

Bonds Task and Finish Group – report from Cllr Edward Lord (Chair)

Work in September

1. The bonds task and finish group concluded that a key element in developing a robust business case is professional external advice.

2. Two pieces of advice have been sought:

2.1 Legal advice

This informs the business case on issues including:

- the powers of councils to cross guarantee any collective arrangement, and;
- The need for any “hedging” arrangements.

A number of legal firms were approached and those organisations provided proposals. Clifford Chance was selected as our advisor.

2.2 Banking advice

This advice includes:

- The factors that will drive the credit ratings of a collective agency, and how we could secure the highest rating.
- The price of bonds that would be issued under any collective arrangement.
- The range of ways a collective agency could be structured, owned and managed.
- The extent to which the collective agency would need funds of its own.
- The cost of establishing a collective arrangement.

A number of banks were approached and provided proposals. HSBC were selected as advisors.

Timetable

3. The intention is to complete this work by the end of this year. The business case will be drafted by LGA officers and will follow the Treasury “five case” model. The case would be reviewed by the Task and Finish group prior to being considered by the LG Executive.

Consultation

4. The LG Group undertook a consultation exercise which asked Finance Directors about the proposed collective approach. An overwhelming majority favoured the approach in principle - subject to a robust business case being developed.

HRA

5. The Treasury and PWLB have reduced the cost of borrowing for the HRA buyout transaction.
6. The price of other lending by the PWLB is not changed - and so does not affect the work of this project group.

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