

URGENT BUSINESS COMMITTEE

ABERDEEN, 27th March 2009 - Minute of Meeting of the URGENT BUSINESS COMMITTEE. Present:- Councillor Kevin Stewart, Acting Convener; and Councillors Allan, Cassie, Collie (substituting for Councillor Ironside), Crockett (substituting for Councillor Young), Fletcher, Kiddie, McDonald, May, Noble (substituting for Councillor Dean), Reynolds (substituting for Councillor Clark) and Wisely.

APPOINTMENT OF CONVENER

1. It was agreed that Councillor Kevin Stewart chair the meeting in the absence of Councillor Dean.

DETERMINATION OF URGENT BUSINESS TO BE CONSIDERED

2. In terms of Standing Order 28 (3)(iv), 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.

3Rs PROJECT - FUNDING ARRANGEMENTS

3. With reference to Article 2 of the minute of its meeting of 18th November 2008, the Committee had before it a report by the Corporate Director for Resources Management which advised of progress on NYOP, the consortium's efforts to refinance the 3Rs Project and the options available to the Council and the advantages and risks associated with each option.

The report reminded members that the Committee on 18th November 2008 had agreed an interim financing package with the consortium which included the provision of £5million of bridging loan finance to support the project until 31st March

2009, and that this had been matched by £7.5million from Landsbanki itself. The Interim Project Support Agreement (IPSA) recognised that the refinancing might not be complete by 31st March 2009, and therefore allowed the refinancing period to be extended to 31st May 2009 providing that certain conditions were met.

The report went on to provide an update on the progress Landsbanki were making in respect of refinancing negotiations. Progress had been slower than expected, which reflected the significant uncertainty in the current financial markets and higher levels of due diligence.

The report then set out the options which were available to the Council at 31st March 2009 and appraised each option, with a more detailed analysis of the costs, risks and benefits included in an appendix to the report.

The option which officers were recommending, this day, was that the Council extend the refinancing period to 31st May 2009 and provide up to £4million additional bridging loan finance. An additional £2.5million interim loan finance would also be provided by NYOP. This option allowed NYOP/Landsbanki a two month extension to the interim arrangements to complete the refinancing. This would allow the two primary schools (Heathryburn and Airyhall) to be completed on time. Work would be limited to maintenance and ensuring the site was secure on the two academies (Cults and Bucksburn) but following refinancing would accelerate so the academies would open in October 2009 as originally scheduled. Revised school opening dates would be agreed for the other schools in the project. The report explained that if the refinancing was successful, the revised construction programme would be completed and the unitary charge would remain as agreed at the point of the financial close. If refinancing was not successful, the Council would have several options to consider - these were being actively pursued.

The report advised that if the option being recommended was approved the prospective funders had requested that the Council provide a letter of support for Pihl to prospective funders detailing their constructive approach, co-operation and the role they had played in supporting the development of an interim solution, which they believed would strengthen their application to their credit committees.

The Corporate Director for Resources Management spoke in furtherance of the report, and confirmed that officers were recommending that the refinancing period be extended to 31st May 2009, and that up to an additional £4million in bridging loan funding be provided by the Council. The Committee then asked a number of questions which were answered by the Corporate Director in conjunction with Graeme Traill, 3Rs Education Adviser. There was circulated to the Committee a draft letter to prospective new funders in support of Pihl, the construction contractor, if required.

The Committee resolved:-

- (i) to note the developing position regarding the funding arrangements for the 3Rs Project;
- (ii) to agree that the refinancing period be extended to 31st May 2009, and that up to an additional £4million in bridging loan funding be provided to allow further due diligence to be undertaken on the refinancing options, on the understanding that Landsbanki provide an additional £2.5million;

- (iii) to agree that officers should continue to examine and develop contingency plans, in the event that there was a shortfall in the funds available to refinance the project;
- (iv) to approve the release of the letter of support to the prospective new funders in support of Pihl, if required, and that it be signed by the members of the Leadership Board;
- (v) to request officers to contact the Scottish Government and the Westminster Government to see if they could provide any assistance for Public Private Partnerships affected by the current financial climate;
- (vi) to instruct officers to submit a report on progress to the Resources Management Committee on 5th May 2009;
- (vii) to agree that further meetings of the Urgent Business Committee be held as appropriate;
- (viii) to instruct officers within Corporate Communications to issue a brief press release today regarding the decisions of the Committee; and
- (ix) to instruct the 3Rs Education Adviser to update the construction programme following the Committee's decision and issue a summarised version to all members with an invitation to attend the meeting of the 3Rs Project Board to be held on 3rd April 2009.

- KEVIN STEWART, Acting Convener.