

A meeting of the  
**West of England Combined Authority Committee**

will be held on

**Date: Friday 2 February 2018**

**Time: 10am**

**Place: The Council Chamber, Kingswood Civic Centre,  
South Gloucestershire Council, High Street, Kingswood,  
BS15 4AJ**

Notice of this meeting is given to members of the West of England Combined Authority as follows:

Mayor Tim Bowles, West of England Combined Authority  
Cllr Tim Warren, Bath & North East Somerset Council  
Mayor Marvin Rees, Bristol City Council  
Cllr Matthew Riddle, South Gloucestershire Council

**Enquiries to:**

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# West of England Combined Authority Committee Agenda

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- Inspect background papers used to prepare public reports for a period public reports for a period of up to four years from the date of the meeting. (A list of background papers to a report is given at the end of each report.) A background paper is a document on which the officer has relied in writing the report.
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**1. EVACUATION PROCEDURE**

In the event of a fire, please await direction from the Bristol City Council staff who will help assist with the evacuation. Please do not return to the building until instructed to do so by the fire warden(s)

**2. APOLOGIES FOR ABSENCE**

To receive apologies for absence from Members.

**3. DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011**

Members who consider that they have an interest to declare are asked to: a) State the item number in which they have an interest, b) The nature of the interest, c) Whether the interest is a disclosable pecuniary interest, non-disclosable pecuniary interest or non-pecuniary interest. Any Member who is unsure about the above should seek advice from the Monitoring Officer prior to the meeting in order to expedite matters at the meeting itself.

**4. MINUTES**

To consider and approve the minutes from 7 December 2017 of West of England Combined Authority Committee Meeting.

**5. CHAIR ANNOUNCEMENTS**

To receive announcements from the Chair of the West of England Combined Authority.

**6. COMMENTS FROM CHAIR OF LOCAL ENTERPRISE PARTNERSHIP**

To be presented by the Chair of the West of England LEP.

**7. ITEMS FROM THE PUBLIC**

Members of the public can speak for up to 3 minutes each. The total time for this session is 30 minutes so speaking time will be reduced if more than 10 people wish to speak.

If you wish to present a petition or make a statement and speak at the meeting, you are required to give notice of your intention by noon on the working day before the meeting by e-mail to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk). **The deadline is 12pm on Thursday 1<sup>st</sup> February.**

If you wish to ask a question at the meeting, you are required to submit the question in writing to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk) no later than 3 working days before the meeting. **The deadline is 5pm on Monday 29<sup>th</sup> January.**

**8. PETITIONS**

Any member of the West of England Combined Authority may present a petition at a West of England Combined Authority Committee Meeting.

**9. THE MAYORAL BUDGET SETTING REPORT FOR 2018-19**

To consider and approve a Budget in respect of Mayoral Functions for 2018/19.

**10. WEST OF ENGLAND COMBINED AUTHORITY BUDGET FOR 2018-19**

To consider and approve a Budget in respect of the WECA for 2018/19.

**11. THE WEST OF ENGLAND COMBINED AUTHORITY TREASURY STRATEGY FOR 2018-19**

The report sets out Treasury Management Strategy including authorised lending institutions in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice

**12. COMBINED AUTHORITIES BORROWING REGULATIONS**

To give consent to the Combined Authorities Borrowing Regulations, including the setting of a borrowing cap for the West of England Combined Authority

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**13. HIGHWAYS GRANT – BUDGET SUPPLEMENTARY ALLOCATIONS FOR 2017-18**

To consider and approve a supplementary grant funding allocation for 2017/18 in respect of Mayoral Functions.

**14. ANY OTHER ITEM THE CHAIR DECIDES IS URGENT**

**Next meeting: Wednesday 18 April 2018**

**WEST OF ENGLAND**

Combined Authority

BATH & NORTH EAST SOMERSET  
BRISTOL  
SOUTH GLOUCESTERSHIRE

**DRAFT Minutes of the  
West of England Combined Authority  
Committee Meeting, 7<sup>th</sup> December 2017**

1.	<p><b>WELCOME &amp; INTRODUCTIONS</b></p> <p>The Chair welcomed everyone to the meeting, drew attention to the evacuation procedure and reminded everyone that the meeting was being webcast.</p>
2.	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies had been received from Mayor Marvin Rees of Bristol City Council, Councillor Matthew Riddle of South Gloucestershire Council and Professor Stephen West of the Local Enterprise Partnership.</p> <p>The Chair welcomed Councillor Craig Cheney from Bristol City Council and Councillor Toby Savage from South Gloucestershire Council the nominated substitute members</p>
3.	<p><b>DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011</b></p> <p>None</p>
4.	<p><b>MINUTES</b></p> <p>Draft minutes of the meeting held on 30<sup>th</sup> October 2017 had been circulated with the papers and were approved and signed as a correct record of the meeting.</p>
5.	<p><b>CHAIR ANNOUNCEMENTS</b></p> <p>The Chair extended thanks to Bristol City Council for hosting the meeting in City Hall.</p> <p>He gave a brief introduction to the agenda, noting this included a number of Transport matters covering delivery of integrated transport authority functions and funding to enable MetroWest, plus consideration of the Combined Authority's pay policy.</p>
6.	<p><b>COMMENTS FROM CHAIR OF LOCAL ENTERPRISE PARTNERSHIP</b></p> <p>Apologies had been received from Professor Stephen West. The Chair extended thanks to Professor West for all his work supporting the Combined Authority and promoting the West of England region.</p>
7.	<p><b>ITEMS FROM THE PUBLIC</b></p> <p>Two questions had been submitted. Written answers were provided at the meeting. In response to a query it was clarified that the answers to the questions would be recorded with the minutes of the meeting.</p> <p>Three statements had been received and speakers were invited to speak in the order their statements were received.</p>

	<p><b>David Redgewell, South West Transport Network and Bus Users UK</b></p> <p>David Redgewell raised his concerns regarding transport in the region including access to Temple Meads during and after the current roadworks, listed building consents, integration with busses and trains, cross boundary working with North Somerset and access to the arena. He raised concerns about franchising which in his view would leave local authorities with responsibility for loss making services. He referred to an event on 15<sup>th</sup> January run by South West Councils where he understands franchising will be discussed. He felt documents were being leaked to the local press about Metrobus that were damaging our public transport offer. He felt there were a number of issues with bus services and stations that needed to be raised with the operators.</p> <p>The Chair thanked David for his statement and noted that points had been raised for each of the three councils. He confirmed that the statement would be included with the minutes of the meeting.</p>
	<p><b>Christina Biggs, Friends of Suburban Bristol Railways</b></p> <p>Christina Biggs raised her concerns that WECA is missing the opportunity of the Integrated Transport Authority role. She drew attention to the FOSBR manifesto which she felt identified opportunities for investment in the region with proposals that in her opinion could implemented quickly, for example a footbridge at Pilning. She urged the Committee to consider the FOSBR manifesto and to influence GWR and Network Rail to deliver services.</p> <p>The Chair thanked Christina for her statement and confirmed that her comments were always very welcome and that her statement would be included with the minutes of the meeting.</p>
<p><b>8.</b></p>	<p><b>PETITIONS</b> None</p>
<p><b>9.</b></p>	<p><b>PAY POLICY STATEMENT</b></p> <p>The Chair introduced a report seeking agreement to the Combined Authority's Pay Policy Statement for 2017/18. He noted that a pay policy statement is a statutory requirement for WECA and is reviewed annually. This policy builds on the Interim Pay Policy agreed by the Committee on 15th September 2017.</p> <p>Alex Holly, Interim Head of HR at WECA spoke to the report. He noted that the policy had been updated to reflect comments made when the interim policy was agreed in September, and drew attention to the following points:</p> <ul style="list-style-type: none"> <li>- Adoption of the living wage: this is currently £8.45 per hour</li> <li>- Pay ratio between highest and lowest paid member of staff: as a result of the living wage this would never be less than 9.5:1 and the actual ratio is less</li> <li>- Bath &amp; North East Somerset Council pay scales have been adopted as the majority of WECA staff TUPE transferred from B&amp;NES, noting in the longer term WECA will wish to develop its own pay scales</li> </ul>

	<p>The Chair thanked Alex Holly for his comments and moved the recommendations in the report.</p> <p>Cllr Savage seconded the recommendations.</p> <p>The Chair moved to the vote, and confirmed that in line with the constitution this was a majority vote for the three Local Authorities and the West of England Combined Authority Mayor.</p> <p><b>On being put to the vote the motion was carried unanimously by the three Local Authorities and the West of England Combined Authority Mayor.</b></p> <p><b>Resolved:</b></p> <p>The West of England Combined Authority approved the pay policy statement</p>
<p><b>10.</b></p>	<p><b>WEST OF ENGLAND COMBINED AUTHORITY TRANSPORT DELIVERY FOR 2018/19</b></p> <p>The Chair introduced the report setting out proposals for the delivery of WECA's Integrated Transport Authority functions for 2018/19:</p> <ul style="list-style-type: none"><li>- Concessionary Travel</li><li>- Supported Bus Services</li><li>- Community Transport Grants and</li><li>- Local Bus Information – including Real Time Information</li></ul> <p>The Chair noted the proposal to continue with existing delivery arrangements (through the Councils) whilst work is undertaken to develop recommendations for delivery from 2019 onwards. He also noted the undertaking that any costs incurred during 2018/19 as a result of transitioning to a different delivery model would be covered by WECA.</p> <p>James White, interim Head of Transport at WECA spoke to the report. He drew attention to Appendix B which included a series of workpackages to engage consultants to help develop new ideas and provide support. He confirmed that this work would involve relevant officers from each of the constituent councils and WECA. He explained that the workpackages also included support for the development of a Key Route Network and to develop a bus strategy which will look at the whole network including interchanges and ticketing. He explained there were plans to introduce a bus service model to understand and model the impact of changes to services. He explained that the Strategic Environmental assessment is a legal requirement of the Joint Local Transport plan. He confirmed the proposal was to fund this work from business rates retention and treasury investment income.</p> <p>The Chair thanked James for his comments and invited questions from Members.</p> <p>Cllr Cheney asked why consultants were being used rather than existing staff. James White confirmed that the proposal is to use existing skills and expertise where possible, but it is recognised these are not always available. The Chair clarified that the team will work with staff from the three authorities.</p>

Cllr Savage requested clarity on the timetable to complete inter authority agreements. James White reassured members these will be signed before the budget setting process in February 2018 and that officers have been meeting to firm up the details.

Cllr Savage asked about the process for approving consultant briefs. James White confirmed that the workpackage briefs will be shared with Development Directors and relevant officers of the three councils before sign off by the WECA Chief Executive.

Cllr Savage noted he will be requesting an amendment to 17.5 to reflect how the virement will be covered

The Chair moved the recommendations and moved to the voting on each recommendation, in line with the constitution.

Recommendation at paragraph 17.1

The Chair confirmed the voting on this recommendation was a majority decision of the three local authorities and the West of England Combined Authority Mayor

Cllr Toby Savage seconded the recommendation

**On being put to the vote the motion was carried unanimously by the three local authorities and the West of England Combined Authority Mayor**

**Resolved:**

The West of England Combined Authority agreed to endorse proposals 1. to 13. set out in Table One of the report for the delivery of WECA's Integrated Transport Functions during 2018/19.

Recommendation at paragraph 17.2

The Chair confirmed the voting on this recommendation was a majority decision of the three local authorities and the West of England Combined Authority Mayor

Cllr Tim Warren Seconded the recommendation

**On being put to the vote the motion was carried unanimously by the three local authorities and the West of England Combined Authority Mayor**

**Resolved:**

The West of England Combined authority agreed to endorse WECA's right to introduce, with the full involvement of the constituent councils, transitional arrangements during 2018/19 should the opportunity arise. All future ITA arrangements will be reported to the WECA Committee for approval.

Recommendation at paragraph 17.3

The Chair confirmed the voting on this recommendation required a unanimous decision of the three local authorities

Cllr Tim Warren Seconded the recommendation

**On being put to the vote the motion was carried unanimously by the three local authorities**

**Resolved:**

The West of England Combined Authority agreed to endorse that for 2018/19 budget allocations no changes are made to the proportion and distribution of funding formerly provided directly by the Department for Transport to the constituent councils. All future changes will be reported to the WECA Committee for approval

Recommendation at paragraph 17.4

Cllr Cheney moved an amendment to recommendation 17.4 to read as follows:

To undertake the procurement process and appoint consultants for the four transport work packages *after considering resources that exist within the constituent authorities.*

The Members unanimously agreed the amended wording

The Chair confirmed that the voting on this recommendation was a majority decision of the three local authorities and the West of England Combined Authority Mayor

Cllr Toby Savage seconded the recommendation

**On being put to the vote the amended motion was carried unanimously by the three local authorities and the West of England Combined Authority Mayor**

**Resolved:**

The West of England Combined Authority agreed to undertake the procurement process and appoint consultants for the four Transport Work Packages after considering resources that exist within the constituent authorities

Recommendation at paragraph 17.5

Cllr Savage moved an amendment to recommendation 17.5 to read as follows:

To approve the virement of up to £160,000 from WECA income budgets, *as described in paragraph 5.3 of the report*, to cover the associated costs of this work

The Members unanimously agreed the amended wording.

The Chair confirmed that the voting on this recommendation required a unanimous decision of the three local authorities

Cllr Cheney seconded the recommendation

**On being put to the vote the amended motion was carried unanimously by the three local authorities**

**Resolved:**

The West of England Combined Authority approved the virement of up to £160,000 from WECA Income Budgets (as described in paragraph 5.3 of the report) to cover the associated costs of this work.

<p>11.</p>	<p><b>INVESTMENT FUND – METROWEST PHASE 1</b></p> <p>The Chair noted that a report to the West of England Joint Committee which will convene following this meeting recommends a bid is submitted to the Department for Transport’s Large Local Major Scheme Fund. An additional local contribution of £12m has been identified, of which £6m will be met by North Somerset Council. WECA had been asked to approve an allocation of £6m from the WECA Investment Fund, to be released subject to a successful bid to DfT.</p> <p>There were no questions on the report.</p> <p>The Chair moved the recommendation</p> <p>Cllr Tim Warren seconded the recommendation and noted the importance of trying to get traffic off the road</p> <p>The Chair agreed that a vital element of the programme was to improve transport connectivity.</p> <p>The Chair moved to the vote and confirmed that in line with the constitution the voting on this recommendation required a unanimous decision of the three local authorities.</p> <p><b>On being put to the vote the motion was carried unanimously by the three local authorities</b></p> <p><b>Resolved:</b></p> <p>The West of England Combined Authority approved a funding allocation of £6m for MetroWest Phase 1 from the Investment Fund subject to a successful Large Majors bid and Outline Business Case approval.</p>
<p>12.</p>	<p><b>ANY OTHER ITEM THE CHAIR DECIDES IS URGENT</b></p> <p>There were no additional items</p> <p>The Chair extended thanks to Members and Officers and declared the meeting closed at 10.28</p>

Appendix A. Public Forum – Questions with Answers

Appendix B. Public Forum - Statements

## Draft Minutes – WECA Committee 7 December 2017

### Appendix A – Public Forum – Questions with Answers

#### Cllr Martin Fodor, Green Party, Bristol City Council

Find below two public questions for the WECA Combined Authority Committee meeting of 7 December, from Green Councillor Martin Fodor. Please could we have written responses to these.

#### 1. Funding for the region

The recent budget announcement rewards the Metro Mayor and WECA with additional resources for transport, about £80m I understand.

Can the Metro Mayor explain how this is due to be spent and how it will deliver the regional priorities of protecting us from climate change and ensuring sustainable travel that reduces reliance on motor vehicles?

#### 2. Cycling and Walking Infrastructure Plan

In October you announced you had received £86,000 of funding from the Department for Transport to prepare a Local Cycling and Walking Infrastructure Plan. What is the progress on that plan? When will it start to inform transport policy in the area?

#### Answer:

#### 1. Funding for the region

From last week's Budget over £80m is coming to the West of England Combined Authority to invest in new transport infrastructure. This new funding is a direct result of devolution, and recognises the significance of our region, and the importance of the new Combined Authorities, to the national economy. WECA will work with the constituent local authorities, Bath & North East Somerset, Bristol and South Gloucestershire, to decide how best to use this funding to help get the region moving.

#### 2. Cycling and Walking Infrastructure Plan

The Cycling and Walking Infrastructure Plan will be a key component of and will inform the new Joint Local Transport Plan (JLTP). The Department for Transport funding for the Cycling and Walking Infrastructure Plan is being used to provide technical and consultancy support. The draft JLTP will be going out for public consultation in spring/early summer 2018 with the final plan to be endorsed in autumn 2018.

## Public Forum

### Statements Received

Statement	Name, organisation
1	David Redgewell, South West Transport Network, TSSA and Director of Bus Users (UK) <b><i>Bristol Temple Meads Station and Portishead Railway Line</i></b>
2	David Redgewell, South West Transport Network, TSSA and Director of Bus Users (UK) <b><i>Disable access for all public transport</i></b>
3	Christina Biggs, Friends of Suburban Bristol Railways <b><i>Regional Rail Plan</i></b>

## **Statement 1**

**David Redgewell, SWTN**

### **Bristol Temple Meads station**

We are concerned about the lack of a master plan for the station due to the works that are about to commence on listed building consent for new new entrances and a gate line.

Our concerns are :-

- 1) On the Bonnaparte corridor it is the effect of having new gates on the platform of the listed building.
- 2) The need for full disabled access and ticket gates wide enough for wheelchairs.
- 3) a full DIA of the scheme by Network Rail including the addressing the issue of the bollards on the North entrance.
- 4) The need to design the scheme to be adaptable for when Platforms 1 & 0 are brought into use to allow cross platform interchange and connections with buses/taxis in the Friary and the ferry terminal. How will this work when these platforms are open ?
- 5) Queen Annes gate should be fully accessible and the cobbles/setts need to be removed for full disabled access. This could mean relaying the setts for wheelchairs/buggies. A full DIA is required.
- 6) The ferry terminal needs to be fully accessible.
- 7) Bus shelters should be provided on the approach road.
- 8) Zoe Willcox needs to fully involved in the decision making process.

### **Portishead railway line**

- 1) Portishead railway station needs a full DIA of interchange between modes bus/taxi/wheelchair space.
- 2) Ease of connection to local buses needs to be designed into the scheme.
- 3) Pill station - a full DIA is required including links to the X4 bus stops from Station Road to the main road including Castle kerbs/dropped kerbs and waiting shelters.
- 4) with regards to the ramp an evaluation should be made for a lift alongside it.
- 5) Ashton Gate - the ramp is useful but not essential but passive provision should be made for the station at Barons Court.
- 6) Parson Street - provision should be made for a lift within Phase 2 of MetroWest.
- 7) Handrails and access improvements to the subway and CCTV are required at Bedminster station.
- 8) Lawrence Hill and Stapleton Road station need full disabled access.
- 9) Avonmouth station requires handrails for disabled access.
- 10) Sea Mills and Shirehampton need CCTV as does Severn Beach which should have a new car park.
- 11) MetroWest Phase 2 needs fully accessible stations at Charfield, Ashley Down, Henbury for the Mall, Filton North.
- 12) An evaluation is required for Saltford, Ashton Gate, Corsham, Stonehouse Bristol Road, Horfield and St Annes as part of ongoing works on MetroWest with MetroBus connections to Yate, Wotton-Under-Edge, Thornbury, Clevedon, Whitchurch and Clevedon.
- 13) On tram-train evaluation needs to take place on the Thornbury line, Whitchurch line and Midland Railway line from Bath to Bristol and Yate shared with a cycle path similar to Midland Metro.
- 14) We urgently require a WECA bus strategy and work on interchanges such as Bath Spa bus station and MetroBus to Bristol Parkway/Temple Meads/Cribbs Causeway.

A lack of a master plan means that the project is going ahead in a piecemeal fashion.

Regards  
DAVID REDGWELL SWTN

**Statement 2**  
**David Redgewell, SWTN**

Disable access for all public transport

Please find our response to the following issues :-

**RAIL**

We wish to see a rolling programme of fully accessible stations with each Network Rail route having a budget eg the .Western Region should be able to provide full disabled access at Lawrence Hill, Stapleton Road, Patchway, Parson Street as part of Metro West, lifts at Weston-Super-Mare, Nailsea and Backwell and Cheltenham Spa. Rural stations Saltash, Crediton, Yeoford, Bruton, Dorchester West, Yeovil Pen Mill and Junction also need to be fully accessible. There should be no derogation to Network Rail under the Equalities Act.

First Group has been pushing hard for Network Rail to adhere to design standards for accessible railway stations to include fully accessible toilets and baby changing places.

The Access For All Programme is far too slow and needs speeding up on a Mayoral and regional basis especially around Temple Meads station North entrance.

We believe it is important to maintain buffets to be specified with railway branding by Network Rail and the DFT with adequate opening hours in the same way as they did with British Rail (Travellers Fayre). On train catering is very important to disabled people and should be maintained in the franchise agreements by the DFT and Welsh/Scottish Governments.

We are concerned over the move away from maintained buffet services to trolleys and no buffet/trolley service whatsoever on Chiltern Railways and Southern Railways.

Action Point 9, 10, 11, 12, 13, 14, 15 & 16 we want to see the delivery of fully accessible trains speeded up by 2020. The scrapping of all Pacer units in the South West, all units refurbished to PRM-TSI standards. There should be no derogation by DFT/ORR and the Welsh Government.

Action 20 all buses should be fully accessible with folding ramps including rail replacement services which should be specified by the DFT as part of franchises.

Many areas of the South West don't have fully accessible taxis and this needs to be rectified in West Dorset and Stroud.

All new franchises should have an Equalities Customer Panel including Network Rail routes and disabled mystery travellers in all franchises similar to First Group operations.

All disabled facilities should be tested.

We need to respond to the new Great Western franchise keeping it as one whole unit with Network Rail Western. We do not support a loss making West of England Seven County franchise + the line to London.

You should also respond to the South West Railways consultation Bristol - Exeter - London/Weymouth lines.

COACHES/BUSES

All coach stations should be audited and fully accessible including Megabus and National Express.

The worst examples of poor facilities are Bridgwater services, Birmingham Hill St, Newcastle library.

Coach stations and stops need improving including dropped kerbs, shelters, RTI and subsidy.

FERRIES

These should be fully accessible on estuary's and local services eg Falmouth, Bristol Harbour.

AIRPORTS

Need improvement in customer service assistance to disabled people in the Airport Master Plan.

METROBUS

It needs to be developed at Bristol Parkway with access to the station as a matter of urgency and we support the UWE - Parkway link to Cribbs Causeway.

We must not use standard wheelchair widths from the DFT as it traps my wheelchair at Temple Meads.

Regards

DAVID REDGWELL SWTN



FOSBR note that WECA still do not have a regional rail plan, and urge WECA to develop such a rail plan as part of the Joint Transport Plan 2018, along the lines of the attached FOSBR Rail Manifesto 2017. In particular we urge WECA to:

### **A. Henbury Loop re-examination**

We note that the proposed Bristol City Council Rail Resilience Study referred to by WECA at the meeting on Monday 30 October 2017 is currently unfunded. We ask that WECA address FOSBR's challenges (attached) to the flawed 2015 CH2MHill report that we consider grossly underestimated the potential ridership on the Henbury Loop at that time, as follows:

1. recalculating the benefit–cost ratio (BCR) by including Severnside employment, the boost to existing Severn Beach Line stations from connectivity with the Henbury Loop, and ridership from Portway Park and Ride (none of which were considered in 2015);
2. carrying out a well-publicised public survey of likely new orbital journeys around the Henbury Loop and comparing rail transit times with bus times (not assuming everyone has a car, as in the 2015 study);
3. keeping the BCR on a level playing field by not assuming (as in 2015) a 30-year subsidy for the Loop line as against a 3-year subsidy for the Spur, and bringing the study up to date by:
4. revisiting the case for extending the Henbury Loop to Bristol Parkway now that Parkway's fourth platform has been built, and considering double-tracking across the Filton Diamond;
5. considering recent employment growth at Severnside and a possible station at Chittingen;
6. including the potential of the Brabazon hangar at North Filton, whether for the arena or another public amenity;
7. considering engineering solutions to mitigate the effect of the current level crossing at St Andrew's Gate on road traffic to the port, whether by resignalling or alternative road access;
8. investigating sources of funding from Highways England and the DfT (e.g. their fund for eliminating level crossings) for solving the port access issue;
9. considering other park and ride sites around the Henbury Loop, such as Henbury West and an A38 park and ride to serve Filton College.

### **B. Rail Infrastructure – Bristol East Junction and Westerleigh Junction**

We draw WECA's attention to the works currently proceeding well on Filton Bank, just four years after Filton Bank was made a campaign priority by local politicians. Please continue to make the case for Bristol East Junction to be funded in Control Period 6 (2019–24) to allow MetroWest Phase 1 and 2 local services to run. In addition we note that Westerleigh Junction is currently inadequately configured for the current high volume north–south and east–west services.

### **C. Maximising use of existing suburban rail stations**

We note that WECA is being offered further funding from central government, and urge that those funds are not simply spent on feasibility studies alone. We suggest WECA construct a list of minor infrastructure improvements that can be delivered by using the new funding, such as replacing the footbridge at Pilning for £2m to permit a Park and Ride service. This could be used by Thornbury residents, for example, as soon as 2018.

### **D. Joint Transport Plan 2018**

We also ask WECA to consider station and line reopenings not mentioned in the Joint Transport Study (September 2017). We are cheered that WECA has promised to look again at our Thornbury Line proposal, and we draw WECA's attention to the full list of stations (including Chittingen, Coalpit Heath, Corsham, Long Ashton and Locking) contained in our FOSBR Rail Manifesto 2017. We believe the FOSBR proposals would better serve the needs of the Joint Spatial Plan.

Christina Biggs (FOSBR Secretary)

# FOSBR Rail Manifesto 2017

FOSBR calls on the West of England Combined Authority, our MPs and councillors to secure funding for the following projects for Network Rail to deliver within Control Period 6 (2019-2024):

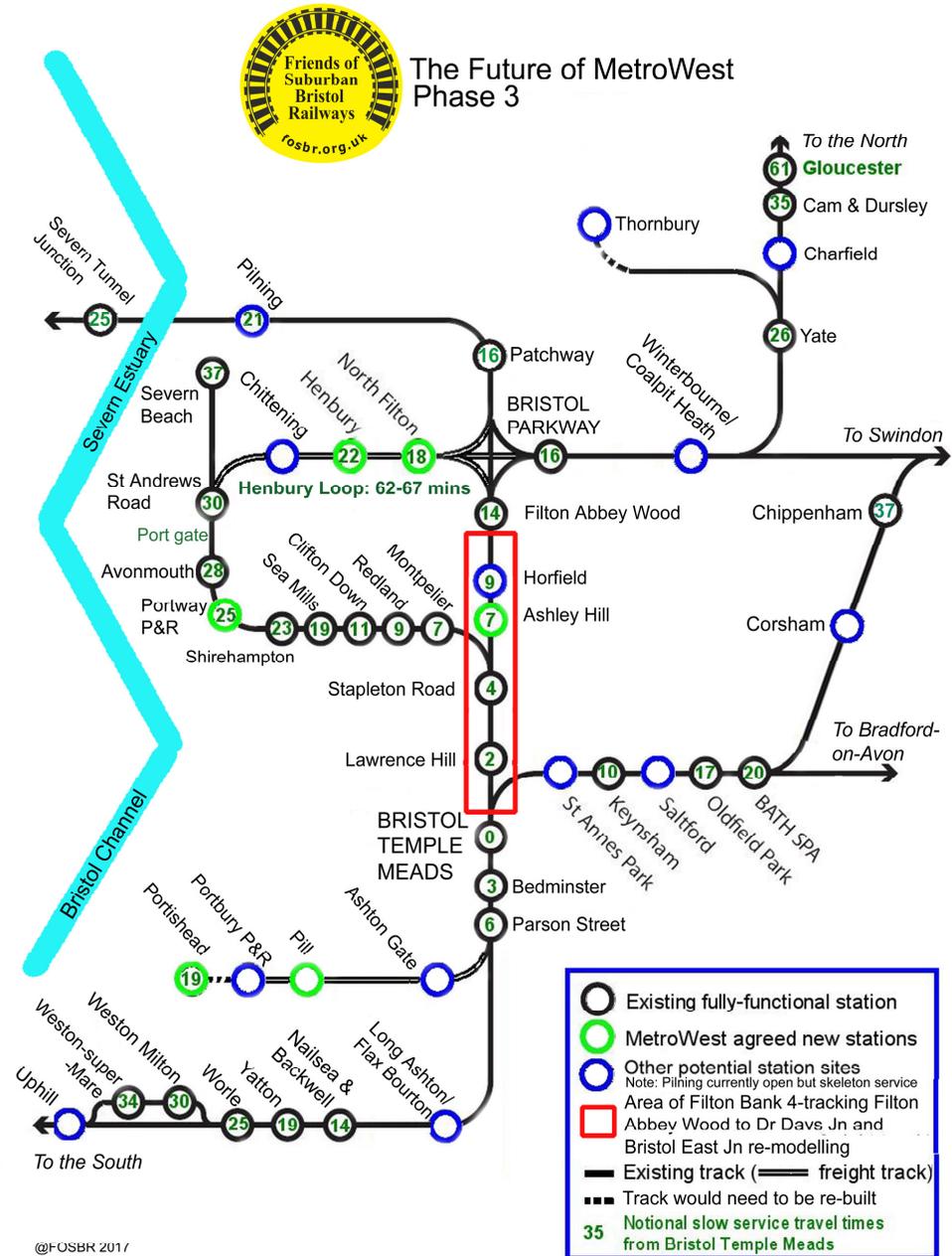
- four-tracking of Filton Bank and remodelling of Bristol East Junction;
- cross-regional plan for Park and Ride, prioritising Portway P&R;
- MetroWest Phase 1 to Portishead via Pill and a half-hour service from Avonmouth to Bath, as these are long overdue and urgently needed;
- MetroWest Phase 2 to Henbury, Yate and Gloucester via Ashley Hill;
- electrification to Bristol Temple Meads via Filton and Bath;
- Temple Meads Spatial Plan to include Station Street as a minimum;
- redeveloping and regenerating suburban stations for best use of land.

We also press WECA and the constituent local authorities to make sure the following is included in the Great Western Franchise 2020—2027/2030:

- maximising use of the existing local rail network by optimising public access to all local stations (disabled access, local signposting and cycle storage at stations and on trains, rail-bus interchange, shelter);
- multi-modal smart ticketing, with guards for safety on all trains;
- improve the timetable to complete a 30 minute service to currently ill-served local stations such as Parson St, Bedminster and Patchway;
- ensuring that the Phase 1 hourly service to Severn Beach is reliable;
- increasing service frequency to 20 or 15 minutes according to passenger demand, by providing passing loops such as at Sea Mills;
- replace the footbridge at Pilning to permit a meaningful commuter service, starting with a trial daily commuter service to build the business case for a Park and Ride serving the M49.

In the longer term, we also urge WECA to make sure the following are included in the Joint Spatial Plan (JSP) and Joint Transport Study, and that these elements are funded by the 30-year devolution deal as a priority:

- JSP stations Horfield, St Anne's, Salford, Ashton Gate & Charfield;
- Completion of Henbury Loop and double-tracking Severn Beach Line;
- Adding FOSBR MetroWest Phase 3 proposals for five further stations at Coalpit Heath, Chittening, Uphill/Locking, Corsham & Long Ashton;
- electrification of local lines using hybrid or battery trains;
- extending the Tytherington freight line to Thornbury.



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**ITEM: 9**

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY**

**DATE: 2 FEBRUARY 2018**

**REPORT TITLE: MAYORAL BUDGET SETTING REPORT 2018/19**

**AUTHOR: Tim Richens – Director of Investments & Corporate Services**

**Purpose of Report**

1. To consider and approve a Budget in respect of Mayoral Functions for 2018/19.

**Issues for Consideration**

2. This report deals with the proposed Mayoral Budget for 2018/19 as set out at Appendix 1.

**The Budget Proposal**

3. This Mayoral Budget covers the financial year 2018/19 and builds on the first year position to reflect all decisions and funding allocations made to date.
  - 3.1 As set out in Appendix 1, the Mayoral Budget provides for the running costs for the Mayor's Office together with an annual provision for future election costs.
  - 3.2 The key element of the Mayoral Budget relates to the provision of significant funding amounting to £17.572M directly to the constituent councils for Highways and Transport works and improvements.
  - 3.3 The budget also reflects the start of significant investments in feasibility and business case work to bring forward priority infrastructure schemes – this begins the process of delivering improvements in infrastructure across the West of England Combined Authority area.
  - 3.4 Funding for the Mayoral Budget comes from a combination of retained business rates under the 100% Pilot for Highways and Transport costs, together with use of the WECA Investment Fund.
  - 3.5 The total Mayoral Budget for 2018/19 is estimated at £20.944M

### Financial Implications

4. There financial implications are set out in the specific Budget proposals included at Appendix 1 to this Report.

### Legal Implications

5. The Budget proposals have been developed in accordance with appropriate Local Government Regulations, including the specific funding and related governance requirements set out in the The West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017.

### Human Resources Implications

6. The funding for all appropriate staffing costs for the Mayoral office is included in the Budget proposal.

### Environmental Implications

7. None arising directly from this report.

### Social Implications

8. None arising directly from this report.

### Equality Impact Assessment

9. All key service delivery functions will continue to be delivered by the relevant constituent councils and impact assessments for service delivery, particularly highways and transport are included as appropriate within their individual Budget reports.

### Risks, Mitigations and Opportunities

10. The estimates produced for the purposes of the proposed Budget are based on reasonable assumptions and in accordance with standard accounting practice. Robust financial management arrangements and controls including budget monitoring and reporting are in place. Financial risks will be managed alongside those for the WECA more widely as set out in the WECA Budget proposal also on this Agenda.

## RECOMMENDATIONS

The WECA is recommended to:-

1. Approve the Mayoral Budget for 2018/19 together with the funding contribution from the WECA Budget of £3.372M as set out in Appendix 1.
2. Agree the specific Highways and Transport Capital Grant allocations totalling £17.572M to the constituent councils for 2018/19 as set out in Appendix 1, Annex 2 (table 2).

**Author:** Tim Richens, Director of Investments & Corporate Services:

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the Contact Officer for the meeting who Joanna Greenwood on 0117 426210; writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email:

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**APPENDIX 1**

**MAYORAL BUDGET 2018/19**

**1. Budget Summary**

- 1.1. The Mayoral Budget relates to those functions that fall under the specific responsibility of the Mayor in accordance with the West of England Combined Authority (WECA) Order 2017.
- 1.2. For 2018/19 these functions primarily relate to the payment of Highways and Transport Capital grants.
- 1.3. The Budget proposal also includes the costs of the Mayor and related office expenses and election costs.
- 1.4. The funding for the Mayoral budget comes from the Retained Local Business Rates Pilot to meet the majority of Transport Costs together with grant funding from the Department for Transport and a contribution from the West of England Combined Authority.
- 1.5. The 2018/19 represents the first year for the Mayoral Budget to be agreed in accordance with the provisions of the Combined Authorities Finance Order 2017.
- 1.6. The proposed Mayoral budget for 2018/19 is set out at Annex 1 (Table 1)

**2. Mayoral Costs**

- 2.1. Provision has been included for the relevant allowance for the Mayor which is subject to regular review by the Independent Remuneration Panel. Additional costs related to a single policy support officer, PA support, running costs and expenses are also provided for. These reflect the actual experience of costs for the current financial year following the mayoral elections in May 2017.
- 2.2. Mayoral elections will be held every 4 years and the costs associated with this are an appropriate charge to the Mayoral Fund. An annual provision is now included to spread the costs of this over the election term period.

### 3. Transport and Highways Capital Grants

- 3.1. The West of England Combined Authority is the Transport Authority and assumes a number of functions and responsibilities as part of this role. The Mayor is responsible for the payment of £17.572M of transport related annual capital grant funding streams previously distributed directly by the Department for Transport (DfT), including:
- Highways maintenance grants
  - Highways incentive grants
  - Integrated transport grants
- 3.2. As proposed capital grants, funding is transferred (where appropriate) as a Revenue Contribution to Capital Outlay (RCCO) to the WECA Capital programme before distribution to the constituent councils.
- 3.3. For 2018/19 it is again proposed that no changes are made to the distribution of this funding to the constituent councils as set out in the Roads Funding announcement by DfT in January 2017. This results in a grant distribution to the constituent councils as set out at Annex 1 (Table 2). Details of the specific highways and transport priorities and schemes supported by this funding is then set out within the Budgets for each of the constituent councils and appropriate arrangements are in place to support the monitoring of this funding by the WECA.
- 3.4. As a devolution area, the constituent councils will automatically receive the highest level of Highways Incentive Grants worth a total of £1.061M in 2018/19 to the area.
- 3.5. Going forwards, distribution may change to reflect future proposals and priorities including meeting the costs of the Key Route Network which will be considered further during the course of the financial year.

### 4. Planning, Transport & Housing Strategy

- 4.1. The WECA Committee meeting on 15<sup>th</sup> September 2017 agreed the allocation of £1.2M over two years (2017/18 and 2018/19) to support the development of business cases for priority schemes in support of the Joint Strategic Plan. This is provided as a revenue grant to Bath & North East Somerset Council who are leading the commissioning of this work on behalf of the WECA.
- 4.2. A further £3.15M was agreed by the WECA Committee on 30<sup>th</sup> October to be allocated to feasibility studies for priority schemes. The funding is provided as revenue grant to the relevant constituent council to deliver the feasibility studies accordingly.

## 5. Mayoral Budget Funding

- 5.1. **The Business Rates Retention Pilot** - as agreed in 2017/18, the Pilot will continue to incorporate funding for the core Highways and Transport Grants from the DfT. This provides for a degree of stability and flexibility on how this funding might be used going forwards.
- 5.2. A proportion of Business Rates (5%) collected by the constituent councils will therefore be allocated to the WECA, the majority of which (£17.572M) is payable directly to the Mayoral Budget to replace the grant funding which would have been received from the DfT.
- 5.3. **A Contribution from WECA** of £3.372M is proposed for the Mayoral Budget in 2018/19 to meet the costs of the already agreed JSP scheme development and priority feasibility studies, together with the running costs and election cost provision. This would be allocated from WECA Investment funds.
- 5.4. In the future, the Mayor may be able to propose a **Supplementary Business Rate** of up to 2p per £ of rateable value in agreement with local business for infrastructure schemes. Full details of this scheme and how it will operate have yet to be set out by Government.
- 5.5. Total funding for the Mayoral Revenue Budget is £20.944M for 2018/19

Table 1 – The Mayoral Budget (Fund) 2018/19.

	2017/18 Revised Budget	2018/19 Budget	Total Increase (+) / Decrease (-)
	£000's	£000's	£000's
<b>Revenue Expenditure</b>			
<u>Mayoral Expenses / Support</u>			
Staffing	135	155	20
Travel	0	2	2
Premises	0	20	20
Supplies & Services	15	13	-2
Support Services	15	19	4
	165	209	44
Mayoral Election Costs (May 2021) - transfer to Reserve	1,645	388	-1,257
Planning, Transport & Housing Strategy	1,475	2,775	1,300
<u>Contributions to Capital - Highways &amp; Transport Grants</u>			
Integrated Transport Grants	5,183	5,183	0
Highways Maintenance Grants	11,328	10,254	-1,074
Highway Incentive Grants	1,061	2,135	1,074
	17,572	17,572	0
<b>Total Expenditure</b>	<b>20,857</b>	<b>20,944</b>	<b>87</b>
<b>Income</b>			
Business Rates Retention Pilot	17,572	17,572	0
Government Grant	0	0	0
Funding contribution from WECA (Investment Fund)	3,285	3,372	87
<b>Total Income</b>	<b>20,857</b>	<b>20,944</b>	<b>87</b>

Table 2 - Highways &amp; Transport Grant Allocations

	<b>B&amp;NES</b>	<b>BCC</b>	<b>SGC</b>	<b>TOTAL</b>
	2018/19	2018/19	2018/19	2018/19
	£000's	£000's	£000's	£000's
<b>Highways Maintenance</b>	3,034	3,132	4,088	<b>10,254</b>
<b>Highways Incentive</b>	632	652	851	<b>2,135</b>
<b>Integrated Transport</b>	1,163	2,743	1,277	<b>5,183</b>
<b>TOTAL</b>	<b>4,829</b>	<b>6,527</b>	<b>6,216</b>	<b>17,572</b>

**ITEM: 10**

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY**

**DATE: 2 FEBRUARY 2018**

**REPORT TITLE: WECA BUDGET SETTING REPORT 2018/19**

**AUTHOR: Tim Richens – Director of Investments & Corporate Services**

**Purpose of Report**

1. To consider and approve a Budget in respect of the WECA for 2018/19.

**Issues for Consideration**

2. This report deals with the following items:
  - **The proposed WECA Budget for 2018/19 (Appendix 1)**
  - **The Medium Term Financial Plan Narrative 2018/19 to 2020/21 (Appendix 2)**
  - **The WECA Capital Programme 2018/19 to 2020/21 (Appendix 3)**
  - **The 2018/19 Pay Policy Statement (Appendix 4)**

**The Budget Proposal**

3. This WECA Budget proposal covers the financial year 2018/19 presenting both the Revenue and Capital proposals. It builds on the first full year of operation for the WECA and reflects all of the in-year decisions and funding allocations made which have ongoing impacts.
  - 3.1 The WECA Budget has been prepared on the basis that the separate Budget Proposals put forward in the Mayoral Budget (elsewhere on this agenda) are approved as presented.
  - 3.2 There are still elements of the WECA Budget that retain the historic arrangements in place with the constituent councils, particularly relating to delivery of transport functions. These elements will be reviewed during 2018/19 and any changes proposed then considered as part of the 2019/20 budget.

- 3.3 **The proposed WECA Budget** is set out in detail at Appendix 1 and includes provision for the Governance, Management and Administration of the WECA's functions and responsibilities, including the considerable funding streams for Infrastructure, Transport and Skills.
- 3.4 Funding for these costs comes via a Transport Levy of existing costs previously met by the constituent councils for transport delivery functions, retention of business rate growth (previously paid to central government) and a charge against the new grant funding provided by the government (for Mayoral costs and investment funding).
- 3.5 No additional costs will fall on the constituent councils and, where possible efficiencies will continue to be sought through economies of scale, optimising the use of existing resources and delivering value for money.
- 3.6 **The Medium Term Financial Plan Narrative** for the WECA is set out at Appendix 2. This narrative summarises the financial considerations for WECA over the next three years and includes the sustainability of funding, the alignment of investment proposals with the Strategic Plan and the key financial challenges and opportunities.
- 3.7 **The proposed Capital Programme** is set out in Appendix 3 with specific details provided in Appendix 1. The programme focuses on the Highways and Transport Capital Grants, together with preparatory work to develop business cases for the future infrastructure programme.
- 3.8 In addition, the Capital Programme identifies some indicative funding allocations to begin to support development of the priorities outlined in the emerging Strategy.
- 3.9 **The Pay Policy for 2018/19 is set out at Appendix 4** and reflects the policy recently approved by the WECA Committee for 2017/18, with some minor updates to reflect the new Living Wage Foundation Living Wage figures, and our intention to move towards a set of WECA pay scales up to and including Head of Service level during 2018/19

### Financial Implications

4. There financial implications are contained in the specific Budget proposals set out in the Appendices to this Report.

### Legal Implications

5. The Budget proposals have been developed in accordance with appropriate Local Government Regulations, including the specific funding and related governance requirements set out in the The West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017.

### Human Resources Implications

6. The funding for the staffing establishment for WECA functions is provided for within the proposed Budget in line with the resourcing requirements agreed by the WECA Committee in October 2017. There are no direct human resource implications arising from the report itself.
- 6.1 The 2018/19 Pay Policy at Appendix 4 sets out the pay arrangements for staff at WECA. There is no change to the pay arrangements for staff from the 2017/18 policy recently approved at WECA Committee in December 2017.

### Environmental Implications

7. None arising directly from this report.

### Social Implications

8. None arising directly from this report.

### Equality Impact Assessment

9. All key service delivery functions continue to be delivered by the relevant constituent councils and impact assessments for service delivery, particularly highways and transport are included as appropriate within their individual Budget reports. Specific provision has been put into place to ensure that the Concessionary Travel scheme across the WECA area remains consistent.

### Risks, Mitigations and Opportunities

10. There is no statutory requirement for the Chief Finance Officer to produce a Section 25 report on the Robustness of the Budget Estimates for the WECA as is the case for most local authorities. This report would provide specific assurances relating to the robustness of the Budget Proposals. However, the key elements have been assessed by the Chief Finance Officer as set out below:
  - The estimates produced for the purposes of the proposed Budget are based on reasonable assumptions and in accordance with standard accounting practice.
  - Robust financial management arrangements and controls are in place including budget monitoring and reporting.
  - WECA operates with limited financial reserves although range of options have been identified and set out within the Budget to manage unforeseen costs.
  - The Medium Term Financial Plan identifies the key financial risks and opportunities which will need to be managed over the period 2018/19 to 2020/21.
  - Further work has been undertaken as part of the budget development for 2018/19 to ensure consistency and appropriateness of constituent council estimates for the cost of transport functions.

## RECOMMENDATIONS

The WECA is recommended to:-

1. Agree the Transport Levy to be issued to the constituent councils totalling £14.670M in respect of Transport functions as set out at Appendix 1.
2. Agree that no additional contributions should be requested from the constituent councils to meet the costs of the WECA.
3. Agree the commission and grant arrangements for the delivery of concessionary fares, community transport grants and bus information services from the constituent councils for 2018/19 in accordance with the budgetary provisions set out in Appendix 1.
4. Agree that the detailed allocation of Mayoral Capacity Funding will be delegated to the WECA Chief Executive in consultation with the WECA Mayor and the WECA S151 Officer, and in accordance with the grant offer conditions
5. Agree the WECA capital programme for 2018/19 as set out at Appendix 3 including Approved and Indicative allocations together with the planned sources of funding, and noting that no borrowing is required for 2018/19.
6. Notes that the WECA will continue to operate with limited financial reserves for 2018/19 and that any unforeseen costs will be met in accordance with the options set out in Appendix 1 (Para 9.3).
7. Approve the WECA Budget for 2017/18 as set out at Appendix 1
8. Approve the Pay Policy Statement as set out at Appendix 4

**Author:** Tim Richens, Director of Investment and Corporate Services – Tel: 0117 370 1959

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the Contact Officer for the meeting who is Joanna Greenwood on 0117 426210; writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

**APPENDIX 1**

**WEST OF ENGLAND COMBINED AUTHORITY BUDGET 2018/19**

**1. Budget Context**

- 1.1. The West of England Combined Authority (WECA) Budget relates to all the functions with the exception of those relating specifically to the Mayor which are set out separately on the Agenda for this meeting. The WECA Budget may include any specifically agreed contributions from the WECA to meet Mayoral costs.
- 1.2. The financial year 2018/19 is based upon a combination of costs derived from each of the constituent councils for any functions transferred under the devolution arrangements, together with an estimate of specific costs associated with the delivery of the WECA's functions and statutory responsibilities.
- 1.3. The funding for the WECA comes from 3 main sources:
  - Investment funding provided by the Government as part of the Devolution Deal
  - A levy on the constituent councils for the costs of transport functions that transferred to the WECA
  - A small share of business rates under the 100% Business Rates Retention Pilot
- 1.4. There continues to be no additional costs related to the WECA falling on any of the constituent councils.
- 1.5. The proposed WECA Budget for 2018/19 is set out at Annex 1 (Table 1) including details of the current approved Budget for 2017/18.

## 2. Transport Services

- 2.1. The WECA is the Transport Authority for the West of England and a range of related functions and responsibilities. The principles relating to delivery and funding of these areas into 2018/19 were considered by the WECA at its meeting on 7<sup>th</sup> December 2017. This included maintaining existing arrangements for the delivery of concessionary fares, community transport and bus related information systems to secure continuity of service. The assumptions set out below have therefore been used as a basis for the Budget in line with proposals for service delivery from lead transport officers.
- 2.2. **Concessionary Fares** – no changes are proposed to the concessionary fares scheme which was previously agreed for 2017/18. The WECA has commissioned the core bus related contracts through South Gloucestershire Council who will continue to provide this service for 2018/19. Smaller commissions are in place for the constituent councils to continue to assess eligibility and issue of related travel passes.
- 2.3. Forecast costs for the concessionary travel scheme are based actual data to September 2017, together with demographic assumption particularly concerning the impact of the equalisation of female and male retirement ages. A reduction in overall costs are anticipated as a result and the benefits will be passed back to the constituent councils through appropriate reductions in the transport levy.
- 2.4. **Community Transport Grants** – grant funding will be made to each of the constituent councils in line with financial allocations for 2017/18. Each council will continue to maintain their existing approach to the support for these services for 2018/19.
- 2.5. **Bus Information Services** – the WECA maintained appropriate bus information services by continuing the existing arrangements within the constituent councils. Bristol City Council continues as lead for real time information services.
- 2.6. As agreed by the WECA committee on 30<sup>th</sup> October 2017, Bristol City Council have undertaken a new procurement for the delivery of real time information services including the Metrobus extension. The resulting capital costs arising were agreed by the WECA and are reflected within the Capital Programme. Some increases are anticipated in revenue operating costs as a result of the procurement in 2018/19.
- 2.7. There will be a small impact from the real time information systems for the Bath Transport Package now reaching the end of the related maintenance warranty period. This is reflected in the value of the commission and the transport levy to Bath & North East Somerset Council.

- 2.8. **Supported Bus Services** – these services continue to be led and funded by the constituent councils. As these services are now delivered under joint powers, the WECA will be appropriately engaged going forwards.
- 2.9. The proposed value of transport commissions with each of the constituent councils in respect of the functions set out above is set out at Annex 1 (Table 2).
- 2.10. **Future arrangements** – going forwards the WECA will consider opportunities to deliver efficiencies through revised approaches to service delivery and provision. All such proposals will be subject to the approval of the WECA.

### **3. WECA Delivery and Running Costs**

- 3.1. The detailed staffing resource arrangements for the WECA were considered by the WECA Committee on 30<sup>th</sup> October 2017. A revised budget was agreed and the ongoing cost of these arrangements forms the basis for the 2018/19 including, as appropriate the impact of the nationally agreed 2% pay award from 1 April 2018.
- 3.2. The WECA is responsible for in excess of £500M of agreed funding in it's initial five years and this continues to increase as new and additional funding streams are directed to combined authorities.
- 3.3. None of the delivery and running cost will fall on the constituent councils. Further details are set out below:**

#### Infrastructure

- 3.4. Provision has been made for resources to manage, develop and commission the range of infrastructure related functions and responsibilities of the WECA including Transport, Highways, Housing and related Investment programmes.
- 3.5. WECA officers work closely with colleagues in the constituent authorities to deliver services and prioritise resources effectively, this includes identifying potential opportunities with the constituent councils to deliver efficiencies around the delivery and governance arrangements.

#### Business & Skills

- 3.6. It is anticipated that, subject to ongoing discussions with the Skills Funding Agency, the WECA will take on responsibility for the 19+ Adult Education Budget, which will be devolved from academic year 2019/20. As such the WECA will then be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements.

- 3.7. This is a new area of responsibility and appropriate transitional and preparatory work will be required. The budget already reflects approved management resourcing for this area and further transitional funding may be allocated directly by the Government to support work in this area.
- 3.8. Employment Support Innovation Pilot – the WECA Committee on 30 October 2017 approved the £4M funding offer and associated direct and grant funding budgets for this pilot which runs until 2019. This is at a net nil cost to the WECA acting as Accountable Body and managing agent for ring-fenced grant funding to be distributed to the constituent councils for delivery.
- 3.9. This area also includes up to £50K as a one-off provision for the development of a cultural (including sports) strategy across the West of England.

#### Resources

- 3.10. Includes costs for Finance, Information Technology, Accommodation, Procurement, Audit and the range of support services and charges necessary to meet statutory and fiduciary responsibilities. A range of support services are commissioned directly from the constituent councils to support value for money and efficiency of delivery.

#### Corporate and Governance

- 3.11. Provides for the costs related to governance arrangements for the WECA, including democratic support and monitoring officer, together with strategy development, performance management, communications and the Chief Executive office.

### **4. Mayoral Capacity Funding**

- 4.1. The Government has announced the provision of £1M of funding for each Mayoral Combined Authority, to provide further programme management and delivery capacity specifically within the Combined Authority.
- 4.2. The primary purpose of the funding will be to facilitate and accelerate delivery of infrastructure and related investment projects funded from the significant investment resources now being directed toward combined authorities. The funding will be subject to a light touch assurance process from the relevant Government Accountable Officer.
- 4.3. The funding is an annual amount for 2-years to enable the WECA to consider its longer term sustainable delivery options. It is proposed that the detailed allocation of this funding will be made by the Chief Executive in consultation with the WECA Mayor and the WECA S151 Officer, and in accordance with the grant offer conditions.

## 5. 2017/18 to 2020/21 Capital Investment Programme

- 5.1. The proposed WECA Capital programme is set out at Appendix 4 and differentiates the currently approved and proposed Capital Schemes. All proposed schemes are classified as follows:
- **Approved** – these schemes are fully agreed to be progressed and will be taken forwards in line with financial regulation, standing orders and the relevant assurance framework.
  - **Indicative** – these schemes will need to be brought back to the WECA Committee for further approval before they can be progressed. The indicative approval provides a guide to officers in prioritising resources to work up schemes for further consideration.
- 5.2. The **Approved** capital proposal to be agreed by the WECA is as follows:
- 5.3. **£17.572M for Highways Maintenance and Integrated Transport** – in line with the proposals outlined in the Mayoral Budget for 2018/19 set out separately on this Agenda and allocated as capital grant funding to the constituent councils.
- 5.4. The **Indicative** allocations to be agreed by the WECA are as follows:
- 5.5. **Annual allocations of £17.572M for Highways and Integrated Transport Funding for 2019/20 and 2020/21** – these are the remaining elements of the four-year allocations for transport committed by the DfT as part of the devolution deal. The actual allocation of this funding will be subject to the further work during 2018/19 on the Key Route Network and related delivery arrangements as set out in the Mayoral Budget.
- 5.6. **Up to £34.2M to support the delivery of fully worked up business case scheme** - this funding will be specifically allocated to support the delivery of business cases from the currently prioritised schemes approved for business case development. The actual value required will be determined following approval by the WECA of the business cases to be taken forward for further development.
- 5.7. **Allocations totalling up to £93M to support the emerging Strategic Plan priorities** – this represents the remaining investment funds over the first five-year period to 2020/21 at which point the Government Gateway review will take place.
- 5.8. This indicative allocation will support further development and prioritisation of specific schemes to support the delivery of the Strategy and will include a key focus on public sector match funding and private sector investment to support projects coming forwards for consideration.

- 5.9. **Further funding announcements** – a number of further announcements are expected from government over the coming months including confirmation of £80M from the recently announced Transforming Cities Fund specifically for the WECA to deliver strategic transport investment across the area. Detailed proposals will be brought forward for consideration by the WECA once confirmation of funding and any relevant criteria have been received.
- 5.10. **Capital Funding** – All capital costs will be met from Government grants, devolution investment funding or revenue contributions to capital outlay (RCCO). The capital funding period to 2020/21 covers the first five-year period of the investment funding received and further funding beyond this period will be subject to meeting the Government's 5 yearly gateway review.
- 5.11. **Borrowing** - no borrowing is proposed for the WECA to meet capital commitments for 2018/19 although the regulations to permit such borrowing will be progressed by Government as set out separately on this Agenda.

## 6. Accountable Body Functions

- 6.1. The WECA acts as the Accountable Body for the West of England Local Enterprise Partnership (LEP) and Invest in Bristol & Bath (IBB). The LEP and associated accountable body functions are funded from existing grants and contributions with no costs falling on the WECA. The LEP and IBB Budgets are approved and monitored by the West of England Joint Committee.
- 6.2. The staffing structures of the LEP and WECA teams have been reorganised to provide the most efficient and effective delivery and support structure to meet the respective functions and responsibilities as set out in Para 3.1 of this report.

## 7. Mayoral Costs

- 7.1. The WECA will make a proposed contribution of £3.372M in 2018/19 to meet Mayoral costs primarily those relating to funding of approved feasibility and business cases together with the Mayoral Election provision and Mayoral Office Costs. Further details are set out in the Mayoral Budget separately on the Agenda for this meeting.

## 8. Funding

- 8.1. The funding to meet the costs of the WECA are received from the following sources:

- 8.2. **A Levy on the constituent councils** limited to meet the costs associated with transport functions of the WECA. It is proposed that the Levy is set in line with the estimated costs which would have been incurred by the relevant constituent council (i.e. a revenue neutral basis). The proposed Levy for each council is set out at Annex 1 (Table 3) and represents a reduction overall of £611k particularly due to reducing concessionary travel costs.
- 8.3. **The 100% Business Rates Retention Pilot** - agreed by the constituent councils means a proportion of Business Rates (5%) collected by the constituent councils are be allocated to the WECA. The majority of this (£17.572M) is allocated to the Mayoral Budget to replace the grant funding which would previously have been payable by the Dept for Transport.
- 8.4. A relative proportion of business rates growth (previously paid to central government) is retained by each of the participating WoE councils including the WECA. For 2018/19 this is estimated at £1.105M for the WECA.
- 8.5. The sustainability of this funding will need to be reviewed as the government moves to a national 75% business rates retention system from 2020.
- 8.6. **Investment Fund Revenue Contribution** – as part of the WoE Devolution Deal, the government allocated £30M per year to the WECA for a 30-year period. This will be used primarily for infrastructure investment with an element available to meet ongoing running costs.
- 8.7. For 2018/19 the proposed drawdown of Investment funding to meet revenue costs for feasibility and business case studies, together with Mayoral running costs is £3.447M. This corresponds to funding requested for the Mayoral Budget together with related (one-off) direct costs. All WECA running costs can be met through other income streams.
- 8.8. **Government grant** funding streams are in respect of the Employment Innovation Pilot (Para 3.9) and the Mayoral Capacity Fund (Para 4)
- 8.9. **Interest on Balances** reflects investment earnings on the cash flow balances for treasury investments in line with the approved WECA Treasury Strategy.
- 8.10. **No contributions are required from the constituent councils to meet any WECA running costs.**

## 9. Reserves

- 9.1. The WECA was not be established with any general or earmarked reserves or balances transferring from the constituent councils. Over time it will be the intention to establish appropriate risk assessed level of reserves based on the specific activity and financial risks to the WECA. The outturn Budget position for 2017/18 to be considered by June 2018 may provide the first opportunity to do so.
- 9.2. A full range of financial controls and budget monitoring is in place to provide early identification of any potential cost variations and manage financial risks as far as practicable within the Approved Budget. This includes regular report to the WECA Committee.
- 9.3. In the event of extraordinary costs arising the WECA will be able to consider a range of options to deal with these:
- Re-prioritisation of financial commitment and commissions.
  - Use of any flexibility available in the applications of funding streams.
  - Use of the Investment funding as appropriate.
  - Request voluntary contributions from the constituent councils (for example if newly introduced policies or discretionary measures in a particular council, affects the aggregate demand across the region resulting in funding pressures).
  - An application to the government emergency Bellwin fund if qualifying criteria are met (only available for significant unforeseen emergency circumstances).
  - Appropriate use of reserves as set out in 10.4 below
- 9.4. An element of the reserve of £278K(estimated) related to LEP functions and potential liabilities will be available to the WECA as Accountable Body to meet financial risks relating to these functions.

ITEM 10 – Appendix 1

ANNEX 1

Table 1 – The WECA Budget 2018/19.

	2017/18 Revised Budget	2018/19 Budget	Total Increase (+) / Decrease (-)
	£000's	£000's	£000's
<b>Revenue Expenditure</b>			
<u>Transport Functions</u>			
Concessionary Fares	13,208	<b>12,378</b>	-830
Community Transport	1,702	<b>1,690</b>	-12
Bus Real Time Information	371	<b>602</b>	231
	<b>15,281</b>	<b>14,670</b>	-611
<u>Delivery &amp; Running Costs</u>			
Infrastructure	360	<b>608</b>	248
Business & Skills	0	<b>187</b>	187
Investment & Corporate Services	581	<b>235</b>	-346
Corporate & Governance	678	<b>699</b>	21
	<b>1,619</b>	<b>1,729</b>	110
Mayoral Capacity Fund	0	<b>1,000</b>	1,000
Employment Support Innovation Pilot	311	<b>2,333</b>	2,022
Set-up & Implementation Costs	1,650	0	-1,650
Contribution to Mayoral Fund	3,285	<b>3,372</b>	87
Capital Financing	0	<b>0</b>	0
<b>Total Expenditure</b>	<b>22,146</b>	<b>23,104</b>	<b>958</b>
<b>Income</b>			
Levy from CA's for Transport Functions	15,281	<b>14,670</b>	-611
Contributions from CA's	0	0	0
Business Rates Retention Pilot	945	<b>1,105</b>	160
Government Grant	311	<b>3,333</b>	3,022
Other Recharges	0	<b>29</b>	29
Investment Fund - Revenue Contribution	5,359	<b>3,447</b>	-1,912
Interest on Balances	250	<b>520</b>	270
<b>Total Income</b>	<b>22,146</b>	<b>23,104</b>	<b>958</b>

Table 2 – Transport Commissions to Constituent Councils

	Concessionary Fares	Bus RTI	Community Transport	Total
	£000's	£000's	£000's	£000's
B&NES	50	53	379	482
BCC	98	500	874	1,472
SGC	12,230	49	437	12,716
<b>Total</b>	<b>12,378</b>	<b>602</b>	<b>1,690</b>	<b>14,670</b>

Table 3 – LEVY to the WECA by the Constituent Councils for Transport

	Concessionary Fares	Bus RTI	Community Transport	Total
	£000's	£000's	£000's	£000's
B&NES	3,701	193	379	4,273
BCC	6,763	275	874	7,912
SGC	1,914	134	437	2,485
<b>Total</b>	<b>12,378</b>	<b>602</b>	<b>1,690</b>	<b>14,670</b>

## APPENDIX 2

### West of England Combined Authority Medium Term Financial Plan Narrative

#### 1. Emerging Regional Strategy

The West of England is one of the UK's most prosperous regions. The creation of the West of England Combined Authority (WECA) provided the opportunity to build on this and make it even better for everyone.

Working with our constituent councils and partners including the West of England Local Enterprise Partnership, North Somerset Council and other local service providers, our aim is to deliver inclusive economic growth for the region and address some of the challenges we face together.

We are in the process of developing an ambitious Regional Strategy that will give us greater clarity about what we want to achieve together. Whilst still the Regional Strategy is still under development we are expecting it to prioritise three areas:

- Businesses that succeed
- World class skills for employment

Infrastructure fit for the future

WECA, working with our partners, will enable a more ambitious approach to the joint delivery of the strategy and these priorities. We will work collaboratively and to take collective decisions about what is best for the region and prioritising resources to support the delivery of the strategy.

#### 2. Operating Principles

In terms of operation the WECA intends:

1. To be lean and efficient making the most of existing resources (only doing things once – across the WoE)
2. To deliver the vision for inclusive economic growth in the West of England
3. To make the most of existing capabilities building on the strengths and capacity within the constituent councils
4. To provide accountable and transparent governance

The WECA will work in partnership with constituent councils to ensure that there is a clear, transparent process for prioritising investment. Future delivery mechanisms will be designed in the most efficient and effective way taking account of constituent councils existing capabilities and capacities.

#### 3. Expenditure

The WECA (including the Mayoral Budget) currently has three main areas of expenditure which need to be considered for future financial planning:

- (i) **Resourcing and Running Costs** – the WECA approved the revised staffing structure on 30<sup>th</sup> October 2017. The Budget for 2018/19 includes all anticipated cost including pay award (2% provided) and employer pension costs etc.

Looking beyond 2018/19, core pay costs will increase by around £11k per annum based upon each 1% pay increase. Changes to the establishment will reflect the future delivery arrangements for WECA responsibilities and these will be considered during 2018/19 as any proposals for changes to existing delivery arrangements are brought forwards.

- (ii) **Highways and Transport Grants** – these currently represent the largest area of expenditure currently running at £17.572M per annum. This level is likely to remain fixed based upon DfT allocations through to 2020/21.

Allocated via the Mayoral Budget, this funding is currently directed through to the constituent councils based upon the DfT historic allocation formula. The fixed quantum of funding represents a reduction in real terms over the period to 2020/21 although the highest level of Highways Incentive funding (estimated to be worth around and extra £1M per annum) is automatically received for Combined Authorities.

During 2018/19 further consideration will be given to the agreement of a Key Route Network for the WoE and the allocation of this funding may have regard to this from 2019/20 onwards.

- (iii) **Transport Authority Costs**

The WECA transport authority responsibilities include concessionary fares, community transport and bus information. The most significant element of these is concessionary travel – currently estimated at £12.4M for 2018/19 out of total cost of £14.7M.

Delivery of these functions is currently commissioned directly from the constituent councils based upon historic arrangements. The WECA agreed in December 2017 that this would continue allowing for this to be reviewed during 2018/19. This will include consideration of the future costs and efficiencies that could be delivered over the medium term.

Going forwards it is anticipated that from the start of the 2019 Academic Year, the responsibility for **Adult Education Budgets** and related commissioning may pass to the WECA. Negotiations are currently underway with the Dept for Education to ensure this aligns with the objectives of the WECA and provide assurance that the approx. £20M annual funding will meet anticipated commitments and financial liabilities.

Any future transfer of AEB funding and responsibilities will be subject to appropriate approvals and consents, including a detailed analysis of the financial impacts.

#### 4. Sources of Funding

**The Mayoral Budget** receives funding from the 100% Business Rates Retention Pilot to meet the costs of the Highways and Transport grants. Under the terms of the pilot, funding equivalent to Dept for Transport grants are allocated to the Mayoral Fund for this purpose – funding at this level is protected under the terms of the pilot and cannot fall below this level (currently £17.272M per annum).

Other Mayoral costs are met through a funding request to the WECA Budget (for costs to be met from the revenue element of Investment Funding).

**WECA receives a number of income streams as follows:**

- **A Transport Levy**, to meet the costs arising from the WECA transport responsibilities as set out in Section 3 (iii). The levy is a charge on the three constituent councils currently in direct proportion to the relevant share of costs based on historic and forecast spend (proposed at a total of £14.67M for 2018/19). This basis could be reviewed after 2018/19 to reflect alternative arrangements – for example a population based levy.
- **A 5% share of growth from Business Rates**, under the terms of the 100% Business Rates Retention Pilot. This is estimated at £1.1M for 2018/19. Future income will depend the growth in business rates (above a baseline from October 2013) being sustained over this period. This represent a direct payback for the delivery of economic growth across the WECA area. The 100% Pilot is expected to remain in place to 2020/21 (see section 7 below).
- **Government Grants, for specified purposes.** Currently these grants cover capacity fund and the Employment Support Innovation Pilot and are for a fixed period. Only agreed costs can be charged against these funds and all related funding commitments have been matched to the specific grant funding.
- **Investment Funding** – the government has allocated £30M of Investment (gainshare) funding to the WECA for a 30-year period under the terms of the devolution agreement. This funding is comprised 50% revenue and 50% capital resource and will be used to support delivery of the objects set out in the emerging strategy. The funding is reviewed on a 5-yearly basis by a panel appointed by Her Majesty’s Treasury to evaluate the success in delivering economic growth for the area. All funding allocations are agreed by the WECA Committee and the Budget for 2018/19 provides commitments against this over the first 5-year period to 2020/21.
- **Investment Earnings** – all cash received by the WECA and which is not immediately required to meet expenditure, is invested in accordance with the WECA Treasury Strategy. This relatively short-term cash holding generates interest earnings available to meet wider WECA costs. Such interest earnings are estimated at approximately £520k for 2018/19 based on actual balances held and average rates around 0.6% per annum. Future earnings will be linked to the speed with which investment funding received annually is actually defrayed and the prevailing interest rates.

**5. Capital Investment**

The Capital Investment approvals and proposals totalling some £211M are set out in the WECA Capital Programme 2017/18 to 2020/21. This includes funding allocations from the Investment Fund and For Highways and Transport Grants.

It is anticipated that further significant capital grant funding may come forward from Government over the medium-term period and indeed the £80M Transforming Cities Fund is expected to be confirmed in the next few weeks.

The focus of capital investment will be to support the delivery of the strategy objectives set out in Section 1 above. The early focus has been on feasibility and business cases to support the delivery of key priority infrastructure schemes with further funding allocated to support full delivery subject to the outcome of this work.

At this stage, all capital investment is being considered on a “pay as you go” basis with no provision for borrowing to support an accelerated programme of delivery. Regulations will shortly be in place from Government to permit borrowing by Combined Authorities although with no independent

income stream, careful consideration would need to be given to the sustainability of any borrowing by the WECA.

## **6. Financial Sustainability**

The WECA is a new and evolving combined authority, as such there are a number of emerging factors which will impact on the future financial sustainability of the WECA.

Whilst the key expenditure and sources of funding are set out in sections 3 and 4 above, it will be important to ensure new responsibilities are aligned to sustainable funding streams and this should be a key factor as part of the process for consenting to such transfers.

The recent Local Government Financial Settlement in December 2017, confirmed that a new funding system will be introduced for local government from 2020/21 including a revised needs assessment and a new national business rates retention scheme. From a WECA perspective this confirms the ending on the 100% Business Rates Retention Pilot which makes a key contribution to the annual running costs of the WECA – currently £1.1M per annum. It will be important for government to recognise the funding requirements of combined authorities as part of the design process for the new system

The WECA is currently not able to raise a Council Tax precept and as such is the only of the Mayoral Combined Authorities without this power. It will again be important that Government understands this position and the reliance of the WECA on other funding streams to meet its range of running and service delivery costs.

All other costs are linked to direct, fixed term, government grants and whilst it is envisaged that all costs and commitments against this funding will be on a fixed term or marginal basis linked to the grant term, this could give rise to significant changes in the delivery and resourcing arrangements for the WECA as these funding streams mature.

## **7. Reserves and Financial Risk Management**

The WECA was not established with any specific general or earmarked reserves to meet unanticipated costs or liabilities. This forms a key consideration of the annual budget setting process and the specific financial risk management procedures in place as a result are set out in Section 9 of the WECA Budget proposal at Appendix 1.

As part of the Outturn Budget closedown and approval process for 2017/18, it will be necessary to consider where such reserves may be appropriate and these may include the following:

- Business Rates – to deal with any in-year variations including the provisions of the statutory override.
- Election Costs – recognizing the 4-yearly cycle of such costs. The 2018/19 Mayoral Budget makes provision for 25% of the anticipated costs.
- Transport Costs – to earmark provisions to smooth impacts of annual variations in demand.
- Carry Forwards – to meet agreed costs expected to arise in 2017/18 but which have been deferred to 2018/19

Other reserves and balances may also be established to recognize grant funding streams which have yet to be fully allocated or for which costs have not yet been fully defrayed.

Item 10 – Appendix 3

WECA and Mayoral Capital Programme 2017/18 to 20/21												
	Budgeted Spend								Funded by:			
	Approved	Approved	Indicative	Approved	Indicative	Approved	Indicative	TOTAL				Total
	17/18	18/19	18/19	19/20	19/20	20/21	20/21	4yrs	Inv Fund	DfT Grant	RCCO	4yrs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Existing Schemes</b>												
Economic Model & Scheme Prioritisation	400							400	400			400
Real Time Information (WECA Oct 2017)	600							600	600			600
WECA IT & Building Alterarions	300							300	300			300
Highway and Transport Grants	20,475							20,475		2,903	17,572	20,475
Pothole Action Grant (WECA Jun 2017)	891							891		891		891
Business Case Development (WECA Oct 2017)	750	1,615		430				2,795	2,795			2,795
MetroWest (WECA Dec 2017)						6,000		6,000	6,000			6,000
	<b>23,416</b>	1,615	-	430	-	6,000	-	<b>31,461</b>	10,095	3,794	17,572	<b>31,461</b>
<b>Proposed Schemes</b>												
Highway and Transport Grants		17,572	-		17,572		17,572	52,716		17,572	35,144	52,716
Business Case Schemes Delivery					14,200		20,000	34,200	34,200			34,200
Allocation to support the Emerging Strategy			8,000		32,000		53,000	93,000	93,000			
	-	17,572	8,000	-	63,772	-	90,572	<b>179,916</b>	127,200	17,572	35,144	<b>179,916</b>
<b>Grand Total</b>	<b>23,416</b>	<b>19,187</b>	<b>8,000</b>	<b>430</b>	<b>63,772</b>	<b>6,000</b>	<b>90,572</b>	<b>211,377</b>	<b>137,295</b>	<b>21,366</b>	<b>52,716</b>	<b>211,377</b>

Note: RCCO indicates a Revenue Contribution to Capital Outlay

# Pay Policy Statement 2018 -19

## Introduction

The West of England Combined Authority is made up of three of the local authorities in the region – Bath & North East Somerset, Bristol and South Gloucestershire.

Working with our partners including the West of England Local Enterprise Partnership, North Somerset Council and other local service providers, our aim is to deliver economic growth for the region and address challenges including productivity and skills, housing and transport.

## 1. Purpose and scope

- 1.1 The purpose of the statement is to provide a clear and transparent policy to the public, which demonstrates accountability and value for money.
- 1.2 The policy statement will meet the Authority's obligations under the Localism Act 2011 [Section 38 (1)] and the associated statutory guidance set out in the Openness and Accountability in Local Pay: Guidance and Supplementary Guidance under section 40 of the Localism Act (February 2012 & 2013) together with the Local Government Transparency Code 2015 (February 2015)) from the Department for Communities and Local Government.
- 1.3 It will articulate the Authority's policies towards a range of issues relating to the pay (including severance pay) of its direct workforce its Chief Officers, as defined by the Local Government and Housing Act 1989 and all other employees (in accordance with provisions in the Localism Act). The policy will be reviewed, at least annually. to reflect any statutory changes (particularly in relation to public sector severance payments), anticipated in the coming the year.
- 1.4 The Authority's pay arrangements will reflect the need to recruit, retain and motivate skilled employees to ensure high levels of performance balanced with accountability on the public purse. The policy will be underpinned by principles of fairness and equality and will need to recognise the flexibility which is essential in delivering a range of services.
- 1.5 The statement will be reviewed annually in advance of the financial year to which it relates. It's approval and any subsequent amendments will be considered at a meeting of the Combined Authority. The statement will be published on the Authority's public website

## 2. Definitions

For the purposes of this Pay Policy Statement the following definitions apply:

- 2.1 **'Pay'** in addition to base salary includes charges, fees, allowances, benefits in kind, increases in/enhancement to pension entitlements and termination payments where applicable.  
**'Chief Officers'** refers to the Chief Executive, as 'Head of Paid Service' and posts reporting to that postholder, excluding administrative support functions  
**'Lowest paid employee'** refers to those employees in substantive full-time employment at the lowest scale point of the Authority's pay scale

### 3. General principles & practice

3.1 The West of England Combined Authority's employment practice will be governed generally by the relevant national and European legislation and, where relevant, specific local government legislation and regulation.

3.2 **Principles:** The Authority values all its employees and aims to apply a consistent and fair approach to pay and benefits, in line with the following principles:

- ✓ To work within financial constraints using those limited funds in the most effective way to support the Authority in the provision of quality cost effective services.
- ✓ To take account of affordability in the introduction and maintenance of any changes to pay structure.
- ✓ To support a flexible approach to the acceptance of changes to tasks, duties and responsibilities by employees and allow for flexibility between posts.
- ✓ To be mindful of the market in making decisions about pay and benefits enabling the Authority to attract and retain its employees and to respond to situations where market forces dictate the necessity to apply supplements to established salaries.
- ✓ To actively work towards reducing any unjustified gender pay gaps and promote an equal pay agenda ensuring that transparent and accessible pay and job evaluation systems, processes and systems meet legislative requirements.
- ✓ To be clear about the recognition and reward of performance, whether at whole organisation, service, team or individual level.
- ✓ To manage pay and benefits processes appropriate to service delivery in a fair and consistent way, and in line with a commitment to remaining within the framework of the relevant national pay and conditions agreements.
- ✓ To aim to retain a core set of benefits for all employees.

3.3 **Practice:** Basic pay will be determined through:

- The job role and its accountability in the overall context of the Authority's services and responsibilities using a job evaluation process based on objective criteria and free from discriminatory bias.
- Ensuring that all employees are dealt with on this basis with no distinction being made for senior management appointments, including Chief Officers, their Deputies and staff generally.
- The terms of the relevant national agreements on pay and conditions of service.
- The amount available for the pay review process is also impacted by what the Authorities which are party to the national agreements can collectively afford.
- A comprehensive pay and grading structure will be adopted that must be affordable and offer recruitment and retention incentive.
- The outcome of reviews into the local pay and grading structures are determined within the terms of this policy and the Authority's governance arrangements.

*Note: The pay rate for apprentices, interns and trainees, will reflect the degree of training and development required in the roles.*

3.4 **Equal pay:** The Authority is committed to the principle of equal pay for all posts of the same size and value. To put its commitment to equal pay into practice, it will:

- Regularly review its pay grade and rates for all current staff and starting pay for new staff in line with Equality and Human Rights Commission guidance to ensure a robust and consistent approach.
- Inform employees of how these practices work and how their own pay is arrived at.
- provides training and guidance for managers and supervisory staff involved in decisions about pay and benefits.
- Regularly monitor pay and grading data and statistics and will publish pay equality data as statutorily required

**4. Senior pay**

4.1 The remuneration of the Chief Executive and other senior management appointments in the Authority is undertaken by external analysts using the Hay Job Evaluation process. Levels of pay have been market-related by being compared to a national data base maintained by the Hay Group of similar posts in a wide range of public and not for profit sector organisations and recognising regional influences. The pay structure for Chief Officers takes account of clearly defined 'statutory responsibilities'. Four pay bands will be available for the most senior officers, as set out below:

BAND	MIN/MID/MAX POINTS	Composition, Terms & Conditions
<b>CHIEF EXECUTIVE/ HEAD OF PAID SERVICE &amp; other senior management appointments*</b>		
<b>Band 1</b>	Fixed/Spot	<ul style="list-style-type: none"> <li>- A fixed salary within the range £135,000 to £155,000 pa taking account of current public sector market median data provided by the independent analysts with recognition of regional influences and the Authority's general starting salary policy.</li> <li>- No variable element within the remuneration package e.g. bonuses, charges, fees or allowances, benefits in kind</li> <li>- Salary subject to annual review to take account of factors such as performance, capability, JNC national pay settlements.</li> <li>- Other conditions of service are those determined nationally by the JNC specifically for these appointments or, as locally determined for all other staff.</li> </ul>
<b>Band 2</b>	Fixed/Spot	<ul style="list-style-type: none"> <li>- A fixed salary within the range £110,000 to £125,000 pa taking account of current public sector market median data provided by the independent analysts with recognition of regional influences and the Authority's general starting salary policy.</li> <li>- No variable element within the remuneration package e.g. bonuses, charges, fees or allowances, benefits in kind</li> <li>- Salary subject to annual review to take account of factors such as performance, capability, JNC national pay settlements.</li> <li>- Other conditions of service are those determined nationally by the JNC specifically for these appointments or, as locally determined for all other staff.</li> </ul>
<b>Band 3</b>	Fixed/Spot	<ul style="list-style-type: none"> <li>- A fixed salary within the range £90,000 to £99,000 pa taking account of current public sector market median data provided by the independent analysts with recognition of regional influences and the Authority's general starting salary policy.</li> <li>- No variable element within the remuneration package e.g. bonuses, charges, fees or allowances, benefits in kind</li> <li>- Salary subject to annual review to take account of factors such as performance, capability, JNC national pay settlements.</li> <li>- Other conditions of service are those determined nationally by the JNC specifically for these appointments or, as locally determined for all other staff.</li> </ul>
<b>Band 4</b>	Fixed/Spot	<ul style="list-style-type: none"> <li>- A fixed salary within the range £80,000 to £90,000 pa taking account of current public sector market median data provided by the independent analysts with recognition of regional influences and the Authority's general starting salary policy.</li> <li>- No variable element within the remuneration package e.g. bonuses, charges, fees or allowances, benefits in kind</li> <li>- Salary subject to annual review to take account of factors such as performance, capability, JNC national pay settlements.</li> <li>- Other conditions of service are those determined nationally by the JNC specifically for these appointments or, as locally determined for all other staff</li> </ul>

*\*In accordance with decisions of the Employment & Appointments Committee: 24 May 2017*

4.2 The Authority has adopted a pay range to allow flexibility in candidate attraction. Individual appointments will be made on a 'fixed or spot salary'. Pay increments with time served progression are not appropriate. Placement within the range will reflect factors such as capability, experience, previous salary history, and marketability.

4.3 Senior staff will not be differentiated from other members of staff in terms of remuneration on resignation or termination. The Authority's general arrangements for severance and scheme for discretionary payments will be developed and adopted prior to publication of the next annual statement.

- 4.4 If proposed severance packages are likely to in exceed £99,999 (this threshold includes [but is not limited to] any proposals in respect of salary to be paid in lieu, redundancy compensation, pension entitlements and holiday pay as appropriate) will be considered in accordance with agreed Authority governance arrangements. This provision will be reviewed to comply with any legislative changes made during the year.
- 4.5 The Authority's threshold level for disclosure of senior staff salaries will be at the minimum point of the senior civil service pay scale and above as at 31 March of any given year to which this policy applies.

### **5. Pay of the lowest-paid employees**

- 5.1 The Authority has resolved that no employee will be paid less than the UK Living Wage, which is set by the Living Wage Foundation. The Authority has adopted this definition because it has decided that none of its employees should be paid less than the UK Living Wage.
- 5.2 For 2018/19, the UK Living Wage is £8.75 per hour, which equates to a minimum salary of £16,882 (based on a full-time week of 37 hours).
- 5.3 Apprentices and interns are normally exempt from the provisions of the Living Wage.

### **6. Relationship between senior pay and the 'lowest paid Authority employee'**

- 6.1 As a newly established employer, the Combined Authority is developing the organisational and pay structures to best meet its service delivery needs.
- 6.2 Given the maximum salary for the Chief Executive Officer is £155,000 and the lowest paid member of staff will never receive less than the Living Wage as defined by the Living Wage Foundation (£16882 per annum pro rata), the maximum possible pay ratio from the highest to the lowest-paid employee would be 9.2 to 1 based on a 37 hour working week.
- 6.3 The lowest-paid current employee at the Authority receives a salary of greater than the Living Wage, such that the actual ratio of highest to lowest-paid employee is in fact less than the theoretical maximum stated in 6.2 above.

### **7. Pay Bands**

- 7.1 The Authority will adopt the job-evaluated pay structure used by Bath and North East Somerset Council for all staff below Chief Officer and Head of Service level. While it may be necessary in the future for the Authority to develop its own pay and grading scheme, this position takes account of the fact that the majority of current Authority staff are on Bath and North East Somerset Council terms and conditions, as well as the fact that there is a clear job evaluation scheme in place which has been fully approved by the Unions and is in line with Joint National Council (JNC) provisions.
- 7.2 For staff at Head of Service level, whose salary range sits above the Bath and North East Somerset Council pay scale maximum but below Chief Officer, a spot salary will be paid which will be commensurate with benchmarked market rates for the role. This will be broadly based on Bristol City Council's revised pay scales for Heads of Service.

### 8. Pensions

- 8.1 Subject to the provisions of the relevant scheme, all directly employed staff will be enrolled into the Local Government Pension Scheme, a statutory contributory scheme. They may choose to opt out of membership. In accordance with the statutory requirement, the Authority will determine its policy in respect of discretionary provisions available within the scheme prior to publication of its next annual statement.
- 8.2 The Authority will develop a policy for flexible retirement which is specifically authorised by statute whereby individual staff, with employer approval, may draw their pension and continue in employment at a lower pay grade/ working shorter hours.

### 9. Use of consultants, contractors and temporary 'agency' staff.

- 9.1 Ordinarily staff will be engaged directly by the Authority as employees but on an exceptional basis, if circumstances deem it necessary, people may be engaged under 'contracts for services' as consultants or contractors or on an 'agency basis'. When this situation arises, the Authority will give detailed prior consideration to the benefit of doing so and that the overriding need to ensure value for money is achieved. Such arrangements must be in accordance with the Authority's Codes of Practice and Financial Regulations.

### 10. Publication

- 10.1 The Authority's approach to the publication of and access to information on the remuneration of Chief Officers is to include it on its public website as part of its requirements within the Accounts and Audit (England) Regulations 2011 and in accordance with the Code of Recommended Practice for Local Authorities on Data Transparency. A copy of the Pay Policy Statement will be published on the Authority's website.

### Further information

For further information on the pay policy please contact the Authority as follows:

Email: [info@westofengland-ca.gov.uk](mailto:info@westofengland-ca.gov.uk)

Telephone: 0117 428 6210

**ITEM: 11**

**REPORT TO:** West of England Combined Authority

**DATE:** 2<sup>nd</sup> February 2018

**REPORT TITLE:** **TREASURY MANAGEMENT STRATEGY  
STATEMENT AND INVESTMENT STRATEGY  
2017/18**

**AUTHOR:** **Tim Richens – Director of Investments & Corporate  
Services**

#### **Purpose of Report**

1. The report sets out Treasury Management Strategy including authorised lending institutions in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

#### **Issues for Consideration**

2. The WECA is required to adopt the CIPFA Treasury Management in Public services Code of Practice 2011 Edition, which requires the WECA to approve a Treasury Management Strategy before the start of each financial year. In addition, the Department for Communities and Local Government (CLG) issued revised guidance on local WECA investments in March 2010 that requires the WECA to approve an investment strategy before the start of each financial year.
3. CIPFA issued an updated Treasury Management in Public Services: Code of Practice in late December 2017 and the code will be effective for the 2018/19 Financial Year. In accordance with Arlingclose advice we have continued to seek approval of our Treasury Management Strategy (TMS) under the requirements of the 2011 Codes, not least because the new code does not recommend any changes to the format or content of the TMS. CIPFA is currently planning to publish updated guidance notes on the changes to the code later in 2018 and if any changes to this strategy are required they will be reported in future treasury management reports

#### **2018/19 Treasury Management & Investment Strategy**

4. The Local Government Act 2003 requires the WECA to 'have regard to' the Prudential Code and to set Treasury Indicators for the next three years to ensure that the WECA's capital investment plans are affordable, prudent and sustainable.

- 4.1 The Act therefore requires the WECA to set out its treasury strategy for borrowing and to prepare an Investment Strategy; this sets out the Authorities policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 4.2 The suggested strategy for 2018/19 in respect of the following aspects of the treasury management function is based on officer views on interest rates, supplemented with leading market forecasts provided by the WECA's treasury advisor.
- 4.3 The strategy covers:
- Treasury limits in force which will limit the treasury risk and activities of the WECA;
  - Treasury Management Indicators;
  - The current treasury position;
  - The borrowing requirement;
  - Prospects for interest rates;
  - The borrowing strategy;
  - The investment strategy.
- 4.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the WECA to produce a balanced budget. In particular, Section 32 requires a local WECA to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby the impact on the revenue budget from: -
- charges caused by the financing of capital expenditure, and
  - any increases in running costs from new capital projects
- are limited to a level which is affordable within the projected income of the WECA for the foreseeable future.
- 4.5 The revised CIPFA Treasury Management in Public services Code of Practice 2011 Edition, requires the Treasury Management Strategy and policies to be scrutinised by the WECA Audit Committee.
- 4.6 The proposed Treasury Management Strategy is attached as Appendix 1 and includes the Treasury Management Indicators required by the Treasury Management Code.
- 4.7 The indicators provide for no borrowing to be undertaken by the WECA during 2018/19 pending further detailed work to be undertaken of project prioritisation and delivery by the WECA. The proposed Budget which will be brought to the WECA on 2<sup>nd</sup> February 2018 will reflect this position accordingly.
- 4.8 Appendix 1 also sets out that the WECA will have no debt at 31st March 2018.
- 4.9 The 2018/19 Investment Strategy is attached at Appendix 2. This sets 'outer limits' for treasury management operations. While the strategy uses credit ratings in a "mechanistic" way to rule out counterparties, in operating within the policy Officers complement this with the use of other financial information when making investment decisions, for example Credit Default Swap (CDS) prices, Individual Ratings, and the financial press.
- 4.10 The Counterparty listing in Appendix 3 includes credit ratings from three agencies, as well as a sovereign rating for each country. Counterparties who now meet the minimum criteria as recommended in Appendix 2 as at 31st December 2017 are included in the listing in Appendix 3.

- 4.11 Interest rate forecasts from the WECA's interim Treasury advisors (Arlingclose) are included in Appendix 4.
- 4.12 The Council has met the conditions to opt up to MiFID II professional status and intends for this to continue in 2018/19 in order to continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to continue to receive the same level of support from our treasury management advisors

**Legal Implications**

4. This report fulfils the WECA's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance when setting the Treasury Management Strategy.

**Human Resources Implications**

5. None directly – arrangements for the provision of Treasury related services from Bath & North East Somerset Council have been put in place by the interim Chief Finance Officer .

**Environmental Implications**

6. None directly.

**Social Implications**

7. None directly.

**Economic Implications**

8. These are set out within the body of the report and the appendices. The proposed WECA Budget will include appropriate estimates for interest earnings from the short-term investment of WECA cash flows.

**Equality Impact Assessment**

9. There are no direct implications arising from this report.

**Risks, Mitigations and Opportunities**

10. The WECA's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment & Borrowing advice is provided by our Treasury Management advisers – Arlingclose.
- 10.1 The 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice requires effective scrutiny of the Treasury Management Strategy and policies. The WECA Audit Committee will carry out this scrutiny.

## RECOMMENDATIONS

The WECA is recommended to:-

1. **Approve the proposed Treasury Management Strategy Statement at Appendix 1.**
2. **Approve the Investment Strategy as detailed in Appendix 2.**
3. **Note that the relevant Budget proposals for 2018/19 will be based upon the assumptions and indicators set out in these strategies.**

**Report Author: Tim Richens, Director of Investment & Corporate Services**

### **West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the Contact Officer for the meeting who Joanna Greenwood on 0117 426210; writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email:

[democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

## ATTACHMENTS TO THIS REPORT

Appendix 1 - Treasury Management Strategy 2018/19

Appendix 2 - Investment Strategy 2018/19

Appendix 3 - Authorised Lending List

Appendix 4 - Economic and Interest Rate Forecast

## **TREASURY MANAGEMENT STRATEGY – 2018/2019**

### **Introduction**

The WECA is recommended to adopt the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice Fully Revised 2011 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

As a result of Treasury managements activities the WECA will be exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the WECA's treasury management strategy.

CIPFA issued an updated Treasury Management in Public Services: Code of Practice in late December 2017 and the code will be effective for the 2018/19 Financial Year.

The Arlingclose advice received has been that Local authorities are legally obliged to "have regard" to the Treasury Management Code and the Prudential Code "as amended or reissued from time to time" by relevant Capital Finance Regulations. The Council is awaiting publication, expected later in 2018, by CIPFA of the associated new Treasury Management Code Guidance Notes which will include the Treasury Management indicators, and new DCLG Investment Guidance, so it can fully consider any changes that may be required to the treasury management strategy.

The advice received is therefore to continue to obtain full WECA approval for the 2018/19 Treasury Management Strategy under the requirements of the 2011 Codes, not least because the new code does not recommend any changes to the format or content of the TMS. If any updates are required once further guidance notes are published these will be reported in future treasury management reports.

In accordance with the CLG Guidance, the WECA Committee will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Other than code changes, other circumstances would include, for example, a large unexpected change

### Treasury Borrowing Limits for 2018/19 to 2020/21

There is a statutory duty under s.3 of the Local Government Act 2003, and supporting regulations, for the WECA to determine and keep under review how much it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'.

The Authority must have regard to the Prudential Code when setting the Affordable Borrowing Limit. The Code requires an authority to ensure that its total capital investment remains within sustainable limits.

The Affordable Borrowing Limit must include all planned capital investment to be financed by external borrowing and any other forms of liability, such as credit arrangements. The Affordable Borrowing Limit is to be set on a rolling basis for the forthcoming year and two successive financial years.

It is proposed to set this limit at £nil whilst the WECA considers its capital spending plans and priorities in accordance with its approved Assurance Framework.

### Treasury Management Indicators for 2018/19 – 2020/21

The Authority measures and manages its exposures to treasury management risks using the following indicators. The Authority is asked to approve the following indicators:

#### Security: average credit rating

The Authority will measure its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. Unrated investments are assigned a score based on their perceived risk.

	2018/19
Minimum Portfolio average credit rating	A-

#### Interest rate exposures

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposures	100%	100%	100%
Upper limit on variable interest rate exposures	10%	10%	10%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	75%	0%
24 months and within five years	75%	0%
Five years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the proportion of total long-term principal sum invested to final maturities over 364 days will be:

	2018/19	2019/20	2020/21
Limit on proportion of principal invested over 364 days	30%	30%	30%

Borrowing limits

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

	2018/19	2019/20	2020/21
Operational boundary – borrowing	<b>£nil</b>	<b>£nil</b>	<b>£nil</b>
Operational boundary – other long-term liabilities			
Operational boundary – TOTAL			
Authorised limit – borrowing	<b>£nil</b>	<b>£nil</b>	<b>£nil</b>
Authorised limit – other long-term liabilities			
Authorised limit – TOTAL			

## External Context & Prospects for Interest Rates (Arlingclose Ltd)

The Chief Finance Officer has appointed Arlingclose as the interim treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. The following section gives their commentary on the economic context and views on the prospects for future interest rates.

**Economic background:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

**Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

**Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-

emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

Arlingclose Interest Rate Forecasts*Arlingclose central interest rate forecast – November 2017*

	Bank Rate	3 month LIBID	12 month LIBID	20-year gilt yield*
Q1 2018	0.50	0.50	0.70	1.85
Q2 2018	0.50	0.50	0.70	1.85
Q3 2018	0.50	0.50	0.70	1.85
Q4 2018	0.50	0.50	0.70	1.85
H1 2019	0.50	0.50	0.80	1.87
H2 2019	0.50	0.50	0.80	1.92
H1 2020	0.50	0.50	0.80	1.97
H2 2020	0.50	0.50	0.80	2.05

\*

The Authority can currently borrow from the PWLB at 0.60% above gilt yields

The WECA Budget will assume investment interest rates to remain constant at average rate for 2018/19, reflecting the relatively short-term average duration of investments.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix 4.

**Local Context**Current Portfolio Position

The WECA currently holds no borrowing and this is not expected to change during 2018/19.

**Borrowing Strategy**

As at 31<sup>st</sup> March 2018, the WECA will hold no long-term loans, no borrowing is anticipated during 2018/19. Therefore a debt-free strategy will be maintained until such a time as the WECA has been able to determine a more detailed capital strategy together with agreement of a prioritised capital investment programme.

The funding of this programme will then be considered as part of the business case development for specific projects and overall cash flow requirements for programme delivery.

## **INVESTMENT STRATEGY**

### **Investment Policy**

Both the CIPFA Code and the CLG Guidance require the WECA to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The WECA's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the WECA's Treasury Management Practices – Schedules.

The strategy of this policy is to set outer limits for treasury management operations. In times of exceptional market uncertainty, WECA Officers will operate in a more restrictive manner than the policy allows, as has been the case during recent years.

As a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients but can "opt up" to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10 million and the persons authorised to make investment decisions on behalf of the WECA having at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that these persons have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The WECA has met the conditions to opt up to MiFID professional status and intends for this to continue in 2018/19 in order to continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to continue to receive the same level of support from our treasury management advisors

### **West of England Revolving Investment Fund (RIF)**

The WECA acts as the Accountable Body for the West of England Revolving Investment Fund, holding Government grants until they are ready to be distributed to Local Authorities for infrastructure works over the coming years.

The funds are invested in line with the WECA strategy primarily to protect the capital, and in order to achieve this high level of capital security, investments are made predominately with UK Central Government and UK Local Authorities. Any interest earned on these investments is reinvested into the RIF.

## Local Growth Fund (LGF)

Similarly WECA also acts as Accountable Body for Local Growth Fund (LGF).

LGF Investments will be made in line with the WECA's overall Treasury Management Strategy. Interest is earmarked to fund the corporate support and governance costs that come with performing the Accountable Body function for the LEP.

## Approved Investment Counterparties

The WECA may invest its surplus funds with any of the counterparties in the following table, subject to the cash and time limits shown:

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
<b>UK Central Govt.</b>	N/A	N/A	£unlimited 50 Years	N/A	N/A
<b>AAA</b>	£10m 5 Years	£15m 20 Years	£10m 50 Years	£10m 20 Years	£5m 20 Years
<b>AA+</b>	£10m 5 Years	£15m 10 Years	£15m 25 Years	£5m 10 Years	£5m 10 Years
<b>AA</b>	£10m 4 Years	£15m 5 Years	£15m 15Years	£5m 5 Years	£5m 10 Years
<b>AA-</b>	£10m 3 Years	£15m 4 Years	£10m 10 Years	£5m 4 Years	£5m 10 Years
<b>A+</b>	£10m 2 Years	£15m 3 Years	£10m 5 Years	£5m 3 Years	£5m 5 Years
<b>A</b>	£10m 13 Month	£10m 2 Years	£10m 5 Years	£5m 2 Years	£5m 5 Years
<b>A-</b>	£10m 6 Months	£10m 13 months	£10m 5 Years	£5m 13 Months	£5m 5 Years
<b>BBB+</b>	£5m 3 Months	£10m 6 Months	£10m 2 Years	£3m 6 months	£3m 2 Years
<b>BBB</b>	£5m Overnight	£5m 3 Months	N/A	N/A	N/A
<b>None</b>	£1m 6 Months	N/A	£10m 25 Years	£50,000 5 Year	£3m 5 Years
<b>Pooled Funds</b>	£10m Per Fund				

The majority of the WECA's investments will be made for relatively short periods and in higher credit rated investments, giving priority to security and liquidity ahead of yield. However, where the WECA has identified a core cash balance that is not required for any cash outflows in the short term, these funds will be considered suitable for a wider range of investments, with a greater focus on achieving a level of investment income that can support WECA services. These may include long-term investments with registered providers of social housing, small businesses or corporate bond funds where an enhanced return is paid to cover the additional risks presented. Standard risk mitigation techniques, such as wide diversification and external credit assessments, will be employed, and no such investment will be made without a specific recommendation from the WECA's treasury management adviser.

In addition, the WECA may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the WECA's treasury management adviser.

#### Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Current Bank Account: The WECA's current accounts are held with National Westminster Bank plc (NatWest), which is close to the bottom of the above credit rating criteria. The WECA will treat NatWest as "high credit quality" for the purpose of making investments that can be withdrawn on the next working day, subject to the bank maintaining a credit rating no lower than BBB-.

#### Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

#### Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

### Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely. They will however only be made following a favourable external credit assessment and on the specific advice of the WECA's treasury management adviser.

### Registered Providers

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

### Pooled Funds

Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the WECA to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the WECA's investment objectives will be monitored regularly.

The WECA may consider further investment in the CCLA Property Fund during 2018/19 with a view to providing further diversification and the potential for earning a higher investment yield on the core investment balance the WECA must hold to maintain the "Professional" investor status required under MIFID II. Any future investment is already covered under the existing Investment strategy for pooled funds and any final investment decision is delegated to the S151 Officer.

## **Risk Assessments & Credit Ratings**

The WECA (through its appointed Treasury service provider) uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be

used to determine credit quality, unless an investment-specific rating is available.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The WECA's credit rating criteria are set to ensure that it is unlikely that the WECA will hold speculative grade investments, despite the possibility of repeated downgrades.

Credit ratings are obtained and monitored by the WECA's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that an BBB+ rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

If further counterparties are identified during the year that meet the minimum credit rating criteria and conform to the other criteria set out in the Treasury Management Practice Schedules, they can be added to the lending list following the agreement of the Chief Financial Officer.

The WECA understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the WECA will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the WECA's cash balances, then the surplus will be deposited with the

UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

### **Foreign countries**

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £15m per country for those rated AAA and £10 million per country for those rated AA+. There is no limit on investments in the UK, irrespective of the sovereign credit rating.

Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union).

Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

### **Specified Investments**

Specified investments are those expected to offer relatively high security and liquidity, and can be entered into with the minimum of formalities. The CLG Guidance defines specified investments as those:

- denominated in pounds sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local WECA, parish WECA or community WECA, or
  - a body or investment scheme of “high credit quality”.

The WECA defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

### **Non-Specified Investments**

Any investment not meeting the definition of a specified investment is classed as non-specified. The WECA does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that

are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown below.

	£m
Total long-term investments	50
Total investments without credit ratings or rated below A-	10
<b>TOTAL</b>	<b>60</b>

The time limit for long-term investments in UK Local Authorities & Local Government will be 50 years.

Long-term investments will be limited to 50% of a counterparty’s limit where it meets the above credit rating criteria (except the UK Government). The combined value of short-term and long-term investments with any organisation will not exceed the limits for specified investments highlighted above.

### Liquidity management

The WECA regularly reviews and updates its cash flow forecasts to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the WECA’s medium term financial plan, levels of reserves and cash flow forecast.

### Planned investment strategy for 2018/19

Investments are made in three broad categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Bank deposit accounts and Money Market Funds will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building

societies. Preference will continue to be given to investments with UK banks with approved credit ratings.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local WECA services. Decisions on making longer term investments (i.e. over 1 year) will be considered during the year after taking account of the interest rate yield curve, levels of core cash and the amount of temporary internal borrowing related to funding of capital spend. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds may be used to diversify the portfolio. The use of external fund managers that have the skills and resources to manage the risks inherent in a portfolio of long-term investments may be considered.

### **Review Reports**

The revised CIPFA Code of Practice requires that both mid year and annual review reports on treasury activities are reported to Full WECA.

### **Other Matters**

The CLG Investment Guidance also requires the WECA to note the following matters each year as part of the investment strategy:

#### Treasury management advisers

The Chief Financial Officer has appointed Arlingclose Limited as the interim treasury management advisers and receives specific advice on investment, debt and capital finance issues, although responsibility for final decision making remains with the WECA and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is monitored by officers on a regular basis, focusing on supply of relevant, accurate and timely information across the headings above.

#### Investment training

The needs of the staff (either directly employed or those within our appointed treasury service provider) for training in investment management will be assessed every year or when the responsibilities of individual members of staff change.

Staff should regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

## Proposed Counterparty List - Unsecured Bank Investments

2018/19

CRITERIA									
Duration	Council Limit (£m)	FITCH RATINGS			Moody's Ratings		S&P Ratings		
		S/Term	L/Term	Support	S/Term	L/Term	S/Term	L/Term	
<b>UK Banks</b>									
	<b>Sovereign Rating</b>		<b>AA+</b>		<b>Aa1</b>		<b>AAA</b>		
Barclays Bank plc	13 months	10	F1	A	5	P-1	A1	A-1	A
Close Brothers Ltd	13 months	10	F1	A	5	P-1	Aa3		
Goldman Sachs International	13 months	10	F1	A		P-1	A1	A-1	A+
HSBC Bank plc	3 Years	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-
<b>Lloyds Banking Group</b>									
Lloyds Bank plc	13 months	10	F1	A+	5	P-1	Aa3	A-1	A
Bank of Scotland plc	13 months	10	F1	A+	5	P-1	Aa3	A-1	A
<b>Royal Bank of Scotland Group</b>									
National Westminster Bank plc	3 Months	5	F2	BBB+	5	-	A3	A-2	BBB+
Royal Bank of Scotland plc	3 Months	5	F2	BBB+	5	P-2	A3	A-2	BBB+
Santander UK plc (domiciled in UK)	13 months	10	F1	A	2	P-1	Aa3	A-1	A
Standard Chartered Bank	2 Years	10	F1	A+	5	P-1	A1	A-1	A
<b>UK Building Societies</b>									
Nationwide	13 months	10	F1	A+	5	P-1	Aa3	A-1	A
Yorkshire	6 months	10	F1	A-	5	P-2	A3	NR	NR
Coventry	13 months	10	F1	A	5	P-1	A2	-	-
Leeds	6 months	10	F1	A-	5	P-2	A3	-	-
<b>Foreign Banks</b>									
<b>Australia</b>									
	<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Australia & New Zealand Banking Group	3 Years	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-
Commonwealth Bank of Australia	3 Years	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-
<b>National Australia Bank Group</b>									
National Australia Bank Ltd	3 Years	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-
Westpac Banking Corporation	3 Years	10	F1+	AA-	1	P-1	Aa3	A-1+	AA-
<b>Canada</b>									
	<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAA</b>		
Bank of Montreal	2 Years	10	F1+	AA-	2	P-1	A1	A-1	A+
Bank of Nova Scotia	2 Years	10	F1+	AA-	2	P-1	A1	A-1	A+
Canadian Imperial Bank of Commerce	2 Years	10	F1+	AA-	2	P-1	A1	A-1	A+
Royal Bank of Canada	3 Years	10	F1+	AA	2	P-1	A1	A-1+	AA-
Toronto-Dominion Bank	3 Years	10	F1+	AA-	2	P-1	Aa2	A-1+	AA-
<b>Finland</b>									
	<b>Sovereign Rating</b>		<b>AA+</b>		<b>Aa1</b>		<b>AA+</b>		
OP Corporate Bank	2 Years	10	F1	A+	5	P-1	Aa3	A-1+	AA-
<b>Germany</b>									
	<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Landesbank Hessen-Thuringen	13 months	10	F1+	A+	WD	P-1	A1	A-1	A
<b>Netherlands</b>									
	<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Bank Nederlandse Gemeenten	5 Years	10	F1+	AA+	1	P-1	Aaa	A-1+	AAA
Coöperatieve Centrale Raiffe	2 Years	10	F1+	AA-		P-1	Aa2	A-1	A+
ING Bank NV	13 months	10	F1	A	5	P-1	A1	A-1	A
<b>Singapore</b>									
	<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Development Bank of Singapore Ltd	3 Years	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-
Oversea-Chinese Banking Corp	3 Years	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-
United Overseas Bank Ltd	3 Years	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-
<b>Sweden</b>									
	<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Svenska Handelsbanken	3 Years	10	F1+	AA-	5	P-1	Aa3	A-1+	AA-
Nordea Bank NV	3 Years	10	F1+	AA	5	P-1	Aa2	A-1+	AA-
<b>Switzerland</b>									
	<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Credit Suisse AG	13 months	10	F1	A	5	P-1	A1	A-1	A
<b>Supernational</b>									
	<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Council of Europe Development	5 Years	10	F1+	AA+		P-1	Aa1	A-1+	AA+
European Bank for Reconstruction & Dev	5 Years	10	F1+	AAA		P-1	Aaa	A-1+	AAA
European Investment Bank	5 Years	10	F1+	AAA		P-1	Aaa	A-1+	AAA
Inter-American Development Bank	5 Years	10	F1+	AAA		(P)P-1	Aaa	A-1+	AAA
IBRD (World Bank)	5 Years	10	F1+	AAA	-	P-1	Aaa	A-1+	AAA
Kreditanstalt Fuer Wiefrauf	5 Years	10	F1+	AAA	1	P-1		A-1+	AAA
Nordic Investment Bank	5 Years	10	-	-	-	P-1	Aaa	A-1+	AAA

Proposed Counterparty List - Unsecured Bank Investments

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased
D	Default - indicate an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

## Arlingclose Economic & Interest Rate Forecast

### Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

### Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.

## Item 11 - Appendix 4

- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
<b>Arlingclose Central Case</b>	<b>0.50</b>													
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
<b>3-month LIBID rate</b>														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
<b>Arlingclose Central Case</b>	<b>0.50</b>													
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
<b>1-yr LIBID rate</b>														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
<b>Arlingclose Central Case</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>0.80</b>	<b>0.77</b>								
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
<b>5-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.85</b>	<b>0.90</b>	<b>0.90</b>	<b>0.95</b>	<b>0.95</b>	<b>1.00</b>	<b>1.05</b>	<b>1.10</b>	<b>0.89</b>
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>10-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.40</b>	<b>1.45</b>	<b>1.50</b>	<b>1.55</b>	<b>1.55</b>	<b>1.36</b>
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>20-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.90</b>	<b>1.90</b>	<b>1.95</b>	<b>1.95</b>	<b>2.00</b>	<b>2.05</b>	<b>2.05</b>	<b>2.05</b>	<b>1.93</b>
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
<b>50-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.75</b>	<b>1.80</b>	<b>1.85</b>	<b>1.90</b>	<b>1.95</b>	<b>1.95</b>	<b>1.95</b>	<b>1.95</b>	<b>1.82</b>
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

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**ITEM: 12**

**REPORT TO: West of England Combined Authority**

**DATE: 2 February 2018**

**REPORT TITLE: COMBINED AUTHORITIES BORROWING REGULATIONS**

**AUTHOR: Tim Richens – Director of Investments & Corporate Services**

**Purpose of Report**

- 1 To give consent to the Combined Authorities Borrowing Regulations, including the setting of a borrowing cap for the West of England Combined Authority.

**Issues for Consideration**

- 2 As part of the arrangements for devolution and the establishment of combined authorities, the Government indicated that it would provide borrowing powers subject to an agreed borrowing cap with Her Majesty's Treasury (HMT).
  - 2.1 The Government now intends to bring forward Regulations to be laid before Parliament to come into force for the new financial year 2018/19 which will extend borrowing powers for all functions of the combined authority.
  - 2.2 Whilst combined authorities will be required to have regard to the Prudential Code in the usual way, the actual maximum annual borrowing limit will be subject to the agreement of a specific debt cap with HMT, which cannot be exceeded.
  - 2.3 The proposed debt cap for the WECA will not exceed £120M by 2020/21 although it is important to stress this is merely a maximum limit and is in no way a commitment or an expression of an intention to borrow.
  - 2.4 Any proposed borrowing for the WECA is subject to the unanimous consent of the constituent councils as part of the Annual Budget setting process.
  - 2.5 For 2017/18 no borrowing was requested or approved and future years borrowing requirements will be considered by the WECA prior to the start of each financial year as part of their consideration of the Annual Budget proposal. This would include details of any relevant investment proposals to be supported by borrowing together with an affordability assessment in line with the Prudential Code.

**Consultation:**

- 3 Consultation has been undertaken with each of the constituent council Chief Executive, Monitoring and S151 Officers. Consent to the Regulations will also need to be given by each of the constituent councils as an executive function.

**Other Options Considered:**

- 4 As part of devolution arrangements the Government were not minded to provide the fully devolved borrowing arrangements under the Prudential Code to Combined Authorities and therefore, this option will seek to consent to the Government's preferred arrangements providing an annual debt cap for combined authorities.

**Risk Management/Assessment:**

- 5 There are no specific risks arising from this report. As set out in para's 2.4 and 2.5 above, the detailed risk assessment associated with any borrowing proposal would need to be considered as part of the relevant Annual Budget setting process.

**Public Sector Equality Duties:**

- 6 There are no direct equalities implications arising in relation to this report and these would be set out in the relevant investment decisions at the time, should any borrowing proposals come forward for consideration by the WECA.

**Finance Implications:**

- 8 This report is financial in nature and there are no direct implications arising. Subject to Consent being given to the Combined Authority Borrowing Regulations, the WECA will have flexibility to undertake borrowing subject to approval as part of the Annual Budget setting process.

**Legal Implications:**

- 9 A combined authority's new powers to borrow will be specified in Regulations made under Section 23(5) of the Local Government Act 2003. In addition, for the WECA any specific borrowing proposal is subject to unanimous consent of the constituent councils as set out in The West of England Combined Authority Order 2017, Schedule 1 Para 4(8).

Advice given by: John McCormack (Monitoring Officer)

**Recommendations:****13 The Committee is asked to:**

- i. Give consent to the Combined Authorities Borrowing Regulations**
- ii. Delegate to the Chief Executive, authority to make all related decisions and provide written authority to the Secretary of State of consent to the Combined Authorities Borrowing Regulations.**

**Report Author: Tim Richens, Director of Investment & Corporate Services**

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the Contact Officer for the meeting who Joanna Greenwood on 0117 426210; writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

**ITEM: 13**

**REPORT TO:** WEST OF ENGLAND COMBINED AUTHORITY

**DATE:** 2 February 2018

**REPORT TITLE:** HIGHWAYS AND TRANSPORT CAPITAL GRANTS – SUPPLEMENTARY ALLOCATIONS 2017/18

**AUTHOR:** Tim Richens – Director of Investments & Corporate Services

**Purpose of Report**

1. To consider and approve a supplementary grant funding allocation for 2017/18 in respect of Mayoral Functions.

**Issues for Consideration**

2. This report deals with the allocation of additional grant funding to the constituent councils in respect of the Pothole Action Fund following the recent announcement of this further funding from the Department for Transport.

**The Proposal**

3. The initial allocation of £891K of Pothole Action Funding for 2017/18 for WECA was confirmed on 31 March 2017 by the Department for Transport (DfT) and formed part of the overall roads funding announcement to provide resources to local authorities to “improve local roads and deliver better journeys”.
  - 3.1 On 28<sup>th</sup> June, the WECA Committee distributed this grant funding to the constituent councils in line with the formula allocations which they would have received from the DfT.
  - 3.2 A further allocation of Pothole Action Funding for 2017/18 was announced as part of the Budget Statement on 22 November 2017. The allocation to the WECA is anticipated to be £648K and it is proposed to again allocate this directly to the constituent councils in line with the DfT formula.

- 3.3 Subject to formal confirmation of the funding (expected later in February 2018) the proposed allocation of the further Pothole Action Fund for 2017/18 to the constituent councils is set out in the table below:

<b>Constituent Council</b>	<b>Grant Allocation £'s</b>
Bath & NE Somerset Council	198,000
Bristol City Council	187,000
South Gloucestershire Council	263,000
<b>TOTAL</b>	<b>648,000</b>

### **Financial Implications**

4. There are no additional financial implications beyond those set out in section 3 above – all grant expenditure proposed is fully covered by the income received from DfT. It is also expected that due to the timing of this announcement in the financial year, DfT will allow any unspent funding to be carried forward to 2018/19. This will be reflected in the grant offer letters to the constituent councils as appropriate.

### **Legal Implications**

5. The proposal is in line with appropriate Local Government Regulations, including the specific funding and related governance requirements set out in The West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017.

### **Human Resources Implications**

6. None arising directly from this report.

### **Environmental Implications**

7. None arising directly from this report.

### **Social Implications**

8. None arising directly from this report.

### **Equality Impact Assessment**

9. The key service functions associated with the application of these grants will continue to be delivered by the relevant constituent councils. Impact assessments for service delivery will therefore have been included as appropriate within their individual Budget reports.

### **Risks, Mitigations and Opportunities**

10. There are no ongoing financial risks to the WECA arising from the allocation of this funding and each constituent council will provide an annual certification as to the use and application of these funds. Each of the constituent councils will be responsible for their own risk management arrangements in delivering the services associated with this funding.

## RECOMMENDATIONS

The WECA is recommended to:-

1. Approve the Mayoral allocations of Pothole Action Fund grants totalling £648K to the constituent councils as set out in the table at paragraph 3.3 above.
2. Request the S151 Officer to make corresponding adjustment to the Mayoral Budget for 2017/18 together with the associated capital grants.

**Author:** Tim Richens, Director of Investments & Corporate Services: 0117 3701959

### **West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the Contact Officer for the meeting who Joanna Greenwood on 0117 426210; writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)