

Item 3j

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

The budget announcement

1. The 2012 Budget proposed a 0.2% reduction in PWLB lending rates. This, together with the current uncertainties in financial markets has affected some of the assumptions which underpinned the original business case.

Work undertaken

2. Officers have met a number of local authority finance directors. Whilst a potential reduction in interest rates was welcomed – the proposed rates are still significantly higher than those applying before October 2010.
3. There is a degree of caution from the finance professionals about emerging messages from government, and a particular concern that particular proposals could undermine aspects of the prudential code.
4. Officers have also continued to meet individuals in different city institutions, most recently including representatives of the pension investment community. The initial feedback from those discussions has been broadly positive. There is interest in the proposed agency and councils are seen as a reliable counterparty, but it will be important to establish government intentions in this whole area.

Publicising the original business case

5. The original business case has not been published. This was because officers wanted to understand the implication of the budget announcement prior to publishing a document.
6. At its last meeting the task and finish group agreed that an updated executive summary of the business case should be published and sent to member authorities. That work is underway and the intention is this document should be published in the near future.
7. A session at the LGA annual conference has been developed at which councils will be able to find out about the state of this work.

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