Aylesbury – Delivery Issues
Discussion paper for Major Projects Board
September 25 2007

Introduction

This advice has been prepared by Urban Iniatives, the appointed masterplanners, in response to meetings held with Council Officers, led by Martin Smith, to set out the issues and challenges facing the Council in the successful implementation of its emerging Masterplan and Area Action Plan(AAP)for the Aylesbury Estate.

The advice not only sets out the main issues under a series of headings, it also highlights the need for co-ordinated decision-making as the issues are not mutually exclusive. For example, there will be a correlation between the need for the project to use Compulsory Purchase (CPO) powers to secure all the land required, the AAP/Supplementary Planning Documents which will be required to support the CPO, the creation of an appropriate partnership or other form of arrangement between the Council, Housing Corporation, English Partnerships, the NDC and the GLA family to demonstrate public sector commitment and co-ordination, the appointment of a developer partner or partners to demonstrate deliverability and the ability of the project to commence implementation of early phases without compromising the ability to deliver the whole project. Each of these elements has its own timescales and interrelationships.

There will also be a need to ensure appropriate information, marketing material and branding is applied to the developer selection process(es) to create the optimum level of interest and the strongest possible competition(s). If plot/phase developers are sought there should be strong interest from a large number of developers for the plot/phase scale of development, however, it will be vital to ensure they deliver to the right standards and set a sound basis for future phases. If a single Master Developer Partner is sought it will be vital to ensure as many developers as possible, with the capability to deliver such a large project, are attracted to bid. This is particularly important as the developer market for this scale of project is more limited. In particular, such a process needs to attract the more dynamic developers such as Urban Splash and experienced European developers, as well as the more traditional volume house-builders.

The Council and its advisors therefore need to establish a clear implementation strategy that will take full account of all the issues and interrelationships in moving the project forward to achieve both early site development and the long-term aspiration of delivering the whole project to achieve all of the objectives.

This work goes beyond the specific needs of the AAP process and seeks to establish a process for decision-making that will lead to a preferred process for implementation.

The Council also needs to be clear on the roles that it is legally required to undertake as both landlord and local authority. It needs to be clear whether it wishes to play any additional roles and what it will require of other public sector bodies, a Master Developer Partner or plot/phase developers.

We now consider the project under a number of headings.

Objectives & External Influences

It is important in seeking to make decisions on the ways to implement this project that the core objectives of the project and AAP are achieved.

The Council is seeking to achieve the following core objectives and avoid a modern day version of the existing estate with its inherent failings.

- The highest quality scheme that replaces the stigma of an 'Estate' with a strong urban street grid and variety of housing types and tenures for a wide-ranging population.

- A scheme that is capable of attracting the best developers and architects which will support the Council's approach and take full advantage of both the site and the changing nature of the surrounding area.

- An exemplar project that will be capable of winning awards from a wide variety of sources including the development, design and community sectors.

- A scheme that re-houses tenants on site (with the exception of the south-west corner) through a 'one-move only' approach.

- The creation of a balanced community and a financially viable project.

Land Control

Given the number of long leasehold interests within the estate it will be necessary to obtain compulsory purchase powers to secure the land and provide certainty of delivery.

Having considered the level of acquisitions that will be required, including all the existing leaseholders, acquisition and demolition costs are currently estimated to be in the range of £77m –97m (2006 prices)

The major issue will be to determine whether to use a single CPO for the project or a series of CPO's. This will depend on (and inform) the overall approach that is to be adopted for the delivery of the whole project.

A single CPO will provide certainty of delivery across the whole project site at the outset and will provide more certainty for a Major Development Partner(MDP) or single plot developer on the delivery of later phases. However, such an approach will require substantial financial investment both in initial costs of the CPO exercise and in the compensation payments that will need to be made over a three year period.

A phased approach to CPO's (ie more than one CPO) will mean that land acquisition costs will be phased over a longer time-frame. It will provide a closer linkage to a phase by phase development approach and reduce the risk of failure in demonstrating the need to secure the CPO (ie part of the site rather than the whole site). However, overall, the costs are likely to be higher due to additional enquiry costs as well as the impact of house price inflation on the level of compensation payments. On the other hand, such an approach brings greater uncertainty to the timetable for rolling out the project and will be potentially less attractive to a MDP or cross-project funder, which may impact on the commercial and financial terms the Council is able to secure, due to the added uncertainty.

The Council is considering whether to take forward early sites within the Estate, possibly in advance of procuring a Master Developer Partner. This raises two key issues to be considered. The first is CPO, the second is the nature of development partner which is being sought. Both these issues are discussed in detail in this paper.

To summarise, the Council will only be able to successfully promote a single CPO for the entire site if it can demonstrate that the entire scheme will be deliverable and viable. This requires (i) a scheme and (ii) a robust delivery mechanism (including the availability of funding). The existence of an AAP for the whole site would significantly improve the chances of securing a site-wide CPO. To proceed initially in a piecemeal fashion may undermine this. However, a phase by phase approach to an overall scheme, coupled with a phased CPO, could allow for an early start on site.

The Council must also be clear as to the nature of the development partner which it is seeking. The high up front costs of a single scheme (including a single CPO at the outset) maybe beyond the financial reach of a number of smaller, yet desirable, developers and be financially viable only for volume house-builders. If the CPO and other enabling works can be funded from alternative public/ private sources then, the Council should be able to attract a more diverse bid from the private sector as an alternative to a single MDP approach.

Housing Issues

In a housing context, the Aylesbury scheme is about replacing worn -out and problematic stock, occupied by council tenants and long leaseholders, with a new mixed development that in large part will provide the re-housing capacity for current residents.

The council has taken policy decisions to manage the re-housing of tenants and leaseholders as part of the scheme, but the quality of homes and services to be provided will be influenced by the delivery mechanism and the partners selected, and in particular the RSLs. It will be important that residents' needs and aspirations are met and that residents have access to equivalent housing opportunities and standards regardless of when in the timetable they are rehoused.

The adopted approach will also need to facilitate the ongoing management of the estate in the interim, including care and upkeep and maintaining safety and security. The long term sustainability of the scheme is obviously a major priority, but the sequencing and management of the development process will have a significant bearing on how residents (whether they have already been re-housed or are in a future phase), view the scheme.

Financial Viability and Financial Risk

The Council is currently considering the type of financial model that should be set up for this project. The modelling work was originally focussed on helping to inform the AAP and was therefore in a fairly basic form. As the Council is now looking to progress the project, ideally in advance of the completion of the AAP (subject to other guidance contained in this paper), the financial model will be tailored to the actual implementation of the project, particularly if the Council is seeking to make decisions regarding its role and potential financial investment.

As a Consultant team we believe that ,over its complete timescale, the project is capable of becoming financially viable. This is because both the estate and wider area will be subject to positive change. The introduction of the proposed Tram (at a relatively early point in the regeneration of the Estate), regeneration at the Elephant & Castle (the recent appointment of Lend Lease has built up a new level of confidence) and proposed landscape improvements to Burgess Park, will all help to set a very different context for the Estate. Once the financial model is agreed and running it will be possible to test different value and cost growth assumptions to see how the project could turn out in a range of scenarios. It will also be possible to model different Council financial risk profiles to test the levels of investment, potential to secure returns and timescales over which such commitments may need to run.

This work will also provide a clearer picture of the overall financial position of the whole scheme and will demonstrate the levels of debt and/or grant that the project will have to carry through the implementation phases and the need for cross-subsidy across phases. This information will be crucial in the Council's consideration of the potential role it could play and the financial risk profile that it may need to, or be prepared to, take on.

Further reference to risk is made later in this paper under 'Council Role' and ' Private Sector' headings.

The south-west corner soft-market testing exercise has demonstrated that competition for development should be strong between the RSL's. Their long-term approach to development, investment and management mean the project in this part of the Estate has the potential to break even. However, private sector developer profit requirements will be much higher (traditionally 20% plus on cost). This will put the project under financial pressure from the outset, particularly taking account of land acquisition costs and early infrastructure. As the south-west corner is the first phase it will be vital that it sets the right standards for itself and the remainder of the project and therefore is able to accommodate the costs associated with such quality.

Delivery Advice

The Council needs to consider the delivery aspects of the project from two perspectives; first, potential public sector partners and second, potential private sector partners. The Masterplan needs to be championed at the strategic level but we must also consider how it is to be delivered by the private sector 'on the ground'. The key to successful implementation will be the balance of roles and responsibilities and the right partnerships between the public and private sectors. We consider first, the strategic visionary role and then, the options for project delivery.

Public/Public Partnerships – the Strategic Overseer

The public sector has a strategic visionary role and will be crucial in the successful delivery of the project, particularly if the Council does not want to relinquish too much control to the private sector through the appointment of a MDP and instead look to secure the project through a number of plot/phase developer appointments.

The role of the strategic overseer will be to:

- act as the Aylesbury Estate project champion;
- develop a programme of deliverable schemes;
- co-ordinate the facilitation of development (e.g. CPO/demolition/decant);
- co-ordinate public sector funding applications and approvals;
- co-ordinate cross-subsidy of land payments and funding assistance between sites with differing inherent issues and levels of viability (where appropriate);
- co-ordinate the delivery of site-wide infrastructure and funding of this through section 106 contributions;
- liaise with other public sector stakeholders (e.g. LDA, GLA, TFL). (We assume that the Council itself would take on the role of co-ordinating liaison with the public and community bodies); and
- co-ordinate how land receipts are to be dealt with given the opportunities for re-investment in the area or in shared equity type schemes and also the requirements and HRA rules on pooling.

We understand the Council has held some discussions with other public sector bodies and that it is currently anticipated that any such involvement would be on an informal basis. We recommend that the Council maintains contact with these public bodies and encourages their involvement with a view to creating a suitable partnership (Public/Public Partnership) to share the risk, financial burden and give a strong message to the private sector that the project is fully supported through a strong public sector commitment.

The differences between informal and formal public sector approaches to this project are set out in Appendix 1.

The Council will need to consider the advantages and disadvantages of the options as the basis for formally deciding the manner in which the strategic role should be progressed.

The diagram in Appendix 2 indicates how the Partnership (‘The Aylesbury Partnership’) is likely to fit within an overall structure for implementing the AAP.

In addition to the above, the publicly funded 4P’s (the Public Private Partnerships Programme), which currently assists the public sector in PFI projects, is looking to extend its remit into regeneration and could be able to provide advisory assistance to the Council in taking forward the implementation of the AAP.

Funding of the Project

One of the key roles of the Council will be the need to secure funding to assist with the delivery of the project and securing vacant possession. It is therefore important to consider sources of funding which include:

- Recycled land receipts/ overage - the Council’s land receipts could be recycled into the area to assist with bringing forward other, less viable, opportunities.

- Housing Corporation /English Partnerships – Initial interest has been expressed by these organisations

- London Borough of Southwark – Prudential borrowing and bond issue (as a means of raising finance currently fall outside of council policy but could still be considered at a later stage) capital programme – need to be considered and we have discussed these in Appendix 3

- Potential for the private sector to invest in the securing the CPO, acquisition of off-site homes for decant, or funding other enabling works such as decant and demolition and infrastructure provision. Interested funders could include Morley, Barclays, Royal Bank of Scotland, Equitex. However, we would need to consider:

    - the cost of funds, which are likely to be considerably higher than public sector funding,

    - security required by the funder and its exit strategy as many funders are unlikely to commit to the entire length of the scheme

    - funder control exerted on the development process,

    - impact of housing secure tenants in off-site accommodation, owned by the private sector. [Is this a funding consideration? – check]

    - whether it would be cleaner/ simpler for the Council to fund the CPO or to proceed with an MDP approach with an indemnity for CPO costs coming form the private sector partner

The advantage of the Council bearing the up-front costs of securing the land, subject o overall viability and available resources, is that it allows it to attract bids from beyond the volume house-builder market as it de-risks the very costly CPO and enabling elements of the scheme by smoothing the cash-flow over a period of time and across the land release programme.

It is acknowledged that the public sector has a crucial role to play at the strategic level outlined above. However, it also has a leading role to play in partnering with the private sector in order to deliver individual projects or components of the AAP 'on the ground'. There are many options for engaging with the private sector across sectors including housing, regeneration, education, health and waste. The common features of such partnerships revolve around the key aspects of risk, reward, control and delivery guarantees.

The next section considers the advantages and disadvantages of a number of options for delivering projects with the private sector.

Delivery vehicle Options for public and private sector

Options for securing the delivery of projects in partnership with the private sector are set out in Appendix 3. These need to be evaluated against the Council stance on areas such as risk, reward, control, maintaining quality and diversity and long-term sustainable benefits. They are broken down into 2 types. The first is a contractual relationship where the public and private sectors are responsible for their respective areas of expertise. The second is a joint venture approach through a vehicle, of which each party is a member. There are a number of different examples of such vehicles, as discussed.

In complex projects such as this, it is often a hybrid solution which is preferred. As the diagram in Appendix 2 shows, it is possible for the public sector to pursue a number of different delivery options to bring forward different parts of the estate. What is clear is that this must be backed up by a deliverable and financially robust programme.

Council Role

The Aylesbury is one of a number of regeneration projects that the Council is involved in within the Borough.

Its financial commitments across the various projects are considerable and it therefore needs to ensure it can meet its obligations as landlord, housing and planning authorities and determine the extent to which it can invest further in order to ensure all the objectives are delivered.

As a landlord the Council has responsibilities towards its tenants, managing decant both off-site relating to the redevelopment of the south-west corner and on-site re-housing through phased change across the existing estate area.

If rent receipts can be ring-fenced, they could be used, (in combination with grant) to:

- invest in other properties for decant; and
- fund intermediate home ownership schemes to allow residents within the Aylesbury to move into affordable 'shared ownership' housing off site.

This latter point relieves the pressure on the need for decant properties whilst enabling residents to move out of social rented accommodation.

The Council also needs to consider its capital and revenue accounts and the impact the project will have on these from both cashflow and income/expenditure commitments. One benefit of the regeneration of the Estate will be the replacement of the ageing housing stock and reductions in maintenance costs. However, the 15 year delivery timescale means that additional works may be required to accommodation that is retained in the early phases and not replaced until later in the phased regeneration.

The Council has the opportunity now to assess the role and responsibilities that it is prepared to take on and balance these with the ability of the project to attract the best developers and deliver all the objectives. All of these options will be evaluated either within the context of the financial model that is being developed and/or by the Councils Major Projects department and FMS.

Private Sector

We have considered three possible options for the involvement of the private sector. Each one requires further consideration in order to assess the potential levels of interest that may be secured.

First, the Council leads the project, working with other public sector partners (either in a formal or informal arrangement), it funds the initial costs (including CPO costs, provides the essential infrastructure and off-site moves (with RSLs)) and then markets plots/phases on site to developers. Such plots/phases could vary in size and location, but the order and timing of each would remain in the control of the Council. Risks are potentially high for the Council particularly from financial and staffing perspectives, however financial rewards would be optimised. The ability of other public sector partners to share some of the burden needs to be established before this option can be fully considered.

Second, the Council seeks the appointment of a funding partner to finance early costs (or more likely to finance part of the costs). Such a finance partner could secure returns through taking an equity stake in the project, but may not wish to invest for the whole project delivery period. Alternatively, its exit strategy could be to market plots/ phases to developers with, perhaps, preferred partners having a right of first refusal. The Council will need to consider how much it can invest in the project under this option and the extent to which other public sector parties, and potentially the private sector, can invest. If this option is pursued it would help reduce, although not wholly remove, the Council's financial exposure. It would also mean the Council may need to give up some control over the decision-making.

Third, the Council seeks to appoint a Master Developer Partner. This party would take on responsibility for the delivery of the project and financing the CPO (excluding the elements the Council will remain directly responsible for). This approach would inevitably pass much of the decision-making over to the MDP as it is bearing the brunt of the risk. The Council could retain a degree of control as landowner, housing and planning authority, but the MDP would seek to control the financial decision-making in order to minimise its risk and optimise its returns.

The impact of each will be carefully assessed as a key element in evaluating the overall financial viability and risk of the project

Marketing

Securing the optimum level of interest in the project will be a key factor in appointing the best private sector partner(s). Therefore any marketing strategy or strategies will need to provide confidence, clarity, a robust background and strong branding.

The project will need to target prospective bidders through not only the OJEU process but also well placed advertising and personal approaches to senior individuals within a target set of companies, both in the UK and abroad.

The timing of marketing will need to be judged in the context of the emerging AAP, the need for CPO and potential under-writing of part or all the costs and the timing of securing the best public sector partnership.

Procurement

The Council is in principle governed by the procurement rules of the Public Contract Regulations 2006 when placing contracts for works or services with the private sector, obliging it to advertise its proposed appointments in the EU Official Journal (OJEU) and conduct competitive procurement procedures. The competitive dialogue process under the Regulations has already been launched for Phase 1a of the project in the south west corner of the Aylesbury Estate, commencing with publication of an OJEU notice in December 2006. Consequently it may well be consistent and appropriate for the council to use the competitive dialogue procedure again when selecting any further development partners for the Aylesbury Estate.

It would, however, be premature to consider the procedural and legal requirements in detail until after the Council had decided its overall commercial strategy for involving the private sector. In particular, the Council must make a fundamental choice between the three options set out in the section on Private Sector above. That choice will be governed by policy and commercial considerations rather than legal or procedural factors although these factors will be factored into the decisions making process

Conclusions & Recommendations

As we have said in this report we believe that assessment of the correct delivery vehicle and procurement methodology can only follow on from key decisions on policy to be adopted by the Council as to the level of control and involvement that it wishes to have and the extent to which it is intending to involve the other elements of the public sector.

Our recommendation, therefore, is that:-

- efforts should now be made to extend and develop discussions with other possible public sector partners to establish the extent of their involvement;
- an effective financial assessment of the necessary capital input and return on the development needs to be made in some detail through an agreed financial modelling exercise; as well as a similar assessment of the revenue and capital impacts and benefits on and to the Council
- further investigations should be made to establish the extent to which there is an appetite in the private sector for funding involvement in a project of this scale and length.

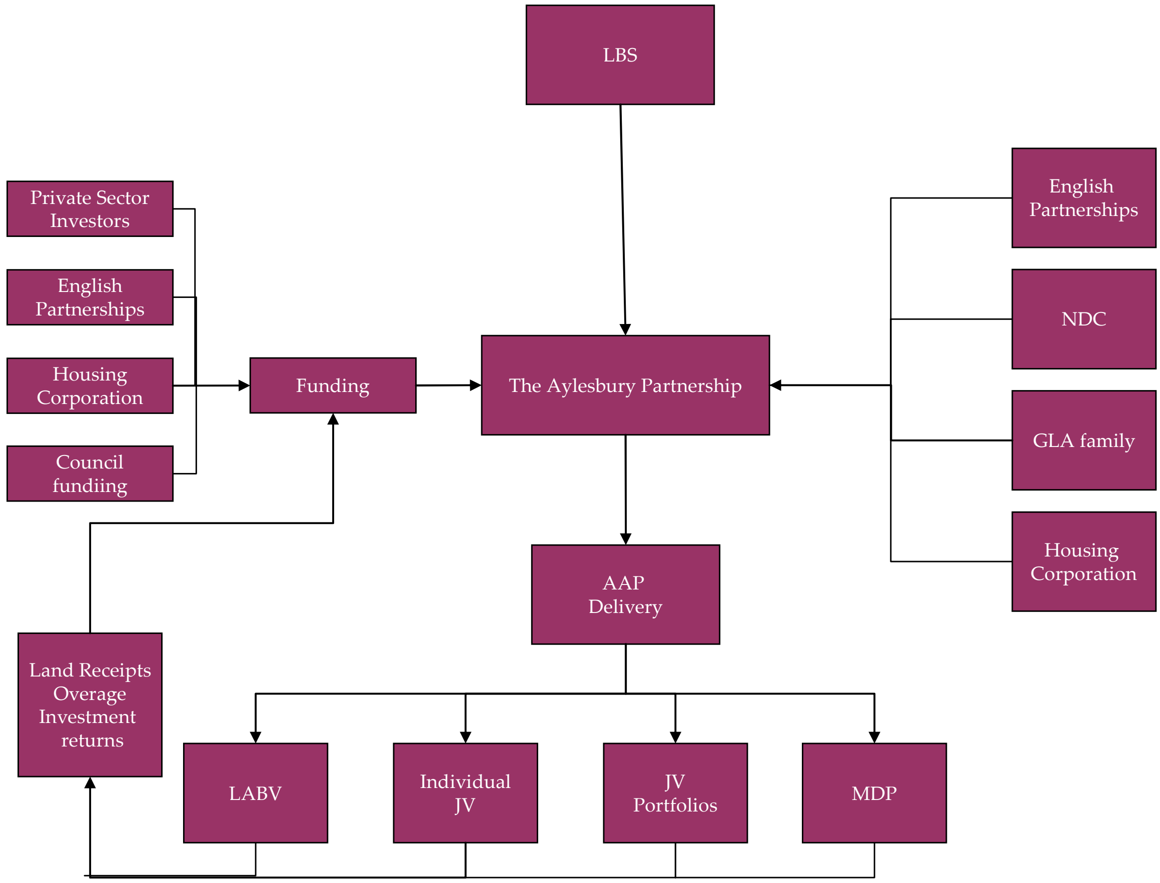
Once these issues have been resolved to the satisfaction of the Council the appropriate delivery vehicles and procurement processes will be more apparent and, therefore, more capable of implementation.

We are of the view that it is critical for the Council to progress this approach in an ordered way in order to maximise the opportunities for meeting the objectives of the Council set out at the beginning of this report.

Appendix 1 – Strategic Overseer Role

Structure	Advantages	Disadvantages
'The Aylesbury Partnership' (an Informal Partnership via a collaboration agreement between the Council and other public sector bodies) A successful example is Leeds City Council's partnership with Yorkshire Forward re Holbeck	➢ a flexible arrangement in which each public sector partner retains a level of control and autonomy in their own decision making ➢ perceived by the private sector as a relatively straight forward structure with which it can engage ➢ a level of co-ordinated decision making ➢ Board can act as a filter for the approval mechanism back through the respective bodies ➢ provides clarity of objectives and roles	➢ over time uncertainty can creep in terms of loss of clarity of delivery responsibilities ➢ it is potentially easier to legally disengage from an informal arrangement if one of the partners' agenda changes ➢ market risk – potentially perceived as a weaker delivery entity and decision maker if not truly 'joined up'. ➢ may not be resourced at the right level or seniority to properly drive the project forward ➢
Joint Board (Formalised Partnership between the Council and other public sector bodies) For example – Liverpool and Manchester Investment Vehicles	➢ true co-ordinated decision making between the public sector which also gives confidence to the market ➢ potential to add real momentum to the delivery process motivating officer resource and delivery responsibilities via a board reporting process ➢ Board can act as a filter for the approval mechanism back through the respective bodies ➢ Could have dedicated administration and officer resource and forces individuals to take responsibility ➢ provides clarity of objectives and roles	➢ whilst not a disadvantage, consideration needs to be given to the legal entity which is to be formed. The extent of the powers of the Board and governance issues need to be agreed and documented ➢ if the position of other public sector partners changes so that their involvement is no longer necessary or peripheral then it would be more difficult, through a formal structure, for the Council to disengage with that party

Appendix 2 –Delivery structure diagram



Appendix 3 –Delivery options

We have set out below the advantages and disadvantages of a number of delivery options. Note, option 5 (a bond)and 6 (prudential borrowing) is focused on fund raising rather than delivery. A hybrid option is a combination which allows the Council to select solutions for wach part of the programme.

	Delivery Option	Advantages	Disadvantages
Simple Contractual arrangements			
		➢	➢
1.	Site by Site via unconditional or conditional development agreements	➢ Ability for the public sector to participate in value uplift via overage agreements ➢ Tried and tested method familiar to both public and private sectors ➢ Clear division of risk ➢ Potential to deliver enhanced competition between developers, also offering diversity of product ➢ early land receipt on exchange with potential for future phased payments is only possible if the project is sufficiently viable ➢ Council has more ability to deliver its preferred objectives	➢ Uncertainty over timing and amount of land receipts, so some level of risk sharing is accepted by the public sector. Land receipts subject to re-appraisal unless paid or guaranteed in advance ➢ Potential lack of joined up approach to fulfil AAP objectives ➢ Difficult issues arise over the relationship of one site to the next in terms of decant / vacant possession, infrastructure, grant and cross subsidy. VP is particularly important as it is the responsibility of the Council
2.	**Joint Venture** over a portfolio of projects – ie MDP (a series of development opportunities packaged and marketed to selected developer partner(s). Requires CPO and public sector intervention	➢ Ability to participate in value uplift ➢ Also tried and tested method familiar to both public and private sectors ➢ Single point of responsibility makes it easier to deliver strategic infrastructure, and to manage decant and vacant possession, grant allocation and cross subsidy between sites ➢ Clear shift of risk to the private sector ➢ Potential to secure lower returns and lower costs of finance if the private sector partner values the guaranteed deal flow and longevity of the opportunity – unless private sector argues risk increased ➢ early land receipt on	➢ Relatively few disadvantages provided the contract is well drawn and protects the public sector's land value and outputs. ➢ Specific concerns which will need addressing include quality and diversity of product (the volume housebuilder approach) as well as preventing land banking and reduced rates of sale and securing uplifts in value ➢ Need to ensure developer competition in bidding for the opportunity and that outputs continue to represent value for money ➢ Inevitable loss of control to Council in exchange for passing risk

	Delivery Option	Advantages	Disadvantages
		exchange with potential for future phased payments is only possible if the project is sufficiently viable ➢ Private sector, could issue a bond to attract city investment in the regeneration (similar to Lend Lease approach at Stratford Village)	
3.	***SHaRP*** *– EP's proposed equivalent to a LEP for social housing/ regeneration)* – private sector led partnership with capacity to deliver or procure the delivery of assets	➢ Existing tested structures with contract documentation in place in the education sector ➢ Risk passes to private sector ➢ Saves procuring another vehicle if an acceptable vehicle currently exists	➢ Regeneration is vastly more complex than the delivery of new schools and this is not a tried and tested method in regeneration ➢ Existing partners which have been procured to date are unlikely to have regeneration and housing skills ➢ Hence, the positive features of such structures have been incorporated in aspects of options 1, 2, 3 and 4.
4.	**Local Asset Backed Vehicles** (Council and one or more private sector partners form a public/ private SPV into which Council invests its land assets. The private sector matches this investment with a land asset or equity investment. The SPV can borrow to facilitate its activities and fund up-front infrastructure, CPO, delivery and project development. Operating surpluses are in principle shared in proportion to original investments	➢ Able to borrow funds to drive forward a comprehensive regeneration and i investment reducing the need for direct public sector intervention. This could be advantageous if Council is unable to prudentially borrow or other public/ private sector funding is unavailable ➢ The LABV brings with it private sector expertise to either deliver projects or to procure their delivery (depending on its remit) through one or more of the options considered in this section	➢ By investing its assets in the vehicle, the Council has less control (often 50/50 control provisions) over the timing of their disposal which may fetter its ability to fund activities elsewhere ➢ This could be an expensive way for the public sector to borrow money and procure private sector assistance – it needs to be subject to a full economic appraisal to ensure it represents VFM – Navigant has found in one case that this route cost an authority 32% more than a traditional procurement would have done. ➢ Potential for conflict between the interests of shareholders and those of the public sectors given different corporate agendas when it comes to investment in infrastructure and community benefits ➢ Perceived as complex, adds an additional layer and requires payment of additional professional fees ➢ Raises a debate over the

	Delivery Option	Advantages	Disadvantages
			timing and methodology of valuing the Council's land investment
5.	**Bond Issue** This is more of a financing mechanism than delivery option. The Council issues a local authority/ government backed bond, to raise private sector investment from the City	➢ Ability to capture up front funding to fund infrastructure investment and a comprehensive regeneration ➢ Can generate interest from the private sector – high profile and assists with engendering investor and developer confidence in the Aylesbury estate	➢ It is complex and no precedent for a public sector regeneration bond exists although the London Borough of Barnet is investigating the potential for this ➢ If the bond is to be low risk and Government backed, the Council will need to identify to HM Treasury the revenue sources which will service the debt. ➢ The Council is responsible for debt servicing and given this, it may be less attractive than other options (other funding sources/ LABV etc).
6.	**Prudential Borrowing** Similar to the bond issue, this is a potential funding solution for the council	➢ Provides up front investment at relatively low costs to the scheme dependant on prevailing market and internal treasury considerations ➢ Council seen to lead on the process and generate confidence through own investment	➢ Exposes the Council to risk and is subject to it meeting its prudential indicators and not having high levels of long term debt must be able to demonstrate affordability for example ➢ Revenue financing costs need to be balanced against the Council's need to continue to deliver services