

**Finance Committee**  
**FIN(4)-11-12 Paper 4**

14 June 2012

Joycelyn Davies  
Chair of Finance Committee  
Bae Caerdydd  
Caerdydd  
Cardiff Bay  
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Dear Ms Davies,

— Many thanks for your letter dated the 24 May regarding the recent evidence on prudential borrowing which was provided to the Finance Committee by the Scottish CIPFA Directors of Finance. Please accept my apologies in the delay in replying to your letter however it has been particularly difficult to receive clarity from Councils around the wider use of securitisation as a funding mechanism, largely because this is not a common approach which is currently used by Councils in Scotland. Given the pressures on public resources, Councils are having to look at alternative funding mechanisms to support wider infrastructure investment, and there now appears to be an increasing interest in exploring alternative funding mechanisms, including the wider use of securitisation.

Whilst it is difficult to directly answer your specific questions around securitisation, I thought that it would be helpful to highlight to the Committee that in Scotland we have recently established a Strategic Infrastructure Group. This is a joint group that reports politically to both Scottish Government Ministers and COSLA elected members. The overarching purpose of this Group is to take a holistic and strategic view of capital investment and infrastructure and ensures that there is a cohesive approach to maximising capital investment to be delivered by, or in partnership with local government. This group has only recently been established; however one of the immediate areas of focus for the group will be to consider potential and alternative financing models that can be used to support the wider infrastructure investment, and this is likely to include the use of securitisation as a potential funding mechanism.

I hope that this information is of interest to you, and many thanks for allowing the Directors of Finance section to present evidence to the Committee.

Yours sincerely

Sarah Fortune  
**Policy Manager - Finance**

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