

COUNCIL OVERVIEW BOARD

Item under consideration: MUNICIPAL BONDS AGENCY

Date Considered: 6 July 2016

1. At its meeting on 6 July 2016, the Council Overview Board considered the report on the Municipal Bonds Agency (MBA) Framework Agreement and Guarantee (item 11 of the Cabinet agenda for 14 July 2016) and sought clarification from the Director of Finance and the Strategic Finance Manager about the operation of the proposed arrangements. The Board was keen to understand more about the knowledge and experience of the MBA Board members, as well as the risks and benefits of seeking loans from the MBA compared to other existing options.
2. The Board noted that approval of the Framework Agreement and Guarantee was a necessary step to allow the Council to access loans from the MBA, but that this approval would not in itself result in any obligation to take out a loan or result in any liability for the Council in the event of a default in the loan repayment of any other authority. It was confirmed that any liability for the repayments of a defaulting authority would only arise if the Council itself took out a loan, and the extent of that liability would be in proportion to the loan taken and only apply to the specific bond issue from which the loan was drawn. If, for example the Council borrowed 10% of the capital available from a bond issue, it would only be liable for 10% of the value of the defaulted payments. The Board was reassured that the risk of any default was considered low in the light of the due diligence arrangements put in place by the MBA.
3. It was noted that, as a shareholder in the MBA, the Council would receive a dividend from any future profits, in proportion to the amount invested.
4. The Board welcomed the additional borrowing option that the MBA would provide and, whilst not a risk-free option, supported the principle of signing up to the Framework Agreement and Guarantee. However, the Board felt that a rigorous process needed to be in place to scrutinise any decision to take out a loan from the MBA, taking into account the risks involved and the terms available from any alternative sources of capital borrowing. It was also felt that for practical reasons relating to possible absences, it may be better if the delegation of borrowing decisions to the Director of Finance in recommendation (2) of the Cabinet report should be after consultation with either the Leader of the Council or the Cabinet Member for Business Services and Resident Experience, rather than just the Cabinet Member.
5. It was therefore **RECOMMENDED**:
 - (a) That a process be put in place to allow appropriate scrutiny of any proposal to seek a loan from the Municipal Bonds Agency, taking into account the need to review the risks involved, the terms available from any alternative sources of capital borrowing, and the need for timely

decision-making.

- (b) That the second recommendation of the Cabinet report be amended to read 'delegate borrowing decisions to the Director of Finance in consultation with the Leader of the Council or the Cabinet Member for Business Services and Resident Experience.'

Steve Cosser
Chairman of the Council Overview Board