CITY OF YORK COUNCIL

Shareholder Committee 22 November 2021

Report of the Chief Finance Officer

Municipal Bonds Agency

Summary

1. This paper presents an overview of the Municipal Bonds Agency.

Recommendation

2. Members are asked to note the report.

Reason: To provide the Committee with information on the Municipal Bonds Agency.

Background and analysis

3. The UK Municipal Bonds Agency (UKMBA) was created, with the support of the Local Government Association, to provide Councils with an alternative source of borrowing other than the Public Works Loan Board (PWLB) that has historically been the main route to secure borrowing.

4. The Council contributed £40k to the agency in 2014, as approved by the then Cabinet on 9 September 2014, and is one of 56 Councils to have done so. It was noted in this report that the MBA was a start up proposal and that there was a risk this investment might be abortive if the Agency did not succeed.

5. The UKMBA borrows money, primarily in the capital markets, to lend to local authorities. It is not a bank and will only borrow to fund loans it has already agreed to provide. There are three lending programmes:

   - Proportionally guaranteed, pooled loans of £1 million or more for maturities greater than one year.
   - Standalone loans to a single local authority for £250 million or more for maturities greater than one year. These loans are outside of the proportional guarantee and are guaranteed solely

by the borrower, who must obtain an external credit rating from one or more of the major credit rating agencies.

- Short term, pooled loans, outside of the proportional guarantee for maturities of less than one year.

6. Except for standalone loans, local authorities do not need to obtain a credit rating from one of the three major credit rating agencies, Moody's, Standard & Poor's or Fitch.

7. The majority of loans provided by the UKMBA are expected to be pooled and guaranteed collectively by borrowers. The guarantee is proportional and several:

    - A guarantor is liable for a share of any default, which is proportional to its share of the total pool of loans allowing for the default e.g. if an authority's borrowing totals 1 per cent of the pool following a default, it will be liable for 1 per cent of the default.

    - "Several" means an authority can only be held liable for its specific obligations, not those of others. This prevents bondholders using the guarantee to single out a council or small group of councils to cover a default by another council.

    - An authority that has no outstanding loans to the UKMBA is not liable under the proportional guarantee.

8. In March 2020, the agency issued its inaugural £350 million bond on behalf of Lancashire County Council and it has announced that Westminster City Council and Barnsley MBC will take part in its first pooled bonds issue.

9. As at 8 November, the rates for borrowing from the UKMBA are marginally lower than PWLB. However, the Council has not yet undertaken any borrowing through the UKMBA. This is an area that is kept under review through the Treasury Management Strategy.

Implications

10. As this report is for information only there are no implications.

Contact Details

Author:	**Chief Officer Responsible for the report:**		
Debbie Mitchell Chief Finance Officer debbie.mitchell@york.gov.uk	Debbie Mitchell Chief Finance Officer		
	Report Approved	X	**Date**

Specialist Implications Officers

None

Wards Affected: Not applicable **All** ☐

For further information please contact the author of the report

Background Papers:
None

Annex:
None

Abbreviations
MBC – Metropolitan Borough Council
PWLB - Public Works Loan Board
UKMBA - UK Municipal Bonds Agency