
Report To:	Inverclyde Council	Date:	29 January 2015
Report By:	Corporate Director Education, Communities and Organisational Development	Report No:	
Contact Officer	Patricia Cassidy	Contact No:	01475 71 2748
Subject:	Greenock Arts Guild Ltd: The Beacon Arts Centre		

1.0 PURPOSE

- 1.1 The appendices to this report contain exempt information in terms of Schedule 7A of the Local Government (Scotland) Act 1973. The information within the appendices contain: information relating to the financial or business affairs of specific persons or bodies (other than the Council); information relating to an application for financial assistance from the Council; and, information about contemplated legal proceedings the determination of which may affect the Council in ways specified within the report. It is likely that the nature of the business to be transacted at the Council in the consideration of the appendices will require the public to be excluded from the meeting.
- 1.2 The purpose of this report and its appendices is to update the Council on progress since the special meeting of the Policy & Resources Committee on 16 December 2014 of the request by Greenock Arts Guild Limited (GAG) to the Council for additional financial support of up to £1.95M for the Beacon Arts Centre.
- 1.3 This report asks the Council to consider the additional information within this report including:
- the progress made by the board of GAG on the governance arrangements;
 - an update on the current financial position;
 - GAG progress with its Business Plan;
 - discussions with Creative Scotland; and,
 - an updated review of the current funding difficulty and associated risks and to recommend, subject to conditions, the Council making further support to GAG of £1.95 M.

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 cultural life within Inverclyde. GAG relocation to the Beacon Theatre at the Greenock Waterfront is the centrepiece and the major catalyst for the regeneration of the Greenock Harbours. Alongside the Custom House, the interest of which was acquired by ri for conversion into high quality business accommodation, the Beacon creates a new civic quarter providing a focal point for the community and businesses in an area which in the previous decade saw very limited development. The location of the Beacon puts Greenock on the national map for cultural events, shows and also enables Inverclyde offer opportunities for running national conferences and symposiums.

- 2.2 The Council has previously committed substantial funding to GAG for the Beacon capital project and, along with Riverside Inverclyde (ri) funding, this amounts to £5.5M. Elected Members were previously advised in January 2014 of relevant issues at that time and it was agreed that a further report be presented to the Council on that matter. The report to the special meeting of the Policy & Resources Committee on 16 December 2014 and this report are part of that process.
- 2.3 GAG has recently advised the Council of the final settlement sum for the construction of the Beacon and the reasons for the seeking of the urgent financial assistance which is requested. The consequences of not receiving financial assistance have been outlined by the GAG representatives and this report deals with the issues affecting the final settlement sum and the consequences arising from that in detail.
- 2.4 As part of ongoing work with GAG, the Council has been pursuing steps to ensure a sustainable financial business model is established and that a Business Plan is put in place and monitored to secure the Beacon's future. The appendices within this report comment on the progress that is being made in respect of the governance arrangements and refer to the outcome of an Extraordinary General Meeting that was held by GAG on 19 January 2015 to deal with changes to GAG's Memorandum and Articles of Association and Board accountability and representation.
- 2.5 The Council's capital support for the Beacon involves substantial funding with its key partners. The Council's investment along with that of ri, Creative Scotland, the Big Lottery Fund and the Social Investment Scotland Fund amount to £8.6M. The funding arrangements for this sum are secured by means of an agreement involving all five of these parties. The Council has security for the sum of £2.75M and ri also has a £2.75M security.
- 2.6 The Council is a secured heritable creditor along with the other major funders and the implications of this as affects the potential legal proceedings which are in contemplation are described in detail in the appendices to this report. The consequences of any legal proceedings and the effect of these on the Council's heritable security are also explained.
- 2.7 Representatives of GAG have outlined the issues affecting the final settlement sum and have indicated the nature of the advice from their own legal advisers on this matter.
- 2.8 The Chief Financial Officer has reviewed the Beacon's business plan and his views are summarised in the appendices.
- 2.9 This report considers appropriate options for the Council
1. Provide no further capital support and realise the Council's investment as far as practicable;
 2. Invest up to a further £1.95M and no additional revenue support;
 3. Invest up to £1.2M capital and increase core revenue funding by a total of £750,000 over 8 years, on the assumption that £0.6M is met by Creative Scotland or other funders;
 4. Certain outcomes resulting from legal proceedings and the setting up of a new body;
 5. Certain outcomes resulting from legal proceedings and the extension of relevant functions to an existing body.

It is the recommendation of this report that Option 3 , above, be approved.

- 2.10 This report reviews the position overall as it is currently known to the Council and recommends financial support, subject to relevant conditions, as described in Option 3.

3.0 RECOMMENDATIONS

It is recommended that the Council:

- 3.1 notes the progress by GAG on its (a) Business Plan and financial management; and, (b) Governance Review;
- 3.2 considers the request from GAG for additional funding of £1.95M;
- 3.3 notes any update available as at the date of the meeting on discussions with Creative Scotland;
- 3.4 approves option 3 as specified in **Appendix 3** to this report;
- 3.5 makes grant and loan facilities available to GAG in the total sum of £1.2M funded from the General Fund Reserve all subject to -
 - (a) Creative Scotland, as partner, contributing support funding of £600,000 to meet its proportion of key funder support;
 - (b) ri, as partner, contributing support funding of £150,000 to meet the costs of outstanding works necessitated by the planning consent;
 - (c) the establishing of a significant earmark reserve of £750,000 to be utilised over a period of 8 years to address the risks associated with the Beacon's income stream as identified by the Chief Financial Officer;
 - (d) GAG and the Council agreeing a Head Lease and reciprocal Operating Lease to assist the continuity of provision of the Arts function at the Beacon;
 - (e) A floating charge over trade fixtures and fittings and all moveable equipment within the Beacon being granted by GAG to the Council;
 - (f) The completion and delivery of an irrevocable mandate from GAG to the Council of all net proceeds (after deduction of legal expenses as may be taxed by the Auditors of Court) arising from all or any of its construction related claims or insurances whatsoever;
 - (g) GAG providing all necessary financial reports and access thereto as may be required for the information of the Council's Chief Financial Officer and providing to the Corporate Director Education, Communities & Organisational Development accurate and up-to-date reports and appraisals of any legal proceedings contemplated or in progress; and
 - (h) Continued commitment and assurances from GAG to complete and maintain the progress of its Governance Review:

all of the above conditions to be satisfactory to the Corporate Director Education, Communities & Organisational Development in consultation with the Chief Financial Officer and Head of Legal & Property Services and other relevant officers;

- 3.6 remits it to the Corporate Director Education, Communities & Organisational Development in consultation with relevant officers and with relevant officers of Creative Scotland and ri and any other funders to agree the detailed terms of this financial support for GAG and to report back with the outcome to the Education & Communities Committee in early course;
- 3.7 approves the virement of £50,000 p.a. from the GTVO budget to that of the Head of Inclusive Education, Culture and Corporate Policy as continuing revenue support, provided there is ongoing continuity of provision of services by GAG and subject to other appropriate conditions as determined by the Corporate Director Education, Communities & Organisational Development in consultation with relevant officers; and
- 3.8 remits it to the Corporate Director Education, Communities and Organisational Development to report further to the Council on the Council's representation at Board level on GAG as soon as the new governance arrangements are assessed as satisfactory.

Patricia Cassidy
Corporate Director
Education, Communities & Organisational Development

4.0 BACKGROUND

- 4.1 The Beacon is owned and managed by GAG. The building was largely funded by contributions from the three major funders, the Council, ri and Creative Scotland.
- 4.2 In terms of the funding agreement negotiated for the construction of the Beacon, the Council's support along with the financial support of the other funders is as follows:

1	Inverclyde Council	£ 2,750,000.00
2	ri	£ 2,750,000.00
3	Creative Scotland	£ 2,685,540.00
4	Big Lottery Fund	£ 300,000.00
5	Social Investment Scotland	£ 150,000.00
	Total	£ 8,635,540.00

- 4.3 All of the above funding is secured against the title of the Beacon and each funder has equal ranking. The Council has security for £2.75M; ri has security for £2.75M.
- 4.4 The detailed appendices to this report contain information which is exempt in terms of Schedule 7A of the Local Government (Scotland) Act 1973 and the nature of the discussions and the business to be transacted at the Council meeting will involve detailed review of this information.