

WEST DUNBARTONSHIRE COUNCIL

Report by the Head of Legal, Administrative and Regulatory Services

Tendering Committee : 10 November 2010

Subject: Securitisation of Assets

1. Purpose

- 1.1 To advise the Tendering Committee of arrangements for placing a contract for a feasibility study and business case, as instructed by Council on 27 October 2010 and to obtain agreement of the Tendering Committee as to any tender process thereafter.

2. Background

- 2.1 On 27 October 2010 Council agreed the Corporate Asset Management Strategy. The Strategy's Action Plan included the undertaking of a feasibility study to establish whether securitisation of the non operational estates rental income was feasible and how much capital it might generate, with a target date of 31 January 2011. On 27 October 2010 Council resolved to instruct officers to bring a report to the meeting of Council on 26 January 2011, to include a feasibility study and business case, which will outline asset securitisation proposals.
- 2.2 Asset securitisation essentially involves borrowing monies based on the amount of the rental or income stream of certain properties. Standard securities are taken by the lenders over these properties. To this extent it is very similar to a domestic mortgage. The monies borrowed can then be used to carry out projects to reduce the Council's revenue budget. Developing models contain a number of advantages over more traditional borrowing. For example, depending on how the deal is structured, the sums borrowed can either be borrowed as capital or revenue, providing more flexibility than traditional borrowing.

3. Main Issues

- 3.1 Council has agreed the Asset Management Strategy, and has agreed to obtain a feasibility study and business case. This report to Tendering Committee is to advise the committee of proposals relating to the feasibility study, the business case and to obtain committee agreement to the method of any subsequent tender.

- 3.2 Firstly, Ernst and Young have been instructed to undertake the feasibility study. The costs of this are £35,093. As this is below the £50,000 threshold, this has been instructed under officer's delegated authority.
- 3.3 Secondly, it is thereafter proposed to instruct Ernst and Young to undertake the business case stage at a cost of £62,494. It would be advantageous to have the business case prepared by the same company who carried out the feasibility study. Council has agreed the principal of the business case but the agreement of the Tendering Committee is needed to the tendering arrangements. Ernst and Young have expertise in this developing area of work and officers are satisfied that they have the capability to undertake this work. Ernst and Young have previously submitted an EU compliant tender for this type of work and are on the OGC catalyst list for such work. The rates applied are the catalyst rates with discount.
- 3.4 Thereafter if the business case demonstrates that the securitisation of assets project is viable, a report will come to Council in January 2011. If Council agreed to go forward with the project then it is proposed that tenders for the subsequent placing of the contract be placed under the catalyst scheme. Essentially the Council would choose a number of consultants from the catalyst list who were able to demonstrate experience and expertise in this area. We would then issue a specification to them and invite them to tender on a relatively short turn around period. There is no need for a full EU compliant tender, since firms listed on the catalyst list have already submitted EU compliant tenders. The price of this contract would reflect the rates listed in catalyst, with any discount, and the number of days that they would need to spend on the project (rates are in terms of daily rates). Terms and conditions would be the OGC terms and conditions.

4. People Implications

- 4.1 There are no staffing or people implications.

5. Financial Implications

- 5.1 The financial implications would be evaluated as part of the feasibility study and business case.

6. Risk Analysis

- 6.1 This is a major project and the carrying out a feasibility study and full business case is necessary in order to assess the benefits and risks of the project.

7. Equalities Impact

- 7.1 Having completed an initial screening there are no equalities issues.

8. Conclusions and Recommendations

- 8.1 Council has agreed the principal of a feasibility study and business case. The feasibility study has been let to Ernst and Young and no decision of the Tendering Committee is needed on this. The recommendations are that:-
- a) The Tendering Committee agree to let the subsequent business case to Ernst and Young; and
 - b) Subject to Council agreeing in January 2011 to proceed to a full tender following the business case, to agree that consultants with suitable expertise be invited to tender under the terms of catalyst.

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Appendices: None

Background Papers: None

Wards Affected: All