Appendix 1 – HubCo Tender

1. HubCo have competitively tendered for the right to deliver public sector projects in the South East Scotland region. The competitive tender submitted was based on a selection of projects of a similar type. The tender comparisons were based upon percentages submitted by HubCo for:-

   a. Prelims for projects
   b. Overheads and profits
   c. Consortium (SPV) costs

2. The actual cost of the core work packages e.g. ground works, structural frame etc, will be competitively tendered to the sub-contract market and in turn the lowest price will be delivered. Once all of the packages have been returned the total value of all of these packages will form the prime cost.

3. The competitive percentages which HubCo submitted as part of the selection process (items listed in item 1 above) are then applied to the prime cost to determine the total value.

4. The final total value is agreed between the parties and is used as the capital value on which investment bids for funding the project are sought competitively from the open market.

5. Once competitive bids for funding have been received, the local authority will be involved with Scottish Futures Trust (SFT) and HubCo in the selection of the preferred funding partner.

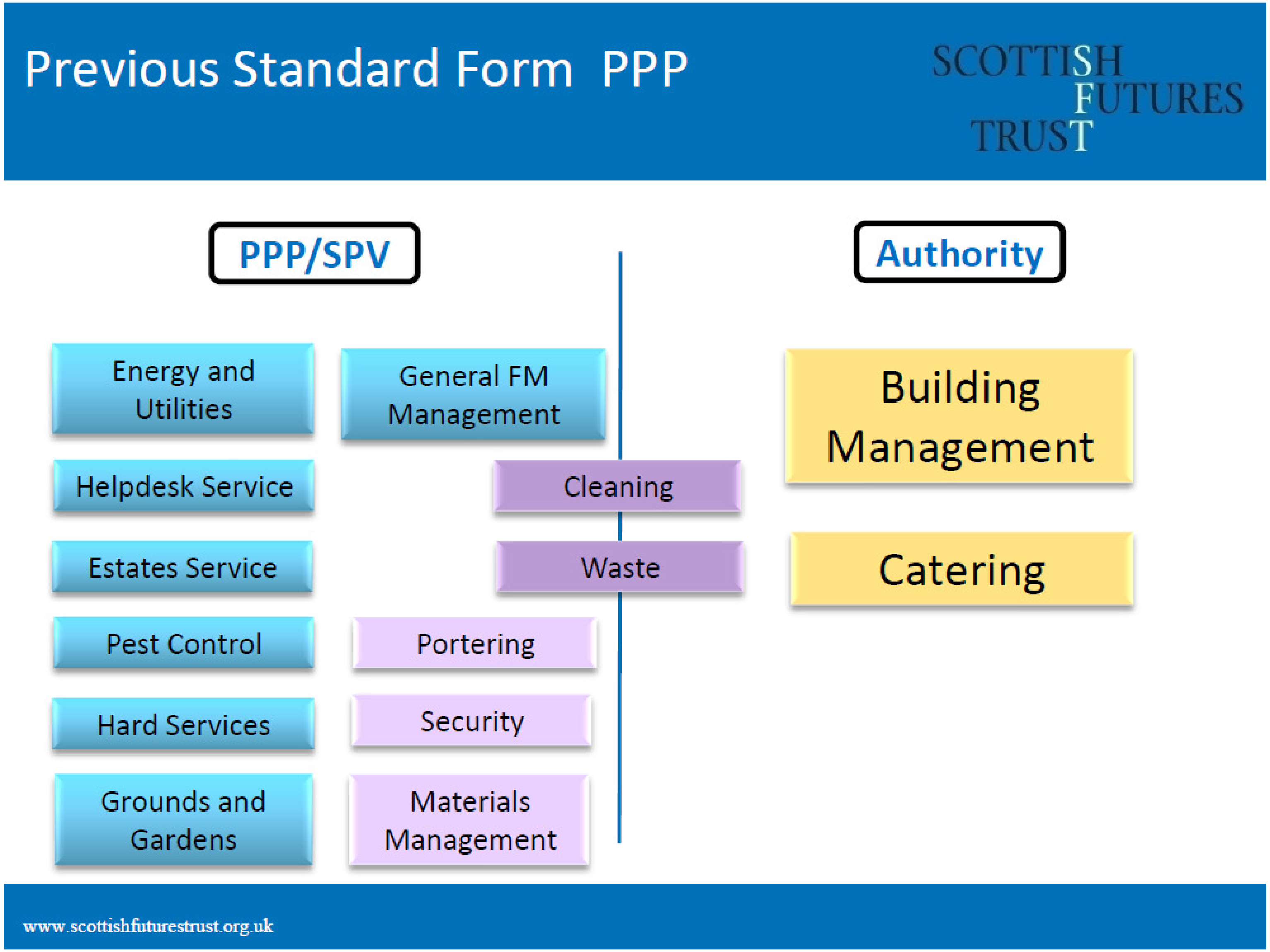
6. Similar to PPP the funding of the project will require the Council to pay a unitary charge over an agreed period. This period is usually between 25 and 35 years. At the end of this period the project reverts to the ownership of the Council.

7. The Council are entitled to be involved in every key stage of the HubCo process as a ‘partner’ to the process.

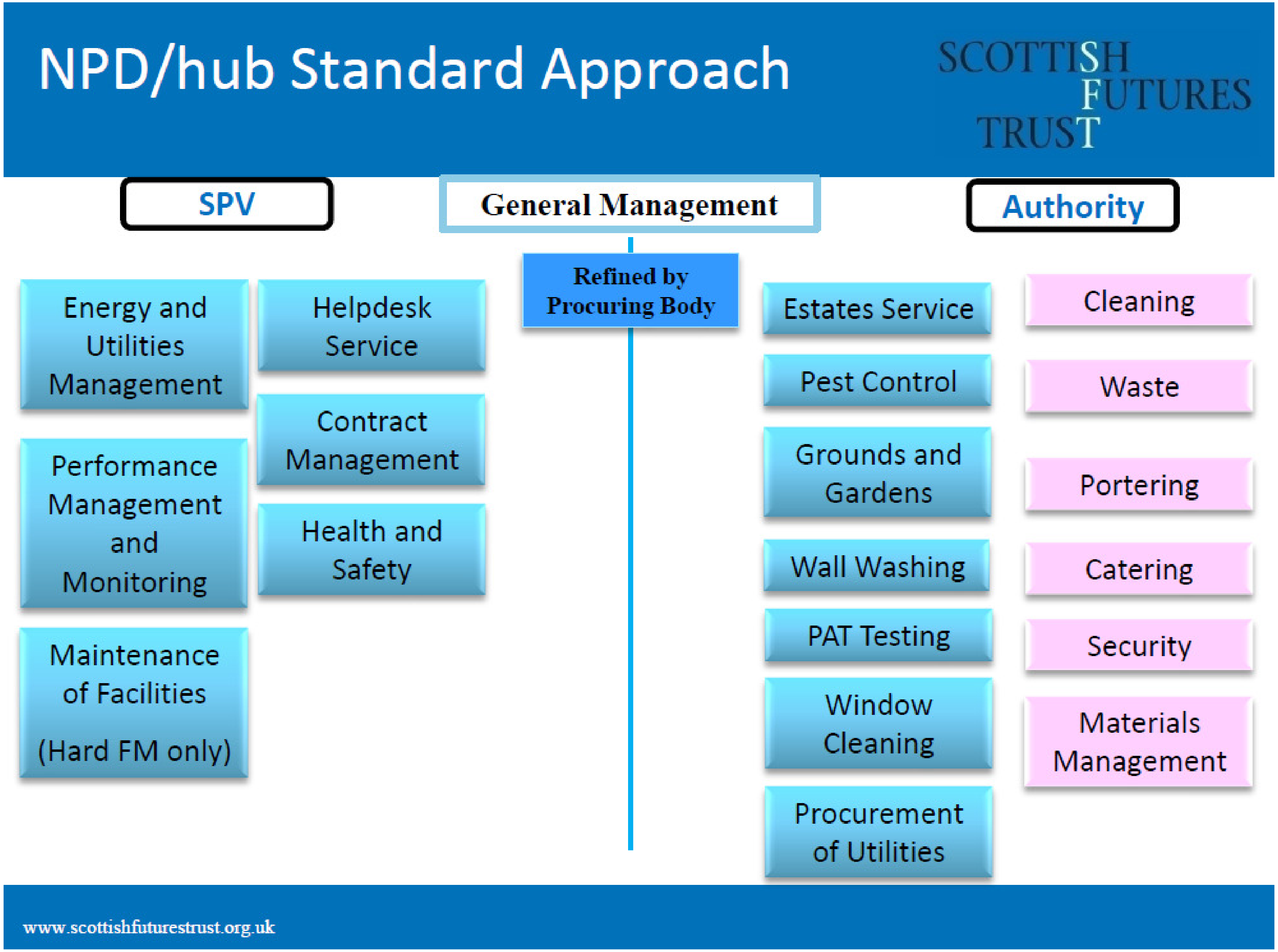
8. Unlike PPP, local authorities can choose to invest in the project and share in the investment returns. The level of this investment is capped at 45% of the value, this is covered by European Systems of Accounts 1995 guidance.

Appendix 2 – Key Differences in FM Scope between Standard Form PPP and hub Standard Approach

PPP



hub Standard Approach



Appendix 3 – Funding Conditions Letter from Scottish Government, 16th January 2013

Appendix 4 – Public/Private funding of Capital Costs

The level of public/private capital in each of the Projects discussed in this paper is shown below:-

Public/Private funding of capital for High School Projects

Project	Total Capital Costs £000's	Private Sector %	Council %*
Dalkeith Schools Community Campus	34,700	86%	14%
Lasswade Centre	37,100	0	100%
Newbattle High School	35,600	49%	51%

** Note that the Council % comprises capital costs carried out directly by the Council (such as site purchases, roadworks, site service connections) along with the Council Contribution to the SPV (injected at Services Commencement and having the effect of allowing the Private Sector SPV to make a bullet repayment of debt at this point).*

As can be seen from the table above, the most prominent use of private sector finance is in the Dalkeith Campus project, with the majority of the capital costs (86%) financed by the private sector. These costs are effectively fully funded through the £93.5m Revenue Support Grant Funding from the Scottish Government (row 25 of Table 19)[1].

The Newbattle project also incorporates a significant amount of private sector finance (49%), however this proportion of private sector debt is significantly lower than the Dalkeith Campus. This is a result of new guidance from the Scottish Government which allows greater flexibility for the Council in the use of public sector Capital Contributions[2].

For the Lasswade Centre, where the project was part-funded through the Scottish Government's Capital Budget, there was no requirement to establish a private sector SPV and therefore no requirement for private sector debt financing.

[1] The remainder of the £93.5m figure relates to the Scottish Government support for 100% of the Lifecycle Maintenance costs.

[2] Due to the change from UK GAAP accounting to IFRS accounting and a better understanding of the long term risk profile of Schools DBFM projects.

Public/Private funding of capital for Primary School Projects

Project	Total Capital Costs £000's	Private Sector %	Council %*
Primary Schools PPP2	50,300	74%	26%
Bonnyrigg Primary	8,100	0%	100%
Cuiken Primary	7,600	0%	100%
Woodburn Primary	10,900	0%	100%
Burnbrae Primary	6,500	68%**	32%

** Note that the Council % comprises capital costs carried out directly by the Council (such as site purchases, roadworks, site service connections) along with the Council Contribution to the SPV (injected at Services Commencement and having the effect of allowing the Private Sector SPV to make a bullet repayment of debt at this point).*
*** The cost of servicing private sector finance for this school was not passed on to the Council.*

As can be seen from the table above, the most prominent use of private sector finance is in the Primary Schools PPP2 project, with the majority of the capital costs (74%) financed by the private sector. These costs are effectively fully funded through the £107.4m Revenue Support Grant Funding from the Scottish Government (row 25 of Table 20)[3].

For the Bonnyrigg, Cuiken and Woodburn projects, as these were traditional build and finance projects, there was no requirement to establish a private sector SPV and therefore no requirement for private sector debt financing.

[3] The remainder of the £107.4m figure relates to the Scottish Government support for 100% of the Lifecycle Maintenance costs.