



The Scottish  
Government



LEGACY 2014  
XX COMMONWEALTH GAMES  
GLASGOW

John McClelland  
Scottish Funding Council  
Donaldson House  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD

9 July 2013

Dear John

### **NPD PROGRAMME – COLLEGE PROJECTS**

The Scottish Ministers have considered advice received from the Scottish Funding Council (SFC) on 29 May 2013 in relation to the Decision Point 4 submission for the City of Glasgow College NPD estate redevelopment, and are pleased to note that this project is now moving to financial close.

Scottish Ministers clearly and publicly stated their support in the Scottish Government Draft Budget dated November 2010 (passed by the Scottish Parliament on 9 February 2011) for:

- improvements to the further education college estate at Inverness,
- improvements to the further education college estate at Kilmarnock, and
- modernisation of the Glasgow college estate,

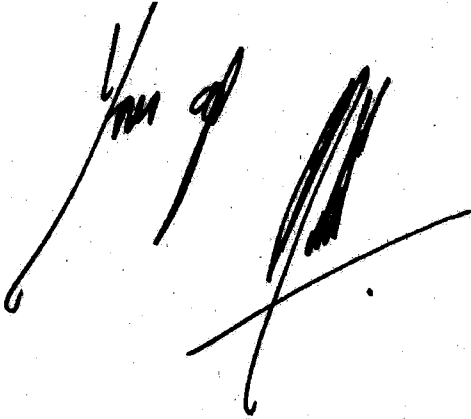
as part of a pipeline of projects to be delivered through the non-profit distributing or NPD model (the "**College NPD Projects**"). The nature of this support was further detailed in a letter from this Department to SFC dated 22 March 2011.

### **Funding Support**

To ensure successful delivery of the College NPD Projects and, in accordance with the terms of section 9 and 10 of the Further and Higher Education (Scotland) Act 2005, Scottish Government will include provision for revenue funding support for College NPD Projects (that takes account of the level of funding support available, confirmed in writing by SFC to the NPD Colleges immediately following financial close, as referred to below) in its annual funding allocation to the SFC. We will look

to the SFC to take account of the contractual commitments undertaken in projects of this kind when making funding decisions.

I understand that at the point of financial close, you will write to the colleges concerned, confirming the level of funding support available for specific College NPD Projects. That letter should reflect the provisions set out in the attached Annex.

A handwritten signature in black ink, appearing to read 'M Russell', with a long horizontal stroke extending to the right.

**MICHAEL RUSSELL**

**NPD PROGRAMME – COLLEGE PROJECTS****Terms and conditions**

1. The revenue funding award is detailed in schedule 1 attached to this letter (“**Revenue Funding Support**”). The Revenue Funding Support has been calculated using the financial model for the Project [*insert financial model date and reference*] which assumes an interest rate of [*insert interest rate*]. The Scottish Government will take the risk of movements in interest rates up to the point of financial close and so the Funding Support will be re-calculated at the point of financial close using the same financial model adjusted only to reflect (i) the interest rate at which the Project reaches financial close and (ii) any other changes that have been expressly approved by the Scottish Futures Trust (“**SFT**”) (on behalf of Scottish Government). As previously indicated to the College, the interest rate proposed at financial close will be subject to SFT approval (on behalf of Scottish Government). An amended schedule to this letter, detailing the Revenue Funding Support recalculated to reflect the interest rate at the point of financial close and any other changes that have been expressly approved by the Scottish Futures Trust, will be issued to you at financial close.

2. The Revenue Funding Support will be further adjusted as follows:
- a. to reflect amounts due and payable by the College under the NPD contract (the “NPD Contract”) in relation to the cost of the Operational Insurances;
  - b. where there is delay in achieving any Actual Completion Date by the relevant Completion Date such that the Annual Service Payment due and payable under the NPD contract in any financial year is reduced, there will be a corresponding reduction in the Revenue Funding Support for the financial year(s) affected; and
  - c. to reflect any change in the recoverability of VAT by the College;
  - d. to reflect any change in the rate of VAT chargeable on the relevant amounts;
  - e. if there is an adjustment to the financial model in terms of the NPD Contract following the occurrence of the Compensation Event referred to in Clause 29.10.4 of the NPD Contract, the Revenue Funding Support will be increased to reflect the relevant Financing Costs (as defined in SFT’s August 2012 Guidance Note on Compensation Events).

**Surpluses and Refinancing Gains**

3. As previously indicated, any Surpluses and Refinancing Gains received by the College in terms of the NPD Contract are to be accounted to Scottish Government (Employability, Skills and Lifelong Learning Directorate). The College must notify SFC (who must in turn notify Scottish Government (Employability, Skills and Lifelong Learning Directorate)) as soon as it becomes aware of its entitlement to any

Surpluses or Refinancing Gains and an appropriate mechanism for these to be accounted to Scottish Government (Employability, Skills and Lifelong Learning Directorate) will be determined at the time.

#### Contract Management, Co-operation and Information

4. The College is required to put in place procedures for the effective management and monitoring of the NPD Contract during both the construction and operational periods.

The College must continue to co-operate with Scottish Government (Employability, Skills and Lifelong Learning Directorate), SFC and SFT throughout the Project (including in relation to any initiatives for collaborative contract management), keep Scottish Government (Employability, Skills and Lifelong Learning Directorate), SFC and SFT informed of progress and developments on the Project in a timely manner and provide to Scottish Government (Employability, Skills and Lifelong Learning Directorate), SFC and/or SFT, promptly on request, such information as they may from time to time request in relation to the Project, its progress and the performance of obligations under the NPD Contract.



**NPD Funding Award  
Letter (Funding Supp**

