

**Ambac**

# Major PFI School Construction Initiative Represents Largest Capital Improvement Project in Scottish Highlands

£141,400,000  
**Alpha Schools (Highlands) Project**  
PFI School Construction Initiative

The Highlands is a remote area of north Scotland, but includes nearly one-quarter of a million people. To better serve the educational needs of the population, the government has embarked on an extensive 21st Century School Improvement Programme. The centerpiece of this effort is a Private Finance Initiative (PFI) project to design, build, finance and operate 11 new schools throughout the region. In addition to improving facilities and operations for 15% of the student population, the project will also enhance community services by providing modern facilities, such as athletic fields and libraries, for wider community use.

At £141.4 million, the Alpha Schools (Highlands) Project is one of the most significant investments ever undertaken in the region. As such, The Highlands Council (THC) sought to finance the project in the most efficient manner possible. The proposed financing package is the first fixed-rate bond financing for a UK education finance deal, with £81.4 million in fixed-rate bonds, plus a £60 million secured loan from the European Investment Bank (EIB).

In a critical move to reduce overall financing costs, THC sought to include a triple-A financial guarantee on the bonds. Ambac, which has a long track record in PFI deals and education finance, was selected to wrap the bonds as well as the EIB loan. The financing marked Ambac's first PFI schools deal in Scotland.

Because of the ambitious scope of the project and the long construction timetable, the transaction included £19 million in uncommitted variation bonds that may be issued at a later date.

The financing successfully closed on April 6, 2006, with construction on three sites beginning immediately after that date. In addition to brightening the future for Highlands educational facilities, the extensive project will generate significant construction activity that will fuel the economy of the region over the next several years.

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