



Belfast City Council

Report to: Strategic Policy and Resources Committee

Subject: Titanic Signature Project

Date: 23 October 2009

Reporting Officer: Mr Peter McNaney, Chief Executive

Contact Officer: Mr Peter McNaney, Chief Executive

Purpose of Report

1. The purpose of this report is to
 - (i) provide Members with an update on the Titanic Signature Project;
 - (ii) confirm that the conditions on which the Council offer of funding was made have now been satisfied; and
 - (iii) seek approval for completion of the formal legal documentation.

Background

2. Members will recall that at its meeting on 16 December 2008 the Committee considered a Due Diligence Report on the TSP project prepared by Deloitte, reviewing the Economic Appraisal for the project. The Committee then agreed to commit a maximum of £10million towards the realisation of a £97million iconic Titanic Signature Project to be built in Titanic Quarter in the city. This decision was ratified by Council on 5 January 2009.
3. The Council decision was subject to the preparation of a legal agreement that committed the relevant parties to their share of the funding package (£43.5m from Government; £43.5m from the private sector; and £10m from the Council) and ensured that the risks to the public sector of cost overrun and non completion were minimised.
4. The Council also sought an acknowledgement from Government that the Council's contribution of £10m was a "once and for all" commitment and that the Council should not be required to carry any funding risk (operational or capital) beyond that amount.

Key Issues

5. At the Northern Ireland Executive meeting on 1 October 2009 the Executive agreed to proceed with its funding of the Titanic Signature Project. In reaching that decision the Executive concluded that the guarantee arrangements to cover TQL's (the private sector contributors to the project) should provide a substantial mitigation of the funding and operating risks. In addition the Executive acknowledged that Belfast City Council should not be required to carry any funding risk (operational or capital) beyond its £10m donation and accepted that any additional financial risk for the completion of the project would be borne by the Department of Enterprise, Trade and Industry.

6. DETI have now written to the Council by letter dated 5 October 2009 confirming the above, and further advising that their technical advisers to the project have confirmed that because TQL, at its own financial risk, has commenced work on the site in May, the project can be delivered by April 2012. At present it is estimated that TQL have spent over £6m in carrying out the groundworks and piling required for the TSP building. Belfast Harbour Commissioners have also confirmed their funding commitment to the project.

7. Arthur Cox, specialist banking solicitors, were instructed to act for the Council by the Director of Legal Services and the detailed legal negotiations have now been completed. The Director of Legal Services has confirmed that the Council's interests have been satisfactorily secured in the various legal documents, including the multi-party Funding Agreement, together with the under-pinning security documents and guarantee and assurance arrangements. In particular, the Funding Agreement provides that the Council contribution to the project is not due for payment until all the other funders have paid over the full amount of their grant commitments. In addition Deloitte have prepared an addendum to their Due Diligence Report concluding that the Order of Payment clause in the Funding Agreement and the Executive's confirmation that the Council will bear no funding risk over its £10m contribution provides strong protection to the Council against any funding or construction risk associated with the project.

Resource Implications

8. Financial Resources

The Council's £10m financial contribution to the project will be required in the financial year 2011/2012. The Director of Corporate Services has confirmed that the City Investment Fund will have sufficient funds available to it at that time to meet this commitment.

Recommendations

9. Members are asked to note the contents of this report and confirm that the formal legal documentation for the project can now be signed by the Council.