



OFFER OF GRANT TO THE CITY OF EDINBURGH COUNCIL IN RESPECT OF THE GROWTH ACCELERATOR MODEL ("GAM") IN RESPECT OF THE REDEVELOPMENT OF THE NEW ST JAMES CENTRE

The Scottish Ministers in exercise of their powers under Section 126 of the Housing Grants, Construction and Regeneration Act 1996 hereby offer to give to the City of Edinburgh Council ("the Grantee") an annual revenue grant of up to FOUR MILLION, TWO HUNDRED AND SEVENTY THOUSAND POUNDS (£4,270,000) STERLING, payable each year over the twenty five (25) financial years commencing on Completion of the Catalytic Development and subject to the following terms and conditions:

1. Definitions and Interpretation

1.1 In these Conditions, the words and expressions set out in **Schedule 4** shall have the meanings ascribed to them in that Schedule.

1.2 In these Conditions, unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders.

1.3 The headings in these Conditions are for convenience only and shall not be read as forming part of the Conditions or taken into account in their interpretation.

1.4 Except as otherwise provided in these Conditions, any reference to a clause, paragraph, sub-paragraph or schedule shall be a reference to a clause, paragraph, sub-paragraph or schedule of these Conditions.

2. Purposes of the Grant

2.1 The Grant is made as a contribution to the funds needed to enable the Grantee to carry out the Project.

2.2 The Grant shall only be used for the purposes of the Project and for no other purpose whatsoever.

2.3 No part of the Grant shall be used to fund any activity or material which is party political in intention, use, or presentation or appears to be designed to affect support for a political party.

2.4 The three objectives/expected outcomes of the Grant are:

- Economic growth from the Catalytic Development, measured by growth in the rateable value of the New St James Centre when compared to the current rateable value of the St James Centre;

- Economic growth in the surrounding area, as measured by growth in the non-domestic property tax base (or equivalent successor tax base, as the case may be) that exceeds the national average; and
- The achievement of identified employment and training targets designed to support the long term unemployed and harder to reach groups,

together the "Project Outcomes".

To achieve the Project Outcomes the Grantee will invest in CEC Growth Assets as part of the Catalytic Development which will in turn trigger wider investment, both public and private in the city centre of Edinburgh. It is anticipated that the investment will in turn create a series of revenue streams for both the Grantee and the Scottish Ministers. The "CEC Growth Assets" are:

- Public realm and infrastructure improvements at James Craig Walk;
- Accessibility and permeability improvements around the St. James Centre;
- Public realm at Picardy Place;
- A multi-modal transport interchange at the junction of Leith Walk, Leith Street and York Place; and
- The Energy Centre.

described in and shown on the Draft Approved Drawings, as such assets are further defined during project design stages or amended in accordance with this Offer of Grant. The Executive Group (as further defined at Schedule 5) shall be consulted in relation to any proposed amendment to the CEC Growth Assets.

2.5 The targets/milestones against which progress in achieving Project Outcomes shall be monitored are:

- GAM Target 1 - Economic growth from the Retail and Leisure Element, measured by growth in the rateable value of the New St James Centre when compared to the current rateable value of the St James Centre. This target relates to 55% of the annual grant;
- GAM Target 2 - Economic growth in the surrounding area, defined as growth in Edinburgh post codes EH1, EH2, EH7 and EH8, excluding the Catalytic Development and as measured by growth in the non-domestic property tax base (or equivalent successor tax base, as the case may be) that exceeds the national average by 0.5%. This target relates to 25% of the annual grant; and
- GAM Target 3 - Employment and training given by the Grantee to support the long term unemployed and harder to reach groups. This target relates to 20% of the annual grant, as defined more particularly in paragraph 15 of part 2 of Schedule 1.

The GAM Targets shall be measured and (A) if in the three years after Completion of the Catalytic Development all GAM Targets are met then the GAM Targets shall be deemed met in full and no adjustment of the Grant shall thereafter occur relative to the GAM Targets; (B) if in the three years after Completion of the Catalytic Development all GAM Targets are not met then the GAM Targets shall continue to be measured over the next three years (measured from the Completion of the Catalytic Development) and at the end of that period, the GAM Targets shall be deemed met in full or in part and no adjustment of the Grant shall thereafter

occur relative to the GAM Targets; and (C) until the GAM Targets are deemed met in full under limb (A) or (B) then the annual Grant shall be adjusted pro rata in accordance with the agreed GAM Targets adjustment as referred to below.

2.6 The level of the annual Grant will not exceed FOUR MILLION, TWO HUNDRED AND SEVENTY THOUSAND POUNDS (£4,270,000) STERLING, payable annually over the twenty five (25) financial years commencing on Completion of the Catalytic Development (currently estimated to be financial years 2020-2021 to 2045-2046). It will be reduced from this maximum if: (i) the final cost of the CEC Growth Assets to the Grantee is less than £61.4 million (excluding reclaimable VAT); and/or (ii) the Granter does not fully deliver the agreed Project Outcomes as established by the GAM Targets; as more particularly described in Paragraph 3 below and Paragraph 15 of Schedule 1 respectively.

Paragraph i) above is to be applied in 2020-21, and an adjusted maximum annual Grant level is to be finalised. Paragraph ii) is to be measured from 2020 to 2021, or up to 2026 if not fully achieved by 2023. The above periods shall be adjusted to correspond to any delay to the Completion of the Catalytic Development.

The Grant is to be made as additional central government revenue funding to the Grantee out-with the Local Government Finance settlement. The measurement of the Project Outcomes is set out in Schedule 1 Paragraph 15.

2.7 The eligible costs exclude reclaimable Value Added Tax.

2.8 The Agreement shall come into full force and effect upon acceptance of the Grant by the Grantee.

2.9 In the event that no material capital investment is made by the Grantee or the Developer (this shall be deemed to be from the point of the first demolition works to be commenced on the St James Centre site to enable construction of the Catalytic Development to commence) in respect of the Catalytic Development by the Initial Investment Longstop Date then this Agreement shall automatically expire and terminate with no payment due to or by either Party.

2.10 The Grantee shall implement the Governance Arrangements as soon as reasonably practicable following acceptance of this offer of Grant.

2.11 The Grantee shall not make any material variations to the CEC Growth Assets which would materially and adversely impact the GAM Targets without the prior written consent of the Scottish Ministers, not to be unreasonably withheld or delayed.

3. Payment of Grant

3.1 The Grant shall be paid by the Scottish Ministers to the Grantee in accordance with the terms of Schedule 1 Part 2.

3.2 The Grantee shall as soon as practicable after 31 May each year commencing in the financial year after which the Grant has first been paid submit to the Scottish Ministers a statement

of compliance with the Offer of Grant using the form of words provided in Schedule 3. The statement shall be signed by the Grantee's Head of Finance or such other function head of the Grantee agreed with Scottish Ministers.

3.3 In the event that the amount of the Grant paid by the Scottish Ministers to the Grantee at any point in time is found to exceed the amount claimable under the terms of this Offer of Grant, the Grantee shall repay to the Scottish Ministers the amount of such excess in accordance with clause 3.2 of Part 2 of Schedule 1.

3.4 The Scottish Ministers shall not be bound to pay to the Grantee, and the Grantee shall have no claim against the Scottish Ministers in respect of, any instalment of the Grant which has not been claimed by the Grantee by 31 March of the following financial year as set out in Schedule 1, unless otherwise agreed in writing by the Scottish Ministers.

4. Inspection and Information

4.1 The Grantee shall keep the Scottish Ministers fully informed of the progress of the Project in the form of annual reports to the Executive Group. Details shall include actual expenditure to date compared with profiled expenditure and any change to estimated expenditure for the financial year and/or the Project as a whole, the reasons for any such changes and progress in achieving the Project Outcomes.

4.2 Revisions to the GAM Targets against which progress in achieving the Project Outcomes are monitored shall be subject to the written agreement of the Scottish Ministers, acting reasonably, in accordance with the other provisions of this Offer of Grant.

4.3 The Grantee shall submit a report to the Scottish Ministers summarising the outcomes and performance of the Project, at completion of the Catalytic Development and three years after the opening of the New St. James Centre. Such a report shall include such statistical and other information relating to the impact of the Project as shall be required by the Scottish Ministers acting reasonably. If the Project Outcomes have not been fully achieved at year three, a further report will be required either at year six or at an earlier date in the event the Project Outcomes are fully achieved sooner.

4.4 The Grantee shall also provide any other information that the Scottish Ministers may require to satisfy themselves, acting reasonably, that the Project is consistent with the Agreement. The Grantee shall provide the Scottish Ministers with prompt access to any information which the Scottish Ministers reasonably require to ensure compliance with these Conditions.

4.5 The Grantee shall keep and maintain for six years after the expenditure occurs, adequate and proper records and books of account recording all receipts and expenditure of monies paid to it by the Scottish Ministers by way of the Grant. The Grantee shall afford the Scottish Ministers, their representatives, the Auditor General for Scotland, his/her representatives and such other persons as the Scottish Ministers may reasonably specify from time to time, such access to those records and books of account as may be reasonably required by them at any reasonable time in response to a written request for such access from the person seeking it. The Grantee shall provide such reasonable assistance and explanation as the person carrying out the inspection may from time to time require.

4.6 In the event of the Grantee becoming aware of or suspecting any irregular or fraudulent activity that may have any impact on the Project or on the use of the Grant, or any part of it, the Grantee shall immediately notify the Scottish Ministers of such activity and provide such other information as the Scottish Ministers may reasonably require in relation to the impact on the Project and the use of the Grant.

5. Confidentiality and Data Protection

5.1 The Grantee will respect the confidentiality of any commercially sensitive information that it has access to as a result of the Project.

5.2 Notwithstanding the above, the Grantee may disclose any information as required by law or judicial order. All information submitted to the Scottish Ministers may need to be disclosed and/or published by the Scottish Ministers. Without prejudice to the foregoing generality, the Scottish Ministers and Grantee may disclose information in compliance with the Freedom of Information (Scotland) Act 2002, any other law, or as a consequence of judicial order, or order of any court or tribunal with the authority to order disclosure. Further, the Scottish Ministers may also disclose all information submitted to them to the Scottish or United Kingdom Parliament or any other department, office or agency of Her Majesty's Government in Scotland, in right of the Scottish Administration or the United Kingdom, and their servants or agents. When disclosing such information to either the Scottish Parliament or the United Kingdom Parliament it is recognised and agreed by both parties that the Scottish Ministers shall if they see fit disclose such information but are unable to impose any restriction upon the information that it provides to Members of the Scottish Parliament, or Members of the United Kingdom Parliament and such disclosure shall not be treated as a breach of this Offer of Grant.

5.3 The Grantee shall ensure that all requirements of the Data Protection Act 1998 imposed on the Grantee are fulfilled in relation to the Project.

5.4 To comply with section 31(3) of the Public Services Reform (Scotland) Act 2010, the Scottish Ministers publish an annual statement of all payments over £25,000. In addition, in line with openness and transparency, the Scottish Government publishes a monthly report of all payments over £25,000. The Grantee should note that where a payment is made in excess of £25,000 there will be disclosure (in the form of the name of the payee, the date of the payment, the subject matter and the amount of grant) in both the monthly report and the annual Public Services Reform (Scotland) Act 2010 statement.

6. Disposal of CEC Growth Assets or Grantee receipt of St James Profit Share

The Grantee shall not, without the prior written consent of the Scottish Ministers, dispose of any asset funded, in part or in whole, with Grant funds within 25 years of the asset being acquired. During that period:

- (i) the Scottish Ministers shall be entitled to the relevant proportion of the proceeds of the disposal based on the percentage of Grant funding used in connection with the acquisition of the asset against the whole proceeds; and
- (ii) the Scottish Ministers shall also be entitled to the relevant proportion of any proceeds resulting from any provision included as a condition of sale.

Recovery by the Scottish Ministers shall not be required where the value of the asset is less than £25,000.

During the period of the Grant if the Grantee:

- (i) disposes of any CEC Growth Asset; and/or
- (ii) receives from the Developer any St James Profit Share or other income/receipts from the New St. James Centre (which, for the avoidance of doubt shall exclude any capital receipt derived from the sale of land owned by the Grantee at Picardy Place); and/or
- (iii) receives grant or developer contributions,

the Parties shall consult, through the Executive Group, as to whether the amount or term of the Grant should be reduced. Following agreement by the Executive Group, the basis of the revised payments will be formally documented between the Parties and apply from that date.

7. Publicity

The Grantee shall where reasonably practicable acknowledge in all publicity material relating to the Project the contribution of the Scottish Ministers to its costs. The Scottish Ministers may require to approve the form of such acknowledgement prior to its first publication. The Scottish Ministers shall consult the Grantee in advance with regard to all publicity material relating to the Project.

8. Intellectual Property Rights

The Grantee shall ensure that nothing contained in any materials produced or submitted to the Scottish Ministers by the Grantee or anyone acting on its behalf nor the reproduction of such materials, shall constitute an infringement of any third party copyright or intellectual property right and shall indemnify the Scottish Ministers against all actions, proceedings, claims and demands made by reason of any such infringement.

9. Default and Recovery etc. of Grant

9.1 The Scottish Ministers may re-assess, vary, make a deduction from, withhold, or require immediate repayment of the Grant or any part of it in the event that

- 9.1.1 The Grantee commits a Default;
- 9.1.2 The Scottish Ministers, acting reasonably, consider that any change or departure from the purposes for which the Grant was awarded warrants an alteration in the amount of the Grant;
- 9.1.3 The Grantee fails to carry out the Project;
- 9.1.4 In the Scottish Ministers' opinion, acting reasonably, consider the progress on the Project is not satisfactory; or

9.1.5 In the Scottish Ministers' opinion, acting reasonably, consider the future of the Project is in jeopardy.

9.2 If, in the Scottish Ministers' opinion, the Grant or any part of it is state aid and they consider that they are required to recover such sum to ensure compliance with their obligations under EU law, the Scottish Ministers may require immediate repayment of the Grant or any part of it together with interest at such rate and on such basis as may be determined from time to time by the Commission of the European Union.

9.3 In the event that the Grantee becomes bound to pay any sum to the Scottish Ministers in terms of clause 9.1, the Grantee shall pay the Scottish Ministers the appropriate sum within one (1) month of a written demand for it being given by or on behalf of the Scottish Ministers to the Grantee.

9.4 Notwithstanding the provisions of this clause 9, in the event that the Grantee is in breach of any of the Conditions, the Scottish Ministers may, provided that the breach is capable of a remedy, postpone the exercise of their rights to recover any sum from the Grantee in terms of clause 9 for such period as they see fit, and may give written notice to the Grantee requiring it to remedy the breach within such period as may be specified in the notice. In the event of the Grantee failing to remedy the breach within the period specified, the Grantee shall be bound to pay the sum to the Scottish Ministers in accordance with the foregoing provisions.

9.5 Any failure, omission or delay by the Scottish Ministers in exercising any right or remedy to which they are entitled by virtue of clauses 9.1 or 9.2 shall not be construed as a waiver of such right or remedy.

10. Assignment

The Grantee shall not be entitled to assign, sub-contract or otherwise transfer its rights or obligations under the Agreement without the prior written consent of the Scottish Ministers.

11. Not used

12. Corrupt Gifts and Payments of Commission

The Grantee shall ensure that its employees shall not breach the terms of the Bribery Act 2010 in relation to this or any other grant. The Grantee shall ensure that adequate controls are in place to prevent bribery.

13. Continuation of Conditions

13.1 These Conditions, except for Condition 6, shall continue to apply until the earliest of a period of five years after the end of the financial year in which the final instalment of the Grant is paid.

13.2 Condition 6 shall continue to apply until the end of the period referred to in that Condition.

14. Compliance with the Law

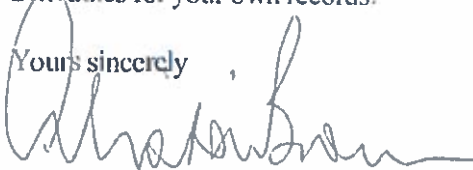
The Grantee shall ensure that in relation to the Project, they and anyone acting on their behalf shall comply with the relevant law, for the time being in force in Scotland, including without prejudice to the foregoing generality in respect of the CEC Growth Assets compliance with procurement law requirements, state aid and local authority vires requirements.

15. Governing Law & Jurisdiction

This agreement shall be governed by Scots Law and the Parties submit to the exclusive jurisdiction of the Scottish Courts.

If you wish to accept this Offer of Grant on the whole terms and conditions as set out in the letter and annexed Schedules, you should sign and date both copies of the Grant Acceptance below and return one copy of the Offer of Grant and Schedules to me at *Scottish Government, Area 3 C North, Victoria Quay, Edinburgh, EH6 6QQ*. You should retain the second copy of the Offer of Grant and Schedules for your own records.

Yours sincerely,



Alistair Brown
Director of Financial Strategy
14 October

GRANT ACCEPTANCE

On behalf of The City of Edinburgh Council I accept the foregoing Offer of Grant by the Scottish Ministers dated 14 October 2016 on the whole terms and conditions as set out in the letter and annexed Schedules. I confirm that I hold the relevant signing authority.

Signed: *Hugh Dunn*

Print Name: **HUGH DUNN**

Position in Organisation of Person Signing: **CFO.**

Date: **21 October 2016**

Place of Signing: **EDINBURGH**

Signed:
[Witness] *Hannah Ross*

Witness Name: **HANNAH ROSS**

Address: **WAVERLEY COURT
EAST MARKET STREET
EDINBURGH**

Date: **21 OCTOBER 2016**

Place of Signing: **EDINBURGH**

SCHEDULE 1

PART 1: THE PROJECT

The delivery of outcomes through the creation, funded by the Grantee, of certain catalytic assets as a critical part of securing the redevelopment of The St James Centre, Edinburgh as more particularly described in the St James Centre Redevelopment Business Case dated January 2014 and the Supplementary Funding Proposal dated April 2014 as submitted to Scottish Ministers as such catalytic assets are further defined during project design stages or amended in accordance with the this Offer of Grant in respect of material changes.

Background Analysis (on arrival at maximum annual Grant payment to Grantee):

- (i) *The Grantee expects to receive two annual funding flows as follows: (A) a maximum Grant of £4.27m p.a from the Scottish Government.; (B) Developer Contribution of up to £0.5m p.a. which is composed of two elements which are (i) a non variable £0.15m p.a. in respect of the Energy Centre and (ii) up to £0.35m p.a. where the total cost of the CEC Growth Assets is more than £56.9m to a maximum of £61.4m.*
- (ii) *If the actual cost of completing the CEC Growth Assets exceeds the CEC Growth Assets Estimate this is (as between the Grantee and Scottish Ministers) a Grantee risk;*
- (iii) *If the actual cost of completing the CEC Growth Assets is less than the CEC Growth Assets Estimate then (A) where the actual cost of completing the CEC Growth Assets is less than or equal to £61.4m and greater than or equal to £56.9m there shall be a pro rata reduction in the Developer Contribution up to a maximum reduction in the Developer Contribution of £0.35m p.a.; (B) where the actual cost of completing the CEC Growth Assets is less than £56.9m no Developer Contribution will be required other than the £0.15m element in respect of the Energy Centre and (C) where the actual costs of the CEC Growth Assets is less than £56.9m there shall be a pro rata reduction in the Grant.*
- (iv) *If the Grantee receives a St James Profit Share then the Grant shall be adjusted (as provided in paragraph 6 of the Offer of Grant);*
- (v) *The GAM Targets shall be measured and (A) if in the three years after Completion of the Catalytic Development all GAM Targets are met then the GAM Targets shall be deemed met in full and no adjustment of the Grant shall thereafter occur relative to the GAM Targets; (B) if in the three years after Completion of the Catalytic Development all GAM Targets are not met then the GAM Targets shall continue to be measured for the next 3 years (measured from the Completion of the Catalytic Development) and from such point the GAM Targets shall be deemed met in full or in part and no adjustment of the Grant shall thereafter occur relative to the GAM Targets; (C) until the GAM Targets are deemed met in full under limb (A) or (B) then the annual Grant shall be adjusted pro rata in accordance with the agreed GAM Measurement adjustment.*

PART 2: PAYMENT OF GRANT

1. The total Grant of up to FOUR MILLION, TWO HUNDRED AND SEVENTY THOUSAND POUNDS (£4,270,000) STERLING shall be payable by the Scottish Ministers to the Grantee annually on 31st March each year. In advance of payment (by 15th March in the applicable financial year at the latest), the Grantee shall submit a completed claim for Grant in the form set out in Schedule 2 together with the associated monitoring information set out in paragraph 4.1 of the Offer of Grant.
2. The total Grant shall be payable over the financial years 2020-2021 to 2045-2046. Other than in accordance with clause 3 below, the Scottish Ministers shall not be bound to pay any instalment of the Grant which has not been claimed by the Grantee by 15th March of the applicable financial year, unless otherwise agreed in writing by the Scottish Ministers.
3. The Grantee shall provide, by 31st May each year, to the Scottish Ministers:
 - 3.1 an estimate of the Grant claim for the current financial year; and
 - 3.2 a reconciliation statement in relation to the annual Grant claimed for the previous financial year including details of any underpayment or overpayment of the Grant for that year. Any variation shall be rectified by the Scottish Ministers in the following year's annual Grant (save for year 2045-2046 when the value of any underpayment shall be payable by the Scottish Ministers to the Grantee within 30 days).¹
4. Each claim shall be for an amount equal to the estimated amount of the Grant required to meet the reasonable and proper costs and expenses of the Grantee in connection with the Project, including but not limited to payments to the Developer made or to be made under the GAM Agreement, until the next claim is due to be submitted.
5. Each Grant claim shall be submitted together with such explanatory or supplementary material as the Scottish Ministers may from time to time require whether before or after submission of the claim. This includes:
 - An annual return detailing the rateable value of the Catalytic Development and confirmation it exceeds the target measurement;
 - An annual return detailing the rolling level of growth and that it exceeds the target measurement;
 - An annual report capturing buoyancy growth in the Surrounding area, using rateable value and appeals data from the Scottish Assessor;
 - An annual report capturing the training and employment levels of the Project, and how they relate to any build up, as well as ultimately 25% of positions coming from hard to reach areas for employment and training (e.g. the Leith area of Edinburgh); and
 - Details of the wider investment enabled/delivered and commentary on the wider benefits.

¹ CEC would like to discuss with the Scottish Ministers whether it is appropriate to include any form of dispute resolution process?

6. On receipt of each claim (and any required documentation and information), the Scottish Ministers shall determine the amount of expenditure which they consider the Grantee shall reasonably and properly incur in connection with the Project having regard to that claim. The determination shall be based on the information provided by the Grantee in accordance with this Schedule.

7. Not used.

8. The Grantee shall as soon as practicable seek to ascertain the CEC Growth Assets Cost and, if possible, shall do so prior to Completion of the Catalytic Development.

8.1 The Grantee shall notify the Scottish Ministers of the CEC Growth Assets Cost and provide such proper and reasonable information reasonably requested by the Scottish Ministers to evidence such cost.

8.2 If the CEC Growth Assets Cost is equal to or exceeds the CEC Growth Assets Estimate then there shall be no adjustment whatsoever on this ground to the maximum annual Grant.

8.3 If the CEC Growth Assets Cost is less than the CEC Growth Assets Estimate then there shall be an adjustment to the maximum annual Grant as follows:

8.3.1 Step 1: a £4.5 million reduction in construction cost of CEC Growth Assets compared to the CEC Growth Assets Estimate will be entirely in favour of the Developer as follows:

Cost of Completion of the CEC Growth Assets	£56.9m
CEC Annual Payment	£ 4.42m
Scottish Government Annual Maximum Grant	£4.27m
Developer Contribution in respect of Energy Centre	£0.15m
Developer Contribution linked to total CEC Growth Assets	<u>£0.00m</u>
Total	<u>£4.42m</u>

Step 2: a less than £4.5 million reduction in construction cost of CEC Growth Assets compared to the CEC Growth Assets Estimate will result in a pro-rated Developer Contribution to a maximum of £0.35 million

Step 3: if the Developer Contribution has been reduced to nil as outlined in step 1 thereafter, any reduction in annual funding cost of CEC Growth Assets compared to the CEC Growth Assets Estimate will result in a pro-rated reduction in the Scottish Government Grant.

8.4 If the CEC Growth Assets Cost has not been agreed or determined as at Completion of the Catalytic Development then the Grant shall be calculated and paid on an interim basis based on the Grantee's estimate (given in good faith to the Scottish Ministers) of the expected outturn CEC Growth Assets Cost (which estimate shall be substituted in Paragraph 1.3 for the CEC Growth Assets Cost) and once agreed or determined there shall be a reconciliation and (i) the process outlined at Paragraph 1.3 shall occur to ascertain the adjusted Grant; and (ii) any amount over-paid or underpaid to the Grantee shall be paid as the case may be to or by the Grantee.

8.5 In the event that the cost of the CEC Growth Assets is below £61.4m the Parties shall review within 3 months of the Practical Completion Date (as defined in the GAM Agreement), (a) whether clause 8.3 should be adjusted in light of an uplift in rateable value derived from the Retail and Leisure Element in excess of GAM Target 1 and (b) whether the GAM targets should be adjusted in light of final quantification of the costs of the CEC Growth Assets and revised estimates of the uplift in rateable value in accordance with GAM Target 1.

9. Subject to the provisions for adjustment of the maximum annual Grant amount or reconciliation of annual Grant paid based on adjustment factors provided for in this Agreement, the total annual Grant of £4.27m shall be payable by the Scottish Ministers to the Grantee in advance. The Grantee shall submit annually: (i) in advance a completed claim for Grant in the form set out in Schedule 2; and (ii) in arrears the associated monitoring information set out in this Schedule 1 Part 2 plus any reconciliation information required pursuant to the Offer of Grant.

10. The Grant shall be payable with the first annual payment on Completion of the Catalytic Development and annually thereafter for the next 25 financial years unless the term is reduced under Clause 6.

11. The Grantee shall provide a profile of expenditure of the Grant before the start of each financial year. Any change to the profile shall be notified to the Scottish Ministers at the earliest opportunity via the claims for Grant and monitoring reports. The Grantee shall after commencement of construction of the CEC Growth Assets and prior to the CEC Growth Assets Cost being ascertained provide details at regular periodic intervals established by the Executive Group to include actual expenditure to date compared with profiled expenditure and any change to estimated expenditure for the CEC Growth Assets, the reasons for any such changes.

12. The baseline "pre-Project" shall be the rateable value "RV" for both catalytic and surrounding area data for the GAM Targets at date of contract signature]. Each year after the date of this Agreement the Grantee shall as soon as practicable produce an update report on the GAM Targets together with such explanatory or supplementary material as the Scottish Ministers may from time to time reasonably require.

13. The Grantee shall measure the GAM Targets from Completion of the Catalytic Development. The Scottish Ministers shall measure and notify the Grantee of the national averages, growth rate and other data measured and reported by the Scottish Ministers and which is essential for the Grantee to measure achievement of the GAM Targets. The Scottish Ministers shall notify the Grantee of such data by [insert] annually.

14. The Scottish Ministers shall pay the Grant in accordance with the above provisions of this Schedule 1 Part 2 but there shall, subject to Paragraph 15.3 below, be a reconciliation based on the annual GAM Targets pursuant to Paragraph 15 below.

15. The GAM Targets are detailed below and the Grantee shall report on the achievement of the GAM Targets annually in arrears (subject to receipt from the Scottish Ministers of its data) pursuant to this Paragraph 15.

15.1 For the purposes of this Paragraph 15 the following definitions/criteria shall apply:

GAM Targets	% of Annual Grant	means collectively GAM Target 1; GAM Target 2 and GAM Target 3	
GAM Target 1 <i>Economic growth from the New St. James Centre.</i>	55	means an uplift in the rateable value derived from the Retail and Leisure Element that is three times the baseline rateable value. Baseline rateable value is defined as pre-project rateable value for the development footprint as at 1 April 2015. <i>If such a measurement is made, 55% of the SG GAM Payment will be made. In the event that the GAM Target is not achieved the payment will be pro-rated based upon the difference between the new uplift value and the pre-Project rateable value]</i>	An annual return detailing the rateable value of the Catalytic Development to be submitted.
GAM Target 2 <i>Economic growth from the Surrounding area</i>	25	means an uplift in rateable values from within the Surrounding area (EH1, EH2, EH7 and EH8 excluding the Catalytic Development itself) as a result of the effects of the Catalytic Development based upon achieving a rateable value growth rate equal to 0.5% above the national Scottish buoyancy average growth rate in each year of measurement. The baseline used to establish the measure shall be the rateable value for the Surrounding area as at 1 April 2015 uprated by national buoyancy rates until St James Centre opening in financial year 2019/20, (insert example of how to calculate baseline). Appendix 1 provides worked examples of Target 2.	An annual return detailing the rateable value of the Surrounding area to be submitted.
GAM Target 3 <i>[Employment and Training]</i>	20	The achievement of the Employment and Training Targets. <i>This is designed to support the long term unemployed and the harder to reach groups and areas. This will be based upon a target of 1200 training places and 600 people employed from hard to reach groups in the first two years of operation. Year one target of 600 training places and 300</i>	

	<p><i>jobs. Year two and three target of 1200 training places and 600 jobs. The longer term employment of those furthest away from the market is set as 25% of all employment in the St James Centre. If such a measurement is made, 20% of the SG GAM Payment will be made. In the event that the GAM Target is not achieved the payment will be pro-rated based upon the difference between actual jobs and training and created vs. the forecast levels.</i></p> <p>Long term unemployed is defined as those who have been <u>out of work for 12 months and over.</u></p> <p><u>“Hard to Reach”</u> is defined as those under-represented or disadvantaged in the labour market and covers people in the following categories ;</p> <ul style="list-style-type: none"> • Low Skilled, • Low Waged or those in insecure employment, • young people (16-19), those with a disabilities, • those with caring responsibilities, • those leaving care , • Ethnic minorities, • Older workers, • Ex-offenders, and • those recovering from an addiction <p>and will be targeted at the most disadvantaged wards in the city (using Scottish Government (SIMD) and ONS data)which shall include but not be limited to:</p> <ul style="list-style-type: none"> • North Edinburgh; • Craigmillar; and • Wester Hailes. 	<p>Information to be collected and submitted through CEC Caselink web-based client management system which records client profiles, supported provided and outcomes achieved and an annual return provided.</p> <p>Capital City Partnership validates the outcomes claims by organisations using our accepted definitions (attached).</p>
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15.2 Subject to Paragraph 15.3 below the Scottish Ministers shall pay the Grant for each year based on the aggregate of the following sums/percentages to the Grantee (and to the

extent the annual Grant has already been paid there shall be a reconciliation of what amount is due to or by the Grantee):

15.2.1 Where GAM Target 1 is met, the Scottish Ministers shall pay to the Grantee a sum equal to 55% of the annual Grant payment; and

15.2.2 Where GAM Target 2 is met, the Scottish Ministers shall pay to the Grantee a sum equal to 25% of the annual Grant payment. Where GAM Target 2 is not met, but the growth rate is above the Scottish buoyancy average growth rate, as measured from opening of the centre, a pro-rata proportion of the Grant payment will be made. No payment will be made if the Scottish buoyancy average growth rate is not achieved; and

15.2.3 Where GAM Target 3 is met, the Scottish Ministers shall pay to the Grantee a sum equal to 20% of the annual Grant payment.

15.3 The GAM Targets shall be measured and (A) if in the three years after Completion of the Catalytic Development all GAM Targets are met then the GAM Targets shall be deemed met in full and no adjustment of the Grant shall thereafter occur relative to the GAM Targets; (B) if in the three years after Completion of the Catalytic Development all GAM Targets are not met then the GAM Targets shall continue to be measured over the next three years (measured from the Completion of the Catalytic Development) and from such point the GAM Targets shall be deemed met in full or in part and no adjustment of the Grant shall thereafter occur relative to the GAM Targets; (C) until the GAM Targets are deemed met in full under limb (A) or (B) then the annual Grant shall be adjusted pro rata in accordance with the agreed GAM Targets adjustment as referred to above.

A worked example is included illustrating a scenario where GAM targets are not fully met or exceeded within a three year period assuming an average maximum annual Grant of £4.27m. The three year period is for illustration and can be extended if GAM targets have not been fully met (100%).

Step 1. Payments which would be made by Scottish Ministers where GAM targets 1, 2 3 are met in full.

Target 1	55% * £4.27m = £ 2.349m
Target 2	25% * £4.27m = £ 1.067m
Target 3	20% * £4.27m = £ 0.854m
Total GAM p.a.	£ 4.27m
3 Year GAM total	£12.81m

Step 2. Illustrative achievement of GAM targets over 3 years and GAM payments which would be made by Scottish Ministers.

Year 1.		
Target 1	50% achieved.	50% of £2.349m = £1.175m
Target 2	100% achieved.	100% of £1.067m = £1.067m
Target 3	110% achieved.	100% of £0.854m = £0.854m*
Year 1 GAM Payment £3.096m		
Year 2		
Target 1	110% achieved.	110% of £2.349m = £2.584m
Target 2	100% achieved.	100% of £1.067m = £1.067m

Target 3	90% achieved.	90% of £0.854m = £0.769m Year 2 GAM Payment £4.42m
Year 3		
Target 1	140% achieved.	140% of £2.349m = £3.289m
Target 2	100% achieved.	100% of £1.067m = £1.067m
Target 3	110% achieved.	110% of £0.854m = £0.939m Year 3 GAM Payment £5.295m
		3 Year GAM total £12.81m

*pro-rata payment against GAM Targets is capped at 100% unless GAM Targets have not been met in previous years. At no point will GAM funding payable by the Scottish Ministers accelerate the relevant cumulative total of £4.27m per annum.

SCHEDULE 2

GRANT CLAIM FORM

Organisation: *[Name and address]*

Bank details: *[Name and address, sort code, account number]*

Project: *[Name / Description]*

Total agreed grant for 20xx-xx: *[Amount]*

Latest forecast of expenditure of grant for 20xx-xx: *[Amount]*

Reconciliation of grant for 20xx-xx: *[Amount]*

Grant claimed to date: *[Amount]*

[Unexpended grant: where grant is paid in advance] *[Amount]*

[Claim for grant] or [Estimate of grant required] for the period [from xxxx to xxxx] or [to xxxx]:
[Amount]

We hereby claim **[total]** grant of **£** in respect of the above period in accordance with the terms and conditions of the Offer of Grant dated and the Schedules attached thereto.

Completed by:

Position:

Contact Details:

Date:

Detail of Performance against Target

Please list in the table below details of performance against target relevant to the above period and the type of documentary evidence that has been submitted to substantiate each amount.

A	B	C
Item	Amount (£)	Report (containing evidence that the relevant target has been met/evidence of required reconciliation) which is to the Scottish Ministers' satisfaction received by the Scottish Ministers

Final Growth Assets Cost		
GAM Target 1		
GAM Target 2		
GAM Target 3		
Reconciliation from previous financial year		
TOTAL*		

SCHEDULE 3

STATEMENT OF COMPLIANCE WITH CONDITIONS OF GRANT

[Name of Project]

This is to confirm that the grant claimed by *[name of Grantee]* in relation to the above Project [during the period ending [31 March 20xx] was properly due and was used for its intended purpose(s) in accordance with the terms and conditions of the Offer of Grant. This statement is supported by the records of *[name of Grantee]*.

Signed:

Name in block capitals:

Position:

Date:

“Executive Group” means the group formed in accordance with the requirements of Schedule 5.

“Financial Year” means a period from 1 April in one year until 31 March in the next;

“GAM Agreement” means the agreement entitled “Growth Accelerator Model Agreement relating to St James Quarter Edinburgh” entered into between the Developer and the Grantee on or around the date of this Offer of Grant;

“GAM Targets” means one or more of the data to be measured and reported in accordance with paragraph 15 of Part 2 of Schedule 1 to this Offer of Grant to ascertain whether the Project Outcomes have been achieved;

“Governance Arrangements” means the governance arrangements more particularly detailed in Schedule 5 to this Agreement;

“Grant” means the grant offered by the Scottish Ministers to the Grantee as specified in this Offer of Grant, and as varied from time to time in accordance with this Offer of Grant;

“Grantee” means the person, organisation or body to which the Grant will be payable as specified in this Offer of Grant. Where two or more persons, organisations or bodies are the Grantee, references to the “Grantee” are to those persons, organisations or bodies collectively and their obligations under the Agreement are undertaken jointly and severally;

“Initial Investment Longstop Date” means 31st December 2017 or such other date as is agreed between the Parties in writing;

“Intellectual Property Rights” means all rights of ownership, including all copyrights and other intellectual property rights in books, leaflets and other printed and published materials in whatever form produced as part of the Project by or on behalf of the Grantee including all reports and any such published materials stored in or made available by means of an information technology system and the computer software relating thereto and all patents, trademarks, registered designs and other rights in the nature of intellectual property;

“New St. James Centre” means the redeveloped retail, leisure, hotel and residential centre to be constructed by the Developer in the St. James Centre, as more fully described in Schedule 6;

“Offer of Grant” means this offer letter.

“Project” means the purpose for which the Grant has been awarded as described in the Part 1 of Schedule 1 Offer of Grant;

“Party” means a party to this Agreement;

“Payment” means each of the payments specified in Schedule 1 hereto;

“Retail and Leisure Element” the retail and leisure (including car parking) element of the Catalytic Development shown delineated in [red] on Plan Number [.....] contained [];

“St James Profit Share” means the amount, if any, that the Grantee receives from the Developer pursuant to the Grantee-Developer GAM agreement in respect of the St James Centre and CEC Growth Assets if the Catalytic Development exceeds a stated threshold internal rate of return 15% for the Developer triggering ‘profit’ payment to the Grantee;

“St James Centre” means the site identified in the redline plan attached at Schedule 7.

SCHEDULE 4

DEFINITIONS

"Agreement" means the agreement constituted by the Scottish Ministers' invitation to apply for a grant, the Grantee's Application, this Offer of Grant and the Grantee's acceptance of this Offer of Grant;

"Catalytic Development" means the redevelopment of The St James Centre, Edinburgh and CEC Growth Assets, which forms part of the whole redevelopment referred to in the Project description;

"CEC Growth Assets" means the assets identified in Paragraph 2.4 of this Offer of Grant as amended in accordance with the provisions of this Offer of Grant;

"CEC Growth Assets Cost" is the final cost and expense to the Grantee of completing the CEC Growth Assets, excluding VAT, as calculated pursuant to the Grantee-Developer GAM agreement in respect of the St James Centre and CEC Growth Assets;

"CEC Growth Assets Estimate" is the estimate as at the date of this Agreement of completing the CEC Growth Assets and is £61.4 million excluding VAT;

"Completion of Catalytic Development" means the date on which all of the following have occurred:-

- (a) 50% of the area of the Retail and Leisure Element (excluding car parking) in respect of which non domestic rates are payable is open for trading; and
- a statement or statements of practical completion has been issued for the areas comprising the Retail and Leisure Element;

"Conditions" means these grant conditions;

"Default" means:

(a) Any material breach of the obligations under this Agreement (including, but not limited to, any breach of any undertaking or warranty given under or in terms of this Agreement);

(b) Any failure to perform or the negligent performance of any material obligation under this Agreement;

(c) Any breach of any legislation; or

(d) Any negligence or negligent or fraudulent mis-statement or misappropriation of Grant, or any other default,

In each case by the defaulting party, its employees, agents or representatives;

"Developer" means the developer of the Catalytic Development with who the Grantee contracts to deliver inter alia the CEC Growth Assets;

"Developer Contribution" equals an annual maximum contribution to the Grantee of £350,000 p.a. fixed and not indexed; and a further £150,000 p.a. fixed and not indexed relating to the Energy Centre.

"Draft Approved Drawings" means the drawings set out at Schedule 8;

“Surrounding area” means the entirety of Edinburgh postcodes EH1, EH2, EH7 and EH8 but excluding the Catalytic Development.

SCHEDULE 5

Governance Arrangements

The "Executive Group" shall comprise senior representatives from the Council, the Scottish Futures Trust (SFT) and the Scottish Government and shall meet at least 6 monthly to oversee the delivery of this grant agreement. The Developer shall not be entitled to speak or vote at a meeting of the Executive Group but may be invited to attend as an observer.

The Grantee shall monitor progress made by the Developer on a regular basis and ensure costs, risks and timescales are properly managed.

A key function of the Grantee will be to work in collaboration with the Developer to ensure delivery of the project. As part of its commitment to the scheme, the Grantee shall dedicate specific management resources to the Project, the cost of which is reflected in the overall scheme costs. The GAM Agreement between the Developer and the Grantee shall also ensure that the Developer successfully undertakes all agreed development works in accordance with an agreed programme, including the timely appointment of consultants and contractors alike.

As part of its commitment to the scheme and in order to assemble all the associated land interests, the Grantee shall promote an agency Compulsory Procedure Order (CPO) under Sections 188 - 191 of the Town and Country Planning (Scotland) Act 1997.

SCHEDULE 6

[Insert plans/drawings of new St James Centre]

SCHEDULE 7

[Insert redline plan of St James Centre]

SCHEDULE 8

[Draft Approved Drawings]

