

**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.**

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**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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