, and that a contribution from public funds would only be made if the concert did not break even.
- 25 In May 1993 the Corporation submitted to the Merseyside Task Force a formal request for regularisation of project expenditure on the regatta and concert, then estimated at £250,000 and £421,000 respectively. The Corporation is currently discussing with the Department approval for the remaining deficit on the regatta, estimated at £26,000 (paragraph 12), but approval is still outstanding pending this National Audit Office report.

Did the Corporation establish satisfactory contract arrangements for the concert?

- 26 No. In February 1992 the Corporation began discussions on a contract with Carroll Promotions Ltd, but the contract was only signed on 29 July and exchanged on 7 August 1992, just eight days before the concert took place and after large sums had been spent and significant commitments incurred. Although there was no main contract, Carroll Promotions Ltd were meanwhile sub-contracting all the services required to stage the concert, including liaison with the artists, suppliers and

contractors. There was therefore a risk of confusion of roles and responsibilities. However, the Corporation are not convinced that the timing of the contract completion had any significant impact on the events that followed.

- 27 The Corporation have explained that they did not invite tenders because the concert was not a Corporation event; they treated it as a normal application by a private promoter to stage an event on their land with, on this occasion, a request for underwriting support. Despite their underwriting commitments, the Corporation did not treat the concert as substantially different from other large scale events which other promoters had staged on the site, which had proceeded satisfactorily. They therefore did not regard the arrangements as being either a consultancy or a contract falling under the requirements of the Department's financial memorandum which requires approval to resort to single tender action.
- 28 On funding, the Corporation decided that, rather than making a lump sum payment up front to Carroll Promotions Ltd, they should release funds via payments against certified invoices. Although the Corporation did set a limiting figure to these payments of £150,000 they failed to monitor effectively against it. But by adopting what was effectively deficit funding they sought to avoid the risk of paying for items not incurred and to guarantee that money was being paid only on specified items. The Corporation made the payments against the expectation of being reimbursed from subsequent income and did not therefore regard themselves as paying the bills of artists, suppliers and contractors directly. Total funding by the Corporation under these arrangements amounted to £269,000.

Did the Corporation ensure that there was effective budgetary and financial control over the regatta ?

- 29 Yes, but not to the extent commensurate with their position as lead agency and their commitment to underwrite any losses up to £250,000. Budgetary and financial control arrangements were slow to be established and forecasts of ticket sales and sponsorship were over-optimistic. The National Audit Office examination noted that:
- a draft budget for the regatta was first produced by the Corporation in December 1991. However, it was not until April 1992, only four months before the event was due to begin, that a detailed and comprehensive budget was produced. Thereafter, the regatta budget was updated for meetings of the Executive Committee;
 - the Executive Committee itself possessed no dedicated financial resources but was an informal partnership through which relevant parties agreed how they spent their money. In March 1992 the Corporation appointed their own internal auditors to act as financial advisers to the Committee;
 - demand for tickets was assessed at well over what was considered a safe capacity. The April 1992 forecast of income of £627,000 from ticket sales for the regatta was based on selling 250,000 tickets (the maximum safe capacity) over the five days. In the event the income from ticket sales was £358,000, 57 per cent of the forecast, due to problems of controlling access and bad weather which affected all but one day of the event;

- two weeks before the regatta ticket sales had reached only £103,000 (16 per cent of the total forecast). At that stage, however, the Corporation recognised that it was too late to scale down the event as a means of reducing the costs involved and minimising the losses likely to be incurred;
 - expenditure on hospitality and publicity was £202,000 compared with a budget of £141,000 (an excess of 43 per cent). There was a separate overrun of £67,000 (166 per cent) on payments to Carroll Communications Ltd for press and publicity work;
 - the initial budgets for the regatta were based on cash sponsorship of £150,000 but only £59,000 was received (40 per cent of the initial forecast). Other organisations provided sponsorship in kind;
- 30 The Corporation believe that their emergence as the lead agency for the regatta placed them in a difficult position in terms of budgetary and financial control. They did not have full control and authority over the Executive Committee but that Committee agreed what items of regatta expenditure needed to be funded. The Corporation have pointed out that, despite these problems, the final overspend is quite modest.

Did the Corporation ensure that effective budgetary and financial control over the concert was exercised by Carroll Promotions Ltd?

- 31 Not to the extent necessary, given their £150,000 underwriting commitment, their funding of expenditure pending income from ticket sales and sponsorship, and the nature of their involvement with Carroll Promotions Ltd.
- 32 Although tight budgetary and financial control was essential to enable the Corporation to protect their position and limit the size of their final contribution, the National Audit Office noted that:
- the budget for the concert set out in the feasibility study report in December 1991 significantly understated the staging costs. The first detailed budget was not prepared until February 1992 by which time projected expenditure and income from the concert had doubled from £350,000 to £700,000. Although the final position remains unclear the Corporation have so far contributed £419,000 which is nearly three times the amount for which the Corporation sought underwriting agreement from the Department should the event fail to break even;
 - in April 1992 Carroll Promotions Ltd agreed to give the Corporation a detailed monthly statement of affairs. These were never received and not pursued. Updated budgets were produced by one of the associates of the promoters and accepted by the Corporation in their place only on an ad hoc basis; these did not provide detailed comparisons with actual income and expenditure;
 - forecasts of concert income from ticket sales assumed that all tickets would be sold. In February 1992 ticket sale income was projected at £580,000, but actual ticket sales fell well below the level forecast (the Corporation do not yet know the full extent of the shortfall). Poor sales were attributed to difficult

economic conditions, possible overpricing of certain groups of tickets, and generally poor weather leading up to the concert. As noted at paragraph 13, the Corporation themselves bought tickets worth £60,000 and were thus by far the largest purchaser;

- income from sponsorship was estimated at £110,000, but in the event Carroll Promotions Ltd were unable to sign up any major sponsors. As noted at paragraph 13, the Corporation themselves had to step in four days before the concert to provide sponsorship income of £90,000. The prospects for any sponsorship benefits at that stage were limited and the call for extra funds was in effect an ultimatum;
 - the Corporation paid £50,000 towards the cost of televising the concert and the event was televised and broadcast on radio. This payment also protected future income from video and compact disc sales (paragraph 13) but to date no video or compact disc for retail sale has been produced;
 - the Corporation never exercised their right to examine the books and records of Carroll Promotions Ltd to satisfy themselves that budgetary and financial control was adequate.
- 33 The Corporation regarded the updated budgets provided by Carroll Promotions Ltd as satisfactory with regard to the change in the scale of the concert. They have pointed out that until the liquidator reports it is not possible to state exactly why the deficit on the concert arose, whether from a loss of income or over-expenditure on production; nor is it possible to state precisely what future income may become available from video or sound recordings. But the full extent of the likely shortfall in ticket income was not apparent until a few days before the concert, and, at that stage, was not open to influence by the Corporation. The Corporation now accepts that, given the high profile of the concert, the speed with which it had to be arranged, and their own limited resources, they could have appointed consultants to monitor progress and verify the budgets presented by Carroll Promotions Ltd. With hindsight, they lacked an exit strategy which defined a trigger point before final commitment. Operationally this would have been in May 1992, but at this point the financial health of the concert would have been hard to diagnose.

Were the events themselves handled efficiently?

- 34 Operationally, the regatta proceeded smoothly and safely. During the 1984 Tall Ships visit, there had been acute congestion and poor or non-existent site amenities for visitors. None of these problems were in evidence in 1992, although visitor numbers were doubled. The Chief Constable of Merseyside has gone on record to state that "the organisation and planning for the Grand Regatta Columbus 1992, particularly the Traffic Management Plan, has provided the Force with a blue print for future events on Merseyside".
- 35 In artistic and promotional terms the concert was a success and widely praised. But organisational weaknesses and the bad weather on the day meant that expected income from a number of sources was not fully exploited. According to the Director's report to the liquidators of Carroll Promotions Ltd:

- there was little demand for the official programmes (price £5) and hardly any merchandise was sold. On-site catering was inadequate and income was minimal. Expected income from these sources was £24,000;
- there were not enough stewards to cope with the audience. As a result an unknown number of people gained admission without paying;
- the late availability of car park passes meant that a large proportion were unsold prior to the concert and only a quarter of the expected income from this source was received.

- 36 In addition, the intention was to charge people on 16 August for using the concert grandstand to watch the Tall Ships "Grand Parade of Sail", but this was ruled out when the grandstand was declared unsafe for that purpose. Admission money of some £40,000 therefore had to be refunded. This money was to have been used to subsidise the staging of the concert.
- 37 The Corporation have pointed out that all these matters were entirely the responsibility of Carroll Promotions Ltd.

Did the Corporation succeed in their original intention of staying at arm's length from the financial and operational management of the concert?

- 38 No. The roles and responsibilities envisaged in the original arrangements became increasingly blurred; as difficulties mounted the Corporation were progressively sucked into the front line in a number of areas - in particular at the last minute taking on the role of main sponsor. As a result of their reliance on Carroll Promotions Ltd, which proved unwise, the Corporation may have fallen between two stools by not being in direct control but at the end of the day being left to bear the bulk of the losses incurred. In this situation there was also a risk of uncertainty by suppliers as to whether they were dealing with Carroll Promotions Ltd or with the Corporation, although the Corporation's solicitors have advised that the Corporation have no legal liability to the creditors of Carroll Promotions Ltd.

Do the Corporation yet know the full extent of their financial costs and liabilities from the two events?

- 39 No. The position in a number of areas is still uncertain and further costs may arise over and above the December 1993 estimate of direct net expenditure of £695,000 although these are unlikely to be significant (paragraph 4).

Impact of the regatta and concert on the local economy and on regeneration

- 40 The Grand Regatta Columbus was an opportunity to show to a wider audience the positive aspects of Merseyside; to profile its new urban tourism industry, which now employs some 14,000 people and generates £335 million per annum; and to provide a high profile event to draw inward investment visitors.

- 41 The Corporation commissioned KPMG Management Consulting to assess the economic impact of these events. The consultants' report in April 1993 concluded that an estimated 2.5 million people had visited Merseyside during the five days of the events and had spent some £17.6 million above that normally expected in this period. This expenditure had particularly benefited local leisure and tourism operators, providers of transport and the hotel and catering industry.
- 42 As regards wider promotional benefits, a KPMG survey for the Corporation of nearly 40 local businesses and major organisations found that the vast majority of those interviewed considered that the regatta programme of events had been a great success, particularly in helping to promote a positive image of Liverpool and Merseyside. The Corporation have estimated the value of the publicity coverage at a minimum of £4 million. The publicity cost of adverse public safety, severe congestion or cancellation of events would have been considerably higher, and would have been a further set-back to the regeneration of Merseyside.
- 43 The KPMG report concluded that, whilst enhancing the image of the area was important in overcoming the negative view of Merseyside in the commercial world, the regatta and concert themselves could have had only a marginal impact on inward investment decisions. The Corporation have, prior to and after these events, secured approximately £185 million investment from companies who were their guests at the regatta, and with these companies are discussing £208 million potential investment. The Corporation also established good references from and contacts to many other market leaders. But the Corporation do not consider that a direct inward investment decision would be made solely as a result of the regatta.
- 44 The regatta was also one milestone on the path to establishing closer working relationships and partnerships between the Corporation, other public bodies and the private sector. Most relevantly, the Corporation is a founding partner of the Mersey Partnership which focuses the marketing initiatives of almost all relevant public and private sector bodies in the area.

Table 1: Grand Regatta Columbus: Forecast and actual expenditure

	Initial Budget (Dec 91)	Revised Budget (Apr 92)	Outturn as at December 1993
	£000	£000	£000
Income			
Tickets	500	627	358
Sponsorship	150	150	59
Other	76	48	119
	<u>726</u>	<u>825</u>	<u>536</u>
Expenditure	715	848	962 ¹
Profit/(Loss)	<u>11</u>	<u>(23)</u>	<u>(426)</u>
Agreed funding for possible loss on regatta			
Merseyside Development Corporation		250	
Wirral Borough Council		100	
Liverpool City Council		50	400
Loss not covered by contributions			<u>(26)</u>
Additional expenditure incurred by MDC			
Initial capital and promotional costs			225
Staff costs			36
Other cultural events			60
			<u>321</u>

Note: 1. Excludes payments totalling £67,000 to Carroll Communications Ltd which the Corporation later agreed to switch to their general publicity budget as being more appropriate to their wider promotional activities.