Spending Review 2019

Post Project Review of the Pálás Cinema Project

SHARON BARRY

EVALUATION UNIT, DEPARTMENT OF CULTURE, HERITAGE AND THE GAELTACHT

OCTOBER 2019

This paper has been prepared by staff in the Department of Culture, Heritage and the Gaeltacht. The views presented in this paper do not represent the official views of the Department or Minister for Culture, Heritage and the Gaeltacht.
## Table of Contents

Executive Summary ............................................................................................................... 2

Overview and Methodology ................................................................................................. 4

Grant Objectives .................................................................................................................. 4

Demand for Art House/Cultural Cinema in Ireland ................................................................. 5

Project Evolution .................................................................................................................. 7

Departmental Reviews ......................................................................................................... 10

Assessment of the Department's role .................................................................................... 16

Project Outcomes ................................................................................................................ 17

Pálás Operations .................................................................................................................. 19

Conclusions and Recommendations ..................................................................................... 23

Bibliography .......................................................................................................................... 31

Appendix I: ACCESS II Selection Criteria ............................................................................. 33

Quality Assurance ............................................................................................................... 34
Executive Summary

In 2019, the Department of Culture, Heritage and the Gaeltacht (D/CHG) conducted a post-project review of the Páls cinema project. The project suffered from well-publicised issues both in terms of budget over-runs and completion, which took almost eleven years (from grant award in May 2007 to the cinema opening in February 2018). The project had been awarded a grant of €2m under the second Arts and Culture Capital Enhancement Support Scheme (ACCESS II) in 2006, and ultimately the Department paid out a total of €4.3m. This review examines the income streams, operations, administration and outputs related to the cinema and, in particular, assesses the Department's grant management approach. The aims of this post-project review were to determine:

- **Objectives** – Did the project achieve the aims of the grant?
- **Oversight** - Were the appraisal and management procedures adopted satisfactory?
- **Outcomes** - Did the expected benefits and outcomes materialise?
- **Learnings** - Can conclusions be drawn which are applicable to other projects?

### Key Findings

1. The original project promoter, while very well intentioned, was not sufficiently skilled to manage a project as complex as Páls. Both the Cultural Cinema Consortium and D/CHG should have taken that lack of relevant experience into account when awarding their grants.

2. A more detailed appraisal of economic costs and benefits, along with sensitivity analysis on the funding required to complete the project, should have been engaged, including an independent Quantity Surveyor and an engineer to thoroughly test cost estimates.

3. The Department complied with the project management framework in place at the time and conducted five separate funding reviews, including examining the option of withdrawing support for the project, as required under the Public Spending Code. However, improved oversight arrangements should have been put in place at the outset of the project, as several public sector funding organisations were involved, with the Exchequer bearing most of the risk for the project.

4. The Department consistently used its position as primary funder to leverage additional funding from other sources.

5. Bringing Element Pictures on board as cinema operator and to finalise the construction of the cinema was in the best interest of the taxpayer, as it ensured that the cinema was brought into public use and operated by experienced professionals. The cinema has had over 75,000 visitors in its first year of operations, which exceeds the predicted visitor numbers in the original application of 64,107.

6. The identified gap in cultural infrastructure in terms of the provision of cultural cinemas remains, with such cinemas currently available only in Dublin and Galway. The Culture Division, in conjunction with the Arts Council, could consider reviewing whether the demand for additional cultural cinemas or other avenues for providing access to cultural film exists and, if so, develop a policy to address the issue.
This review makes a number of recommendations around the management of capital grants by the Culture Division in D/CHG. Given the passage of time since the project was undertaken, a number of the recommendations – as they relate to the management of the Pálás project – have been implemented. Recommendations which remain to be implemented will be continuously assessed through D/CHG’s annual Quality Assurance Process to ensure implementation. These recommendations apply to the Arts Capital Programmes and all capital grants provided by the Culture Division apart from those applied to the National Cultural Institutions, which are delivered by the OPW and managed under a separate framework in the Department.

**Recommendations**

1. Training on the forthcoming updated Public Spending Code, business case appraisal and associated circulars should be mandatory for all staff involved in appraising and administering grants in the Department. While training is provided at present, it is not mandatory.

2. The Department should consider using a technical team including quantity surveyors, engineers, as well as consultant architects to accurately assess predicted costs on new build projects and significant enhancement projects.

3. Dedicated project managers¹ should be a requirement for all new build and significant enhancement projects.

4. Large capital projects should be undertaken on the basis of a strategic partnership, where possible, e.g. with a local authority.

5. In light of the forthcoming update of the Public Spending Code² for capital projects, it is recommended that the Culture Division update their grant management protocols to provide for a separate grant management framework for all non-NCI Cultural Infrastructure projects funded under A7 where an asset is being created and for enhancement projects requiring construction and costing in excess of €300,000. This could include the use of consultant Quantity Surveyors, Engineers and/or a technical team to provide oversight by the Department to test the project costs, designs etc.

6. Matched funding should be in place at the time of application. If it is not, then consideration should be given to awarding higher marks in the assessment of grants where matched funding is already in place and lower scores for matched funding from loans and/or predicted fundraising.

7. Performance indicators should be established for all grants funded by the Cultural Division and they should be collected and collated in a systematic manner.

8. The Department should assess ways in which to leverage funding from other sources.

¹ The term project manager in this context is a construction professional, e.g. architect, engineer, quantity surveyor, or a person with relevant project management experience.

² Forthcoming DPER Public Spending Code update – *Guide to Evaluation, Planning and Managing Public Investment*. 
1. Overview

1.1 The Department of Culture, Heritage and the Gaeltacht (D/CHG) undertook to conduct a post project review of the Pálás cinema project in Galway following an appearance at the Public Accounts Committee (PAC) in March 2018. The PAC recommended that a post-project review be undertaken to determine what could be learned from the Pálás project and to ensure public accountability. The project had been the subject of a Comptroller and Auditor General (C&AG) chapter in the 2016 Report on the Accounts of the Public Services, which resulted in a number of recommendations being made by the C&AG as to how the Department should manage capital projects in the future. The project suffered from well-publicised issues both in terms of cost increases and taking almost eleven years to deliver from grant award in May 2007 to the cinema opening in February 2018.

2. Methodology

2.1 Under the Public Spending Code, issued by the Department of Public Expenditure and Reform, all public expenditure is subject to on-going monitoring using appropriate performance indicators in order to demonstrate whether investments or interventions are yielding the expected outputs and outcomes. The Pálás cinema opened to the public in February 2018. In acknowledging that this is a relatively short period of time to gather data which serves as evidence of the flow of benefits/costs from the project, the analysis contained in this paper must be treated as a point-in-time examination. Nevertheless, it does provide a baseline for the cinema's performance. Data available up to end-August 2019 was considered as part of this review. A literature review of relevant academic and other papers on cultural cinema was undertaken and these papers are listed in the bibliography. This review examines the income streams, operations, administration and outputs related to the cinema and, in particular, assess the Department's grant management approach. The aims of this post-project review are to determine:

- **Objectives** – Did the project achieve the aims of the grant?
- **Oversight** - Were the appraisal and management procedures adopted satisfactory?
- **Outcomes** - Did the expected benefits and outcomes materialise?
- **Learnings** - Can conclusions be drawn which are applicable to other projects?

3. Grant Objectives

3.1 The objectives of the D/CHG grant are drawn from the ACCESS II guidelines, the D/CHG statement of strategy in place at the time of the grant and the 2007-2013 National Development Plan (NDP). In 2007, the Pálás cinema project (which was originally known as

---

Solas\textsuperscript{4}) was awarded a grant of €2 million by the Department under the second Arts and Culture Capital Enhancement Support Scheme (ACCESS II) scheme which was administered by the Department of Arts, Sports and Tourism\textsuperscript{5}. The grant awarded to Solas was intended to deliver an art house cinema in Galway that would provide a unique cultural experience to people living in the city and its environs. (Appendix 1 contains the criteria by which the Selection Committee assessed the grant applications).

3.2 ACCESS II was a key element of the Government’s Regional Arts Strategy and was included as part of the NDP 2007 to 2013. The ACCESS II scheme was aligned with the following high-level objectives of the NDP:

- Addressing economic and social infrastructure deficits;
- Promotion of social inclusion, and;
- Balanced regional development.

The scheme was designed to address gaps in existing cultural infrastructure provision through capital funding for the enhancement and refurbishment of existing facilities, to ensure their full value was realised and to increase audience participation in and access to the arts. 30\% of the funding was also allocated to eight new build projects,\textsuperscript{6} including Solas, where a gap in provision had been identified.

3.3 The National Spatial Strategy for Ireland (NSS) 2002-2020, served as the basis for the geographical spread of the projects selected. This strategy laid out the priorities for long-term urban and rural development. In particular, the Border-Midlands-West region (including Galway, where the Solas project is based) was to be specifically targeted for development to rebalance the higher rate of development in the South and East. The NSS also identified a number of gateways and hubs, the majority of which had projects funded under ACCESS II. Galway had been designated as a gateway location i.e. towns/cities in which development would contribute to balanced regional development.

4. Demand for Art House/Cultural Cinema in Ireland

4.1 In considering the objectives of the scheme, it is worth examining whether a demand for an art house/cultural cinema existed and, if so, how that demand was demonstrated. The term art house/cultural cinema refers to the film programming provided in such a cinema

---

\textsuperscript{4} Solas – Galway Picture Palace Teoranta was a private not for profit company and a registered charity.

\textsuperscript{5} For the purposes of clarity, D/CHG (Department of Culture, Heritage & the Gaeltacht) is used when referring to the Department in this paper as the body which currently has responsibility for arts capital programmes.

\textsuperscript{6} Kilkenny Integrated Cultural Facility (now: Butler Gallery at Evans’ Home), Solas Picture House Galway, Tullamore Library & Arts Centre, West Cork Arts Centre, An Daingean Boatyard Arts & Cultural Centre, Macnas Workshop Galway, Garage Theatre Monaghan, and Ballina Arts Centre.
whereby a broader choice is offered to audiences without excluding the big-budget blockbuster movies emerging from the major American film studios. The emphasis is on productions from Irish companies, independent studios and European films, which may otherwise struggle to be screened in the typical multiplex cinema in Ireland.

4.2 In the late 1990s, the Cultural Cinema Consortium (CCC) was formed as a strategic partnership between the Arts Council and the Irish Film Board to assist with the development of the cultural cinema sector in Ireland. The CCC also provided funding for cinema equipment and infrastructure in furtherance of this objective. At this point, only two cultural cinemas were in operation in Ireland, namely the Irish Film Institute (IFI) in Dublin and Kino in Cork. In other parts of the country, access to arthouse film was provided on an ad hoc basis by film clubs.

4.3 Two independent reports were commissioned to examine the demand for Cultural Cinema in Ireland. The reports were:

1. Connolly, Neil and Dillon, Maretta (2001), *Developing Cultural Cinema in Ireland*, commissioned by The Arts Council, the Irish Film Board\(^8\) and Enterprise Ireland in association with the Northern Ireland Film Commission, and;

4.4 The 2001 report, *Developing Cultural Cinema in Ireland*, examined how best to plan and resource citizens' access to cultural cinema in Ireland. That report estimated that 96% of films shown in Irish cinemas were from the aforementioned large American studios, meaning that indigenous independent and European productions accounted for less than 4% of the Irish market. In 2018, Irish films accounted for only 2.5% of cinema market share. In turn, this made it difficult for independent and Irish films to be screened in large multiplex cinemas, given the limited audience. Art house cinemas aim to provide audiences with access to films that might otherwise not be available and also provide film producers, in particular indigenous film makers, with the opportunity to screen their films. The report concluded that a strategic approach to cultural film in Ireland was required, which included the development of a network of regional cinemas. The report concluded that Galway was an excellent location, providing an audience for cultural cinema based on the following:

- Galway had an active Film Society which held an annual Film Fleadh;
- Galway had two higher education institutes (NUIG & GMIT) offering diploma courses in film and television studies, and;

---

\(^7\) Twentieth Century Fox, Warner Bros., Paramount Pictures, Columbia Pictures, Universal Pictures, and Walt Disney Pictures.

\(^8\) The Irish Film Board has since been renamed Screen Ireland.
There was an existing strong arts scene in Galway, including the annual International Galway Arts Festival, the Druid theatre company, Macnas etc.

4.5 The 2004 report - *The Cultural and Economic Trends of Cinema in Ireland and Wales* stated that "cinema audiences in Ireland are among the highest in Europe second only to Iceland. The annual frequency of cinema going per capita in Ireland is 4.5 visits per year only surpassed by Iceland at 5.7 visits per annum." The report contained a number of findings:

- A need to broaden both the quality and quantity of film choice. Ireland had a low proportion of cultural cinema programming, with approximately one in ten cinemas screening specialist films, despite the country's high cinema attendance rates.
- Ireland had a relatively well developed, recently built, cinema sector but a poorly developed cultural cinema network, with only the Irish Film Institute (IFI) in Dublin and Kino in Cork (which has since closed).
- There was a considerable concentration of cinemas in Dublin and provision was sparse in the North-West of Ireland (incorporating Galway).

4.6 The report strongly recommended that key centres including Galway, as identified in the 2001 *Developing Cultural Cinema in Ireland* report, should be developed to foster an attractive investment environment for art house film infrastructure, thereby providing Irish audiences with access to Irish and international independent films. These two reports provided the policy imperative for the Arts Council and the Irish Film Board in their attempt to address the recognised deficit in terms of cultural cinema infrastructure in Ireland through the CCC, while both reports specifically noted that Galway would be a suitable location for such a facility.

5. Project Evolution

5.1 In 2005, the CCC made an award of €750,000 to Solas to develop a proposal for a cultural cinema in Galway city, an objective fully supported by the film industry as the IFB co-funded the CCC. Once the project had been further developed to design stage, the CCC increased their grant to €1,250,000. In 2006, Solas applied for a grant under the ACCESS scheme in respect of the development of a cultural cinema and in April 2007 they were awarded a grant of €2m by the Department, which was 50% of the €4m they had applied for. The Solas application was for the construction of an art house cinema on a city centre site in Galway to include 3 screens seating 176, 105 and 77 persons respectively; a bar and café; a box office; a bookshop; a public archive room and office space.

5.2 Table 1 illustrates the funding sources allocated to the project and their source initially, as well as the final outturn costs for the project. It also shows the funding allocations made as the project progressed due to a number of issues which arose on the project including:
- The house adjoining the site becoming unstable, which had to be demolished and rebuilt.
- The contractor resigning due to project delays and ultimately going into liquidation.
- Three separate phases of works required instead of one as initially planned.
- Two different contractors involved in construction.
- Two occasions on which the site was closed for extended periods, leading to a 3-year delay (2011-2014) and a further 2-year delay (2015-2017).
- A change in project promoter from Solas to Element Pictures.
- Solas going into liquidation and becoming the subject of a Charity Regulator’s report.

5.3 In 2009, Solas undertook a tender and appointed a contractor. The Department put in place a legal agreement to secure the Minister’s investment in the project by way of a lien on the building, thereafter construction commenced. In late 2010, the project encountered difficulties with the house adjoining the site became unstable. As a result, construction ceased in October 2009 and the site was closed. Negotiations between Solas and the owners of the house continued and in 2010, agreement was reached that the house would be demolished and rebuilt at a cost of €213,000. Further delays were now expected as planning permission was needed to demolish and rebuild the adjoining property. At this point, the Department had already paid out €900,000 or 45% of the €2m committed to Solas. In 2009 and 2010, the then Minister and officials from the Department met with Solas and wrote to them a number of times to impress upon the project promoter that no further funding would be made available from the Department and that Solas must meet any cost increases themselves.

5.4 In 2010, a separate development on the funding side arose following a C&AG recommendation. It was decided that capital funding for the Arts sector would be consolidated into the Department, while the Arts Council would provide current funding to the sector. Following implementation of this recommendation, the Cultural Cinema Consortium, of which the Arts Council was the main funder, could no longer provide capital funding to the sector. Accordingly, responsibility for the outstanding amount of the CCC grant of €1,250,000 to Solas passed across to D/CHG. The Department therefore committed a further €507,000 in capital funding to the Solas project to take over the unpaid portion of the CCC grant, of which €752,000 had been paid out. Therefore, while the Department's contribution to the project increased, the exchequer contribution to the project remained the same. Due to the on-going delays the site remained closed, and in March 2011 the contractor resigned, citing site conditions, design inadequacies and delays. Solas tendered for a new contract including the rebuilding of the adjoining house.

5.5 By 2012, the site had been closed since 2010. The Department undertook a review of the project at that juncture.
<table>
<thead>
<tr>
<th>Funding Body</th>
<th>Original Allocation</th>
<th>2010</th>
<th>2012</th>
<th>2015</th>
<th>2016</th>
<th>2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>D/CHG</td>
<td>2,000,000</td>
<td>507,000</td>
<td>-</td>
<td>735,000</td>
<td>255,000</td>
<td>771,489</td>
<td>4,268,489</td>
</tr>
<tr>
<td>CCC</td>
<td>1,250,000</td>
<td>(507,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>743,000</td>
</tr>
<tr>
<td>IFB/Screen Ireland</td>
<td>400,000</td>
<td>-</td>
<td>400,000</td>
<td>-</td>
<td>263,000</td>
<td>-</td>
<td>1,063,000</td>
</tr>
<tr>
<td>Galway City Council</td>
<td>-</td>
<td>-</td>
<td>200,000</td>
<td>232,000</td>
<td>-</td>
<td>-</td>
<td>432,000</td>
</tr>
<tr>
<td>WDC Loan</td>
<td>650,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(300,000)</td>
<td>350,000</td>
</tr>
<tr>
<td>Element Pictures</td>
<td>-</td>
<td>-</td>
<td>750,000</td>
<td>-</td>
<td>131,844</td>
<td>602,246</td>
<td>1,484,090</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,300,000</strong></td>
<td>-</td>
<td><strong>1,350,000</strong></td>
<td><strong>967,000</strong></td>
<td><strong>649,884</strong></td>
<td><strong>1,073,735</strong></td>
<td><strong>8,340,579</strong></td>
</tr>
<tr>
<td><strong>Total including site</strong></td>
<td><strong>6,260,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>10,300,579</strong></td>
</tr>
</tbody>
</table>

9 Department takes over the unpaid balance of the Cultural Cinema Consortium grant following a consolidation of capital funding.
10 The balance of this WDC loan of €350,000 is now repayable by Element Pictures.
11 Galway City Council paid €1,960,000 for the site including Stamp Duty.
6. Departmental Reviews

Over the course of the project, due to issues arising, the Department had to review the project on five separate occasions and make decisions about whether or not to provide additional funding. These reviews took place in 2012, 2014, 2015, 2016 and 2018 and are detailed below. It should be noted that at each point the costs changed, the Department’s consultant architect subjected the costs to scrutiny and produced reports to say that the cost variations were reasonable.

6.1 First Departmental Review – 2012

a) Issue: In March 2012, Solas signed a contract with a second contractor without the express knowledge of or sanction from the Department, as required under the terms and conditions of the grant. The second contract was signed at a cost of €4.1m, €1.3m higher than the first contract (€2.8m). At this point, Solas did not have sufficient funds in place to honour the contract. Solas applied to the Department for an increase of €800,000 to the D/CHG grant to assist with the shortfall in funding for the second contract as Solas had been unable to raise any additional funding.

b) Actions: The Department sought legal advice on the matter from the Chief State Solicitor’s Office, who stated that D/CHG had no legal obligation to pay towards the costs of the second contract. In April 2012, the Department wrote to Solas stating: “In order to protect public funds, the Department cannot make or undertake to make any further payments to Solas from the allocated grant until all necessary funding is in place to bring the facility into public use.”

The significant cost variations arising meant that the Department had to make a policy decision about the future viability of the cinema. A review was conducted and all options, including the withdrawal of the Department’s support for the project were considered. D/CHG, the IFB and Galway City Council (GCC) held extensive consultations with Solas during this period and an agreement was reached where an additional €600,000 in public funds were committed to the project. This was made up of €400,000 from the IFB and €200,000 from GCC. At this point, the Department did not offer any additional funding to the project but did agree to unfreeze the remaining balance of the existing grant of €2,507,000\(^\text{12}\). As part of the agreement, Solas signed a heads of agreement in which they undertook not to seek any additional funding from the Department, that they would raise €500,000 in private funding. The agreement also included a dedicated project manager being appointed, a due diligence

\(^{12}\) This included the €507,000 D/CHG committed to the project to take over the remainder of the Cultural Cinema Consortium grant.
exercise on the cost increases associated with the second contract and governance and operating plan to be submitted by Solas.

c) Outcome: This agreement was reached to provide Solas with the breathing space to fundraise and secure the outstanding funding required to complete the first phase of the second contract, which would provide a weatherproof building, but would be a shell on the inside. It is important to note that the second contract had been broken into two phases, the first of which was legally enforceable. During 2012 and 2013, Solas sought the services of a cinema operator to run the cinema once open. In August 2013, Solas informed the Department that they had signed heads of agreement with Element Pictures, who would also provide €750,000 towards the costs. Element Pictures are a long established film production and distribution company and had, at that point, been running the Light House Cinema in Dublin for two years and they were considered by all funders as an appropriate operator for the Galway cinema.

6.2 Second Departmental Review – 2014

a) Issue: In 2014, Solas requested that the Minister approve the commencement of Phase Two of the second contract and they indicated that the contractor was threatening to "walk off the site" if Phase Two was not triggered immediately. The gap in funding at this point was €1.5m, which had yet to be secured.

b) Actions: In August 2014, the Department wrote to Solas and indicated that it was prepared to agree to the project promoter entering into a contractual agreement for the delivery of Phase Two when the following conditions were fulfilled:

1. A signed contract is in place with the selected operator;
2. A certificate of practical completion of Phase One from the Solas architect is supplied for the entire site;
3. Documentary proof is supplied to the Department of the existence of the outstanding funding which Solas had committed to raise, and;
4. That the amount of the Phase Two contract be at (or below) the level of the contract entered into in March 2012.

By October 2014, Solas had been unable to raise the additional funding required and the Department reviewed the project once again. This review outlined three options:

1. To provide further funding, which was considered difficult in the context of the amount of public funding already provided to construct the cinema;
2. Not to proceed with Phase Two and to leave the building for a number of years until sufficient funding became available;
3. To engage with other funders, in particular, GCC, to seek a way forward.

c) Outcome: The review recommended engaging further with GCC (option 3) to determine whether a way forward could be identified and to inform Solas that the Department would not at this juncture release any funding towards the second phase of the project.

6.3 Third Departmental Review - 2015

a) Issue: The third Departmental review of the project took place in 2015, after the second phase of works (first phase of the second contract) had been completed. The site was closed for the second time after the completion of the second phase of works due to a failure by Solas to raise the additional private funding it had committed to. Work ceased as Solas had insufficient funding in place to complete phase three (phase two of the second contract). Solas applied to the Department for an additional €800,000 despite its previous undertaking that it would not seek additional funds from the Department.

b) Actions: The Department once again reviewed the project and conducted a risk analysis to determine how best to serve the interests of the taxpayer whilst also ensuring value for money for the exchequer. At this point, the building was in place and was weatherproof but was a shell and a further total of €2.2m was required to pay the contractor to complete construction. The option of ending support for the project was reconsidered given the failure of Solas to raise private funding and the fact that the additional costs which had now crystallised would be borne by the State if the project continued. The risk analysis conducted by the Department at this point considered the following (Table 2 provides the conclusions of the review):

i. The issue of trust in relation to project delivery,
ii. The issue of principle as to whether the Department should breach its promised allocation,
iii. The balance of issues in terms of obtaining value for money for the taxpayer, and
iv. The availability of capital funds in the Department.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Conclusion</th>
</tr>
</thead>
</table>
| Trust | • Solas had been unable to deliver on its commitments.  
• Solas had breached the grant agreement with the Department.  
• The project had suffered from poor project management and Solas had refused the offer of a dedicated project manager funded by the IFB.  
• Based on these conclusions, the Department felt that, as presently managed (with Solas as project promoter); the Department could |
not continue to support the project. Galway City Council agrees to take over project management and the Department was satisfied with that proposal in terms of mitigating against further costs increases and the provision of project management expertise.

<table>
<thead>
<tr>
<th>Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In managing grants, D/CHG does not normally provide additional funding in the event of cost increases; these must be paid by the project promoter except for exceptional circumstances. On balance, the Departmental assessment was that the taxpayers' interests were best served by finishing the project, and therefore, additional Departmental funds would be required to accomplish that.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value for Money</th>
</tr>
</thead>
<tbody>
<tr>
<td>• D/CHG had already paid out €1.9m and the building was now weatherproof. The building was sitting on a site owned by the State and if the cinema was not completed, it would fall to the State to maintain, develop the building for another use, or to sell it, which would potentially materialise as a loss for the exchequer. It was considered best value for money for the taxpayer to bring the cinema into public use.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Availability of Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Department determined that it could provide additional funding if the additional grant could be paid out over a 2-3 year period to take account of existing capital commitments.</td>
</tr>
</tbody>
</table>

c) Outcome: At this point, intensive negotiations were ongoing between D/CHG and GCC and the Council offered to project manage the project to completion and to provide an additional €232,000 in funding towards the costs, bringing their contribution to €482,000 plus project management costs in-kind. This was in addition to the €1.96m the Council had spent on purchasing the site.

Following this commitment from GCC to the project and the Departmental review, it was agreed that the taxpayer was best served by continuing to support the project and bringing the cinema into public use. Following the risk analysis, the Department committed a further €735,000 of funding to the project in July 2015, bringing the total D/CHG grant to €3,218,000. Another relevant issue to note is that Galway was designated a UNESCO City of Film in 2014. This designation recognises the value and importance of the city's support for film production and the wider creative communities. The designation also comes with permanent membership of the UNESCO Creative Cities Network, which is fitting given the city and wider region's reputation as a centre for excellence in film and screen content production.
6.4 Fourth Departmental Review - 2016

a) Issue: Despite the offer of €735,000 from the Department, Solas still did not have sufficient funds in place to commence with the final phase of building works and in 2016 Solas requested further funds from the Department.

b) Actions: The Department entered into intensive negotiations with Galway City Council and an agreement was reached whereby Solas was removed as project promoter and all rights and liabilities transferred from Solas to Element Pictures. GCC agreed to grant a lease of 30 years to Element, reduced from the 99-year lease offered to Solas, in recognition of Element’s status as a commercial company. The Department conducted another risk assessment which was largely the same as the assessment carried out in 2015. Ultimately, the choice for the Department, Galway City Council and the other funders was to choose between:

   a) Allowing the project to fail, whereupon the lease would ultimately revert to the City Council and the costs of finishing the building either as a cinema or for some other use would fall to the State. If the project failed, no cultural cinema would be provided in Galway.
   
   b) Facilitating the operator Element Pictures to take over from Solas as project promoter, leaseholder and operator.

The Department also considered the repayment of the Western Development Commission (WDC) loan of €650,000 which Solas had taken out. If the project was allowed to fail, the WDC stood almost no chance of recouping the loan which had fallen into arrears as Solas had been paying interest only with no capital repayments having been made. Following the 2016 election, the Department had now become the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs, so the repayment of the WDC was a matter of direct relevance to the Minister. Another issue of relevance was the fact that in 2016, Galway had been selected as the European City of Culture for 2020 and the Pálás cinema was considered a significant piece of infrastructure to support activities during that year.

c) Outcome: Element Pictures increase their contribution to the costs from €750,000 to €881,844 and the Department agreed to increase the grant by €255,000, bringing the total D/CHG grant to €3,473,000. Element Pictures rename the cinema Pálás to take account of the importance of the Irish language in Galway. At this point, the site had been closed for two years, the second such closure. Element Pictures were committed to bringing a cultural cinema to Galway and both the Department and GCC were satisfied that Element had the requisite experience to make the cinema a success given their very successful management of the Light House cinema in Dublin. Element pictures took over from Solas in dealing with the contractor, which proved to be very constructive, while GCC operated as project manager. The costs which led to this increase in the grant included costs associated with reopening the site which led to an increase of €240,000 in the builder’s contract due to dilapidation on site,
changes to design specifications which were found to be insufficient, and construction inflation, which at this point was running at 6.3% due to significant economic growth and severe supply constraints in the construction industry. To cover these cost increases the Department provided €255,000, the IFB €263,000, and Element €131,844, while GCC provided €107,000.

6.5 Fifth Departmental Review – 2018

a) Issue: The final increase in costs arose in late 2016 after Element Pictures had taken control of the project and construction had recommenced. Following protracted negotiations, Element Pictures reached a final settlement with the contractor on disputed additional costs to complete the project and facilitate its opening in February 2018. The contractor had sought cost variations of €1,533,279, which Element Pictures successfully negotiated down to €1,073,746. These final set of cost variations amounted to €1,073,735. These costs arose due to:

i. Increased construction costs due to a mandated increase in construction workers pay by the Government.\textsuperscript{13}

ii. Costs due to the significant delays and associated site dilapidation issues, which could not have been anticipated in advance of the site being reopened.

iii. Rising construction inflation.

iv. Changes in building and health & safety regulations.

v. Lack of detail in the original mechanical and electrical specifications, which had been inadequately designed and turned out to be insufficient.

vi. Design modifications which arose due to the highly bespoke nature of the building and were required to make it fit for purpose. For example, the box office was situated outdoors, which, in the West of Ireland, posed a significant issue for customers having to queue outside to purchase tickets. A bespoke canopy had to be commissioned to rectify this.

Element pictures offered to pay €302,246 of the total negotiated bill with the contractor and sought funding for the balance from the Department. The figure Element Pictures offered to pay was considered as optional costs that were required to provide a cinema of the specifications they felt necessary. The balance of the costs was either due to inflation or cost variations due to issues that arose prior to Element Pictures taking over the project.

b) Actions: The Department sought a report from their independent consultant architect who deemed that the project had now reached a successful conclusion and that the costs were reflective of the work undertaken and that cost accounting had been transparent. The architect noted that “Element Pictures appear to be operating the cinema in a diligent fashion,\textsuperscript{13} Sectoral Employment Order (Construction Sector) 2017, S.I. No. 455 of 2017.
which offers hope for the long-term success of the cinema." The Department reviewed the cost claim from Element Pictures and determined that it was reasonable.

c) Outcome: The Department agreed to provide an additional allocation of €771,489, €300,000 of which was paid directly to the Western Development Commission in part payment of the €650,000 loan taken out by Solas. Element Pictures agreed to take-over the balance of the WDC loan of €350,000 and secured an agreement to repay this loan over 20 years. Element Pictures’ additional contribution of €302,246 to the final contractor costs meant they became the second largest funder of the project behind the Department, with a total contribution of €1,534,090 (excluding interest payable on the WDC loan).

7. Assessment of the Department's Role

7.1 This review has analysed the cost variations and additional issues which arose over the 11 years from the grant award to the opening of the Pálás cinema in February 2018 and reaches a number of conclusions regarding the Department's management of the project, which are contained in section 12. A number of issues arose throughout the course of construction, some of which have been assessed as being outside the Department’s control and which therefore could not reasonably have been foreseen or mitigated against in advance. These were as follows:

- The neighbouring building becoming unstable, requiring demolition and rebuild.
- The greatest economic crash experienced by the country coinciding with the project.
- The first contractor going into liquidation as a result of this recession.
- Construction inflation increasing significantly due to the improvements in the economy by the time the third phase of the project was undertaken between 2017 and 2018.
- Mandatory increases of in construction workers pay in 2017, following a Sectoral Employment Order by the Government.
- Changes to State mandated building and health & safety regulations which increased the cost of the third phase.

7.2 This review also identified a number of issues which warranted further consideration in terms of the adequacy of the actions taken by the Department, these included:

- Lack of relevant project management experience within Solas for such a complex project.
- Solas failing to inform the Department that a second contract had been entered into, which contravened their grant with the Department.
- The highly bespoke conceptual nature of the architect’s design.
• Corporate Governance issues within Solas, as identified in the 2018 Charities Regulators’ Report on Solas.

• Solas not succeeding in raising the philanthropic funding committed.

7.3 These considerations have led the review to make a number of recommendations around the future management of capital grants in the Department. Ultimately, the Department and the other main funders had a limited number of options to consider at each critical juncture in the project, which can be summarised as follows:

i. Whether the project continued to be viable and, if so, how to best proceed.

ii. Whether the project should be abandoned, the consequence of which would be to leave a shell of a building sitting on a site owned by GCC. This would ultimately have to be either sold or developed by the Council for an alternative use, which would ultimately incur further cost for GCC and fail to provide a cultural cinema in Galway.

iii. Whether GCC or the Department could run the cinema. This option was not appropriate as neither organisation has the requisite skills, expertise or indeed mandate to run a cinema.

iv. Get a professional cinema company with the appropriate skill set to run it and provide a stewardship role to Galway City Council.

7.4 Ultimately a policy decision had to be taken and the Department and Galway City Council formed the view that the Exchequer was best served by finishing the building and bring the building into public use as a cinema.

8. Project Outcomes

8.1 Post-project reviews primarily assess outcomes, whether the expected benefits and outcomes materialised as predicted. As the Pálás cinema has only been in operation for just over 16 months, it can be argued that there is insufficient data available to provide for a full economic analysis. The review does consider whether the original objectives of the grant were achieved and sets a baseline for future evaluation of performance. At a high level, the original grant objective was to address a policy gap for the provision of a cultural cinema in Galway. This objective has been achieved. Galway now has an art house cinema, providing a focal point for its thriving film and screen production industry, its annual film Fleadh and for the City’s inhabitants.

8.2 Table 4 provides an assessment of whether the project has achieved the objectives of the initial D/CHG grant. These objectives are drawn from the ACCESS II guidelines and the D/CHG statement of strategy in place at the time of the grant.
### Table 4

<table>
<thead>
<tr>
<th>Grant Objectives</th>
<th>Pálás Cinema</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>To address gaps in existing service provision through support for new facilities</td>
<td>A grant was awarded to provide a new cultural cinema in Galway City. The Pálás cultural cinema opened to the public in February 2018. A gap in cultural cinema provision was identified in the two reports commissioned by the Arts Council and CCC.</td>
<td>Achieved</td>
</tr>
<tr>
<td>To promote balanced regional development</td>
<td>The National Spatial Strategy in place at the time of the grant award had designated Galway as a gateway location, i.e. towns/cities which would promote balanced regional development and provide a focus for business, residential and amenity development. Funding was provided for the development of a cinema in Galway.</td>
<td>Achieved</td>
</tr>
<tr>
<td>To increase access to and participation in the arts</td>
<td>Increase the audience for cultural cinema in particular for Irish and European productions. In its first year of operations the cinema has had over 75,000 visitors. This exceeds the predicted visitor numbers in the Solas application in 2009 of 64,107.</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

8.3 The cultural capital afforded by the new arthouse cinema is more difficult to capture and measure. However, initiatives supported by cultural infrastructure are part of a larger eco-system as highlighted in M. Sharon Jeannotte’s 2008 paper “Shared spaces: Social and economic returns on investment in cultural infrastructure”. This paper points to the concentration of artists around cultural centres. The impact of individual infrastructure projects is hard to disentangle from the general environment and usually the impacts are long-term. Similarly, Hoegh-Guldberg notes in his paper “Cultural Capital as an Independent Economic Force” that “cultural ambience and other intangible cultural capital has an independent influence on future economic sustainability and growth which cannot be explained by technological and educational advances.” His theory of economic cultural capital, as opposed to the sociological definition of cultural capital, emphasises the importance of cultural structures as tangible assets that are not easily substituted. He asserts that traditional economic models undervalue cultural spaces and that policy-makers should factor in what he refers to as the “substitutability” of iconic cultural spaces when measuring their value or impact. The provision of cultural infrastructure adds to the sustainability of communities, by creating a vibrant social space and attracting artists and creators.
8.4 Under Project Ireland 2040, the population of Galway is estimated to increase by 50% over the next 25 years from 80,000 to 120,000. In order for the city to continue to be an attractive place to invest and live, a vibrant cultural infrastructure is required. Pálás, alongside the Galway City Museum, forms the boundaries of the City Council’s cultural quarter development plans. Galway City Council supported the project because they believe that Pálás forms part of the city’s cultural ecosystem. Aside from the inhabitants of Galway, the city also receives approximately 1 million tourists per annum and, even if they don't attend the cinema they can make use of the cafe and restaurant and the building itself as an architectural piece adds to the cultural ambience for which Galway is famed.

8.5 The location of the cinema will be key to the future success of Pálás. It stands across the street from the Galway City Museum, which records over 200,000 visitors per annum, and is likely to drive visitors to the cinema. The museum has been earmarked for significant investment by GCC in the coming years. The location forms part of the cultural quarter under development by the Council, which will enhance permeability for pedestrians and increase footfall in the area and links from the Spanish Arch back to a richly cultural area including the Druid Theatre Company, Taibhdhearc na Gaillimhe, the Hall of the Red Earl and other significant cultural assets. GCC owns four properties immediately adjacent to Pálás and intends to develop these into artists' studios or ateliers, further adding to the ambience of the area. Pálás is an architecturally acclaimed building which contributes to the overall ambience of the area.

9. Pálás Operations

9.1 This section examines the operation of the cinema since it opened in February 2018 to assess the impact of the cinema on Galway and the effectiveness with which Element Pictures are operating the facility. Element Pictures have a 30 year lease from Galway City Council and a Service Level Agreement is in place to govern the operating of the cinema and to ensure that the programming is appropriate for a cultural cinema. One of the key challenges in providing effective funding to cultural organisations is measuring the total impact of facilities. The context of the cultural space needs to be taken into account as the existence of dedicated cultural infrastructure has a multiplier effect. Where cultural spaces exist, a creative community can flourish. Therefore, a purely economic assessment of a facility does not adequately capture the full impact. However, outputs metrics such as sustainability, economic impacts (direct and indirect), social inclusion and participation are useful to examine. While sufficient time has not elapsed to allow for the collection of time-series data, some metrics are available for the first 18 months of operations which indicate the level of spillover effects on Galway city and its environs. These are set out in Table 5 and are categorised either as direct or indirect economic impacts.

9.2 As a result of the issues in delivering the project, the cinema has received significant negative press coverage which appears to have impacted negatively on both local and
national perceptions of Pálás, creating a difficult operating environment. One of the ways Element Pictures are trying to improve local perceptions of the cinema, as well as driving footfall, is through their diverse audience development activities. These events and audience development activities diversify the audience for Pálás as well as providing additional income streams, all of which underpin the future viability of the cinema.

<table>
<thead>
<tr>
<th>Output</th>
<th>Value</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cinema Visits (direct)</td>
<td>82,400</td>
<td>These numbers are in line with expectations and continue to grow month on month.</td>
</tr>
<tr>
<td>Employees’ Wages 2018/2019 (direct)</td>
<td>€898,000</td>
<td>Direct positive impact on the local economy.</td>
</tr>
<tr>
<td>Members Group (direct and indirect)</td>
<td>1,000</td>
<td>Aside from generating a pool of regular cinema goers, members are a useful asset to the cinema as they inform the wider community about their experience of the cinema.</td>
</tr>
<tr>
<td>Schools Programme Visits (direct and indirect)</td>
<td>800</td>
<td>An outreach programme is an excellent method for developing the next generation of cinema lovers as well as allowing the children feed their experience of Pálás back to the wider communities.</td>
</tr>
<tr>
<td>Expenditure on local Suppliers (indirect)</td>
<td>€1,111,391</td>
<td>45% of supplier expenditure was spent locally, which has positive spill-over effects, particularly in terms of sustaining employment in the Galway area.</td>
</tr>
<tr>
<td>8% of films screened in year one were Irish Films (direct)</td>
<td>26</td>
<td>Screening Irish films has a direct impact on the sustainability of the Irish audio-visual sector and supports Irish artists.</td>
</tr>
</tbody>
</table>

9.3 Actual cinema attendances to date amount to 82,400 ticketed admissions. However, this does not include figures for other events (see list below), for which actual data is not available. The audience development activities include offering the space for events not related to cinema in order to bring people into the building that otherwise might not cross the threshold, with a view to encouraging those people to frequent the cinema in the future. Element Pictures are trying to establish Pálás as a community cinema with more of an outreach approach than the typical commercial multiplex. Such events include:

14 Figures for ten months since the schools initiative was launched.
• Civic events, e.g. Galway City Council launched their Galway 2020 event for the CEOs of all the country’s local authorities.
• An active cinema membership programme with 1,000 members to date.
• Paid corporate events, e.g. lunches, launches, video conferencing etc.
• A book club.
• A supper club, combining the restaurant with the cinema experience.
• Special screenings for people with sensory issues.
• Dog-friendly screenings.
• Mother and baby screenings.
• Sing-along screenings.
• ‘Silver Screen’ events to encourage older audiences.
• Event cinema, e.g. live-streamed ballet, opera, theatre such as the Metropolitan Opera in New York, The Royal Opera and Ballet, the Bolshoi Ballet and the Royal Shakespeare Company.
• Classic film seasons giving audiences a chance to rediscover classic films on the big screen.
• Young People, e.g. screening a full retrospective of Pixar’s films in order to encourage the next generation of cinema-goers.

9.4 Element Pictures are also working to deepen their involvement with other organisations in Galway to further add value to their cultural offering and to support other businesses in Galway. This includes:

• Pálás has hosted both the Film Fleadh and Junior Film Fleadh.
• Pálás is now the host venue for the Galway Film Society, bringing arthouse films to the cinema that otherwise would not get a release outside of film festivals.
• As a venue for events during Galway 2020 with various organisations from local artist collectives to the French Embassy.
• A schools outreach programme where screenings of curriculum-related films as well as foreign language and socially relevant films are screened for Primary and Secondary School children.
• Element is currently exploring the possibility of running a module of National University of Ireland, Galway’s Masters in Film Studies in Pálás.
• The use of local suppliers as much as possible for the restaurant.
• Partnering with Charlie Byrne’s bookshop (awarded Ireland’s leading independent bookshop award) for the monthly book club.

9.5 Element Pictures, as an experienced film distributor and cinema operator, are providing a carefully curated programme of films and constantly adjusting to fit the requirements of the Galway cinema-going audience. This includes screening arthouse, independent, Irish and foreign language films in addition to big budget mainstream films.
These mainstream films make the least in terms of box-office returns, in part because the large studios take up to three quarters of box office takings, but also because they are shown in the other cinemas in Galway. Screening mainstream films serves two other purposes: (1) to encourage people who may not yet have an interest in cultural film to use the cinema, thereby expanding the audience and (2) the programmes will screen mainstream film when they believe that the film or its talent (writer, director, cast) are of particular interest to the existing Pálás audience. The existing audience want to see all types of films not just arthouse, and providing access to the large studio films means the regular audience does not have to go elsewhere to access those films, which would undermine the viability of the cinema. To date, only 10% of the films shown in Pálás are classified as mainstream. Chart 1 shows the programming breakdown in Pálás to date.

**Chart 1: Programming**

<table>
<thead>
<tr>
<th>Pálás Programming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indie 10%</td>
</tr>
<tr>
<td>Irish 13%</td>
</tr>
<tr>
<td>Foreign Language 17%</td>
</tr>
<tr>
<td>Mainstream 10%</td>
</tr>
<tr>
<td>Classic 10%</td>
</tr>
<tr>
<td>Family 13%</td>
</tr>
<tr>
<td>Event 10%</td>
</tr>
<tr>
<td>Documentary 8%</td>
</tr>
</tbody>
</table>

9.6 The bespoke design of the building, while architecturally significant and award-winning, does present Element Pictures with a number of challenges as operators. The Pálás cinema was designed by De Paor architects and has been described as a contemporary moulded-concrete “tower house”. The concept and execution of the building from an architectural perspective has been successful, however, the facade may be somewhat intimidating to people and, as such, presents a barrier to entry. Element Pictures are working to make the interior as warm and inviting as possible and encourage the public to explore and experience the building. The highly bespoke nature of the building added to the overall cost of the project and over the long-run means that upkeep and refurbishment of the building will be a costly undertaking, as there are a number of functionality issues that make the building less than optimal for its intended purpose. Element Pictures’ audience development activities aim to encourage people from across the community of Galway to engage with and
use the building as a community-focused space with knowledgeable staff, delicious food on offer and a cosy bar, making it as warm and inviting as possible.

8.7 In discussions with all stakeholders involved in the cinema, it can be stated that GCC, Screen Ireland and the Department, as main funders, are all satisfied that Element Pictures are very committed to the cinema and are working hard to develop the audience and change perceptions in Galway. The City Council are of the view that Pálás is a significant element in the city's cultural ecosystem and that it will continue to grow in success over the coming years.

10. Conclusions and Recommendations

10.1 A key component of any review is to consider learnings and develop conclusions which can be applied to future actions. Table 8 sets out these conclusions and associated recommendations to mitigate against similar problems arising, as well as any intervening actions taken by the Department considered to be useful in providing for such mitigation. The full value of evaluations can only be realised if any findings or recommendations are followed up on in a timely manner. An evaluation without appropriate implementation arrangements will have limited value in the long-term. D/CHG finds the annual Quality Assurance Process (QAP) to be a very useful tool to monitor implementation of recommendations on an annual basis, thereby reinforcing the value of evaluations and ensuring high levels of compliance. Therefore, the recommendations contained in the review will continue to be monitored through the annual QAP until they are deemed to have been implemented. In addition, setting timelines for implementation is recommended to ensure high levels of compliance; therefore, it is considered that the recommendations contained in this report should be substantially completed within 12 months of the publication of this review.

10.2 Overall, it is the assessment of this review that the Department complied with the project management framework in place at the time. The final assessment of this review considers that the main problem with the project was the fact that the original project promoters, while very well-intentioned and passionate about cinema, were not sufficiently skilled to manage a project as complex as Pálás. Solas had no demonstrable experience of operating a cinema or managing a large construction project. Both the Cultural Cinema Consortium and the Department should have taken that lack of relevant experience into account when awarding the grant and perhaps insisted at an earlier stage that Solas partner with a professional cinema operator and that an experienced project manager be brought on board. In addition, this review concludes that the grant funding processes in place were not optimal to mitigate against this. In particular, the use of Quantity Surveyors as well as architects acting on behalf of the Department at the appraisal stage may have provided a more thorough sensitivity analysis. In turn, this report recommends that a different programme management approach is taken to large and new build projects (see table 6). In addition, it is the conclusion of this review that Solas may have struggled to programme the cinema given their lack of experience and lack of access to film distribution channels.
Therefore, it is considered a positive development that Element Pictures, with existing access to distribution networks and cinema operational experience, took over the running of Pálás.

10.3 A report was produced on Pálás by the C&AG in 2016 and the recommendations contained therein are relevant to the conclusions reached in this review. Furthermore, the Department has already undertaken actions to implement the C&AG recommendations. The C&AG made two key recommendations as follows:

1. The Department should review its approach to projects which are being grant-aided, in particular where key project risks are carried by the State. Where projects do not progress as expected or serious shortcomings are identified with the project sponsor, early action needs to be taken, including formal reviews of the projects viability, in line with the requirements of the Department of Public Expenditure and Reform’s Public Spending Code.

2. Particular care should be exercised by lead funders to ensure adequate formal oversight mechanisms are in place and operated where a variety of funding agencies are involved.

10.4 The Department accepted the findings of the C&AG in this regard and at the Public Accounts Committee stated that D/CHG was fully committed to the ongoing management of projects in accordance with the Public Spending Code and relevant grant circulars. Measures are in place to ensure that staff are appropriately trained and supported in appraisal and oversight of grant-aided projects as part of the Department’s annual Quality Assurance Process. The Department holds regular training and has issued guidance notes on best practice for assessing business cases. In addition, work is ongoing in the Department’s Evaluation Unit to formulate appropriate performance metrics for grant programmes and it is intended that these metrics will be collected on a systematic basis to ensure outcome-led funding. A number of changes were made in the Department to take account of the C&AG recommendations namely:

- As part of Project Ireland 2040, the National Development Plan has committed €1.2bn in capital funding to the Department, which includes funding to invest in cultural infrastructure. The significant scale of the investment proposed over the ten-year period means it is critical that the Department develop the required capacity to deliver the investment in the most efficient and cost-effective manner to ensure value for money for the exchequer. To this end, the Department established a new Project Ireland 2040 Unit in January 2019, staffed with three economists, who will provide for rigorous appraisal and evaluation of capital projects under Project Ireland 2040, in line with the Public Spending Code. This includes the consideration of all available options prior to committing funding to a project, an evaluation of the financial and economic implications of a project in advance of the project proceeding and robust project...
management arrangements throughout the implementation phase. All projects will have to provide regular reports on expenditure and delivery against clear targets and milestones which will allow the Department to take early action where problems arise.

- The Department's Evaluation Unit has been provided with additional staff to deliver training on the Public Spending Code to staff involved in the management of grants and to ensure that independent reviews of projects are undertaken to evaluate the impacts of projects as part of performance monitoring arrangements. These changes have meant that 3 economists and 2 policy analysts are now employed by the Department to assist business units with appraisal and offer technical and analytical support and training, as well as providing the capacity to evaluate programme spending to ensure outcome-led, evidence-based decision making.

In addition, this report found that the gap in cultural infrastructure, identified in the papers commissioned by the Arts Council and the Irish Film Board, in terms of the provision of cultural cinemas remains with such cinemas currently available only in Dublin and Galway. The Cultural Division could consider reviewing, in conjunction with the Arts Council, whether the demand for additional cultural cinemas or other avenues for providing access to cultural film exists and, if so, provide a policy to address the issue.
The Department ensured that all payments made had the necessary budget approvals and were in respect of valid, paid invoices which were certified by the independent consultant architect. This approach ensured that the State’s investment was always limited by the approvals in place with no risk that the Exchequer would be liable for unapproved expenditure. The State’s investment is also protected by the fact that there is a charge registered on the building in favour of the Minister. This review considers that the grant management procedures in place at the time were employed by the Department at each step of the process. The practice of paying grants in arrears should be continued, unless sanction for prefunding is in place, to best protect the exchequer from liability for unapproved expenditure. Training on the forthcoming updated Public Spending Code and associated circulars should be mandatory for all staff involved in appraising and administering grants in the Department. While training is provided at present, it is not mandatory. This should be completed within 12 months of the publication of this review. The Evaluation Unit provides an ongoing programme of training on the Public Spending Code and associated circulars, e.g. DPER Circular 13/2014 – Management and Oversight of Grants.

<table>
<thead>
<tr>
<th>Conclusions</th>
<th>Recommendations</th>
<th>Mitigating Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Department consistently used its position as primary funder to leverage additional funding from other sources including over €1m from the private sector and €600,000 from Galway City Council.</td>
<td>The Department should assess ways in which to leverage funding from other sources.</td>
<td>The Evaluation Unit provides an ongoing programme of training on the Public Spending Code and associated circulars, e.g. DPER Circular 13/2014 – Management and Oversight of Grants.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>3.</strong> When the grant was initially awarded in 2007, while the Selection Committee did a thorough evaluation of the project as it related to the criteria of the scheme as provided for in the guidelines, a more detailed appraisal of economic costs and benefits including a sensitivity analysis on the funding required to complete the project should have been performed, in particular as the Exchequer, at that point, was funding the project through a number of sources ie. D/CHG, the Arts Council, the Irish Film Board and Galway City Council.</td>
<td>Training in business case appraisal and public spending code should be made mandatory for all staff involved in appraising grants as part of the Public Spending Code training. Grantees should be directed to the additional guidance material from the Public Spending Code(^{15}) on the preparation of a business case at application stage to ensure appropriate economic appraisal and sensitivity analysis is provided for project appraisal. At grant award stage, the Department could consider the use of technical teams including Quantity Surveyors, Engineers, and Architects etc. to ensure that both costs and designs are reviewed by an appropriate professional. Consultant design teams could be appointed to provide oversight of large capital projects as required. In 2019, the Department established a Project Ireland 2040 Unit to offer technical and analytical support for capital projects funded by the Exchequer.</td>
<td>The Department engages the services of consultant architects for large capital projects.</td>
</tr>
</tbody>
</table>

\(^{15}\) PSC – *Review of Business Cases – Key Assessment Questions.*
The Department in the coming decade. In addition, the Evaluation Unit has been further resourced and will provide training on the Public Spending Code and support to business units.

4. The original grant was awarded to a private not-for-profit company called Solas/Picture Palace Teoranta and did not have sufficient project management skills to deliver a project as complex as Pálás. This issue should have been noted both by the Cultural Cinema Consortium and the Department when the initial grants were being appraised.

It is recommended that dedicated project managers should be a requirement for all capital projects where an asset is being created, i.e. for enhancement projects requiring construction and where Departmental grant-aid is in excess of €300,000 and for all new build projects.

The Department accepts the Public Accounts Committee recommendation (B.2 from report No. 3 Jan-May 2018) that: "Public bodies ensure that applications for public funding are accompanied by evidence of sufficient project management expertise".

5. Better oversight arrangements should have been put in place at the outset of the project, as several public sector funding organisations were involved and the

It is recommended that all large capital projects, where the State bears the majority of the risk, should be conducted on the basis of a

In light of the forthcoming update of the Public Spending Code\textsuperscript{16} for capital projects, it is recommended that the

\textsuperscript{16} Forthcoming DPER Public Spending Code update – Guide to Evaluation, Planning and Managing Public Investment
exchequer bore all of the risk for the project. This proved problematic as the Department found themselves in the position of reacting to issues after the fact, due to the lack of direct oversight of the project critical path issues and cost variations as they arose. Solas as project promoter did not keep the Department fully appraised, as was a condition of the grant. This resulted in a situation where Solas were able to tender for and sign a second contract after the first contractor had resigned without the prior knowledge of the Department or the other funders.

New build projects present a unique set of challenges as compared to refurbishment and enhancement project which were also funded under the same programme as Pálás.

6. Solas were not contributing matched funding at the outset of the project. As problems arose, Solas undertook to raise the €500,000. The basis on which this undertaking was accepted by the Department is not clear, given the fact that Solas had no demonstrable experience of fundraising of that magnitude and ultimately proved unable to raise the funding.

The Department should ensure that matched funding is in place prior to grant award. If it is not, then consideration should be given to awarding higher marks in the assessment of grants where matched funding is already in place and lower

Culture Division update their grant management framework for all capital projects where an asset is being created and for enhancement projects requiring construction and where Departmental grant-aid is in excess of €300,000. It is recommended that large capital grants are treated as a separate programme and not subsumed as a stream within a funding programme, as previously provided for with projects ranging from €5k to €5m, as this may dilute the appraisal and case management approach.

Matched funding being in place is a requirement of all grants provided under the Arts Capital Scheme.
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7. The location of the cinema on a brownfield site in the centre of a medieval city was problematic.</td>
<td>The Department accepts the Public Accounts Committee recommendation (B.23 from report No. 3 Jan-May 2018) that: &quot;In order to safeguard public funds, the Committee recommends that approval of applications for funding that involve construction on brownfield sites requires the completion of comprehensive site examinations in advance of construction commencing&quot;.</td>
<td>It is recommended that the AFI unit consider a bespoke set of guidelines around appropriate site investigations for brownfield sites in particular.</td>
</tr>
<tr>
<td>8. There is no process in place to collect data from Pálás in a systematic manner in order to assess the performance of the cinema over time and provide for ongoing monitoring.</td>
<td>It is recommended that performance indicators are established for grants funded under A7 Cultural Infrastructure and the collection of such metrics is made a condition of grant funding.</td>
<td>The Evaluation Unit is currently assessing the possibility of establishing a data collection infrastructure to allow for time series data to be gathered.</td>
</tr>
<tr>
<td>9. To date, no independent post-project review of the ACCESS II scheme has been completed, under which Pálás was funded, despite post project review being a requirement under the PSC.</td>
<td>Once the Evaluation Unit initiated the review of Pálás, it became clear that a full review of the programme under which the project was funded should was warranted to ensure that any learnings from Pálás could be applied across the entire arts capital programme.</td>
<td>A review of the whole ACCESS II scheme is currently ongoing by the Evaluation Unit to review the programme in full and will make recommendations where necessary to the management of the arts capital programme. The review will be published with the Budget in October 2019 as part of the IGEES spending</td>
</tr>
</tbody>
</table>
review papers and will be peer-reviewed.
Bibliography


Inglis Todd Consultants (2004), The Cultural and Economic Trends of Cinema in Ireland and Wales, commissioned by the Arts Council and the Welsh Arts Council. Available at:


# Appendix I: ACCESS II Selection Committee Criteria

## Table 2

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Detail</th>
<th>Marks Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Access/Participation</strong></td>
<td>Address a gap in provision, or address a proven need, within the relevant area.</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Improve and extend access to, or participation in, the arts within the catchment area of the relevant facility.</td>
<td></td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>Contribute to financial viability for the relevant facility, and the capacity of the facility to be self-financing, into the future.</td>
<td>30</td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>Be compatible with the National Spatial Strategy, or with objectives of other Government policies, including the Arts Council's strategy, 'Partnership for Arts'. Impact on other similar facilities in the relevant catchment area.</td>
<td>10</td>
</tr>
<tr>
<td><strong>Enhancement</strong></td>
<td>Add a new dimension to or improve the capability of the facility to stage or support arts activities, or improve facilities and workspaces for artists.</td>
<td>10</td>
</tr>
<tr>
<td><strong>Design</strong></td>
<td>Adhere to high standards in building design.</td>
<td>20</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

17 Projects in the refurbishment category were not assessed on design as the works involved were mainly to the interior of existing buildings.
Quality Assurance

Quality Assurance Process
To ensure accuracy and methodological rigour, the authors engaged in the following quality assurance process.

- Internal/Departmental
  - Line management
  - Spending Review Sub-group and Steering group
  - Other divisions/sections – Central Votes Section and the Public Service Reform and Delivery Office.
  - Peer review (IGEES network, seminars, conferences etc.)

- External
  - Other Government Department
  - Advisory group
  - Quality Assurance Group (QAG)
  - Peer review (IGEES network, seminars, conferences etc.)
  - External expert(s)