

PPP firms face more disclosure

A little-known clause giving the public access to council accounts could force more PPP firms to reveal their contracts, lawyers say.

The comments follow waste firm Veolia's failure to prevent publication of its PFI contract with Nottinghamshire County Council. The company took the council to court in July to stop it revealing details of annual availability payments on the waste deal to a local opposition group.

The courts ruled that under the Audit Commission Act 1998, "electors and interested parties" had a right to access documents detailing a local authority's expenditure.

"This issue has always been around but no one knew of it," said Claire Booth, an associate at Bevan Brittan. "It was never appreciated that local electors have a right to the documents under the act."

Any PFI agreement involving annual availability payments could be forced to publish contracts. However, councils only have to reveal information requested during their audit inspection period.

Jim Crossman, a director at Currie & Brown, said firms should not worry too much about the case. "The only downside is if you have got a winning formula and you want to roll it out over a number of years.

"If everybody is transparent then there is nothing lost. If everybody shows everybody what they have got, it will still be a level playing field."

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FINANCE WATCH - With JC Rathbone Associates – Financial Risk Consultants

UK interest rates have edged down over the last few weeks, rather contradicting conditions in Europe and the United States. But this is an unusual position and one that we do not expect to last for very much longer. Australia is increasing short-term rates, while Ben Bernanke, of the US Federal Reserve, has said he is ready to raise rates "as and when necessary".

However, the Monetary Policy Committee may be forced to keep base rates down at current very low levels for a longer period than expected. Indeed, the weak pound certainly indicates this to be the case. We also believe the Bank of England is worried some banks are still not lending, which may lead to

an extension of the quantitative easing (QE) programme.

This is all very well and will keep the downward pressure on interest rates, but what will be the bank's exit strategy be? The reversal of QE, and it will come at some point, has not really been discussed, nor what will trigger it.

This 'temporary' low in long-term swap rates (which have fallen more than 25bp in the last month) does open a window of opportunity for PFI schemes expecting to close soon. However, we would not be surprised to see this position reverse significantly over the next few weeks.

On a positive note, we have now seen signs of loan margins and credit spreads actually falling. We

have been looking at a transaction recently that has a credit spread of 26bp, a fair improvement from the 30bp/35bp level that has been the norm in past months. We look forward to a continued steady reduction.

Of course, we have recently seen only a handful of projects reach financial close, among them two Lift schemes and the Stoke & Staffordshire Fire and Rescue project. But this time it's not because of any sinister funding issues or liquidity problems. We believe that summer holidays have just spilled over for longer than usual. Indeed, many projects will be striving towards close before the onset of the festive season – unlike last year.

INTEREST	GBP / SWAPS	
Period	15.10.2009	15.07.2009
3 Month LIBOR	0.56813%	0.99213%
3 Years	2.5050%	2.7800%
5 Years	3.2250%	3.5150%
10 Years	3.8875%	4.1375%
20 Years	4.2075%	4.4050%
30 Years	4.0775%	4.2675%
GBP / Base Rate		
Lending Rates	0.5000%	0.5000%
FX - EUR/G FX - EUR/GBP BP		
Currencies	0.9225	0.8580

DEAL WATCH

Investment company **Cyril Sweett** has been chosen to deliver the first Express Lift health project for NHS Cumbria. The project uses the new framework of seven pre-appointed contractors launched by the government in March. Cyril Sweett will deliver buildings worth £85m over six years.

Portsmouth City Council will, unusually, tender its £200m school buildings programme under two separate contracts. One is for an ICT contractor and the second is for a private partner to form a local education partnership. The move comes after the project failed to attract enough interest from ICT firms, and consortia refused to team up with "second best" ICT partners.

Ealing Council has whittled the competition for its £300m Building Schools for the Future (BSF) programme down to **Balfour Beatty** and **Wates**. Equitix, with Willmott Dixon and Galliford Try as contractors, has lost out. Final bids are due next February, with the winner announced in early April.

Carillion and **Equitix** were due to learn who had won the £110m Cambridgeshire Building Schools contract in October, but will have to wait a little longer as the council is running about three months behind schedule.

Eric Wright and **New Horizons Joint Venture** led by **Morgan Sindall** are down to the last two for Blackpool's BSF scheme. The £143m project will see eight secondary schools remodelled and two new education facilities purpose-built.

Balfour Beatty has seen off competition from Catalyst Lend Lease and BDB Learning Partnership (a Laing O'Rourke/John Laing consortium) to be selected as preferred bidder by Blackburn with Darwen and Bolton Councils for its £450m Building Schools programme.

Kier has beaten Willmott Dixon to secure preferred bidder for a £200m BSF deal with Telford & Wrekin council. The contract is Kier's fourteenth through the academies framework.