

ALCCo Model

The ALCCo model is not PPP but seeks to retain the key benefits of PPP, for example, the transference of risks relating to competition, completion on time and on budget, all to the private sector.

Envisaged Structure of the SPV in the ALCCo model –

The SPV would be a 100% Council owned SPV and, therefore, a public sector classified body (i.e. on balance sheet).

The SPV would operate at arms length from the Council and would require a board of directors with appropriate commercial experience.

The SPV would be a commercially run surplus maximising company. However, instead of using profit to pay dividends to investors it would use any surplus generated in pre-determined manner such as investing in educational facilities.

As the SPV would be wholly owned by the Council, the Council would ultimately be responsible for the risks retained within the SPV.

Roles and Responsibilities

The SPV's construction sub-contractor would undertake specific building works, which are likely to vary in size and nature, to enhance the marketability of the contract.

The SPV's FM sub-contractor would be responsible for the provision of hard FM services.

The Council would act as a client, as it would under a PPP contract, and would provide the specification for the schools and FM services.

The SPV would act as the Council's developer. To undertake this task the SPV would contract with a suitably experienced Private Sector Partner to deliver the project.

The Private Sector Partner would be responsible for –

- Developing the optimum procurement strategy to deliver the services required by the Council;

- Managing the procurement process and recommendation of sub-contactors on behalf of the SPV for design, construction and FM services, in accordance with the above strategy;

- Achieving optimum risk allocation to the above sub-contractors;

- Managing the residual risks retained by the SPV; and

- Managing the interfaces between the sub-contractors.

Contractual Responsibilities

The SPV would operate over a 30 year operating arrangement with the Council that would be based on the current Scottish Standard Schools Contract (SSSC), but amended to reflect the different payment and ownership arrangements.

The contract would initially be based on a limited scope but with the SPV having the ability to bring other proposals forward on a framework basis.

The SPV would carry the same type of risk as a PPP SPV and would, therefore, require sufficient cash flow backing to fund such risks, should they arise.

It is understood that no transaction has yet been concluded using this model.