

# **UKMBA BOARD OF DIRECTORS**

**The role of the Board**

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## **THE CONTEXT**

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The UK Municipal Bonds Agency plc (UKMBA) was launched in 2014 to reduce local authority financing costs by issuing bonds in the capital market and lending on to councils, providing cheaper borrowing than the Public Works Loan Board (PWLB).

The company is wholly owned by local government and its shareholders are 56 English councils, along with the Local Government Association (LGA) as the largest shareholder.

The first five years presented considerable challenges for the UKMBA, with no bonds issued during that time. In 2019, the Board took urgent steps to review its operating model and reduce overheads, including relocating its office base to 18 Smith Square and transferring finance management and company secretarial responsibility to the LGA.

In October 2019, the UKMBA appointed PFM Financial Advisers LLC as their managed service provider and the first individual Bond was issued in March 2020 with a growing number of authorities now interested in further issues. PFM have appointed Newgate Communications to deliver communications and marketing.

From 1 April 2020 the LGA took over responsibility for providing client-side services under a service-level agreement. This includes finance, legal, IT and HR support and undertaking the role of company secretary.

## **THE BOARD**

The Board of UKMBA is responsible for the management of the company's business and the discharge of its functions, objects and powers, as set out in the Articles of Association. The collective skills and experience of the Board reflect the operational and strategic demands of the business and the interests of its local authority customer base.

The Companies Act 2006 sets out the role of the Board - to:

1. Provide leadership and ensure the UKMBA is properly managed;
2. Ensure that the UKMBA discharges its objects, powers and functions, set out in the Articles;
3. Set the overall strategic direction and ensure that this is consistent with Articles;
4. Review performance and hold the managed service provider to account;
5. Operate within a framework of prudent and effective controls that ensure propriety, value for money and effective risk management;
6. Operate within the limits of its authority and in accordance with any conditions on use of public funds.

## **DUTIES OF DIRECTORS**

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The seven duties of directors are set out in sections 171 to 177 of the Companies Act 2006.

### **Duty 1 - to act within their powers.**

Directors are given certain powers to enable them to fulfil their roles as a Board. They must act within those powers, in accordance with the Articles of Association, and use them only in the interests of the company.

### **Duty 2 - to promote the success of the company**

Directors must act in a way which they consider in good faith will promote the success of the UKMBA for its shareholders as a whole, having regard to:

- The likely long-term consequences of any decision.
- The interests of the employees.
- The need to maintain good business relationships with suppliers, customers and others.
- The impact of operations on the community and the environment.
- The desirability of maintaining a reputation for high standards of business conduct.
- The need to act fairly between shareholders.

### **Duty 3 - to exercise independent judgement**

Each director must exercise independent judgement in their decision making, acting in the best interests of the company as a whole, rather than individual or sectional interests, irrespective of the circumstances in which they have been appointed.

### **Duty 4 - to exercise reasonable care, skill and diligence**

This duty of directors to exercise reasonable care, skill and diligence is judged according to what may reasonably be expected of a person carrying out the role and to the general knowledge, skill and experience of the individual.

### **Duty 5 - to avoid conflicts of interest**

Directors must avoid being involved in situations in which they could have a direct or indirect interest. This applies in particular to the exploitation of property, information or commercial opportunity. There is no breach of duty if the potential interest is so indirect or remote that no reasonable person would see a problem, or if it has been authorised by the Board.

### **Duty 6 - not to accept benefits from third parties**

Directors must not accept any benefit from a third party that is offered because of that director's position of anything they may or may not do. This is a matter of principle and there is no need to show that the company has suffered harm.

### **Duty 7 - to declare interest in proposed transactions or arrangements with the company**

Any director in any way directly or indirectly interested in a proposed transaction, arrangement or decision must declare the nature and extent of that interest. This should be both by completing the UKMBA Register of Interests annually and updating it in the event of new circumstances, and by declaring the interest at the start of/during Board meetings

## **APPOINTMENT OF DIRECTORS**

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The UK Corporate Governance Code recommends that appointments to the Board should be subject to “a formal, rigorous and transparent procedure, based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths”. The Board should have a combination of skills, experience and knowledge and its membership regularly refreshed. There should be an annual evaluation both of the Board and of individual directors to ensure that they are continuing to contribute effectively.

In accordance with Article 20.3 of the UKMBA’s Articles of Association, the LGA, as majority shareholder, is entitled to veto the proposed appointment of any director in writing within 10 business days from receipt of notification. All directors appointed to the Board of UKMBA must therefore first be approved by the Board of the LGA.

## **ROLES AND REMUNERATION OF DIRECTORS**

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UKMBA is a company wholly owned by local government and therefore subject to public scrutiny.

All Board appointments are made against a clear role profile setting out the expectations of the role, the responsibilities and the anticipated time commitment. These form the basis of directors’ remuneration.

## ROLE PROFILES

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### CHAIR

#### Responsibilities

The Chair is responsible for leading the Board of UKMBA to deliver the overall vision and mission of the company: He/she will

- Lead the Board to develop and deliver appropriate strategies and ensure that appropriate plans, funding and governance arrangements are in place;
- Chair Board meetings through structured agendas and reports, encouraging participation from all directors and ensuring that the Board operates in accordance with the Articles of Association and the requirements of Companies Act 2006 and its supporting regulations;
- On behalf of the Board, manage the relationship between the UKMBA and its Managed Service Provider, ensuring that the Board receives regular performance reports and agrees appropriate action where necessary to address any issues of under-performance.
- Manage the performance of the Board and the individual directors, ensuring the appropriate mix of experience and expertise to enable the UKMBA to discharge its legal and governance responsibilities;
- Ensure effective communication and implementation of Board decisions;
- On a day to day basis be the face of the UKMBA, including in interactions with the local government and finance sectors and representing the Agency at a range of events and briefings and in the media.
- Support the Managed Service Provider in managing key stakeholder relationships, particularly in the Local Government, National Government and investor communities;
- Have some oversight of the UKMBA employee although this will mainly be undertaken by the Company Secretary.

#### Experience and personal characteristics

The chair and vice chair of the UKMBA should together bring skills and experience in the local government and financial services sectors. If the chair has a background largely in local government, then the vice chair should bring a financial services background and vice versa.

- **Either** a current/former senior executive or political leader from a large local authority with proven business experience from beyond local government  
**Or** a current or former senior executive from the financial services sector, with deep City credibility and particular exposure to debt capital markets and connectivity with regulators;
- Credibility with local authorities and with institutional investors;
- An experienced chair;
- Previous experience as, and an understanding of the role of, a senior non-executive director of a company;
- Commercially, financially and politically astute with an ability to think strategically;
- Proven experience in and ability to build relationships with a diverse range of stakeholders;

- A robust personality, with a mature, clear outlook, consistently sound judgement and a proven track record of handling issues with authority and confidence;
- Strong leadership and inter-personal skills, able to build internal and external relationships;
- A fluent and persuasive communicator, who can represent the UKMBA externally as well as internally;
- Able to demonstrate highest levels of integrity.

#### **Time commitment**

The role will require 1 to 1.5 days per week.

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### **VICE CHAIR**

#### **Responsibilities**

The vice chair supports the chair in his/her leadership role and provides complementary skills and experience either in local government or in the financial service sector. He/she will

- Support and deputise for the Chair where required in his/her leadership role.
- Chair board meetings in their absence in accordance with the Articles of Association of the UKMBA and the requirements of Companies Act 2006 and its supporting regulations;
- Be a front face of the UKMBA, taking a lead in discussions and negotiations with the finance and/or local government sector in which he/she has appropriate expertise.
- Chair committees of the Board as required.

#### **Experience and personal characteristics**

The chair and vice chair of the UKMBA should together bring skills and experience in the local government and financial services sectors. If the chair has a background largely in local government, then the vice chair should bring a financial services background and vice versa.

- **Either** a current/former senior executive or political leader from a large local authority with proven business experience from beyond local government  
**Or** a current or former senior executive from the financial services sector, with deep City credibility and particular exposure to debt capital markets and connectivity with regulators;
- Previous experience as, and an understanding of the role of, a senior non-executive director of a company;
- Commercially, financially and politically astute with an ability to think strategically;
- Proven experience in and ability to build relationships with a diverse range of stakeholders;
- A robust personality, with a mature, clear outlook, consistently sound judgement and a proven track record of handling issues with authority and confidence;
- Strong leadership and inter-personal skills;
- A fluent and persuasive communicator, who can represent the UKMBA externally as well as internally;
- Able to demonstrate highest levels of integrity.

**Time commitment**

The role will require 2 - 2.5 days per month.

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**BOARD MEMBERS**

The board members bring a range of skills and experience to the Board, including.

- Financial expertise and acumen gained through experience in the Financial Services Sector;
- Senior executive experience and connections from the Treasury;
- Finance experience gained as a Section 151 officer;
- A current or former senior councillor with experience in/understanding of the challenges of local government finance

**Responsibilities**

- Provide leadership and a strategic perspective to the UKMBA;
- Work collaboratively with other Board members in a culture of trust and respect;
- Constructively challenge and question the UKMBA's managed service provider;
- Provide oversight of the Company's accounts and budget and review and approve the Annual Report and Accounts.
- Approve bond issuance transactions and any related documentation.
- Contribute to the development of the UKMBA's strategy and business plans;
- Remain well-informed about the UKMBA and the external environment, market sectors and geographies in which it operates, with a strong command of the major issues;
- Act as an ambassador for the UKMBA in all dealings with the local government and finance sectors and with the media.
- Provide oversight of all other matters reserved to the Board.

**Experience and personal characteristics**

Alongside their specific skills and experience board members bring the following

- Commercially, financially and politically astute with an ability to think strategically;
- Proven experience in and ability to build relationships with a diverse range of stakeholders;
- A robust personality, with a mature, clear outlook, consistently sound judgement and a proven track record of handling issues with authority and confidence;
- Able to demonstrate highest levels of integrity.

**Time commitment**

The role will require up to 0.5 days per month.

## REMUNERATION

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Directors' allowances were reviewed by the Board in April 2020 following a benchmarking exercise that looked at payments to non-executive directors of a range of public bodies

Allowances were set at the following levels with effect from 1 April 2020.

Chair	£30,000 per annum
Vice chair	£15,000 per annum
Board members	£8,000 per annum

It is for individual directors to decide whether they wish to take an allowance.

Directors may also claim reasonable expenses in accordance with the UKMBA's expenses policy.