

West Dunbartonshire Council
Report by the Executive Director of Educational Services
Council Meeting : 26 September 2007

Subject : Alternative Financing Structures for Major Capital Projects

1. Purpose

- 1.1** To provide Members with an overview of the financing structures available for major capital projects such as the rebuilding of schools.

2. Background

- 2.1** At its meeting on 30 May 2007, Council instructed officers to prepare reports on the alternative methods of funding for major Schools Regeneration Projects and other major public works, bringing these reports to the earliest possible Council meeting, but no later than September 2007.

3. Main Issues

- 3.1** Major capital projects were traditionally funded by Councils borrowing directly from the Public Works Loan Board and repaying the loans over the anticipated life of the project.
- 3.2** In recent years the Scottish Executive (now the Scottish Government) has encouraged Councils to use alternative methods of funding. One of the main drivers of this initiative was to keep such projects off the public sector balance sheet thereby meeting Treasury requirements regarding public sector borrowing levels.
- 3.3** Initially all such projects were financed by the PFI/PPP route but more recently other funding options have been explored and one in particular (NPDO) has come to fruition.
- 3.4** At the present time there are 4 possible funding methods for major capital projects as follows –
- a) Traditional
 - b) PFI/PPP (Private Finance Initiative/Public Private Partnership)
 - c) NPDO (Non Profit Distributing Organisation)
 - d) ALCCo (Arms Length Council Company)
- 3.5** In addition to the above the Scottish Government is currently developing a new model, based on the issue of public bond finance, which will be known as the Scottish Futures Trust.
- 3.6** Appendices 1 to 4 give an overview of each model with the exception of the Scottish Futures Trust which is a relatively new model for which no transaction has yet been concluded.
- 3.7** Appendix 5 summarises the major differences between the two most common methods of PFI and NPDO.

4. Personnel Issues

4.1 There are no Personnel issues.

5. Financial Implications

5.1 There are no Financial implications at this stage. A detailed financial analysis of each method will be prepared following identification of further regeneration programmes.

6. Risk Analysis

6.1 A Risk analysis was not required at this stage.

7. Conclusion

7.1 The report comments on 4 possible methods open to the Council to fund major capital projects and notes that the Scottish Government is currently developing a further method to be known as the Scottish Futures Trust.

8. Recommendation

8.1 It is recommended that Members note this report and:

- (i) Request that a further report be prepared following publication of the details of the Scottish Futures Trust**
- (ii) Request that, following receipt of the above report, a Members' briefing be arranged to provide further details on all the options available.**

Liz McGinlay
Executive Director of Educational Services
Date 18 September 2007

Wards Affected: All

Appendices:

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| Appendix 1: | Traditional Method Overview |
| Appendix 2: | PFI/PPP Overview |
| Appendix 3: | NPDO Overview |
| Appendix 4: | ALCCo Overview |
| Appendix 5: | Comparison of PPP/NPDO |

Background Papers:

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