

URGENT BUSINESS COMMITTEE

ABERDEEN, 18th November 2008. - Minute of Meeting of the URGENT BUSINESS COMMITTEE. Present:- Councillor Dean, Convener; and Councillors Allan, Cassie, Crockett (substituting for Councillor Ironside), Dunbar (substituting for Councillor McDonald), Fletcher, Hunter (substituting for Councillor Young), Kiddie, Leslie, Malone (substituting for Councillor John Stewart), May, Kevin Stewart and Wisely.

Also in attendance:- Councillor Kirsty West.

DETERMINATION OF URGENT BUSINESS TO BE CONSIDERED

1. In terms of Standing Order 28(3)(vi), and in accordance with Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973, the Committee was informed that it had to determine (1) that the item on the agenda was of an urgent nature; and (2) that the Committee required to consider the item and take a decision thereon.

The Committee resolved:-

to agree that the item was of an urgent nature and required to be considered and a decision taken thereon.

EXEMPT INFORMATION

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public from the meeting during consideration of the following item of business so as to avoid disclosure of exempt information of the class described in paragraph 6 of Schedule 7(A) to the Act.

DECLARATION OF INTEREST

Councillor Kiddie declared an interest during the course of discussion on the following item by virtue of his membership of the Council's Pensions Panel. Councillor Kiddie did not consider that the nature of his interest required him to leave the meeting.

3Rs PROJECT - FUNDING ARRANGEMENTS

2. With reference to Article 32 of the minute of Council of 12th November 2008, the Committee had before it a report by the Corporate Director for Resources Management which advised of the range of interim financing options to support various scenarios for the ongoing programme of works at the 3Rs schools and the advantages and risks associated with each option.

The report (a) provided the background to the 3Rs project, which was based on the Council having entered into a Non-Profit Distributing Partnership with a consortium (NYOP) in December 2007, with Landsbanki as the senior funder to the consortium; (b) explained that the impact of the global financial crisis had been particularly severe on the Icelandic economy, with the three main banks in Iceland, including Landsbanki, in effect having been put into receivership; (c) advised that a 'New' Landsbanki had been established by the Icelandic Government, and discussed the associated implications of this for the Council and the 3Rs project; (d) informed that New Landsbanki had indicated that it believed that it was in the best interests of the project if the senior funding was refinanced and that it would lead the process, however it was unlikely that this would be achieved until February/March 2009, which meant that in order to minimise the impact on the project a form of bridging loan would be required until a refinancing deal was concluded; (e) provided an update on the impact these developments were having on the work on site; (f) explained that New Landsbanki had confirmed that it was able to release £1.25million approximately (in Icelandic krona) per month for the six month period October to March 2009 inclusive, which amounted to £7.5million, which was approximately 25% of the funding requirement if Pihl was to continue with the original programme of works; (g) envisaged that any bridging finance would be provided by the Council either directly or by guaranteeing a loan provided by a third party; and (h) set out the following table with the four options which were available:-

Option	Description	Estimated total cost to 31/03/09	Required bridging finance after New Landsbanki £7.5m contribution
A - No intervention by the Council	Cease works on all seven schools under construction and undertake a care and maintenance approach to protect the project and enable a recommencement once senior refinancing completed in 2009. All schools experience a minimum delay of six months (up to twelve months for the two academies which have restricted transfer dates).	Not disclosed	0
B - Two academies completed on time, primary schools delayed	Continue with the construction of the two academies to meet the contracted programme with completion and occupation of these two schools in October 2009. All primaries would be delayed for at least six months. Sites would be secured on a care and maintenance basis.	£10.5million	£3million

C - Two academies and two primaries completed on time, other primaries delayed	Continue with construction of two academies and two primary schools to meet contracted programme. Cease works on three primary schools under construction and undertake a care and maintenance approach to these schools. Two academies plus Airyhall and Heathryburn would open to timetable, other primaries would be delayed by at least six months.	£12.5million	£5million
D - Construction programme maintained and schools delivered to time	Construction timetable continues as close as possible to the contracted programme. Potential for small delay to some schools dependent upon the availability of monies in the short term.	£26million	£18.5million

The report then analysed each option, with a more detailed analysis of the costs, risks and benefits included in an appendix to the report. The report discussed the implications if the Council supported bridging finance by providing a guarantee to a third party or if the Council opted to provide funding itself for a bridging facility by way of a loan, whilst noting that a combination of both approaches could be possible with the Council providing the funds initially.

The report emphasised that Council officials and its financial and legal advisers had been in regular contact with Scottish Government officials. The report also appended (1) details of the schools to be built/refurbished which comprised the 3Rs project and the scheduled completion dates; and (2) a paper which outlined the potential implications for future years' Revenue and Capital Budgets.

The report recommended:-

that the Committee -

- (a) note the developing position regarding the funding arrangements for the 3Rs project;
- (b) consider the various scenarios detailed in the report, and decide which course of action to follow at this stage; and
- (c) agree that further meetings of the Urgent Business Committee be held as appropriate.

The Corporate Director for Resources Management spoke in furtherance of the report and advised that officers were recommending that Option C be approved, with the Council providing a loan of £5million with a large number of protections in place. The Committee then asked a number of questions which were answered by the Corporate Director in conjunction with the City Chamberlain and City Solicitor,

as well as the Council's legal and financial advisers, Keith Paterson (Brodies) and Vivienne Cockburn (Caledonian Economics).

The Committee resolved:-

- (i) to note the developing position regarding the funding arrangements for the 3Rs project;
- (ii) to approve Option C in the report and delegate power to the Corporate Director for Resources Management, the City Chamberlain and City Solicitor, in consultation with the Chair of the 3Rs Board and the Convener of the Urgent Business Committee, to attach the necessary conditions to the loan;
- (iii) to agree that further meetings of the Urgent Business Committee be held as appropriate;
- (iv) to instruct the City Solicitor to investigate the leak of the report to the press, which appeared to have originated from the version of the report which had been sent to members via e-mail; and
- (v) to request the Corporate Director for Resources Management, in consultation with the Head of Corporate Communications, to draft a summary of the latest position and the decision of the Committee to be issued to the media, which would be sent to all members of the Committee in the first instance.

- KATHERINE DEAN, Convener.