

Financial overview

The financial operation of Graz 2003 - Cultural Capital of Europe

When in 1998 the EU selected Graz for the title of Cultural Capital of Europe 2003, the local, regional and national authorities decided to join forces to finance the Cultural Capital year. An amount of 750 million ATS (54.5 million €) was agreed, to be shared by the City of Graz, the State of Styria and the Republic of Austria in equal amounts (250 million ATS = 18.2 million €). The EU granted a financial contribution of 1 million €.

The City set up a private limited company (GmbH) named "Graz 2003 - Cultural Capital of Europe", whose only shareholder it remained until termination of the activities in 2004, with a fully paid equity capital of 35.000,- € (in addition to the financial contribution of 250 million ATS, i.e. 18.2 million € made by the City).

The budget for 1999-2004 For the planning of receipts and expenditure see chapter - as submitted by the management to the supervisory board in 2001 showed overall receipts of 61.9 million €, as follows:

Financial contribution City of Graz	18,2 million €
Financial contribution State of Styria	18,2 million €
Financial contribution Republic of Austria	18,2 million €
Financial contribution EU	1,0 million €
Forecast sponsoring receipts	3,6 million €
Forecast receipts from ticket sales and merchandising	1,3 million €
Other forecast receipts	1,4 million €

In autumn 2001 the Republic of Austria reduced its contribution by 3.6 million € to 14.6 million €, and in December 2002 the EU reduced its contribution by 0.5 million € to 0.5 million €. This loss was partly compensated by the State of Styria which funded an additional 1.4 million €.

The budget was revised accordingly at the beginning of 2003 and the forecast receipts were cut by the losses of public funding in the amount of 2.7 million €. To compensate for the remaining debit balance savings were forecast in project and marketing costs while also activating additional income sources.

In autumn 2003, shortly before termination of the programme, the State of Styria cut its contribution to 0.8 million € instead of the promised 1.4 million €. As a result, the final event was reduced to a minimum and the remaining advertising measures were cancelled.

Despite the losses caused by a cut in public funding eventually reaching 3.3 million €, the Graz 2003 - Cultural Capital of Europe Organisation GmbH will present final accounts as per mid-February 2004 with a balanced budget. This was possible due to higher receipts from ticket sales and merchandising articles on the one hand and savings made across the board by the company on the other.

The definitive receipts are as follows:

Financial contribution City of Graz	18,2 million €
Financial contribution State of Styria	19,0 million €
Financial contribution Republic of Austria	14,6 million €
Financial contribution EU	0,5 million €

Forecast sponsoring receipts	3,2 million €
Forecast receipts from ticket sales and merchandising	1,9 million €
Other forecast receipts	1,8 million €
	59,2 million €

Expenditure, also amounting to 59.0 million €, breaks down as follows:

Project costs	36.044,2 million €
Marketing, advertising, communication costs	14.139,4 million €
Personnel	5.103,4 million €
Operating costs	3.913,0 million €
	59.200,0 million €

The annual accounts of Graz 2003 GmbH were verified by independent auditors from 2001 onwards. Both the annual accounts and the financial statements as per 31.12.2001, 31.12.2002 and 31.12.2003 have been certified by the auditors.

In January and February 2004, Graz 2003 GmbH was audited by the local tax office. As a result, the auditors confirmed Graz 2003 having orderly booked and paid any and all taxes.

As a result of the official audit by its Accounting Department in March 2004, the Styrian Government confirmed that the financial contribution it made to the Cultural Capital budget was used in accordance with the relevant allocation rules.

Overall, the project "Graz 2003 - Cultural Capital of Europe" has thus always kept to the previously defined financial frame, even though this was cut back several times in the amount of 3.3 million €, ending with the confirmation that all statements and payments to the financial authorities have been paid in an orderly manner in full.

Grants

Graz 2003 was largely financed by public grants.

The handling of basic grant funding by the local/regional authorities was entirely unbureaucratic and not in the least complicated. The granting authorities were given proof of the employment of the funds in yearly reports and also received annual accounts for approval. The basic grant awarded by the state of Styria was verified during an internal audit by the regional accounting department, which also verified the records on site.

In addition, three single projects were subsidised by the state of Styria and the Republic of Austria together: In these cases, formal requests had to be handed in and proof given of the employment of funds by handing in the original receipts. In such a case, a sound project management is recommended to anticipate these conditions, in order to enable easier handling of the proofs of employment of funds.

The EU provided Graz 2003 with a grant of 500,000 euros. The application for this grant was by formal request to the European Commission within the framework of the Culture 2000 programme, for two individual Graz 2003 projects. This is made a little difficult by the fact that although the projects presented do not have to fulfil all the requirements

of the programme, they must contain a specific European aspect and be adapted to the finance plan. The application for this grant is highly time-consuming and demands a very clear and precise calculation. Moreover, there is a deadline, and we would wish to stress that Graz 2003 was well informed by the Commission about the deadlines as well as about the amount of money to be applied for (€ 500,000.- in two tranches, for two separate projects). The approval and transmission of contracts can take 6 to 8 months. The first grant instalment is usually transferred on receipt of the contract. We should also mention that any project subsidised by the EU must be identified as such (using the appropriate logos). Clearance of the grant must take place two months after the project-related activities, as specified in the application, have been terminated in the form of a final report including a detailed invoice list. The better the budget for the project has been calculated, the easier it is to do the final accounts. As far as EU grants are concerned, both handling and contact with the European Commission turned out to be somewhat time-consuming and complicated.

The example of Graz 2003 also makes it clear that grants promised by local/regional authorities only become legally binding upon conclusion of a formal contract. Up to that moment grants may be reduced or withdrawn without recourse to appeal. This - ultimate - insecurity seems to be inherent to large-scale arts projects subsidised by public funds. We would therefore recommend requesting the competent commissions to give their written approval at the earliest possible stage of the project.

Contract design

Graz 2003 had a very substantial public budget at its disposal - by usual cultural standards - for use in cultural and arts projects. Graz 2003 had an interest in distributing the funds among artists, project partners and institutions in an orderly, transparent and traceable manner. To this end civil law contracts were designed which included a detailed listing of the conditions for the distribution of the funds, based on the concept and calculation of each project. This involved areas such as agreements on licenses, on co-operation in the marketing and sponsoring domains, as well as arrangements concerning final reports.

Smaller local and regional institutions, as well as individuals, were first particularly reluctant to sign because they feared this would mean a limitation to their liberty as artists and financial handling procedures which they were not used to. Moreover, the written responsibility for a project budget seemed to frighten them. Graz 2003 tried in many personal talks and negotiation rounds to clearly explain the reasons and details for the arrangements suggested.

The initial difficulties, the need for explanation in the years 2001 and 2002 when the contracts were drafted, as well as the time invested eventually led to satisfactory results. The preliminary talks about the project contracts helped to determine the essence and above all the financial handling of projects, by defining e.g. interfaces for marketing and sponsoring. We thus scarcely had problems during the implementation phase. In addition, the carefully designed and comprehensive contracts enabled permanent monitoring of projects and facilitated the final accounting procedure. With regard to tax audits or verification by the national Court of Auditors, they provide the basis and proof of an orderly handling. In this respect, the introduction of detailed contracts into the "art scene" has yielded positive results not least for the project partners.

>> GIVE 2003: European volunteers of the EVS in Graz