

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****35. LEASING, PPP AND DBFM PAYMENTS****OPERATING LEASES****Council as Lessee**

The council uses leased cars, street sweeping vehicles and occupies certain offices financed under the terms of various operating leases. The amounts paid under these leases has been charged to the Comprehensive Income and Expenditure Statement as follows: -

|                    | <b>2023/24<br/>£'000</b> | <b>2022/23<br/>£'000</b> |
|--------------------|--------------------------|--------------------------|
| Plant and Vehicles | 981                      | 1,135                    |
| Property           | 824                      | 519                      |
|                    | <b>1,805</b>             | <b>1,654</b>             |

The future cash payments required under operating leases are: -

|   | <b>2023/24<br/>£'000</b> | <b>2022/23<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Not later than one year                           | 1,647                    | 1,542                    |
| Later than one year and not later than five years | 3,231                    | 3,545                    |
| Later than five years                             | 4,406                    | 5,911                    |
|   | <b>9,284</b>             | <b>10,998</b>            |

**Council as Lessor**

The council has a range of properties which it leases out under operating leases. The purpose of these Economic Development properties is to support the policy objective of the council by ensuring an adequate supply of property is available to meet the requirements of business needs in West Lothian, supporting growth and employability. The cumulative value of leases in 2023/24 where the Council is a lessor is £5.691 million for 738 units (£5.470 million for 738 units 2022/23).

The future lease payments receivable under non-cancellable leases in future years are:

|   | <b>2023/24<br/>£'000</b> | <b>2022/23<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Payments due within one year            | 2,373                    | 2,281                    |
| Payments due between two and five years | 8,365                    | 8,039                    |
| Payments due after five years           | 41,392                   | 43,764                   |
|   | <b>52,130</b>            | <b>54,084</b>            |

In year £0.345 million contingent rents were receivable by the council (2022/23 £0.247 million).

**FINANCE LEASES**

The council is neither lessee or lessor in respect of any finance lease arrangements. The council does however have obligations in respect of PPP/PFI finance arrangements which are reported below.

**Education Service PPP1 Schools Project**

PPP1 is a 31 year Public Private Partnership contract which was awarded in August 2001 for the construction, extension and refurbishment of existing facilities, for three high schools, three primary schools and two nursery schools in Bathgate, Broxburn, Whitburn and Linlithgow. The contractor is responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 7 November 2032.

The unitary charge is subject to annual RPI indexation. The PPP contractor has price risk for utilities, therefore the council may be entitled to a rebate on the unitary charge, this is reviewed bi-annually. The council is entitled to receive a share of any Refinancing Gain in accordance with a formula linked to the Equity IRR.

The council has rights to access the school facilities each school day. The contract specifies standards for the services to be delivered by the PPP contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

**Education Service PPP3 Schools Project**

PPP3 is a 31 year Public Private Partnership contract for the construction of new facilities, for two high schools in Livingston (Deans) and Armadale. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 16 August 2039.

The Unitary Charge is subject to annual RPI indexation. The parties share the benefit/cost of improving or not achieving the set utility consumption targets, so the council may be due a rebate on the unitary charge and this is reviewed annually. Whilst the council may have to meet any additional cost of insurance premiums, it may also benefit from their reduction. In addition, the council is entitled to receive a 50% share of a refinancing gain arising from a qualifying refinancing.

The council has rights to access the school facilities each week day, and each weekend. The contract specifies standards for the services to be delivered by the PPP contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.