Agenda Item No. 12

South Ayrshire Council

Report by Head of Finance, ICT and Procurement to South Ayrshire Council of 15 December 2022

Subject: PPP Service Concession Arrangement Flexibilities

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1. Purpose

1.1 The purpose of this report is to consider the impact for the Council of changing the statutory accounting treatment for Service Concession Arrangements (SCAs) as set out in FC 10/2022 – finance leases and service concession arrangements.

2. Recommendation

2.1 It is recommended that the Council:

2.1.1 applies, as per section 2.2 of FC 10/2022, the permitted PPP Concession flexibility in financial year 2022/23 on a retrospective basis using an annuity basis with a useful life of 40 years;

2.1.2 notes that the flexibility being applied is consistent with current Council Loans Fund arrangements and is considered prudent, sustainable, and affordable over the life of the asset;

2.1.3 notes that, by applying the flexibility, a one off retrospective saving of £21.718m will be achieved followed by a reduction in the annual charges for a further 18 years (commencing in FY 2022/23) and the continuation of the statutory charges after the SCA contracts have been repaid; and

2.1.4 agrees to earmark the £21.718m retrospective saving as follows:

- **£14.000m towards supporting the revenue budget over the four year period 2023/24 to 2026/27 as detailed in 4.13;**
- **£5.000m allocated to the Workforce change Fund as detailed in 4.14; and**
- **retain the balance of £2.718m in uncommitted reserves.**

3. Background

3.1 The Scottish Government’s 2022 Resource Spending Review, contained details of a Service Concession Arrangement flexibility that relates to the Council’s PPP schools. The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made which results in a one-off credit to the Council and ongoing annual savings for a period of time. In the remaining years following the end of the SCAs, the rescheduled debt repayments continue until the debt liability has been extinguished.

3.2 The Statutory Regulation in relation to this matter, Local Government Finance Circular 10/2022 (FC 10/2022), was published and issued to councils in September 2022.

3.3 FC 10/2022 permits the option for Scottish Councils to apply additional flexibility to the accounting treatment for Service Concession Arrangements (SCA) in place before 1st April 2022. The statutory guidance applies from the financial year 2022 to 2023 but permits retrospective application as an option.

3.4 If this approach is adopted, it must be applied to all service concession arrangements, leases, and similar arrangements with the exception of such arrangements where the contract will expire within five years, where it may be applied. The Council has three such arrangements in place at present:

- The original PPP scheme (3 secondary schools, 2 primary schools and 1 annex);
- Ayr Academy; and
- Queen Margaret Academy

3.5 In terms of the requirements of FC 10/2022 the Council will need to show that the financial implications of the change are prudent, sustainable, and affordable over the life of the asset and explain the basis for the accounting policy change. The reason for the change should be disclosed, along with an explanation of the movement in both the Balance Sheet and the General Fund. Where the annuity method has been applied, narrative should explain how this method links to the flow of benefits from the asset.

3.6 Advice and support has been sourced from Link Asset Services, the Council's treasury management consultant.

4. Proposals

4.1 Finance Circular 10/2022 (FC 10/2022) replaces the 2010 version that covered this area and permits the authority to apply a temporary flexibility for service concession arrangements entered prior to April 2022. The Circular sets out the accounting requirements and the options permitted for the recognition of repayments of the principal element of the lease component or the lease liability for the year and the temporary flexibility for SCAs entered prior to 1 April 2022.

4.2 Appendix 1 provides an analysis of the options contained in FC 10/2022 along with various prudence and consistency aspects that must be assessed when considering the application of the options contained in the statutory guidance.

4.3 Authorities have the flexibility to apply the change in the calculation of the statutory charge in either 2022/23 or 2023/24. This approach will apply to all credit arrangements going forward. The adopted approach must be applied across all such arrangements in line with the key accounting principle of consistency. There is an exception for schemes that have less than 5 years remaining; however this is not applicable in this case. The details of the permitted approach are contained in Appendix 2.

4.4 The annual unitary charge will continue to be paid to the contractor over the contract period. The guidance applies to principal and not to interest, service charge costs or grant. These will continue to be accounted for over the contract period.

4.5 In determining whether to apply the flexibility to the accounting policy for SCAs, the Council needs to ensure it maintains a prudent approach and any changes are sustainable in terms of the Council's revenue budget.

4.6 When determining 'a prudent policy' for SCAs the Council needs to consider the financial implications in the context of the financial forecast of the Council's Long / Medium Term Financial Plan. The latest iteration of the Medium Term Financial Plan presented to Cabinet on 29 November 2022 projected a mid-case budget gap of £37.8m over the three year period 2023/24 to 2025/26.

4.7 Based on the analysis contained in Appendix 2, it is recommended that Option 2.2 of FC 10/2022 be applied in 2022/23 for the SCA's currently held by the Council.as it is considered to be prudent and consistent when assessed against the various considerations.

Summary Impact of Applying Section 2.2 of FC 10/2022

4.8 The current repayment charges for each SCA have been compared against an annuity repayment profile based on the estimated useful asset lives for the each of the three SCA arrangements. The most appropriate asset life is considered to be 40 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools. The calculation of the repayment charges of each SCAs or Public Private Partnership (PPP) scheme using the asset life annuity basis is compared to the current charges which are made over the contract period. Further detail is provided in Appendix 3 for each of the three SCAs held and is summarised as follows:

	Total of PPP schemes			
	Current position	Principle repayments based on a simple 40 year annuity		
PPP principle repayments	Current repayment £000	Revised repayments £000	(Reduction)/cost £000	NPV 3.5% £000
Pre 2022-23	34,341	12,622	(21,718)	(21,718)
2022-23	3,685	1,614	(2,071)	(2,001)
Yrs 2 to 5	15,409	7,418	(7,991)	(7,098)
Yrs 6 to 10	19,679	11,879	(7,800)	(5,948)
Yrs 11 to 25	54,255	63,210	8,955	1,664
Yrs 26 to 40		30,627	30,627	10,714
Total	**127,369**	**127,369**	**-**	**(24,388)**

4.9 The total cumulative statutory adjustment up to the 31st March 2022 which would result from changing the calculation of the repayment of debt liability on the three SCAs using a 40-year annuity period is £21.718m. This is a one off in year reduction, compared to the current schedule of repayments.

4.10 In the financial years up to the expiry date of each contract there would be further reductions. In the remaining years following the end of the SCAs, the rescheduled debt repayments continue until the debt liability has been extinguished. The full repayment profiles are provided in detail for each SCA in Appendix 3.

4.11 Over the full life of the SCAs the total repayment for the debt liability remains the same. However, when a Net Present Value (NPV) is applied the reprofiled charges would result in a total reduction in NPV terms of £24.388m.

4.12 The reprofiling of the debt liability repayments would increase the Capital Financing Requirement (CFR) by £21.718m as at 1 April 2022, if the Council made the adjustment in the current financial year 2022/23. The increase in the CFR will continue to be reduced by the revised repayments after each SCA contract has expired until the end of the revised period.

4.13 Changing the repayments of the SCA debt liability using Option 2.2 produces significant retrospective one off savings of £21.718m and ongoing revenue savings in the near to mid-term (as detailed in 4.8 above). Given the projected budget gaps contained in the MTFP, as noted in 4.6, decisions will need to be taken to achieve the level of savings required. To achieve a prudent managed approach for the release of these savings and to align with the medium-term financial plan, it is proposed to budget for setting aside (earmarking) a proportion of the retrospective savings created from the statutory one-off adjustment to "smooth" the identified budget gap over the next four years as follows to allow more time to achieve the permanent savings required:

2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	Total £m
5.000	4.000	3.000	2.000	**14.000**

4.14 Furthermore, given the significant budget gaps projected it is inevitable that service reductions will be required in the short to medium term and, noting that 49% of Council annual spend is on employee costs, it is likely that less staff will be required to operate the reduced levels of service being provided. It is therefore proposed to earmark a further £5.000m of the identified retrospective saving as a contribution to the Councils Workforce Change Fund with the purpose of providing funding to meet any severance and other employee-related costs arising from any service reduction measures undertaken.

4.15 The remaining balance of the identified retrospective saving of £2.718m would remain as uncommitted reserves, increasing the uncommitted balance held to circa £8.3m or 3.88 per cent of planned spend. This remains in line with Council policy of maintaining reserves of between 2 and 4 per cent of planned spend.

4.16 In addition to the one off retrospective element, an in year saving would occur in scheduled debt repayments in 2022/23, if applied from 1 April 2022, of £2.071m. This would be followed by a reduction in the annual charges for further 17 years and then the continuation of the statutory charges after the SCA contracts have been repaid. Details of the profile of debt rescheduling is outlined in Appendix 3. This annual saving will initially reduce cost in the 2022/23 financial year and will be a recurring base budget saving in future annual budgets.

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5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report as Finance Circular 10/2022 provides the required Statutory Regulation in relation to this matter.

5.2 There are no procurement implications arising from this report as the original contract arrangement for each of the three SCAs will remain in place. The unitary charge will continue to be paid to the contractor over the original contract period.

6. Financial Implications

6.1 On applying Section 2.2 of FC 10/2022 to the Council's SCAs on an annuity basis with a useful life of 40 years, a one off retrospective saving of £21.718m will occur together with ongoing revenue savings in the short to medium term. The main impact of the reprofiling of the charges will be a reduction in the annual charges for 18 years (commencing in FY 2022/23) and the continuation of the statutory charges after the SCA contracts have been repaid.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 ***Risk Implications of Adopting the Recommendations***

8.1.1 There is a risk that on extending the debt repayment period that appropriate funds will not be in place to meet the cost incurred for the period of the extension. This risk is mitigated by ensuring that on completion of the original contract arrangements an appropriate element of the available unitary charge budget is retained for the required period of time to meet the remaining costs.

8.2 ***Risk Implications of Rejecting the Recommendations***

8.2.1 There is a risks that the opportunity to achieve potential savings in a prudent manner in the short to medium term to assist in managing the projected medium term budget gaps will be missed.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 4.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

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11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

14.1 If the recommendations above are approved by Members, the Head of Finance, ICT and Procurement will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

Implementation	Due date	Managed by
Apply the permitted PPP Concession flexibility as per section 2.2 of FC 10/2022 in financial year 2022/23	31 March 2023	Head of Finance, ICT and Procurement
Update the applicable Councils Accounting Policies from financial year 2022/23 onwards	30 June 2023	Service Lead – Corporate Accounting

Background Papers **Finance Circular 10/2022**

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Date: 5 December 2022

Appendix 1

Finance Circular 10/2022

1.1 Finance Circular 10/2022 (FC 10/2022) replaces the 2010 version that covered this area and permits the authority to apply a temporary flexibility for service concession arrangements entered prior to April 2022. The Circular sets out the accounting requirements and the options permitted for the recognition of repayments of the principal element of the lease component or the lease liability for the year and the temporary flexibility for SCAs entered prior to 1 April 2022. The options contained in FC 10/2022 are:

1.1.1 Section 1: applying the Accounting Code with the reversal (i.e. elimination) of all statutory adjustments;

1.1.2 Section 2.1: continuation of existing statutory accounting for all relevant SCAs, leases and similar arrangements, as originally set out in finance circular 4/2010;

1.1.3 Section 2.2: SCAs only – this section permits an additional flexibility for SCAs recognised within an authority's Annual Accounts prior to 1 April 2022. The new flexibility aligns the statutory adjustments to the asset life. With a choice of retrospective or prospective application. Section 2.1 continues to apply to leases and similar arrangements

1.2 The impact of applying Section 2.2 to the Council's SCAs is the subject of this report. This option applies the usual principles that depreciation and impairment will not be a charge to the General Fund. The charge to the General Fund will be a sum which recognises the repayment of the principal element of the finance lease component of the PFI liability, plus life cycle replacement capital expenditure. The Section 2.2 option permits the additional flexibility to calculate the statutory charge over the useful life of the asset which has been financed by the SCA rather than over the contract period, applying proper accounting practices.

1.3 Authorities have the flexibility to apply the change in the calculation of the statutory charge in either 2022/23 or 2023/24. This approach will apply to all credit arrangements going forward. The adopted approach must be applied across all such arrangements in line with the key accounting principle of consistency. There is an exception for schemes that have less than 5 years remaining; however this is not applicable in this case. The details of the permitted approach are contained in Appendix 2.

1.4 The unitary charge will continue to be paid to the contractor over the contract period. The guidance applies to principal and not to interest, service charge costs or grant. These will continue to be accounted for over the contract period.

1.5 If the 3rd option detailed in 1.1.3 above, applying Section 2.2 of FC 10/2022, is used and costs are reprofiled over the asset life, then there is a further choice on how to reprofile the principal elements:

- Equal Instalment of Principal, or
- Annuity method

A decision is required on which of these two options to apply and this is informed by the overall view on prudence.

Annuity Method - Consideration

1.6 In determining whether to apply the flexibility to the accounting policy for SCAs, the Council needs to ensure it maintains a prudent approach and any changes are sustainable in terms of the Council's revenue budget.

1.7 The calculation of the repayment of the debt liability charges in this report have used the annuity method to calculate the revised repayments. This method best represents the consumption of the assets over their useful lives. The annuity method is used as standard practice in most PPP arrangements.

1.8 It is common practice for Scottish Authorities to use the annuity method for writing down the debt liability for borrowing to support capital expenditure. This methodology is currently applied within the Councils current Loans Fund repayment policy. The use of an annuity method for the writing down of the PPP debt liability therefore ensures a consistent approach for the writing down of all debt which is financing capital expenditure.

1.9 CIPFA supports the use of the annuity method for calculating charges for the repayment of the debt liability and states:

- The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now.
- The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, considering the real value of the amounts when they fall due.
- The annuity method would then be a prudent basis for providing for assets that provided a steady flow of benefits over their useful life.'

CIPFA Practitioners' Guide to Capital Finance in Local Government 2019.

1.10 The following table shows how the annuity method results in a consistent charge over the asset's life. When comparing the net present values of each payment it results in the same payment and shows that the annuity method produces a consistent and even charge in today's terms based on an example £1m Capital Financing Requirement over 10 years when compared to the alternative Equal Instalment Plan methodology.

Year	Debt repayment – EIP basis £	NPV @3.5% £
1	100,000	96,618
2	100,000	93,351
3	100,000	90,194
4	100,000	87,144
5	100,000	84,197
6	100,000	81,350
7	100,000	78,599
8	100,000	75,941
9	100,000	73,373
10	100,000	70,892
	1,000,000	**831,661**

Year	Debt repayment – annuity basis £	NPV @3.5% £
1	85,241	82,359
2	88,225	82,359
3	91,313	82,359
4	94,509	82,359
5	97,816	82,359
6	101,240	82,359
7	104,783	82,359
8	108,451	82,359
9	112,247	82,359
10	116,175	82,359
	1,000,000	**823,588**

1.11 Calculation of the debt liability repayments using the annuity method is considered a prudent approach as it reflects the time value of money (i.e. the impact of inflation) as well as providing a charge that is better matched to how the benefits of the asset financed by borrowing are consumed over its useful life. That is, a method that reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years.

1.12 It is likely that the asset will continue to be used and consumed after the end of the period. This shows the benefit of an asset is not straight line as the council may continue to use and access the asset after the original asset life period.

Useful Economic Life – Consideration

1.13 The most appropriate asset life is considered to be 40 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools. The Council's Loans Fund methodology use a Useful Economic Life (UEL) of 40 years when calculating the repayment of debt liability for borrowing to support capital expenditure for similar types of assets. The proposed application a UEL of 40 years for the three SCAs arrangements is therefore considered consistent with current council methodology.

Revenue Budget Implications - Consideration

1.14 When determining 'a prudent policy' for SCAs the Council needs to consider the financial implications in the context of the financial forecast of the Council's Long / Medium Term Financial Plan. The latest iteration of the Medium Term Financial Plan presented to Cabinet on 29 November 2022 projected a mid-case budget gap of £37.8m over the three year period 2023/24 to 2025/26.

1.15 Changing the repayments of the SCA debt liability produces significant retrospective savings and ongoing revenue savings in the near to mid-term. To achieve a prudent managed approach for the release of these savings and to align with the medium-term financial plan, it is appropriate to budget for setting aside (earmarking) a proportion of the retrospective savings created from the statutory one-off adjustment to "smooth" the identified budget gap over the short to medium term.

1.16 Furthermore, given the significant budget gaps projected it is inevitable that service reductions will be required in the short to medium term and, noting that 49% of Council annual spend is on employee costs, it is likely that less staff will be required to operate the reduced levels of service being provided. It is therefore appropriate to consider earmarking a proportion of the retrospective savings identified as a contribution to the Councils Workforce Change Fund with the purpose of providing funding to meet any severance and other employee-related costs arising from any service reduction measures undertaken.

1.17 After applying a proportion of the retrospective saving to support the revenue budget in the short to medium term and contributing a proportion to the Workforce Change Fund any remaining balance of the identified retrospective saving would remain as uncommitted reserves, increasing the uncommitted balance held.

Impact of Applying Section 2.2 of FC 10/2022

1.19 The calculation of the repayment charges of each SCAs or Public Private Partnership (PPP) scheme applying Section 2.2 of FC 10/2022, using the asset life annuity basis, compared to the current charges which are made over the contract period is shown in Appendix 3. The current repayment charges for each SCA have been compared against an annuity repayment profile based on the estimated useful asset lives for the each of the three SCA arrangements. The most appropriate asset life is considered to be 40 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools. A one off retrospective saving of £21.718m would be achieved using this methodology.

1.20 In addition to the one off retrospective element, an in year saving would occur in scheduled debt repayments in 2022/23, if applied from 1 April 2022, of £2.071m followed by a reduction in the annual charges for further 17 years and then the continuation of the statutory charges after the SCA contracts have been repaid. Details of the profile of debt rescheduling is outlined in Appendix 3.

Accounting Treatment

1.21 The statutory adjustment can be made as at 1 April in the year the revised repayments are applied. This option can be exercised only in 2022/23 or 2023/24 and can be applied retrospectively. Being a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2022 would require the following entries to be made:

- Debit Capital Adjustment Account; and
- Credit General Fund balance.

1.22 Thereafter the statutory debt repayment in subsequent financial years will require the following entries to be made:

- Debit General Fund balance; and
- Credit Capital Adjustment Account

1.23 These adjustments would be reported through the Movement in Reserves Statement. The main impact of the reprofiling of the charges will be a reduction in the annual charges for 18 years and the continuation of the statutory charges after the SCA contracts have been repaid. The revised charges will represent the proper charge for the consumption of the assets over their useful lives.

Section 2.2	Permitted approach
Options	To calculate the annual charge for the principal repayments of the debt liability: • the equal instalments of principal (EIP) • or the annuity method can be used.
Discount rate	The discount rate to be applied should follow the requirements of the Accounting Code. The principal repayments should be discounted using the interest rate implicit in the contract if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate of the local authority should be used.
Applicable years	Applied in 2022/23 or 2023/24 only. Can be either prospective or retrospective application.
Cumulative statutory adjustment	The cumulative statutory adjustment is from the Capital Adjustment Account to the General Fund and is made as at 1 April in (depending on the year applied) either 2022 or 2023. There is no prior year restatement of statutory adjustments. The SCA liability will continue to be written down by the contractual principal repayments.
Applicable arrangements	The flexibility must be applied consistently to all SCAs entered prior to 1 April 2022 except for contracts with less than 5 years until completion provided the annual charge is not materially different. A body should separately identify the value of each SCA. If not, the asset and liability must be restated at market values. The flexibility does not apply to leases or any similar arrangement.
Governance	The decision to apply the flexibility must be approved by the Full Council.
Prepayments	Where a prepayment was originally funded from a revenue or capital source, the body may revisit that decision and choose to fund the prepayment from borrowing. Borrowing should be recognised by a loans fund advance.

Original PPP – 3 Secondary Schools, 2 Primary Schools and 1 School annex

The summary position for the PPP scheme below shows the repayments of the £76.282m debt liability for the current 33-year contract period compared to the calculation based on a 40-year annuity and highlights the following:

	Original PPP (2007/8, £76.282m, 33 years)			
	Current position	**Principle repayments based on a simple 40 year annuity @ 5.627%**		
PPP principle repayments	**Current repayment £000**	**Revised repayments £000**	**(Reduction)/cost £000**	**NPV 3.5% £000**
Pre 2022-23	29,360	11,078	(18,282)	(18,282)
2022-23	2,112	1,614	(947)	(915)
Yrs 2 to 5	9,049	5,351	(3,698)	(3,383)
Yrs 6 to 10	11,133	8,567	(2,566)	(1,981)
Yrs 11 to 25	24,629	45,546	20,917	9,004
Yrs 26 to 40		4,576	4,576	1,871
Total	**76,282**	**76,282**	**-**	**(13,585)**

- the statutory adjustment for the cumulative repayment of debt liability up to 31 March 2022 is a £18.282m reduction.
- further annual reductions totalling £13.220m from 2022/23 to 2038/39 the year before the contract expires.
- in the financial years 2039/40 to 2047/48 the revised charges will result in a total of £31.501m higher costs than the current repayment profile (ranging from £1.039m in 2039/40 to £4.576m in 2047/48).
- the rescheduling of all the charges gives a NPV saving of £13.585m.

Ayr Academy

The summary position for the Ayr Academy scheme shows repayments of the £24.877m debt liability for the current 26-year contract period, compared to the calculation based on a 40-year annuity and highlights the following:

	Ayr Academy (2017/18, £24.877m, 26 years)			
	Current position	Principle repayments based on a simple 40 year annuity @ 5.960%		
PPP principle repayments	Current £000	Revised repayments £000	(Reduction)/cost £000	NPV 3.5% £000
Pre 2022-23	3,200	914	(2,285)	(2,285)
2022-23	764	217	(548)	(529)
Yrs 2 to 5	3,268	1,005	(2,263)	(2,009)
Yrs 6 to 10	4,461	1,632	(2,829)	(2,147)
Yrs 11 to 25	13,184	8,979	(4,205)	(2,882)
Yrs 26 to 40	-	12.131	12,131	4,200
Total	**24,877**	**24,877**	**-**	**(5,653)**

- the statutory adjustment for the cumulative repayment of debt liability up to 31 March 2022 is a £2.285m reduction.
- further annual reductions totalling £13.155m from 2022/23 to 2041/42 the year before the contract expires.
- in the financial years 2042/43 to 2056/57 the revised charges will result in a total of £15.440m higher costs than the current repayment profile (ranging from £0.111m in 2042/43 to £1.553m in 2056/57).
- the rescheduling of all the charges gives a NPV saving of £5.653m.

Queen Margaret Academy

The summary position for the Queen Margaret Academy scheme shows repayments of the £26.210m debt liability for the current 26-year contract period, compared to the calculation based on a 40-year annuity and highlights the following:

	Queen Margaret Academy (2019/20, £26.210m, 26 years)			
	Current position	**Principle repayments based on a simple 40 year annuity @ 5.353%**		
PPP principle repayments	**Current repayment £000**	**Revised repayments £000**	**(Reduction)/cost £000**	**NPV 3.5% £000**
Pre 2022-23	1.781	629	(1,152)	(1,152)
2022-23	809	233	(576)	(557)
Yrs 2 to 5	3,091	1,062	(2,029)	(1,807)
Yrs 6 to 10	4,086	1,680	(2,405)	(1,819)
Yrs 11 to 25	16,442	8,685	(7,757)	(4,458)
Yrs 26 to 40	-	13,920	13,920	4,643
Total	**26,210**	**26,210**	**-**	**(5,150)**

- the statutory adjustment for the cumulative repayment of debt liability up to 31 March 2022 is a £1.152m reduction.
- further annual reductions totalling £14.353m from 2022/23 to 2044/45 the year before the contract expires.
- in the financial years 2045/46 to 2058/59 the revised charges will result in a total of £15.505m higher costs than the current repayment profile (ranging from £0.772m in 2045/46 to £1.521m in 2058/59).
- the rescheduling of all the charges gives a NPV saving of £5.150m.

Total proposed rescheduling model

		Original PPP (2007/8, £76.282m, 33 years)				Ayr Academy (2017/18, £24.877m, 26 years)				Queen Margaret Academy (2019/20, £26.210m, 26 years)					
		Current position	Principle repayments based on a simple 40 year annuity @ 5.627%			Current position	Principle repayments based on a simple 40 year annuity @ 5.960%			Current position	Principle repayments based on a simple 40 year annuity @ 5.353%				
Year	**PPP principle repayments**	**Current repayment £000**	**Revised repayments £000**	**(Reduction)/cost £000**	**NPV 3.5% £000**	**Current repayment £000**	**Revised repayments £000**	**(Reduction)/cost £000**	**NPV 3.5% £000**	**Current repayment £000**	**Revised repayments £000**	**(Reduction)/cost £000**	**NPV 3.5% £000**	**Total-(reduction)/ cost £000**	**Total NPV £000**
0	**Pre 2022/23**	29,360	11,078	(18,282)	(18,282)	3,200	914	(2,285)	(2,285)	1,781	629	(1,152)	(1,152)	**(21,718)**	**(21,718)**
1	**22/23**	2,112	1,164	(947)	(915)	764	217	(548)	(529)	809	233	(576)	(557)	**(2,071)**	**(2,001)**
2	**23/24**	2,176	1,2309	(946)	(883)	790	230	(560)	((523)	816	245	(571)	(533)	**(2,077)**	**(1,939)**
3	**24/25**	2,218	1,299	(919)	(829)	825	243	(581)	(524)	784	258	(525)	(474)	**(2,026)**	**(1,827)**
4	**25/26**	2,290	1,372	(917)	(799)	839	258	(581)	(506)	767	272	(495)	(432)	**(1,994)**	**(1,737)**
5	**26/27**	2,365	1,450	(916)	(771)	814	273	(541)	(455)	724	287	(438)	(268)	**(1,894)**	**(1,595)**
6	**27/28**	2,446	1,531	(915)	(744)	820	290	(531)	(432)	712	302	(410)	(334)	**(1,856)**	**(1,510)**
7	**28/29**	2,071	1,617	(453)	(356)	866	307	(559)	(439)	757	318	(439)	(345)	**(1,451)**	**(1,141)**
8	**29/30**	2,135	1,708	(427)	(324)	893	325	(568)	(432)	816	335	(481)	(365)	**(1,476)**	**(1,121)**
9	**30/31**	2,204	1,804	(400)	(293)	929	345	(584)	(429)	880	353	(527)	(387)	**(1,511)**	**(1,109)**
10	**31/32**	2,277	1,906	(371)	(263)	953	365	(587)	(416)	920	372	(548)	(388)	**(1,506)**	**(1,068)**
11	**32/33**	2,354	2,013	(341)	(234)	984	387	(597)	(409)	945	392	(553)	(379)	**(1,491)**	**(1,022)**
12	**33/34**	2,934	2,126	(808)	(535)	1,031	410	(621)	(411)	979	413	(566)	(375)	**(1,995)**	**(1,320)**
13	**34/35**	3,049	2,246	(803)	(514)	1,078	434	(643)	(411)	1,101	435	(575)	(367)	**(2,021)**	**(1,292)**
14	**35/36**	3,171	2,372	(799)	(493)	1,138	460	(678)	(419)	1,032	458	(573)	(354)	**(2,049)**	**(1,266)**
15	**36/37**	3,300	2,506	(794)	(474)	1,199	488	(711)	(424)	1,085	483	(602)	(360)	**(2,107)**	**(1,258)**
16	**37/38**	3,436	2,647	(790)	(455)	1,211	517	(694)	(400)	1,152	509	(643)	(371)	**(2,217)**	**(1,227)**
17	**38/39**	4,470	2,796	(1,675)	(933)	1,303	548	(756)	(421)	1,207	536	(671)	(374)	**(3,101)**	**(1,728)**
18	**39/40**	1,914	2,953	1,039	559	1,465	580	(884)	(476)	1,323	565	(758)	(408)	**(604)**	**(325)**
19	**40/41**		3,119	3,119	1,623	1,558	615	(943)	(491)	1,481	595	(886)	(461)	**1,290**	**671**
20	**41/42**		3,295	3,295	1,656	1,638	651	(987)	(496)	1,592	627	(966)	(485)	**1,342**	**675**
21	**42/43**		3,480	3,480	1,690	579	690	111	54	1,695	660	(1,035)	(502)	**2,557**	**1,241**
22	**43/44**		3,676	3,676	1,725		731	731	343	1,837	696	(1,142)	(536)	**3,266**	**1,532**
23	**44/45**		3,883	3,883	1,760		775	775	351	1,104	733	(372)	(168)	**4,286**	**1,943**
24	**45/46**		4,101	4,101	1,796		821	821	360		772	772	338	**5,695**	**2,494**
25	**46/47**		4,332	4,332	1,833		870	870	368		813	813	344	**6,016**	**2,545**
26	**47/48**		4,576	4,576	1,871		922	922	377		857	857	350	**6,355**	**2,598**
27	**48/49**						977	977	386		903	903	357	**1,880**	**743**
28	**49/50**						1,035	1,035	395		951	951	363	**1,986**	**758**
29	**50/51**						1,097	1,097	405		1,002	1,002	369	**2,099**	**774**
30	**51/52**						1,162	1,162	414		1,056	1,056	376	**2,218**	**790**
31	**52/53**						1,232	1,232	424		1,112	1,112	383	**2,344**	**807**
32	**53/54**						1,305	1,305	434		1,172	1,172	390	**2,477**	**824**
33	**54/55**						1,383	1,383	444		1,234	1,234	397	**2,617**	**841**
34	**55/56**						1,465	1,465	465		1,300	1,300	404	**2,766**	**859**
35	**56/57**						1,553	1,553	466		1.370	1.370	411	**2,922**	**877**
36	**57/58**										1,443	1,443	418	**1,443**	**418**
37	**58/59**										1,521	1,521	426	**1,521**	**426**
Total		**76,282**	**76282**	**-**	**(13,585)**	**24,877**	**24,877**	**-**	**(5,653)**	**26,210**	**26,210**	**-**	**(5,150)**	**-**	**(24,388)**

Appendix 4

South Ayrshire Council
Equality Impact Assessment
Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx

Further guidance is available here: https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/

1. Policy details

Policy Title	PPP Concession Flexibilities
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes **Consider the 'Three Key Needs' of the Equality Duty**	**Level of Negative and/or Positive Impact** **(High, Medium or Low)**
Eliminate unlawful discrimination, **harassment and victimisation**	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	~~**YES**~~ **NO**
Rationale for decision: **This report advises the Panel of ##############. Members' decision on this has no specific equality implications**	
Signed : Tim Baulk **Head of Service** **Date:** 30 September 2022	