

8. ART GALLERY BUILDING FUND

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Corporate Plan Output: Financial Advice	

The purpose of this report is to advise the Council on the terms of the Government's grant to assist the Art Gallery project, to advise on the need to establish an Art Gallery Building Fund and to establish a basis for application of the fund to the project

BACKGROUND

The Council made application to the Government for a major grant to assist the building of the new Art Gallery. This application was one of the major sources of funding sought in order to achieve the budgeted external funding target for the project. \$6.2 million (excluding GST) was sought over a three year period.

The Government publicly announced in early June that it was making a single grant of \$6.474 million and these funds were received by the Council in late June. This sum includes GST and the net amount available to the Council at this point is \$5.755 million.

In a letter from the Associate Minister for Arts Culture and Heritage, the Government indicated that they calculated the amount of the grant by assessing the ability of the Council to invest the sum so that the original request for \$6.2 million can be achieved through the accumulation of interest. The Associate Minister has also requested that the grant be held in a separate account so that interest earnings are transparent.

ESTABLISHMENT OF FUND

If the full sum is invested for a period of approximately one and a half years, the sum would grow to the targeted \$6.2 million and so achieve the goal of the external fund raisers. This can best be achieved by placing the initial grant into a separate fund for that period of time with the interest credited to the account.

As the Council will be raising the balance of the funding for the project by borrowing, I believe that once the fund has reached its target it should be applied to the project to minimise the Council's net interest cost overall.

Adjustments have been made to the Financial Plan and Programme recommended to the Council by the Annual Plan Working Party, to take account of revised forecasts for the project expenditure and the cash flow from external sources. These adjustments now assume that the Government contribution is applied in 2001/02 by draw-down from a fund which has by then accumulated to \$6.2 million. (The previous budget had assumed grants spread evenly over three years and applied directly as project funding.)

- Recommendation:**
1. That a fund called the Art Gallery Building fund be established.
 2. That the interest earnings of this fund be accumulated until the fund has reached \$6.2 million and when that point is reached, the full proceeds be then applied to the funding the new art gallery project.

3. That a letter of thanks be sent congratulating the Chairperson and members of the fundraising committee on their success in achieving this pleasing level of support for the project from Central Government.

Chairman's

Recommendation: That the above recommendation be adopted.