

Bonds Task and Finish group – report from Cllr Edward Lord (Chairman)

Function

1. This group brings together representatives from the four political groups to oversee the work establishing the outline business case for a sector-wide collective approach to raise local authority bonds. Given that such arrangements would apply across the UK, Scottish and Welsh associations have been closely involved.

Establishing the work programme

2. The group considered officers' detailed work programme which summarised the desired outcomes and risks with the project. The panel accepted the recommendation that external advice would be needed to ensure that a credible business case is produced.
3. Officers were asked to identify a realistic budget for this work and to develop procurement arrangements for that external advice. Following discussions with the Chairman of the Resources Panel and the Group Director of Finance, the Strategic Management Team found funding for this work.
4. The Task and Finish group agreed to commission support from Local Partnerships, as they have expertise in procurement of complex advice and have access to a network of banking and legal experts. Local Partnerships have also committed RSG to help fund elements of the work.
5. The group agreed that the business case should be produced by the autumn.

Consultation with the local government sector

6. One aspect of the business case is to establish the extent of interest in the proposed collective arrangement. A questionnaire has been developed and sent to all English Finance Directors, asking for views about the outline proposals and seeking an early view of interest.
7. Copies of the questionnaire have been sent to the associations in Scotland and Wales who will respond on behalf of their members. Results of the questionnaire are due in late September.
8. Officers have also spoken at a series of events to explain the proposals and the process of developing the business case.

Engagement with the profession

9. Professional guidance on treasury issues lies with CIPFA. That association has established a technical working group to advise on accounting and related issues. Leading practitioners from across the sector have been appointed and their comments included in papers to the task and finish group.

Technical advice

10. The panel concluded that technical advice should be staged, to minimise the risk of any work being needlessly commissioned. Specifications for different elements of the work have been drafted and relevant organisations are being invited to provide their proposals.

HRA issues

11. Any collective arrangement will not be in place for the proposed transactions relating to HRA buyout - which affects around 100 authorities. Officers have met banks who have been developing proposals and have coordinated with colleagues within the LG Group who are leading in this area.

Wider engagement

12. Local authorities in some of other countries have started developing collective arrangements for borrowing, and there are other organisations that have experience in this area - for example raising finance for housing infrastructure. Officers have been researching and meeting with those organisations to see what lessons can be learned.

Next steps

13. The technical advice to support the business case will be produced over the coming four to six weeks. This will then allow a fuller business case to be developed.

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