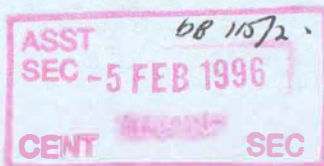




From The Permanent Secretary

DEPARTMENT OF THE ENVIRONMENT N.I.
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Handwritten signature and date 19/2

PSE 83/95

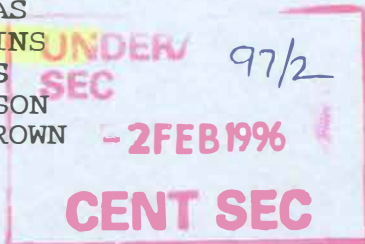
1 February 1996

TO: PS/SECRETARY OF STATE (B&L) cc PS/SIR JOHN WHEELER (B&L)
PS/MICHAEL ANCRAM (DENI, B&L)

FROM: R B SPENCE PS/BARONESS DENTON (DANI, DED & L)

Handwritten note: *has been drawn the attention of Linda from the possibility, to be checked out, that a guarantee, statutory or otherwise, might be a notifiable state aid under Art. 92-94 EEC. This is to investigate. This may impinge on what the PM can announce.*

PS/MR MOSS (DHSS, DOE&L)
PS/PUS (B&L)
PS/SIR D FELL
NI PERMANENT SECRETARIES
MR THOMAS
MR WATKINS
MR MILLS
MR THOMSON
MRS L BROWN



EVENTS STRATEGY

Handwritten note: *on 14 Feb - Linda will let you know. H.C.*

1. This minute responds to Robert Crawford's minute of 16 January about concerns expressed by Sir John Wheeler in his PS's minute of 12 January.
2. My submission of 22 December, covering a copy of the report from the Events Strategy Group, had been agreed with DFP and made the point (at para 11) that further discussion would be needed with DFP about the possible PE implications. These discussions have now taken place and were extended to cover the points made by Sir John.
3. Annex A explains again the need to underwrite some events, describes the proposed role of the Events Company, and sets out how the underwriting arrangements might work.
4. Although a capacity to underwrite events up to £2m is suggested, it is important to stress that the underwriting provisions would only create a new public expenditure demand if events seriously under performed. Before agreeing to underwrite an event, a business plan





would have to be prepared for the Events Company which would set out all the costs and the likely sources of income, the direct and indirect benefits and the risks attached to mounting the event.

- ? K
5. As Annex A explains, there is at present no adequate statutory basis for Government to support an Events Company with the role outlined in these papers. It would, therefore, be necessary initially for a Department to issue a non-statutory guarantee which would be notified to Parliament through the laying of a minute and probably a written PQ to explain the background.
 6. I can report that initial discussions with the private sector to date have produced a willingness in principle by the 4 main banks to share a modest amount of the risk in the underwriting arrangements. This is being pursued further, as are other possible sources of private sector involvement. It will be appreciated that there is no real financial benefit to the private sector in being involved in these arrangements; indeed they could lose money; they are being invited to become involved as a part of their contribution to "Northern Ireland plc".
 7. Direct sponsorship of events in the agreed strategy by public bodies would be financed from reallocation of around £500,000 of the PE resources currently available to DOE for promotional work in Belfast. If, in any year, resources in excess of £500,000 were required, the extra money would have to be found by the sponsoring bodies from within their own resources.





8. I hope that this note and the annex (which have been agreed with DFP) deal adequately with the points which have been raised and remove the need for a special Ministerial discussion.
9. Finally, if Ministers are content, the outcome of the work on the events strategy could be one of the good news items to be announced by the Prime Minister at his meeting with District Councillors. Attached at Annex B is a possible paragraph for inclusion in the Prime Minister's opening remarks.

RM

R B SPENCE





ANNEX A

SECURING MAJOR EVENTS FOR NORTHERN IRELAND

Introduction

1. This Annex outlines the arrangements which might be put in place to underwrite a small number of major events.

Background

2. In order to secure a major event for Northern Ireland, it is sometimes necessary for somebody to underwrite, or guarantee, the event up to a certain figure in order to persuade the owners of the event to commit themselves to come to Northern Ireland.
3. This commitment has sometimes to be in place several years before the event will be held. For example, we are currently discussing one world championship event which would be staged in 1999.
4. The arrangements will vary from case to case and could include joint ownership of an event. For example, an event staged in Northern Ireland in the European Golf Tour is likely to be jointly owned with the European Professional Golfers Association.
5. It is only when an event has been committed to coming to Northern Ireland that serious efforts can be made to secure a major private sector sponsor and a range of associated public and private sector sponsors.
6. Underwriting is only likely to be required for a very small number of events over the next 5 to 10 years, perhaps no more than half a dozen.





Business Plans

7. Each event being considered for underwriting would have to be supported by a proper business plan which would -
 - 7.1 describe the event and estimate all the costs involved in mounting it;
 - 7.2 set out the direct and indirect benefits to Northern Ireland;
 - 7.3 estimate the likely income from main and associated sponsors, ticket sales, television rights, merchandising etc; and
 - 7.4 analyse the risks of the event not performing as forecast.

Events Company

8. A company, limited by guarantee, would be created to undertake this underwriting function including, where appropriate, being the joint owner of events. This would be its sole responsibility.
9. The Directors of the Company might include nominees of the Sports Council, Arts Council and the Tourist Board; representatives of private sector organisations supporting the Company; and a senior official of the Department issuing the guarantee (in order to ensure close contact with the decision making process and to have effective monitoring of the Company's activities).
10. The Company might have an ability to guarantee up to, say, £2m in total.





11. The bulk of this guarantee is likely to have to come from Government. The NI Banks have agreed in principle to participate, but their initial offer is modest (£100,000) and subject to conditions; the Banks will, however, be pressed further. The Building Societies Association are also being approached. There may be a possibility of accessing National Lottery resources, either in general support of the Company or in respect of specific events. The UK Sports Council is developing a mechanism for supporting bids for hosting major sporting events which may also be a useful additional source of support.
12. As there is at present no adequate basis for Government to support this Company, it would be necessary for a Department to issue a non-statutory guarantee. This includes notification to Parliament through the laying of a minute and probably a written PQ to explain the background.
13. There would be a financial memorandum governing the relationship between the guaranteeing Department and the Company. This would include the conditions determining how the Company should appraise events and evaluate its activities. It would also cover how the Company would deal with any surpluses. A formal Review of the Company's role and activities, including the continued need for its existence, would be carried out after 5 years.
14. Where the Company was the joint owner of an event which made a profit, it could be authorised to use that profit to offset any losses on other events.
15. The Company would seek an appropriate overdraft facility from a bank (hopefully at good rates) which would provide the initial funding for financing any losses arising on an event which it had underwritten.
16. The Company would be open to audit by NIAO.





An example

17. In order to explain more clearly how the underwriting arrangement might operate in practice, it is useful to consider a possible example.

17.1 The Sports Council suggests that Northern Ireland might host in the year 2000 the World Championships in a particular sport and asks the Events Company to underwrite the event by £½m in order to persuade the world governing body for the sport to allocate the event to Northern Ireland.

17.2 The Sports Council (in conjunction with the World body, the NI body concerned with the sport and the District Council in whose area the event will be held) prepares a business case which -

- (a) states the direct and indirect benefits to Northern Ireland from mounting the event;
- (b) estimates the likely costs of mounting the event;
- (c) forecasts likely income from sponsorship, sale of television rights, spectators etc; and
- (d) analyses the risks.

17.3 The Events Company considers the business plan. It agrees that the benefits are significant and the forecasts of income and expenditure are realistic. It is satisfied that the event should be self-financing and that the risks of failure are modest. It agrees to underwrite the event by £½m.





- 17.4 The Sports Council proceeds to bring together an organisation to promote, market and manage the event. It involves the bodies indicated at 17.2 plus the Tourist Board. A separate body is set up for this sole purpose.
- 17.5 The body seeks tenders for a professional events organisation to market and promote the event and to seek sponsorship. A bank account is opened and a suitable overdraft facility is negotiated (again, hopefully at good terms).
- 17.6 Regular reports are provided to the Events Company on progress, especially on firming up costs and securing sponsorship. (If the Events Company had had some concerns about the viability of the proposal, it might have insisted on a condition enabling the event to be aborted up to say, 6 months before the date, if there is a significant change in circumstances.)
- 17.7 Expenditure builds up very slowly in 1996, 1997 and 1998, for example, in promoting the event and hiring facilities. In 1999/2000, the main expenditure arises in preparation of the site and then in running the event in 2000.
- 17.8 Over the initial period, little income is received, but income is committed contractually from the sale of television rights and from securing firm sponsorship deals with a main sponsor and associated sponsors. Thus the main sources of income are tied up by, say, 1999 and well before the event is run. During 2000, advance ticket sales add to income, followed by ticket sales on the day(s).
- 17.9 After the event is held, the organising body reviews the financial outcome. For the purpose of illustration, two possible results are considered:-





- (a) The event is successful. Income covers expenditure. The underwriting guarantee is not required. Any modest surplus is retained by the body set up to organise the event or perhaps divided amongst the parties involved in that organisation. It is then wound up, and its bank account closed.
 - (b) The event is not fully successful; attendances are lower than expected or some of the anticipated sponsorship is not secured. A shortfall of, say, £100,000 arises which is covered initially by the overdraft facility. The organising body seeks to minimise the shortfall, including seeking additional contributions from the parties represented on it. After these efforts, a shortfall of, say, £60,000 remains which has then to be met by the Events Company because of its underwriting role. The organising body is wound up and its bank account closed.
18. It is important to stress that each event will be different and require different financial support systems. As indicated earlier, one approach might involve the Events Company as joint owners of the event. It would then share in any profits earned (which could be set against losses on other events). It would also share losses with the other joint owner.





ANNEX B

CONTRIBUTION TO SPEAKING NOTE FOR PRIME MINISTER

"The end of terrorist violence has increased the prospects for Northern Ireland to host major sporting, cultural and popular events which project a positive image to the rest of the world and also bring all sides of the community together. Last autumn, Sir Patrick commissioned work on a strategy to attract major events in Northern Ireland over the next 5 to 10 years. I warmly endorse this initiative. I believe that it will contribute to healing community differences and will enable millions round the world to see, via television, Northern Ireland and its people at their best. District Councils have a significant role to play in relation to major events held in their areas.

I am, therefore, pleased to announce tonight that Government will be establishing, in conjunction with the private sector and others, a company which will assist in securing major events for Northern Ireland."

