Statement of Accounts

For the year ended 31 March 2024

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Welcome to the West Midlands Combined Authority's ('the Authority') Statement of Accounts for the financial year ended 31 March 2024. These accounts provide the reader with a view of the West Midlands Combined Authority's financial performance and its effectiveness in its use of resources during the year and are therefore a key element in demonstrating sound financial stewardship of taxpayers' money as well as ensuring that key stakeholders understand the financial position of the West Midlands Combined Authority (WMCA).

The Statement of Accounts for the year ended 31 March 2024 has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards.

The Authority operates through several undertakings, either exercising full control of an entity (subsidiary undertakings) or in partnership with other organisations (associate and joint venture undertakings). To provide a complete representation of the activities of the Authority, Group Accounts are also prepared to include the subsidiaries of Midland Metro Limited and WM5G Limited, where the interest and the level of activity is considered material to the group as a whole.

The Narrative Report has been prepared to outline the activities for the year 2023/24, providing both a guide to the Authority's accounts and to its achievements in delivering inclusive economic growth through transport and economic development as well as setting out the economy, efficiency, and effectiveness in its use of resources in doing so.

1. Organisational overview and external environment

The Authority came into being on 17 June 2016 by virtue of the West Midlands Combined Authority Order. At the same time, the West Midlands Integrated Transport Authority (WMITA) and the West Midlands Passenger Transport Executive (WMPTE) were dissolved. All of the functions, assets, liabilities and powers of WMITA and WMPTE were transferred to the Authority under the provisions of the 2016 Order.

The WMCA is a partnership between 18 local authorities and other bodies including the West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authority. We have seven constituent local authority members who make up the WMCA Board.

- Birmingham City Council
- City of Wolverhampton Council
- Coventry City Council
- Dudley Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Solihull Metropolitan Borough Council
- Walsall Metropolitan Borough Council

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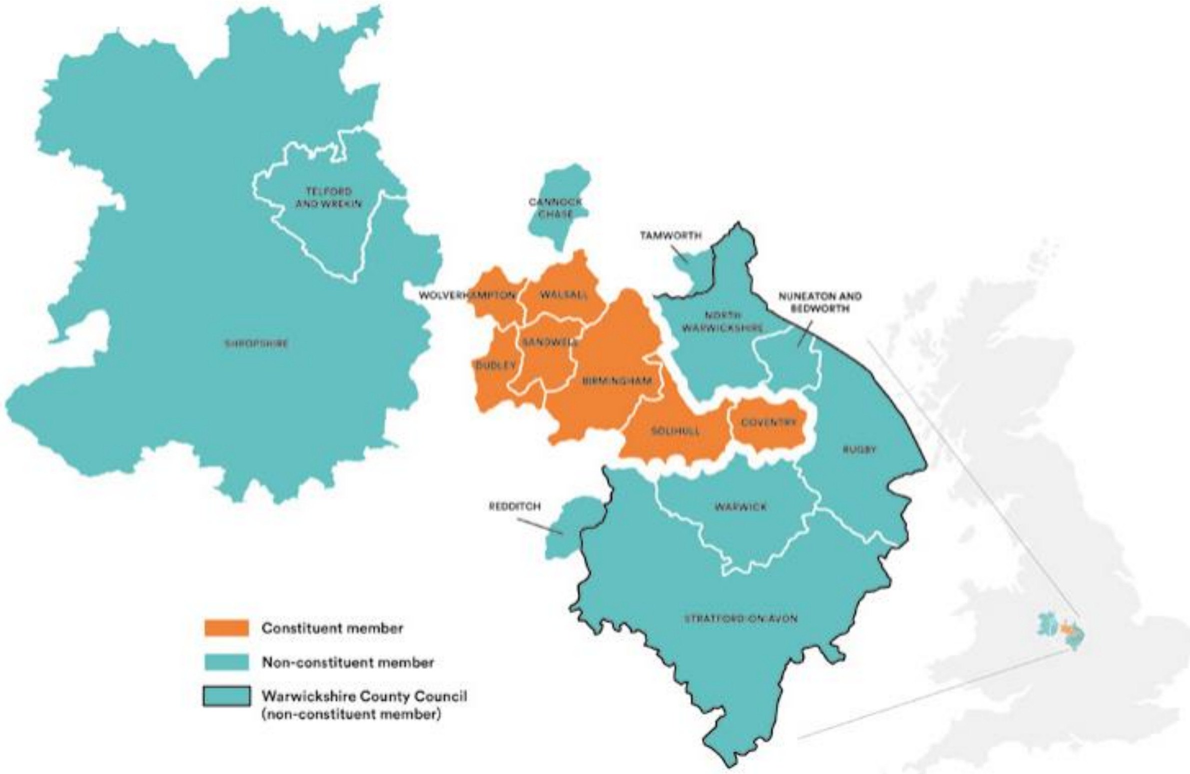


The Authority is the Local Transport Authority for the West Midlands and has powers to exercise economic development and regeneration functions in conjunction with its seven constituent local authorities.

Leadership of the Authority comes from the Mayor and the leaders (or deputy leaders where there is devolved responsibility) of the seven constituent local authorities, which have full voting rights. Other bodies which include ten local councils from across the wider West Midlands region, have reduced voting rights but play a crucial role at Board level, helping to inform policy and drive forward the Authority agenda. Full details of bodies that are members of the Authority are set out in the Annual Governance Statement on pages 29 to 42.

The 2024 West Midlands Mayoral Election was held on 2 May 2024 to elect the Mayor of the West Midlands. Richard Parker was the elected candidate and will serve for the next four years as Chair of the Authority and its Board.

The policies of the Authority are directed by the Authority Board which is chaired by the Mayor and are implemented by the Executive Team comprising a Chief Executive and seven Directors, supported by officers. The assurance function is carried out by both the Audit, Risk and Assurance Committee (ARAC), the Overview and Scrutiny Committee (OSC) and the Transport Delivery Overview and Scrutiny Committee (TDOS), all of which comprise members of the constituent authorities and member bodies. Additionally, at least one independent person is appointed to the Audit, Risk and Assurance Committee as Chair.

The Group employed 1,226 people and the Authority employed 936 people as at 31 March 2024. Further analysis can be found in Table 1 on page 8.

WMCA's vision is to achieve 'A more prosperous and better-connected West Midlands, which is fairer, greener and healthier'.

Our functions reflect the value we add within the region. In most cases, we work by playing a strategic role and acting at the regional level, such as by co-ordinating transport services or regenerating brownfield sites, or by connecting partner organisations.

This means we:

Deliver: In some areas we deliver and commission services, such as the regional public transport network and the provision of adult skills.

Enable: In other areas we convene and guide the work of partners, including by developing strategies to support regional businesses and unlocking sites for housing and regeneration schemes.

Influence: We also play an advocacy role, amplifying the voices of partners in the region to solve shared challenges and secure new resources.

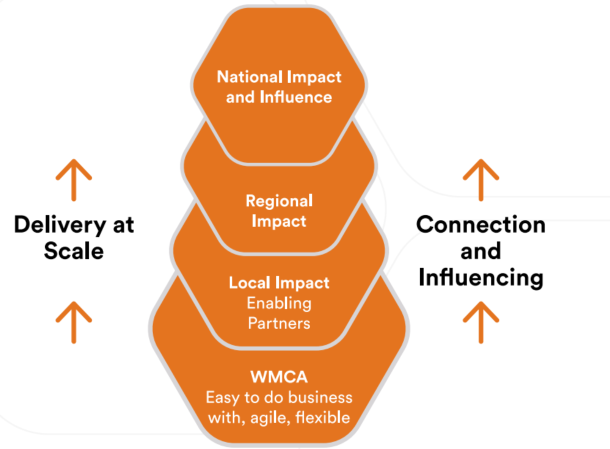
We are committed to Inclusive Growth, a more deliberate and socially purposeful model of growth, measured not only by how fast or aggressive it is; but also, by how well it is created and shared across the whole population and place.

These functions, together with our specific legal obligations, are shown below.

- Connecting Others
- Action with Regional Scale Impact

WMCA statutory functions are:

- provision of regional adult education
- delivery of free English national concession transport for older and disabled citizens on bus
- production of a regional economic strategy and local transport plan



We developed six corporate aims following the Mayoral election in 2021. The WMCA also engaged extensively with our local authority partners, the Young Combined Authority, and other partners to understand our shared areas of focus. These six aims are based on evidence and data about the key challenges in the region, taken from reports such as the State of the Region, and set out how we'll deliver the region's priorities.

Aim 1 To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs.

Aim 2 To ensure everyone has the opportunity to benefit across the region, we improve our resilience and tackle long-standing challenges.

Aim 3 Connect our communities by delivering transport and unlocking housing and regeneration schemes.

Aim 4 To reduce carbon emissions to net zero, enhance the environment and boost climate resilience

Aim 5 To secure new powers and resources from central government, and demonstrate the strength of our regional partnership.

Aim 6 To develop our organisation and our role as a good regional partner.

Each aim is supported by a number of objectives, and key activities then set out how we will achieve those objectives. Our aims and objectives will be regularly reviewed, including a formal review every six months, to monitor progress. They are agreed and owned by the WMCA Board, chaired by the Mayor.

WMCA will achieve its vision through living our values which are central to how we work and interact with our wider partners and stakeholders.

Our core values and the underpinning behaviours are set out below.

Collaborative

Team Focused – working as part of team, managing and leading

Service Driven – customer, resident and partner focused

Inclusive

One Organisation Mindset – believe in each others expertise

Open and Honest Communication – we do what we say we are going to do

Driven

Empowered and Accountable – taking ownership and leading when needed

Performance Focused – being ambitious and going the extra mile

Innovative

Forward Thinking – embrace change and open to new possibilities

Problem Solving – go for clear and simple whenever possible

Regional Economic Context

The biggest challenges to the West Midlands economy in the financial year 2023/24 have been:

- **Inflation remained high** compared to recent levels, although it fell over the period. These falls were largely in line with Bank of England projections, although in the final quarter there were fears that inflation would not fall as quickly as originally expected. This has left interest rates at a high point for a sustained period. City REDI (Race, Ethnicity, Diversity, Inclusion) report that the forecast for global inflation indicates a decline from 6.8% in 2023 to 5.9% in 2024 and further to 4.5% in 2025, although the UK’s annual rate of inflation fell to 2.0% in May 2024.

- Continued high inflation translated into **increased operating costs**. Prices of raw materials, transport and energy remained very high compared to recent periods, which affected profit margins. The increase in minimum wage in April 2024 was viewed with a lot of uncertainty in the final quarter of the financial year, largely due to the knock-on effects on the rest of the wage bill if the wages of the lowest earners were increased.

- High inflation **eroded consumers' purchasing power** as prices rose and households cut back further on discretionary spending. Some consumer behaviour indicators showed increased activity, with aggregate UK spending on credit and debit cards rising, however overall retail footfall remained broadly unchanged. This impacted heavily on businesses that rely on consumer demand such as hospitality and leisure.

These headwinds combined to create a **sluggish growth trajectory** across the economy as low economic growth continued. Businesses across the WMCA region struggled to expand and generate higher revenues.

In a slow-growth environment, competition intensified as businesses vied for a smaller share of the market. As growth slowed and operating costs rose, companies found it challenging to increase profits. Revenue growth lagged behind costs, leading to a **profit squeeze**. Nearly 1 in 5 trading businesses expected to raise prices in April 2024.

The comparatively high interest rates caused a continued **lull in investment** in businesses as expansion plans, new projects, hiring additional staff and training were deferred until interest rates are cut. Many businesses in the WMCA region are still repaying loans taken out during the Covid lockdowns.

British Business Bank reports that while there was an increase in the flow of asset finance in 2023, other types of external finance such as bank lending and equity finance fell in the West Midlands region.

Regulatory compliance remains a significant challenge for companies in the West Midlands, with 36% of businesses citing regulatory requirement a growing concern, alongside monetary policy changes, fluctuations in global growth and increased tensions in the Middle East, the Gulf of Arabia, Taiwan, and disruption caused by Russian agents.

In this uncertain environment, businesses hesitated to create new jobs. Employment growth in the West Midlands was slower than the UK average. At the same time there was a rise in labour market inactivity, with a large rise in the West Midlands. This affected workforce availability and productivity.

During 2023/24, two of WMCA's constituent local authorities, Coventry and Sandwell, were named among the poorest areas in the UK. These areas are deemed to be facing socio-economic challenges when assessed against a range of key poverty indicators which include Income Levels, Employment and Unemployment, Education and Skills, Housing and Living Costs, Health and Well-Being, Social Deprivation, Access to Services, and Crime Rates.

The unemployment rate in the West Midlands stood at 3.8% for the three months ending December 2023, which increased slightly from the previous quarter but decreased by 0.7 percentage point from the previous year.

Across the entire West Midlands region, the number of people claiming unemployment benefits (including Universal Credit) rose to 178,915 in November 2023. This accounted for 4.9% of the working population.

The cost of living is a significant concern in the West Midlands, with 90% of adults expressing worry about it. 54% of adults reported increased living costs, and the weekly cost of electricity (measured by the Standard Assessment Procedure) rose by 39% in 2023.

In September 2023, Birmingham City Council, one of the WMCA's Constituent Authorities, issued 2

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Section 114 notices as part of the plans to meet the Council's financial liabilities relating to equal pay claims and an in-year financial gap within its budget. Councils are required by law to have balanced budgets. If a council cannot find a way to finance its budget, a Section 114 notice must be issued. On 19 September 2023, the Secretary of State for the Department of Levelling Up, Housing and Communities (DLUHC) announced the government's proposals to handle the Council's financial and governance problems including:

- the appointment of commissioners who are responsible for governance, scrutiny of strategic decision making, finance and senior appointments; and
- a local inquiry to investigate the cause of the issues the Council faces.

2. Governance

Governance arrangements during the year are set out in the Annual Governance Statement that can be found on pages 29 to 42.

3. Operational model

The Authority is an enabling body which brings together the political leadership in the West Midlands region; reinforcing and strengthening existing partnership arrangements to help co-ordinate strategic economic planning and drive forward inclusive economic growth.

The major source of funding for operational expenditure is the Transport levy which is paid by local authorities to the Authority to discharge its Transport duties. The Department for Education provides the funding for post-19 education through the Adult Education grant whilst other specific grants from government, investment income generated on balances and fees paid by the Constituent and Non-Constituent Members of the Authority support the work of all other delivery portfolios. Unlike many other local authorities, the Authority does not have significant commercial lines of activity which could provide additional income but also expose the funding to risk and uncertainty. Where commercial undertakings are made, separate vehicles such as Midland Metro Limited (MML), WM5G Limited (WM5G), and other subsidiary undertakings have been created, where appropriate, to mitigate risk and deliver specific services.

The original Devolution deal grant and a share of business rates support the Investment Programme, and the Capital Programme is funded predominantly by government grants and borrowing.

Detailed workforce planning, monitoring and management is undertaken by the Human Resources team within Enabling Services via business partner liaison, with officers responsible for managing and recruiting, taking into consideration issues of capability and capacity. Staffing skills are maintained through the Authority's continuous staff development and training programme, and performance is monitored in line with the Individual Performance Management framework that is now embedded at the Authority.

Table 1 below sets out the headcount (March 2024) and established full time equivalent (FTE) posts.

Table 1: WMCA, MML & WM5G Staffing Analysis — March 2024

No.	Headcount	FTEs
TfWM	459	430.3
Enabling Services	255	250.7
Portfolio Services	213	208.9
Mayor’s Office	9	8.6
WMCA Total	936	898.5
Midland Metro Limited	268	257.1
WM5G Limited	22	21.4
Group Total	1,226	1,177.0

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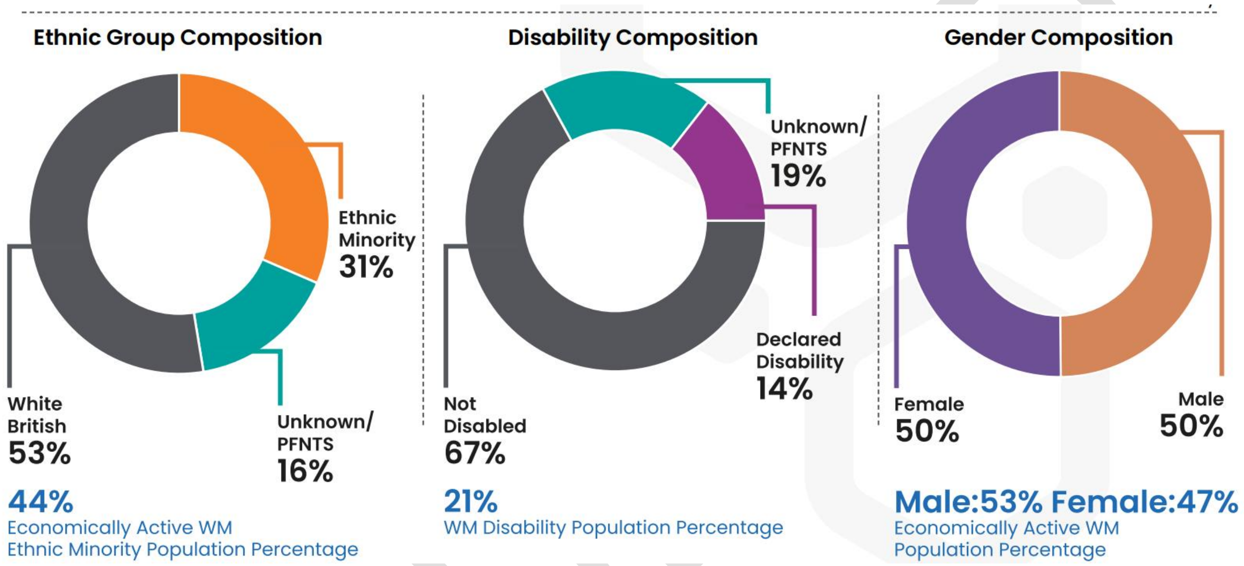
With regard to Equal Pay requirements contained within the Equality Act, the Authority ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality-proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role. This policy has been the subject of a review by the Authority's Audit, Risk and Assurance Committee.

Equality, Diversity & Inclusion are hugely important to us, and we want our people to represent the communities in which we work. The graphics below illustrate how we compare on a number of key protected characteristics against the 2021 Census. Our People & Culture strategy and the work being done by our Equality, Diversity and Inclusion (EDI) team in the Strategy, Economy & Net Zero (SENZ) Directorate will build upon this throughout 2024.



4. Operational performance

<u>Performance summary of the 2023/24 High Level Deliverables</u>

The WMCA is committed to delivering positive change across the region through our shared vision of a more prosperous and better-connected West Midlands that is fairer, greener and healthier. This is evidenced by our High-Level Deliverables (HLDs), which are output measures that demonstrate to our stakeholders how we are performing and what is being delivered against our Annual Business Plan (ABP). In February 2023, the WMCA Board approved 127 HLDs for the 2023/24 fiscal year and this section outlines how we have performed and our key achievements.

At year end, 102 of the 127 HLDs have either been completed or are on target, which shows 80% of HLDs have remained within acceptable tolerance levels. This is a great achievement, especially when considering the cost-of-living crisis and volatile market conditions. The remaining 25 HLDs that were not fully delivered have been absorbed into the 2024/25 HLDs and will be monitored over the following year, where they are expected to be back on track.

<u>2023/24 key achievements:</u>

The WMCA has continued to work collaboratively with its partners to deliver positive outcomes for its residents even during challenging economic times. Key achievements for the year are shown below for each directorate area.

Housing, Property and Regeneration

- We have made great strides in delivering our Brownfield Regeneration Programme, launching a funding pot for developers and investors to deliver high quality and sustainable housing-led schemes, including the new £100m Brownfield Infrastructure and Land Fund, negotiated with increased flexibilities to enable delivery on tricky sites.
- We awarded funding to unlock much needed housing and regeneration projects to support our regional priorities.
- Exceeded affordable housing delivery targets by achieving almost 33% affordable delivery across schemes funded in the programme to date.
- We are delivering on devolution through agreeing and launching a Strategic Place Partnership with Homes England, to turbo-charge housebuilding in the region and underpin the future of the Affordable Homes Programme (AHP) in the region. Together with Homes England, through our new enhanced relationship, we have led an extensive engagement programme with our Local Authority partners, Housing Associations, developers, investors, charities, and more, to shape the future of affordable housing delivery in the region following devolution of the AHP in 2026.
- We managed and delivered high-class workplace and asset management services across WMCA's property and estates portfolio.
    - The Facilities & Workplace Services team has been re-named to reflect the space and service support required for our organisation, established during hybrid working, to operate effectively and efficiently on a day-to-day basis.
    - The Facilities & Workplace Services team progressed the corporate business continuity plan refresh, started work on the total Facilities Management (FM) solution for consolidated contracts at 16 Summer Lane, delivered space configuration as part of space efficiency programmes of work at 16 Summer Lane, and continues to pioneer the 16 Summer Lane Property Management Plan as part of the Single Property & Estates Framework.

Employment, Skills, Health and Communities

- We published our Employment and Skills Strategy, setting out our vision for an integrated employment and skills system for the region, through which we can stimulate economic growth, deliver better outcomes for residents and businesses, and create healthier thriving communities.
- In the latest academic year, we trained more than 56,000 learners, supporting 7,000 unemployed adults into work. Through our investment, we trained 15,000 people with no prior qualifications and supported 7,000 learners to gain a level 3 qualification.
- We are improving careers education in schools and colleges, providing more touchpoints for young people with employers. 98% of WMCA students had at least one employer encounter last year, compared to 96% nationally.
- We published the final report from our Mental Health Commission, setting out recommendations for improving mental health and reducing inequalities in the region, and signed a £2.5m Memorandum of Understanding with Sport England to improve access to sport and physical activity.

Strategy, Economy and Net Zero

- As part of on-going efforts to integrate our activity, the WMCA's economic strategy and delivery functions were incorporated within the wider strategy and net zero directorate in 2023. This has supported the alignment of our economic strategy, Plan for Growth, with wider strategic planning around devolution and net zero. This has also supported the implementation of the new Business Growth West Midlands business support service and new approaches to innovation, the WM Investment Zone, and work with West Midlands Growth Company.

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- Following the Trailblazer Devolution Deal in March 2023, the directorate has supported its implementation across the wider WMCA with a particular focus on the new Single Settlement. An initial Memorandum of Understanding was signed with government in November 2023 that creates the basis upon which the lion’s share of government funding will come to the WMCA through a single block grant at the beginning of the next spending review period.
- The WMCA’s net zero functions have continued to grow as we have built regional capacity to better implement an £86m regional retrofit programme, pioneer work on smart local energy systems and implement new regional strategies on air quality and climate adaptation.
- The directorate has also been responsible for implementation of a number of other key programmes including the Commonwealth Games Legacy Enhancement Fund, of which a large share has been used to support the Global West Midlands business and tourism programme, providing grants to voluntary and community organisations, and to develop a burgeoning culture and heritage programme in the West Midlands.

Finance and Business Hub

- Prioritised our people through development and launch of the first WMCA People & Culture Strategy and a summer of engagement with our people to understand and prioritise what will make WMCA a great place to work, learn, and be 'one team CA'.
- Continuously improved the integrated budget and business planning processes for the year, to meet our strategic aims and objectives, optimising our people and financial resources, and development of integrated performance, assurance, and risk monitoring.
- Delivered a balanced revenue budget, value for money, and sustainable financial planning and reporting, along with continued investment in small to medium-sized enterprise (SME) business and developer regeneration funding for the region.

Transport for West Midlands

- Maintained the status of the ‘Transport Authority of the Year’ at the national transport awards.
- The creation of the delivery directorate to align with the WMCA key objectives and a £1.649bn Capital programme from 2023/24 to 2027/28, to improve our capacity and capability to deliver the programme, working collaboratively with enabling services and Local Authorities.
- Funding, supporting, and negotiating with Government and Bus Operators to invest up to £80m over 2 Financial Years, to maintain the bus network at 88% of pre-covid levels, ensuring we are connecting communities to opportunities and maintaining some of the lowest level of fares and simplest ticketing of any region in the UK.
- Opening of Wolverhampton Metro extension, driving integration, connectivity and ridership on the tram by circa +4% across the immediate local stops.
- Working in partnership with Local Authorities and West Midlands Police to launch a regional road safety strategy and development of an action plan for delivery.
- Co-ordination of the City Region Sustainable Transport Settlement (CRSTS) programme in partnership with Local Authorities, which includes the commissioning of corridor studies to develop evidence-led integrated transport connectivity to support WMCA growth corridors, HS2 Growth Strategy, and emerging place-based strategies as part of single settlement.
- Successful delivery of University Station which has provided a state-of the-art facility that directly serves some of the region’s world-leading institutions such as the University of Birmingham and Queen Elizabeth Hospital. It can now accommodate 7.2million passengers a year and is fully accessible (including changing places facilities). It also has new customer information screens, better facilities (such seating and waiting areas), a spacious public realm area, and new entrances and exits.
- Working across the WMCA and with Local Authorities to define interventions and associated key performance monitoring and metrics across our £1.6bn policy led capital investment programme. Accurately processing over 10m data records daily to support this and frontline

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operations, which are making our roads safer and more efficient. This includes innovating to use technology to directly enable over 7m successful public transport journey transactions each month via Smartcard and App for our customers.

- West Midlands Rail Executive (WMRE) has grown its influence and involvement in rail, including the launch of a Great British Railways Transition Team (GBRTT)/WMRE partnership and being a client partner of Midlands Rail Hub that will provide the infrastructure to operate more services to meet future passenger growth.

Our Performance roadmap for 2024/25

The performance roadmap is a strategic plan that sets out the steps for the WMCA to achieve its performance goals. It drives organisational success by providing a framework for setting goals, implementing targets, monitoring progress, and making evidence-based decisions to improve performance and outcomes.

Over the last financial year we have made great progress, driving significant improvements across the business, as evidenced through the above narrative. During 2024/25 we want to maintain this momentum by doing the following:

- Incorporate the strategic objectives of the single settlement and outcomes framework to support its successful implementation into the roadmap.
- Increase visibility and transparency of performance through the WMCA's internal governance panels.
- Further embed a performance reporting culture that includes consistent use of Power BI data.
- Change our language so that HLDs are referred to as performance indicators and identify a smaller suite of key performance indicators that are critical to the WMCA achieving its aims and objectives.

5. Financial performance

The following paragraphs provide a brief overview of the financial position of the Authority in terms of the Authority's management accounting framework rather than the statutory accounting framework, to aid in understanding the statutory accounts.

Revenue Performance

Table 2 set out on page 12 shows the overall consolidated revenue position for the Authority compared with the budget approved by the Authority Board in February 2023, and is set out in the same way as the regular financial reports that are considered by the Authority Board. This means that the table excludes statutory accounting and funding adjustments required by the Code of Practice on Local Authority Accounting, setting out the outturn position in the same way that the Authority's finances are planned and managed throughout the year.

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Table 2: West Midlands Combined Authority Revenue Outturn 2023/24

£000's	Year to Date			Reconciliation to Expenditure and Funding Analysis (note 6)						
	Actual	**Budget**	**Variance**	Transport Services	Other Services	Invest. Prog.	Mayor's Office	Finan-cing	Grant income	Total
Transport Levy	119,355	119,355	0						119,355	119,355
Revenue Grants & Other Income	68,070	44,141	23,929		67,279		791			68,070
Adult Education Funding	134,565	141,391	(6,826)		134,565					134,565
Constituent Membership	4,644	4,644	0						4,644	4,644
Non Constituent Members	390	420	(30)						390	390
Investment Programme	36,500	36,500	0						36,500	36,500
Investment Income	7,883	4,712	3,171					7,883		7,883
Use of Reserves	21,356	21,200	156	14,030	7,326					21,356
Total Funding	**392,763**	**372,363**	**20,400**	**14,030**	**209,170**	**0**	**791**	**7,883**	**160,889**	**392,763**
Transport for West Midlands	127,859	133,229	5,370	127,859						127,859
Employment, Skills, Health & Communities	177,480	186,554	9,074		177,480					177,480
Strategy, Economy and Net Zero	30,446	6,378	(24,068)		30,446					30,446
Housing & Regeneration	2,052	1,837	(215)		2,052					2,052
Portfolio Support	4,688	3,053	(1,635)		4,688					4,688
Investment Programme	43,485	40,418	(3,067)			55,485			(12,000)	43,485
Mayoral Office	791	894	103				791			791
Total Expenditure	**386,801**	**372,363**	**(14,438)**	**127,859**	**214,666**	**55,485**	**791**	**0**	**(12,000)**	**386,801**
Net Surplus (before transfer to earmarked reserves)	**5,962**	**0**	**5,962**	**(113,829)**	**(5,496)**	**(55,485)**	**0**	**7,883**	**172,889**	**5,962**
Release of windfall treasury savings	**(5,500)**	**0**	**5,500**		(5,500)					(5,500)
Transfer to earmarked reserves for known commitments										
Support to boost Local Authorities capacity	**3,500**	**0**	**(3,500)**		3,500					3,500
Summer Lane building maintenance to comply with lease terms	**2,400**	**0**	**(2,400)**		2,400					2,400
Black Country Innovative Manufacturing Organisation support	**1,500**	**0**	**(1,500)**		1,500					1,500
Emerging pressures on the capital programme	**1,336**		**(1,336)**	1,336						1,336
Funding of upcoming Transport events	**700**	**0**	**(700)**	700						700
Net Surplus (after transfer to earmarked reserves)	**2,026**	**0**	**2,026**	**(115,865)**	**(7,396)**	**(55,485)**	**0**	**7,883**	**172,889**	**2,026**

The table 2 shows the overall consolidated revenue position for the WMCA.

The final outturn position at the end of March shows a surplus after transfer to Earmarked Reserves of £2.026m and represents a favourable variance from budget. This comprises a surplus of £3.49m within Transport, offset by a deficit of £1.464m within Portfolios.

The final position includes transfers to reserves totalling £9.4m to fund known future commitments, some of which have been subject to prior approvals from the WMCA Board. New reserves have been created to fund building maintenance for WMCA offices in order to comply with lease terms (£2.4m), emerging capital pressures (£1.3m) and future transport events (£0.7m) alongside support for Local Authority capacity (£3.5m) and Black Country Innovative Manufacturing Organisation support (£1.5m) which were included and approved within the forecast position presented to WMCA Board in March.

The net surplus against budget of £2.0m will be transferred to the WMCA General reserves to bolster financial resilience.

Within Transport, the underspend of £5.4m has arisen due the release of a £1.3m provision relating to Dudley Bus station as a result of a new lease contract being agreed which releases WMCA from the previous obligation. Savings of £1.4m have also been realised against the Midland Metro Ltd subsidy, largely due to lower power costs and vacancies. Concessionary related underspends have arisen due to patronage remaining below pre pandemic levels. In line with agreement from the Board, these savings on the English National Concessionary Travel Scheme (ENCTS) have been transferred to a reserve to protect against future transport network risks, £7.6m in total. Budgeted savings target of £3.0m on the Transport Portfolio have been fully achieved, with £1.4m each on the Child Concessionary and rail maintenance budgets, and a further £0.2m achieved through vacancy management.

Within the Portfolio budgets, expenditure is below budget against the AEB (£6.8m), Digital Skills (£7.6m) and Multiply (£1.4m) grants within the Employment, Skills, Health & Communities directorate. Variations are largely down to timing, due in part to late signing and return of contracts, with activity re-profiled for delivery into 2024/25. This is offset by higher expenditure against the UKSPF grant of £3.1m and the funded Individual Placement and Support (IPS) Programme (£3.4m).

The increased expenditure of £24.1m in the Strategy, Economy and Net Zero directorate mainly relates to the receipt of Commonwealth Games Legacy Grant funding (£20.0m) and funding for Net Zero Neighbourhoods (£2.7m), both of which are additional to budget.

Total income for the financial year at £392.8m is more than budget by £20.4m. This is predominantly Revenue Grants and Other Income which is higher than budget by £23.9m, mainly due to new grant funding received in year since the budget was set, the largest being Commonwealth Games Legacy Fund and Net Zero Neighbourhoods. Within Portfolios, the use of grant income has been maximised in order to protect local funding. As above, some portfolio activity planned for 2023/24 will now take place in 2024/25, resulting in lower grant drawdown. Within Transport, there has been higher than anticipated advertising income of £1.3m against budget.

The lower grant drawdown of £6.8m re Adult Education mainly relates to Provider delivery contracts being behind budget due to timing and lower delivery of Digital Skills and Free Courses for Jobs (FCFJ) programmes.

Higher Investment income results from excellent cash management and slippage within the capital programme.

Capital Programme Performance

The WMCA approves the capital programme for the financial year as part of the budget setting process, and the amount that can be spent is limited by the amount of capital resources available.

Many of the schemes within the capital programme take some time to develop and implement over a period of years and therefore considerable variations can arise.

The WMCA spent £376.6m on capital projects in 2023/24 (see note 26) with the major items of expenditure as detailed in Table 3 below. Total capital expenditure was £215.3m less than the budget of £591.9m, with variances spread across all programmes including significant movement experienced in the following areas: Transport - WMCA (£103.5m), Transport – External (£82.1m) and Housing and Regeneration (£27.6m).

In the WMCA delivered Transport programme, the budget variance primarily relates to Metro, where detailed designs have taken longer than anticipated and works have been rescheduled to reflect the latest expectations, and Rail where operational issues and environmental measures have impeded progress in meeting the schedule anticipated at budget setting. Spend is now expected to accelerate in early 2024/25 to achieve delivery within project lifecycle.

In relation to the externally delivered programme, progress on schemes is behind the schedule originally anticipated at budget setting, specifically the Coventry City Centre South Regeneration project, the Active Travel Fund Cycling and Walking schemes, the Sustainable Transport schemes and the UK Shared Prosperity Fund (UKSPF). These variances are timing related, so activities will be reprofiled for delivery in 2024/25 and beyond.

Within the Housing and Regeneration programme, the underspend is mainly due to timing, with the most significant being £29.4m on the Brownfield Land Fund due to land acquisition by a partner authority not progressing at the pace initially anticipated, as well as the impact of cancelled projects following a review of schemes in year.

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Table 3a) : Major Items of Capital Spend 2023/24

	£ million
Metro Wednesbury to Brierley Hill Extension	86.1
Metro Birmingham Eastside Extension	50.7
Camp Hill Line Local Enhancements	30.9
Black Country Land and Property Investment Fund	15.9
Housing and Regeneration Decency Fund	15.0
Walsall to Wolverhampton Local Enhancements	12.0
University Station Improvement Project	10.4
Walsall Depot Acquisition	6.9
Metro Wolverhampton City Centre Extension	5.2
Metro Network Enhancements	4.9

The capital programme spending of £374.1m was financed in the following way:

Table 3b) : Financing of Capital Expenditure 2023/24

	£ million
Government grants	223.1
Borrowing	128.2
District/Local Enterprise Partnership (LEP) grants and contributions	0.8
Third party contributions	20.2
Gainshare contribution	4.3
Total	**376.6**

Debt Management

The Authority's forecast change in its Capital Financing Requirement (CFR), or underlying need to borrow, for 2023/24 was £216m. To unwind a proportion of its historic under-borrowed capital financing position and as mitigation against interest rate rises forecast in 2023/24, new borrowing of £100m was drawn down in August 2023 as part of a forward loan agreement with Phoenix Group Ltd. The interest rate was set at the point of execution in February 2022. At the point of delivery, the rate was circa 2.8% lower than the Public Works Loan Board (PWLB) equivalent, creating interest cost savings of circa £90m for the Authority. All borrowing has been driven by the delivery of the Investment Programme. The Authority remains 'under borrowed', meaning that internal cash-backed resources such as balances, reserves, and working capital (predominantly capital grants received in advance) can be deployed to offset external borrowing.

On 31 March 2024, the Authority had principal debt outstanding of £594.02m, well within the authorised limit for external debt of £1,032m. Debt outstanding is made up of the following figures:

£m	**As at 1 April 2023**	**In Year**		**As at 31 March 2024**
		Repaid	**Raised**	
PWLB	484.67	12.34	0.00	472.33
Barclays	10.00	0.00	0.00	10.00
Former WM County Council	3.67	1.10	0.00	2.57
Phoenix Group	0.00	0.00	100.00	100.00
UKIB	9.56	0.44	0.00	9.12
Total Borrowing	**507.90**	**13.88**	**100.00**	**594.02**

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Rates for medium to long term borrowing rose considerably during the year as central banks continued to contend with the impact of rising inflation. The Authority will maintain a low-risk treasury management approach, seeking to maximise low interest loans when the opportunity arises.

Short Term Investments for Treasury Management Purposes

As a consequence of advanced receipt of grants, in particular City Region Sustainable Transport Settlement (CRSTS), short term deposits (investments of 365 days or less) increased during the year from £712m (2022/23) to £789m (2023/24). This is made up of the following figures:

2022/23 £m		**2022/23 £m**
88.50	Bank Deposits	115.75
623.50	Local Authorities / Housing Associations / UK Government Backed Deposits	673.57
712.00	**Total**	**789.32**

Cash flow management

The Authority publishes an annual Treasury Management Strategy in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice. The policy sets out its objectives which are to ensure the security, liquidity, and yield of cash balances. The priorities are listed in order of importance.

Regular cash-flow forecasting is undertaken at a short, medium, and long-term level to ensure that the Authority can plan ahead and continually monitor the financial environment, assisted by sector specialists. This will ensure that there are sufficient lenders in place to borrow from in a timely and affordable manner when the need arises. The availability of funds to meet liabilities (liquidity) is ensured through the continuation of detailed cash planning and the maximisation of liquid products which also offer protection from loss. The Authority continues to rely upon more secure investments with UK Government (Debt Management Office and other local authorities) for available cash, thereby reducing the exposure to security risk in the current market.

6. Strategy and resource allocation

People are our best resource and vital to our success. We all achieve more when we work in a more integrated way.

Our first People and Culture strategy launched in April 2023 sets out three principles guiding the employee journey and way in which the WMCA will operate over the next 3-5 years to ensure we attract and retain the talent needed.

Create an agile, curious and learning organisation – WMCA will develop a learning organisation that has the agility to at least keep pace with, ideally ahead of, the changing skills and expertise needed to deliver. Colleagues will be self-motivated to learn, curious and open to fresh thinking and new ideas. They will be willing, able, and excited about flexing what they do to meet the demands required.

Provide the environment to help everyone bring their best energy and thrive – WMCA will ensure colleagues feel connected to its purpose and operate in an environment where they can deliver high performance. Our people, leaders, and those we work with should reflect the diversity of our region and be inclusive of the people we serve. Technology, ways of working and policies will be progressive and provide tools and frameworks for people to be their best.

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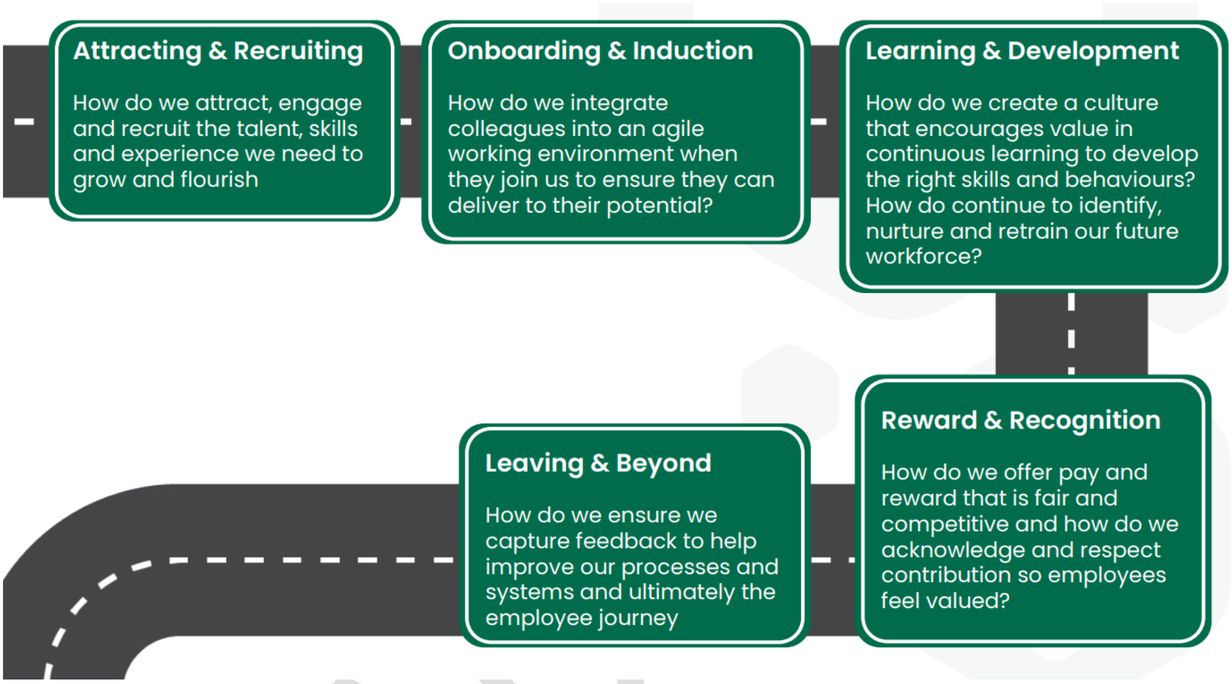
Think and act as 'One team WMCA' aligned to our overall purpose, values and strategy – WMCA will foster a one team WMCA culture through developing a community of colleagues who collaborate effectively, focussing on delivery of the purpose and overall strategy. WMCA will use diverse platforms to share information and generate open dialogue. Everyone will be expected to participate and contribute, everyone is responsible for creating our culture.

To help understand how the People and Culture principles will be used and embedded into WMCA, the employee journey has been broken down into five key stages along with a section on leadership to ensure that our people are nurtured, looked after, and their talents are explored and harnessed.



Revenue Budget 2024/2025

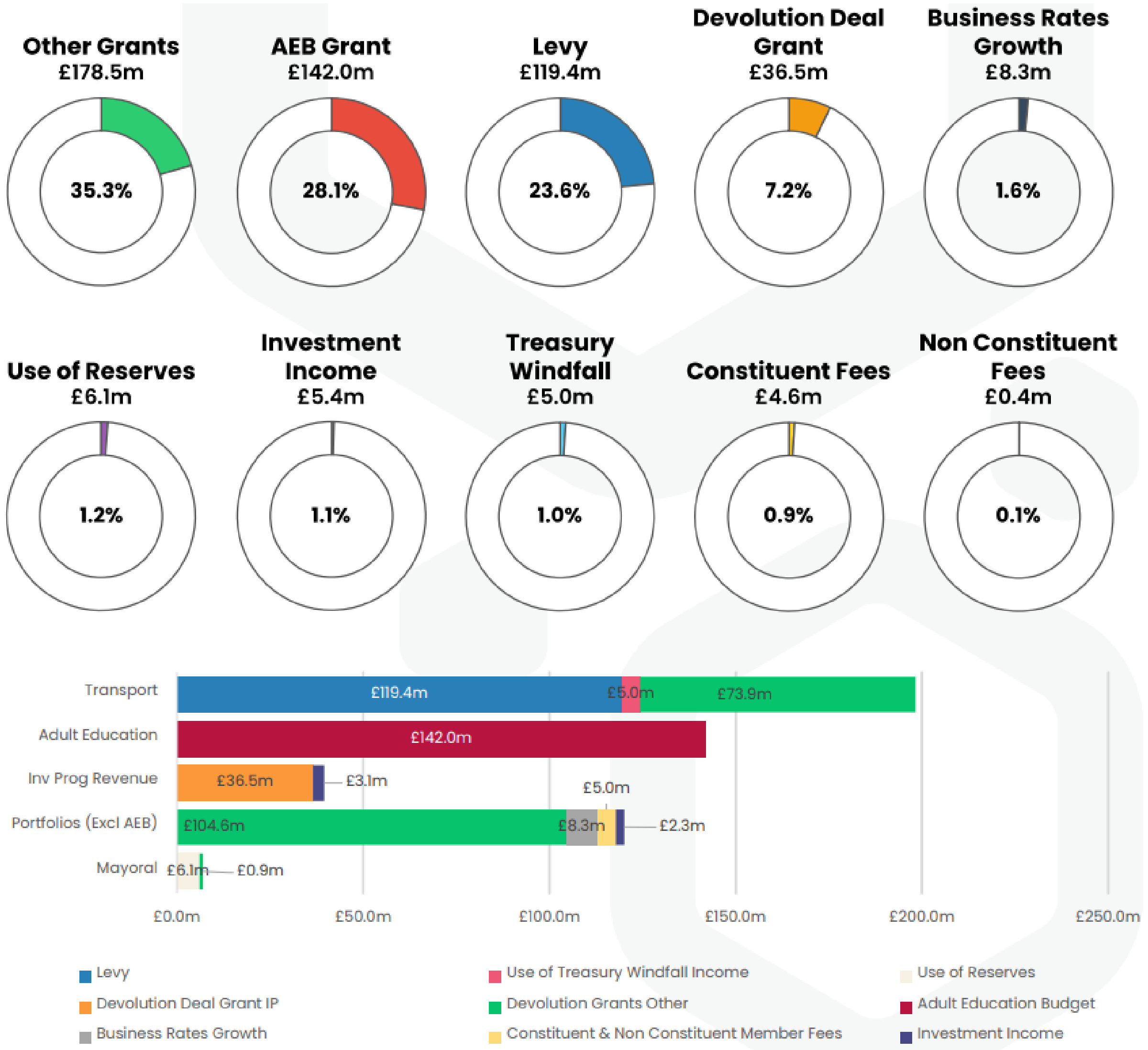
The consolidated revenue budget as reported to the WMCA Board in February was £506.9m. The table overleaf shows how this income is sourced and where it gets allocated for expenditure.

The 2024/25 Transport expenditure is largely funded by £119.4m of Transport Levy which is received from Constituent members along with £73.9m of Transport specific revenue grants. The 2024/25 Portfolio includes WMCA's devolved funding of £142.0m in order to deliver Adult Education throughout the region, as part of our Employment & Skills directorate. The remaining expenditure is largely funded by Revenue grants of £104.6m and includes WMCA's Economy & Innovation, Culture & Digital, Health & Communities, Levelling Up, Environment & Energy, and Inclusive Communities portfolios, as well as revenue costs of delivering our Housing & Regeneration Capital Programme.

The Investment Programme and Mayor's Office budgets are in line with prior years. A gainshare grant of £36.5m will be used to deliver the capital projects within the Investment Programme, whilst a £0.9m Mayoral Capacity Funding grant supports the operation of the Mayoral Office.

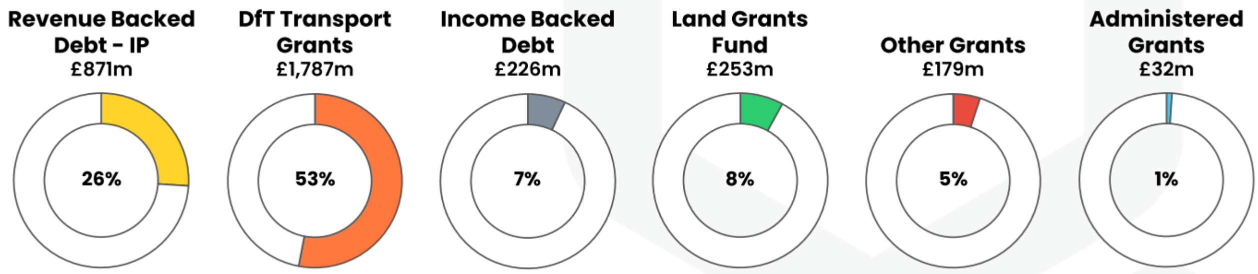
WMCA have committed to working with Constituent Authorities throughout 2024 to develop a longer-term, sustainable budget and plan.

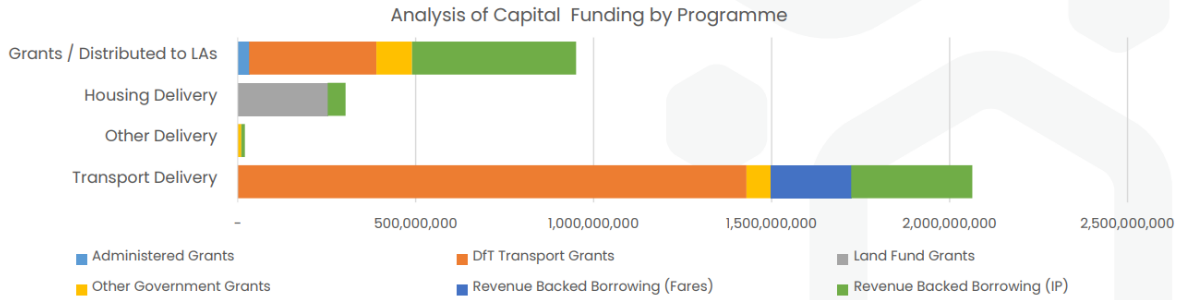
Financial Position
2024 / 2025 Revenue Budget Analysis



Capital Programme Analysis 2024/2025

The West Midlands Combined Authority's capital programme is summarised in these tables highlighting planned capital investment. The figures are indicative and will be refined during the 2024/25 budgeting process. An interim 2024/25 capital budget will be presented to WMCA Board in June 2024 following confirmation of the 2023/24 outturn position, with a formal update provided to the WMCA Board in September 2024.





Medium-Term Financial Plan (MTFP)

The WMCA currently plans its finances over a Medium-Term Financial Plan (MTFP), covering a 5-year rolling period and includes all known and quantifiable financial pressures that it faces.

The MTFP incorporates a broad estimate of the financial impact for the following risks and sensitivities:

- Demographic growth and demand pressures, specifically where transport payments and services are directly affected by patronage demands.
- Costs of maintaining the bus network. The bus delivery options work will be presented to WMCA Board in Summer 2024 which provide some clarity over the future of the bus network in the region and associated financial impacts. The MTFP currently carries a £30m per annum charge in relation to bus network pressures expected to kick in from January 25 when the current funding agreement runs out.
- Inflationary rises including impact of energy uplifts, pay awards, and contractual requirements.
- Business Rates Retention Scheme and the achievement of growth targets.

The current MTFP assumes a cash flat funding requirement from WMCA's Constituent Authorities, both in terms of the Transport for West Midlands levy (following rejection by the Board of a proposed 3% increase in the Transport Levy for 2024/25) and their contributions to the Authority's wider services budget up to and including 2028/29. Whilst this currently represents the planning assumption, it is acknowledged that this creates a potential financial risk, specifically regarding inflationary increases, pay and legislative changes and demand in terms of patronage. The impact of these risks is kept under continuous review and discussion with WMCA's Constituent Authorities.

Assumptions have been made around pay and price rises and the Consumer Prices Index, along with changes in patronage and fares. Any variation on this for 2024/25 will need to be managed within the available resources. These clearly may change significantly over the period covered by the MTFP, meaning a cash flat funding requirement may not be achievable without changes to policy.

The MTFP reflects WMCA's obligations as a Best Value authority to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency, and effectiveness, including consultation with taxpayers and users as appropriate.

Table 4: Medium Term Financial Plan to 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Transport Levy	119.4	119.4	119.4	119.4	119.4
Revenue Grants & Other Income (Transport)	73.9	6.5	6.0	6.0	6.0
Revenue Grants & Other Income (Portfolios)	105.4	1.6	1.4	1.4	1.4
Adult Education Funding	142.0	141.4	141.4	141.4	141.4
Share of Business Rates	8.3	14.5	15.3	15.9	16.7
Constituent Membership	4.6	4.6	4.6	4.6	4.6
Non Constituent Members	0.4	0.4	0.4	0.4	0.4
Investment Programme	36.5	36.5	36.5	36.5	36.5
Investment Income	5.4	5.9	5.9	5.9	5.9
Use of Treasury Windfall Income	5.0	0.0	0.0	0.0	0.0
Use of Reserves	6.1	0.0	0.0	0.0	0.0
Total Funding	**506.9**	**330.8**	**330.8**	**331.4**	**332.2**
Transport for West Midlands	198.3	196.1	215.2	219.9	225.4
Strategy, Economy and Net Zero	51.0	6.5	6.7	6.9	7.1
Economic Delivery, Skills and Communities	205.6	149.5	149.6	149.9	150.3
Housing and Regeneration	1.9	1.4	1.4	1.4	1.4
Corporate Support Recharges to Portfolios	3.7	4.9	5.3	5.3	5.5
Investment Programme	39.6	41.6	41.6	41.6	41.6
Mayoral Office	0.9	0.0	0.0	0.0	0.0
Mayoral Election	6.1	1.0	1.0	1.0	1.0
Total Expenditure	**506.9**	**401.0**	**420.8**	**426.1**	**432.3**
Net Expenditure	**0.0**	**-70.2**	**-89.9**	**-94.6**	**-100.1**

A balanced budget position for 2024/25 was approved by the WMCA Board on 9 February 2024. However, there currently remains a gap in available funding to support expenditure plans ranging from £70.2m in 2025/26 rising to £100.1m in 2028/29. It should be noted that the above figures do not yet make any assumptions around the deployment of the £221.6m remaining balance of the Network Stabilisation Grant which was provided to the WMCA following the cancellation of the northern leg of HS2. (£28.4m of this grant was used to balance the 2024/25 budget).

Negotiations have been ongoing with the Department for Levelling Up, Housing and Communities (DLUHC) in respect of the Deeper Devolution Deal and Single Settlement. The Single Settlement was announced in the Autumn Statement and WMCA Board ratified the Memorandum of Understanding (MOU) in March 2024. Discussions will continue about outcomes and formulae allocation that will give indication of the expected quantum of funding and what will need to be delivered. It is expected that the funding settlement will be announced as part of the Autumn budget and will be implemented from 2025/26 onwards.

Whilst Single Settlement may provide some opportunities, there remains an element of fiscal uncertainty in the short term, and particularly around the funding for transport. There is still a need for Government to provide some sustainable funding for the bus network and in conjunction with other Transport Authorities, lobbying will continue for this.

WMCA will continue to review existing established expenditure budgets to drive efficiency savings in the medium term. A £2.4m efficiency target for 2024/25 has been built into the financial plans.

The process to refresh the MTFP for the period 2025/26 to 2029/30 has already commenced, to include the latest position on additional spending requirements, changes in income and impact of macro-economic variables.

Significant matters that may affect future cash flows are as follows:

- **Inflation rates** – The Consumer Prices Index (CPI) rose by 3.2% in the 12 months to March 2024, down from 3.4% in February and well below its recent peak of 11.1% in October 2022. Whilst inflation has reduced over the period, the higher than usual rate still poses a risk to

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WMCA on the cost of any borrowing required to support delivery of capital infrastructure, but also should allow WMCA to generate better returns on its investments.

- **Current Economic Climate** – The financial plans include assumptions around Business Rates growth income. As part of the Deeper Devolution Deal, it has been confirmed that the West Midlands business rates retention pilot will continue in its existing form for the next 10 years, where the region as a whole retains 100% of the business rates it collects. Business rates income is affected by business closures, contractions, and relocations during the pandemic recovery period, and the war in Ukraine has hit businesses and consumers hard as inflation has soared. The West Midlands is particularly challenged as the shape of the regional economy leaves it particularly exposed to these trends.

- **Reset of the Business Rates** - It is anticipated that the baselines used to measure business rates growth will be reset in the next few years, and an estimate of the impact will be built into a future iteration of the MTFP when there is more certainty on both the timing and how the reset will be implemented.

- **Capital Financing Costs** – WMCA opted to change the way it calculates Minimum Revenue Provision (MRP) in the 2017/18 financial year. The change was approved by WMCA Board in November 2017 and enabled a MRP ‘holiday’ to be taken. This ‘holiday’ period ended during the 2023/24 financial year and MRP charges have been re-introduced. Any changes in Capital Financing requirements and timings will impact the MRP charge incurred in each financial year.

- **Pensions costs** – WMCA received confirmation in March 2023 of the outcome of its latest triennial actuarial valuation which sets the contributions for the three years 2023/24 to 2025/26. It is possible that at the next valuation the WMCA may have to make increased annual contributions, or a lump sum contribution to offset any funding shortfall in the pension scheme.

- **Mayor's budget and precept** – All Metropolitan Mayors have powers to raise a Mayoral Precept; effectively an incremental charge on top of existing Council Tax bills. The current MTFP makes no assumptions around income from a Mayoral precept.

- **WMCA’s Investment Programme** – The Investment Programme aims to deliver an ambitious programme of infrastructure and other measures that are aimed at driving inclusive economic growth in the West Midlands region. Funding for the programme to date is predominantly though Gainshare Grant and Share of Business Rates, with other options for raising the required funding under continual review. The Deeper Devolution Deal has provided some additional resources for the Investment Programme.

- **Borrowing Powers** – The amendment to statutory regulations which extended WMCA’s ability to borrow for non-transport capital schemes was confirmed in May 2018, subject to the Authority agreeing to operate within an agreed borrowing cap set by HM Treasury. The Chief Secretary to the Treasury (CST) has considered and has set the WMCA’s debt cap at £1,277m for 2024/25. The Authority is able to apply for a reset in the event that our capital investment plans change.

- **Business Rates Supplement** – WMCA has the same legal powers as Local Authorities to raise a business rate supplement, subject to it gaining consent from businesses affected by the charge. Recognising the regional impacts such a charge may have on local businesses, the prospect to implement a Business Rates Supplement was placed on hold by WMCA Board in July 2019.

- **Midland Metro Limited** – MML is expected to generate profits in the longer term, which will be channelled back into the network for the benefit of passengers and the local economy. The service is being impacted by high operational costs. There is continued monitoring of the risks around this and the ability of MML to generate the required revenues in order to secure borrowing for future investment in the network.

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- **Commercial & Residential Investment Funds** – WMCA's Investment Funds support the acceleration of commercial / residential property developments within the West Midlands area where traditional lending is not readily available.

  These are revolving loan funds that aim to underpin the region's long-term growth and stability and are open to developers seeking finance of £1m to £20m. The fund commits repayable loan capital to eligible commercial, light industrial, and residential regeneration opportunities at commercial rates of interest. The maximum value of commitments WMCA will allow against the total fund is £250m. This £40m temporary increase in the loan cap was approved by the WMCA Board on 15 March 2024 before a more detailed, longer-term proposal for loan portfolio limits will be presented to Board in the summer of 2024.

  WMCA is obliged under the Accounting Standards to make a suitable financial provision for credit losses which, in the event of a default, would be used to negate the in-year impact of the event.

- **General Fund balances –** although the appropriate level of general fund reserves is a matter of judgement by the Executive Director of Finance & Business Hub (Section 151 Officer), the generally accepted practice is for general fund reserves to be between 3% and 5% of expenditure. The proposed balance is below this recommended level and consideration should be given to increase the level of General Balances to ensure risk can be managed within WMCA without creating volatility on Constituent Authority contributions. It is noted however that the Authority does hold Earmarked Reserves, which gives the Executive Director of Finance & Business Hub (Section 151 Officer) comfort that the General Fund balance is sufficient in the short term.

7. Risks and opportunities

Risks

The WMCA risks are captured through the Strategic Risk Register (SRR), which supports the identification and management of the risks faced by the organisation in achieving its strategic objectives. This activity aims to evaluate the likelihood of risks being realised, the impact should they be realised and how they are being managed efficiently, effectively, and economically to an acceptable level.

The SRR captures only those high-level risks which are of such significance as to require oversight and assurance by the Executive Board. The SRR is reviewed by Executive Board and Audit, Risk & Assurance Committee (ARAC) on a quarterly basis to ensure effective risk management or mitigation is in place to reduce or eliminate possible effects.

Work continues to ensure operational risk registers, and a process for their regular review, are embedded across the organisation. This will enable full visibility of those risks with the potential to impact on the organisation's success, providing teams the opportunity to monitor the status of risks, ascertain the level of risk exposure, and track activity to manage or mitigate the risk. The Risk Management Framework includes a process that allows for risks to be escalated from projects and programmes, through to operational risk registers and ultimately to the SRR. Taken together, this activity provides assurance around our risk management activity.

We continue to seek opportunities to bring risk management, performance management, and business planning activity together to provide a strong evidence base to support risk identification, substantiate risk assumptions, and improve decision making.

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There are currently eleven strategic risks rated high. A brief explanation of each risk is provided below.

Inflation & global supply chain pressures	Macro-economic events are placing pressure on the cost and availability of resources. Concerns around availability of materials and labour, may impact project and operational delivery and capital delivery for both Housing and Transport (see *Sustainable & affordable public transport network*)
TfWM Programme Cost Management	Inconsistent visibility of a range of dependable financial and management information at programme level, could result in over-ambitious budgets being set for programmes / projects, leading to possible cost-over runs and an inability to provide reliable cost-certainty.
Local authority partners in financial difficulties or entering Section 114	Local Authority uncertainty of long-term funding and the relatively small growth in funding has put sustained pressure on Local Authority finances. This has been exacerbated by the increasing demand for services and low levels of general reserves to withstand fiscal shocks.
Information and IT Systems Assurance & Security	Data protection requirements and/or proper protective security of WMCA information systems are not reasonably and proportionately maintained, resulting in: • Loss of information / access to information by unauthorised persons. • Loss of access to information and information systems.
Capacity and Capability	Challenges in recruitment, retention and skill gaps, with several organisational priorities over 2024/25 requiring significant input to support delivery, including: Single settlement negotiations and implementation; new procurement regulations implementation and Investment Zones.
Financial resilience of WMCA to absorb fiscal shocks	Low levels of reserves / resources available to deal with fiscal shocks. The most evident cause of such fiscal shocks currently being the effect of inflation and global supply chain issues.
Regional Stakeholder & Political Relations	Positive stakeholder and political relations with strong Combined Authority (CA)/Local Authority (LA) partnership working are needed to deliver the collective ambitions of the organisation. Failure to manage these political relations and expectations could result in gaps in delivery, missed opportunities for regional economic development, and increased budgetary pressures.
Investment Zones	There are several issues to work through on the financial arrangements underpinning the WM Investment Zones and Growth zones which require LAs to reach an acceptable position on borrowing / risk / reward. If a collective position cannot be achieved, then there is a risk that region will be unable to deliver the priority infrastructure and re-development it had put forward under these proposals.

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Sustainable & affordable public transport network	Increased costs of service operation and challenges arising from *Inflation & global supply chain pressures*, along with continued uncertainty over longer term government funding beyond March 2025 (latest extension to funding deadline).
Commerciality	Having chosen to use commercial company delivery models in some areas, challenging economic conditions and / or material loss of revenue from investments may result in these commercial models being unable to deliver expected benefits and commercial revenue targets.
Energy Efficient Homes	The cost-of-living crisis has been primarily driven by increases in the cost of electricity and gas, cost of food and cost of transport. In 2021, the WMCA area had some 238,449 fuel poor homes, contributing to wider housing related costs. The overall rate of fuel poverty, at 17.5% is amongst the highest in the UK – with some areas experiencing far higher rates of over 40%.

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Opportunities

Deeper Devolution Deal - A landmark deal for the West Midlands

In February 2022, the Government announced new devolution deals for the West Midlands, alongside Greater Manchester, as part of its Levelling Up White Paper.

Since then, the region and its partners have collaborated closely with the Government to secure the most beneficial arrangement for the region, its economy, and its communities.

The deal comprises over 190 individual commitments from the Government, including funding for specific projects, increased regional influence over policies and programs, the assignment of a new function to the WMCA, and enhanced collaboration with the Government across various policy areas.

Single Settlement – Looking forward to 2025, what does this mean for the West Midlands?

The Single Settlement, a cornerstone of the WMC’s trailblazer deeper devolution deal announced during the 2023 Spring Budget, represents a fundamental shift in the region’s funding mechanism from central government.

Instead of fragmented, short-term grants, the Single Settlement consolidates funding for five key functions: local transport, adult skills, housing and regeneration, local growth and place, and retrofitting of buildings.

The WMCA will function akin to a government department, receiving a multi-year settlement with greater flexibility and strategic responsibility over spending.

This shift empowers local decision-making, enabling the WMCA Board to craft ‘functional’ strategies guiding fund allocation over the medium term. Concurrently, local authorities will devise place-based strategies integrating the Single Settlement with other funding sources to drive inclusive growth in targeted areas.

The consolidated funding approach allows for a collaborative, long-term strategy to address complex regional issues.

In summary, the Single Settlement represents a transformative shift towards localized decision-making and strategic funding allocation, aimed at addressing the West Midlands’ socio-economic challenges through collaborative, long-term approaches.

- A single funding settlement, where we will be treated as if we were a government department, enabling the region to prioritise, target and decide how funding is spent in key areas.
- A landmark housing deal worth up to £500 million.
- Fiscal devolution, including committed 10-year retention of business rates – worth an estimated £45m a year to the WMCA and its partner authorities.
- Up to six levelling up zones – where priority areas will be chosen by WMCA and our partners to receive support to accelerate growth, development and regeneration.
- Empowering the region's transport transformation through devolution of bus service operator grants and a new partnership with Great British Railways.
- Greater responsibility and oversight of post-16 and 19 education and skills, and the establishment of a unique partnership with DWP to target employment support.
- A stronger role in supporting business productivity, trade and investment and innovation, through influence of some of the key national levers of funding and policy development.
- Recognition of, and resources to support, the region's environmental, energy and net zero ambitions and a commitment to devolve retrofit funding from 2025.

The Government has awarded funding to WMCA of more than £1 billion over a five-year period commencing in 2022/23 from the City Region Sustainable Transport Settlement (CRSTS), a consolidated fund for local transport investment. The programme of works to be funded by CRSTS is designed to meet the ambitious vision set out in our Local Transport Plan Green Paper for a greener, more active, fairer, and economically successful West Midlands, whilst taking strides towards our 2041 carbon neutral target as part of the #WM2041 initiative.

Opportunities to generate additional commercial revenue streams are actively explored. Some examples include the generation of additional advertising revenue from the Authority's bus shelters in conjunction with a private sector partner, as well as taking on the operation of CCTV for a number of partners in our Regional Transport Coordination Centre hub.

Opportunities to ensure optimum financial stability and security include Treasury Management activity, maximising the current and forecast market opportunities for investment income, reviewing the borrowing strategy and making best use of capital financing. This includes making optimum use of access to the Public Works Loans Board, the UK Infrastructure Bank, and other financial institutions.

The Authority has also actively sought new commercial trading opportunities and in doing so has established four subsidiaries since its inception.

The largest subsidiary is 'Midland Metro Limited' which operates light rail in the region. The future commercial model is expected to generate surpluses which will be channelled back into the light rail network for the benefit of passengers and the local economy.

The second largest subsidiary, WM5G Limited, came into operation in 2019/20 in order to channel the investment from the European Regional Development Fund (ERDF) and from central government through the Department for Digital, Culture, Media & Sport (DCMS) into the development of new 5G technology at its testbed in the West Midlands.

The third subsidiary is West Midlands Development Capital Limited (WMDC) which WMCA employs as the fund manager for Commercial and Residential Investment Funds which support the acceleration of commercial / residential property developments within the West Midlands area where traditional lending is not readily available. Being one of the smallest of the subsidiaries, WMDC is not consolidated in the Group accounts.

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The fourth subsidiary is WMCA JV Ltd which was incorporated in March 2023 as a Limited Partner of a £25m co-investment fund, alongside West Midlands Pension Fund (WMPF), to facilitate the provision of equity finance to small and medium-sized enterprises (SMEs) in the West Midlands. Operating over a ten-year period, the objective of the Fund is to deploy equity investments on a co-investment basis into a diversified portfolio, targeting up to 45 high-growth potential revenue generating companies in the West Midland region. With minimal transactions expected in its first two years of operation, WMCA JV is not consolidated in the Group accounts.

The WMCA has also entered into a joint venture with the City of Wolverhampton Council to co-invest in 100 affordable housing properties on a development in Wolverhampton called 'The Marches' which has been set up as a 'Help to Own Scheme' to provide housing to people who do not have the funds for a deposit or own a house already. WMCA has a 44% stake in the joint venture, which is known as the HTO Group comprising two LLP companies (HTO1/HTO2). As such, it is not consolidated in the Group accounts.

8. Midland Metro Limited

Midland Metro Limited (MML) is a private limited company wholly owned by the Authority and was incorporated in 2017. The main business of MML is to provide passenger light rail transportation, operation and maintenance of the Midland Metro in accordance with the terms of the public service contract with The Authority.

MML started trading on 24 June 2018 on commencement of the franchise and as a 100% subsidiary of the Authority, has now been consolidated into the Authority's group accounts.

Income mainly consists of passenger revenue from tram ticket sales and income received from the Authority in respect of travel card sales and concessionary travel reimbursement.

Under the terms of the public service contract, MML receives a subsidy in loss making years to enable it to break even. A franchise fee will be paid to the Authority in profit making years.

9. WM5G Limited

West Midlands 5G Limited (WM5G) is a private limited company wholly owned by the Authority and was incorporated in February 2019. The main business of WM5G is to be the UK's first region-wide 5G test bed and thus accelerate 5G deployment across the region to achieve citizen, public and private sector benefits from 5G.

WM5G started trading on 1 April 2019 as a 100% subsidiary of the Authority and is consolidated into the Authority's group accounts.

Income mainly consists of grants from the DCMS, ERDF and the WMCA in respect of funding of initiatives and competitions to acceleration 5G Infrastructure and Applications

10. Basis of preparation

The Authority's Statement of Accounts have been prepared under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and are for the full year from 1 April 2023 to 31 March 2024.
The Group Accounts comprise of:

i) The Authority.
ii) Midland Metro Limited
iii) WM5G Limited

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The Statement of Accounts covering the Authority and the Group includes:

Comprehensive Income and Expenditure Statement
This statement shows the accounting cost of providing services in the year, according to the Code. An adjustment is required to be made between the accounting basis and the funding basis due to the different accounting treatments for capital grants and pension costs, further details of which are shown in the Movement in Reserves Statement.

Movement in Reserves Statement
This statement shows the movement of the different reserves in the year. These are analysed between ‘usable reserves’ (those that can be applied to fund expenditure) and ‘unusable reserves’ (those allocated for specific purposes).

Balance Sheet
The Balance Sheet shows the value of the assets and liabilities as at the Balance Sheet date. The net assets (assets less liabilities) are matched by the reserves held.

Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents during the year. The statement shows how the Authority and the Group generate and use cash and cash equivalents by classifying the cash flows as operating, investing and financing activities.

11. Directors and Senior Officers

The following WMCA directors and senior officers held office during the year:

Directors/Senior Officers	Title	Appointment/Resignation
Laura Shoaf	Chief Executive	
Ed Cox	Executive Director of Strategy, Integration and Net Zero	
Gareth Bradford	Executive Director of Housing, Property and Regeneration	Resigned – 23 July 2023
John Godfrey	Interim Executive Director of Housing, Property and Regeneration	Appointed – 10 July 2023
Julie Nugent	Executive Director of Economic Delivery, Skills and Communities	Resigned – 31 May 2023
Clare Hatton	Interim Director for Employment, Skills, Health and Communities	Appointed – 22 May 2023 Resigned – 1 May 2024
Anne Shaw	Executive Director, Transport for West Midlands	
Linda Horne	Executive Director of Finance & Business Hub	
Siobhan Bassford	Director of Communications	
Helen Edwards	Director of Law and Governance	

Helene Dearne OBE was appointed as the new Director of Employment, Skills, Health and Communities on 1 June 2024.

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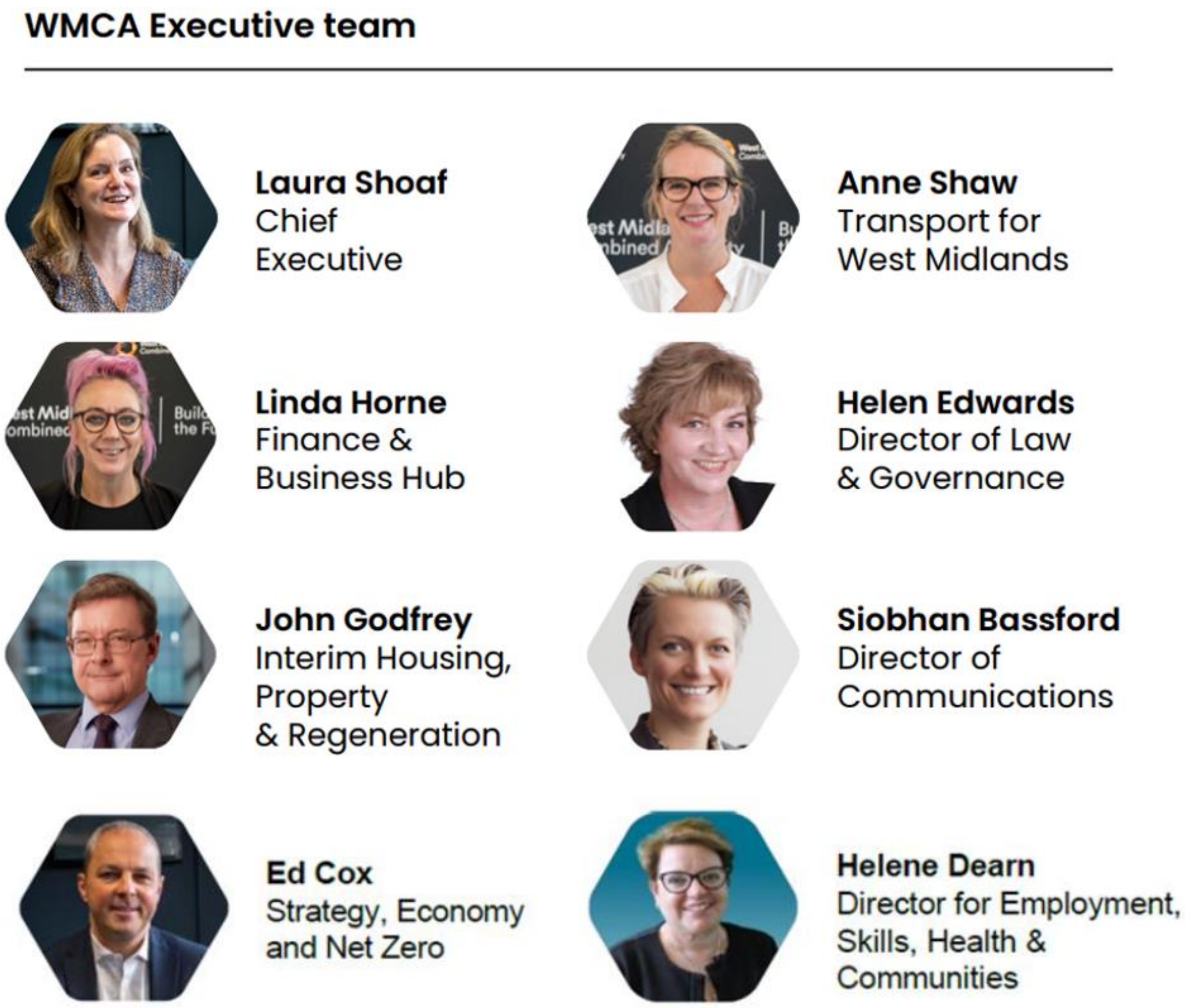

12. Auditors

Grant Thornton (UK) LLP are the auditors of the Authority for 2023/24. Their appointment was made by the Public Sector Audit Appointments (PSAA) under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015.

On behalf of the West Midlands Combined Authority Board

Laura Shoaf
Chief Executive
Date:

1. The Authority's Responsibilities

The Authority is required to:

(i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. These responsibilities are discharged through the role of the Responsible Finance Officer that is the Executive Director of Finance & Business Hub.

(ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

(iii) Approve the Statement of Accounts.

2. The Responsible Finance Officer's Responsibilities

The Responsible Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Responsible Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Responsible Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. Certification of the accounts

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2024.

Linda Horne
Executive Director of Finance & Business Hub and Responsible Finance Officer
Date: 27 June 2024

4. Approval of the Accounts

I certify that the audited Statement of Accounts covering the period 1 April 2023 to 31 March 2024 were approved by a resolution of the Audit, Risk and Assurance Committee on DD MM 2024.

Mark Smith
Chair of the Audit, Risk and Assurance Committee
Date:

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Scope of Responsibility

This Annual Governance Statement (AGS) reflects the activities of the Authority for the year ending 31st March 2024 and up to the date of approval of this Statement and the Statement of Accounts.

West Midlands Combined Authority (WMCA) was established on 17th June 2016 by the West Midlands Combined Authority Order and is made up of constituent and non-constituent members and three Local Enterprise Partnerships (LEPs), two observers and a co-opted member.

The Mayor who was elected on 4th May 2024 is the Chair of the WMCA and will remain in office until May 2028. The Authority's Constituent member authorities consist of the seven district councils across the region:

- Birmingham City Council
- City of Wolverhampton Council
- Coventry City Council
- Dudley Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Solihull Metropolitan Borough Council
- Walsall Metropolitan Borough Council

The non-Constituent members of the Authority are appointed by the following non-constituent authorities:

Non-constituent authorities

- Cannock Chase District Council
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Redditch Borough Council
- Rugby Borough Council
- Shropshire Council
- Stratford-on-Avon District Council
- Tamworth Borough Council
- Telford and Wrekin Council
- Warwickshire County Council
- Warwick District Council

There are two Observers of the Authority. These are:

- West Midlands Fire and Rescue Authority
- West Midlands Police and Crime Commissioner

There is one member co-opted on to the WMCA Board at the discretion of the WMCA Board. They are:

- Trade Union Congress (TUC)

The WMCA is a democratically accountable and politically led public/private partnership, combining the insight of private leaders, in depth knowledge of place and accountability with the democratic accountability of elected Local Authority Members.

In the "Integrating Local Enterprise Partnerships (LEPs) into local democratic institutions" letter from HM Government (from DLUHC and BEIS) in 2022, there were clear expectations that the WMCA would need to "Embed a strong, independent, and diverse local business voice into local democratic institutions…".

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The WMCA submission on LEP Integration to HMG in January 2023 (following WMCA Board agreement on 13 January 2023) stated that the WMCA is "built around a strong partnership, fusing private insight with a clear democratic mandate". The commitments in the LEP integration plan submitted included:

a. Establish and resource processes to run open recruitment for private sector leaders to be directly appointed across a range of WMCA Boards and Committees.
b. Refocus the Regional Business Council (the region's major firms) on company insights with forward plan of business-led briefings, not WMCA activity.
c. Repurpose the current Economic Impact Group to Business Insights Forum as a "big tent" of business representative organisations (BRO's), reps of the key Plan for Growth cluster groups, SME reps and organisations like Catapults and Business Schools
d. Appoint business leaders who have been appointed by the LEPs as members of WMCA Board and Committees (other than the WMCA Board) for an interim period of 12 months.

WMCA Officers have been working to create a strategy on how the organisation will attract and recruit private sector representatives moving forward. Officers are in the process of identifying which Boards should be in scope, what private sector representation we currently have and how many roles we will need to recruit for. This will be followed by a recruitment campaign for a pool of private sector representatives giving them the opportunity to identify their preferences for which Board they might sit on.

The Authority currently has eleven Arm's Length Company relationships, namely;

No.	Company Name	Stake	Accounting Treatment
a.	West Midlands Rail Limited	50%	Associate
b.	West Midlands Development Capital Limited	100%	Subsidiary
c.	Midland Metro Limited	100%	Subsidiary
d.	West Midlands Growth Company Limited	5.3%	Investment
e.	WM5G Limited	100%	Subsidiary
f.	HTO1 LLP	44%	Joint venture
g.	HTO2 LLP	44%*	Joint venture
h.	Midlands Development Capital Ltd	100%	Subsidiary
i.	Network West Midlands Ltd	100%	Subsidiary
j.	WMCA JV Ltd	100%	Subsidiary
k.	Black Country Innovative Manufacturing Organisation	50%	Associate

*through ownership with HTO1 LLP

For each of the arm's length companies where the Authority owns a 50% or greater share of the organisation, an assurance and governance review is regularly completed to confirm all legal and financial controls have been satisfied. Although the stake in the Growth Company is small, WMCA together with other contracting authorities exercises joint control over the company and therefore ensures legal and financial controls are satisfied.

The Purpose of the Governance Framework

The Authority is responsible for ensuring that business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and delivers value for money. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

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To demonstrate good corporate governance, the Authority carries out its functions in a way that provides accountability, transparency, effectiveness, integrity and inclusivity; enabling the Authority to pursue its vision and secure its agreed objectives in the most effective and efficient manner and in line with the approved Constitution.

In discharging this overall responsibility, the Executive Board (formally Strategic Leadership Team) and Statutory officers are responsible for putting in place proper arrangements (known as a Governance Framework) which comprises the legislative requirements, systems and processes, cultures, and values.

This enables the Authority to govern its affairs, facilitate the effective exercise of its functions, which includes arrangements for the management of risk, in addition to exercising leadership and being held accountable for its decisions and activities.

The Authority has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives; evaluating the likelihood of those risks being realised, the impact should they be realised, and managing them efficiently, effectively and economically. To that end, the Authority is continuing to embed the Strategic Risk Management Framework, raising awareness of the structure and the tools available for WMCA staff to ensure consistency in how risks are identified, managed, monitored and escalated. Alongside this activity, the authority continues to focus on providing visibility of risk at strategic level. A strategic risk register is updated quarterly and reported to, and reviewed by Audit, Risk and Assurance Committee (ARAC) and the Executive Board.

Annual Governance Statement

This Annual Governance Statement meets the requirements of Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015 which requires all relevant public bodies to prepare an Annual Governance Statement and include it within its Statement of Accounts.

It is a document which looks back retrospectively over the past year and identifies where the WMCA has demonstrated good governance and looks forward to areas where focus should be given in relation to governance in the coming year.

The Authority demonstrates compliance with the seven core principles of good governance as set out in the 2016 CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

These seven principles are:

(a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
(b) Ensuring openness and comprehensive stakeholder engagement.
(c) Defining outcomes in terms of sustainable economic, social and environmental benefits
(d) Determining the interventions necessary to optimise the achievement of the intended outcomes
(e) Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
(f) Managing risks and performance through robust internal control and strong public financial management
(g) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

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Below, we have set out examples of how the Authority has demonstrated compliance with these principles.

1. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The Code of Conduct is laid out in the Constitution and was updated in March 2021 following the issue of a revised model of the Code of Conduct by the Local Government Association (LGA) which incorporates recommendations made by the Committee on Standards in Public Life (CSPL); this defines the standards of behaviour for Members and officers working on behalf of the Authority.

Following consideration by ARAC the revised code was adopted by the WMCA Board on 22nd March 2021. The Director of Law and Governance, who holds the role of Monitoring Officer, deals with issues of conduct, and promotes high standards among officers, Members and the Mayor. ARAC performs the role of Standards Committee.

The WMCA has undertaken to review the governance of its formal decision-making bodies to ensure that these arrangements reflect the evolving role and remit of the WMCA as it continues to grow from the organisation that was established in 2016. The first review undertaken has revised and refreshed the decision making regarding its responsibilities relating to economic growth. A Transport Governance Review was undertaken and considered by WMCA Board in June 2023 where it was resolved that the existing Transport Delivery Committee evolve into a new Transport Delivery Overview and Scrutiny Committee.

A report from the Independent Remuneration Panel was also considered at the June 2023 meeting of the WMCA. Recommendations from the Panel included increasing the SRA paid to the deputy mayor to £ 20,000, that the Special Responsibility Allowance (SRA) paid to the Chairs of each of the Audit, Risk and Assurance Committee, the Overview and Scrutiny Committee and the Transport Delivery Overview and Scrutiny Committee be set at £9,500, that the SRA paid to the six Scrutiny Champions operating within the Transport Delivery Overview and Scrutiny Committee should be set at £4,750 and that there be a Co-optees Allowance of £3,000 for all members of constituent authorities who serve on the Audit, Risk and Assurance Committee, the Overview and Scrutiny Committee and the Transport Delivery Overview and Scrutiny Committee.

A full review of all the WMCA governance functions is currently underway to ensure that the governance framework is fit for any future devolution of powers and in particular the upcoming single settlement.

Organisational Vision and values
WMCA is committed to a better connected, more prosperous, fairer, greener and healthier region. This is our vision and will be achieved through living the Authority's values which are central to how we work and interact with our wider partners and stakeholders:

Collaborative

- Team Focussed – working as part of a team, managing and leading
- Service Driven – customer, resident and partner focused

Driven

- Empowered and Accountable – taking ownership and leading when needed
- Performance Focused – being ambitious and going the extra mile

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Inclusive
- One Organisation Mindset – believe in each other's expertise
- Open and Honest Communication – we do what we say we are going to do

Innovative
- Forward Thinking – embrace change and open to new possibilities
- Problem Solving – go for clear and simple wherever possible

The business of the Authority is also conducted in accordance with the Seven Principles of Public Life identified in The Nolan Committee Report (1995), and defined as Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership.

2. Ensuring openness and comprehensive stakeholder engagement

We have established channels of communication with the community and other stakeholders, ensuring accountability and encouraging open consultation. All formal meetings are held in public, and reports are in the public domain unless there are good reasons for confidentiality in individual cases.

All Committee meetings are held in public, (other than in limited circumstances where consideration of confidential information requires the public to be excluded) with agenda and reports being accessible on the WMCA's external website. All public meetings are recorded and accessible through YouTube on-demand. Following the end of the temporary regulations allowing for hybrid and virtual meetings during Covid-19, all meetings constituted under the Local Government Act 1972 are held in person and only those members present are considered part of the quorum and are able to vote.

The Authority has in place a committee management system that proactively publishes information relating to public meetings, decisions and the Forward Plan and is designed to make information readily available to the public without the need for specific written requests. Any information not published is available, subject to assessment, under the provisions of the Freedom of Information Act 2000. Details of how to make a request for information is available on our website.

We incorporate good governance arrangements with our partnerships and reflect these in our overall governance arrangements, including the assessment and effectiveness of relationship frameworks in order to identify and implement any changes, if required.

Where consultation is required, we adhere to the principles of good consultation of the "Gunning Principles" and a variety of measures are used to seek the views of the public. For example, public consultation is incorporated into any plans where a change to public transport policy is being considered.

Overview & Scrutiny Committee has responsibility to ensure that the decisions of the WMCA have considered all relevant information, are proportionate to the outcomes desired, and have been made in the best interests of the region. It is able to 'call in' any decision for further scrutiny that it considers may not meet these standards. It also conducts Question & Answer sessions with the Mayor twice yearly, with the questioning focusing on policy delivery and budget setting. The overview and scrutiny function has been reviewed in line with the Deeper Devolution Deal and a secondary scrutiny committee has been formed, focusing on public transport matters. The requirements of these committees will continue to be assessed and updated to remain in line with the Scrutiny Protocol, as published by DLUHC.

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3. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Authority ensures the vision and implications for governance arrangements are regularly reviewed including the monitoring of its achievement of intended outcomes from social, economic, environmental, and organisational health perspectives through the budget, performance framework, and project delivery process.

The Authority is focussed on delivering value for money and success, and in this respect is reviewed by independent auditors in line with the National Audit Office's Code of Audit Practice and Auditor’s Guidance Note AGN03. The results of the Value for Money audit work and the key messages arising are reported in the Audit Findings Report and in the Auditor’s Annual Report.

To ensure the purpose and vision of the Authority is clear and well communicated, an Annual Business Plan (ABP) is produced, and closely aligned to the WMCA Aims & Objectives that were agreed by WMCA Board in November 2021. The ABP outlines all activities to be undertaken in-year to deliver against these objectives, with progress regularly monitored through a number of outcome measures (both High Level Deliverables and profiled milestones) and reported monthly to the Executive Board and bi-annually to WMCA Board. The 2024/25 outcome measures were agreed by the WMCA Board in March 2024 as part of the Budget report.

The Aims & Objectives are approved by WMCA Board and are outlined below:

- **Aim 1:** To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs
- **Aim 2:** To ensure everyone has the opportunity to benefit as the region recovers from Covid 19, improves resilience and tackles long standing challenges
- **Aim 3:** To connect our communities by delivering transport and unlocking housing and regeneration.
- **Aim 4:** To reduce carbon emissions to net zero, enhance the environment and boost climate resilience
- **Aim 5:** To secure new powers and resources from central government, and demonstrate the strength of our regional partnership
- **Aim 6:** To develop our organisation and our role as a good regional partner.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Authority works closely with the relevant Government Departments, local and national stakeholders and constituent and non-constituent authorities to determine the necessary actions to achieve its Aims and objectives.

The Executive Board oversees the corporate decision-making process and reports are considered at an appropriate level of the organisation in accordance with the provisions of the Constitution and the Scheme of Delegation.

Corporate strategic decisions are primarily taken at meetings of the WMCA Board, with Investment Fund decisions up to the value of £20M having been delegated to the Investment Board. This includes reviewing progress of outcomes against delivery plans.

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5. Developing the entity's capacity, including the capability of its leadership and the individuals within it

We have defined and documented the roles and responsibilities of the Board, Scrutiny, and officer functions within the Constitution, with clear delegation arrangements and protocols for effective communication in place. As the Authority continues to evolve, we will continue to review the governance arrangements and revise the Constitution to ensure it remains fit for purpose. The Scheme of Delegations is laid out in the Constitution. As noted above, a full review of all the WMCA governance functions is currently underway to ensure that the governance framework is fit for any future devolution of powers and in particular the upcoming single settlement.

Our Performance Management and Monitoring & Evaluation Frameworks, together with a performance reporting solution using Power Bi dashboards, provide a foundation for the journey towards data-driven and evidence-based decision making. This improves the visibility and transparency of reporting as a 'single version of the truth,' and together with the introduction of a more dynamic business planning process, this enables regular conversations about the activity to be delivered and the resources, both financial and people, required to achieve this. Our behavioural framework is fundamental to our performance framework and will align to our goals, ensuring a 'golden thread' between the corporate aims and objectives through to individual performance management goals, enabling every one of our people to see their contribution to the Authority's vision. This facilitates how we develop a culture that supports us all to be diverse, inclusive, innovative, and proud to be part of the Authority.

We identify and aim to address the development needs of Members and officers in relation to their roles and support with appropriate induction and training. In addition, statutory training requirements are in place for all officers to ensure our duties under Equalities, Safeguarding, Health & Safety, Information Security and GDPR are met.

Each year, after the local elections have been held, the WMCA provides an 'Induction Day' for newly elected members to provide an introduction to the WMCA, its role and remit, how it operates, and the role of elected members who are attending its boards and committees. This induction also provides further details on the key corporate strategies of the WMCA, along with its current Annual Business Plan.

6. Managing risks and performance through robust internal control and strong public financial management

The Strategic Risk Management Framework (SRMF) provides the structure and the tools for WMCA staff to undertake consistent risk management that protects the WMCA and supports the delivery of our objectives. In addition, it documents the risk management roles and responsibilities across the Lines of Defence, helping support the WMCA Board, Chief Executive Officer (CEO), Statutory Officers and Senior Leaders in creating and embedding a strong risk culture within the organisation. Over the last year we have continued to focus on supporting an integrated approach to risk management at project and programme level alongside the Authority's Programme Assurance and Appraisal activity. We have built on the good work we had in place to deliver high quality risk reporting to the Executive Board and ARAC and have been working on a revised SRMF, which we expect to roll-out in 2024. The new RMF will support a renewed focus on embedding good risk management at operational and Directorate level, and an integrated approach to risk and performance management.

The Authority ensures compliance with relevant laws and regulations, internal policies, and procedures. We are rigorous and transparent about decision making and the recording of decisions. The Overview and Scrutiny Committee reviews and challenges the work and decisions of the Authority with policy review and development.

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Audit, Risk, and Assurance Committee (ARAC) is independent of the Executive and Scrutiny functions; it has an independent, external Chair. It monitors and reviews risk and governance processes in order to provide assurance to the WMCA Board on the effectiveness of these arrangements.

Appropriate controls are in place for arms-length companies and as good practice, external auditors have been appointed for West Midlands Rail Limited, Midland Metro Limited, WM5G Limited, West Midlands Development Capital Limited, HT01 LLP and HT02 LLP, and the more recently established WMCA JV Limited.

An annual review of the Single Assurance Framework is undertaken in line with statutory requirements. It was updated during 2023 and approved by WMCA Board in November 2023. The review incorporated the English Devolution Accountability Framework requirement for an annual review of its Assurance and Governance processes and also outlined the Authority's specific approaches to Housing and Transport schemes and the Adult Education Budget.

The updated document follows more closely the structure of the English Devolution Accountability Framework making a distinction between governance and assurance requirements. The document included the new requirement to define the role of the Mayor and Local Authorities in decision making to meet the English Devolution Accountability Framework, and updates to the Governance process, (Designated Sign Off meetings for projects between £1 and £5 million).

The Framework supports good governance with enhanced assurance tools and processes and the appraisal of business cases and change requests to identify any improvement opportunities, together with any ongoing risks to inform the decision-making process. The Single Assurance Framework continues to be aligned to the Department of Levelling Up, Housing and Communities (DLUHC) and the English Devolution Accountability Framework, published in March 2023. It was approved by DLUHC in February 2024.

The Single Assurance Framework is supplemented by an Investment Panel and Investment Board whose remit includes the review and approval of all investment decisions. The Investment Board has a delegated authority to approve investment decisions from £5 million to £20 million and is reflected in its Terms of Reference. The approval of all investments above £20 million is considered and approved by WMCA Board.

Internal Audit provides the 'third line of defence' with the first line being policies, procedures, and controls, and the second being managers' own checks of the control environment, along with independent Risk Management and Programme Assurance activities undertaken as part of the Single Assurance Framework. Professional advice and good quality information is provided to ensure those making decisions are provided with relevant information that is fit for purpose.

The Authority has recognized the need for increased scrutiny of its operations and has undertaken a full review of its Internal Audit provision within the past year. An in-house internal audit service has now been established and recruited to. The team is to be managed by the Head of Internal Audit and Information Governance.

The 2023/24 annual review of the Authority's audits of its Key Financial Systems concluded with 2 processes being measured with a 'Substantial' internal audit rating and the remaining 4, being rated as 'Satisfactory'. Actions arising from these reviews are actively being addressed for completion at the earliest opportunity.

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7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Authority has implemented the WMCA Single Assurance Framework which was originally approved by MHCLG (previously Department of Communities and Local Government (DCLG)) in July 2020. A review of the framework is completed annually and was more recently updated and approved by WMCA Board in November 2023.

We continue to maintain close links with all relevant Government Departments and have regular conversations regarding issues including funding, delivery, and devolution objectives.

The Authority has a Monitoring Officer who sits on the Executive Board and attends the WMCA Board meetings to ensure all activities are conducted in a legal manner. Our high level of governance standards includes the publishing of agendas, minutes, and reports in the public domain and only a limited use of confidential reporting.

An annual review of any arm's length companies of the Authority is completed to assess and provide assurance that these operate with satisfactory governance and assurance arrangements in place. The Monitoring Officer has undertaken a review of all companies in which WMCA has involvement, which will help to strengthen arrangements for their oversight going forward, in addition to providing additional training for all councillors and officers who act as directors of companies as part of their Combined Authority responsibilities.

A Whistleblowing Policy and procedure is in place, last reviewed in May 2021. The Policy is intended to encourage and enable employees and stakeholders to raise serious concerns about any wrongdoing considered to be in the public interest, with the ability for confidential and anonymous reporting of claims to be made through the WMCA website.

All issues raised are considered by the Monitoring Officer in conjunction with Internal Audit, and the Executive Director of Finance & Business Hub to determine the progression of claims including the potential to escalate the claims to ARAC.

Last year's Annual Governance statement highlighted a number of areas to be considered for development in 2023/24. The table below sets out the actions that have been taken to address these:

Area	Action to be taken	Action taken
Overall governance	The Constitution has been updated to reflect all recent amendments with the review continuing to be progressed. This will be presented to Board when complete.	Updated Constitution published on WMCA website.

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Area	Action to be taken	Action taken
Overall governance	A review of all informal, internal committees has been completed with the implementation of the required changes now in progress. A review of formal decision-making committees, with a view to streamlining governance procedures in response to the responsibilities set out in the 2023 devolution deal, is currently in progress with implementation expected by summer 2024. The role out and use of Modern.gov is actively being progressed across the business and the review of the resourcing of the Governance and Legal team has been completed and successfully implemented.	Implementation of new arrangements is ongoing. Modern.gov is now used across the organisation for all formal decision-making meetings and continues to be embedded for all forward plans, key decisions and report writing. A streamlined formal governance decision making process is now in place.
Audit, Risk and Assurance	A review of how internal audit is provided at WMCA has been initiated.	The review has concluded with an In-House Internal Audit service having been in place for delivery of the 23/24 audit plan through contractor resource. Permanent resources have been recruited and are now in place.
Governance and Accountability in the new devolution deal	Work is commencing in partnership with Department for Levelling Up, Housing and Communities, the Centre for Governance and Scrutiny and Greater Manchester Combined Authority in relation to a new scrutiny protocol as detailed in the new deal.	The new Scrutiny Protocol has been published and adopted by the WMCA.
Strengthening Scrutiny	Work is commencing in partnership with Department for Levelling Up, Housing and Communities, the Centre for Governance and Scrutiny and Greater Manchester Combined Authority in relation to strengthening scrutiny and in particular in relation to members of parliament scrutinising the Mayor and portfolio lead.	The Terms of Reference for the MP Question time were agreed by the WMCA Board in June 2024 with the aim of holding the first public session in September 2024.

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Area	Action to be taken	Action Taken
Engagement with constituent and non-constituent local authorities	Work is ongoing to strengthen governance relationships with the local authorities. A west midlands governance network has been set up where forward plans and areas of best practice can be shared, and joint working initiatives explored where appropriate.	A new Member Relationship Manager post was created and successfully recruited to. As part of this work the WMCA has now attended and been represented at a number of Local Authority Scrutiny Committee meetings. Attendance has included the Chairs of both scrutiny committees, the Scrutiny Officer, the Member Relationship Manager, the Head of Policy and Public Affairs and the Chief Executive. This has been welcomed by our LA colleagues and councillors.
Member Induction and Engagement	A new member induction programme will be developed for the start of the new municipal year. This will seek to ensure that all members sitting on WMCA meetings are fully briefed as to the role of the WMCA and how it links and works with the Local Authorities and other regional partners.	An enhanced member induction event was held in June 2024 and received positive feedback. Additional training and member development is planned throughout the year. A member development programme and a member handbook are in place.
Awareness raising as to the role of a CA and governance arrangements.	The Head of Governance is working with the Association of Democratic Services Officers (ADSO) to produce a new training course to raise awareness of what CAs do and how they link with both local authorities and central government. Updated training slides on CAs will be included in all ADSO training as it is developed.	This work is ongoing and being developed by ADSO.
Webcasting of meetings – openness and transparency	Investigations are commencing as to options for improving our facilities in Summer Lane in relation to hosting public meeting meetings and in particular our ability to host hybrid meetings and to webcast public meetings.	This work is ongoing.

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Annual Review of Effectiveness of Governance Framework

The Opinion of the Director of Law and Governance 2023/24

CIPFA (The Chartered Institute of Public Finance & Accountancy) defines the role of Governance, and the Chief Financial Officer as follows:

- Governance is defined as "The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner" and;
- The Chief Financial Officer is "The organisation's most senior executive role charged with leading and directing financial strategy and operations."

These statements have been confirmed and agreed by the Director of Law and Governance and the Executive Finance Director respectively.

The Director of Law and Governance is satisfied that the system of internal assurance is robust and provides visibility of risk and reasonable assurance to the Executive Board.

The opinion is based on the results of an on-going programme of activities and review, the outcomes of which were considered by ARAC. These include:

a) External audit
b) Internal audit
c) The Risk Management Process, particularly the Strategic Risk Register
d) Annual performance information pertaining to Data Protection, Equalities, and Health & Safety.
e) Programme Assurance and Appraisal

Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Combined Authority by other providers as well as directly by Internal Audit, the Head of Internal Audit has provided an audit opinion of Reasonable Assurance that the Combined Authority has adequate and effective governance, risk management and internal control processes in place.

The Single Assurance Framework (SAF) has been implemented across all WMCA Directorates and oversight of business cases and change requests by the Programme Assurance and Appraisal team, as part of the SAF process, continues to increase; demonstrating improved project controls and consistent processes are being implemented across the organisation. This is helping to manage risks and drive improvements in the quality of business cases and overall project and programme management activity.

Regular reporting on Programme Assurance and Appraisal team activity, together with insights regarding common themes, issues and any recommendations for improvement have been provided to the Executive Board and ARAC throughout 2023/24.

Progress of the 2023/24 High Level Deliverables was monitored on a monthly basis by the Executive Board through exception reporting and against the identification of key risks that could impact on delivery. In addition, performance was reported to WMCA Board mid-year and at year end.

The Strategic Risk Management Framework includes an escalation process that allows for risks to be escalated, ultimately to the Strategic Risk Register. Quarterly reporting of the strategic risk register is working effectively, and work has been focused on collaboration with the Programme Assurance and Appraisal team to improve consistency of risk management across all projects and programmes. As this starts to embed, attention has turned to improving the consistency of Operational or Directorate Risk Registers and to focus attention on enabling Directorates to have full visibility of key risks with the potential to impact on the Authority's ability to deliver its business plan objectives. The aim is for Risk Management, Performance Management and Business Planning activity to provide a strong evidence base to improve decision making.

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In accordance with the Digital and Data Strategy, the Authority has adopted cabinet office levels of protective security. These mandated standards allow for increasing maturity across the business by adherence to articulated mandates and best practice advice and guidance. Any non-conformity constitutes risk and is managed appropriately.

The Authority has set itself a demanding programme of work and is ambitious for itself and the benefits that it aims to bring to the region. It has been successful in negotiations for a second Devolution Deal and has recruited an able team of experienced professionals to form the leadership team. There is significant pressure on resources however, particularly in matching staff resources to the tasks in hand and this is being carefully monitored by the Authority and a plan is in place to mitigate these pressures accordingly.

This Annual Governance Statement identifies that WMCA has effective arrangements in place; however, the organisation realises the need to monitor its governance arrangements on an ongoing basis given the ever-changing environment within which it operates, and due to the organisation continuing to evolve. Whilst the organisation has not identified any significant Governance issues, a number of areas for development have been identified for progression in 2024/2025 and are outlined within the table below.

Area	Action to be taken
Internal Audit	Policies and procedures to be developed for the service, including a review of the Internal Audit charter to support the development and embedding of the In house team.
Audit, Risk & Assurance Committee	ARAC members to consider the introduction of annual self-assessments to determine the committee's effectiveness, to identify any skills or knowledge gaps within its membership, and its engagement with officers and WMCA Board.
Single Settlement	Work is ongoing to ensure that the governance framework is ready to support the requirements of the Single Settlement.
Risk Management Framework	Engagement with Directors and their leadership teams will continue to help embed the revised Risk Management Framework, and to provide advice and deliver bespoke guidance and solutions. Development and the delivery of specific training guides for the new Risk Management intranet page
Organisational governance processes	The alignment and awareness of governance arrangements across the authority is to be improved.
Webcasting of meetings – openness and transparency	Investigations are continuing into options for improving our facilities in Summer Lane in relation to hosting public meeting meetings and in particular our ability to host hybrid meetings and to webcast public meetings.
Procurement Act 2023	A restructuring of Procurement and Contract Management arrangements is progressing to ensure robust arrangements are in place and conform to the requirements of the Procurement Act 2023.

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Conclusion

In undertaking this review of internal control and governance framework, the Authority is satisfied the systems of internal control that facilitate the effective exercise of the organisation's functions are in place and that all issues raised through the Audit, Risk and Assurance Committee have been appropriately addressed and actions have been assigned an appropriate owner.

On behalf of the West Midlands Combined Authority

Richard Parker
Mayor and Chair of the West Midlands Combined Authority
Date:

Laura Shoaf
Chief Executive
Date:

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The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing the Authority's services in accordance with generally accepted accounting practices, rather than the amount to be funded from resources. The reconciliation from the accounting cost to the funding position is shown in both the Expenditure and Funding Analysis (note 6) and the Movement in Reserves Statement.

The 2022/23 comparatives have been restated with further details in note 35 Prior period adjustments. This is a presentational adjustment with no impact on the General Fund Balance.

The reconciliation of Total Comprehensive Income and Expenditure to Surplus or deficit for the year under funding basis is provided in note 5.

2022/2023 (restated)					2023/2024		
Gross Expenditure £'000	**Gross Income** £'000	**Net Expenditure** £'000		Notes	**Gross Expenditure** £'000	**Gross Income** £'000	**Net Expenditure** £'000
386,675	(243,501)	143,174	Transport services		367,998	(211,377)	156,621
185,948	(188,701)	(2,753)	Combined Authority wider services		253,681	(238,989)	14,692
71,228	-	71,228	Investment Programme		46,585	(922)	45,663
849	(898)	(49)	Mayor's office		901	(895)	6
-	(35)	(35)	Mayoral elections		-		-
644,700	**(433,135)**	**211,565**	**Cost of services**		**669,165**	**(452,183)**	**216,982**
57	(418)	(361)	Other operating expenditure	8	756	(1,736)	(980)
16,793	(12,346)	4,447	Financing and investment income and expenditure	9	20,551	(40,486)	(19,935)
1,116	(312,706)	(311,590)	Taxation and non-specific grant income and expenditure	10	2,872	(261,296)	(258,424)
662,666	**(758,605)**	**(95,939)**	**(Surplus) or deficit on provision of services**		**693,344**	**(755,701)**	**(62,357)**
		(23,591)	Remeasurement of the net defined benefit asset/liability	27			(3,576)
		(90)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	25			103
		(23,681)	**Other Comprehensive Income and Expenditure**				**(3,473)**
		(119,620)	**Total Comprehensive Income and Expenditure**				**(65,830)**

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The Group Comprehensive Income and Expenditure Statement includes the results of its subsidiaries, Midland Metro Limited and WM5G Limited which impact transport services, Combined Authority wider services and financing and investment income and expenditure line items.

The 2022/23 comparatives have been restated with further details in note 35 Prior period adjustments. This is a presentational adjustment with no impact on the General Fund Balance.

The reconciliation of Total Comprehensive Income and Expenditure to Surplus or deficit for the year under funding basis is provided in note 5.

2022/2023 (restated)					**2023/2024**		
Gross Expenditure £'000	**Gross Income** £'000	**Net Expenditure** £'000		Notes	**Gross Expenditure** £'000	**Gross Income** £'000	**Net Expenditure** £'000
393,322	(250,202)	143,120	Transport services		378,800	(222,232)	156,568
187,674	(190,559)	(2,885)	Combined Authority wider services		253,640	(239,831)	13,809
70,996	-	70,996	Investment Programme		45,018	(922)	44,096
849	(898)	(49)	Mayor's office		901	(895)	6
-	(35)	(35)	Mayoral elections		-	-	-
652,841	**(441,694)**	**211,147**	**Cost of services**		**678,359**	**(463,880)**	**214,479**
57	(418)	(361)	Other operating expenditure	8	756	(1,736)	(980)
16,920	(12,295)	4,625	Financing and investment income and expenditure	9	20,566	(40,441)	(19,875)
1,116	(312,706)	(311,590)	Taxation and non-specific grant income and expenditure		2,925	(261,296)	(258,371)
670,934	**(767,113)**	**(96,179)**	**(Surplus) or deficit on provision of services**		**702,606**	**(767,353)**	**(64,747)**
		-	Tax expenses of subsidiary				-
		(96,179)	**Group (surplus) or deficit**				**(64,747)**
		(23,591)	Remeasurement of the net defined benefit asset/liability	27			(3,576)
		(90)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	25			103
		(23,681)	**Other Comprehensive Income and Expenditure**				**(3,473)**
		(119,860)	**Total Comprehensive Income and Expenditure**				**(68,220)**

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AUTHORITY MOVEMENT IN RESERVES

The Authority Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure) and ‘unusable reserves’ (i.e. those allocated for specific purposes). This statement shows how the movements in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts to be funded from resources.

	Usable reserves					Unusable reserves							
	General Fund Balance	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Reval-uation Reserve	Capital Adjustment Account	Financial Instruments Revaluation Reserve	Financial Instruments Adjustment Account	Pensions Reserve	Accumulated Absences Account	Total Unusable Reserves	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	**1,607**	**219,656**	**221,263**	**1,841**	**223,104**	**6,126**	**84,266**	**(647)**	**(2,077)**	**(11,559)**	**(1,138)**	**74,971**	**298,075**
Movements in reserves during 2022/23													
Total comprehensive income and expenditure	95,939	-	95,939	-	95,939	-	-	90	-	23,591	-	23,681	119,620
Adjustments between accounting basis and funding basis under regulations (note 6b)	(45,742)	-	(45,742)	418	(45,324)	(193)	57,597	(513)	317	(12,032)	148	45,324	-
Increase or (decrease) in 2022/23 before transfer to earmarked reserves	**50,197**	**-**	**50,197**	**418**	**50,615**	**(193)**	**57,597**	**(423)**	**317**	**11,559**	**148**	**69,005**	**119,620**
Transfers (to)/from earmarked reserves	(47,393)	47,393	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2023 carried forward	**4,411**	**267,049**	**271,460**	**2,259**	**273,719**	**5,933**	**141,863**	**(1,070)**	**(1,760)**	**-**	**(990)**	**143,976**	**417,695**
Movements in reserves during 2023/24													
Total comprehensive income and expenditure	62,357	-	62,357	-	62,357	-	-	(103)	-	3,576	-	3,473	65,830
Adjustments between accounting basis and funding basis under regulations (note 6b)	(16,709)	-	(16,709)	1,736	(14,973)	(193)	19,054	(386)	144	(3,576)	(70)	14,973	-
Increase or (decrease) in 2023/24 before transfer to earmarked reserves	**45,648**	**-**	**45,648**	**1,736**	**47,384**	**(193)**	**19,054**	**(489)**	**144**	**-**	**(70)**	**18,446**	**65,830**
Transfers (to)/from earmarked reserves	(43,622)	43,622	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2024 carried forward	**6,437**	**310,671**	**317,108**	**3,995**	**321,103**	**5,740**	**160,917**	**(1,559)**	**(1,616)**	**-**	**(1,060)**	**162,422**	**483,525**

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GROUP MOVEMENT IN RESERVES

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the Group, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure) and ‘unusable reserves’ (i.e. those allocated for specific purposes). This statement shows how the movements in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts to be funded from resources.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Revaluation Reserve £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Reserves of the Subsidiary £'000	Total reserves £'000
Balance at 31 March 2022	**1,607**	**219,656**	**221,263**	**1,841**	**223,104**	**6,126**	**84,266**	**(647)**	**(2,077)**	**(11,559)**	**(1,138)**	**74,971**	**298,075**	**1,436**	**299,511**
Movements in reserves during 2022/23															
Total comprehensive income and expenditure	96,044	-	96,044	-	96,044	-	-	90	-	23,591	-	23,681	119,725	135	119,860
Adjustments between group accounts and authority accounts	(105)	-	(105)	-	(105)	-	-	-	-	-	-	-	(105)	105	-
Net increase/decrease before transfers	**95,939**	**-**	**95,939**	**-**	**95,939**	**-**	**-**	**90**	**-**	**23,591**	**-**	**23,681**	**119,620**	**240**	**119,860**
Adjustments between accounting basis and funding basis under regulations (note 6b)	(45,742)	-	(45,742)	418	(45,324)	(193)	57,597	(513)	317	(12,032)	148	45,324	-	-	-
Increase or (decrease) in 2022/23 before transfer to earmarked reserves	**50,197**	**-**	**50,197**	**418**	**50,615**	**(193)**	**57,597**	**(423)**	**317**	**11,559**	**148**	**69,005**	**119,620**	**240**	**119,860**
Transfers to/(from) earmarked reserves	(47,393)	47,393	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2023 carried forward	**4,411**	**267,049**	**271,460**	**2,259**	**273,719**	**5,933**	**141,863**	**(1,070)**	**(1,760)**	**-**	**(990)**	**143,976**	**417,695**	**1,676**	**419,371**
Movements in reserves during 2023/24															
Total comprehensive income and expenditure	64,797	-	64,797	-	64,797	-	-	(103)	-	3,576	-	3,473	68,270	(50)	68,220
Adjustments between group accounts and authority accounts	(2,440)	-	(2,440)	-	(2,440)	-	-	-	-	-	-	-	(2,440)	2,440	-
Net increase/decrease before transfers	**62,357**	**-**	**62,357**	**-**	**62,357**	**-**	**-**	**(103)**	**-**	**3,576**	**-**	**3,473**	**65,830**	**2,390**	**68,220**
Adjustments between accounting basis and funding basis under regulations (note 6b)	(16,709)	-	(16,709)	1,736	(14,973)	(193)	19,054	(386)	144	(3,576)	(70)	14,973	-	-	-
Increase or (decrease) in 2023/24 before transfer to earmarked reserves	**45,648**	**-**	**45,648**	**1,736**	**47,384**	**(193)**	**19,054**	**(489)**	**144**	**-**	**(70)**	**18,446**	**65,830**	**2,390**	**68,220**
Transfers to/(from) earmarked reserves	(43,622)	43,622	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2024 carried forward	**6,437**	**310,671**	**317,108**	**3,995**	**321,103**	**5,740**	**160,917**	**(1,559)**	**(1,616)**	**-**	**(1,060)**	**162,422**	**483,525**	**4,066**	**487,591**

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BALANCE SHEETS

The Balance Sheets show the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority and the Group. The net assets (assets less liabilities) are matched by the reserves held by the Authority and the Group. Reserves are reported in two categories – usable and unusable. Usable reserves are those that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Authority and the Group is not able to use for the provision of services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences in capital investment (for example the Capital Adjustment Account).

		31 March 2024		**31 March 2023**	
		Authority	**Group**	**Authority**	**Group**
	Notes	£'000	£'000	£'000	£'000
Property, plant and equipment	14	833,660	834,757	701,027	701,391
Intangible assets	15	1,367	1,367	1,781	1,781
Long-term investments	16	72,249	72,249	33,774	33,774
Long-term debtors	29	16,480	16,480	16,392	16,392
Long-term assets		**923,756**	**924,853**	**752,974**	**753,338**
Short-term investments	16	748,807	748,807	694,141	694,141
Inventories	17	2,999	5,199	7,770	9,059
Short-term debtors	18	103,400	102,531	107,147	108,899
Cash and cash equivalents	19	62,998	67,039	28,788	30,472
Current assets		**918,204**	**923,576**	**837,846**	**842,571**
Short-term borrowing	20	(16,327)	(16,327)	(15,956)	(15,956)
Short-term creditors	21	(150,044)	(152,447)	(142,863)	(146,276)
Provisions	22	(3,764)	(3,764)	(2,232)	(2,232)
Grants receipts in advance - revenue	10	(28,771)	(28,771)	(35,235)	(35,235)
Transferred debt	23	(1,282)	(1,282)	(1,175)	(1,175)
Current liabilities		**(200,188)**	**(202,591)**	**(197,461)**	**(200,874)**
Net current assets/(liabilities)		**718,016**	**720,985**	**640,385**	**641,697**
Long-term borrowing	20	(578,429)	(578,429)	(491,457)	(491,457)
Provisions	22	(2,258)	(2,258)	(3,110)	(3,110)
Grants receipts in advance - capital	10	(576,218)	(576,218)	(478,536)	(478,536)
Transferred debt	23	(1,342)	(1,342)	(2,561)	(2,561)
Net pension liability	27	-	-	-	-
Long-term liabilities		**(1,158,247)**	**(1,158,247)**	**(975,664)**	**(975,664)**
Net assets		**483,525**	**487,591**	**417,695**	**419,371**
General Fund Balance	24	6,437	6,437	4,411	4,411
Earmarked Reserves	24	310,671	314,666	267,049	268,604
Capital Receipts Reserve	24	3,995	3,995	2,259	2,259
Profit and Loss Reserve	24	-	71	-	121
Usable reserves		**321,103**	**325,169**	**273,719**	**275,395**
Revaluation Reserve	25	5,740	5,740	5,933	5,933
Capital Adjustment Account	25	160,917	160,917	141,863	141,863
Financial Instruments Revaluation Reserve	25	(1,559)	(1,559)	(1,070)	(1,070)
Financial Instruments Adjustment Account	25	(1,616)	(1,616)	(1,760)	(1,760)
Pensions Reserve	25	-	-	-	-
Accumulated Absences Account	25	(1,060)	(1,060)	(990)	(990)
Unusable reserves		**162,422**	**162,422**	**143,976**	**143,976**
Total reserves		**483,525**	**487,591**	**417,695**	**419,371**

This unaudited Statement of Accounts was certified by Linda Horne on 27 June 2024.

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The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority and the Group during the reporting period. The statement shows how the Authority and the Group generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of grant income or from the recipients of services provided by the Authority and the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority and the Group's future service delivery.

	2024		2023	
	Authority £'000	Group £'000	Authority £'000	Group £'000
Net surplus/(deficit) on the provision of services	62,357	64,747	95,939	96,179
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation and amortisation of non-current assets	30,195	30,529	26,790	26,954
Revaluation increase	2,066	2,066	(1,409)	(1,409)
Net amounts of non-current assets written off on disposal	756	756	57	57
Non-current assets transferred to provision of services	1,418	1,418	1,677	1,677
Other non-cash items charged to the net (deficit)/surplus on the provision of services	325	325	513	513
Change in pensions liability (note 27)	3,576	3,576	15,158	15,158
(Increase)/decrease in long-term debtors	(88)	(88)	(233)	(233)
(Increase)/decrease in short-term debtors	3,747	6,368	(40,399)	(38,014)
(Increase)/decrease in inventories	4,771	3,860	697	359
Increase/(decrease) in short-term creditors	7,181	6,171	21,311	19,139
Increase/(decrease) in provisions	680	680	494	494
Net interest payable	(23,060)	(23,015)	1,534	1,585
Interest paid	(17,073)	(17,073)	(13,258)	(13,258)
Interest received	40,486	40,441	12,346	12,295
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Capital grants received	(88,407)	(88,407)	(143,537)	(143,537)
Capital grants paid	2,872	2,872	1,116	1,116
Any other items for which the cash effects are investing or financing cash flows	(1,736)	(1,736)	(418)	(418)
Net cash flows from operating activities	**30,066**	**33,490**	**(21,622)**	**(21,343)**
Investing activities				
Purchase of property, plant and equipment and intangible assets	(166,654)	(167,721)	(128,117)	(128,298)
Purchase of short-term and long-term investments	(1,689,905)	(1,689,905)	(1,637,949)	(1,637,949)
Proceeds from short-term and long-term investments	1,596,096	1,596,096	1,433,214	1,433,214
Capital grants received for the purchase of property, plant and equipment, intangible assets and inventories	85,535	85,535	142,421	142,421
Increase/(decrease) in grants receipts in advance	91,218	91,218	68,726	68,726
Other receipts from investing activities	1,736	1,736	418	418
Net cash flows from investing activities	**(81,974)**	**(83,041)**	**(121,287)**	**(121,468)**
Financing activities				
Cash receipts of short- and long-term borrowing	407,900	407,900	115,000	115,000
Repayment of loans	(320,673)	(320,673)	(62,760)	(62,760)
Transferred debt - repayment of principal	(1,109)	(1,109)	(1,008)	(1,008)
Net cash flows from financing activities	**86,118**	**86,118**	**51,232**	**51,232**
Net increase or decrease in cash and cash equivalents	**34,210**	**36,567**	**(91,677)**	**(91,579)**
Cash and cash equivalents at 1 April	28,788	30,472	120,465	122,051
Cash and cash equivalents at 31 March (note 19)	**62,998**	**67,039**	**28,788**	**30,472**

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1. Basis of preparation

a) General principles

The Statement of Accounts summarises the Authority and the Group's transactions for the 2023/24 financial year and the position as at 31 March 2024. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS).

The Group financial statements have been prepared in accordance with the Code.

b) Basis of preparation

i) Authority Accounts

The accounts have been prepared on a historical cost basis modified by the revaluation of certain categories of non-current assets in accordance with the Code. Income and expenditure are accounted for on an accruals basis (recognised in the period to which they relate) rather than when cash payments are made or received.

ii) Group Accounts

The Code requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group financial statements.

The Group's financial statements have been prepared using uniform accounting policies and on a historical cost basis modified by the revaluation of certain categories of non-current assets in accordance with the Code and incorporate the financial statements of the Authority and its material subsidiaries as at 31 March 2024.

The accounting policies of the subsidiaries have been aligned with the policies of the Authority, for the purposes of Group accounts, where materially different.

c) Going concern

The accounts of the Authority and the Group have been prepared on a going concern basis. This assumes that the functions of the Authority will continue in operational existence for the foreseeable future.

2. Significant accounting policies

a) Consolidation

The Authority is required to produce group accounts where it has interests in subsidiaries, associates and/or joint ventures unless the interest is considered not material. The group boundary is dependent upon the extent of the Authority's control or significant influence over the entity.

Inclusion in the group is dependent upon the extent of the Authority's interest in and power to influence an entity. The Authority is considered to control an entity if it has power over the entity, exposure or rights to variable returns from its interest with the entity and the ability to use its power to affect the level of returns. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity or representation at an entity's board of directors or management board.

An assessment of all the Authority's interests has been carried out during the year to determine the relationships that exist and whether they should be included within the Authority's group accounts. As such, the accounts of Midlands Development Capital Limited, Network West Midlands Limited, West Midlands Development Capital Limited and WMCA JV Limited which are subsidiaries of the Authority; its associates, West Midlands Rail Limited and Black Country Innovative Manufacturing Organisation;

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and joint ventures in HTO1 LLP and HTO2 LLP have not been consolidated with those of the Authority because the companies are either dormant and do not hold any assets or liabilities or are not material (see note 16 on investments).

The accounts of Midland Metro Limited and WM5G Limited have been consolidated into the group accounts on a line-by-line basis.

b) Taxation

Corporation, income and capital gains tax

Authority
The Authority is exempt from corporation, income and capital gains tax by virtue of regulations section 74 of the Local Government Finance Act 1988.

Subsidiaries
Corporation tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Comprehensive Income and Expenditure Statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except as otherwise indicated. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Value added tax (VAT)
Revenues, expenses and assets are recognised net of the amount of VAT except:

- Irrecoverable VAT on the purchase of assets or services is recognised as an expense in the Comprehensive Income and Expenditure Statement.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from HMRC, or payable to the Authority and the Group is included as part of receivables or payables in the Balance Sheet.

c) Income
Revenue grants and other funding income is recognised on an accruals basis where there is reasonable assurance that the income will be received and all attached conditions have been complied with.

Income from service recipients is recognised when the services are transferred to the service recipient in accordance with the performance obligations in the contract.

d) Government grants and other contributions
Grants and contributions are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement, except to the extent that the grant or contribution has a condition that the Authority has not satisfied. Where a grant has been received and conditions remain outstanding at the Balance Sheet date, the grant is recognised in the Balance Sheet as grants receipts in advance. Once the condition has been met, the grant or contribution is transferred from grants receipts in advance and recognised as income in the Comprehensive Income and Expenditure Statement.

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With respect to capital grants, if the expenditure to be financed from the grant has been incurred at the Balance Sheet date, the grant is transferred from the General Fund to the Capital Adjustment Account via the Movement in Reserves Statement. If the expenditure has not been incurred at the Balance Sheet date, the grant is transferred to the capital grants unapplied reserve via the Movement in Reserves Statement. When the expenditure is incurred, the grant is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.

With respect to revenue grants, if the expenditure has not been incurred at the Balance Sheet date, the grant is transferred to Earmarked Reserves via the Movement in Reserves Statement. When the expenditure is incurred, the grant is transferred back via the Movement in Reserves Statement.

***e)* Revenue expenditure funded from capital under statute**

Revenue expenditure funded from capital under statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet.

- As part of its policy of improving and co-ordinating public transport within the area, the Authority meets the cost of upgrading transport facilities within the West Midlands. These costs are attributed to tangible assets where possible with the remainder charged to Cost of Services in the year as REFCUS.
- The Authority makes payments of capital grants and contributions to Constituent Authorities and other organisations carrying out economic development and regeneration functions. These are included within REFCUS.

REFCUS is charged to the Cost of services as the expenditure is incurred and reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Any grants and/or contributions receivable by the Authority in relation to REFCUS are charged to the Cost of services that the related expenditure is expensed to. These are then reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

f) Pensions scheme

Defined Benefit Pension Scheme

Employees of the Authority are members of the West Midlands Pension Fund. This is a funded defined benefits career average salary statutory scheme administered by the City of Wolverhampton Council in accordance with the Local Government Pension Scheme Regulations 2013 (previously a funded defined benefits final salary statutory scheme). The scheme provides defined benefits to members (e.g. retirement lump sums and pensions) which are earned by employees who worked for the Authority. The fund is valued every three years by a professionally qualified independent actuary.

The Authority's share of the fund's assets and liabilities are recognised in the Balance Sheet in accordance with IAS 19. The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - i) current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - ii) past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
  - iii) net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into

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account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  i) the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
  ii) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure
  iii) contribution paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
  iv) any change in the effect of the asset ceiling excluding amounts included in net interest on the net defined benefit

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Defined Contribution Pension Scheme
Midland Metro Limited and WM5G Limited operate a defined contribution pension plan for their employees. A defined contribution plan is a pension plan whereby the company pays fixed contributions into a separate entity. Once the contributions have been paid, the company has no further payment obligations.

The contributions are recognised as an expense in the Comprehensive Income and Expenditure Statement when they fall due. Amounts not paid are shown in creditors as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

g) Financial assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI)

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

The financial assets include investments, long-term debtors, trade debtors and cash and cash equivalents.

Cash and cash equivalents comprise cash in hand and deposits with any financial institutions repayable without penalty on notice of not more than 24 hours. These include call accounts and money market funds. For the purpose of the Cash Flow Statement, bank overdrafts that are repayable on demand and form an integral part of the Authority and the Group's cash management are included as a component of cash and cash equivalents.

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Trade debtors are recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should such an amount become uncollectable, it is written off to the Comprehensive Income and Expenditure Statement in the period in which it is recognised.

Financial assets measured at amortised cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority and the Group become a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority and the Group, this means that the amount presented in the Balance Sheet is the outstanding principal amount (plus accrued interest) and interest credited to the CIES is the amount receivable for the year.

The Authority has made a loan at less than market rates (soft loan). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected credit loss model
The Authority and the Group recognise expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade debtors held by the Authority and the Group.

Impairment losses are calculated to reflect the expectation that the future cash flow might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Authority has a Collective Investment Fund portfolio which loans to property developers within the Authority geography. Loss allowances for these loans are assessed on an individual basis.

Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at cost and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

With the adoption of IFRS 9 Financial Instruments, the standard requires that investments in equity is classified as fair value through profit or loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. The investment in HTO1 LLP and HTO2 LLP is an equity instrument and as such, the default position is that any gains and losses would be recognised through profit or loss.

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As the Authority's equity in HTO1 LLP and HTO2 LLP is a strategic investment and not held for trading, the Authority has opted to make the irrevocable election to designate it as fair value through other comprehensive income. The impact of the election is that the movements in fair value will not be recognised in the surplus or deficit on the provision of services. The movements in fair value will be accumulated in the financial instruments revaluation reserve until the equity instrument is derecognised, at which point the net gain or loss would be transferred to the General Fund balance.

Financial assets measured at fair value through profit or loss (FVPL)
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Fair value measurements of financial assets
Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date
- level 2 inputs – inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly
- level 3 inputs – unobservable inputs for the asset

h) Financial liabilities
Financial liabilities include loans and borrowings and trade creditors. Loans and borrowings consist of bank overdrafts and finance leases.

Financial liabilities are recognised initially at fair value. Subsequent to initial recognition loans and borrowings are measured at amortised cost using the effective interest method. Annual charges for interest payable are made to the Comprehensive Income and Expenditure Statement based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Comprehensive Income and Expenditure Statement in the year they occur. Any premium or discount arising on restructuring of the loan portfolio is respectively deducted from or added to the amortised cost of the new or modified loan and charged to the Comprehensive Income and Expenditure Statement over the life of the loan.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movements in Reserves Statement. In 2023/24, no such transactions have occurred.

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Trade creditors are recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Comprehensive Income and Expenditure Statement in the period in which it is recognised. For finance leases see note 2(m).

Financial assets and liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the Authority and the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

i) Intangible assets

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the assets and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life between 2 - 5 years, on a straight-line basis to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

j) Property, plant and equipment

Recognition and measurement

Infrastructure and assets under construction are measured at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Assets classified as infrastructure include bus and railway stations, bus shelters, park and ride sites, trams and Midland Metro infrastructure.

All other assets are measured at current value. Vehicles, plant and equipment are valued at depreciated historical cost as a proxy for current value as they have short useful lives and/or low values. Current value for land and buildings is interpreted by the Code as the amount that would be paid for the asset in its existing use. Valuations are performed frequently to ensure that the current value of a revalued asset does not differ materially from its carrying amount.

The Authority has a de minimis limit of £35,000 which is reviewed annually, for the recognition of property, plant and equipment and intangible assets.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Each capital project is reviewed on an individual basis and the costs considered for capitalisation. Non-enhancing expenditure is charged to the Comprehensive Income and Expenditure Statement.

Any revaluation surplus is credited to the Revaluation Reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Comprehensive Income and Expenditure Statement, in which case the increase is recognised in the Comprehensive Income and Expenditure Statement. A revaluation deficit is recognised in the Comprehensive Income and Expenditure Statement, except to the extent that it offsets an existing surplus on the same asset in the Revaluation Reserve.

An annual transfer is made from the Revaluation Reserve to the General Fund for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating expenditure. When revalued assets are sold, any revaluation reserve relating to the particular asset is transferred to the General Fund.

Depreciation
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Leased assets as identified in note 2(m) are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. A full year's depreciation is charged in the financial year that the asset becomes operational. No depreciation is charged in the year of disposal.

Fixed assets are recorded at significant component level. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost is depreciated separately. The estimated useful lives for the current and comparative periods are as follows:

- Buildings 40 years
- Equipment 5 – 40 years

- Midland Metro
  - Infrastructure 10 - 30 years
  - Trams 30 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Midland Metro – future routes
Expenditure, other than land purchase, on other areas of the network will be capitalised once approval for a particular line is received and the development is likely to proceed. Costs which do not meet the definition for non-current assets are charged to the Comprehensive Income and Expenditure Statement. Land acquired for the expansion of the network is capitalised and included in land, measured at fair value. Once approval for a line is received and the development is likely to proceed, the land then is transferred to infrastructure.

Assets under construction
Expenditure in respect of assets which are not yet complete at the reporting date is classified as assets under construction. Upon the asset becoming operational, the expenditure is transferred to vehicles, plant and equipment or infrastructure assets as appropriate. In the event that capital expenditure does not directly result in an operational asset, the costs are recognised within the Comprehensive Income and Expenditure Statement.

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k) Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value and comprise of assets acquired under the Land Fund pending completion of remediation works.

Midland Metro Limited

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, on a "first in, first out" basis.

l) Joint arrangements

Joint arrangements are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the establishment of a separate entity. The Authority recognises its interest in the joint operations and its share of profit or loss from the joint operations in line with the contractual arrangements set out in the joint arrangement.

m) Leases

Leases in terms of which the Authority and the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Comprehensive Income and Expenditure Statement.

Operating leases are not recognised in the Balance Sheet but charged as an expense in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease term.

n) Impairment

Non-financial assets

The carrying value of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

Impairment losses are recognised in the Comprehensive Income and Expenditure Statement, except to the extent that they offset an existing surplus on the same asset in the Revaluation Reserve. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

o) Provisions and contingent liabilities

Provisions are recognised when the Authority and the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to the provision is recognised in the Comprehensive Income and Expenditure Statement.

A contingent liability arises where an event has taken place that gives the Authority and the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

p) Minimum Revenue Provision

Capital Finance Regulations require the Authority to provide for the repayment of long-term capital programme borrowing through a revenue charge in accordance with the Minimum Revenue Provision (MRP) requirements. The MRP policy is agreed by the Authority prior to the start of the financial year. The approved MRP statement for the current year is:

- For capital expenditure incurred before 1 April 2008, MRP will be determined as 2% of the capital financing requirement in respect of that expenditure.
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 2%, starting in the year after the asset becomes operational.
- For capital expenditure loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the capital financing requirement instead of MRP.

Where no principal repayment is made in a given year or loan repayments have not been received in accordance with the terms and conditions of the loan agreement or there is any uncertainty about receiving future repayments, MRP will be charged at a rate in line with the life of the assets funded by the loan.

In relation to the Authority wider Devolution Investment Programme, MRP is charged over 30 years in order to repay all the Investment Plan borrowing.

A revenue charge is also made to provide for the repayments of the former West Midlands County Council inherited debt of the Authority.

q) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

r) Prior Period Adjustments and changes in accounting policies

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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3. Critical accounting judgements, estimates and assumptions

The preparation of the financial report in conformity with the Code requires the Authority to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements
In applying the accounting policies set out in note 2, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is shown below:

<u>Group Boundaries</u>
The Authority has a number of interests in other entities which fall within the group boundary (see note 16). Midland Metro Limited and WM5G Limited are deemed to be material and are therefore consolidated into the group accounts.

Estimates and assumptions
The financial report contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The item in the Balance Sheet as at 31 March 2024 for which there is a risk of material adjustment in the forthcoming financial year is as follows:

- Defined pension benefits:
  The cost of defined benefit pension plans is determined using independent actuarial valuation involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end and determined jointly between the pension fund management and the actuaries. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next full actuarial valuation and will require a subsequent contribution adjustment to bring the funding back into line with target.

  The effects of changes in individual assumptions have been measured by the fund's actuaries in their 2024 IAS 19 valuation report:

  - A 0.1% p.a. decrease in the Real Discount Rate will increase the pension fund liability by £4.138m.
  - An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £9.981m.
  - 0.1% p.a. increase in the Salary Increase Rate will increase the pension fund liability by £0.111m.
  - 0.1% p.a. increase in the Pension Increase Rate (CPI) will increase the pension fund liability by £4.100m.

4. Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

The Code requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard under the International Financial Reporting Standard (IFRS) that has been issued but not yet adopted by the Code. The accounting standards that are to be introduced in the 2024/25 CIPFA Code of Practice are:

- IFRS 16 Leases (unless adopted voluntarily) – CIPFA/LASAAC has deferred the implementation of IFRS 16 Leases for the public sector until 2024/25, with an effective date of 1 April 2024
- Amendments to IFRS 16 (lease liability in a sale and leaseback) – clarification on subsequent measurement by a seller-lessee in a sale and leaseback transaction
- Amendments to IAS 1 (classification of liabilities as current or non-current) – clarification on the classification of liabilities based on the contractual arrangements in place at the reporting date
- Amendments to IAS 1 (non-current liabilities with covenants) – clarification on the conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability with covenants
- Amendments to IAS 12 (reference to the International Tax Reform: Pillar Two Model Rules) – applies to multinational groups with a minimum level of turnover
- Amendments to IAS 7 and IFRS 7 (supplier finance arrangements) – additional disclosure requirements on supplier finance arrangements

In respect of IFRS 16, work has begun to identify any contracts that would need to be treated differently as a result of the changes to the statutory accounting requirements. We expect that these contracts will mainly relate to the land and buildings rented by the Authority currently on operating leases as disclosed in note 30.

The other amendments will not be applicable and have no impact on the Authority or the Group's financial performance or position.

5. Reconciliation of Total Comprehensive Income and Expenditure to Surplus or deficit for the year under funding basis

		2023/24		2022/2023	
		Authority	Group	Authority	Group
		Net Expenditure	Net Expenditure	Net Expenditure	Net Expenditure
	Notes	£'000	£'000	£'000	£'000
Total Comprehensive Income and Expenditure		**(65,830)**	**(68,220)**	**(119,620)**	**(119,860)**
Adjustments between funding and accounting basis under regulations	6	16,709	16,709	45,742	45,742
Transfer to Pensions Reserve	27	3,576	3,576	23,591	23,591
Transfer to Financial Instruments Revaluation Reserve	25	(103)	(103)	90	90
Transfers to/from Earmarked Reserves					
- General fund	24	25,948	25,933	17,057	16,930
- Unapplied revenue grants	24	718	718	26,097	26,097
- Investment programme funding	24	16,956	19,411	4,239	4,471
(Surplus) or deficit for the year under funding basis		**(2,026)**	**(1,976)**	**(2,804)**	**(2,939)**

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6. Expenditure and Funding Analysis - Authority

(a) Expenditure and Funding Analysis

The Expenditure and Funding analysis shows how annual expenditure is used and funded from resources (transport levy, government grants, constituent and non-constituent contributions) by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Analysis for 2023/24

	As reported for resource management	Adjustments to arrive at amounts chargeable to the General Fund		Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis (note 5b)	Net expenditure in the Comprehensive Income and Expenditure Statement
		Reserves Transfer	Financing			
	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	115,865	(3,246)	2,459	115,078	41,543	156,621
Combined Authority wider services	7,396	(11,426)	12,465	8,435	6,257	14,692
Investment Programme	55,485	(28,956)	(2,548)	23,981	21,682	45,663
Mayor's office	-	6	-	6	-	6
Mayoral elections	-	-	-	-	-	-
Cost of services	**178,746**	**(43,622)**	**12,376**	**147,500**	**69,482**	**216,982**
Other operating expenditure	-	-	-	-	(980)	(980)
Financing and investment income and expenditure	(7,883)	-	(12,376)	(20,259)	324	(19,935)
Taxation and non-specific grant income and expenditure	(172,889)	-	-	(172,889)	(85,535)	(258,424)
(Surplus) or deficit on provision of services	**(2,026)**	**(43,622)**	-	**(45,648)**	**(16,709)**	**(62,357)**
Opening General Fund Balance (including Earmarked Reserves)				(271,460)		
Closing General Fund Balance (including Earmarked Reserves)				**(317,108)**		

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Comparatives for 2022/23 (restated)	As reported for resource management	Adjustments to arrive at amounts chargeable to the General Fund		Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis (note 5b)	Net expenditure in the Comprehensive Income and Expenditure Statement
		Reserves Transfer	Financing			
	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	115,318	(16,503)	(7,145)	91,670	51,504	143,174
Combined Authority wider services	4,945	(16,066)	4,323	(6,798)	4,045	(2,753)
Investment Programme	49,137	(14,740)	(4,039)	30,358	40,870	71,228
Mayor's office	-	(49)	-	(49)	-	(49)
Mayoral elections	-	(35)	-	(35)	-	(35)
Cost of services	**169,400**	**(47,393)**	**(6,861)**	**115,146**	**96,419**	**211,565**
Other operating expenditure	-	-	-	-	(361)	(361)
Financing and investment income and expenditure	(3,035)	-	6,861	3,826	621	4,447
Taxation and non-specific grant income and expenditure	(169,169)	-	-	(169,169)	(142,421)	(311,590)
(Surplus) or deficit on provision of services	**(2,804)**	**(47,393)**	-	**(50,197)**	**(45,742)**	**(95,939)**
Opening General Fund Balance (including Earmarked Reserves)				(221,263)		
Closing General Fund Balance (including Earmarked Reserves)				**(271,460)**		

(b) Note to the Expenditure and Funding Analysis

This note provides an analysis of the adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are shown in the Movement in Reserves Statement.

Adjustments for 2023/24

	Adjustments for capital purposes				Financial Instruments Adjustments Account	Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/ revaluation/ loss on disposal	REFCUS	Grants/ contributions	Financing				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	32,261	140,966	(121,432)	(12,680)	-	2,358	70	41,543
Combined Authority wider services	5,121	37,196	(37,196)	-	-	1,136	-	6,257
Investment Programme	-	32,839	-	(11,157)	-	-	-	21,682
Mayor's office	-	-	-	-	-	-	-	-
Mayoral elections	-	-	-	-	-	-	-	-
Net cost of services	**37,382**	**211,001**	**(158,628)**	**(23,837)**	**-**	**3,494**	**70**	**69,482**
Other operating expenditure	756	-	-	(1,736)	-	-	-	(980)
Financing and investment income and expenditure	-	-	-	-	242	82	-	324
Taxation and non-specific grant income and expenditure	-	-	(85,535)	-	-	-	-	(85,535)
(Surplus) or deficit on provision of services	**38,138**	**211,001**	**(244,163)**	**(25,573)**	**242**	**3,576**	**70**	**(16,709)**

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Comparatives for 2022/23 (restated)

	Adjustments for capital purposes				Financial Instruments Adjustments Account	Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/ revaluation/ loss on disposal	REFCUS	Grants/ contributions	Financing				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	25,381	150,446	(129,970)	(3,026)	-	8,821	(148)	51,504
Combined Authority wider services	1,862	10,071	(10,674)	-	-	2,786	-	4,045
Investment Programme	-	58,893	-	(18,023)	-	-	-	40,870
Mayor's office	-	-	-	-	-	-	-	-
Mayoral elections	-	-	-	-	-	-	-	-
Net cost of services	**27,243**	**219,410**	**(140,644)**	**(21,049)**	**-**	**11,607**	**(148)**	**96,419**
Other operating expenditure	57	-	-	(418)	-	-	-	(361)
Financing and investment income and expenditure	-	-	-	-	196	425	-	621
Taxation and non-specific grant income and expenditure	-	-	(142,421)	-	-	-	-	(142,421)
(Surplus) or deficit on provision of services	**27,300**	**219,410**	**(283,065)**	**(21,467)**	**196**	**12,032**	**(148)**	**(45,742)**

Depreciation/revaluation/loss on disposal - charges for depreciation of non-current assets, revaluation and loss on disposal of property, plant and equipment are chargeable to the Comprehensive Income and Expenditure Statement.

REFCUS - revenue expenditure funded from capital under statute is added to services lines as it is chargeable to Cost of Services. Also included within REFCUS are amounts charged to Cost of Services in respect of capital development schemes.

Grants/contributions – capital grants and contributions receivable funding REFCUS are credited to the services and the taxation and non-specific grant income and expenditure line is credited with capital grants receivable and payable in the year without conditions or for which conditions were satisfied in the year.

Financing - the statutory charges for capital financing i.e. Minimum Revenue Provision, debt repayment and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Financial Instruments Adjustments Account – the adjustment to reverse the impact on the General Fund of accounting for soft loans and pooled investment funds in the surplus or deficit on the provision of services in accordance with relevant statutory provisions.

Pensions adjustments - the adjustment to transport services represents the removal of the employer contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs calculated under accepted accounting practices (IAS 19). The adjustment to Financing and investment income and expenditure is the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement under IAS 19.

The methodology for allocating pensions adjustments between services reflects the underlying activity.

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Accumulated Absences Account – the adjustment for the removal of the accrued element of short-term accumulating compensated absences (for example holiday pay) to the salaries actually payable in the financial year in accordance with relevant statutory provisions that allow authorities to adjust the effect of accounting for benefits on the General Fund in the Movement in Reserves Statement, via the use of an Accumulated Absences Account.

7. Expenditure and income analysed by nature

The Authority's expenditure and income is analysed as follows:

	Authority	
	2023/24	**2022/23**
	£'000	£'000
Expenditure		
Employee benefits expenses	51,582	45,151
Other service expenses	367,124	342,966
IAS 19 pension adjustment	3,576	12,032
Depreciation, amortisation and revaluation	37,382	27,243
REFCUS	209,583	217,733
Other operating expenditure	756	57
Interest payments	20,469	16,368
Capital grants paid	2,872	1,116
	693,344	662,666
Income		
Fees and charges and other service income	(19,238)	(15,904)
Other operating income	(1,736)	(418)
Government revenue grants and contributions	(310,817)	(313,087)
Capital grants funding REFCUS credited to cost of services	(158,628)	(140,644)
Local Authority business rates growth and contributions	(17,034)	(15,654)
Levies	(119,355)	(117,015)
Capital grants and contributions	(88,407)	(143,537)
Interest and investment income	(40,486)	(12,346)
	(755,701)	(758,605)
Surplus on provision of services	**(62,357)**	**(95,939)**

8. Other operating expenditure

	Authority 2023/24	**Group 2023/24**	**Authority 2022/23**	**Group 2022/23**
	£'000	£'000	£'000	£'000
Loss on disposal of property, plant and equipment	756	756	57	57
Share of disposal proceeds on asset funded from grant	(1,736)	(1,736)	(418)	(418)
Total	**(980)**	**(980)**	**(361)**	**(361)**

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9. Financing and investment income and expenditure

	Authority 2023/24 £'000	Group 2023/24 £'000	Authority 2022/23 £'000	Group 2022/23 £'000
Interest payable and similar charges on borrowings:				
PWLB	13,079	13,079	12,987	12,987
Barclays	404	404	403	403
Other	3,819	3,819	307	307
Interest payable on the former transferred debt	189	189	248	248
Impairment loss allowance (notes 16 and 18)	2,413	2,428	1,910	2,037
Net interest on the net defined benefit liability (note 27)	82	82	425	425
(Gains)/losses on financial assets at fair value through profit and loss (note 25)	565	565	513	513
	20,551	20,566	16,793	16,920
Interest receivable and similar income	(35,322)	(35,277)	(9,882)	(9,831)
Other investment income	(5,164)	(5,164)	(2,464)	(2,464)
Total	**(19,935)**	**(19,875)**	**4,447**	**4,625**

Impairment loss allowance relates to potential losses recognised on the Collective Investment Fund and the loan to Midland Metro Limited, in accordance with the requirement of IFRS 9 Financial Instruments.

Other investment income relates to the loan interest income from the Collective Investment Fund (see note 16).

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10. Government and other grant income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement of the Authority:

	Authority	
	2023/24	**2022/23**
	£'000	£'000
Revenue grants and contributions credited to cost of services		
Active Travel Fund	63	21
Active Travel Capability Fund	4,856	3,456
Adult Education Budget	134,905	145,862
Bus Service Improvement Plan	40,333	7,371
Bus Service Operator Grant	13,181	1,792
Business and Tourism Programme	-	6,556
City Region Sustainable Transport Settlements	1,731	10,752
Commonwealth Games	9	32,946
Commonwealth Games Legacy Enhancement	20,321	-
Digital Bootcamp	8,071	7,122
European Social Fund	1,055	1,289
Housing Package	1,966	1,635
Intra-City Transport Settlements	1,220	-
Individual Placement & Support in Primary Care	3,428	-
Local Authority Capability Fund	69	1,566
Local Transport Fund	5,897	33,385
Made Smarter West Midlands	2,367	2,094
Mayoral Capacity Fund	1,000	1,000
Midlands Connect Programme	5,095	4,446
Multiply Local Allocations	4,405	3,052
Pilot Business Energy Advice Service	1,161	-
Social Housing Decarbonisation Fund	1,643	-
UK Community Renewal Fund	130	3,271
UK Shared Prosperity Fund	14,404	2,101
Other grants and contributions	7,007	6,870
Total	**274,317**	**276,587**
Capital grants funding Revenue Expenditure Funded from Capital under Statute credited to cost of services		
All-Electric Bus Town or City	800	9,632
Brownfield Housing	2,227	3,177
Bus Priority	1,719	182
City Region Sustainable Transport Settlements	67,200	55,654
Future Mobility Zones	2,140	2,449
Land Fund	3,678	3,752
Local Transport Fund	6,469	1,980
Social Housing Decarbonisation	9,440	-
Social Housing Decency Fund	14,966	-
Transforming Cities Fund	14,288	21,376
UK Shared Prosperity Fund	3,925	2,874
WMCA Capital Funding	2,155	5,945
Contributions from third parties	20,204	21,321
Other grants and contributions	9,417	12,302
Total	**158,628**	**140,644**

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	Authority	
	2023/24	**2022/23**
	£'000	£'000
Grants and contributions credited to taxation and non-specific grant income		
Transport levy from the West Midlands districts*	119,355	117,015
Gainshare contribution - DLUHC	36,500	36,500
Business rates growth	12,000	10,500
Constituent, non-constituent and observers membership fees and contributions*	5,034	5,154
Capital grants and contributions	88,407	143,537
Gross income	261,296	312,706
Capital grants paid	(2,872)	(1,116)
Total	**258,424**	**311,590**

*An analysis of the transport levy and constituent and non-constituent member membership fees and contributions by district is shown in note 33 Related party disclosures.

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. These are recognised in the Balance Sheet as grants receipts in advance until such time as the conditions are met. The balances at the year-end are shown below:

	Authority	
	2023/24	**2022/23**
	£'000	£'000
Grants received in advance - capital		
Active Travel Fund	32,522	34,812
All-Electric Bus Town or City	28,448	29,248
Brownfield Housing	136,746	128,973
Brownfield Infrastructure and Land Fund	33,000	-
Bus Priority	16,447	18,166
City Region Sustainable Transport Settlements	204,850	102,249
Future Mobility Zones	3,931	6,283
Land Fund	54,599	58,623
Local Authority Major Project	-	15,229
Local Electric Vehicle Infrastructure	16,111	3,017
Local Transport Fund	2,331	2,900
Midlands Connect	355	2,158
Social Housing Decarbonisation	190	5,394
Transforming Cities Fund	7,470	28,001
UK Shared Prosperity Fund	4,716	719
Zero Emission Bus Regional Area	28,733	30,384
Contributions from third parties	269	8,109
Other grants	5,500	4,271
	576,218	**478,536**

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	Authority	
	2023/24	2022/23
	£'000	£'000
Grants received in advance - revenue		
Active Travel Fund	1,196	1,437
Adult Education Budget	1,660	-
Air Quality	1,574	1,000
Bus Service Improvement Plan	7,336	10,982
Bus Service Operator Grant	239	627
Commonwealth Games Legacy Enhancement	2,821	-
Cycle for Everyone	1,054	1,119
Housing Package	-	1,986
Intra-City Transport Settlements	2,406	3,627
Local Authority Capability Fund	206	275
Made Smarter	152	1,195
Midlands Connect	1,982	2,077
Multiply Local Allocations	1,105	2,017
UK Community Renewal Fund	-	130
UK Shared Prosperity Fund	4,207	5,075
Other grants	2,833	3,688
	28,771	**35,235**

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11. Officers' remuneration

The remuneration paid to the Authority's senior employees was as follows:

		Salary, fees and allowances £'000	**Pension contributions** £'000	**Total Authority** £'000
WMCA Staff				
Chief Executive	**2023/24**	202	20	222
	2022/23	195	24	219
Director of Law and Governance [1]	**2023/24**	126	12	138
	2022/23	28	3	31
Interim Director of Law and Governance [2]	**2023/24**	-	-	-
	2022/23	169	-	169
Executive Director of Housing, Property and Regeneration [3]	**2023/24**	42	4	46
	2022/23	129	16	145
Interim Executive Director of Housing, Property and Regeneration [4]	**2023/24**	55	-	55
	2022/23	-	-	-
Executive Director - Strategy, Economy and Net Zero	**2023/24**	143	14	157
	2022/23	129	16	145
Director of Employment, Skills, Health and Communities [5]	**2023/24**	139	11	150
	2022/23	140	17	157
Director of Communications [6]	**2023/24**	88	9	97
	2022/23	87	11	98
Executive Director of Finance & Business Hub	**2023/24**	140	14	154
	2022/23	134	17	151
Executive Director, Transport for West Midlands	**2023/24**	144	14	158
	2022/23	139	17	156
Mayoral Team				
Mayor	**2023/24**	79	-	79
	2022/23	79	-	79
Deputy Mayor [7]	**2023/24**	10	-	10
	2022/23	4	-	4
Chief of Staff [8] [9]	**2023/24**	99	10	109
	2022/23	-	-	-
Head of Mayoral Operations [8] [9]	**2023/24**	4	-	4
	2022/23	73	9	82
Head of Mayoral Policy & Delivery [8]	**2023/24**	9	1	10
	2022/23	98	12	110

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[1] Director of Law and Governance was appointed in January 2023. Therefore, the pay does not reflect a full year's salary for 2022/23.

[2] Interim Director of Law and Governance was employed in April 2021 through a third party and resigned in January 2023 following the appointment of the permanent Director of Law and Governance. The amount disclosed is the amount that has been received by the postholder and does not reflect a full year's fees for 2022/23.

[3] Executive Director of Housing, Property and Regeneration resigned in July 2023. Therefore, the amount does not reflect a full year's salary.

[4] Interim Executive Director of Housing, Property and Regeneration was seconded in July 2023 from a third party and on fixed term from January 2024. The amount disclosed is the amount that has been received by the postholder who works on a part-time basis.

[5] The title was renamed from Executive Director of Economic Delivery, Skills and Communities to Director of Employment, Skills, Health and Communities in May 2023 and was held by two individuals during 2023/24. An interim appointment was made in May 2023 following the resignation in the same month of the previous post holder.

[6] Interim Director of Communications was employed through a third party to provide maternity cover until the Director of Communications returned on 1 August 2023. The amount paid to the third party was £37k and is not the amount that would have been received by the postholder. Therefore, the amount disclosed for the Director of Communications does not reflect a full year's salary.

[7] Deputy Mayor received allowances from the Authority effective November 2022. Therefore, the amount does not reflect a full year's allowance for 2022/23.

[8] Head of Mayoral Policy & Delivery resigned in April 2023. Therefore, the amount does not reflect a full year's salary for 2023/24. Following the restructure in the Mayoral team effective 24 May 2023, the roles of Head of Mayoral Policy & Delivery and Head of Mayoral Operations were deleted and replaced with the role of Chief of Staff.

[9] Chief of Staff was appointed in May 2023. The post holder previously held the role of Head of Mayoral Operations. Therefore, the pay does not reflect a full year's salary.

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The Authority's other employees receiving more than £50,000 remuneration which includes exit packages for the year (excluding pension contributions) were paid the following amounts:

	Authority	
	2024	**2023**
£50,000 - £54,999	94	48
£55,000 - £59,999	63	29
£60,000 - £64,999	51	50
£65,000 - £69,999	28	12
£70,000 - £74,999	28	17
£75,000 - £79,999	8	9
£80,000 - £84,999	16	13
£85,000 - £89,999	6	4
£90,000 - £94,999	3	3
£95,000 - £99,999	1	1
£100,000 - £104,999	2	1
£105,000 - £109,999	2	5
£110,000 - £114,999	2	1
£115,000 - £119,999	-	1
£120,000 - £124,999	-	-
£125,000 - £129,999	2	2
£130,000 - £134,999	2	-

The numbers of exit packages with total cost per band are set out in the table below. Exit packages include pension contributions paid to the pension fund.

	Compulsory redundancies		Total exit packages		Total cost of packages in each band	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Cost band (including special payments)	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	-	5	-	5	**-**	**35**
£20,001 - £40,000	1	2	1	2	**23**	**62**
£40,001 - £60,000	-	-	-	-	**-**	**-**
£60,001 - £80,000	1	-	1	-	**60**	**-**
£80,001 - £100,000	-	1	-	1	**-**	**93**
	2	**8**	**2**	**8**	**83**	**190**

12. Members' allowances

	Authority and Group	
	2024	**2023**
	£'000	£'000
Allowances	176	139
Total	**176**	**139**

On 9 June 2023, the WMCA Board agreed proposals to increase members allowances following recommendations made by the Independent Remuneration Panel that was set up to look at allowances at the WMCA. Remuneration was backdated to the start of the municipal year.

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13. External audit costs

Charges relating to work undertaken by the external auditors:

	Authority 2024 £'000	Group 2024 £'000	Authority 2023 £'000	Group 2023 £'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	159	191	79	111
Additional variation fee agreed relating to prior years	64	64	-	-
Total	**223**	**255**	**79**	**111**

14. Property, plant and equipment

Infrastructure assets comprise bus and railway stations, park and ride sites and the Midland Metro system including trams. Other land and buildings include the head office at Summer Lane and non-operational land and buildings acquired for the future expansion of the Midland Metro and bus network.

Assets under construction largely consists of expenditure on the construction of the Midland Metro extension.

Transfers predominantly consist of movements from Assets Under Construction to other asset groups.

Movements in 2023/24 Authority	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Authority £'000
Cost or valuation					
At 1 April 2023	4,991	48,384	554,859	329,202	937,436
Additions - capital programme (note 26)	6,881	2,133	4,090	153,424	166,528
Transfers	(30)	-	75,407	(75,377)	-
Revaluation increase recognised in the provision of services	(2,066)	-	-	-	(2,066)
Depreciation reversed on revaluation	(217)	-	-	-	(217)
Transfers from Inventories (note 17)	-	-	-	126	126
Transfers to intangible assets (note 15)	-	-	-	(913)	(913)
Transfers to provision of services				(1,418)	(1,418)
Disposals	-	(864)	(2,100)	-	(2,964)
At 31 March 2024	**9,559**	**49,653**	**632,256**	**405,044**	**1,096,512**
Accumulated depreciation					
At 1 April 2023	-	27,078	209,331	-	236,409
Transfers					-
Charge for the year	217	3,856	24,795	-	28,868
Depreciation reversed on revaluation	(217)	-	-	-	(217)
Disposals	-	(487)	(1,721)	-	(2,208)
At 31 March 2024	**-**	**30,447**	**232,405**	**-**	**262,852**
Net book value					
At 31 March 2024	9,559	19,206	399,851	405,044	833,660
At 31 March 2023	4,991	21,306	345,528	329,202	701,027

Group	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Assets under construction	Total Group
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2023	4,991	49,393	554,859	329,202	938,445
Additions - capital programme (note 26)	6,881	2,133	4,090	153,424	166,528
Additions - other	-	1,067	-	-	1,067
Transfers	(30)	-	75,407	(75,377)	-
Revaluation increase recognised in the provision of services	(2,066)	-	-	-	(2,066)
Depreciation reversed on revaluation	(217)	-	-	-	(217)
Transfers from Inventories (note 17)	-	-	-	126	126
Transfers to intangible assets (note 15)	-	-	-	(913)	(913)
Transfers to provision of services	-	-	-	(1,418)	(1,418)
Disposals	-	(864)	(2,100)	-	(2,964)
At 31 March 2024	**9,559**	**51,729**	**632,256**	**405,044**	**1,098,588**
Accumulated depreciation					
At 1 April 2023	-	27,723	209,331	-	237,054
Transfers	-	-	-	-	-
Charge for the year	217	4,190	24,795	-	29,202
Depreciation reversed on revaluation	(217)	-	-	-	(217)
Disposals	-	(487)	(1,721)	-	(2,208)
At 31 March 2024	**-**	**31,426**	**232,405**	-	**263,831**
Net book value					
At 31 March 2024	9,559	20,303	399,851	405,044	834,757
At 31 March 2023	4,991	21,670	345,528	329,202	701,391

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Comparative movements in 2022/23 Authority	**Land and buildings** £'000	**Vehicles, plant and equipment** £'000	**Infra-structure assets** £'000	**Assets under construction** £'000	**Total Authority** £'000
Cost or valuation					
At 1 April 2022	3,920	52,626	455,183	305,092	816,821
Additions - capital programme (note 26)	10	719	925	126,463	128,117
Transfers	-	(245)	99,907	(99,662)	-
Revaluation increase recognised in the provision services	1,409	-	-	-	1,409
Depreciation reversed on revaluation	(348)	-	-	-	(348)
Transfers to intangible assets (note 15)	-	-	-	(1,014)	(1,014)
Transfers to provision of services	-	-	-	(1,677)	(1,677)
Disposals	-	(4,716)	(1,156)	-	(5,872)
At 31 March 2023	**4,991**	**48,384**	**554,859**	**329,202**	**937,436**
Accumulated depreciation					
At 1 April 2022	261	29,157	187,508	-	216,926
Transfers	-	(986)	986		-
Charge for the year	87	3,604	21,955	-	25,646
Depreciation reversed on revaluation	(348)	-	-	-	(348)
Disposals	-	(4,697)	(1,118)	-	(5,815)
At 31 March 2023	**-**	**27,078**	**209,331**	**-**	**236,409**
Net book value					
At 31 March 2023	4,991	21,306	345,528	329,202	701,027
At 31 March 2022	3,659	23,469	267,675	305,092	599,895

Group	**Land and buildings** £'000	**Vehicles, plant and equipment** £'000	**Infra-structure assets** £'000	**Assets under construction** £'000	**Total Group** £'000
Cost or valuation					
At 1 April 2022	3,920	53,454	455,183	305,092	817,649
Additions - capital programme (note 26)	10	719	925	126,463	128,117
Additions - other	-	181	-	-	181
Transfers	-	(245)	99,907	(99,662)	-
Revaluation increase recognised in the provision of services	1,409	-	-	-	1,409
Depreciation reversed on revaluation	(348)	-	-	-	(348)
Transfers to intangible assets (note 15)	-	-	-	(1,014)	(1,014)
Transfers to provision of services	-	-	-	(1,677)	(1,677)
Disposals	-	(4,716)	(1,156)	-	(5,872)
At 31 March 2023	**4,991**	**49,393**	**554,859**	**329,202**	**938,445**
Accumulated depreciation					
At 1 April 2022	261	29,638	187,508	-	217,407
Transfers	-	(986)	986	-	-
Charge for the year	87	3,768	21,955	-	25,810
Depreciation reversed on revaluation	(348)	-	-	-	(348)
Disposals	-	(4,697)	(1,118)	-	(5,815)
At 31 March 2023	**-**	**27,723**	**209,331**	**-**	**237,054**
Net book value					
At 31 March 2023	4,991	21,670	345,528	329,202	701,391
At 31 March 2022	3,659	23,816	267,675	305,092	600,242

Revaluations

Land and buildings are revalued at least every five years at current value and a full valuation was carried out as at 31 March 2024. This valuation was carried out by Avison Young in accordance with the Practice Statements in the Valuation Standards (The Red Book) published by The Royal Institution of Chartered Surveyors. Current value is determined by reference to market-based evidence. This means that valuations performed by the valuer are based on active market prices adjusted for any difference in the nature, location or condition of the asset.

Between valuations, a desktop review is carried out by independent valuers for indications of material changes to values and adjustments are made to the carrying value of assets as appropriate.

Authority	**Land and buildings** £'000	**Vehicles, plant and equipment** £'000	**Infra-structure assets** £'000	**Assets under construction** £'000	**Total Authority** £'000
Carried at historical cost	-	-	-	405,044	405,044
Carried at depreciated historical cost	-	49,653	632,256	-	681,909
Valued at current value as at:					
31 March 2024	4,568	-	-	-	4,568
31 March 2023	1,071	-	-	-	1,071
31 March 2022	-	-	-	-	-
31 March 2021	-	-	-	-	-
31 March 2020	-	-	-	-	-
31 March 2019	3,920	-	-	-	3,920
Total cost or valuation	**9,559**	**49,653**	**632,256**	**405,044**	**1,096,512**

Capital commitments

At 31 March 2024, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/25 and future years budgeted to cost £18.2m (2023: £38.9m). The major commitments are listed in the table below:

	2024 £'000	**2023** £'000
Metro third generation trams	1,804	22,753
Metro extension schemes	14,727	12,937
Rail carpark	1,897	3,200
	18,428	**38,890**

15. Intangible assets

The intangible assets are internally generated assets. The carrying amount of the intangible assets is amortised on a straight-line basis. The amortisation is charged to the transport service in the Comprehensive Income and Expenditure Statement.

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	Authority and Group 2024 £'000	2023 £'000
Cost		
At 1 April	3,960	2,946
Transfers from assets under construction (note 14)	913	1,014
At 31 March	**4,873**	**3,960**
Amortisation		
At 1 April	2,179	1,035
Amortisation for the year	1,327	1,144
At 31 March	**3,506**	**2,179**
Net carrying amount		
At 31 March	**1,367**	**1,781**

16. Investments

	Long-term		Current		Authority and Group Total	
	2024 £'000	**2023** £'000	**2024** £'000	**2023** £'000	**2024** £'000	**2023** £'000
Loans investments - Collective Investment Fund	69,204	29,457	21,828	11,520	91,032	40,977
Loss allowance	(4,946)	(4,164)	(1,592)	(825)	(6,538)	(4,989)
Loans investments - Collective Investment Fund	64,258	25,293	20,236	10,695	84,494	35,988
Investments in subsidiaries and joint ventures	3,659	3,764	-	-	3,659	3,764
Pooled investment funds	4,332	4,717	-	-	4,332	4,717
Deposits with financial institutions and local authorities	-	-	728,571	683,446	728,571	683,446
Total	**72,249**	**33,774**	**748,807**	**694,141**	**821,056**	**727,915**

The Collective Investment Fund is a fund of investments held by the Authority which provides loans to property developers to support the acceleration of commercial property developments within the West Midlands region. The Fund was originally managed by Birmingham City Council on behalf of the Authority and was transferred to the Authority in October 2018.

The loss allowance is assessed on an individual basis (see accounting policy - note 2 (g)) and recognised in the Comprehensive Income and Expenditure (see note 9).

Investments in subsidiaries and joint ventures mainly consist of the equity investments in HTO1 LLP and HTO2 LLP. Further details on these investments are set out overleaf and in note 29.

The pooled investment funds consist of CCLA Local Authority Property Fund (LAPF) and Fundamentum Social Housing REIT.

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Deposits with financial institutions and local authorities primarily consists of short term (365 days or less) fixed term deposits, certificates of deposit (CDs) and fixed term bonds as prescribed under the Authority's Treasury Management Strategy.

The Authority has interests in the following entities which were incorporated in England.

	Ownership	Share capital	Nature of business
Midlands Development Capital Limited	100%	£100	Dormant
Midland Metro Limited	100%	£100	Trading
Network West Midlands Limited	100%	£100	Dormant
West Midlands Development Capital Limited	100%	£100	Trading
WM5G Limited	100%	n/a - limited by guarantee	Trading
WMCA JV Limited	100%	£1	Trading
West Midlands Growth Company Limited	5%	n/a - limited by guarantee	Trading
Black Country Innovative Manufacturing Organisation	50%	n/a - limited by guarantee	Trading
West Midlands Rail Limited	50%	n/a - limited by guarantee	Trading
HTO Group (HTO1/HTO2 LLP)	44%	n/a - limited liability partnership	Trading

Midlands Development Capital Limited was incorporated under the Companies Act 2006 as a private limited company on 27 March 2017.

Midland Metro Limited was incorporated under the Companies Act 2006 as a private limited company on 24 August 2017.

Network West Midlands Limited was incorporated under the Companies Act 1985 as a private limited company on 31 July 2000.

West Midlands Development Capital Limited was incorporated under the Companies Act 2006 as a private limited company on 8 May 2017.

WM5G Limited was incorporated under the Companies Act 2006 as a private limited company (limited by guarantee) on 26 February 2019.

WMCA JV Limited was incorporated under the Companies Act 2006 as a private limited company on 16 March 2023. The entity started trading in May 2023.

Black Country Innovative Manufacturing Organisation was incorporated under the Companies Act 2006 as a private limited company (limited by guarantee) on 23 May 2019.

West Midlands Rail Limited was incorporated under the Companies Act 2006 as a private limited company (limited by guarantee) on 10 April 2014.

HTO1 LLP was incorporated under the Limited Liability Partnerships Act 2000 on 3 March 2021. This entity is jointly owned by City of Wolverhampton Council and the Authority with each member having equal voting rights.

HTO2 LLP was incorporated under the Limited Liability Partnerships Act 2000 on 9 March 2021. This entity is owned by HTO1 LLP, City of Wolverhampton Council and the Authority with each member having equal voting rights.

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17. Inventories

	Authority	2024 Group	Authority	2023 Group
	£'000	£'000	£'000	£'000
Balance at 1 April	7,770	9,059	8,467	9,418
Purchases	476	1,780	1,165	1,846
Transfers to assets under construction (note 14)	(126)	(126)	-	-
Recognised as an expense in the year	(5,121)	(5,514)	(1,862)	(2,205)
Balance at 31 March	**2,999**	**5,199**	**7,770**	**9,059**

18. Short-term debtors

	Authority	2024 Group	Authority	2023 Group
	£'000	£'000	£'000	£'000
Loans to group undertakings	1,083	-	219	-
Loss allowance	(1,083)	-	(219)	-
Loans to group undertakings	-	-	-	-
Trade debtors and accrued income	73,471	69,851	93,493	94,174
Other debtors	8,080	8,393	877	905
Prepayments	21,849	24,287	12,777	13,820
Total	**103,400**	**102,531**	**107,147**	**108,899**

Included within trade debtors and accrued income are monies owed in respect of grant funding claims and monies owed from operators for ticketing. Prepayments consist of prepayments for concessions to operators, capital prepayments for the Midland Metro extensions and other capital schemes and revenue prepayments. Other debtors consist of amounts recoverable for VAT.

The loss allowance relates to potential losses recognised in the Comprehensive Income and Expenditure (see note 9).

19. Cash and cash equivalents

			Carrying amount	
	Authority	2024 Group	Authority	2023 Group
	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,248	4,549	238	622
Deposits with financial institutions	60,750	62,490	28,550	29,850
Total	**62,998**	**67,039**	**28,788**	**30,472**

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20. Borrowing

	Authority and Group	
	2024	**2023**
	£'000	£'000
Lender		
Public Works Loan Board (PWLB)	472,328	484,666
Barclays	10,000	10,000
UK Infrastructure Bank	9,130	9,565
Phoenix Group	99,760	-
Accrued interest payable	3,538	3,182
Total	**594,756**	**507,413**
Maturity		
Principal and accrued interest due within one year	16,327	15,956
1 - 2 years	25,626	25,594
2 - 5 years	48,568	38,515
5 - 10 years	157,674	111,614
Over 10 years	346,561	315,734
Principle due after more than one year	578,429	491,457
Total	**594,756**	**507,413**

The Group adopts a low risk treasury management approach seeking to maximise low interest loans when the opportunity arises. During the year, the Group undertook £308m of short-term borrowing which was repaid in year (2023: £50m). The amount of fixed rate debt is 100% (2023: 100%) with no variable rate debt (2023: nil).

Historically, the majority of Group borrowing has been undertaken through HM Treasury's lending facility (i.e. Public Works Loan Board (PWLB)). The Group is able to access PWLB debt at 80 basis points above the equivalent UK Gilt rate. No loans were secured from this source in 2023/24.

In order to mitigate against the cost of rising interest rates, the Authority set up a forward rate borrowing facility with Phoenix Group in 2021/22 to provide lending of £100m at a predetermined fixed rate. This was the first deal of this kind to be executed by the Authority and reduced the interest rate risk the Authority was exposed to in the delivery of the WMCA Investment Programme. The funding was called down in August 2023.

During 2005/06 WMITA entered into a £10.0m LOBO ("Lenders Option Borrowers Option") loan with Barclays Bank Plc at 4.03% repayable in 2055/56. In June 2016, Barclays decided to waive its right permanently under the lenders option of the LOBO feature to change interest rates in the future and converted it into a fixed rate loan. No other terms or conditions of the loan were amended, and the loan will still mature in June 2055.

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21. Short-term creditors

	Authority	2024 Group	Authority	2023 Group
	£'000	£'000	£'000	£'000
Trade creditors and accruals	146,491	148,247	136,436	139,393
Taxes and social security	1,282	1,829	1,093	1,449
Payments received on account	2,271	2,371	5,334	5,434
	150,044	**152,447**	**142,863**	**146,276**

Included within trade creditors and accruals are accruals for capital expenditure relating to various projects, amounts due to operators for concessions, subsidised services and ticketing, and sundry accruals for other goods and services.

22. Provisions

Current year movements	**Transport development**	**Buildings maintenance**	**Rail services/ insurance**	**Skills**	**Total Authority and Group**
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2023	2,232	1,608	1,502	-	5,342
Additional provision	332	-	316	1,200	1,848
Amounts used/released	-	-	(1,168)	-	(1,168)
Balance at 31 March 2024	**2,564**	**1,608**	**650**	**1,200**	**6,022**
Current	2,564	-	-	1,200	3,764
Long-term	-	1,608	650	-	2,258
Total	**2,564**	**1,608**	**650**	**1,200**	**6,022**

Prior year comparatives	**Transport development**	**Buildings maintenance**	**Rail services/ insurance**	**Skills**	**Total Authority and Group**
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2022	2,011	1,608	1,229	-	4,848
Additional provision	319	-	302	-	621
Amounts used/released	(98)	-	(29)	-	(127)
Balance at 31 March 2023	**2,232**	**1,608**	**1,502**	**-**	**5,342**
Current	2,232	-	-	-	2,232
Long-term	-	1,608	1,502	-	3,110
Total	**2,232**	**1,608**	**1,502**	**-**	**5,342**

Transport development
This has been provided to meet the Authority's present obligations for the West Midlands regions' transport developments.

Buildings maintenance
This has been provided to meet contractual obligations in respect of the Authority's properties.

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Rail services/insurance
This has been provided in order to meet estimated liabilities and risks in relation to local rail services and the net expected costs of claims outstanding, and their administration, relating to the activities of the former West Midlands Passenger Transport Executive as a bus operator prior to 26 October 1986**.**

Skills
This has been provided to meet legal obligations in respect of the Adult Education Budget.

23. Transferred debt

This consists of loans inherited from the former West Midlands County Council which are managed by Dudley MBC on behalf of all the West Midlands authorities. When the County Council was disbanded, the loans were nominally distributed amongst the various local government authorities in the West Midlands with the former West Midlands Integrated Transport Authority's share of the loan set at 5.495%. The loan is repayable in annual instalments on an annuity basis with the last instalment due in 2025/26.

	Authority and Group	
	2024	**2023**
	£'000	£'000
Balance at 1 April	3,736	4,744
Accrued interest payable - brought forward	(65)	(65)
Repayment in the year - principal	(1,109)	(1,008)
Accrued interest payable - carried forward	62	65
Balance at 31 March	**2,624**	**3,736**
Due within one year	1,282	1,175
Due over one year	1,342	2,561
Total	**2,624**	**3,736**

24. Usable reserves

The purpose of the individual reserves are as follows:

General Fund Balance
The General Fund Balance is a statutory fund which represents funds available to the Authority to meet unexpected short-term requirements. Movements in the General Fund are detailed in the Movement in Reserves Statement.

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Earmarked Reserves

Current year movements
Authority

	Earmarked general fund Authority £'000	Investment programme funding reserve Authority £'000	Unapplied revenue grants Authority £'000	Total Authority £'000
Balance at 1 April 2023	73,634	123,035	70,380	267,049
Receivable in year	-	-	138,280	138,280
Utilised in year	-	-	(137,562)	(137,562)
Net unapplied in year	-	-	718	718
Released in year to general reserves	(36,049)	(44,616)	-	(80,665)
Transfers in year from general reserves	61,997	61,572	-	123,569
Net transfer (to)/from general reserves	25,948	16,956	-	42,904
Total transfer (to)/from general reserves	**25,948**	**16,956**	**718**	**43,622**
Balance at 31 March 2024	**99,582**	**139,991**	**71,098**	**310,671**

Group

	Earmarked general fund £'000	Investment programme funding reserve £'000	Unapplied revenue grants £'000	Total Group £'000
Balance at 1 April 2023	73,853	124,371	70,380	268,604
Receivable in year	-	-	138,280	138,280
Utilised in year	-	-	(137,562)	(137,562)
Net unapplied in year	-	-	718	718
Released in year to general reserves	(36,064)	(44,616)	-	(80,680)
Transfers in year from general reserves	61,997	64,027	-	126,024
Net transfer (to)/from general reserves	25,933	19,411	-	45,344
Total transfer (to)/from general reserves	**25,933**	**19,411**	**718**	**46,062**
Balance at 31 March 2024	**99,786**	**143,782**	**71,098**	**314,666**

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Prior year comparatives
Authority

	Earmarked general fund £'000	Investment programme funding reserve £'000	Unapplied revenue grants £'000	Total Authority £'000
Balance at 1 April 2022	56,577	118,796	44,283	219,656
Receivable in year	-	-	196,420	196,420
Utilised in year	-	-	(170,323)	(170,323)
Net unapplied in year	-	-	26,097	26,097
Released in year to general reserves	(17,485)	(47,361)	-	(64,846)
Transfers in year from general reserves	34,542	51,600	-	86,142
Net transfer (to)/from general reserves	17,057	4,239	-	21,296
Total transfer (to)/from general reserves	**17,057**	**4,239**	**26,097**	**47,393**
Balance at 31 March 2023	**73,634**	**123,035**	**70,380**	**267,049**

Group

	Earmarked general fund £'000	Investment programme funding reserve £'000	Unapplied revenue grants £'000	Total Group £'000
Balance at 1 April 2022	56,923	119,900	44,283	221,106
Receivable in year	-	-	196,420	196,420
Utilised in year	-	-	(170,323)	(170,323)
Net unapplied in year	-	-	26,097	26,097
Released in year to general reserves	(17,612)	(47,361)	-	(64,973)
Transfers in year from general reserves	34,542	51,832	-	86,374
Net transfer (to)/from general reserves	16,930	4,471	-	21,401
Total transfer (to)/from general reserves	**16,930**	**4,471**	**26,097**	**47,498**
Balance at 31 March 2023	**73,853**	**124,371**	**70,380**	**268,604**

Earmarked general fund
This reserve contains contributions in the year to primarily provide funding to back transport capital programme commitments and future expenditure plans.

Investment programme funding reserve
This reserve contains the Gainshare contribution received from the Department for Levelling up, Housing and Communities (DLUHC) (previously known as MHCLG) along with other income sources relating to the Investment Programme including Business Rates Growth where the expenditure has not been incurred at the Balance Sheet date. The funding will be transferred to the General Fund via the Movements in Reserves Statement as the expenditure is incurred.

Unapplied revenue grants
This reserve largely contains revenue grants that the Authority has received from the DfE in respect of the Adult Education Budget where the expenditure has not been incurred at the Balance Sheet date. These grants are transferred to the General Fund via the Movements in Reserves Statement as the expenditure is incurred.

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Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	2,259	1,841
Share of disposal proceeds of asset funded from the Brownfield Land & Property Development Fund	1,736	418
Transfer to the Capital Receipts Reserve upon receipt of cash from loan repayments under Collective Investment Fund	650	15,657
Use of the Capital Receipts Reserve to finance capital expenditure	(650)	(15,657)
Closing balance at 31 March	**3,995**	**2,259**

Profit and Loss Reserve

The Profit and Loss Reserve consolidates the in-year results for subsidiaries. This is kept separate from the General Fund given the specific statutory restrictions that apply to the General Fund.

		Group
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	121	(14)
In-year profit/(loss) results for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	(50)	135
Closing balance at 31 March	**71**	**121**

25. Unusable reserves

The purpose of the individual reserves are as follows:

Revaluation Reserve

The Revaluation Reserve contains the gains made from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	5,933	6,126
Difference between current value depreciation and historical cost	(193)	(193)
Closing balance at 31 March	**5,740**	**5,933**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

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The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with capital grants and contributions receivable and amounts set as finance for the costs of acquisition, construction and subsequent costs (MRP).

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	141,863	84,266
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and amortisation of non-current assets (notes 14 and 15)	(30,195)	(26,790)
Revaluation increase recognised in the provision of services (note 14)	(2,066)	1,409
Adjusting amount written out of the Revaluation Reserve (note 25)	193	193
Loss on disposal of property, plant and equipment (note 8)	(756)	(57)
Non-current assets transferred to provision of services (note 14)	(1,418)	(1,677)
Inventory recognised as an expense (note 17)	(5,121)	(1,862)
Revenue expenditure funded from capital under statute (note 26)	(209,583)	(217,733)
Capital financing applied in the year		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing (note 26)	244,120	265,978
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing in prior years	43	17,087
Statutory provision for the financing of capital investment charged against the General Fund (MRP - note 26)	10,235	5,909
Debt repayment charged against the General Fund (note 23)	1,109	1,008
Capital expenditure charged against the General Fund (note 26)	8,196	1,528
Capital expenditure funded by the Gainshare contribution (note 26)	4,297	12,604
Closing balance at 31 March	**160,917**	**141,863**

Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains or losses made by the Authority arising from the increase or decrease in the value of its investments that are measured at fair value through other comprehensive income and fair value through profit or loss.

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	1,070	647
(Upward)/downward revaluation of investments	386	513
Accumulated gains or losses on equity investments designated at fair value through other comprehensive income	103	(90)
Closing balance at 31 March	**1,559**	**1,070**

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Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. This account is used by the Authority for recognised losses on loans advanced at less than commercial interest rates. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out from the General Fund balance to this account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on account at 31 March 2024 will be charged to the General Fund over the next 9 years.

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	1,760	2,077
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(144)	(317)
Closing balance at 31 March	**1,616**	**1,760**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	-	11,559
Remeasurements (liabilities and assets) (note 27)	(3,576)	(23,591)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement (note 27)	6,949	15,199
Employer's pension contributions payable in the year:		
Current year (note 27)	(3,373)	(3,167)
Closing balance at 31 March	**-**	**-**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	990	1,138
Movement in the year	70	(148)
Closing balance at 31 March	**1,060**	**990**

26. Capital expenditure and capital financing

The total amount of capital expenditure in the capital programme incurred in the year, together with the resources that have been used to finance it are shown in the tables below.

		Authority
	2024	2023
	£'000	£'000
WMCA delivered capital schemes		
Midland Metro	158,192	120,851
Rail infrastructure	54,431	46,305
Key Routes network	8,944	26,102
Bus infrastructure	12,574	10,978
Land Fund	9,020	8,372
Social Housing Decarbonisation	9,746	780
Social Housing Decency Fund	14,966	-
Future Transport Zone	2,114	2,392
Regional Transport Coordination Centre	3,125	4,744
Sustainable Transport	5,683	540
Digital innovation	2,365	3,997
Other	7,388	8,887
	288,548	233,948
Grants to local authorities	88,039	113,067
Total capital expenditure	**376,587**	**347,015**
Property, plant and equipment (note 14)	166,528	128,117
Inventories (note 17)	476	1,165
REFCUS	209,583	217,733
	376,587	**347,015**
Funded by:		
Central Government grants	223,134	227,260
District/Local Enterprise Partnership (LEP) grants and contributions	787	12,042
3rd party contributions	20,199	26,676
Total grants and contributions	244,120	265,978
Gainshare contribution	4,297	12,604
Borrowing	128,170	68,433
	376,587	**347,015**

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The Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing through a revenue charge (the Minimum Revenue Provision or MRP). The method of calculating the provision is defined by statute and is based on the Authority's underlying Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed below:

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening Capital Financing Requirement	624,188	560,573
Capital investment		
Capital programme costs funded by borrowing (note 26)	128,170	68,433
Other capital expenditure funded by borrowing - Collective Investment Fund	47,416	36,371
Sources of finance		
Minimum Revenue Provision (MRP)	(10,235)	(5,909)
Use of the Capital Receipts Reserve to finance capital expenditure (note 24)	(650)	(15,657)
Transferred debt repayment (note 23)	(1,109)	(1,008)
Capital expenditure charged to the General Fund	(8,196)	(1,528)
Capital grants received previously funded through borrowings	(43)	(17,087)
Closing Capital Financing Requirement	**779,541**	**624,188**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	155,353	63,615
Increase in Capital Financing Requirement	**155,353**	**63,615**

27. Pension schemes

Defined benefit pension scheme

Employees of the Authority participate in the West Midlands Pension Fund, a defined benefit career average salary statutory scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. This scheme is administered by the City of Wolverhampton Council in accordance with the Local Government Pension Scheme Regulations 2013 and is governed by the Pensions Committee at the West Midlands Pension Fund.

In general, participating in a defined benefit pension scheme means that the employer is exposed to a number of risks:

- investment risk – the fund holds investment in assets classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- interest rate risk – the fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- inflation risk – all of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- longevity risk – in the event that the members live longer than assumed, a deficit will emerge in the fund. There are also other demographic risks.

An actuarial valuation of this fund was carried out by Barnett Waddingham LLP, an independent firm of actuaries in accordance with the Regulations as at 31 March 2022. Based on the results of this valuation, the actuaries set the Authority's employer contributions for the three years from 1 April 2023 to 31 March 2026 at a net primary rate of 9.9% of the current employees' pensionable pay to meet 100% of the overall fund liabilities. This pension cost has been determined after allowing for the amortisation of the difference between the assets and the accrued liabilities relating to the Authority over the average remaining service lives of the current members of the fund.

The employer's contribution for 2024/25 is estimated by the actuaries to be approximately £3.7m.

The weighted average duration of the funded obligations as at 31 March 2024 is 17 years (2023: 17 years).

Disclosures in this note are taken from the actuarial report provided by Hymans Robertson LLP.

Calculation method
The figures as at 31 March 2024 are based on the 31 March 2022 formal valuation of the fund. Membership data as at 31 March 2022 was used to develop current funding requirements. Liabilities are based on benefit payment and contribution information provided by the fund's administrator as at 31 March 2024. This valuation was carried out by Hymans Robertson LLP.

Net asset/liability and pension reserve

Following the pensions valuation by the fund's actuary at 31 March 2023 and 31 March 2024, the fair value of the Authority's pension plan assets outweighed the present value of the plan obligations resulting in a net defined benefit asset. IAS 19 Employee Benefits requires that, where net defined benefit asset exists, it is measured at the lower of:

- the surplus in the defined benefit plan, and
- the asset ceiling

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Authority has therefore limited the pension asset recognised in its Balance Sheet to the asset ceiling. The adjustment has been recognised within Other Comprehensive Income and Expenditure of the CIES.

Movement in pension fund asset/liability during the year

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	-	8,433
Employer's pension contributions payable in the year:		
Current year	(3,373)	(3,167)
Prepayment for 2022/23	-	3,126
Post employment benefit charged to the surplus or deficit on provision of services:		
Current service cost	6,867	14,750
Past service cost	-	24
Net interest cost	82	425
Total cost	3,576	15,158
Remeasurements (liabilities and assets)	(3,576)	(23,591)
Closing balance at 31 March	**-**	**-**

Transactions relating to post-employment benefits
The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the levy is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Authority and Group	
	2024	**2023**
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	6,867	14,750
Past service cost	-	24
Financing and investment income and expenditure		
Net interest cost	82	425
Total post employment benefit charged to the surplus or deficit on provision of services	**6,949**	**15,199**
Remeasurements (liabilities and assets)	(3,576)	(23,591)
Total post employment benefit charged/(credited) to the Comprehensive Income and Expenditure Statement	**3,373**	**(8,392)**
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit on provision of services for post employment benefits in accordance with the Code	(6,949)	(15,199)
Actual amount charged against the General Fund Balance for pensions in the year	3,373	3,167
	(3,576)	**(12,032)**

Remeasurements (liabilities and assets) comprises:

	Authority and Group	
	2024	**2023**
	£'000	£'000
Return on plan assets (excluding the amount included in the net interest expense)	(9,118)	13,559
Actuarial gains and losses arising on changes in demographic assumptions	(1,578)	(2,398)
Actuarial gains and losses arising on changes in financial assumptions	(10,740)	(112,997)
Experience gains and (losses) on scheme liabilities	8,184	19,215
Changes in the effect of limiting the net defined benefit asset to the asset ceiling (excluding amounts included in the net interest expense)	9,676	59,030
	(3,576)	**(23,591)**

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Assets and liabilities in relation to post-employment benefits

	Authority and Group 2024 £'000	Authority and Group 2023 £'000
Present value of scheme liabilities	(249,529)	(243,110)
Present value of scheme assets	321,039	302,140
Sub-total	71,510	59,030
Effect of the asset ceiling	(71,510)	(59,030)
Amounts recognised as assets/(liabilities)	**-**	**-**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Authority and Group 2024 £'000	Authority and Group 2023 £'000
Opening balance at 1 April	243,110	322,787
Current service cost	6,867	14,750
Interest cost	11,525	8,812
Change in demographic assumptions	(1,578)	(2,398)
Change in financial assumptions	(10,740)	(112,997)
Experience (gain)/loss on defined benefit obligations	8,184	19,215
Contributions by scheme participants	2,818	2,409
Benefits paid	(10,657)	(9,492)
Past service costs/curtailments	-	24
Closing balance at 31 March	**249,529**	**243,110**

Reconciliation of fair value of the scheme assets

	Authority and Group 2024 £'000	Authority and Group 2023 £'000
Opening balance at 1 April	302,140	314,354
Interest on plan assets	14,247	8,387
Return on assets less interest	9,118	(13,559)
Employer contributions - current year	3,373	3,167
Employer contributions - prepayment for 2022/23	-	(3,126)
Contributions by scheme participants	2,818	2,409
Benefits paid	(10,657)	(9,492)
Closing balance at 31 March	**321,039**	**302,140**

Reconciliation of the effect of the asset ceiling

	Authority and Group	
	2024	**2023**
	£'000	£'000
Opening balance at 1 April	59,030	-
Changes in the effect of limiting the net defined benefit asset to the asset ceiling excluding amounts included in interest	9,676	59,030
Interest on the efffect of the asset ceiling	2,804	-
Closing balance at 31 March	**71,510**	**59,030**

In calculating the asset ceiling, the Authority has determined the maximum economic benefit available in the form of reductions in future contributions.

The plan assets at the year-end were as follows:

Authority	**2024**	**2024**	**2023**	**2023**
	%	£'000	%	£'000
Asset				
Equities	49.8	160,013	61.7	188,578
Gilts	13.1	41,903	4.5	13,910
Other bonds	5.2	16,591	5.3	15,903
Property	6.4	20,545	7.3	21,202
Cash/liquidity	4.7	15,210	3.5	9,427
Other*	20.8	66,777	17.7	53,120
Total	**100.0**	**321,039**	**100.0**	**302,140**

***** mainly consists of infrastructure, other debt securities and derivatives

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investments returns over the entire life of the related obligation.

		Authority
	2024	**2023**
Valuation assumptions		
Discount rate	4.8%	4.8%
Rate of salary increase	3.8%	4.0%
Rate of pension increase	2.8%	3.0%
Future life expectancies from age 65		
Retiring today:		
Males	20.2	20.3
Females	22.5	22.7
Retiring in 20 years:		
Males	22.7	22.9
Females	25.5	25.8

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Defined Contribution Pension Scheme – Midland Metro Limited and WM5G Limited

Income Statement
The amounts recognised in Midland Metro's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £213k (2023: £196k).

The amounts recognised in WM5G Limited's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £57k (2023: £58k).

28. Financial risk management

The Authority's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to fund the Authority's activities. The Authority has trade and other receivables, and cash, short-term deposits and investments that derive directly from its activities. The Authority does not enter into any derivative transactions.

The Authority is exposed to credit risk, liquidity risk and market risk. Whilst some transactions for Metro operations are executed in Euros, currency risk is not a significant factor for the Authority since it ensures that substantially all financial assets and liabilities are contracted for in Sterling.

The Authority is also exposed to the risk of default against loans made to commercial and residential developers under its investment funds. The Authority negates the risk of default through employing sector specific professional fund managers, full and thorough due diligence on all investments as they pass through the assurance framework and the securing of loans on developer land and assets.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Authority is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, other financial institutions and local authorities.

The Authority manages the credit risk from its financing activities by restricting its exposure with financial institutions to those that are on the official lending list as compiled by the Authority's treasury management advisors. The criteria for these lending lists are set out in the Treasury Management Strategy report in advance of the financial year. Credit ratings are monitored constantly through the receipt of real-time credit rating bulletins from its treasury management advisors. If a financial institution fails to meet the criteria they are removed from the official lending list. The lending list contains financial as well as duration limits to reduce risk. Minimal balances are held for daily cash flow management and any surplus funds are invested firstly with Money Market Funds and bank call accounts to ensure agreed liquidity levels and thereafter in fixed term deposits.

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The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Authority 2023/24 £'000	Group 2023/24 £'000	Authority 2022/23 £'000	Group 2022/23 £'000
12-month expected credit losses:				
Investments (note 16)	813,065	813,065	719,434	719,434
Cash and short-term deposits (note 19)	62,998	67,039	28,788	30,472
Pooled investment funds (note 16)	4,332	4,332	4,717	4,717
	880,395	884,436	752,939	754,623
Simplified approach:				
Trade debtors and accrued income (note 18)	73,471	69,851	93,493	94,174
Total	**953,866**	**954,287**	**846,432**	**848,797**

The loss allowance recognised during the year are as follows:

Authority	**12-month expected credit losses**		**Lifetime expected credit losses - simplified**		**Total**	
Asset class (amortised cost)	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance as at 1 April	5,208	3,298	-	-	5,208	3,298
Individual financial assets transferred to 12-month expected credit loss (note 9)	2,413	1,910	-	-	2,413	1,910
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**7,621**	**5,208**	**-**	**-**	**7,621**	**5,208**

Group	**12-month expected credit losses**		**Lifetime expected credit losses - simplified**		**Total**	
Asset class (amortised cost)	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance as at 1 April	4,989	2,952	-	-	4,989	2,952
Individual financial assets transferred to 12-month expected credit loss (note 9)	2,428	2,037	-	-	2,428	2,037
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**7,417**	**4,989**	**-**	**-**	**7,417**	**4,989**

Liquidity risk

Liquidity risk covers the ease of access to finance. The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Authority maintains a sufficient level of liquidity through the use of Money Market Funds/overnight deposits with the Government's Debt Management Office and call accounts. If longer term funding is required, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates, but effective cash management assists in ensuring any borrowing is undertaken at favourable rates.

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Market risk

The Authority is exposed to the risk of interest rate movements on its borrowings and investments. It manages those risks as follows:

- New long-term borrowings are only undertaken if required to meet cash flow requirements or to mitigate against forecast interest rate rises thereby reducing future interest costs.
- Debt restructuring is undertaken when financially viable to take account of fluctuating interest rates.
- Limits are set on the proportion of its borrowing limits in accordance with the Treasury Management Strategy.

With respect to the commercial loans, the Authority is continually reviewing the impacts on the construction sector and the potential impact on its loan portfolio. Provision has been made in the 2023/24 accounts for potential defaults and the Authority will continue to maintain a close dialogue with borrowers through its sector specialist fund manager. In the event that any of the investments encounter difficulty, each will be managed on a case by case basis and if necessary, the Authority's rights over control of the development or assets will be exercised.

Maturity analysis of financial liabilities

All trade and other payables are due to be paid in less than one year.

29. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet at amortised cost. Long-term debtors consist of loan receivables (soft loan) and lease receivables, short-term debtors consist of trade debtors and accrued income, and short-term creditors consist of trade creditors and accruals.

Analysis for 2023/24	Long-term		Current		Total	
	Authority	**Group**	**Authority**	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 16)	64,258	64,258	748,807	748,807	813,065	813,065
Long-term debtors	16,480	16,480	-	-	16,480	16,480
Short-term debtors (note 18)	-	-	73,471	69,851	73,471	69,851
Cash and cash equivalents (note 19)	-	-	62,998	67,039	62,998	67,039
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and joint ventures (note 16)	3,659	3,659	-	-	3,659	3,659
Financial assets at fair value through profit or loss						
Pooled investment funds (note 16)	4,332	4,332	-	-	4,332	4,332
Total financial assets	**88,729**	**88,729**	**885,276**	**885,697**	**974,005**	**974,426**
Financial liabilities at amortised cost						
Borrowings (note 20)	578,429	578,429	16,327	16,327	594,756	594,756
Short-term creditors (note 21)	-	-	146,491	148,247	146,491	148,247
Transferred debt (note 23)	1,342	1,342	1,282	1,282	2,624	2,624
Total financial liabilities	**579,771**	**579,771**	**164,100**	**165,856**	**743,871**	**745,627**

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Comparatives for 2022/23	Long-term		Current		Total	
	Authority	Group	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 16)	25,293	25,293	694,141	694,141	719,434	719,434
Long-term debtors	16,392	16,392	-	-	16,392	16,392
Short-term debtors (note 18)	-	-	93,493	94,174	93,493	94,174
Cash and cash equivalents (note 19)	-	-	28,788	30,472	28,788	30,472
Financial assets at fair value through						
Investments in subsidiaries and joint ventures (note 16)	3,764	3,764	-	-	3,764	3,764
Financial assets at fair value through profit or loss						
Pooled investment funds (note 16)	4,717	4,717	-	-	4,717	4,717
Total financial assets	**50,166**	**50,166**	**816,422**	**818,787**	**866,588**	**868,953**
Financial liabilities at amortised cost						
Borrowings (note 20)	491,457	491,457	15,956	15,956	507,413	507,413
Short-term creditors (note 21)	-	-	136,436	139,393	136,436	139,393
Transferred debt (note 23)	2,561	2,561	1,175	1,175	3,736	3,736
Total financial liabilities	**494,018**	**494,018**	**153,567**	**156,524**	**647,585**	**650,542**

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Material soft loans made by the Authority

The Authority made a loan to Coventry City Council for the construction of the UK Battery Industrialisation Centre in 2020/21. This loan is deemed to be a material soft loan and matures in 2033. Notional interest is charged quarterly and the interest will only become payable if the total accumulated interest added to the outstanding loan balance in aggregate exceeds the agreed interest payment trigger as stipulated in the loan agreement.

The treatment of soft loans in the financial statements is as follows:

	Authority	
	2023/24	**2022/23**
	£'000	£'000
Opening balance as at 1 April	16,240	15,923
Interest credited to Financing and Investment Income and Expenditure	323	317
Decrease in discounted amount	(179)	-
Closing balance at 31 March	**16,384**	**16,240**
Nominal value at 31 March	18,000	18,000

Valuation assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the Authority's prevailing cost of borrowing and adding an allowance for the risk that the loan might not be repaid by Coventry City Council, in this case a zero rate.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items**:**

Authority					**2023-24**					**2022-23**
	Financial assets at amortised cost	**Financial assets at fair value through other comprehensive income**	**Financial assets at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total Authority**	**Financial assets at amortised cost**	**Financial assets at fair value through other comprehensive income**	**Financial assets at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total Authority**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net (gains)/losses on financial instruments	-	103	565	-	668	-	(90)	513	-	423
Interest income (note 9)	(40,486)	-	-	-	(40,486)	(12,346)	-	-	-	(12,346)
Interest expense (note 9)	-	-	-	19,986	19,986	-	-	-	16,280	16,280
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(40,486)**	**103**	**565**	**19,986**	**(19,832)**	**(12,346)**	**(90)**	**513**	**16,280**	**4,357**

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Group	2023-24					2022-23				
	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Financial assets at fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Total Group £'000	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Financial assets at fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Total Group £'000
Net (gains)/losses on financial instruments	-	103	565	-	668	-	(90)	513	-	423
Interest income (note 9)	(40,441)	-	-	-	(40,441)	(12,295)	-	-	-	(12,295)
Interest expense (note 9)	-	-	-	20,001	20,001	-	-	-	16,407	16,407
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(40,441)**	**103**	**565**	**20,001**	**(19,772)**	**(12,295)**	**(90)**	**513**	**16,407**	**4,535**

Fair value of financial assets and liabilities

Fair values are shown in the table overleaf, split by their level of fair value hierarchy:

- Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities). Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.
- Level 2 – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.
- Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable data. Such instruments would include unquoted equity investments.

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Analysis for 2023/24	Input level in fair value hierarchy	Valuation technique used to measure fair value	Authority Carrying amount £'000	Authority Fair value £'000	Group Carrying amount £'000	Group Fair value £'000
Financial assets at amortised cost						
Investments	N/A	Fair value is approximated at their	813,065	813,065	813,065	813,065
Long-term debtors	N/A	carrying amount	96	96	96	96
Long-term debtors - soft loan	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	16,384	14,524	16,384	14,524
Short-term debtors	N/A	Fair value is approximated at their	73,471	73,471	69,851	69,851
Cash and cash equivalents	N/A	carrying amount	62,998	62,998	67,039	67,039
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and joint ventures	Level 3	Earnings based valuation	3,659	3,659	3,659	3,659
Financial assets at fair value through profit or loss						
Pooled investment funds	Level 1	Unadjusted quoted prices in active markets for identical shares	4,332	4,332	4,332	4,332
Total financial assets			**974,005**	**972,145**	**974,426**	**972,566**
Financial liabilities at amortised cost						
Public Works Loan Board (PWLB)	Level 2		475,866	395,602	475,866	395,602
Barclays	Level 2	PWLB redemption and new PWLB	10,000	8,243	10,000	8,243
UK Infrastructure Bank	Level 2	certain rate loan discount rates	9,130	7,174	9,130	7,174
Phoenix Group	Level 2		99,760	53,492	99,760	53,492
Total borrowings			**594,756**	**464,511**	**594,756**	**464,511**
Short-term creditors	N/A	Fair value is approximated at their carrying amount	146,491	146,491	148,247	148,247
Transferred debt *	Level 2	PWLB new loan rates	2,624	2,568	2,624	2,568
Total financial liabilities			**743,871**	**613,570**	**745,627**	**615,326**

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Comparatives for 2022/23	Input level in fair value hierarchy	Valuation technique used to measure fair value	Authority Carrying amount £'000	Authority Fair value £'000	Group Carrying amount £'000	Group Fair value £'000
Financial assets at amortised cost						
Investments	N/A	Fair value is approximated at their	719,434	719,434	719,434	719,434
Long-term debtors	N/A	carrying amount	152	152	152	152
Long-term debtors - soft loan	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	16,240	14,555	16,240	14,555
Short-term debtors	N/A	Fair value is approximated at their	93,493	93,493	94,174	94,174
Cash and cash equivalents	N/A	carrying amount	28,788	28,788	30,472	30,472
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and	Level 3	Earnings based valuation	3,764	3,764	3,764	3,764
Financial assets at fair value through profit or loss						
Pooled investment funds	Level 1	Unadjusted quoted prices in active	4,717	4,717	4,717	4,717
Total financial assets			**866,588**	**864,903**	**868,953**	**867,268**
Financial liabilities at amortised cost						
Public Works Loan Board (PWLB)	Level 2	PWLB redemption and new PWLB certain rate loan discount rates	487,848	420,291	487,848	420,291
Barclays	Level 2		10,000	9,001	10,000	9,001
UK Infrastructure Bank	Level 2		9,565	7,713	9,565	7,713
Total borrowings			**507,413**	**437,005**	**507,413**	**437,005**
Short-term creditors	N/A	Fair value is approximated at their carrying amount	136,436	136,436	139,393	139,393
Transferred debt *	Level 2	PWLB new loan rates	3,736	3,695	3,736	3,695
Total financial liabilities			**647,585**	**577,136**	**650,542**	**580,093**

* The transferred debt information is provided by Dudley Metropolitan Borough Council who is responsible for the West Midlands County Council Debt Administration Fund. The fair values were provided to them by their treasury advisor.

The financial assets carried at fair value through other comprehensive income largely consist of the Authority's equity investment in the HTO Group (HTO1 LLP and HTO2 LLP), which is jointly owned by City of Wolverhampton Council. The valuation technique used in determining the fair value is an earnings approach based on the net results as reported in their draft unaudited accounts at their reporting date i.e. 31 March. The Authority holds £4.5m nominal investment in the HTO Group.

Transfers between levels of the fair value hierarchy
There were no transfers between input levels during the year.

Changes in the valuation technique
There has been no change in the valuation technique used during the year for the financial instruments.

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30. Operating leases

Authority as lessee

Land and buildings - land is acquired for park and ride sites and bus stations by entering into operating leases. Some of these leases are non-cancellable with typical lives of 25 years.

The future minimum lease payments payable under non-cancellable operating leases as at 31 March 2024 are shown below:

	2024 £'000	2023 £'000
Land and buildings		
Less than one year	402	374
Between two and five years	791	786
More than five years	4,972	3,255
	6,165	**4,415**

Authority as lessor

The Authority leases out parts of the Head Office at Summer Lane, various units at bus stations and land and buildings acquired for the future expansion of Midland Metro and bus network whilst they are awaiting development. These are a mixture of cancellable and non-cancellable operating leases.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2024 are as follows:

	2024 £'000	2023 £'000
Land and buildings		
Less than one year	211	222
Between two and five years	143	183
More than five years	1,733	1,763
	2,087	**2,168**

31. Reconciliation of liabilities arising from financing activities

	Long-term borrowings £'000	Short-term borrowings £'000	Grants receipts in advance £'000	Total Authority and Group £'000
Opening balance at 1 April	494,018	17,131	513,771	1,024,920
Financing cash flows	100,000	(13,882)	-	86,118
Non-cash changes	(14,247)	14,360	91,218	91,331
Closing balance at 31 March	**579,771**	**17,609**	**604,989**	**1,202,369**

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32. Contingent liabilities and guarantees

The West Midlands Integrated Transport Authority Pension Fund (WMITA PF) was established by Government Regulation on 29 November 1991 and became active on 4 December 1991. The pension fund is guaranteed by National Express Group plc and Preston City Council. In the event of the pension fund becoming insolvent and National Express Group plc and Preston City Council not meeting their guarantee, then the Authority would be liable to meet any excess liabilities.

In 2019/20, following the enactment of UK Statutory Instrument 2019 No. 1351 ("The Local Government Pension Scheme (West Midlands Integrated Transport Authority Pension Fund and West Midlands Pension Fund Merger) Regulations 2019, all assets and liabilities of the former WMITA PF transferred to the West Midlands Pension Fund (WMPF). For any person for whom the appropriate administering authority had been, or would have been, the Authority, the appropriate administering authority became the City of Wolverhampton Council. The regulations effecting this change came into full legal force on 8 November 2019 but with retrospective effect from 1 April 2019 (the 'merger date' cited in the legislation).

Following the merger, the Authority is discharged from the excess liabilities of Preston Bus Limited which is guaranteed by Preston City Council but remains liable to meet any excess liabilities of West Midlands Travel Limited (WMTL) if National Express Group plc is unable to meet their guarantee. In the event that WMTL exit the pension fund (either directly or through the guarantee arrangement with National Express Group plc) without fully discharging its liabilities, the Authority will subsume the assets and liabilities of WMTL pension fund with its own assets and liabilities in the WMPF.

The market value for WMTL is only available at each triennial valuation and was valued at a deficit of £84.343m at the last triennial valuation as at 31 March 2022.

The Authority has guarantees with local authorities lodged with the bank in connection with works undertaken at various car parks as follows:

	£'000
Sandwell MBC (2 guarantees)	104
Birmingham City Council (1 guarantee)	97

33. Related party disclosures

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. These include:

Central Government
Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates and provides funding in the form of grants. Grants received from Government Departments together with grant receipts not yet recognised due to conditions attached to them at 31 March 2024 are set out in note 10.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2023/24 is shown in note 12. All members have at least two roles under the Local Government Act 1985 in that they are members of one of the seven constituent levying District Councils and are appointed to the Authority or co-opted to one of its committees.

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During the year, the Authority made significant payments to West Midlands Growth Company Limited totalling £9.6m (2023: £10.5m) in which four (2023: three) members and one officer representation on the board as WMCA stakeholder (2023: one officer representation on the board as WMCA stakeholder) have an interest.

Officers
There were no significant transactions between the officers and other related parties during the year.

Other Public Bodies (subject to common control by central government)

The Authority received the following levy payments and funding from the constituent District Councils:

	Transport Levy		Membership fees and contributions	
	2023/24	**2022/23**	**2023/24**	**2022/23**
	£'000	£'000	£'000	£'000
Constituent authorities				
Birmingham City Council	46,805	45,395	1,083	1,083
City of Wolverhampton Council	10,780	10,524	573	573
Coventry City Council	14,116	15,100	640	640
Dudley MBC	13,225	12,831	607	607
Sandwell MBC	13,977	13,097	611	611
Solihull MBC	8,838	8,656	545	545
Walsall Council	11,614	11,412	585	585
Non-constituent authorities	-	-	390	390
Total	**119,355**	**117,015**	**5,034**	**5,034**

Funding paid by the Authority to the constituent District Councils:

	Devolved Transport Funding		Economic Regeneration		Adult Education Budget		Levelling Up		Social Housing Decency Funding	
	2023/24	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities										
Birmingham City Council	6,254	6,254	-	-	10,612	10,202	5,241	-	2,330	-
City of Wolverhampton Council	5,898	4,767	2,770	-	3,414	3,283	515	-	2,100	-
Coventry City Council	9,031	6,120	8,944	40,656	5,500	5,288	1,366	-	2,100	-
Dudley MBC	7,437	6,754	-	-	1,567	1,507	660	-	2,100	-
Sandwell MBC	8,816	6,539	-	-	497	1,330	606	-	2,100	-
Solihull MBC	6,600	5,098	4,729	12,994	-	-	863	-	2,100	-
Walsall MBC	6,051	5,904	15,781	7,881	-	-	526	-	189	-
Total	**50,087**	**41,436**	**32,224**	**61,531**	**21,590**	**21,610**	**9,777**	**-**	**13,019**	**-**

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Entities controlled or significantly influenced by the Authority
During the year, the Authority paid management fees of £50k (2023: £75k) and £672k (2023: £629k) to West Midlands Development Capital Limited, a wholly-owned subsidiary, for the management of the Brownfield Land and Property Development Fund and the Collective Investment Fund respectively.

West Midlands Rail Limited, a company limited by guarantee where the Authority has 50% interest, received funding contributions of £41k (2023: £41k) from the Authority. In addition, the Authority recharged expenses of £222k (2023: £222k) which the Authority paid on behalf of West Midlands Rail Limited. The Authority has also charged corporate support and professional services of £46k (2023: £46k).

Other than as disclosed in note 23, Midland Metro Limited, a wholly-owned subsidiary which is consolidated in the group accounts, received a subsidy of £5.8m (2023: £7.6m) from the Authority under the terms of the Public Service Agreement. The Authority has charged corporate support and professional services of £490k (2023: £748k). The Authority has also recharged expenses of £620k (2023: £487k). Additionally, Midland Metro Limited has recharged £2.1m (2023: £2.4m) in respect of Metro network developments and enhancements to the Authority.

During the year, the Authority provided grants and services of £2.6m (2023: £1.8m) to WM5G Limited, a wholly-owned subsidiary which is consolidated in the group accounts, in respect of funding of initiatives and competitions to acceleration 5G infrastructure, applications and innovation.

Transactions with West Midlands Development Capital Limited, West Midlands Rail Limited, Midland Metro Limited and WM5G Limited were conducted at arm's length. The outstanding balances as at 31 March 2024 are as follows:

Due from	
Midland Metro Limited	£3.2m
West Midlands Rail Limited	£165k

Payment to Operators
The Authority manages and administers two public transport ticketing schemes in the West Midlands on behalf of bus, tram and rail operators. The nNetwork scheme is a ticketing scheme which allows holders of tickets to travel on bus, rail and tram services within the West Midlands**.**

The nBus & nBus/Metro schemes are ticketing schemes covering the majority of bus services within the West Midlands and the Midland Metro (tram).

The Authority receives revenues from ticket sales which are then pooled and distributed to operators net of commission based on passenger journeys. Net amounts to operators during the year amounted to £90.4m (2023: £26.5m).

34. Events after the Reporting Period

The unaudited Statement of Accounts were authorised for issue by the Authority's Section 151 officer on 28 June 2024. Events taking place after this date are not reflected in the financial statements or notes to the accounts. Where events taking place before this date provided information about conditions existing as at 31 March 2024, the amounts in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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35. Prior period adjustments

Grants to local authorities were previously all charged to the Investment Programme in Cost of services as REFCUS. The Authority has refined its accounting policy to charge the expenditure to the service line that better reflects the underlying activity.

As this is a change in accounting policy, the 2022/23 comparatives in the Comprehensive Income and Expenditure statement have been restated with no impact to the General Fund balance.

Effect on Comprehensive Income and Expenditure Statement

Authority	As previously reported			Reclassification			As restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	336,138	(243,501)	92,637	50,537	-	50,537	386,675	(243,501)	143,174
Combined Authority other services	183,074	(188,701)	(5,627)	2,874	-	2,874	185,948	(188,701)	(2,753)
Investment Programme	124,639	-	124,639	(53,411)	-	(53,411)	71,228	-	71,228
Mayor's office	849	(898)	(49)	-	-	-	849	(898)	(49)
Mayoral elections	-	(35)	(35)	-	-	-	-	(35)	(35)
Cost of services	**644,700**	**(433,135)**	**211,565**	**-**	**-**	**-**	**644,700**	**(433,135)**	**211,565**
Other operating expenditure	57	(418)	(361)		-	-	57	(418)	(361)
Financing and investment income and expenditure	16,793	(12,346)	4,447	-	-	-	16,793	(12,346)	4,447
Taxation and non-specific grant income and expenditure	1,116	(312,706)	(311,590)	-	-	-	1,116	(312,706)	(311,590)
(Surplus) or deficit on provision of services	**662,666**	**(758,605)**	**(95,939)**	**-**	**-**	**-**	**662,666**	**(758,605)**	**(95,939)**

Group	As previously reported			Reclassification			As restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Transport services	342,785	(250,202)	92,583	50,537	-	50,537	393,322	(250,202)	143,120
Combined Authority other services	184,800	(190,559)	(5,759)	2,874	-	2,874	187,674	(190,559)	(2,885)
Investment Programme	124,407	-	124,407	(53,411)	-	(53,411)	70,996	-	70,996
Mayor's office	849	(898)	(49)	-	-	-	849	(898)	(49)
Mayoral elections	-	(35)	(35)	-	-	-	-	(35)	(35)
Cost of services	**652,841**	**(441,694)**	**211,147**	**-**	**-**	**-**	**652,841**	**(441,694)**	**211,147**
Other operating expenditure	57	(418)	(361)	-	-	-	57	(418)	(361)
Financing and investment income and expenditure	16,920	(12,295)	4,625	-	-	-	16,920	(12,295)	4,625
Taxation and non-specific grant income and expenditure	1,116	(312,706)	(311,590)	-	-	-	1,116	(312,706)	(311,590)
(Surplus) or deficit on provision of services	**670,934**	**(767,113)**	**(96,179)**	**-**	**-**	**-**	**670,934**	**(767,113)**	**(96,179)**

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Accounting Standards
International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) are the accounting standards that the Authority are required to follow when producing the financial statements.

Accruals
An accounting principle that recognises income and expenditure as they are earned or incurred, not as money is received or paid.

Actuarial Assumptions
Predictions made for factors that will affect the financial position of the pension scheme.

Actuarial Gains and Losses
Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Amortisation
The measure of the consumption of an intangible asset over its useful life.

Budget
A budget is a plan of approved spending during a financial year.

Capital Programme
The plan of approved spending on non-current assets.

CIPFA
The Chartered Institute of Public Finance and Accountancy, the institute that governs accounting in the public sector.

Collective Investment Fund
Fund of investments held by the Authority which provides loans to property developers to support the acceleration of commercial property developments within the West Midlands region.

Credit loss
Cash shortfalls measured by the difference between the net present value of all the contractual cash flows that are due to an authority in accordance with the contract for the instrument and the net present value of all the cash flows that the authority expects to receive.

Deficit
This occurs when spending exceeds income.

Depreciation
The measure of wear and tear, consumption or other reduction in the useful economic life of a non-current asset.

Expected credit loss
The weighted average of credit losses with the respective risks of a default occurring as the with the weights.

Fair Value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Year
The Authority's financial year runs from 1 April to the following 31 March.

Impairment of Asset
An asset has been impaired when it is judged to have lost value other than through normal use.

Intangible Assets
An item which does not have physical substance (for example software) but can be identified and used by the Authority over a number of years.

Lease
A finance lease is an agreement to pay for an asset in regular instalments where the person paying the lease (the lessee) is deemed to own the asset. In contrast, an operating lease occurs when the lessee is not considered to own the asset.

LOBO
Lenders Options Borrowers Option. A form of loan where the lender can change certain conditions of the loan, such as the dates and the interest rate. If this occurs, the borrower then has the option of either continuing with the loan or redeeming it in full without a penalty.

Materiality
An item is material if its inclusion in the financial statements would influence or change the judgement of a reasonable person. If the information would have no impact on the decision maker, it is deemed not material.

Public Works Loan Board (PWLB)
A government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Spending on assets that have a lasting value but are not owned by the Authority.

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