

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****35. LEASING, PPP AND DBFM PAYMENTS (CONTINUED)****Education Service DBFM West Calder High School Project**

DBFM is a 25 year Design, Build, Finance and Maintain (DBFM) contract for the construction of a new high school in West Calder to replace the existing high school. The school was handed over to the council on 29 June 2018 and became operational on 20 August 2018. The DBFM contractor is responsible for the majority of the ongoing maintenance of the school facilities, which requires ongoing procurement of construction services, plant and equipment. The council operates the school facilities (janitorial, cleaning and security services) and is responsible for some elements of ongoing maintenance, such as grounds maintenance, kitchen equipment maintenance, replacement floor finishes and redecoration. The contract expiry date is 29 June 2043.

The Monthly Service Payment is subject to annual RPI indexation. The council has price risk on insurance premiums and both price and consumption risk for utilities. The council is entitled to receive a 30% share of any refinancing gain arising from a qualifying refinancing.

The council has rights to access the school facilities every day of the calendar year. The DBFM contract specifies standards for the services to be delivered by the DBFM contractor, payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities must achieve a specified standard when they are handed over to the council on the contract expiry date. Both parties have rights to terminate the contract, but compensation may be payable.

**PPP and DBFM Payments**

The future cash payments under two PPP schools and the DBFM school contracts are analysed as follows: -

Range	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	Schools for the Future Revenue Funding £'000	2023/24 Total £'000	2022/23 Total £'000
Within one year	4,015	3,781	223	12,424	(1,867)	18,576	16,653
2 to 5 years	14,166	13,236	2,975	55,475	(7,468)	78,384	70,256
6 to 10 years	23,882	10,970	1,127	69,161	(9,335)	95,805	93,912
11 to 15 years	20,865	5,408	-	55,322	(9,335)	72,260	64,212
16 to 20 years	9,503	1,147	-	8,068	(7,928)	10,790	23,705
21 to 25 years	-	-	-	-	-	-	322
<b>Total</b>	<b>72,431</b>	<b>34,542</b>	<b>4,325</b>	<b>200,450</b>	<b>(35,933)</b>	<b>275,815</b>	<b>269,060</b>

The estimated future cash payments for 2024/25 onward have increased as a result of the inflationary impact on costs in 2023/24 over and above that already included in the financial model. This has increased the operating costs of PPP and DBFM arrangements.

The Schools for the Future Programme, in order to ensure successful delivery of the DBFM Project at West Calder High School, has committed to provide revenue funding support for a period of 25 years commencing during 2018/19. The level of funding will total £46.677 million towards operating costs of the project.

**PPP / DBFM Service concessions**

Scottish Government Finance Circular 10/2022 allows councils to apply flexibility to accounting treatment for service concession arrangements in place prior to 1 April 2022. The calculation of the revised repayment charges using an asset life of 50 years on an annuity basis of £8.687 million was compared to current charges due over the contract life of £36.290 million and resulted in a retrospective adjustment of £27.603 million in 2022/23, £3.277 million in 2023/24. The reprofiling of this debt liability repayments increases the council's capital financing requirement (CFR), however this will reduce as repayments are made. The service concession flexibility has been assessed to be prudent, affordable and sustainable within the parameters of the council's revenue, capital and treasury management plans.

**36. RELATED PARTIES**

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council. The council has chosen a de-minimis level of £0.1 million as its threshold disclosure level for individual items of income and expenditure, but considers any identified related party transactions on a case by case basis for disclosure.

**Scottish Government**

Scottish Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits).

Grants received from Government Departments on a principal basis, where council is acting on its own behalf, are set out in note 33 on page 83, whilst grants provided on an agency basis, where the council is an intermediary for Scottish Government, are detailed in note 30 on Page 81.