

# INQUIRY INTO FINANCIAL LOSSES 2022

## MIDDLEWICH FOLK & BOAT FESTIVAL

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## INTRODUCTION

At the outset of this report, it is important to recognise and thank the dedication time and efforts of the volunteers, stewards and supporters who do so much to sustain the activities within the town. At no point is this report intended to reflect on or detract from the enormous contribution that they provide and wish to place on record the gratitude they richly deserve.

Equally the financial and associated support offered by the event sponsors must be applauded. It is unfortunate that their contributions offset financial losses rather than enhancing the success of the programme.

The investigation documented here has been a totally independent and unpaid undertaking, there is no political bias or assumed outcomes, the investigation has been based solely on the available Town Council records, procedures and financial process. Expert advice has been taken in regard to Local Government Rules (Standing Orders), financial monitoring and event management.

All financial figures are based on information provided by the Town Clerk.

At the core of the investigation is the agreed statement at Point 6 Public Participation – Open Forum on Tuesday 2<sup>nd</sup> November 2021

- FAB to be cost neutral – need to build the event back up

This investigation seeks to discover why this intent failed resulting in significant financial loss.

## EXECUTIVE SUMMARY

- There is no evidence of procedural irregularities, the losses were incurred by ill-advised operational decisions.
- The festival incurred financial losses of circa £84K
- The festival set out ambitious aims, outdoor venue up to 2,500 per day, three day event, second stage and free fringe and main stage offerings. These aims were significantly more than previous festival budgets.
  - o Artist spending (2-year avg) from £19K increased to £85.7K
  - o Ticket income (2-year avg) from £30.1K increased to £136.9K
- The extravagant ticket sales were forecast but based on no formal or credible Market Research.
- It failed to develop a meaningful budget based on real research or properly documented and calculated projections.
- The failure to construct a meaningful, realistic budget and its subsequent approval provided a framework for excessive spend without corresponding income generation.
- The event was a financially high-risk entrepreneurial venture, it was approved by the Town Council without any obvious recognition of the pecuniary risks involved.
- The project was under resourced and without the skill sets to undertake the greater requirements. There was no project adherence or reporting to deliver the various elements with effective foresight.
- It failed to undertake regular formal reviews of the overall event with cost and income reports until after the event when the scale of losses became apparent.

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## EXTENDED EXECUTIVE SUMMARY

This summary is a condensed understanding of the findings of the detailed investigation and document review undertaken as part of this inquiry.

- The Folk & Boat Festival had a history of financial losses and is commented on at section A1a. It was a stated intent that the festival operate at cost neutral basis.
- A sub-committee (External Committee) took the lead in progressing the festival. During this period budgets were developed showing projected income and expenditure these were all presented showing the required cost neutral output.
- Between 15th November 2021 (Budget v1) and 1<sup>st</sup> December 2021 (Budget v2) key financial indicators changed. Income via ticket sales increased by nearly £67K and expenditure costs increased by over £70K There is no evidence to show how these figures were derived or justification for the changes.
- There is no evidence of the new budget being challenged. In carrying out the investigation it can be confirmed that there had been no Market Research or documented calculation to arrive at those figures.
- On 20<sup>th</sup> December 2021 there was a delegation of authority for the External Committee to approve spending to a level equal to that of the Full Town Council.
- There are no records of any Member of the Full Town Council expressing concerns or seeking fuller understanding of the budget or the associated risks. It should be noted that various councillors have expressed the opinion that questions were raised but these were not responded to or formally recorded in minutes.
- The Full Town Council must accept responsibility, the authorising of spend to a subcommittee, cannot exonerate each sitting member for not exercising their duty in ensuring “ ... a sound system of internal control which facilitates the effective exercise of the councils functions, including arrangements for the managing of risk”
- The Financial Risks were not managed, the expenditure on Council liability costs continued unabated to the level of 97% of the budgeted cost projections, whilst the balancing income was reduced to just 48% of the projected budget. During this evolution there are no records of escalation of concern, or project re-evaluation.
- Two external contractors were appointed and received Full Council approval to be paid part time for their services to source the required musical acts for

Main and Folk stages. The cost of artists ultimately amounted to £83K (97% of Budget proposal). The contractors adhered to the required process in that they submitted quotations for and got approval for booking of various Artists, these were approved by the delegated Committee.

- There is evidence that cost savings were applied to the original Folk proposal, however this discipline was not applied to the Main Stage spending, and in fact exceeded the original projection. Town expenditure incurred charges of circa £1K

	Budget (V3 on)	Folk Budget	Main Budget	Town Budget
Budget	£85,740	£22,400	£63,340	£0
Actual	£83,043	£11,682	£70,257	£1,105
Balance	£2,697	£10,718	(£6,917)	(£1,105)

- Alongside the contractors a single councillor appears to have taken on the central role of co-ordinating and managing outputs with the part time help of full-time council staff outside their normal duties.
- The lack of applied skills resulted in no formal project management, no commercial management and no dedicated festival management. It is manifested by failure to secure commercial income (-£22.5K) last minute provision of Security and Toilet provision and continuing booking of Main stage artists against a “hope” of last-minute ticket sales.
- A detailed Project Plan had been created but was never adopted or referenced in any processes or control.
- There is no evidence of progress or financial reporting in any clearly documented sense. Only in one set of minutes on 14<sup>th</sup> April 2022 where a request for staging was “not approved at this time” and the Acting Clerk advised “folk stage tickets aren’t selling as well as hoped”
- Ticket Sales never reached the predicted levels, the Folk Venue did reduce the proposed number of concerts from six to three with corresponding reduction in artist spending, there was no corresponding reduction for Main Stage commitments, where there appears to have been a myopic determination to consume the available budget.
- There was inadequate control of ticket management or any formal record of transaction type referenced to a specific ticket number.
- It is a considered opinion that once approved the event ran away to its conclusion without any proper governance or recognition of the cost neutral aims originally outlined.



## BACKGROUND

The Middlewich Folk & Boat Festival is an annual festival originating from local enthusiasts of music, poetry, the town and the surrounding canal network since 1990. In 2011 the Middlewich Town Council took ownership and funding of the event. The event has run every year apart from breaks during the Foot and Mouth Epidemic (2001) and more recently the two-year (2020 and 2021) break imposed by Covid regulations.

The funding of the festival was incorporated into the Town's annual budget, however in the operation of the 2022 Folk & Boat Festival the consolidation of accounts showed high degree of financial loss in excess of £80,000.00.

The full background and Council resolutions are detailed in points 1.1 to 1.10 as extracted from Town Council records held at pages 8 and 9 of this document.

The output of some of the resolutions is that an independent investigation should take place to examine the reasons why such losses were incurred.

This report is the conclusion of the information and documentation gathered.

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## **1.Introduction**

**1.1** The history of events leading up to this enquiry are as follows: On the 1/8/2022, the newly appointed Town Clerk completed a profit and loss (P&L) review of the 2022 Middlewich Folk & Boat Festival, which took place from: 17.06.2022 until 19.06.2022. This was part of the festivals winding up process, so that the financial results could be presented to the working group who organised the event, at their wash up meeting.

**1.2** The P&L analysis concluded that the event had incurred losses in excess of-£80,000. Such was the enormity of the loss, the also newly appointed Mayor was immediately informed and, he subsequently arranged to attend the groups wash up meeting which was held on the 27.07.2022. All councillors were given notice of the loss and the P&L before the wash up meeting.

**1.3** The P&L was presented at the wash up meeting. The mayor who was at the meeting specifically for the loss announcement, asked for the finances to be quantified and to be brought up to date with any outstanding invoice or costs, so a totally definitive final number could be established.

**1.4** The Mayor called an extraordinary general meeting of the full town council which took place on 05/07/2022.

**1.5** The Mayor opened the meeting with a statement (Appendix1) to reassure staff, employees, suppliers, creditor, and residents, that the incurred losses would not affect the short-term financial functionality of the council. All services would be delivered as normal, with the council still be able to meet all its financial obligations and commitments.

**1.6** The Mayor, supported by the independent councillors and the Town Clerk, proposed a series of actions and measures to review the way that the councils' finances are managed, to tighten up financial controls and, conduct regular financial risk assessments.

**1.7** A proposal was also submitted to bring all matters currently being dealt with by the internal and external committees under the management of full council, thus providing a higher level of scrutiny to all aspects of council activity.

**1.8** Options regarding the future running and financing of the Middlewich FAB Festival were tabled.

**1.9** The council were also asked to vote on whether an internal investigation should be conducted.

**1.10** Middlewich Full Town council approved all recommendations, which resulted in the following actions being taken.

- The External and Internal committees were disbanded, with the Town Council now operating with 2 x full council meeting per month.
- To establish a finance committee. Appointments to the committee will be voted and approved at the next full council meeting
- The Middlewich FAB festival will no longer be organised or, financially underwritten by Middlewich Town Council.
- That, an investigation should be conducted.

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## OBJECTIVES

The objectives of the inquiry are set out below.

- To undertake a full investigation into the financial losses arising from the 2022 Folk & Boat Festival.
- To identify actions, failures or procedural errors that had either direct or indirect effect on the profitability of the event.
- To provide responses for questions tabled by members of the Town Council and detailed in (Appendix 1) the questions being grouped to address a particular theme or individually to respond to points.
- To provide recommendations where appropriate.
- To provide a “standalone” report for submission to the Town Mayor to enable circulation and communication of the reports content.
- For the investigation team to present the findings as directed.
- To return all materials documents or other reference material back to the Town Council on completion of the investigation.
- To remain available to the Council or other appointed bodies to answer or clarify points contained within the report after its submission.

## SCOPE

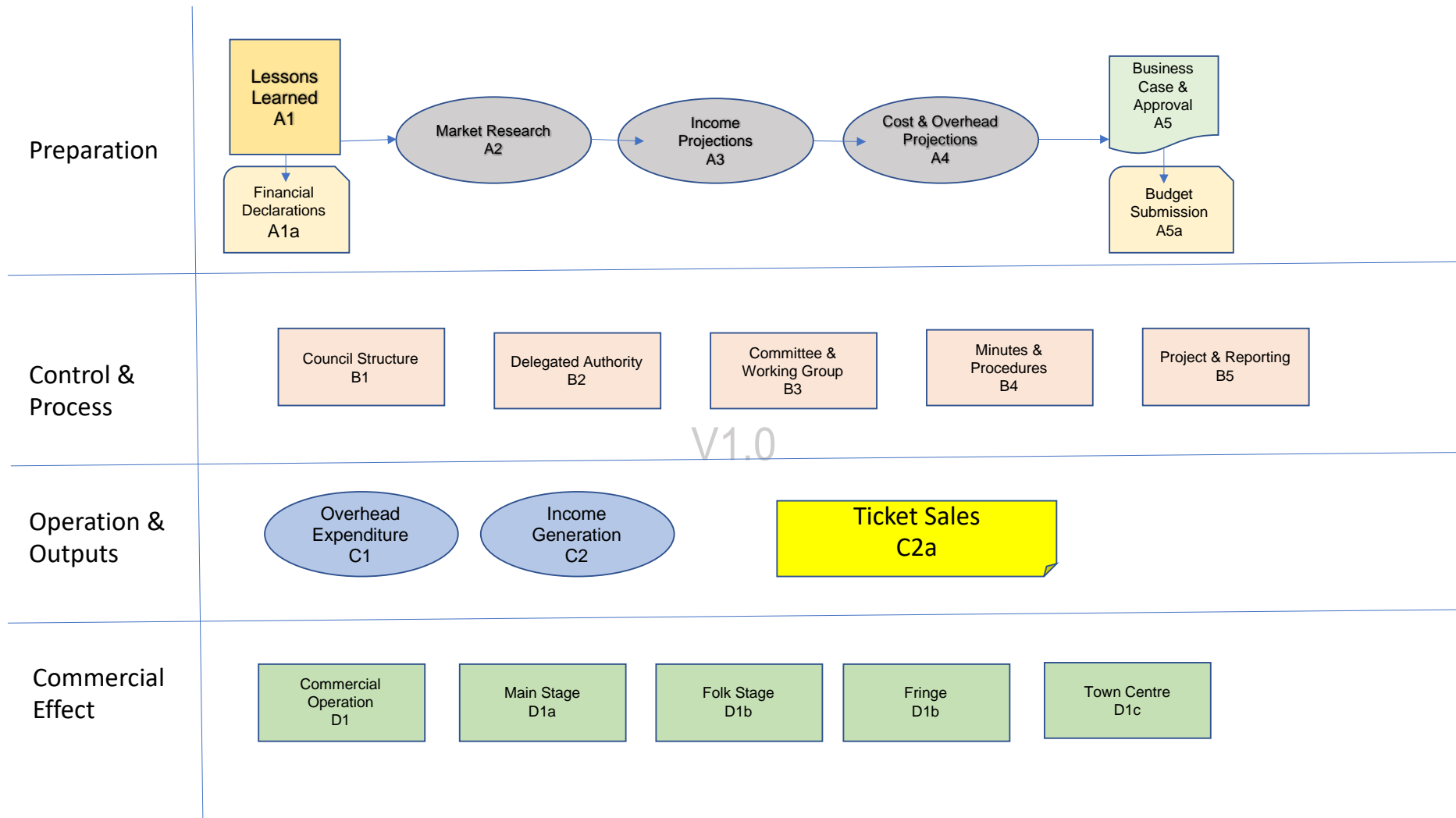
The investigation and report will be limited to actions and activity directly relating to or associated with any process affecting the 2022 Folk & Boat Festival but considering previous Folk & Boat Festivals for reference and comparison.

## CONSTRAINTS

The investigation approved by the Town Council is that of an Internal Independent Inquiry, as such it has no legal powers, individuals may be asked for information but are not obliged to work with or respond to questions raised, any individual has the right to ask for their responses not to be recorded in published reports.

The investigation has access to data in the form of numerical or written records and transactional information owned by the Middlewich Town Council,

Any verbal evidence will be noted as such, no unsubstantiated “third-party” statements have been considered or included in this report.





## SECTION A – PREPARATION & APPROVAL

### A1 - 2019 Lessons Learned Review

- Was there a formal review of the operation of the 2019 Festival.
- What was the financial outcome from the operation of the 2019 Festival.
- Were any recommendations documented for future consideration

#### Question Reference

- Observation in 5.3 ref 00002
  - o Given that previous events also made substantial losses.

### A1 – Findings

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- Past years profit and loss accounts were available.
- The previous Profit and Loss Accounts show that the Folk & Boat Festival had failed to break even.
- It is also noted that prior to 2020 the services of a council employee “Events Manager” undertook many of the tasks associated with organising the event. The employment costs of the Events Manager were carried on the central staffing budget and were not properly represented on the Folk & Boat Festival.
- Had these costs been fully applied (either at the time or when considering future budgeting) the previous Festival Profit & Loss Accounts would have shown proportionately higher losses.
- The Event Manager had presented findings to the Council prior to 2020, but the content was of no significant value when considering the 2022 event as they concerned potential artists for festivals that did not take place due to Covid regulations.

## A1 CONCLUSION

There were no formal lessons learned review prior to initiating the proposals for the 2022 Festival.

There are no references in either Working Group or External Committee for the need to recognise the history or potential for losses from previous events.

Given that in the Folk & Boat Festival had been identified as needing to be operated on a cost neutral basis in November 2021 there is no documentation discovered, which shows that previous losses had been recognised / incorporated into planning for the 2022 event.

In undertaking the inquiry and understanding previous events which could support Lessons Learned further financial declarations were discovered. It was felt that these were significant and should be addressed in the following sub section (A1a)

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## A1a- FINANCIAL DECLARATIONS

- The 2022 Folk & Boat Festival is the first occasion where there has been a full declaration of all Revenue and Costs.
- In looking at the previous year's profit and loss accounts for Folk & Boat Festivals the balance sheet shows

	2018	2019
<b>Total Income</b>	<b>£62,728.59</b>	<b>£49,333.50</b>
<b>Total Costs</b>	<b>£65,650.09</b>	<b>£59,437.65</b>
<b>P&amp;L Balance</b>	<b>-£2,921.50</b>	<b>-£10,104.15</b>

- Effectively showing trading losses, but to a degree that was deemed acceptable.
- The figures published do not capture all the true costs of the festival in that.
  - o Labour Costs were absorbed into the central Staffing line including a full time Events Manager.
  - o Ancillary Services like Road Closures were not declared as Folk & Boat specific
  - o Town Council Insurance was considered sufficient, and no additional coverage included
- Whilst it is impossible to retrospectively show actual figures from previous years it is credible to show a meaningful effect based on costs incurred for 2022.

	2018	2019
<b>Declared P&amp;L Position</b>	<b>-£2,921.50</b>	<b>-£10,104.15</b>
<b>Full Time Position Allowance</b>	<b>£31,000.00</b>	<b>£31,000.00</b>
<b>Staff Overtime</b>	<b>£2,500.00</b>	<b>£2,500.00</b>
<b>Ancillary Services</b>	<b>£1,000.00</b>	<b>£1,000.00</b>
<b>Insurance / PRS Licence</b>	<b>£2,000.00</b>	<b>£2,000.00</b>
	<b>£36,500.00</b>	<b>£36,500.00</b>
<b>Revised P&amp;L</b>	<b>-£39,421.50</b>	<b>-£46,604.15</b>



- The figures above will always be open to challenge but are presented to put the P&L balance of the 2022 into perspective.
- The omission of true costs was also reported in Town Council document F2222 on 5<sup>th</sup> August 2022 as prepared by the then Town Clerk.

## A1a – CONCLUSION

The deficit for the 2022 Folk & Boat Festival is a significant cost to the town budget. A true lesson learned review against a more realistic trading position historically may have provided sufficient evidence to re-evaluate expectations and financial commitment for the 2022 festival.

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## A2 – MARKET RESEARCH

- What Market Research was undertaken in preparation of the Income proposals for the 2022 Festival.
- Who carried out the Market Research, was any external vendor engaged
- What was the output data, is any documentation available
- Did the Market Research provide evidence to support the proposed Attendee / Ticket sales projections

### Question Reference

- 5.23 ref 00022

## A2 – FINDINGS

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- There is no evidence of formal Market Research having taken place.
- There is no data available or documentation to support any basis of projections
- Only evidence available was to review past years actual outputs

## A2 – CONCLUSION

There is no evidence of any formal Market Research having been undertaken

It is noted that in report F2222 at the meeting of 5<sup>th</sup> August 2022 (after the event) that the Town Clerk in that report identified

### **Marketing**

**RISK:** Marketing of the most recent festivals is not perceived as being the best for the event.

## A3 – INCOME PROJECTIONS

- Was a realistic income projection undertaken
- Who proposed / agreed the budget incorporated into the Annual Cost Centre figures
- Linking to A2 was the Income Assumptions based on or referenced to findings from Market Research
- Was the data and outcomes from the 2019 Festival considered or incorporated into the projections
- Was potential income / cost considered for operation of a Fun Fair

## A3 – FINDINGS

- The income projections covered the following elements.
  - o TICKET SALES
  - o BAR PROFITABILITY
  - o STALLS INCOME
  - o CATERING INCOME
  - o SPONSORSHIP
  - o ADVERTISING INCOME
- Each element is broken into individual review but at high level.

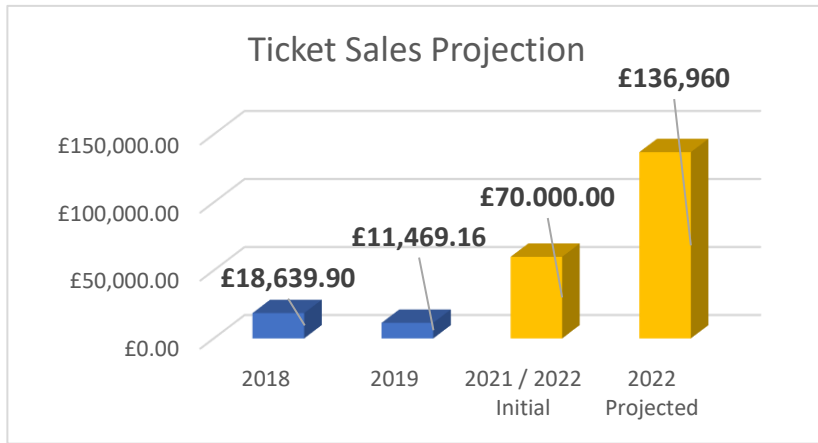
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### SPONSORSHIP

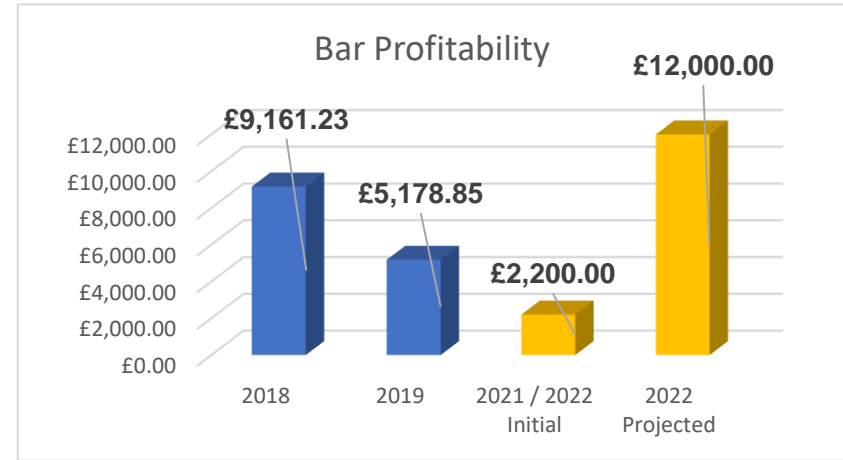
- NO Sponsorship Value was included in the Budgeted Projections
- 2018 Sponsorship Contribution - £7,100.00
- 2019 Sponsorship Contribution - £4,760.00

### ADVERTISING INCOME

- Maintained at a slightly higher value than previous years to £4,500.00
- Previous actuals 2018 - £2,665.00,
- 2019 - £3,685.00

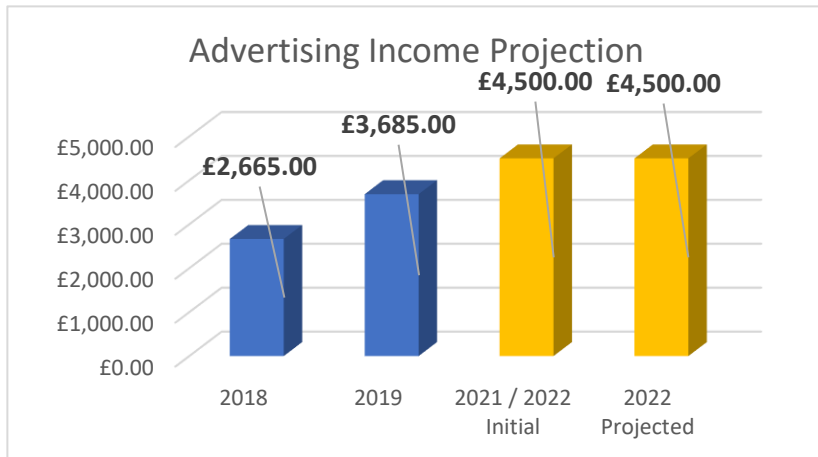


- The increase in generated income rose by between 3 to 5 times for the initial budget figure.
- The final budgeted figure rose by between 7 and nearly 12 times previous actuals.

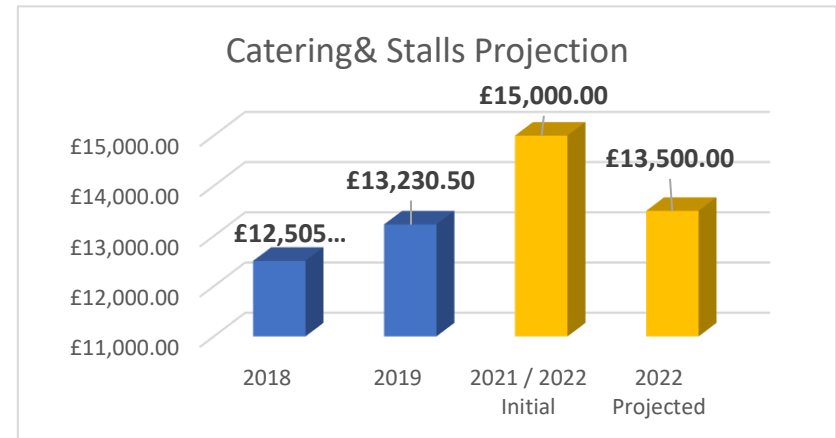


Bar Profitability increased projection

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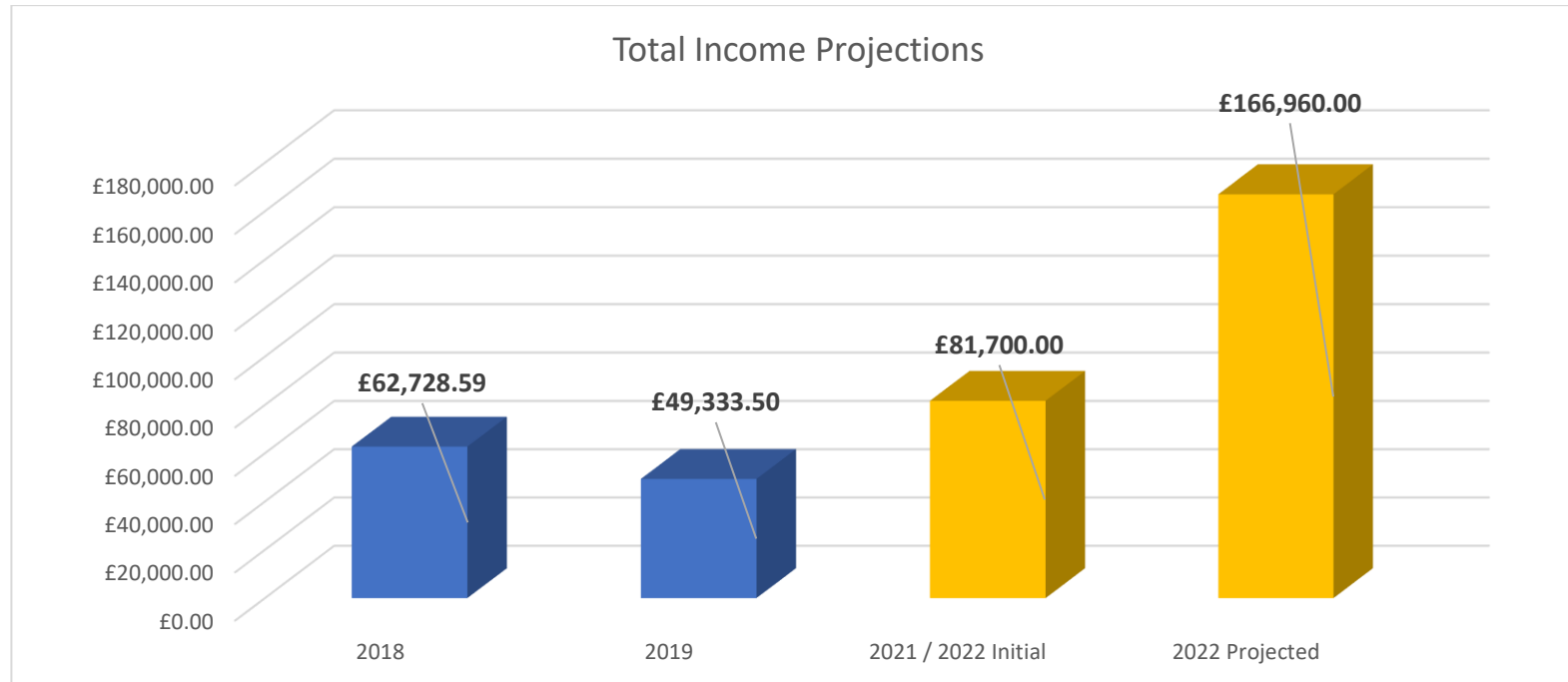
Advertising income static



Commercial income projected at an average value

## A3 – CONCLUSIONS

### TOTAL INCOME PROJECTIONS



- Income projections reflect high Ticket Sales in effect doubling the liquidity projections to meet cost predictions.
- Against no apparent meaningful Market Research or reference to previous events (Lessons Learned) the cost projections can only be seen objectively as speculative aspirations to meet a bigger re-energised event.
- There is no documented evidence seen by the inquiry that indicates any form of requests or reports to justify the projections.

## A4 – COST & OVERHEAD PROJECTIONS.

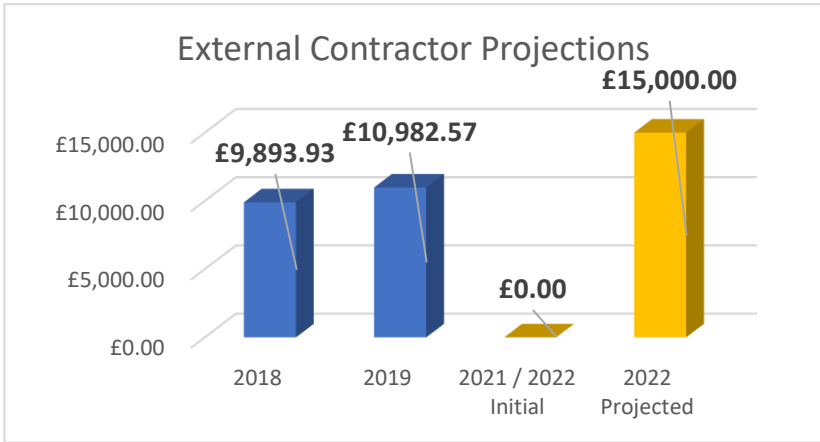
For completeness a similar comparison has been made to show the relative projections to spend around costs incurred in the operation of the event.

### Question Reference

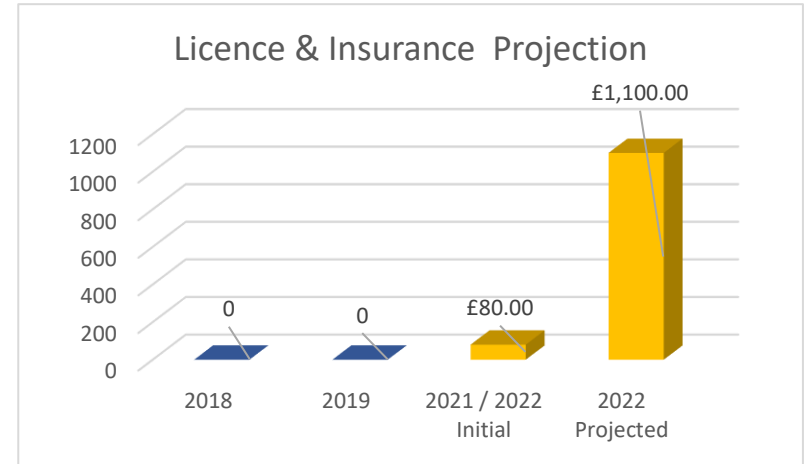
- 5.28 ref 00035
  
- Who agreed all the overhead costs and were there any restrictions put in place for these.
  
- What was the comparison between previous expenditure and the costs proposed,

## A4 – FINDINGS

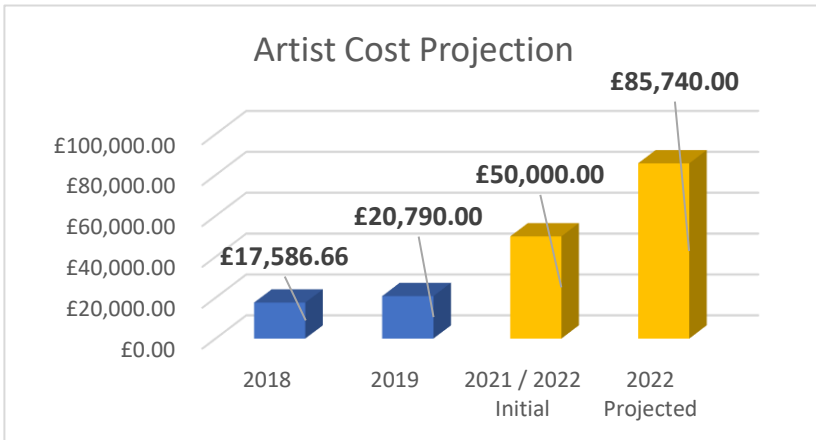
- There are no documented calculations seen by the inquiry to provide any credible insight into how figures were derived.
  
- In taking an objective view of the final budget lines the breakdown of each of the elements are.
  - EXTERNAL CONTRACTORS
  - LICENCES / PREMISES
  - FAB ARTISTS
  - MARKETING COSTS
  - EQUIPMENT HIRE
  - SUPPORT SERVICES HIRE
  - IT SUPPORT
  
- SUPPORT SERVICES HIRE / IT SUPPORT
  
- An initial figure of £4,500.00 was shown in 21/22 budget
  
- 22/23 Budget has these costs removed and the line shows £0
  
- A single entry for £120.00 is shown separately for IT Support



Projected costs equate to allowance for Artist Contractors, but does not include any historical value for external contractors

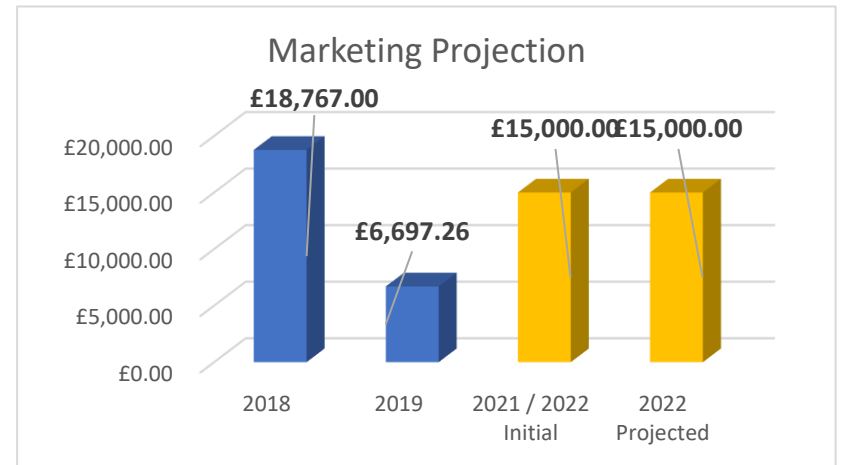


Licence costs only shown in budget, but when reporting on budget v actual insurance charges are included

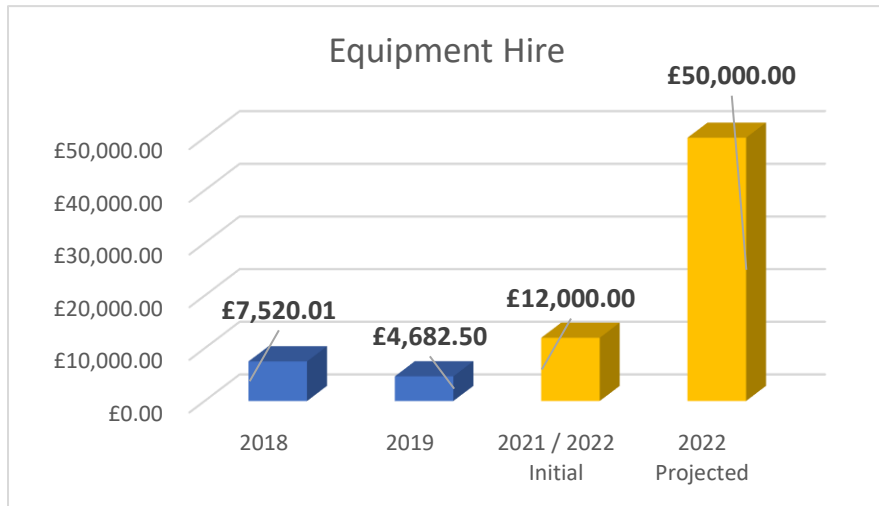


Artist Costs are 4 to 5 times higher than previous years and show a 70% increase on 21/22 budget projection. When forecast against ticket sales projection shows a surplus of £51K

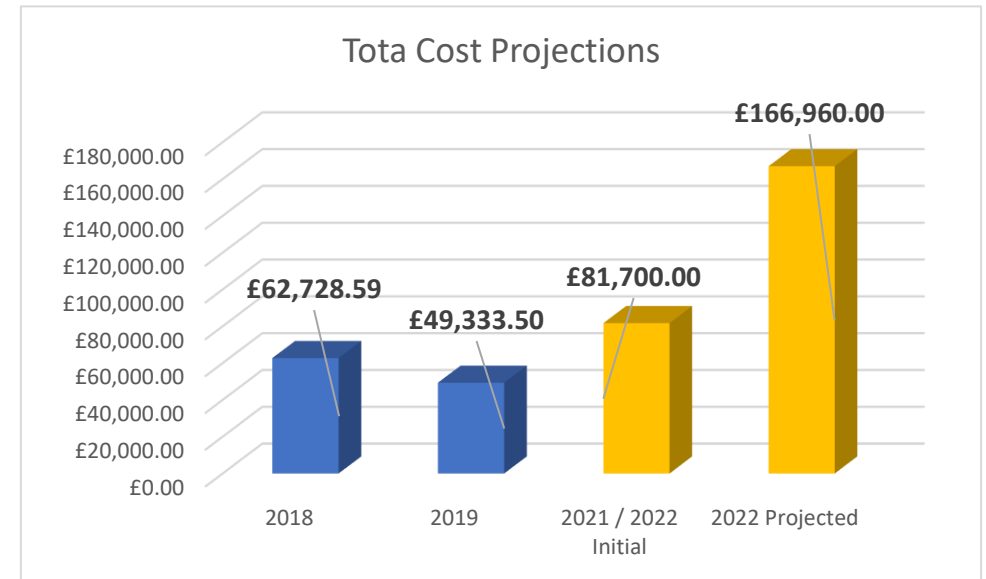
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Marketing costs remain static from previous forecast



Significant increase in equipment hire. No documented direct calculation but other references to second stage is likely to be a contributory factor.



Doubling of projected costs from 21/22 budget, mirrored from relationship with forecast income.

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## A4 - CONCLUSIONS

- The projected costs balance exactly to the forecast income predictions and have increased in similar vein.
- Linked to the failure to follow a detailed project plan it is not possible to see any scheduling of the commitment spend



## A5 – BUSINESS CASE and APPROVAL

- Once income and cost projections were completed was there a formal review of the” Package” as a valid business case with credible financial implications.
- At any point did the projections for the festival meet the documented comment at Page 2044 that “FAB to be cost neutral - need to build the event back up”
- Was the Folk and Boat Festival debated / reviewed as part of the Budget meeting on 2<sup>nd</sup> November 2021 (Page 2043,2044) where cost savings were proposed.
- Was the Folk and Boat Festival budget or content debated / reviewed as part of the Budget meeting on 10<sup>th</sup> January 2022, where the final budget was approved subject to two item reductions.

### Question Reference

- 5.35 ref 00034

## A5 – FINDINGS

- It appears that the creation of income and cost lines within the budgeting process served to represent a skeleton business case.
- The input and output projections balanced. It appears that other than project approval as part of the budgeting process no other review took place
- There is no evidence that a formal presentation took place for the approval of a package with a potential expenditure forecast of £166,960.00
- From available records there were no requests for clarification or assurances on the accuracy of budget lines from any Council member.

## A5 - CONCLUSIONS

The budget for the Folk & Boat Festival gained implied approval as a result of the budget process.

There was no documented review or consideration, the “package” proceeded without challenge

In reviewing budget submissions changes between v1 and v2 became apparent and significant, however these appear not to contain any substantiated rationale or to have been challenged.

## A5a – BUDGET SUBMISSION

	Version Date	15/11/2021	01/12/2021	15/12/2021	05/01/2022
302 FAB FESTIVAL 2022	Line	V1	V2	V3	V4
1109	Festival Tickets Income	70,000	136,960	136,960	136,960
1110	Sponsorship Income	0	0	0	0
1112	Stalls Income	10,000	8,500	8,500	8,500
1113	Misc Income	0	0	0	0
1114	Catering Income	5,000	5,000	5,000	5,000
1115	Advertising Income	4,500	4,500	4,500	4,500
	<b>TOTAL INCOME</b>	<b>89,500</b>	<b>154,960</b>	<b>154,960</b>	<b>154,960</b>
4126	External Contractors	15,000	15,000	15,000	15,000
4132	IT Support & Maintenance	120	120	120	120
4308	Events - Licence / Premises	1,100	1,100	1,100	1,100
4312	Artists	50,000	85,740	85,740	85,740
4326	Marketing Costs	15,000	15,000	15,000	15,000
4328	Equipment / venue Hire	12,000	50,000	50,000	50,000
4329	Support Services Hire	3,496	0		
	<b>OVERHEAD EXPENDITURE</b>	<b>96,716</b>	<b>166,960</b>	<b>166,960</b>	<b>166,960</b>
	<b>Movement to/from General Reserves</b>	<b>(7,216)</b>	<b>(12,000)</b>	<b>(12,000)</b>	<b>(12,000)</b>
<b>303 FAB FESTIVAL</b>					
1111	Bar Sales Income	0	25,000	25,000	25,000
	<b>TOTAL INCOME</b>	<b>0</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>
4327	Food & Drink	0	10,000	10,000	10,000
4328	Equipment / venue Hire	0	0	0	0
4330	Bar Costs	0	3,000	3,000	3,000
	<b>OVERHEAD EXPENDITURE</b>	<b>0</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>
	<b>Movement to/from General Reserves</b>	<b>0</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>
	<b>Profit &amp; Loss Position</b>	<b>(7,216)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## A5a – BUDGET REVIEW

- No working sheets or calculation tables have been seen by the inquiry.
- In reviewing the submission the calculation and rationalisation of figures is unclear, in some areas “historic” ratios and values are apparent whilst others have increased exponentially.
  - o Expected footfall to meet ticket income projections is not documented but to meet the projected income of £136960 and total capacity of 2,700 (2,500 Main 200 Folk) sales would need to be

Full Ticket	Discounted Ticket	Paying Footfall Available	Day	Income @ 100%	90%	80%	70%	50%
£30	£13.50	2,700	Friday	£74,317.50	£66,886	£59,454	£52,022	£37,159
£30	£13.50	2,700	Saturday	£74,317.50	£66,886	£59,454	£52,022	£37,159
£30	£13.50	200	Sunday	£5,505.00	£4,955	£4,404	£3,854	£2,753
TOTAL		5,600		£154,140	£138,726	£123,312	£107,898	£77,070
General Allowance of 15% Discounted Ticket Sales No Free Ticket Allowance Included								

- o Given that the Event was declared to be a free on Sunday making it a 2 day income generation ticket sales would need to run at 89% capacity on every day to meet projected figures.
- The higher footfall projections are not mirrored in Bar Sales historically these have equated to approx. 50% of ticket income, or using an average profitability of £5 per attendee (based on actual Victoria Hall figures and industry estimation) the £12K cannot be validated using either calculation.
- Other overhead lines show variations without any clear commentary so are accepted as shown, post event review shows a broad balance but in differing cost elements.
- The Commercial income lines remain static based on previous results but as described in Trading Section these failed to generate the required income.
- The Budget was the foundation of the Festival success it contains high income figures against which other spending including artists were based. The fundamental flaws in the creation of the budget set the scene for the eventual losses incurred

## A5b – CONCLUSION

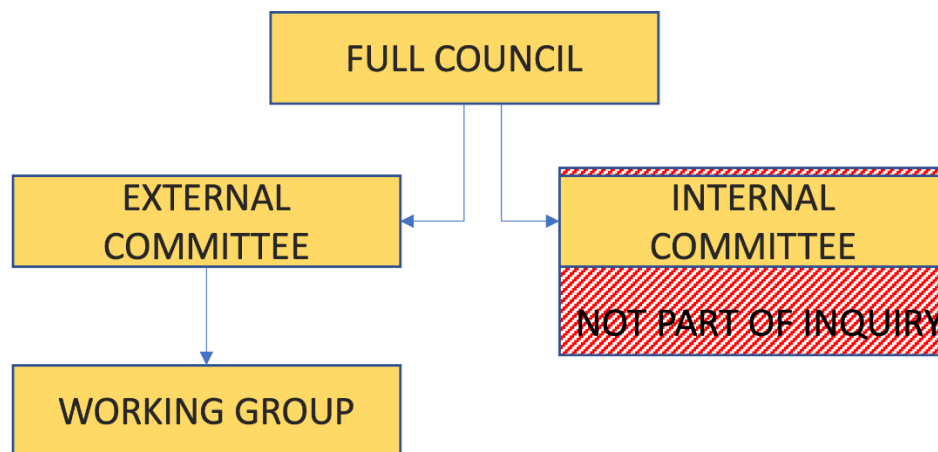
- Version 1 was reviewed by the Internal Committee on 23<sup>rd</sup> November 2022 it is noted that.
  - o 303/303 FAB Budget to be reviewed and revised by JP and contractors.
- Version 2 was presented on 7<sup>th</sup> December 2021. It contained two significant changes.
  - o Ticket Sales increased from £70,000 to £136,960
  - o Artist Costs increased from £50,000 to £85,740
- The minutes note “The Chairman went through the draft Budget page by page, and the Town Clerk answered any queries raised by the members.
- There is no documentation or reference to the rationale of the considerable increases to the income and expenditure budgets.
- The version 2 (and subsequent versions) was approved by the Internal Committee on 7<sup>th</sup> December 2021.
- The revised figures subsequently became the parameters for expenditure as detailed in B2 DELEGATED AUTHORITY

V1.0

## SECTION B – ORGANISATION and CONTROL

### B1 – COUNCIL STRUCTURE

- At the time in the lead up to the 2022 Folk & Boat Festival the Council structure in place was.



- Each tier has authority to approve spend to the appropriate levels

The Full Council has a Chairman and Deputy Chair and made up of the full Council members.

\*The Full Council has overall authority to RESOLVE points under consideration and APPROVE any costs in excess of £5,000

The External Committee has a Chairman and Deputy Chair and members this element of the Council structure is the element responsible for the “Day to Day” development and delivery of the FOLK & BOAT FESTIVAL in this instance

\*The Chairman of a duly delegated committee of the council for items over £1,000.00

\*The Clerk in conjunction with the Chairman of the Council or the Chairman of the appropriate committee, for items below £1,000

\*Financial levels extracted from the Model Financial Regulations March 2020

The Working group has a chairman and is made up of other Council members and other persons including members of the public and other specialist input - there is no financial approval at this tier.

## B2 – DELEGATED AUTHORITY

- At the Full Council Meeting on 20<sup>th</sup> December 2021.

**14 To consider a request from the External Committee to allow the Committee to authorise spending above the usual limit with respect of cost centres 302/303 for the Folk and Boat Festival 2022.**

**8546** it was **RESOLVED** to approve the request subject to the Committee ensuring that they did not go beyond the overall budget for the event.

- This approval is in line with the provisions at point 4.2 of the Model Financial Regulations.

## B2 – FINDINGS

- The approval was perfectly consistent with provisions within the regulations.

## B2 - CONCLUSIONS

Whilst the authority to delegate was sound, the caveat applied was inadequate in that it failed to apply any requirement for progress, financial status or risk identification reporting.

In the true sense of the authority and instructions given, the organising group and contractors complied with the stipulations in that the ultimate overhead spend was within the budget approved by the Town Council.

As there is little subsequent evidence of Full Council requests for meaningful progress and financial reports, it is not unreasonable to see this resolution as abdication rather than delegation.

## B3 – COMMITTEE & WORKING GROUP OPERATION.

- What was the management structure
- Was there “hierarchy” monitoring or approval of actions
- Who or what were the functional roles within the structure
- What if any were the changes in the structure leadership
- What Declarations of Interest were made / Recorded

### Question Reference

5.7 ref 00005  
5.8 ref 00006  
5.13 ref 00011  
5.17 ref 00014  
5.57 ref 00045  
5.25 ref 00024  
5.26 ref 00025  
5.29 ref 00028

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## B3 – FINDINGS – EXTERNAL COMMITTEE

- As per the table below the Chairs of the organisation elements are detailed. For the purposes of the inquiry the table covers from November 2021 to July 2022.
- In the latter stages (April 2022) each of the three elements of the organisation were Chaired by the same Councillor
- The management and tasks requiring attention are frequent and can be of a specialist nature calling on skills not within a councillor’s normal remit.
- It is apparent from conversation with the councillor that the tasks became stressful to the point of expressing a desire to move away from the responsibilities, however the councillor did complete the mission as required.

November 2021	CHAIR	M Hunter	j Parry	J Parry
	DEPUTY CHAIR	J Parry (Absent)		
December 2021	CHAIR	M Hunter	G. Williams	J Parry
	DEPUTY CHAIR	J Parry		
January 2022	CHAIR	J Parry	G. Williams	J Parry
	DEPUTY CHAIR			
February 2022	CHAIR	J Parry	G. Williams	J Parry
	DEPUTY CHAIR			
March 2022	CHAIR	J Parry	G. Williams	J Parry
	DEPUTY CHAIR			
April 2022	CHAIR	J Parry	j Parry	J Parry
	DEPUTY CHAIR			
May 2022	CHAIR	J Parry	j Parry	J Parry
	DEPUTY CHAIR			
June 2022	CHAIR	C Coules	j Parry	J Parry
	DEPUTY CHAIR			
July 2022	CHAIR	C Coules	j Parry	J Parry

V1.0

## Meeting Attendees

- From the published meetings the following schedule has been extracted.
- The Table also shows the topics relating to the Folk & Boat Festival considered at the meetings
- Finally, the Declaration of Interest (DOI) regarding Folk & Boat points under consideration.



## EXTERNAL COMMITTEE SCHEDULE (Ref Folk& Boat)

ATTENDEE	08/09/2021		04/11/2021	02/12/2021	22/12/2022	17/01/2022	17/02/2022	22/02/2022	10/03/2022	06/04/2022	14/04/2022	12/05/2022	17/05/2022	13/06/2022
M Hunter	X		X		X						X			X
J Parry			X		X	X				X		X	X	X
S Boyle	X		X	X	X	X	X	X		X				
P Hirst	X		X		X									
G Orme	X		X	X	X	X	X	X	X			X	X	X
V Perez	X		X	X	X	X	X	X	X	X	X			X
C Jones	X													
G Williams				X		X	X	X	X					
G Marshall				X			X		X		X	X	X	
N Antony	X		X	X	X	X	X	X	X	X	X	X	X	X
D Williams				X										
C Coules				X		X								
S Whittaker														X
D Condliffe														X
F&B AGENDA ITEM	EX2- 269		EX2 -284	Nil	EX2-301 EX2 - 302	EX2 -305 EX2 - 306 EX2 - 307	EX2 - 314	EX2 -320	EX2 - 314	EX2 -337	EX2 -343 EX2 - 344 EX2 - 350	EX2 - 356 EX2 - 357 EX2 - 358 EX2- 364	EX2 - 367	EX2 - 277 EX2 - 278
DOI (Ref F&B Items)	Nil		Nil	Nil	Nil	J Parry	Nil	S Boyle	Nil	J Parry	Nil	Nil	J Parry	Nil

### Declaration of Interest

Paragraphs extracted from [modern.gov.cheshireeast.gov.uk](http://modern.gov.cheshireeast.gov.uk) (MODEL CONDUCT)

In all Council and Council Committee meetings Councillors (Unitary/Town/Parish) must, where appropriate, declare a personal interest to be recorded in the minutes of the meeting. You must declare this at the start of the meeting or as soon as it becomes clear to you that a personal interest exists. If you declare a personal interest you can remain in the meeting, speak and vote on the matter, unless your personal interest is also a prejudicial interest.

You have a personal interest in a matter if that matter affects the well-being or financial position of you, members of your family, or people with whom you have a close association, more than it would affect most people in the area affected.

## B3 – FINDINGS – WORKING GROUP

The working group was made up of Councillors, volunteer members and two contractors.

The contractors had been approved by Council after consideration of an internal report (F2116) which detailed various quotations and the outputs required together with the specialist assistance offered in the booking of artists.

The contractors were paid for their services and were seen as a partial replacement for the previous position of full time Events Manager.

The Working Group have no spend authority but generate the “ideas” to further the delivery of the overall festival.

In the 2022 festival structure the lines became blurred, the External Committee had been given delegated authority to spend on behalf of the Town Council and the paid contractors had a responsibility to secure artists. The Chairman of the Working Group effectively became the Chair of the External Committee.

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## B3 – CONCLUSION

The structure in place to deliver the 2022 Folk & Boat Festival was insufficient to both complete the required tasks and have sufficient information and analysis to identify emerging risks and take proactive or preventative measures.

Whilst it is noted of the support offered by the retained contractors was always available and their presence on the Working Group gave valuable support, it remains that their remit was primarily around artists the staging of the event, but that they had been engaged only on a part time basis.

The management and delivery of this type of undertaking requires specialist knowledge, organisation and dedicated project control. These skills were not apparent, sufficient external support was only retained on a part time basis against specific deliverables.

## B4 – MINUTES and PROCEDURES

- Were full minutes of both External and Working Group produced

### Question Reference

5.22 ref 00020

5.30 ref 00029

5.40 ref 00039

## B4 – FINDINGS

- There are full minutes to the Standard Middlewich Town Council recording the considerations and resolutions for the External Committee.
- As an observation the minute points are often based on other associated reports which are referenced – these reports are not immediately to hand and may be overlooked.
  - o The point above recognises the PART 2 Council Meeting requirements that confidential information is not openly disclosed, however it is expected that Full Council Members can quickly reference the points for their full understanding.
- Working Group Meeting notes followed a similar but condensed version to that of the External Committee between the dates of 8<sup>th</sup> July 2021 to the 16<sup>th</sup> of November 2021.
- After November there are no Minutes available until 11<sup>th</sup> April 2022 and subsequently
  - o 16<sup>th</sup> April
  - o 3<sup>rd</sup> May
  - o 11<sup>th</sup> May
  - o 1<sup>st</sup> June
- All the latter minutes appear to have been compiled by a volunteer representative and consist of between 1- and 5-lines content with no formal structure
- In terms of the procedures for quotation, procurement and adherence to Standing Orders there were no fundamental failures.

## B4 – CONCLUSION

The general ability to immediately track and audit documentation, decisions or associated reports is not easy. The audit trail is there but tends to be in different silos associated with different Committees and Sub Committees.

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## B5 - PROJECT PLAN and REPORTING

- What reporting and progress evaluation was documented
- What formal reporting was escalated to Full Council for review / direction
- Link to Project Plan
- Who commissioned the plan
- Is there a documented copy of the project plan
- Within the 2022 P&L Final Accounts why are there 3 separate costs (FAB Planning) amounting to £2,200 in total. – does this contravene the Model Financial Regulations as detailed at 4.1 “Contracts may not be disaggregated to avoid controls imposed by these regulations”
- Was the Plan formally approved
- Who owned the plan and had the responsibility to deliver
- What stage reviews were contained within the plan for Progress and Financial compliance
- Was there a formal RISK ASSESSMENT stage to review a GO / NO GO for the whole or parts of the plan
- What reporting and progress evaluation was documented
- What formal reporting was escalated to Full Council for review / direction
- Was there a link to Project Plan

### Question Reference

- 5.13 ref 00011
- 5.45 ref 00044
- 4.6 ref 00004
- 5.10 ref 00008
- 5.34 ref 00033
- 5.49 ref 00048

## B5 – FINDINGS

- The need for a project plan was identified at a Working Group Meeting on 8<sup>th</sup> July 2021
- A Councillor present at that meeting is recorded as confirming that he would “take this on”
- After investigation to the extent allowed by this inquiry
  - o It is reported that a project plan was created by a Council member, there is a single reference to a plan in External Committee notes.
  - o Latterly the inquiry has been able to view the detailed project task and allocation plan, whilst not linked to budgeted costs the plan does identify the various tasks required.
  - o From exchanges with Council members there was reference to a Project Plan but none could affirm that they used a plan.
  - o The existence of a Project Plan is proven, however the organising committee had not adopted the plan or used it to any effect for planning, reporting or control of activities.
  - o The Project “tool” was available but not used.

In looking further at reporting the findings are

- Folk and Boat reporting previously took place under the role of Events Manager from available records this was a regular update and was documented in the Minutes of the External Committee to the 4<sup>th</sup> of March 2021
- After this date the festival was reported and recorded in minutes but appears to be specific points for resolution rather than a “project” update
- There was no formal “project wide’ reporting process
- There is no evidence of financial monitoring or formal reporting to track progress and costs against the agreed budget.
- There is no clear single person or persons who were responsible for reporting on adherence to a plan or financial commitments.
- Within the available documentation there was no agenda item on behalf of any Full Council Member asking for detailed progress and financial reporting
- Only in the very latter stages were comments raised at the point where the operational deficit became apparent.

## B5 – CONCLUSION

The inquiry has been able to confirm the existence and content of a properly detailed project plan,

Importantly there is no evidence that subsequent activity, report or procurement schedule had any reference to the plan, it was effectively ignored.

There was no adherence to a project plan

Reporting was generally of poor quality focusing on specific points rather than taking a holistic view of the overall programme.

There was no evidence of any “Red Flag” identification for a review of potential risks to be addressed.

There is a strong impression that once the Festival budget was approved it “rolled on” towards its June delivery date, as costs were incurred with little reference to the offsetting income stream which ultimately delivered just 48% of the expected return.

V1.0

## C1 – TRADING PROFILE – OVERHEAD EXPENDITURE

### SECTION SUMMARY

From the projected budget figures the following observations are made in summary.

- Internal labour provision had not been recognised or included into budget. It was a well-known issue that even previously with the support of a full time Events Manager the Town Council Staff were called on to undertake additional work leading up to the event.
  - **Additional Cost to Budget - £2.5K**
- External Contractors initial provision for booking contractors appears to be limited to the known values of £15K without any recognition or provision for providers of Security, Traffic Management or stage support
  - **Additional Cost to Budget - £9K**
- Licence and Insurance were underestimated
  - **Additional Cost to Budget - £2K**
- Volunteer Provision had not been included
  - **Additional Cost to Budget - £1K**
- Equipment Hire shows a saving of £16K, but this is against a budget of £50K that had risen from £12K between Budget versions .1 and .2
- Artist provision showed a saving of £2.6K overall but should be seen in conjunction with the point detailed within the Extended Executive Summary where Main Stage costs exceeded original budget.

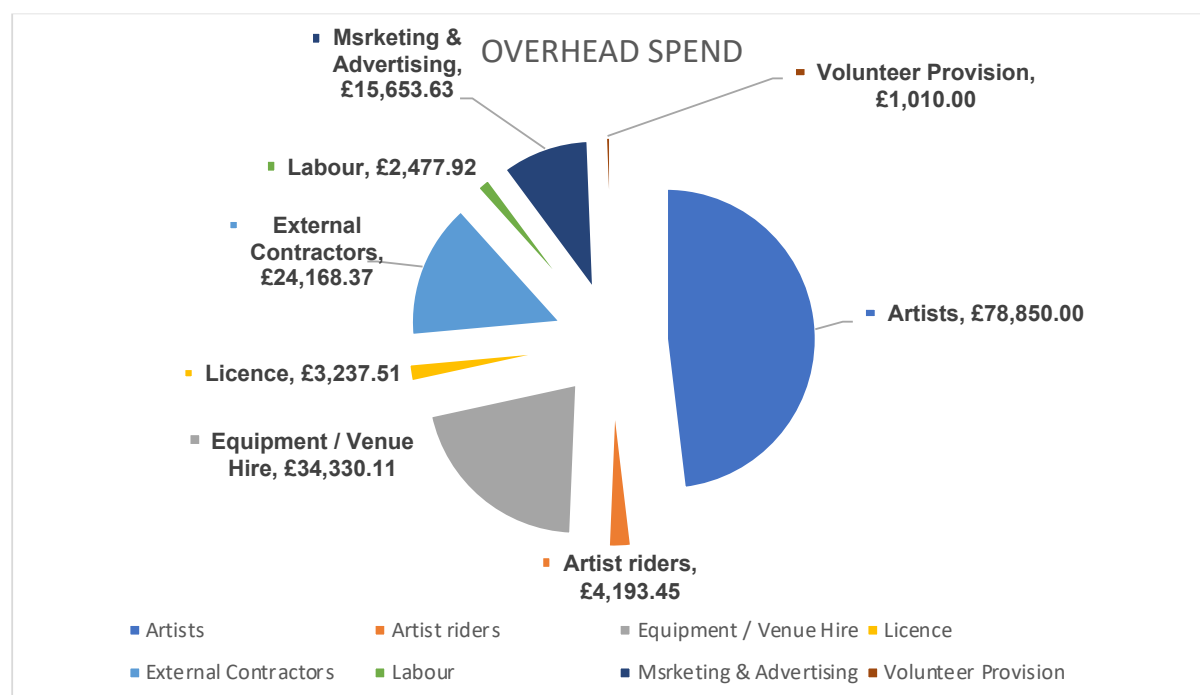


## C1 – TRADING PROFILE – OVERHEAD EXPENDITURE

- The Budget as approved and detailed in Section A5a was released and consumed as detailed below

Cost Area	Projected Spend Budget	Actual Spend	Difference
Internal Labour	£0	£2,477.92	(£2,477.92)
External Contractors	£15,000	£24,168	(£9,168.37)
Equipment Hire	£50,000	£34,330	£15,670
Licence	£1,100.00	£3,238	(£2,138)
Volunteer Provision	£0.00	£1,010	(£1,010)
Marketing	£15,000	£15,653	(£653)
Artists (inc Riders etc)	£85,740	£83,043	£2,697
Other	£120	£0	£120
<b>Total</b>	<b>£166,960</b>	<b>£163,920</b>	
Spending Reduction			<b>£3,040</b> 1.82%

- Costs represents a continued spend of 98% of original projected costs.



## C2 - TRADING PROFILE – INCOME GENERATION

### SECTION SUMMARY

Income generation was the lifeblood of the ability of the event to operate successfully, in virtually every instance the budgeted values were not achieved.

- Ticket Sales a detailed review is at C2a. The budgeted figure had risen from £70K to nearly double at £137K between Budget versions .1 and .2. There is no evidence or explanation to support the increase, but was approved by the Council

#### ○ Shortfall Against Budget - £75K

- Bar Sales budgeted at a £12K income. This figure is out of context with the forecast attendance numbers (to meet ticket projections) where a 2,000-person footfall over 3 days should have generated profitability far more than £12K. This point is noted in reference only to the failure to properly calculate budget figures against a clear rationale.
- Previously run internally it was decided that there was insufficient staff and too little time to organise this and was outsourced to an external company. The arrangement generated a £3K initial profit with additional profit sharing if certain thresholds were met. Only £3K was paid, there is no evidence of the takings being monitored by the Council and profitability must be accepted from the contractor.

#### ○ Shortfall Against Budget - £9K

- Stalls & Vendors budgeted at £13.5K. The budgeted figure was consistent throughout the various versions of budget. However the actual realisation of the income projection fell by some 66%, reasons behind this performance can be seen in the comments from a volunteer member of the Working Group in minutes from 1<sup>st</sup> June 2022 “ Meeting was called because of serious concerns about the planning, especially how traders to book stalls”  
This mirrors factors from the bar ... too little time and insufficient resources.

#### ○ Shortfall Against Budget - £9K

- Advertising was forecast to generate £4.5K from Festival Guide advertising. At some point a decision was taken not to pursue this element.

#### ○ Shortfall Against Budget - £4.5K

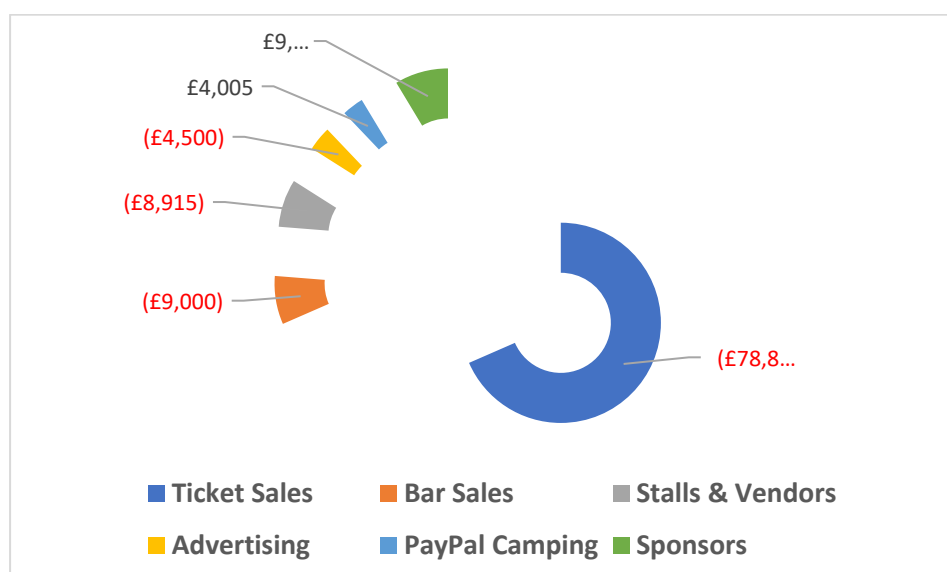
- Sponsorship (£10K) and income from PayPal camping (£4K – included in Ticket Sales) offset but were never considered as part of the budget proposals. For the purposes of commercial reporting the PayPal income will be treated as Ticket Sales.
  
- Excluding any consideration for Ticket Sales, the inability to deliver budgeted commercial income forecast at £30K but achieving only £7.5K resulted in a direct loss of 75% of the budgeted income.
  
- **Sub Total - LOSS INCOME £22.5K**
  
- Less Sponsorship Revenue Income £10K
  
- **NET LOSS OF COMMERCIAL INCOME £12.5K**
  
- The findings in this area support the view that there was no focus on delivering the income streams, whether by lack of skills or insufficient time or resources input was minimal and relied on efforts from volunteers or additional extracurricular assistance from a contractor.

## C2 - TRADING PROFILE – INCOME GENERATION

- In analysing the contributory elements of the actual trading outputs (as detailed in the sections below) there was significant downturn in the monies generated to fulfil the budgetary expectations.
- In summary these can be identified as;

Trading Area	Expected Contribution	Actual	Difference
Ticket Sales	£136,960	£58,062	(£78,898)
Bar Sales	£12,000	£3,000	(£9,000)
Stalls & Vendors	£13,500	£4,585	(£8,915)
Advertising	£4,500	£0	(£4,500)
PayPal Camping	£0	£4,005	£4,005
Sponsors	£0	£9,950	£9,950
Income Effect			(£87,358)

- The reduction in income represents a shortfall of 52% of available capital.



## C2a – TRADING PROFILE - TICKET SALES

### SECTION SUMMARY

Ticket sales contributed to the greatest shortfall in forecast contribution to allow the festival to operate at a neutral cost.

- The decision to create a two stage festival created an internal competition (headline acts on both stages on the same night and even free Main on Sunday versus ticketed) added confusion rather than a “value add” perception.
- Pure ticket sales were forecast at a level of £136,960, the actual sales achieved fell significantly short.

Sales From	Value	%age
Primary Purchase	£53,358.26	38.96%
2020 Honoured	£4,703.50	3.43%
Camping Income	£4,005.21	2.92%
Total sales Allocated	£62,066.97	45.32%

## C2a – TRADING PROFILE - TICKET SALES

- Tickets were not clearly numbered or outlet referenced at all. Other than from ticket agency returns it is impossible to clearly identify an individual ticket transaction.
- Several questions raised concerned the allocation of complimentary tickets, whilst there is a high degree of concern and comment in this area without a proper register of who received complimentary tickets and the apparently relaxed handling of the tickets it is not possible to make a formal response.
- Following from the above point it can be recorded that the management of tickets fell below what would be expected from a correctly detailed festival operation.
- In reviewing this schedule prime ticket sales (purchased directly for concerts in 2022) was less than 40% of the projected sum
- It is worthy of note feedback both from residents spoken to during the inquiry and internally
  - o Confusing – why two tickets for different parts,
  - o Expensive £60 for two nights V1.0
  - o Why buy a Folk ticket on Sunday when free on other part
- The decision to “split” the festival into two components was ill considered and actually created competition between the two
- Decisions were taken to make parts of the festival free, again at odds with the other stage, but also at a time when costs were already spiralling
-

## D1 – COMMERCIAL OPERATION

### SECTION EXECUTIVE SUMMARY

- No element of the 2022 Folk & Boat proved to be profitable or even cost neutral.

Line	Main	Folk	Town	Common	Balance
Artists	£66,570.00	£11,175.00	£1,105.00	£0.00	£78,850.00
Artist riders	£3,686.55	£506.90	£0.00	£0.00	£4,193.45
Equipment / Venue Hire	£23,985.98	£5,450.00	£0.00	£4,894.13	£34,330.11
Licence	£0.00	£0.00	£0.00	£3,237.51	£3,237.51
External Contractors	£17,893.37	£5,000.00	£1,275.00	£0.00	£24,168.37
Labour	£0.00	£0.00	£0.00	£2,477.92	£2,477.92
Marketing & Advertising	£0.00	£0.00	£0.00	£15,653.63	£15,653.63
Volunteer Provision				£1,010.00	£1,010.00
sub total	£112,135.90	£22,131.90	£2,380.00	£27,273.19	£163,920.99
Shared Allocation	£19,091.23	£8,181.96	£0.00	£0.00	£0.00
Operating Costs	£131,227.13	£30,313.86	£2,380.00	£27,273.19	£163,920.99
Income	Main	Folk	Town	Common	Balance
Tickets	£54,366.97	£7,700.00	£0.00	£0.00	£62,066.97
Bar	£3,000.00	£0.00	£0.00	£0.00	£3,000.00
Stalls / Catering	£0.00	£0.00	£0.00	£4,585.00	£4,585.00
Sponsorship	£0.00	£0.00	£0.00	£9,950.00	£9,950.00
sub total	£57,366.97	£7,700.00	£0.00	£14,535.00	£79,601.97
Shared Allocation	£10,174.50	£4,360.50	£0.00	£0.00	£14,535.00
Income	£67,541.47	£12,060.50	£0.00	£0.00	£79,601.97
<b>Profit / Loss</b>	<b>-£63,686</b>	<b>-£18,253</b>	<b>-£2,380</b>	<b>£0</b>	<b>-£84,319</b>

- Total Cost to the own Financial Balance was £84,000, the inquiry has been able to trace and consolidate those figures

## D1a – COMMERCIAL OPERATION – MAIN STAGE

- To evaluate the optimum return for the main stage a relatively simple algorithm has been applied on the following basis.
  - o Main Stage Capacity 2,500 minus allowance for discounted tickets a daily value of 2,400 has been applied. (Equates to 50 discounted tickets daily actual reported uptake 33)
  - o Ticket Price is shown at full value £30 for 2,400
  - o Based on Actual Bar Sales profitability from recorded Victoria Hall takings equates to £5.00 per attendee contribution.
  - o Commercial Income from Budgeted Stalls and Advertising, together with actual sponsorship Total £27,950.00 (split 70% Main 30% Folk)

ATTENDEE POTENTIAL	TICKET FULL PRICE DISCOUNTS = 100 Attendee Reduction	TICKET INCOME	BAR PROFITABILITY @ £5.00 per ATTENDEE	COMMERCIAL INCOME ALLOCATION
2400	£30.00	£72,000.00	£12,000.00	
2400	£30.00	£72,000.00	£12,000.00	
2400	£0.00	£0.00	£12,000.00	
<b>TOTAL</b>		<b>£144,000.00</b>	<b>£36,000.00</b>	<b>£16,770.00</b>

- This can then be applied to various “break” points

	Total Income	Ticket Income
100% Potential Income	£196,770.00	£144,000.00
Attendance @ 75% Uptake	£147,577.50	£108,000.00
Attendance @ 50% Uptake	£98,385.00	£72,000.00
Attendance @ 40% Uptake	£78,708.00	£57,600.00

- These can now be set against Actual Costs this includes proportion of costs for Advertising, General Equipment Hire and Labour again split 70% Main 30% Folk



- The percentage calculation is based on overall budget / spend comparison.

SHARED COST ALLOCATION	VALUE
MARKETING & ADVERTISING	£15,653.63
LABOUR	£2,477.92
EQUIPMENT (GENERAL)	£4,894.13
VOLUNTEER PROVISION	£1,010.00
LICENCE	£3,237.51
TOTAL	£27,273.19
70%	£19,091.23
30%	£8,181.96

- Main Stage Shared Cost Allocation = £19091.23

## D1a – MAIN STAGE ACTUAL COSTS

- The following are the recorded costs for Main Stage operation.
- By applying the “break” point values the Main Stage did have the ability to cover costs if ticket sales and commercial projections were achieved.
- Break Point would require circa 60% of ticket sales and Commercial income to be realised.

MAIN STAGE	COSTS
ARTISTS & RIDERS	£70,256.55
EQUIPMENT (SPECIFIC)	£23,985.98
EXTERNAL CONTRACTORS	£17,893.37
SHARED COST ALLOCATION	£19,091.23
Total Costs	£131,227.13

- The picture however shows significant losses against Actual Income

Main Stage	Ticket Sales	Bar Sales	Commercial	Total
Actual income	£54,366.97	£3,000.00	£10,174.50	£67,541.47

The operating loss for the Main Stage shows a cost of.

- o **Main Stage Operating Loss £63,686.00**

## D1b – COMMERCIAL OPERATION –

### FOLK STAGE

- A similar algorithm to that applied to the Main Stage has adapted for the Folk element.
  - o Victoria Hall Capacity 200
  - o Ticket Price is shown at published value for each day
  - o Based on Actual Bar Sales profitability from recorded Victoria Hall takings equates to £5.00 per attendee contribution.
  - o Commercial Income from Budgeted Stalls and Advertising, together with actual sponsorship Total £27,950.00 (split 60% Main 40% Folk)

ATTENDEE POTENTIAL	TICKET FULL PRICE DISCOUNTS = 100 Attendee Reduction	TICKET INCOME	BAR PROFITABILITY @ £5.00 per ATTENDEE	COMMERCIAL INCOME ALLOCATION
FRIDAY 200	£13.50	£2,700.00	£1,000.00	
SATURDAY 200	£30.00	£6,000.00	£1,000.00	
SUNDAY 200	£30.00	£6,000.00	£1,000.00	
TOTAL		£14,700.00	£3,000.00	£11,180.00
TOTAL POTENTIAL	<b>£28,880</b>			

- This can then be applied to various “break” points

Folk Stage	Total Income	Ticket Income
100% Potential Income	£28,880.00	£14,700.00
Attendance @ 75% Uptake	£21,660.00	£11,025.00
Attendance @ 50% Uptake	£14,440.00	£7,350.00
Attendance @ 40% Uptake	£11,552.00	£5,880.00

- These can now be set against Actual Costs this includes proportion of costs for Advertising, general Equipment Hire and Labour again split 70% Main 30% Folk
- Folk Stage Shared Cost Allocation = £8,181.96

- It should be noted that in Report EXT 2106 the contractor submitted a proposal for £29,600.00 which was reviewed at the External Committee on 22<sup>nd</sup> December 2021 at point EX2 – 302. This was Agreed subject to some additional information.

## D1b – FOLK STAGE - ACTUAL COSTS

The following are the recorded costs for Folk Stage (Excludes Fringe) operation.

FOLK STAGE (Only)	COSTS
ARTISTS & RIDERS	£11,681.90
EQUIPMENT (SPECIFIC)	£5,450.00
EXTERNAL CONTRACTORS	£5,000.00
SHARED COST ALLOCATION	£8,181.96
Total Costs	£30,313.86

- By applying the “break” point values the Folk Stage did not have the ability to cover costs even if ticket sales and commercial projections were achieved.
- The picture however shows significant losses against Actual Income

Folk Stage	Ticket Sales	Bar Sales	Commercial	Total
Actual income	£7,700.00	See Note	£4,360.50	£12,060.50

- **NOTE – VICTORIA HALL BAR SALES PROFIT NOT DECLARED ON OVERALL EVENT REPORTING £766 to be added to FOLK STAGE INCOME**

The operating loss for the Main Stage shows a cost of.

- **Folk Stage Operating Loss £18,253.36**
- **Less BAR PROFIT £766 = £17,487.36**

- As an associated element of the offering at the Festival it had been agreed at the External Committee meeting on 4<sup>th</sup> November 2021 at point EX2 – 284 that
  - It was resolved to consider ... the inquiry can find no further reference other than the fact that the Fringe was operated on a free basis. But relied on shared artists covered within the Folk Stage budget

## D1b – ADDITIONAL FRINGE COSTS

- Whilst showing nil costs there should be acknowledgement of impact on Folk artist costs to include additional appearances on Fringe stage

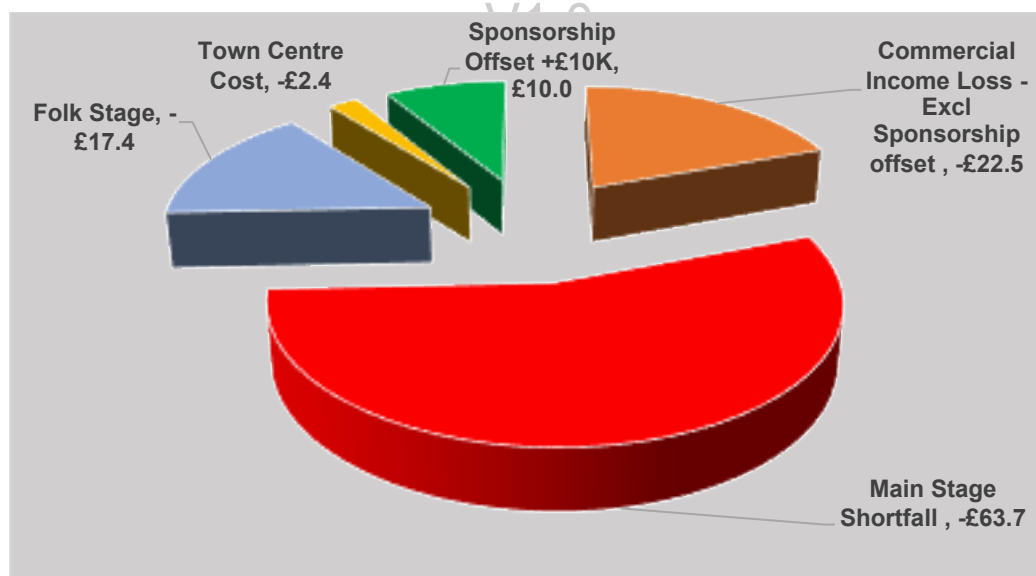
## D1c – COMMERCIAL OPERATION – TOWN CENTRE

- The festival featured a Parade and associated entertainment focused on the Town Centre and Bull Ring
- This activity was a free venue with no income allocation.
- The Costs associated with the Town Centre area.

TOWN CENTRE	COSTS
ARTISTS & RIDERS	£1,105.00
EXTERNAL CONTRACTORS	£1,275.00
<b>Total Costs</b>	<b>£2,380.00</b>

**Total Town Centre Costs £ 2,380.00**

### Overview Losses



NB – FOLK STAGE LOSS INCLUDES VICTORIA HALL BAR PROFIT (£766)

## E – Auditors Review

### CAVEAT

This report is based solely on numerical information provided, whilst the inquiry has undertaken a thorough consolidation of the figures, it has been difficult to completely validate all elements. The report is treated as a Nett VAT calculation.

At the outset of the inquiry, it was understood that a full independent auditors report was in progress and would be made available, as at the final release of the document on 2<sup>nd</sup> November 2022, for submission to allow release and circulation the full auditors report had not been made available to the inquiry.

V1.0

## F – CONCLUSIONS AND RECOMMENDATIONS

### Foundations

The conclusions and recommendations are set out below

- The festival had been an element of the town's budget and commitment since 2011, there was obviously no festival during the year's impacted by Covid regulations. During this time there had been changes to the staffing structure and personnel involved in previous events.
- During the summer of 2021 the 2022 festival started to crystallise into an emerging requirement, from the available records it is not possible to see any discernible drive from the core council, but in July 2021 a small group of councillors met to form the Folk and Boat Festival Working Group.
- The stated aims were set out to be
  - o "...ways forward with the festival and how to take it back to its roots. Ideas on how to engage the boating community, the folk community whilst incorporating a modern element"
- The final output was significantly different, the folk festival and broader community elements were reduced less than 25% whilst the modern element (main stage) accounted for some 75% of the total loss.
- The conclusion is that event metamorphosed into a multi-day "modern" music festival seeking to rely on headliner high-cost acts. This would not appear to have been the intent from the initial aims.
- There is no record of the Full Council agreeing to or debating that content.

### Key Conclusions

- From the earliest stages the festival was not properly monitored to ensure it was delivering an output which was fully understood by all.
- Budget projections were generated which professed to meet a neutral cost festival, these were never challenged as to their validity.
- Budgets were created against unfounded expectations that only underpinned high expenditure demands. Again, these were never interrogated for their rationale or ability to deliver.

- The skills sets, resource, task allocation and time were inadequate, a project plan had been offered but was never adopted or acknowledged, the true scope was never fully understood.
- The event profile at Full Council was low, there was only infrequent and specific points raised, nor did the Full Council request more detailed progress or financial modelling reports.
- Without formal project monitoring and control, the event costs continued unabated, and indeed offered free elements even whilst core costs were not being met by any income stream.
- The commercial element (income generation) failed, there appears little dedication to converting income opportunities, no-one appeared to have been “responsible” for undertaking or reporting on this activity.
- Ticketing recording, control and disciplines were inadequate. It has not been possible to see full sales and attendance records easily. This contributed to claims of excessive “free” ticket distribution, which whilst not provable are certainly consistent with the controls in place and general observation.
- Creating a two-stage event caused both increased costs and an un-necessary internal competition, from records it is possible to see divisions where one element reduced costs whilst the other continued with full expenditure. This is indicative of no credible event management discipline.
- Standing Order processes were followed but the clarity on reporting was not of the highest level.
- The overall general conclusion is that the 2022 Folk & Boat Festival was started without clearly defined aims, it was approved without any supporting evidence, it was delegated to a small committee who allowed spending to continue the condition “it was within budget” it concluded with losses that could have greatly mitigated with stronger management prior to commencement and firmer project control during the evolution.
- **ADDITIONAL OBSERVATIONS**
  - – in undertaking the inquiry, the difficulty in obtaining clear financial information was noticeable.
  - The ability to easily obtain, extract and validate transactions was not of the highest order, the subsequent failure in having an independent auditors report only adds to feeling of complacency around financial control and reporting, which may have contributed to lack of proper festival management,



## RECOMMENDATIONS

- The Council is ill equipped to deal with entrepreneurial undertakings. It should refrain from these activities or engage professional specialists to undertake those elements.
- Project management and associated progress and financial reporting should become the norm for any managed activity.
- Reporting should cover all activities and not be disseminated to Subgroups, the introduction of an Executive Summary should provide a credible oversight to encourage greater awareness.
- All budgets should be created with sufficient backup and reference information to allow fuller decision making.
- The approval of invoices after services or goods have been delivered should be removed, with greater emphasis on the approval of a Purchase Order (with reasons for) prior to commitment to spend.
- The observation noted in Conclusions must be addressed, Council Members should have all available financial information and transactional detail immediately to hand if they are expected to make credible decisions.
- Part 2 Council meetings should have a full financial overview of income spend and projected liabilities.
- During the inquiry it was noted that it was standard practice for Council employees to carry cash to be taken for banking. The recommendation is that this is stopped, and all money transfers are managed by a properly insured cash collection agent.

## H - ORIGINATING QUESTION RESPONSE

The following questions were raised prior to the commencement of the inquiry (duplicated references have been excluded)

Column1	Column2	Column3
REFERENCE	QUESTION	RESPONSE
5.2	Why did the festival sustain such financial losses	Refer to Full Report
5.3	Was the event properly costed, given the previous events also made substantial losses	NO - no clearly documented budget / costing proposals. No lessons Learned review prior
5.4	Was the financial plan sound from the outset with a reasonable chance of success	NO - financial plan generated without reference to Market Research or even properly identified "break even" points
5.6	Were financial risk assessments completed at the outset and through the preparation and execution	NO - no evidence of any risk assessment data or ongoing progress reviews
5.7	Were the organising group sufficiently managed and supervised and what was the management structure	NO - no evidence of ongoing parent - grandparent reviews of any type Management structure at Section B

5.8	How was the organising group selected and by whom	Town Council process, no documented rationale in regards to skills etc
5.9	Were Councils tendering regulations and standing orders followed	YES - some areas less than perfect recording but no real failures to adopt standards
5.10	Were Councils purchasing regulations and standing orders followed	YES - followed process
5.11	How were cash sales managed	Auditor report
5.12	How many free tickets were given away and at what cost and at who's decision	UNKNOWN - <b>GENERAL FAILURE</b> to control ticket information
5.13	What was the full brief and scope given by full council to external committee and from external committee to fab working group. Identify who's in charge and what were the levels of hierarchy	NO - no clearly documented brief or scope information from Full Council or External Committee. Management structure at Section B
5.15	Were any processes or standing orders broken and if so by who and how and when	NO - some areas less than perfect recording but no real failures to adopt standards. Declaration of Interests may need reemphasising, but of no material impact here.

5.16	Which part of the festival made money , which broke even and which area lost money	ALL AREAS MADE FINANCIAL LOSSES Only un-budgeted Sponsorship had a positive impact Section D
5.33	Why 30 - 40 days before the event was there not a financial reconciliation process followed and sales trends identified? At that point why was the event not considered to be cancelled with the poor sales figures	UNKNOWN - <b>GENERAL FAILURE</b> there was no formal review, project update or "Red Flag" decision process. Within all available documentation there is no reference of any Council member asking for financial updates or seeking further information. Unable to speculate on any decision process to cancel the event.
5.34	Who agreed for the event to go ahead even though sales were not covering costs	The event ran under auspices of the Full Town Council, it must therefore be concluded that only the Full Council had the authority to cancel the event. There is no documented request from either the organising committee or any other Council member to consider such a proposal. it continued in line with original budget approval.

5.35	Was a financial forecast done for the event	GENERAL FAILURE - budget based on poorly derived projections, no further effective financial reporting undertaken
5.36	Why did we have to wait so long for the figures? Wasn't someone keeping track of all the approved spend	GENERAL FAILURE - No financial reporting implemented.
5.37	Why was the full Council asked to retrospectively approve invoices when payment had already been promised	This was a standard process at the time, invoices for goods & services already supplied were presented to Full Council for approval.
5.39	Were any financial regulations or standing orders not followed throughout this process	NO - some areas less than perfect recording but no real failures to adopt standards
5.40	Why were minutes of the External meetings and working groups not submitted to full Council meetings after the meetings took place	Minutes of External Committee are available to all Council members Working group minutes were of poor quality and content Section B3
5.41	Was there a full segregation of duty involved in the whole process. Were two people always involved where cash handling took place.	Auditor report
5.42 5.43	Who carried out the cash reconciliation process	Auditor report
5.44	How much did free tickets cost us and who approved them	UNKNOWN - <b>GENERAL FAILURE</b> to control ticket information

5.45	Were risk assessments all carried out and were risks mitigated	UNKNOWN - Risk assessment documentation not seen by inquiry
5.46	Did we/ bands / business have the correct insurance to cover the event	YES - Event increased insurance premiums included in report. Unable to comment on third party insurance schedules
5.47	Who agreed the the overhead costs and were any restrictions put in place for these. Were those costs considered in the budgets and were residents aware of them	All costs were included within the budget approved by the Full Council. Unaware of any resident disclosure other than public attendance in Part 1 of Council meetings
5.48	I believe financial regulations have been broken due to the unauthorised budget overspend on the Festival. Who will be accountable for that? The working group or full council. The full council were never fully aware of the up to date income and expenditure reports on the event so can they be held accountable	<p>1 - The event did not overspend from the projected budget.</p> <p>2 - Accountability is set out in the Executive Summary of the report in that the Full Council has the overall responsibility.</p> <p>3 - Under the regulations every Councillor has a duty to ensure "... a sound system of internal control which facilitates the effective exercise of the councils functions, including arrangements for the managing of risk"</p>

5.49	Where are all the FAB project papers	All available documentation has been shared with the inquiry including document files, and gained insight. All information will be returned to the Council at the termination of the inquiry
5.50	Why was this not tendered as a full package which is over the value of £25K	The Budget was approved by Council, no element other than Main Stage act was more than £25K all others were presented to the committee with delegated authority to approve those purchases
5.51	Who agreed on all the suppliers advertising etc? were quotes sought ? Is there any supplier favouritism identified.	External Committee approved vendors. Quotes had been sought. The final decision on vendors was subject to the committee selection criteria
5.52	Are Contractors going to be held accountable for the losses	1- Contractors operated within the stipulations of their engagement, they did not exceed their combined budget 2 - losses were incurred by failure to generate ticket sales and commercial income neither of these areas were the responsibility of the contractors
5.53	What work was done with the fringe venues prior to the event	UNKNOWN - GENERAL FAILURE no documented activity

5.54	How were the food stalls agreed upon? Was there any favouritism given	UNKNOWN - GENERAL FAILURE no documented activity
5.55	Why were the public not consulted throughout the process?	Unable to answer question without further clarity as to timing, content and expected outputs.
5.56	Why were councillors allowed to claim expenses on this event were they valid and were receipts provided	Auditor report
5.57	Who approved the Working Group. How were people elected to it	Group made up up of councillors from External Committee, the artist contractors and volunteers
5.58	How were local businesses approached on the event? Was that acceptable	Unable to answer question without further clarity
5.59	Who decided no fair for the event	There was no budget submission for fair revenue included. It was not a documented activity regarding any decision, festival content sat with External Committee, but consistent to a general failure to secure commercial income as projected



<p>5.18</p>	<p>During the initial run up to the ticket sale roll-out the town council and the fab websites launched "early bird" tickets on sale to Middlewich residents only at discounted prices.</p> <p>The tickets were advertised as "cash only". This cash only sales offer went on for 36 days, people had to present themselves to the council offices with proof of address. How were tickets sold via this nature recorded, are there now receipts available for these transactions.</p> <p>what was the total cash from these sales and when was the cash from these sales banked, and is there physical proof of banking of these sales</p>	<p>Auditor report awaited.</p> <p>Inquiry observation – there was no control or recording of ticket transactions. The process failed to provide a clear audit trail that the inquiry could easily validate.</p>
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5.18	Was fab a financial failure in all areas and for what reason. Can we identify any areas that if correctly managed could be successful and was there any areas that were financially non-viable from the start	<p>1 - The Festival made losses in all areas Section D</p> <p>2 - Each area could in theory have operated at a cost neutral basis (comparison figures D1a and D1b) however this was based on a budget that was based on unproven projections.</p> <p>3 - The viability of generating income at a growth level of 3 times above previous average income, should have been challenged at the budgeting outset</p>
5.20	Were there financial control systems in place, who was allocated the job of monitoring expenditure over income from ticket sales, stalls and other income channels	<p>1 - Financial control - Auditors report</p> <p>2 - NO - Tasks were not clearly identified, resource and skills underrepresented</p> <p>3 - NO - no formal financial reporting took place</p>
5.27	Vendor assessment - were council guidelines followed during the selection of vendors and artists (purchasing protocols invoice assessment declarations of interest for hired staff / artists	<p>1- YES - some areas less than perfect recording but no real failures to adopt standards.</p> <p>Declaration of Interests may need reemphasising, but of no material impact here.</p>

5.17	Why did the chair of the Working Group resign halfway through then return as chair	Inquiry unable to comment on personal decisions however resource and enormity of task were apparent.
5.19	Did the people who received large amounts of money to organise the event carry professional indemnity insurance and has it been verified	Engaged contractors were employed to deliver artist services, there is no reference in their contract in regard to "organising" the event. As sole traders it is not believed they have indemnity insurance, the requirement to have this prior to engagement should be reviewed as part of a future vendor management
5.21	Who decided that the rights to the bar would be contracted out for such a small amount and what system was in place for verification of bar sales. This was needed to allow the sales kickback to be implemented	1- GENERAL FAILURE - internal resources not sufficiently available decision taken to "outsource" 2 - Selection of bar contractor unclear and was agreed as an 11th hour solution. 3 - GENERAL FAILURE - there was no auditing of declared bar takings or contractor final submission of fees

5.22	Were all meetings properly recorded	<p>1 - External Committee to then current Council standard, but reporting on Festival only at high level with no reference to detail, progress or financial status.</p> <p>2 - NO - Working Group minutes hap hazard often in notebooks and relied on volunteer collation</p>
5.24	By what methodology were the projected ticket sales derived	GENERAL FAILURE - no Market Research or demonstrable calculation see Section A5
5.25	There does seem to have been a disproportionate number of free tickets available. Was this number predicted (budgeted) and accounted for, what was the allocation process and how was the distribution monitored	<p>1 - GENERAL FAILURE - Ticket control was inadequate, there were no specific "Complimentary" ticket types</p> <p>2 - GENERAL FAILURE - there was no single ticket entry application to allow actual numbers and types of ticket to be identified</p>

# Addendum to Inquiry Document

The V2.0 For Full Release Version of the inquiry was completed during October 2022 but submitted to the Council as agreed on 2nd November 2022, against references contained within the document

- **Page 5 Para 4**
  - o *All financial figures are based on information provided by the Town Clerk.*
- **Page 54 Para 1 Line 1 to 3**
  - o *This report is based solely on numerical information provided, whilst the inquiry has undertaken a thorough consolidation of the figures, it has been difficult to completely validate all elements.*
- **Page 54 Para 1 Line 3**
  - o *The report is treated as a Nett VAT calculation.*
- **Page 56 Para 9 &10**
  - o *in undertaking the inquiry, the difficulty in obtaining clear financial information was noticeable.*

The Auditor report and Inquiry were conducted independently from each other, the Auditor does have access to financial systems not available to the Inquiry. The Auditor's report was released some 3 days after the submission of the Inquiry report.

The release of the Auditors Report immediately identified the forecast loss to be circa £92K rather than the £84K suggested from the initial Profit & Loss Statement.

In considering the V2.0 report it is important to state that

- All Executive, Extended and Consideration statements remain, the increase in total loss figure does not change the observations therein,
- Calculations of loss by area will be affected by the auditors' findings and whilst the calculations remain similar the revised figures would show a loss on the Main Stage of circa £70K and Folk stage of circa £19K with Town of Circa £3K

The Audit report is stated as a First Interim Report with further review to take place. On behalf of the Inquiry there are areas that would benefit from further professional clarification, those being.

- £4,702 was brought over from 2020 Council Reserves for tickets sold in 2020. Is the transfer from one declared financial year to be treated as "Income" in a different year permitted?
- VAT status of monies received for Bar Operation agreement

# Common Findings

Whilst operated independently findings in each report can be summarised as.

- AUDITORS REPORT – ITEM 4 PROJECT PLAN
  - o Covered in detail in v2 at section B5 and in Conclusions Summary also at C2 regarding poor application to generate commercial income on Stalls.
- AUDITORS REPORT – ITEM 5 Inconsistencies in the FAB accounting information.
  - o The inquiry was only issued with the event spreadsheet report, further information was by way of the inquiry asking for data, the inquiry was unable to raise concerns over differences in Rialtas report as this was not within the inquiry scope
- AUDITORS REPORT – ITEM 6 Budget Setting and Monitoring
  - o Covered in full detail in all sections from A3 to A5b
  - o Bar Sales covered in detail in C2 and against potential income against forecast footfall in D1a
  - o Commercial income overall in v2 identified a shortfall of £22.5K but recognised the offset from sponsors of £9950, which is included in Audit calculations.
  - o Previous events and lessons learned are covered in v2 at A1a identifying losses greater than published and failure to recognise from experience.
- AUDITORS REPORT – ITEM 7 Cash Receipts – Internal Control
  - o Extensive questions for details held in a non-published inquiry spreadsheet to attempt reconciliation of figures.
- AUDITORS REPORT – ITEM 8 Procurement
  - o Minutes all covered in section in Section B4 of v2
  - o Approvals for procurement referenced in all above sections
  - o The inquiry also noted impact on last minute appointments as a result of failure to follow the identified project plan.
  - o Recommendation that purchase process required improvement.
- AUDITORS REPORT – ITEM 9 FAB Working Group
  - o Detailed in section B3 of v2 report and B4 these also reference the chair responsible, and the minutes produced.
- AUDITORS REPORT – ITEM 10 Allocation of Tickets
  - o Reviewed in C2a. in detail
  - o Inadequate control identified at page 8 para 9
  - o As part response to Originating Questions
    - 5.12
    - 5.44

- 5.18
- 5.20
- 5.24
- 5.25

- AUDITORS REPORT – ITEM 11 Advertising Income
  - In section C2
- AUDITORS REPORT – ITEM 4 Stalls Income
  - In section C2