

Local authority bonds task and finish group – report from Cllr Edward Lord OBE JP (Chairman)

The budget announcement

1. The 2012 Budget proposed a 20 basis points (0.2 percent) reduction in interest rates for loans from the Public Works Loans Board (PWLB) with the prospect of further interest rate reductions for councils demonstrating quality or value for money. It is unlikely that these proposals would have emerged were it not for LGAWLGA pressure.
2. LGA and Local Partnerships staff have met Treasury and liaised with councils with the aim of ensuring that the certainty rate arrangements are promptly put into place with the minimum of unnecessary bureaucratic oversight.

Discussions with local government finance officers.

3. Officers have discussed the proposed agency with CIPFA technical group that oversees capital and treasury issues. There was strong support indicated for the LGA and its work. The group recognised the PWLB “certainty rate” means the proposed agency is unlikely to be cheaper than what is available from government. However they noted there are benefits for councils from having different sources of borrowing.

Pension investors

4. Officers have met with UK pension fund advisors. The feedback is that pension funds would find local authority bonds an attractive investment, as they potentially offer very secure investments at slightly higher rates than are available from Government bonds.

International perspectives

5. Officers have met senior managers from the different Nordic collective local government agencies. There was strong interest in our work and the related discussions were very helpful in setting out the practical issues in setting up and prudently managing a local authority agency.

The summary business case

6. A summary business case was published and launched at the LGA conference in July. The launch attracted extended interest from the local government financial press. Copies of the summary business base will be sent to all Welsh and English councils.

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