MEMORANDUM

GOVERNMENT RESOURCES AND ACCOUNTS BILL

UK Legislation

1. The UK Government have introduced the Government Resources and Accounts Bill, clause 16 of which includes power for the Treasury to incur expenditure in respect of the establishment of a body for supporting public-private partnerships (PPPs), investing in the body and providing loans/guarantees and other financial provision to or in respect of the body. This is to enable the UK Government to finance Partnerships UK, a new body to develop and support PPPs. The Bill is expected to receive Royal Assent in July. It is proposed to table a Government amendment which would give a power to the Scottish Ministers to take a financial stake in Partnerships UK. The policy intention to do so was announced by the Minister for Finance on 13 June in response to a written Parliamentary Question in the Scottish Parliament (S1W-07862).

Purpose of Partnerships UK

2. The Treasury are establishing Partnerships UK (PUK) in response to the second report made in Spring 1999 by Sir Malcolm Bates on the progress made in implementing the private finance initiative (PFI) and PPPs. The first Bates report on the PFI, in 1997, led to the incorporation of the Treasury Taskforce whose remit was to advise and assist the public sector with the development, procurement and implementation of PFI projects.

3. The purpose of PUK is to continue the work of the Taskforce and to build on it, by developing PPPs. PUK will continue to provide project skills on an advisory basis. It will, in addition, inject management expertise and finance (by sharing costs) and will share decision making (on appropriate issues). If a PFI deal is successfully concluded, PUK's return will be payable by the winning contractor at financial close or over the life of the contract.

Constitution of PUK

4. PUK will be a public company and legislation is required to give Ministers power to provide finance for it. From its initial launch on 13 June it is wholly owned by the Treasury. Assuming the Bill receives Royal Assent, later this year, there will be a further launch of PUK. At this stage private sector investment in PUK will be sought allowing a 51% holding in the company. The Treasury will have a significant minority stake up to 49%. It is proposed that the Scottish Ministers should be able to take up to a 10% share-holding (it is envisaged that this would involve a cost of £1-2m) of the 49% minority stake. PUK will have an Advisory Council made up of public sector stake holders including the Scottish Executive. This will monitor its effectiveness in fulfilling its public sector mission and UK will produce a published annual report. PUK's financial targets will be set to fulfil its public sector mission while permitting a fair return on capital. The Scottish Executive consider it important to be involved in PUK in this way to ensure Scottish projects and interests are safeguarded.

Type of Scottish Projects PUK will Support

5. The Treasury Taskforce have supported the Glasgow Secondary Schools PPP project. PUK support will continue until financial close, which is expected shortly. At the initial launch of PUK on 13 June it was announced that the new body would support school projects for East and Mid-Lothian, and refurbishment of primary schools for Glasgow City Council as well as an E-commerce project for the Scottish Tourist Board.

Conclusion

6.
- PUK is being established by the UK Government to continue support for PPP projects. The Government Resources and Accounts Bill in the UK Parliament provides the necessary powers for the Treasury to fund PUK.
- To enable the Scottish Ministers to take a financial stake in PUK an amendment will be made to the UK Parliament to this Bill. The agreement of the Scottish Parliament is sought to this.
- It is proposed that a range of Scottish PPP projects will receive PUK support.

Scottish Executive
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