
Report To:	Policy & Resources Committee	Date:	22 September 2015
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	PR/143A/15/AE
Contact Officer:	Angela Edwards	Contact No:	01475 712828
Subject:	Greenock Arts Guild Limited: The Beacon Arts Centre – Executive Summary		

1.0 PURPOSE

1.1 The purpose of this Executive Summary is to:

- advise the Committee of the progress to satisfaction of the conditions of grant attached to the Council's financial support to the Greenock Arts Guild Limited (GAG) agreed at the meeting of 29 January 2015;
- seek the Committee's approval to accelerate the revenue support from the £750,000 earmarked reserve;
- advise the Committee of future revenue support which it is anticipated GAG will require from the Council; and
- recommend approval of the release of funding to GAG, as previously agreed by the Council, to enable settlement of the final account for the construction of the Beacon from John Graham Construction Limited ("Graham").

1.2 The main report provides a detailed analysis of legal and financial matters and refers to the business affairs of other parties. These matters and the legal advice are exempt information in terms of the Local Government (Scotland) Acts.

2.0 SUMMARY

2.1 The Beacon is a key waterfront regeneration project that has acted as a catalyst for Greenock Harbours and its activities and support work within the community are of major benefit to the cultural life within Inverclyde.

2.2 An update report on the overall position was considered by the Policy & Resources Executive Sub-Committee at its meeting on 22 June 2015. This report details the progress to satisfaction of each of the conditions of grant agreed at the meeting of 29 January 2015.

2.3 GAG has made significant progress in relation to its governance arrangements. GAG has revised its Memorandum and Articles of Association to those of a single tier organisation. The creation of a new GAG Board of Directors is underway and will be completed following the payment of Graham's final construction account, whereupon the Council will consider appointing 2 Elected Members to the Board of GAG.

2.4 GAG has now formally requested the first £250,000 of the Earmarked Reserve of £750,000 to allow them to settle VAT due on Graham's final construction account.

2.5 The £750,000 Earmarked Reserve Funding will be required within the next 3 years. A recommendation by officers to increase the annual funding to GAG by up to £150,000 on top of

the existing £50,000 from 2018/19 is contained in the report and should be considered at this time prior to agreeing any further payments to GAG. This funding will be conditional upon the matters detailed in the main report.

- 2.6 The main project documents, including the Funding Agreement, Head Lease and Operating Lease are progressing as detailed in the main report.
- 2.7 Subject to the execution of the main project documents and the remaining matters referred to in the main report and provided the Council agrees the immediate and anticipated future revenue support required by GAG, the essential conditions of grant will have been satisfied by GAG and the grant funding decided by the Council on 29 January 2015 can be released.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the status of satisfaction of the conditions of grant attached to the Council's revenue and capital funding agreed at the meeting of 29 January 2015 detailed at **APPENDIX 1** of the main report.
- 3.2 It is recommended that the Committee:
 - (i) approves the re-profiling of the significant earmark reserve of £750,000 over a 3 year period as opposed to an 8 year period; and
 - (ii) approves the release of £250,000 of the Earmarked Reserve of £750,000 to enable GAG to settle VAT due on Graham's final account for the construction of the Beacon.
- 3.3 Provided the recommendations at paragraphs 3.1 and 3.2 above are acceptable to the Committee and subject to the execution by relevant parties of all main project documents, it is further recommended that the Committee approves the release of the following sums:
 - (i) £1,721,134.79 to be paid by the Council on terms which are satisfactory to the Head of Legal & Property Services and the Chief Financial Officer directly to Graham in settlement of Graham's final account for the construction of the Beacon; and
 - (ii) £75,000 retention to be paid by the Council directly to Graham upon the issue of the Certificate of Making Good of Defects in accordance with the Building Contract subject to GAG first satisfying the Chief Financial Officer that VAT due on the retention has been duly paid.
- 3.4 It is recommended that the Committee delegates authority to the Head of Legal & Property Services in consultation with the Chief Financial Officer to agree the final terms of the Funding Agreement, Head Lease, Operating Lease and Floating Charge with GAG prior to the release of the grant funding.
- 3.5 It is recommended that the Committee notes the continuing project risks set out at Section 6.0 of the main report.
- 3.6 It is recommended that the Committee agrees to increase the annual funding paid to GAG of £50,000 by up to £150,000 to a maximum total of £200,000 from 2018/19 subject to the conditions set out in 5.15 of the main report.
- 3.7 It is recommended that the Committee notes the intention of GAG to implement the Living Wage for all its employees by 1st April 2016 and to increase the use of employment contracts within its workforce.

- 3.8 On progress of the above in terms described, a further report will be submitted to the Council at its meeting on 8 October 2015 requesting the Council to consider appointing 2 Elected Members to the Board of Directors of GAG.

Aubrey Fawcett
Corporate Director Environment,
Regeneration & Resources