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**Local Authority Bonds Task and Finish Group – report from Cllr Edward Lord JP OBE (Chairman)**

1. The initial remit of the Task and Finish Group was to develop an outline business case. The purpose was to assess whether it is cost effective to establish a collective agency to raise capital funding for councils.
2. The business case was completed in December 2011 and considered by the LGA Executive in January 2012. The key conclusions were:
  - 2.1. A collective agency could deliver borrowing of between 0.7 per cent and 0.8 per cent above the long-term gilt rate - which is less than currently available from agencies such as the Public Works Loan Board (PWLB). This would mean a council borrowing £100 million over 20 years could save a total of £4.7 million in interest payments.
  - 2.2. The agency, if properly capitalised and with strong governance, should secure a AAA/Aaa rating.
  - 2.3. The agency could take about two years and approximately £2.5 million to establish and would cost between £2 million and £4 million a year to operate, depending on the complexity of its operations.
  - 2.4. The agency would need a minimum 25 per cent market share of council borrowing in order to be competitive.
3. The business case noted that local authorities in several other countries have either established, or are in the process of developing, similar agencies.
4. The collective agency would benefit authorities who were not looking to regularly borrow large sums and for whom the costs of individual bond placements would be prohibitive.
5. The key risks for the project were identified. The most significant are changes in Government policy and lack of interest from the local government sector.
6. The LGA Executive endorsed the conclusions in the report and asked that the Task and Finish Group oversee the next stage of work which is:
  - 6.1. To consult on the findings and refine the business case.
  - 6.2. To establish the level of support within the local government sector.
  - 6.3. To work with Government to ensure support for the arrangement.

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- 6.4. To procure advisors for an implementation stage.
- 6.5. To develop the final suite of detailed documents setting out how the agency would operate.
7. The intention is that this work is completed by Summer 2012, this will allow a final decision to be made about progressing the agency.

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