West Midlands Combined Authority

Statement of Accounts

For the year ended 31 March 2019

THIS PAGE IS INTENTIONALLY LEFT BLANK

Contents

Welcome to the West Midlands Combined Authority's Statement of Accounts for the financial year ended 31 March 2019. These accounts provide the reader with a view of 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 ('the Authority)'.

The Statement of Accounts for the year ended 31 March 2019 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 2018/19, 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 undertakings). To provide a complete representation of the activities of the Authority, Group Accounts are being prepared for the first time in 2018/19 which include a subsidiary where the interest and the level of activity is considered material to the Group as a whole.

The Narrative Report has been prepared to provide an outline of the activities for the year 2018/19, 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 16 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 Authority is now the Local Transport Authority for the West Midlands and also has powers to exercise economic development and regeneration functions in conjunction with its seven constituent local authorities:

- 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

Leadership of the Authority comes from the Mayor and the leaders of the seven constituent local authorities, which have full voting rights. The leadership also includes the chairs of the Local Enterprise Partnerships (LEPs) which are business-led organisations that help build relationships between businesses and local authorities. Other bodies which include the LEPs and 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 page 26.

The policies of the Authority are directed by the WMCA Board which is chaired by the Mayor and are implemented by the Leadership Team comprising a Chief Executive and six Directors, supported by officers. The assurance function is carried out by both the Audit, Risk and Assurance Committee and the Overview and Scrutiny Committee, both 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. The Authority employed 466 people as at 31 March 2019. Midland Metro Limited employed 189 people as at 31 March 2019.

During the past year, the Authority has continued to work towards delivering its ambitious plans for driving inclusive economic growth in the West Midlands region and building a healthier, happier, better connected and more prosperous population and has also continued to develop strong and sustainable relationships with national government.

The West Midlands' growth priorities and ambitions are set out in the 2015 Strategic Economic Plan. The investments and actions the Authority makes and takes are focussed on delivering this plan, working with Local Enterprise Partnerships and other partners.

The Strategic Economic Plan (SEP) sets out the overarching vision for the region which will be delivered through an aspirational and robust programme to drive and accelerate improvements in productivity and enable the West Midlands to become a net contributor to the UK exchequer, whilst improving the quality of life for everyone who lives and works in the area.

The key objectives set out in the Strategic Economic Plan are as follows:

- Economic growth
- Employment and skills
- Accessibility
- Business competitiveness and productivity
- Land
- Public service reform
- Housing
- Environment

The Authority's core values and the underpinning behaviours are as follows:

Be collaborative

- We work with others to reach common goals
- We are respectful and act with integrity
- We communicate clearly, openly and encourage feedback

Be innovative

- We encourage creativity, originality and curiosity from everyone
- We embrace change and we are open to new possibilities and exploring new ideas
- We adopt best practices and keep up to date with new developments to enhance our work

Be driven

- We have a positive, proactive and a solution orientated attitude
- We set ourselves high standards and strive to exceed these
- We take ownership for our performance and outcomes

Be inclusive

- We care about and treat each other with dignity and respect
- We create a positive working environment
- We value diversity and consider other people's viewpoints ensuring no-one is excluded
- We encourage and support each other

The Authority receives various government, Local Economic Partnership and local authority grants to fund its development plans. The annual Gainshare grant of £36.5m remains the most significant funding source for the Authority's £8 billion Investment Programme.

2. Review of the Year

This section provides a summary of delivery and progress against the WMCA Annual Plan 2018/19 looking back at delivery and progress against the actions, activity and outcomes we set out in our 2018-19 plan and also summarises the region's performance against a range of economic health and growth indicators, and enables developments in the region's economy and society over the last year to be illustrated.

Last year's Annual Plan was approved by the WMCA Board Annual General Meeting in June 2018. It outlined how the Authority would work towards delivering its ambitious plans for driving inclusive economic growth in the West Midlands region and building a healthier, happier, better connected and more prosperous population.

The Plan was structured on the key strategic priorities and member-led portfolios, along with information about our services that enable and support delivery (Corporate Services). This Annual Review is presented in line with the structure of the 2018-19 Annual Plan, and is structured using the following headings:

- Economic Growth and Local Industrial Strategy
- Housing and Regeneration
- Productivity and Skills
- Health and Wellbeing
- Public Service Reform, Inclusion and Cohesion
- Environment
- Transport
- Investment Programme
- Enabling delivery: Corporate Services and Governance

Economic Growth and Local Industrial Strategy

The West Midlands' growth priorities and ambitions were set out in the 2015 Strategic Economic Plan. The investments and actions the Authority makes and takes are focussed on delivering this plan, working with our local councils, Local Enterprise Partnerships and other partners including the West Midlands Growth Company.

Key delivery and progress against our 2018/19 Plan has included:

Local Industrial Strategy: The Authority has led the development of an evidence based Local Industrial Strategy, focused on boosting productivity, earning power and competitiveness in the region. The strategy, to be launched and implemented during 2019 shows how the region will continue to be a major engine of UK success, working in partnership with the government. The region aims to become the centre of the UK's switch to electric and autonomous vehicles, a global location for getting medicines and healthcare devices from the lab to the patient, and an economy at the heart of radical new approaches to professional services and creative content and design.

Brexit: We have worked with partners, and the Brexit Commission established by Birmingham City Council, to prepare for our exit from the European Union. We have helped to establish a series of technical groups drawn from specialists in the constituent member authorities and administering a pooled Fund for projects aimed at ensuring services adapt to the new regulatory environment. We have helped to establish and support the Mayor's Brexit Economic Contingency Group, focused on the potential impacts of a "no deal" scenario. In February 2019 we hosted a visit from HM Treasury's senior officials who heard first-hand the concerns of local businesses and how government can help.

Devolution: We have continued dialogue with central government on behalf of the region about additional powers and resources required to further our economic and social ambitions for the region. This included **innovative funding mechanisms** to support the delivery of the region's economic investment priorities and public service reform. During 2019/20, the focus of this work will be on the informing the Government's Spending Review.

Policy Research and analysis: Working with partners, our research has helped build the region's case for housing investment, developed our understanding of the drivers of youth unemployment and homelessness in the region, and contributed to our successful 5G bid. We have built strong collaborations with the Office for National Statistics and Ordinance Survey, including a new approach to quantifying the impact of the metro on local housing and employment.

What works: Our evaluation work has helped ensure we are quickly learning "what works" through robust evaluation plans for three major trials in the region (on homelessness, community employment support and helping people with health problems into employment). We have also reviewed existing international evidence on "what works" to inform our programme design, for example around employment support.

State of The Region: We published an updated annual economic review, and a series of dashboards providing an overview of performance across each portfolio's area of policy responsibility. Planned developments include the inclusion of the outputs from the inclusive growth unit work and also inclusion of more perception measures from primary surveys.

Office for Data Analytics (ODA): We have progressed the work to establish an ODA which will ensure a "single version of the truth" is available to the CA and partners, including on-the-day briefings on the latest statistical intelligence on the region's economy, labour market, housing, health and wellbeing, and demographics. We have worked with the Office for National Statistics to improve the range and timeliness of sub-national statistics such as population projections and regional economic statistics, with quarterly regional GVA figures expected later this year. We have also provided training for local partners' analysts in areas they identified as key developmental priorities, including Geographic Information Systems (mapping) and statistical programming.

Housing and Regeneration

We are on track to achieve the delivery of our Housing Deal target of 215,000 new homes by 2031, significantly increasing the proportion of affordable housing and driving new benchmarks of quality and efficiency. The Authority is developing the UK's most successful, innovative and delivery-focused housing and regeneration programme, combining the very best of the public and private sectors. Housing and regeneration are at the forefront of implementing the Authority's inclusive growth mission, recognising the links and joins between housing, skills, transport, health and economic growth.

Key delivery and progress against our 2018/19 Plan has included:

Delivering new homes: The West Midlands saw 14,628 new homes delivered in 2018/19, a 21% increase on the annual total for the year before. The long-term trend has for new homes seen consistent improvement and is ahead of schedule for our target of 16,500 new homes per annum by 2031.

Providing affordable homes: The region also saw a 33 per cent increase in affordable homes completed during the last year. That is nearly three times the national average increase. During 2017/18 a total of 1,837 affordable homes were completed, up from 1,383 in 2016/17.

.

Setting a strategic investment and delivery strategy: We launched the *Investment Prospectus for the West Midlands*, showcasing £10bn worth of housing, regeneration, commercial and infrastructure development opportunities. These projects build further on the unprecedented investment being secured for the region's infrastructure and illustrate the scale and range of opportunities in the region.

Attracting new investment: The Authority secured a £350m Housing Deal with government. This includes a £165m funding package to build the Athletes' Village for the 2022 Commonwealth Games and the infrastructure needed for thousands more new homes. The money will be used to build the village on the site of the former Birmingham City University campus in Perry Barr, and more than 5,000 quality, sustainable homes will be built for local people. The first 1,400 homes will come through the post-event conversion of the Commonwealth Games village. The package will also fund a new rail station and road and bus improvements to help deliver a comprehensive regeneration of the wider Perry Barr area.

Building on brownfield sites: We have invested in brownfield land remediation, tackling sites that have been dormant for years and bringing them back into use. For example, more than 250 new homes will be built in Walsall after the Authority stepped in with funding to unlock disused land for development on the Goscote Lane site.

Revitalising town centres: The Authority helped to accelerate local authority plans to revitalise town centres, breathing new life into high streets which have suffered a series of blows in recent years. Almost £20million of funding has been approved to unlock land for regeneration in five town centres: Bilston, St Thomas Quarter in Dudley, Bordesley Green in Birmingham, St Matthews Quarter in Walsall and West Bromwich (East).

One Public Estate: The WMCA Housing and Regeneration team are now leading the region's One Public Estate programme, demonstrating how local and central government can come together to achieve the most from public land assets. There are 27 public sector organisations in the OPE Partnership including local authorities, blue light services, the transport authority, health providers, local economic partnerships and other stakeholders. It is one of the biggest partnerships in the UK.

Building new partnerships: The Authority has continued to work with Homes England, the Government body responsible for increasing the number of new homes that are built in England, to bring together investment, expertise and priorities for development on brownfield land. Our joint approach is the first of its kind in the country.

<u>**Productivity and Skills**</u>

Key delivery and progress against our 2018/19 Plan has included:
Regional Skills Plan: Building on the work of the Productivity and Skills Commission, we published our Regional Skills Plan in June 2018 and secured the first Skills Deal in the country which was agreed with government in July. The Deal included £69m of new and planned investment.

Prepare young people for future life and work: Over 1,500 young people are now being mentored through the Mayor's Mentors programme. Partners in the region have come together to develop a clear action plan to tackle the youth unemployment challenge with an initial focus on Birmingham. The Authority is collaborating closely with Birmingham City Council and the Department for Work and Pensions as well as a range of voluntary sector partners and employers to develop and deliver more targeted support for young unemployed. This includes our Apprenticeship Promise – our commitment that all young people should be able to access good apprenticeship and/or training places; as well as wider collaborative work to ensure that all residents between the ages of 16 and 24 are able to access good quality education, training or work.

Create regional networks of specialist technical education and training: We worked with the Gatsby Charitable Foundation and the Further Education Skills and Productivity Group to support the regional college network to prepare for the introduction of T-levels by facilitating collaborative activity around investment in capital equipment, development of curriculum and co-ordination of the work experience requirement.

Construction skills: We set up a Construction Skills Taskforce to oversee the development and delivery of the regional Construction Skills Plan – ensuring that we have the right pathways in place to deliver the workforce that the construction industry needs both for traditional build projects and those using modern methods of construction. Our £5m Construction Gateway project is successfully delivering pre-employment training for local unemployed people with a guaranteed interview for a real job opportunity at the end. Through this programme we have trained nearly 100 people to date with 60% having already secured employment.

Digital skills: We set up a Digital Skills Partnership with industry experts to develop and deliver a Digital Skills Plan for the region. We have also secured £5m to support a Digital Retraining Scheme targeting both unemployed and in-work residents, to help them develop their digital skills.

Accelerate the take up of good quality apprenticeships across the region: As part of our Skills Deal, we secured government's agreement to a West Midlands levy transfer scheme. This allows us to use up to £40m of unspent apprenticeship levy funding and use this to support regional SMEs take-up of apprenticeships. £9m of this has been secured to date, and has helped SMEs take on apprentices in STEM subjects (science, technology, engineering and maths). Working with government we have set up an Apprenticeship & Technical Education Taskforce through which the region is working in partnership with government to drive up apprenticeships starts and ensure that the region is prepared for the introduction of T-levels.

Helping people into work: Our **'**Connecting Communities' employment support programme is now in delivery in nine areas across the combined authority. Over 400 people are being supported through the programme, over half of whom have been out of work for more than two years. Through the programme, local people are supported to secure employment, or increase their income if they are already in work.

We are working collaboratively with local authorities, DWP, Big Lottery and the voluntary sector to develop an employment support framework that will guide the future co-ordination and commissioning of employment support in the region – ensuring that we are getting best value for local people and that they are getting the support that they really need.

The Authority will take up control of the £126m regional Adult Education Budget (AEB) in August 2019. Delivery agreements are in place for the 19/20 academic year between the Authority and local colleges and also with local authorities that deliver AEB funded provision. We have also gone out to tender for up to £28m worth of provision to meet identified local priorities and to test new innovative approaches to learning.

Strengthening Collaboration: The Authority has worked closely with DfE to shape the development of our Skills Advisory Panel (SAP) which will play a key role in shaping local skills delivery. Our Skills Advisory Board has been set up to undertake the SAP role in strategic planning for post-16 regional skills provision. This is a new and expert partnership between the Authority, local employers and skills providers engaging directly with the Department for Education and the Department for Work and Pensions, to drive forward improvements in employment and skills outcomes for the region.

<u>**Health and Wellbeing**</u>

Key delivery and progress against our 2018/19 Plan has included:

Population Intelligence Hub: We have developed an innovative Hub to provide in-depth and timely intelligence on local public health, in collaboration with Public Health England and local partners. Outputs in its first year have included a dashboard of key health indicators across the Authority area, analysis of Health Life Expectancy in each part of the region, and support to work with people with multiple complex needs (see Public Service Reform section for further details).

Mental Health “Thrive” Programme: The programme resulting from the Mental Health Commission involves multiple streams of work. The “Thrive into Work” Individual Placement and Support (IPS) trial to help people into work has so far supported over 100 people with mental or physical ill health into jobs. We are reaching over 100,000 employees through the “Thrive at Work” which helps small and medium sized companies to embed wellbeing into their business. Over 25,000 people are benefitting from “mental health first aid” and 150,000 from “every mind matters” initiatives.

Homelessness: We have supported the Homelessness Taskforce and started delivery of the Housing First pilot – with over 50 rough sleepers being housed in the first quarter of 2019.

West Midlands on The Move: We are working with the Commonwealth Games Organising Committee and BCC to mobilise a social movement in the run up to 2022. This year we launched the “West Midlands Good Gym” - a community of runners that combine getting fit with doing good. Participants stop off on their runs to do physical tasks for community organisations and to support isolated older people with social visits and one-off tasks they can't do on their own. It's a great way to get fit, meet new people and do some good. The Coventry and Solihull branches of Good Gym were launched in March 2019.

Prevention: Our initial thinking on work with the NHS on preventing disease and ill health has developed into a proposed Radical Prevention Fund, using devolution as a catalyst for innovation in prevention which delivers tangible system and citizen outcome benefits by supporting digital innovation and new ways of supporting prevention across the WM health, care and public services system.

Leadership & Workforce: We have not yet progressed development of the planned collaborative leadership programme for the West Midlands. This work will be progressed in the next year, including an accredited leadership framework and a competency based apprenticeship framework.

Digital innovation: The West Midlands was selected in September to become the innovative home to the UK’s first multi-city 5G test bed. The multi million pound trial of new high speed connectivity will pave the way for the future rollout of 5G across the UK, making the region the first in the UK ready to trial new 5G applications and services at scale. A key focus is on self and remote care, and digital support to addressing social isolation.

<u>Public Service Reform, Inclusion and Cohesion</u>

Key delivery and progress against our 2018/19 Plan has included:

Multiple Complex Needs: We have undertaken detailed research with people with multiple complex needs, to understand causative factors and ways services can be better organised to provide earlier and more effective support. We are now further developing our understanding of the needs of this group to help inform further improvements.

Youth Justice and Adverse Childhood Experiences: Internationally significant research focusing on childhood adversity experienced by those in the criminal justice system in the West Midlands is ongoing. Initial findings suggest high levels of Abuse, Loss, Trauma, Attachment and Resilience (ALTAR) which has directly impacted on our understanding of how services should be organised, to improve outcomes for children and reducing re-offending. Policy options for reforming Youth Justice are under consideration.

Inclusive Growth: Our Inclusive Growth Unit was established in June 2018, and has agreed the commencement of the governance structure, priorities and initial activity as well as contributed to the developing framework, toolkit and engagement strategy. The first iteration of our Inclusive Growth Framework has been approved by WMCA Board, which gives us a way to measure inclusive growth.

Four IG "tests" have been developed, and will be used by the Authority and partners to consider and enhance how their work delivers inclusive growth. An IG Toolkit to inform investment decisions has been produced.

The Social Economy Taskforce: The taskforce has been operational throughout the year, and has set its core recommendations. It will publish its final report in summer 2019.

Public Value Collaboration: A West Midlands 'Public Impact Lab' was proposed to bring people together to work solutions to the region's wider public service problems with the development of public value pilot schemes potentially taking place in selected areas, providing strong case studies for others to follow. This initiative has not yet progressed.

Fire: Activity to transfer the governance of West Midlands Fire Service is ongoing, we are currently aiming for transfer later in 2019.

Police and Crime: Collaborative activity on key policy areas continues and includes a partnership feasibility study into a new safe and secure centre, a whole system approach to women in the criminal justice system and youth justice.

Environment

Last year was the first time we set out our goals for the environment, to reflect that this was a new priority for 2018/19, overseen by a newly created portfolio lead member. The year saw rapid progress in setting the direction and capacity of our work, achieving the majority of our goals. We established an Environment Board, supported by a cross-sector advisory group of internal and external partners. In September 2018 they established a one year improvement plan to move us towards our target of being the 'best in class' CA on sustainability by the end of 2020.

Key delivery and progress against our 2018/19 Plan has included:

Establishing the team: In October 2018 we established our Environment team to support the Board and partners, and to build on the existing progress of our staff managing our estate, and our external partnership work led by Sustainability West Midlands (SWM).

Review of funding and development sites: Our review of our funding systems and development sites revealed the need for a more coordinated approach to integrating sustainability criteria. There is now an improvement programme in place being implemented. Meanwhile our internal Management System was reaccredited, and continued to deliver savings, such as a 40% energy reduction over the last 3 years.

Promoting and Communications: We improved our communications through the creation of an Environment section on the corporate website, staff engagement in the development of our new internal strategy, and with Green Alliance and SWM putting on the leading event outside London during the UK's first Green Week. This event looked at how we could produce the UK's first clean and inclusive growth Local Industrial Strategy (LIS). We hope to meet this ambition when we publish the LIS with Government later in 2019.

Natural Capital Investment: In February 2019 the Environment Board agreed our approach to developing a Natural Capital Investment Strategy and Programme, which will be taken forward by the WM Natural Capital Roundtable, HS2 Growth Programme, and partners. We are grateful for the support of the Greater Manchester team in helping us learn from their experiences.

Low Emissions Strategy: During the year we began to develop a regional Low Emissions Strategy and Action Plan with local authorities, to help identify where working regionally could accelerate local action on air quality and carbon emissions, attract investment, and improve health. We hope the good partnership working to date will translate into a cross-region 'clean air team' to deliver the actions. For example partnership working has already resulted in a significant national investment for the University of Birmingham to provide improved air quality monitoring for the region for the next 5 years.

Energy: We approved our regional Energy Strategy in January 2019, and we have hosted and supported the Energy Capital partnership to begin to implement the recommendations in the previous Energy Commission report around Energy Innovation Zones, and coordinated approaches to Electric Vehicle Charging and Housing Retrofit.

Transport

Key delivery and progress against our 2018/19 Transport Plan has included:

Improving the customer experience: We have continued to enhance our SWIFT ticketing offer in the region through a number of initiatives including making sure we charge customers the cheapest price they can pay for the journeys they've made ("value capping"). We've extended the half-price travel offer to all young people aged 16-18, on bus, rail and Metro, enabling an extra 100,000 young people to benefit. Development has continued on a Regional Transport Coordination Centre to provide a multi-agency, multimodal facility giving single view of cross-partner projects and programmes, improve customer information about disruptions and assist with mitigating the impacts of incidents and events, to keep people and businesses moving. We started construction of the Park and Ride expansion at Longbridge station. Working with West Midlands Rail Executive we have developed a new service quality monitoring system to drive up standards of cleanliness and customer service.

A common approach to cycling & walking: We have published our Common Approach to Walking & Cycling and the West Midlands Local Cycling & Walking Investment Plan. A second Managing Short Trips initiative for cycling infrastructure in the Black Country is underway. We are preparing the new West Midlands Bikeshare scheme which will be rolled out in 2019. The Authority has committed up to £23 million towards new and enhanced cycling infrastructure in the region.

Ensuring safety and security on the network: We published a Regional Road Safety Strategy to help reduce the numbers of people killed or seriously injured on our road network and to make it safer and more attractive to make more journeys by sustainable forms of travel. We are consulting on introducing byelaws to manage low level antisocial behaviour on our bus network, working within our safer travel partnership. The Local Transport Policing Plan targets are being delivered through the Safer Travel partnership.

Help improve air quality: We have developed and delivered a programme of works to minimise the impacts of congestion on bus routes to support the delivery of early Clean Air Zone measures. We secured over £6 million of funding to support the retrofit of buses to the highest European clean air standard for buses (Euro VI) across the region.

Support bus as the backbone of the West Midlands public transport network: It was a successful third year of the West Midlands Bus Alliance and we are on track to delivering its 50 deliverables for improving bus operations including the rollout of Network Development Plans, speeding up journey times and improving passenger satisfaction. Working with local authority partners and bus operators we introduced the Wolverhampton Advanced Quality Partnership Scheme, following the introduction of the Solihull scheme, using new legislative powers.

Promote bus usage: We have seen some increases in bus usage the last year. However, increasing traffic levels and congestion continue to impact on bus service punctuality. Slower buses mean increased journey times and variability, causing reduced access to jobs, leisure and other retail opportunities for people. The Sprint, bus-based rapid transit mode project has progressed, including the development of business cases, allowing the project to advance to the design stage. We have started to use powers from the Bus Services Bill, continued to support an integrated network and optimising opportunities for bus growth.

Deliver the best rail services: As a result of the new West Midlands Trains franchise, there have been a number of improvements to local rail services, including some additional carriages and increased services, particularly during evenings and weekends. Key service enhancements include: the Birmingham's Cross City line is now extended to the new Bromsgrove station; the number of off-peak services between Walsall-Cannock-Rugeley and Birmingham-Wolverhampton-Telford-Shrewsbury have increased; more through services are provided from Walsall to Birmingham Airport and London and Coventry to Wolverhampton and onto Liverpool. Business cases for new rail stations have been developed; enabling progression to the design stage including the development of Birmingham's University Station transformation project. Development of the HS2 Connectivity Package continues so that the benefits of HS2 are maximised in the West Midlands.

Continue to invest in Metro: Passenger numbers on Midland Metro increased to more than eight million in the first 12 months after opening of the Birmingham City Centre extension. Operation of the West Midland Metro Network was transferred to Midland Metro Limited (MML) – a wholly owned subsidiary of the Authority – in June 2018, allowing all future profits to go back into the system. A public inquiry for the Wednesbury to Brierley Hill compulsory purchase powers has been confirmed for March 2019, ahead of the start of main construction works later this year. An outline business case was submitted for the East Birmingham and Solihull extension and a decision is awaited from Government on the Birmingham Eastside Transport and Works Act Order application. Construction of the extensions at Centenary Square, Edgbaston, Wednesbury Brierley Hill and Wolverhampton City Centre will continue. The rail / Metro integration at Snow Hill Station is being enhanced through the provision of a third access.

Invest and develop our Key Route Network: We published a Congestion Management Plan, which sets out the ways in which TfWM will improve capacity and efficiency and manage demand on our transport system. A baseline assessment of the Key Route Network has been completed and corridor reports providing details of performance, condition, road traffic accidents etc. We developed a Highways Investment Plan with partners to provide funding and delivery support on a number of schemes that will improve capacity and safety of the Key Route Network. We are developing a Memorandum of Understanding with High Speed 2, which will lessen the impact of work on this major transport project through the coordination of delivery and the development of a travel demand management programme, including advice and support to residents, businesses and visitors. We delivered behaviour change programmes alongside partners and worked with businesses and communities to lessen the impact of roadworks by stimulating alternative travel choices and encouraging modal shift to sustainable journeys.

Support Inclusive Growth: We developed a Mobility for Inclusion Action Plan – key actions include looking at the role of Demand Responsive Transport and the Future of Ring & Ride. We are supporting delivery of a Spatial Investment and Delivery Plan which sets out overarching housing and employment ambitions, plans for major growth areas and corridors, quality standards for development, and bringing together investment in transport, skills, employment, social infrastructure and housing to drive inclusive growth.

Develop the future West Midlands Transport Strategy: The region has been successful in securing funding to become the innovative home to the UK's first multi-city 5G test bed. The multi million pound trial of new high speed connectivity will pave the way for the future rollout of 5G across the UK, making the region the first in the UK ready to trial new 5G applications and services at scale. This is bolstering the regions reputation as a lead testbed for new technologies such as autonomous vehicles which will transform the way we travel, preventing major accidents, improving traffic flow and reducing energy consumption. Building on this success, the government has awarded £20m to the West Midlands to support the development of a 'Future Mobility Zone' to enable these cutting edge technologies to be embedded into the everyday transport system. Work has progressed on developing a new approach to Park & Ride delivery in the region to support better access to the rapid transit and heavy rail network. We have published a Strategic Vision for Bus to support its vital role connecting major rail and Metro investment, connecting communities and towns, and helping to build a healthier, happier, better connected and more prosperous region. We worked closely with the West Midlands Rail Executive to develop the West Midlands Rail Investment Strategy.

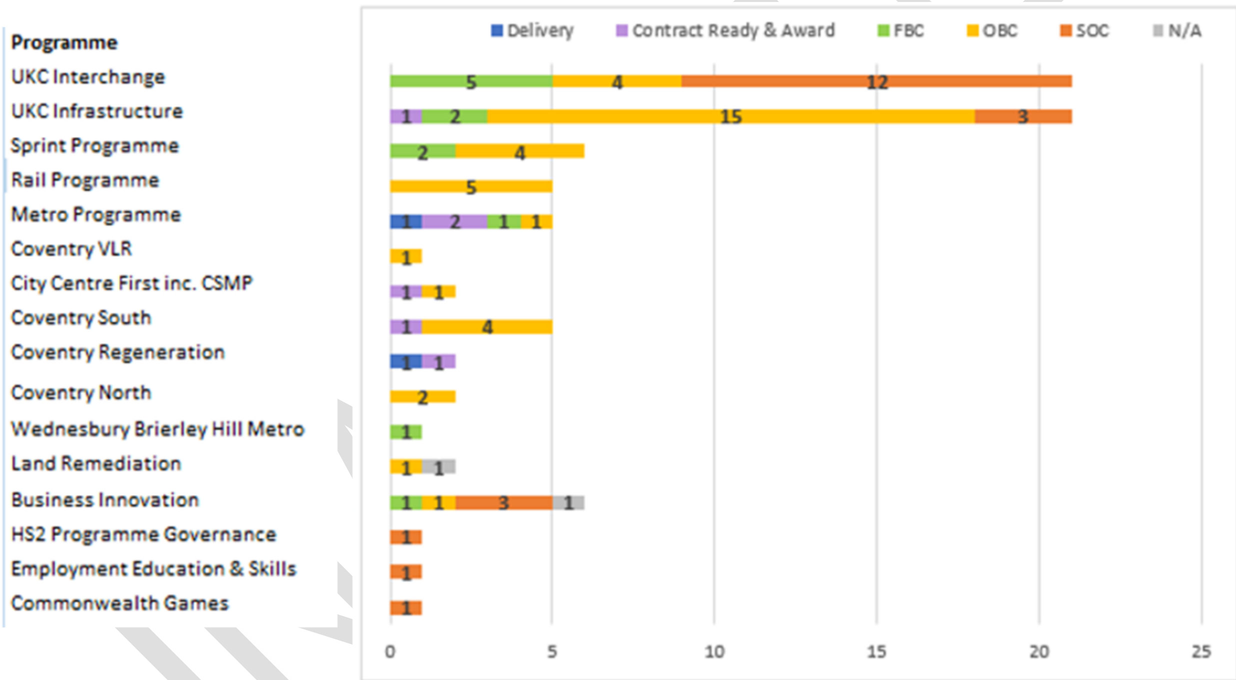
Ensure readiness for City of Culture and Commonwealth Games (CWG): We have developed an operational plan for managing spectator transport for the Commonwealth Games to ensure businesses function as usual during this demand.

Investment Programme

The Authority investment programme currently includes:

- Coventry City Centre Regeneration
- Friargate
- Solihull UK Central Infrastructure
- Midland Metro Wednesbury to Brierley Hill Extension
- Solihull UK Central Hub HS2 Interchange
- Coventry UK Central Plus
- Business innovation

The progress of each project within the investment programme (as at end Feb 2019) is illustrated in the diagram below and table overleaf:



Programmes (£m)		Original Plan	Approved (to 28/02/19)	Planned Remaining Commitments			
				Total	18/19	19/20	20+
UKC Interchange		398	30	368	0	175	193
UKC Infrastructure		288	28	260	0	15	245
HS2 Connectivity	Sprint	213	20	193	0	35	157
	Metro	101	101	0	0	0	0
	Rail	186	5	181	0	15	166
	Coventry Station	39	39	0	0	0	0
	VLR	55	12	43	0	0	43
	Sub Total	595	178	416	0	50	366
Hs2 Delivery Communications		0	0	0	0	0	0
WBHE - WMCA contribution		103	0	103	103	0	0
Coventry UKC North		22	0	21	0	0	21
Coventry UKC South		136	7	129	0	2	127
Coventry Regeneration		186	154	32	0	32	0
Land Remediation		200	103	97	0	0	97
Business Innovation		50	4	46	5	4	37
Employment and Skills		20	1	19	0	0	19
Commonwealth Games		25	25	0	0	0	0
Total		2,022	531	1,492	108	279	1,105
Cumulative approvals			531		639	918	2,022

Enabling delivery: Our Corporate Services and Governance

During 2018/19 we have commenced a review of some of our key enabling and support functions (Corporate Services) – including HR, ICT, Programme Management Office, Governance Services and Business Support. This work is ongoing and will conclude during 2019/20.

In addition to the Review, there has been a range of activity throughout 2018/19 to improve and develop and strengthen our organisational capacity and effectiveness, including:

Corporate Assurance and Business Continuity: We started work on reviewing the Assurance Framework to ensure it meets our future needs. We have implemented a testing and training programme to test Business Continuity Plans and have ensured effective on call rotas are in place across the WMCA Leadership Team and corporate services.

Procurement: The WMCA Social Value Policy was launched in November 2017. Since its launch, £25m of social value commitments have been made in contracts we have awarded, with £1m already delivered. Commitments include volunteering time to support local community projects, initiatives taken or supported to engage people in health interventions, donations or in-kind contributions to local community projects, supporting young and unemployed people into work (such as CV advice and career mentoring), local school and college visits, and increasing spend through the *local* supply chain through the contract.

Overview and Scrutiny: We recognise the value and importance of member-led scrutiny and challenge, and have supported the Authority's Overview & Scrutiny Committee to build on its work of the previous year in developing a programme that gives a broad oversight to the policies of the Authority and reviews the effectiveness of its key decisions. The Committee has enhanced the breadth of the pre-decision scrutiny it has undertaken, including a focus on WMCA Budget 19/20, the Local Industrial Strategy, transport projects including the Wednesbury to Brierley Hill Metro extension, the establishment of a Youth Combined Authority, the proposed transfer of the West Midlands Police & Crime Commissioner Functions, cycling and childhood obesity. Scrutiny members have also established a number of working groups focussing on topic areas including health & wellbeing, finance, governance, inclusive growth and productivity & skills and housing & land. The committee has also undertaken a number of public **Mayoral Q & A sessions**, where Andy Street has been quizzed on the delivery and impact of the Authority policy in areas as varied as public transport, air quality, housing and other policy related matters. This is an important part of providing public accountability and decision making transparency. With the support of the Centre for Public Scrutiny and Local Government Association we have worked with the Committee to identify how the scrutiny function can develop and improve further.

Constitution: We started a review of the WMCA Constitution to ensure it continues to meet our future needs. This work will continue into 2019/20.

Employee wellbeing and development: A staff wellbeing survey was carried out in December. An action plan has been put together taking into account staff feedback and the key Thrive Accreditation best practice recommendations. Mental health first aiders are currently being recruited and a mental health campaign will take place in May during Mental Health Awareness week. Planning is underway for this year's Wellbeing Week (last week of April). A new employee learning and development strategy was developed.
.
Finance and investment: We have brought forward the timetable for developing the revenue budget and developed key performance indicators for transactional services. We are appointing a new Investment Director role whose role will include leading on developing a Commercial Strategy.

Communications: A new Director of Strategic Communications and Public Affairs joined the Authority in November 2018. A Strategic Communications Plan is being developed alongside the 2019/20 Annual Plan to ensure that communications objectives align with policy objectives and that appropriate Key Performance Indicators are established.

3. Governance

The Authority has continued through a period of change and development during 2018/19. There is now a stable leadership team and structure including a new Director of Investment and Commercial Activities and Director of Strategic Communications and Public Affairs, although there are vacancies and turnover – including the Director of Finance role which at the time of writing is being covered on an interim basis. Work has continued to strengthen and improve governance arrangements, Board Reporting, Forward Planning and the work of the Audit, Risk and Assurance Committee and Overview and Scrutiny Committee.

The Authority continues to mature and evolve through a period of growth and the operational model is becoming more complex – particularly in light of the existing and potential additions to the Authority functions (within the last 12 months Midlands Metro Operations have come in house and the West Midlands Rail has been established) including some additional statutory transfer of existing services such as the West Midlands Fire Service. These additions will lead to accountability changes and will be reviewed in year with the correct governance arrangements being put in place.

Further details are set out in the Annual Governance Statement that can be found on pages 26 to 33.

4. 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.

Following the identification of the Authority's aspirations and strategic outcomes in the Strategic Economic Plan, the business planning process for 2018/19 began in the autumn of 2017 including consultation with Budget Holders across the Authority, leading to the preparation of the Financial Plan for 2018/19 onwards and the detailed budget for 2018/19.

The Business Planning process sets out an approach to resource management that allows planning for the Authority's ambitious outcomes within the resources available to the authority, which at the same time recognises the importance of driving efficiency in the way that the Authority does business, including the better use of technology.

Detailed workforce planning, monitoring and management is undertaken by the Human Resources team within Corporate 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 by the Performance Development Planning process that is now embedded at the Authority.

Table 1 below sets out the headcount (March 2019) and established full time equivalent (FTE) posts as well as the number of vacant posts, including new posts approved as part of the 2019/20 budget process:

Table 1: WMCA & MML Staffing Analysis — March 2019

No.	Headcount	FTEs	Vacancies
TfWM	244	226.5	21
Corporate Services	153	151.9	10
Commissions	63	61.5	16
Mayor’s Office	6	6.0	1
Midland Metro Limited	189	188.0	9
Total	655	633.9	57

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.

5. Risks and opportunities

The Authority has put in place a system of internal control designed to manage risks to a reasonable level and aims to identify and prioritise the risks to the achievement of our policies, aims and objectives; and evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The Authority has developed a Risk Management Strategy and strategic risk register, which is reported to regular meetings of the Authority's Audit, Risk and Assurance Committee and the Leadership Team. It provides visibility of risk at operational, programme and strategic levels.

As noted in Table 1 above, the Authority was carrying a significant number of vacancies as at 31 March 2019, primarily as a result of new posts approved as part of the 2019/20 budget process that had not been recruited to at that time. A formal capability and vacancy risk management plan has been put in place in consultation with the Audit, Risk and Assurance Committee to ensure that the potential risks associated with a high proportion of vacancies are managed effectively.

The Authority has also put in place and continues to develop a robust monitoring framework that measures the performance of the Authority and gauges how the Authority is progressing against the SEP and the Mayor's Renewal Plan.

The Authority is committed to providing good value for money and opportunities for cost reduction are explored when appropriate.

Opportunities to generate additional revenue streams are actively explored. Recent examples include the generation of additional advertising revenue from the Authority's bus shelters in conjunction with a private sector partner as well as the creation of new commercial trading opportunities, including the establishment of the wholly owned subsidiary, ‘Midland Metro Ltd’ that has been created to take over the day-to-day running of Midland Metro trams in the West Midlands region and is expected to generate profits of around £50 million over the first 11 years which will be channelled back into the network for the benefit of passengers and the local economy.

Further devolution of powers from central government also presents a significant opportunity for the Authority building on the progress of the first two devolution deals, including proposed new powers that will seek to enable the Mayoral WMCA to assume governance of West Midlands Fire and Rescue Service.

6. Strategy and resource allocation

The Authority currently plans its finances over a medium term 5 year rolling period and it includes all known financial pressures that it faces over the medium term in its Financial Plan.

The Medium Term Financial Plan incorporates a broad estimate of the financial impact of the following risks and sensitivities:

- Demographic growth and demand pressures specifically where transport payments and services are directly affected by patronage demands;
- Inflation;
- Brexit, to the extent that there may be potential for increased costs of supply of labour, goods and services; and
- Business Rates Retention Scheme and the achievement of growth targets, including the retention mechanism currently being developed through the West Midlands Finance Directors' Group.

The current Medium Term Financial Plan assumes a cash flat funding requirement from Constituent Authorities both in terms of the Transport for West Midlands levy over the three year period and their contributions to the Authority Operational Budget in the latter two years. Whilst this currently represents the planning assumption, it is acknowledged that this creates a potential financial risk specifically with regard to inflationary increases, pay and legislative changes and demand in terms of patronage and the impact of these risks will be kept under review.

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 2019/20 will need to be managed within the available resources. These clearly may change significantly over the medium term meaning a cash flat position may not be achievable without changes to policy.

The announcement around West Midlands Fire and Rescue Services will require one off costs and the Authority will be working with partners to identify how these will be funded.

The Medium Term Financial Plan reflects the Authority'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 tax payers and users as appropriate.

7. Performance

The WMCA SEP Performance Management Framework provides a clear framework against which success can be measured. The vision for the region has a number of smart objectives, based on the principles of balance, with clear targets. The Performance Management Framework is composed of a selection of strategic headline indicators, which measure the impact of the various programme areas of the West Midlands SEP. These indicators span a wide range of themes including productivity, employment and skills, infrastructure, competitiveness, sustainability and public service reform and measure the economic, social, fiscal and environmental impact.

The Performance Management Framework is maintained and updated by the Economic Intelligence Unit of Black Country Consortium Ltd who provide in depth cross-thematic spatial analysis on behalf of the Authority.

The Economic Intelligence Unit will annually monitor the Authority's progress in relation to the targets in the Performance Management Framework so that we can be clear on the impact of our delivery plan in achieving our ambitions.

The indicators in the Performance Management Framework will also be the basis upon which we appraise and prioritise our programme of interventions to deliver the WMCA SEP. These carefully targeted set of interventions will ensure delivery of the greatest economic benefits to the area and allow us to create opportunities across the Authority.

The headline strategic objectives set out in the SEP are as follows:

- **Economic growth** - to improve GVA for the region in line with the UK average
- **Employment and skills** - to improve the balance between the skills that businesses need and the skills of local people so that they have the skills and qualifications to access jobs
- **Accessibility** - to improve the connectivity of people and businesses to jobs and markets respectively
- **Business competitiveness and productivity** - to improve the productivity (GVA) of businesses, focussing on growth sectors
- **Land** - to improve the quantity of high quality, readily available development sites to high quality locations that meet housing and business needs
- **Public Sector Reform** - to secure better for less from public services, improve the life chances and the health and wellbeing of communities
- **Housing** -a greater and broader range of homes
- **Environment** - improved competitiveness through energy and resource efficiency, stimulating new technology and business

The key findings in the second 'state of the region' report that was published in 2018, the WMCA Annual Economic Review, are as follows:

- Total GVA in the Authority continues to increase and in 2016 was £92bn (4% growth compared to 3.7% nationally). However, the gap between the GVA per head in the Authority (£22,443) compared to the UK average (£26,621) is not closing, leading to a £16.9bn output gap. GVA growth is fundamental in delivering inclusive growth.
- Gross Disposable Household Income (GDHI) per person in 2016 was £16,295 and has grown by 8.6% since 2013. The UK GDHI per person is £19,430 and has increased by 8.5%. GDHI per person needs to increase by £3,137 in the Authority to be in line with the UK.
- Jobs are increasing and there are currently 2 million people working in the Authority area, with 1.2m employed in the transformational sectors and 808,365 in the enabling sectors in 2016. 75.7% of employees are earning above the UK living wage.
- There were 16,265 youth claimants in the Authority in May 2018, a decrease a 1.1% from the previous month.

- The Authority business base is growing and there are currently 159,355 active companies (390 per 10,000 population compared to 432 for UK) in the Authority. There were 27,550 new businesses started across the Authority in 2016 – double the UK growth rate.
- In 2017/2018 the West Midlands region created over 9,424 new jobs from Foreign Direct Investment projects – the highest level for any region outside London.
- The proportion of the Authority residents with no qualifications decreased from 13% (329,800) in 2016 to 11.4% (289,300) in 2017 (a reduction of 40,500 people).
- There are 790,800 people qualified to NVQ Level 4 in the Authority area. This is an increase of 1.9% on the previous year or 14,600 people, comparable to the national growth rate of 1.4%.
- A £2.7bn gap exists between the income generated by the Authority and expenditure – a decrease of £0.5bn from the comparable figures for last year due to the identification of additional incomes streams.
- More houses are being built resulting in housing stock continuing to rise to 1,704,600 homes – a net increase of 11,480 homes from the previous year.

The third `state of the region' report will be published in summer 2019. The process of evaluating performance against the Authority's strategic objectives is constantly being developed in the light of evolving devolution commitments to central government.

8. 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.

Table 2 set out below shows the overall consolidated revenue position for the Authority compared with the budget that was approved by the WMCA Board in February 2018 and is set out in the same way as the regular financial reports that are considered by the WMCA 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.

Table 2: West Midlands Combined Authority Revenue Outturn 2018/19

£ million	**Original Budget**	**Actual**	**Variance**
Transport Services	115.72	115.78	(0.06)
Combined Authority other services	11.82	8.62	3.20
Mayor's Office	0.82	0.78	0.04
Investment Programme	4.66	3.89	0.77
Financing costs	36.34	37.70	(1.36)
Total Expenditure	**169.36**	**166.77**	**2.59**
Financed by:			
Transport Levy	114.72	114.72	-
Devolution Deal Grants	42.82	40.15	(2.67)
Constituent/Non-Constituent Members	5.06	5.06	-
Business Rates Growth	4.50	4.76	0.26
Investment Income	0.49	0.82	0.33
Contributions from reserves	1.77	1.25	(0.52)
Total Financing	**169.36**	**166.76**	**(2.60)**
Net Deficit	**-**	**(0.01)**	**(0.01)**

The table shows that the budget anticipated net expenditure of £169.4 million, to be principally funded from the Transport Levy, Devolution Deal grant, business rates growth and contributions from constituent and non-constituent members.

Transport savings relate to travel concessions expenditure, primarily as a result of savings on the national bus concession scheme owing to lower patronage (£2.8 million) as well as lower costs in relation to the apprentice and trainee scheme which was partially offset by income foregone as a result of the departure charge and roadside information holiday commencing from October 2018 (£1.5 million) along with service costs incurred as a result of a significant provider of accessible transport services going into administration.

Within the West Midlands Combined Authority Operational Budget, a favourable variance of £0.3 million within the Health and Wellbeing Portfolio owing to revised delivery schedules for providing mental health support for those with complex needs is partially offset by higher than anticipated maintenance costs.

The Authority 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, therefore considerable variations can arise.

The Authority spent £115.6 million on capital projects within the Transport Delivery Capital Programme in 2018/19 which was £41.0 million less than the budget of £156.6 million and primarily reflects the re-phasing of activities in relation to the various Metro extension schemes.

Major items of capital spend in the year were:

- Centenary Square Metro Extension £17.2 million
- Wolverhampton City Centre Metro Extension £11.7 million
- Wednesbury to Brierley Hill Metro Extension £11.7 million
- Edgbaston Metro Extension £11.3 million

The capital programme spend of £115.6 million was financed in the following way:

TABLE 3 : FINANCING OF CAPITAL EXPENDITURE 2018/2019

	£ MILLION
Government grants	56.72
Borrowing	21.67
District/Local Enterprise Partnership (LEP) grants and contributions	9.40
Third party contributions	0.20
Gainshare contribution	27.61
TOTAL	115.60

9. 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 2018/19 (the Code) and are for the full year from 1 April 2018 to 31 March 2019.

The Group Accounts comprise of:

i) The Authority; and

ii) Midland Metro Limited, a wholly-owned subsidiary of the Authority, established in 2017 to take over the day-to-day running of Midland Metro trams in the West Midlands region from 24 June 2018 with the aim of channelling profits back into the tram network for the benefit of passengers and the local economy.

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.

Cashflow Statement
The Cashflow 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.

10. Outlook

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

- **Capital Financing Costs** – the Authority opted to change the way it calculates MRP in the 2017/18 financial year. The change was approved by the WMCA Board in November 2017. The reduction in the MRP charge is for a six year period (2018/19 to 2023/24 inclusive) whereupon the MRP charge will revert to its previous level. The resulting favourable variance achieved in 2017/18 will be used to support the Transport Delivery Budget during the period 2018/19 to 2020/21.

- **Pensions costs** – the Authority continues to face the ongoing pressure of the cost of pension provision. The Authority made advance payments during 2017/18 in respect of pension contributions for the three years to 2019/20 to partially mitigate the risk.

- **Interest Rates** – the ongoing period of low interest rates has impacted on investment returns.

- **Commonwealth Games** – the 2022 Commonwealth Games in Birmingham will be the biggest sporting event to be awarded in England since the London Olympics in 2012. Between 500,000 and one million people are expected to descend on Birmingham over the 11-day sporting event in the summer of 2022 and the Games are anticipated to generate a boost of more than half a billion pounds to the West Midlands region.

- **Mayor's budget and precept** – complex arrangements exist in respect of raising additional resources through a mayoral precept. In February 2019, the WMCA Board approved a nil precept for the Mayor's remaining term of office.

- **WMCA's Investment Programme** aims to deliver an ambitious programme of schemes totalling £8 billion that are aimed at driving inclusive economic growth in the West Midlands Region. Funding of the programme was agreed by the Constituent Authorities in 2015/16 and included a contribution from a future mayoral precept, a business rates supplement and the local share of business rates growth. Some of these revenues are yet to be secured. The Authority and its Constituent Authorities are working together to identify secured funding for the Investment Programme.

- **Borrowing Powers** – the amendment to statutory regulations that extended The Authority borrowing powers to fund non- transport capital schemes was confirmed in May 2018. The Authority borrowing cap agreed with HM Treasury is as follows:
    - 2018/19 £487.5 million
    - 2019/20 £662.9 million
    - 2020/21 £867.3 million

- **Business Rates Supplement** – the Authority has the legal powers to raise a business rate supplement, however, the Authority will clearly give this a careful consideration within the current economic climate.

- **Midland Metro Limited** – 2017 saw the establishment of the Authority's wholly owned subsidiary, `Midland Metro Limited' that has been created to take over the day-to-day running of Midland Metro trams in the West Midlands region and is expected to generate profits of around £50 million over the first 11 years which will be channelled back into the network for the benefit of passengers and the local economy.

- **Adult Education Budget** – the Authority's first Devolution Deal included the transfer of adult skills funding, the Adult Education Budget, to the Authority. The indicative budget to fund provision of Adult Education in the region will be approximately £126 million. Full devolution of this funding is currently anticipated for the 2019/20 academic year.

- **West Midlands Fire and Rescue Service** – the Authority will be working with the Government and the West Midlands Fire and Rescue Service during 2019/20 to incorporate the role and powers of Fire Service Governance into the mayoralty.

- **Collective Investment Fund** – managed by West Midlands Development Capital Limited, a subsidiary of the Authority incorporated in 2017, the WMCA Collective Investment Fund supports the acceleration of commercial property developments within the West Midlands area. It is a revolving loan fund that aims to underpin the region's long-term growth and stability. Open to developers seeking finance of £1m to £10m, the fund commits capital to eligible commercial, light industrial and residential regeneration opportunities. The size of the existing fund has been increased from £70m to £140m and an additional investment fund totalling £70m will shortly be rolled out which operates on a similar basis but with a focus on the residential sector. The Authority 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** are currently considered to be below recommended levels and opportunities to increase the level of general balances over the medium term will be considered when developing the Authority's Medium Term Financial Plans. This approach will enable the risk to be managed within the Authority, without creating volatility on the Transport for West Midlands' levy and will take into consideration the Constituent Authorities obligations to underwrite the Authority's financial position.

11. 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 on tram 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.

12. Directors and Senior Officers

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

Directors/Senior Officers	Title	Appointment/Resignation
Deborah Cadman	Chief Executive	
Gareth Bradford	Director of Housing and Regeneration	
Henry Kippin	Director of Public Service Reform	
Julia Goldsworthy	Director of Strategy	
Julie Nugent	Director of Productivity and Skills	
Laura Shoaf	Managing Director, Transport for West Midlands	
Linda Horne	Interim Finance Director	Appointed – 15 December 2018
Patrick White	Interim Director of Industrial Strategy	Resigned – 31 March 2019
Sean Pearce	Director of Finance	Resigned – 31 December 2018
Simon Wren	Director of Strategic Communications and Public Affairs	Appointed – 1 November 2018
Tim Martin	Clerk to the WMCA and Monitoring Officer	

The role of the Interim Director of Industrial Strategy was established to cover some elements of the Director of Strategy role and specifically to lead the development of a West Midlands Local Industrial Strategy. This work is now largely complete and the overall responsibility for the Local Industrial Strategy now sits with the Director of Strategy.

13. Auditors

Grant Thornton (UK) LLP are the auditors of the Authority for 2018/19. Their appointment was made under Section 3 of the Audit Commission Act 1998, saved under provisions of the Local Audit and Accountability Act 2014.

On behalf of the West Midlands Combined Authority Board

Deborah Cadman
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 which during 2018/19 were:

Period	Individual	Role
1 April 2018 - 31 December 2018	Sean Pearce	Director of Finance
15 December 2018 - Current	Linda Horne	Interim Finance Director

(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 (which includes Appendix 1 - West Midlands Integrated Transport Authority Pension Fund) 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 2019.

Linda Horne
Interim Finance Director and Responsible Finance Officer
Date:

4. Approval of the Accounts

I certify that the Statement of Accounts covering the period 1 April 2018 to 31 March 2019 were approved by a resolution of the Audit, Risk and Assurance Committee on 21 June 2019.

David Lane
Chair of the Audit, Risk and Assurance Committee
Date:

Scope of Responsibility

This Annual Governance Statement (AGS) reflects the activities of the Authority from 1 April 2018 to 31 March 2019.

The Authority is made up of seven district councils, constituent and non-constituent members and three Local Enterprise Partnerships (LEPs), observers and a co-opted member.

The Authority Constituent 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 member of the Authority are comprised of non-constituent authorities and LEP members:

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

LEP members

- Black Country LEP
- Coventry and Warwickshire LEP
- Greater Birmingham and Solihull LEP

There are also four Observers of the Authority. These are:

- Herefordshire Council
- The Marches LEP
- 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 Authority currently has 5 active 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.	West Midlands Integrated Transport Authority Pension Fund (closed fund)	N/A	Administering authority

The management of the West Midlands Integrated Transport Authority Pension Fund (WMITA PF) was discharged from the West Midlands Combined Authority to the West Midlands Pension Fund Pensions Committee. Assurance on governance and legal and financial controls are placed on the West Midlands Pension Fund.

However, the Government Actuary's Department (GAD) published its GAD Section 13 report on 27 September 2018 which included a specific recommendation in respect of the WMITA PF. The report referred to the WMITA PF retaining a risk from the majority fund liabilities being backed by a single private sector employer and being closed to new entrants. GAD acknowledged that the Authority and employer had made substantial efforts by paying significant contributions to mitigate this risk but noted that there was not currently a plan in place which would achieve the solvency aim of Section 13. The Authority does not consider the issue raised in the GAD report provide a significant risk to the going concern assumption in the WMITA PF's accounts and is working closely with the West Midlands Pension Fund Pensions Committee and the Ministry of Housing, Communities and Local Government (MHCLG) to have a plan in place to ensure that the WMITA PF continues to meet its pension obligations in the event of no future employer contributions being available.

In addition to the above, a new wholly owned subsidiary, WM5G Limited, was incorporated in February 2019 and is expected to remain dormant until summer 2019. Its proposed governance is being discussed with the Department of Digital, Culture, Media and Sport (DCMS).

For each of the arm's length companies where the Authority owns a 50% or greater share, an assurance and governance checklist has been completed to confirm all legal and financial controls have been satisfied. In addition confirmation of wider assurance and governance is approved.

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

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.

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, WMCA SeniorLeadership 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; and evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Authority has developed a Risk Management Strategy and strategic risk register, which is regularly reported to the Authority's Audit, Risk and Assurance Committee (ARAC) and WMCA Senior Leadership Team. It provides visibility of risk at operational, program and strategic levels. Risk management processes are also being embedded within the organisatoins performance management framework as it is being developed.

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.

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

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.

The Governance Framework

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; this defines standards of behaviour for Members and officers working on behalf of the Authority. The Head of Governance who is the monitoring officer deals with issues of conduct and generally promotes high standards among officers, members and the Mayor. ARAC perform the rold of the Standards Committee.
The Authority embeds standards of conduct and behaviour through promoting a culture with values:

Be collaborative
- We work with others to reach common goals
- We are respectful and act with integrity
- We communicate clearly, openly and encourage feedback

Be innovative
- We encourage creativity, originality and curiosity from everyone
- We embrace change, and we are open to new possibilities and exploring new ideas
- We adopt best practices and keep up to date with new developments to enhance our work

Be driven
- We have a positive, proactive and a solution oriented attitude
- We set ourselves high standards and strive to exceed these
- We take ownership for our performance and outcomes

Be inclusive
- We care about and treat each other with dignity and respect
- We create a positive working environment
- We value diversity and consider other people's viewpoints ensuring no one is excluded
- We encourage and support each other

The business of the Authority will also be 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. Meetings are held in public unless there are good reasons for confidentiality.

We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements. This has been developed further this year by working with the arm's length companies to confirm assurance and governance arrangements.

We assess the effectiveness of relationship frameworks in order to identify any changes required.

Our inclusivity work ensures we encourage engagement from all members of society. Commissions have been created to include a cross section of stakeholders so that a wide range of views can be considered.

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

The Authority ensures the vision and the implications for governance arrangements are reviewed including monitoring its achievement of intended outcomes from social, economic and environmental and organisational health perspectives through the budget and performance framework and project delivery process. The performance management framework is currently being refreshed and will evolve as the organisation grows.

The Authority is focused on delivering value for money and success in this respect is reviewed by independent auditors in line with the NAO'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 will be reported in an Audit Findings Report and in the Annual Audit Letter.

Each of these benefit categories are assessed in major project business case submissions. The Authority wants to ensure strategically important projects with high benefits for the region are progressed.

The Authority is working to achieve the priorities set out in the Devolution Deals that have been negotiated with Central Government. The Authority's purpose and vision are detailed in the Strategic Economic plan (SEP) and the Mayor's Renewal Plan. Devolution 1 is currently being audited and the results will be monitored and assessed throughout 2019/20.

To ensure the purpose and vision of the Authority is clear and well communicated, an annual review titled The Annual Business Plan outlines the Authority's activities and achievements. This will be signed off by the WMCA Board in June 2019.

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 these priorities.

Senior Leadership Team 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.

Corporate decisions are primarily taken at meetings of the WMCA Board, although each of the Board's thematic delivery committee's exercise a degree of delegated authority in respect of their powers to make decisions on behalf of the Authority. This includes reviewing progress of outcomes against delivery plans.

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

We have defined and documented in our Constitution the roles and responsibilities of the Board, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. As the Authority develops we are reviewing our governance arrangements and the Constitution to ensure they remain fit for purpose in a growing organisation. A scheme of delegation is laid out in the Constitution.

The collective and individual roles and responsibilities of the Senior Leadership Team, Members and officers have been established. We now have in place a complete and stable leadership team.

The Leadership team is reviewing the structure of Corporate Services in light of senior management changes to ensure its capability continues to meet the future aspirations of the organisation.

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 2018/19 approximately 30% of the training budget was spend on the leadership of the organisaiton. Specifically in 2018 ARAC members received finance training to allow them to understand financial accounts, reporting arrangements and pensions accounting.

Training requirements for 2019/20 will be reviewed following ARAC in June when new committee members are decided. Overview and Scrunity Committee Chairs and leading Members have also participated in external training and events.

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

Risk management is embedded in the culture; accountabilities and responsibilities defined within roles, and with processes determining ways of working, managing and reporting risk. This continues to evolve and steps are being undertaken to improve the process across the organisation. The Authority risk appetite for the six recognised risk categories has been reconfirmed by Senior Leadership Team for 2019/20.

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 amidst with policy review and development.

ARAC is independent of the executive and scrutiny function. They monitor and review risk and governance processes, and results, in order to provide assurance to the WMCA Board on their effectiveness. Appropriate controls are in place for arm's length companies and as good practice external auditors have been appointed for West Midlands Rail Limited and Midland Metro Limited.

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. Professional advice and good quality information is provided to ensure those making decisions are provided with relevant information that is fit for purpose. In 2018 all the Authority's key financial audits received an 'outstanding' internal audit outcome.

A robust assurance framework consistently ensures governance and process are independently reviewed and reported and the risks have been identified and are being adequately managed. The assurance framework is currently undergoing a refresh to ensure it remains fit for purpose and will be expanded to include assurance requirements for the new and proposed devolution deals. This assurance framework will be approved by the Ministry of Housing, Communities and Local Government (MHCLG) and will be aligned to the National Single Pot Assurance Framework.

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

The Authority has implemented the WMCA Assurance Framework which was approved by MHCLG (previously Department of Communities and Local Government (DCLG)) in July 2016. This is currently under review and will be refreshed in Autumn 2019 to include new schemes being developed such as the Adult Education Budget, 5G and Housing which will become one Assurance Framework document for the Authority.

The Authority is working closely with Department for Business, Energy and Industrial Strategy (BEIS) who will review the performance of the Devolution objectives and adherence to the Assurance Framework. The annual conversation with BEIS and MHCLG is planned for the end of June 2019.

The Authority has a monitoring officer who sits on both the Senior Leadership Team and attends the WMCA Board meetings to ensure all of our activity is legal. Our high level Governance standards include the publishing of agendas, minutes and reports in the public domain and only limited use of confidential reporting. The 2019/20 audit plan is approved at the start of the year.

A checklist has been implemented for the arm's length companies of the Authority to ascertain confidence in governance and assurance arrangements. This action came out of the Audit, Risk and Assurance Committee, to develop a checklist of questions that would provide a mechanism of assurance to the Committee that could provide overall assurance on all of the Authority's activities. Three of the four have been completed at the time of writing and all relationships will be reviewed at least once a year. WM5G is being established but not currently trading. Governance and Assurance arrangements are being considered by the WMCA Board.

Arrangements are in place for "whistleblowing" and "counter-fraud" for receiving and investigatin complaints from both officers and members of the public. There were no issues raised during 2018/19.

Annual Review of Effectiveness of Governance Framework

The Opinion of the Head of Governance 2018/2019

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 Head of Governance and the Interim Head of Finance respectively.

The Head of Governance is satisfied that the system of internal assurance is robust and providing visibility of risk and reasonable assurance to the senior management teams.

The opinion is based on the results of an on-going programme of activities and review, the outcomes of which were considered by the Audit, Risk and Assurance Committee. Activities include:

a) External audit
b) Internal audit
c) The Risk Management Process, particularly the Strategic Risk Register
d) Performance information
e) Assurance

During 2018/2019 the Treasury Management audit and five other 'key financial systems' audits were given 'Substanstial' rating by interna audit and 100% 'Green' in terms of its recommendations, whilst a 'Satisfactory' level was achieved by Health & Safety (71% green recommendations), Asset Management (66% green recommendations) and Human Resources Workforce Planning (one Amber recommendation). None of the audit recommendations were flagged as 'red' where imperative action is required. This demonstrates that the systems and processes around audit, risk and governance are effective.

A total of 45 project assurance reviews have been undertaken by the Corporate Assurance Team in this period, covering 32 different projects. These projects follow the WMCA Gateway Project Methodology for minor projects. This is an increase in both number and complexity on the 27 assurance reviews and 19 Projects undertaken last year.

To recognise the increase in transport projects and the Commonwealth Games a Transport Implementation Office has been created to provide greater insight and support in planning and project controls for transport projects.

Progress of the 2018/19 Annual Business Plan is monitored monthly by internal management teams with key risks impacting on its delivery, being escalated to the directorate risk registers. The new Annual Business Plan is being developed and will be approved by the WMCA Board in June 2019.

Regular risk management review meetings are now in place across all the Authority activities including all directorates to enable full visibility of key risks having the potential to impact on the organisation. Risk Management and Performance Management is intended to be brought together to provide a strong evidence base to substantiate the risk assumptions.

There are a total of five operational Risk Registers feeding into the WMCA Strategic Risk Register with another two areas – Economic Risk Register and Strategic & Industrial strategy – being finalised at the time of writing. There are regular meetings in place with both the management team of each business area and the Strategy Director to monitor the status of risks and to ascertain the level of risk exposure in each of these areas to determine the assurance conclusions. Additionally the Strategic Risk Register is reviewed by the Strategic Leadership Team on a bi-monthly basis.

The Authority is one of England's Combined Authorities to successfully negotiate a further devolution deal. This has helped lead to the Region successfully acquiring the Commonwealth Games in 2022, 5G programme pilot and the new Housing Delivery deal.

The Authority has set itself a demanding programme of work and is ambitious for itself and the benefits that it hopes 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. However there is a significant pressure on resources, particularly in matching staff resources to the tasks in hand and this is being carefully monitored by the Authority and a plan in place to mitigate these pressures accordingly.

Conclusion

In undertaking the 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 to appropriate owner.

On behalf of the West Midlands Combined Authority

Andy Street
Mayor and Chair of the West Midlands Combined Authority
Date:

Deborah Cadman
Chief Executive
Date:

AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 and the Movement in Reserves Statement.

Comparatives for 2017/2018 have been restated to reflect the change in accounting policy following the adoption of IFRS 15. Details of the restatement are set out in note 7.

2017/2018 (restated)					**2018/2019**		
Gross Expenditure £'000	**Gross Income** £'000	**Net Expenditure** £'000		Notes	**Gross Expenditure** £'000	**Gross Income** £'000	**Net Expenditure** £'000
153,105	(18,322)	134,783	Transport services	5	162,889	(24,275)	138,614
4,904	(785)	4,119	Combined Authority other services	5	11,917	(6,445)	5,472
7,712	-	7,712	Investment Programme	5	34,319	-	34,319
382	(19)	363	Mayor's office	5	813	(590)	223
4,318	-	4,318	Elections	5	-	-	-
170,421	**(19,126)**	**151,295**	**Cost of services**		**209,938**	**(31,310)**	**178,628**
3,086	-	3,086	Other operating expenditure	12	298	-	298
10,536	(297)	10,239	Financing and investment income and expenditure	13	10,160	(1,703)	8,457
44,237	(261,632)	(217,395)	Taxation and non-specific grant income and expenditure	14	34,125	(261,495)	(227,370)
228,280	**(281,055)**	**(52,775)**	**(Surplus) or deficit on provision of services**		**254,521**	**(294,508)**	**(39,987)**
		(5,660)	Remeasurement of the net defined benefit liability	30			(18,622)
		(5,660)	**Other Comprehensive Income and Expenditure**				**(18,622)**
		(58,435)	**Total Comprehensive Income and Expenditure**				**(58,609)**
		17,270	Adjustments between funding and accounting basis under regulations	5			25,805
		5,660	Transfer to Pensions Reserve	30			18,622
			Transfers to/from Earmarked Reserves				
		5,694	- General fund	27			5,283
		29,330	- Investment programme funding	27			8,910
		(481)	**(Surplus) or deficit for the year under funding basis**				**11**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/2018 (restated)					2018/2019		
Gross Expenditure	**Gross Income**	**Net Expenditure**			**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	£'000	£'000		Notes	£'000	£'000	£'000
153,105	(18,322)	134,783	Transport services		169,807	(31,191)	138,616
4,904	(785)	4,119	Combined Authority other services		11,917	(6,445)	5,472
7,712	-	7,712	Investment Programme		34,319	-	34,319
382	(19)	363	Mayor's office		813	(590)	223
4,318	-	4,318	Elections		-	-	-
170,421	**(19,126)**	**151,295**	**Cost of services**		**216,856**	**(38,226)**	**178,630**
3,086	-	3,086	Other operating expenditure	12	298	-	298
10,536	(297)	10,239	Financing and investment income and expenditure	13	10,160	(1,705)	8,455
44,237	(261,632)	(217,395)	Taxation and non-specific grant income and expenditure	14	34,125	(261,495)	(227,370)
228,280	**(281,055)**	**(52,775)**	**(Surplus) or deficit on provision of services**		**261,439**	**(301,426)**	**(39,987)**
		-	Tax expenses of subsidiary				-
		(52,775)	**Group (surplus) or deficit**				**(39,987)**
		(5,660)	Remeasurement of the net defined benefit liability	30			(18,622)
		(5,660)	**Other Comprehensive Income and Expenditure**				**(18,622)**
		(58,435)	**Total Comprehensive Income and Expenditure**			**-**	**(58,609)**
		17,270	Adjustments between funding and accounting basis under regulations	5			25,805
		5,660	Transfer to Pensions Reserve	30			18,622
			Transfers to/from Earmarked Reserves				
		5,694	- General fund	27			5,283
		29,330	- Investment programme funding	27			8,910
		(481)	**(Surplus) or deficit for the year under funding basis**				**11**

MOVEMENT IN RESERVES

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority and 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.

	Usable reserves						Unusable reserves						
	General Fund Balance £'000	Earmarked Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Reserves of the Subsidiary £'000	Total Usable Reserves £'000	Reval-uation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Total Unusable Reserves £'000	Total reserves (Authority) £'000	Total reserves (Group) £'000
Balance at 31 March 2017	**1,814**	**48,267**	**50,081**	**247**	**-**	**50,328**	**7,164**	**45,253**	**(57,166)**	**(228)**	**(4,977)**	**45,351**	**45,351**
Movements in reserves during 2017/18													
Total comprehensive income and expenditure	52,775	-	52,775	-	-	52,775	-	-	5,660	-	5,660	58,435	58,435
Adjustments between accounting basis and funding basis under regulations (note 5b)	(17,270)	(935)	(18,205)	-	-	(18,205)	(211)	22,364	(3,871)	(77)	18,205	-	-
Increase or (decrease) in 2017/18 before transfer to earmarked reserves	**35,505**	**(935)**	**34,570**	**-**	**-**	**34,570**	**(211)**	**22,364**	**1,789**	**(77)**	**23,865**	**58,435**	**58,435**
Transfers to/(from) earmarked reserves	(35,024)	35,024	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2018 carried forward	**2,295**	**82,356**	**84,651**	**247**	**-**	**84,898**	**6,953**	**67,617**	**(55,377)**	**(305)**	**18,888**	**103,786**	**103,786**
Movements in reserves during 2018/19													
Total comprehensive income and expenditure	39,987	-	39,987	-	-	39,987	-	-	18,622	-	18,622	58,609	58,609
Adjustments between accounting basis and funding basis under regulations (note 5b)	(25,805)	93	(25,712)	-	-	(25,712)	(211)	28,732	(4,302)	(62)	24,157	(1,555)	(1,555)
Increase or (decrease) in 2018/19 before transfer to earmarked reserves	**14,182**	**93**	**14,275**	**-**	**-**	**14,275**	**(211)**	**28,732**	**14,320**	**(62)**	**42,779**	**57,054**	**57,054**
Transfers to/(from) earmarked reserves	(14,193)	14,193	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2019 carried forward	**2,284**	**96,642**	**98,926**	**247**	**-**	**99,173**	**6,742**	**96,349**	**(41,057)**	**(367)**	**61,667**	**160,840**	**160,840**

BALANCE SHEET

The Balance Sheet shows 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 (the Capital Adjustment Account).

		2019		**2018**	
		Authority	**Group**	**Authority**	**Group**
	Notes	£'000	£'000	£'000	£'000
Property, plant and equipment	19	341,392	341,586	294,722	294,722
Long-term investments	20	6,940	6,940	-	-
Long-term assets		**348,332**	**348,526**	**294,722**	**294,722**
Short-term investments	20	20,999	20,999	11,000	11,000
Inventories		-	560	-	-
Short-term debtors	21	36,330	36,895	31,960	31,960
Cash and cash equivalents	22	28,732	29,124	38,255	38,255
Current assets		**86,061**	**87,578**	**81,215**	**81,215**
Short-term borrowing	23	(7,136)	(7,136)	(25,561)	(25,561)
Short-term creditors	24	(57,163)	(58,874)	(41,013)	(41,013)
Provisions	25	(2,817)	(2,817)	(5,548)	(5,548)
Grants receipts in advance - revenue	15	(12,623)	(12,623)	(4,201)	(4,201)
Transferred debt	26	(757)	(757)	(688)	(688)
Current liabilities		**(80,496)**	**(82,207)**	**(77,011)**	**(77,011)**
Net current assets/(liabilities)		**5,565**	**5,371**	**4,204**	**4,204**
Long-term borrowing	23	(123,771)	(123,771)	(129,100)	(129,100)
Provisions	25	(1,000)	(1,000)	(1,000)	(1,000)
Grants receipts in advance - capital	15	(22,758)	(22,758)	(7,642)	(7,642)
Transferred debt	26	(6,428)	(6,428)	(7,185)	(7,185)
Net pension liability	30	(39,100)	(39,100)	(50,213)	(50,213)
Long-term liabilities		**(193,057)**	**(193,057)**	**(195,140)**	**(195,140)**
Net assets/(liabilities)		**160,840**	**160,840**	**103,786**	**103,786**
General Fund Balance	27	2,284	2,284	2,295	2,295
Earmarked Reserves	27	96,642	96,642	82,356	82,356
Capital Receipts Reserve	27	247	247	247	247
Profit and Loss Reserve	27	-	-	-	-
Usable reserves		**99,173**	**99,173**	**84,898**	**84,898**
Revaluation Reserve	28	6,742	6,742	6,953	6,953
Capital Adjustment Account	28	96,349	96,349	67,617	67,617
Pensions Reserve	28	(41,057)	(41,057)	(55,377)	(55,377)
Accumulated Absences Account	28	(367)	(367)	(305)	(305)
Unusable reserves		**61,667**	**61,667**	**18,888**	**18,888**
Total reserves		**160,840**	**160,840**	**103,786**	**103,786**

This financial report replaces the unaudited financial report certified by Linda Horne on 7 May 2019. They were approved for issue by the Audit, Risk and Assurance Committee on DD MMMM YYYY. Events after the Balance Sheet date have been considered up to the date of approval.

CASHFLOW STATEMENT

The Cashflow 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.

	2019		2018	
	Authority	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000
Net (deficit)/surplus on the provision of services	39,987	39,987	52,775	52,775
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation and impairment of non-current assets	13,487	13,584	15,467	15,467
Revaluation increase	(447)	(447)	-	-
Net amounts of non-current assets written off on disposal	298	298	3,086	3,086
Non-current assets transferred to provision of services	-	-	84	84
Change in pensions liability	7,509	7,509	(1,293)	(1,293)
(Increase)/decrease in short-term debtors	(4,370)	(4,935)	(6,326)	(6,326)
(Increase)/decrease in inventories	-	(560)	-	-
(Decrease)/increase in short-term creditors	16,150	17,861	(6,073)	(6,073)
(Decrease)/increase in provisions	(2,731)	(2,731)	(255)	(255)
Net interest payable	7,191	7,189	8,959	8,959
Interest paid	(9,330)	(9,330)	(9,372)	(9,372)
Interest received	1,703	1,705	297	297
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Capital grants received	(100,442)	(100,442)	(95,141)	(95,141)
Capital grants paid	34,125	34,125	44,237	44,237
Net cash flows from operating activities	**3,130**	**3,813**	**6,445**	**6,445**
Investing activities				
Purchase of property, plant and equipment	(61,563)	(61,854)	(53,557)	(53,557)
Capital grants received for the purchase of property, plant and equipment	66,317	66,317	50,904	50,904
Increase/(decrease) in short-term and long-term investments	(16,939)	(16,939)	11,000	11,000
Net cash flows from investing activities	**(12,185)**	**(12,476)**	**8,347**	**8,347**
Financing activities				
Payment of finance lease liabilities	-	-	(2,675)	(2,675)
Increase/(decrease) in grants receipts in advance	23,538	23,538	3,763	3,763
Repayment of loans	(23,318)	(23,318)	(5,302)	(5,302)
Transferred debt - repayment of principal	(688)	(688)	(626)	(626)
Net cash flows from financing activities	**(468)**	**(468)**	**(4,840)**	**(4,840)**
Net increase or decrease in cash and cash equivalents	**(9,523)**	**(9,131)**	**9,952**	9,952
Cash and cash equivalents at 1 April	38,255	38,255	28,303	28,303
Cash and cash equivalents at 31 March (note 22)	**28,732**	**29,124**	**38,255**	**38,255**

Notes Index

Number	Description
1	Basis of preparation
2	Significant accounting policies
3	Critical accounting judgements, estimates and assumptions
4	Accounting standards issued but not yet adopted
5	Expenditure and Funding Analysis
6	Expenditure and income analysed by nature
7	Transport services
8	Combined Authority other services
9	Investment programme
10	Mayor's office
11	Elections
12	Other operating expenditure
13	Financing and investment income and expenditure
14	Taxation and non-specific grant income and expenditure
15	Government and other grant income
16	Officers’ remuneration
17	Members' allowances
18	External audit costs
19	Property, plant and equipment
20	Investments
21	Short-term debtors
22	Cash and cash equivalents
23	Borrowing
24	Short-term creditors
25	Provisions
26	Transferred debt
27	Usable reserves
28	Unusable reserves
29	Capital expenditure and capital financing
30	Pension schemes
31	Financial risk management
32	Financial instruments
33	Operating leases
34	Reconciliation of liabilities arising from financing activities
35	Capital commitments
36	Contingent liabilities and guarantees
37	Related party disclosures
38	Events after the reporting period

1. Basis of preparation

a) General principles

The Statement of Accounts summarises the Authority and the Group's transactions for the 2018/19 financial year and the position as at 31 March 2019. 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 2018/19 (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 is 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 subsidiary as at 31 March 2019.

The accounting policies of the subsidiary 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 as it is considered by the Mayor that their activities will continue in operational existence for the foreseeable future by meeting their liabilities as they fall due for payment.

2. Significant accounting policies

a) Consolidation

The accounts of Centro Properties Limited, Midlands Development Capital Limited, Midland Metro (Two) Limited, Network West Midlands Limited, West Midlands Development Capital Limited which are subsidiaries of the Authority and its associate, West Midlands Rail Limited 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 21 on investments).

The accounts of Midland Metro Limited, an arm's length company set up to manage the operations and maintenance contracts for the Metro system was incorporated in 2017 as a wholly owned subsidiary of the Authority, have been consolidated into the group accounts on a line-by-line basis.

b) Taxation

Corporation, income and capital gains tax

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

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 probably 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 expecte 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 income 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 arising from ticket sales 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.

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 written off 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 on behalf of the Authority. 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.

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 as employees who worked for the Authority. The fund is valued every three years by a professionally qualified independent actuary.

Pension costs have been charged to the Comprehensive Income and Expenditure Statement and the Authority's share of the fund's assets and liabilities are recognised in the Balance Sheet in accordance with IAS 19. The Comprehensive Income and Expenditure Statement has therefore been charged with the full cost of providing for future pension liabilities arising from in-year service.

In the Movement in Reserves Statement an appropriation equal to the difference between this amount and the actual employer's pension contribution is made to the Pensions Reserve, so that any additional costs arising from applying IAS 19 do not impact on the amount to be levied on the Local Authorities, and therefore ensuring no additional impact on local taxation. This appropriation is made under the general application of the Code. 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 operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under 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 cashflow 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 trade debtors, investments and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Deposits with original maturities of over three months are classified as short-term investments. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. For the purpose of the Cashflow 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.

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.

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 is 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, lossess 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.

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 2018/19, no such transactions have occurred.

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(j).

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) 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. As all bus stations and park and ride sites were valued as at 31 December 2008 by Lambert Smith Hampton, for the conversion to accounting under the Code, historical cost is deemed to be the carrying amount of the asset at 31 March 2009 or at the date of acquisition (if later) adjusted for subsequent depreciation.

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.

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.

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. The Authority does not have a de minimis level for capitalisation. Each capital project is reviewed on an individual basis and the costs considered for capitalisation. Non-enhancing expenditure is written off 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 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. Development costs are written off in the year. Land acquired for the expansion of the network is capitalised and included in land, measured at fair value.

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 property, plant and equipment. 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.

j) 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.

k) 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. 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.

l) 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.

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

m) 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 detailed within the Treasury Management Strategy and 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 2009 or which in future will be financed by supported borrowing, MRP will be broadly based as being 2% of the underlying Capital Financing Requirement.
- From 1 April 2009 for all capital expenditure met from unsupported or prudential borrowing, MRP will be based on the estimated life of the asset or a depreciation calculation.
- MRP will commence in the financial year after the asset has become operational.
- In relation to the Authority wider Devolution Investment Programme MRP will be charged over the 30 years to 2046/47 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.

In 2017/18, the methodology for calculating MRP was changed from an equal instalment to an annuity basis, to better reflect the time value of money and the likely increase in benefits in later years due to the type of assets held, which are mainly community assets which exist as part of an increasingly complex and better connected public transport network.

n) 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.

o) 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.

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. Actual results may differ from these estimates.

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 Authority does not consider that there are any complex transactions that are not covered by the accounting policies outlined in note 2, that required any judgements and hence disclosure.

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 items in the Balance Sheet at 31 March 2019 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- Property revaluation:
  The Authority carries its land and buildings and land held for future expansion at fair value. Periodically, external surveyors are used, and the last full independent survey was carried out as at 31 March 2019. Between independent surveys desktop reviews are carried out by the external valuers at the Balance Sheet date. Such valuations and any attached estimates are subject to some sensitivity.

- 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 funds actuaries in their 2019 IAS 19 valuation report:

  - A 0.1% p.a. increase in the discount rate will reduce the pension fund liability by £4.168m.
  - A 0.1% p.a. decrease in the discount rate will increase the pension fund liability by £4.231m.
  - An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £12.164m.
  - A decrease of life expectancy at retirement by 1 year will decrease the pension fund liability by £11.682m.
  - 0.1% p.a. increase in inflation will increase the pension fund liability by £3.825m.
  - 0.1% p.a. decrease in inflation will decrease the pension fund liability by £3.774m.

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. For the 2018/19 financial year, the relevant standards are:

- Amendments to IAS 40 Investment Property: Transfer of Investment Property
- Annual Improvements to IFRS Srandards 2014 – 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Amendments to IAS 40 Investment Property: Transfer of Investment Property

The amendments are effective for periods beginning on or after 1 January 2018 and they are:

i) Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change of use occurs if the property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

ii) The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to IFRS Standards 2014 – 2016 Cycle

The following standards have been amended:

i) IFRS 1 First-time Adoption of International Financial Reporting Standards – short-term exemptions in paragraphs E3 – E7 were deleted as they have now served their intended purpose.

ii) IFRS 12 Disclosure of Interests in Other Entities – clarified that the disclosures required in IFRS 12 with the exception of paragraphs B10 – B16 also apply to interests held for sale and discontinued operations in accordance with IFRS 5.

iii) IAS 28 Investments in Associates and Joint Ventures – clarified that the election to measure at fair value through profit and loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or a joint venture on an investment-by-investment basis, upon initial recognition.

The amendments to IFRS 1 and IAS 28 are effective for periods beginning on or after 1 January 2018 and the amendment to IFRS 12 is effective for periods beginning on or after 1 January 2017.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This was issued on 8 December 2016 and effective for periods beginning on or after 1 January 2018. The interpretation clarified that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IFRIC 23 Uncertainty over Income Tax Treatments

This was issued on 7 June 2017 and effective for periods beginning on or after 1 January 2019. The interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. If it is probable that a tax authority will accept an uncertain tax treatment used or proposed to be used by an entity in its income tax filings, then the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If it is not probably, then the entity should reflect the effect of uncertainty in determining its accounting tax position.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

This was issued on 12 October 2017 and effective for periods beginning on or after 1 January 2019. The amendment allows companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met instead of at fair value through profit or loss.

The Authority will adopt the above standards with effect from 1 April 2019. These standards are not applicable to the Authority and therefore they are not anticipated to have a material impact on the financial statements.

5. 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.

The format of the Expenditure and Funding Analysis for 2018/19 has changed to reflect the reporting structure to the management and in accordance with the Code's 'Telling the Story'. As such, comparatives for 2017/18 have been restated and impact notes 5, 7 to 10.

2018/2019

	As reported for resource management (notes 7 - 11)	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 (note 7)	114,779	(4,741)	(7,853)	102,185	36,429	138,614
Combined Authority other services (note 8)	5,515	420	1,187	7,122	(1,650)	5,472
Investment Programme (note 9)	41,593	(10,095)	(1,348)	30,150	4,169	34,319
Mayor's office (note 10)	-	223	-	223	-	223
Elections (note 11)	-	-	-	-	-	-
Cost of services	**161,887**	**(14,193)**	**(8,014)**	**139,680**	**38,948**	**178,628**
Other operating expenditure	-	-	-	-	298	298
Financing and investment income and expenditure	(823)	-	8,014	7,191	1,266	8,457
Taxation and non-specific grant income and expenditure	(161,053)	-	-	(161,053)	(66,317)	(227,370)
(Surplus) or deficit on provision of services	**11**	**(14,193)**	-	**(14,182)**	**(25,805)**	**(39,987)**

Opening General Fund balance	(2,295)
Transfers to/from Earmarked Reserves	14,193
Closing General Fund balance	**(2,284)**

2017/18 (restated)

	As reported for resource management (notes 7 - 11) £'000	Adjustments to arrive at amounts chargeable to the General Fund: Reserves Transfer £'000	Adjustments to arrive at amounts chargeable to the General Fund: Financing £'000	Net expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis (note 5b) £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
Transport services (note 7)	121,283	(5,133)	(9,855)	106,295	28,488	134,783
Combined Authority other services (note 8)	4,709	(561)	-	4,148	(29)	4,119
Investment Programme (note 9)	36,233	(29,330)	-	6,903	809	7,712
Mayor's office (note 10)	363	-	-	363	-	363
Elections (note 11)	4,318	-	-	4,318	-	4,318
Cost of services	**166,906**	**(35,024)**	**(9,855)**	**122,027**	**29,268**	**151,295**
Other operating expenditure	-	-	-	-	3,086	3,086
Financing and investment income and expenditure	(896)	-	9,855	8,959	1,280	10,239
Taxation and non-specific grant income and expenditure	(166,491)	-	-	(166,491)	(50,904)	(217,395)
(Surplus) or deficit on provision of services	**(481)**	**(35,024)**	-	**(35,505)**	**(17,270)**	**(52,775)**
Opening General Fund balance				(1,814)		
Transfers to/from Earmarked Reserves				35,024		
Closing General Fund balance				**(2,295)**		

(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 2018/19

	Adjustments for capital purposes: Depreciation/ loss on disposal £'000	REFCUS £'000	Grants/ contributions £'000	Financing £'000	Pensions adjustments £'000	Accumulated Absences Account £'000	Total adjustments £'000
Transport services	13,040	22,253	1,557	(3,519)	3,036	62	36,429
Combined Authority other services	-	-	(1,650)	-	-	-	(1,650)
Investment Programme	-	31,778	-	(27,609)	-	-	4,169
Mayor's office	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-
Net cost of services	**13,040**	**54,031**	**(93)**	**(31,128)**	**3,036**	**62**	**38,948**
Other operating expenditure	298	-	-	-	-	-	298
Financing and investment income and expenditure	-	-	-	-	1,266	-	1,266
Taxation and non-specific grant income and expenditure	-	-	(66,317)	-	-	-	(66,317)
(Surplus) or deficit on provision of services	**13,338**	**54,031**	**(66,410)**	**(31,128)**	**4,302**	**62**	**(25,805)**

Comparatives for 2017/18 (restated)

	Adjustments for capital purposes				Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/ loss on disposal	REFCUS	Grants/ contributions	Financing			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	15,467	10,562	964	(1,173)	2,591	77	28,488
Combined Authority other services	-	-	(29)	-	-	-	(29)
Investment Programme	-	8,325	-	(7,516)	-	-	809
Mayor's office	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-
Net cost of services	**15,467**	**18,887**	**935**	**(8,689)**	**2,591**	**77**	**29,268**
Other operating expenditure	3,086	-	-	-	-	-	3,086
Financing and investment income and expenditure	-	-	-	-	1,280	-	1,280
Taxation and non-specific grant income and expenditure	-	-	(50,904)	-	-	-	(50,904)
(Surplus) or deficit on provision of services	**18,553**	**18,887**	**(49,969)**	**(8,689)**	**3,871**	**77**	**(17,270)**

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

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

Grants/contributions - revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is also 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.

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.

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.

6. Expenditure and income analysed by nature

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

	Authority	
	2018/19	**2017/18**
	£'000	£'000
Expenditure		
Employee benefits expenses	21,422	16,741
Other service expenses	117,609	115,935
Pension	5,102	4,671
Depreciation, amortisation and impairment	13,040	15,467
REFCUS	54,031	18,887
Loss on disposal of non-current assets	298	3,086
Interest payments	8,894	9,256
	220,396	184,043
Income		
Fees and charges and other service income	(15,495)	(11,487)
Government revenue grants and contributions	(52,315)	(44,139)
Local Authority business rates growth and contributions	(9,833)	(8,449)
Levies	(114,720)	(121,542)
Capital grants and contributions (net of payments)	(66,317)	(50,904)
Interest and investment income	(1,703)	(297)
	(260,383)	(236,818)
Surplus on provision of services	**(39,987)**	**(52,775)**

7. Transport services

An analysis of the Authority's income and expenditure by activity for the year is as follows:

Analysis for 2018/19		Authority	
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000
Concessions	63,668	(131)	63,537
Bus Services	29,605	(7,400)	22,205
Rail and Metro Services	10,127	(6,405)	3,722
Integration	8,330	(2,472)	5,858
Network Resilience	893	(32)	861
Business Support Costs	3,416	(93)	3,323
Policy and Strategy and Elected Member Services	3,097	(583)	2,514
LSTF/Midlands Connect/BBAF Programmes	8,716	(8,716)	-
Finance Charges	12,759	-	12,759
As reported to management (note 5)	**140,611**	**(25,832)**	**114,779**

Comparatives for 2017/18 (restated)	Authority		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Concessions	65,343	(452)	64,891
Bus Services	29,341	(8,706)	20,635
Rail and Metro Services	5,777	(1,593)	4,184
Integration	8,908	(2,018)	6,890
Network Resilience	93	(17)	76
Business Support Costs	4,380	(322)	4,058
Policy and Strategy and Elected Member Services	2,216	(70)	2,146
LSTF/Midlands Connect/BBAF Programmes	6,108	(6,108)	-
Transport Development	1,500	-	1,500
Finance Charges	11,838	-	11,838
Contributions to/(from) reserves	5,065	-	5,065
As reported to management (note 5)	**140,569**	**(19,286)**	**121,283**

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 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 £29.5m (2018: £29.7m).

The income and expenditure relating to these schemes were accounted for in the Comprehensive Income and Expenditure Statement with a nil effect under IAS 18 Revenue. IAS 18 was replaced by IFRS 15 Revenue from Contracts with Customers and constituted a change in accounting policies (see note 2) and applied retrospectively. The comparative has been adjusted for this retrospective application. There is no impact to the Movement in Reserves and the Balance Sheet.

8. Combined Authority other services

During the year, the line items were amended to reflect how the financial performance is managed and reported. The comparatives have been reclassed according to these new line items.

Analysis for 2018/19	Authority		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Economic Growth	1,803	(579)	1,224
Public Service Reform	638	(159)	479
Health and Wellbeing	818	(433)	385
Housing and Land	1,142	(999)	143
Skills and Productivity	2,035	(1,571)	464
Leadership	412	(41)	371
Corporate Support	2,449	-	2,449
5G	2,200	(2,200)	-
As reported to management (note 5)	**11,497**	**(5,982)**	**5,515**

Comparatives for 2017/18 (restated)		**Authority**	
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000
Economic Growth	1,473	-	1,473
Public Service Reform	429	-	429
Health and Wellbeing	808	(598)	210
Housing and Land	302	(158)	144
Skills and Productivity	391	-	391
Leadership	80	-	80
Corporate Support	1,982	-	1,982
As reported to management (note 5)	**5,465**	**(756)**	**4,709**

9. Investment programme

Analysis for 2018/19		**Authority**	
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000
Revenue costs of project and programme delivery	4,227	-	4,227
Programme resource	902	-	902
Investment programme financing costs	37,703	-	37,703
Interest income	-	(1,239)	(1,239)
As reported to management (note 5)	42,832	(1,239)	41,593

Comparatives for 2017/18 (restated)		**Authority**	
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000
Revenue costs of project and programme delivery	505	-	505
Programme resource	383	-	383
Investment programme financing costs	35,345	-	35,345
As reported to management (note 5)	36,233	-	36,233

10. Mayor's office

Analysis for 2018/19	**Authority**		
	Gross Expenditure £'000	**Gross Income** £'000	**Net Expenditure** £'000
Staff	671	-	671
Premises and services	91	-	91
Promotions, information and initiatives	36	(32)	4
Travel and subsistence	15	-	15
Grants and other contributions	-	(558)	(558)
Use of reserves	-	(223)	(223)
As reported to management (note 5)	813	(813)	-

Comparatives for 2017/18 (restated)	**Authority**		
	Gross Expenditure £'000	**Gross Income** £'000	**Net Expenditure** £'000
Staff	312	-	312
Premises and services	24	-	24
Promotions, information and initiatives	20	-	20
Travel and subsistence	26	-	26
Grants and other contributions	-	(19)	(19)
As reported to management (note 5)	382	(19)	363

11. Elections

	Authority	
	2018/19 £'000	**2017/18** £'000
Postage, Printing and Office Supplies	-	687
Promotions, Information and Initiatives	-	745
Election Costs	-	2,886
As reported to management (note 5)	-	4,318

The election costs in 2017 for the first West Midlands Mayor have been funded by the Authority. It is anticipated that the majority of the costs of the next mayoral election in 2020 will be funded by the Constituent Authorities, subject to those Constituent Authorities being able to incorporate the West Midlands Mayoral election into their own election process.

12. Other operating expenditure

	Authority 2018/19 £'000	**Group 2018/19** £'000	**Authority 2017/18** £'000	**Group 2017/18** £'000
Loss on disposal of property, plant and equipment	298	298	3,086	3,086
Total	**298**	**298**	**3,086**	**3,086**

The loss on disposal of property, plant and equipment relates to the ongoing replacement of bus shelters. Prior year's loss on disposal largely related to the upgrade of the Midland Metro system including the historic trams which are fully funded from grants.

13. Financing and investment income and expenditure

	Authority 2018/19 £'000	Group 2018/19 £'000	Authority 2017/18 £'000	Group 2017/18 £'000
Interest payable and similar charges on borrowings:				
PWLB	6,648	6,648	8,340	8,340
Barclays	403	403	403	403
Interest payable on the former transferred debt	443	443	513	513
Impairment loss allowance (note 20, note 31)	1,400	1,400	-	-
Net interest on the net defined benefit liability (note 30)	1,266	1,266	1,280	1,280
	10,160	10,160	10,536	10,536
Interest receivable and similar income	(463)	(465)	(297)	(297)
Other investment income	(1,240)	(1,240)	-	-
Total	**8,457**	**8,455**	**10,239**	**10,239**

Other investment income relates to the loan interest income from the Collective Investment Fund (see note 20).

Impairment loss allowance relates to the losses recognised on the Collective Investment Fund in accordance with the requirement of IFRS 9 Financial Instruments effective for 2018/19.

14. Taxation and non-specific grant income and expenditure

	Authority and Group 2018/19 £'000	Authority and Group 2017/18 £'000
Transport levy from the West Midlands districts*	114,720	121,542
Gainshare contribution - MHCLG	36,500	36,500
Business rates growth	4,764	6,600
Constituent, non-constituent and observers membership fees and contributions*	5,069	1,849
Capital grants and contributions (note 15)	100,442	95,141
Gross income	261,495	261,632
Capital grants paid	(34,125)	(44,237)
Total	**227,370**	**217,395**

*An analysis of the transport levy and constituent and non-constituent member membership fees and contributions by district is shown in note 37 Related party disclosures.

The Authority receives grants from the DfT which it administers and passes onto district partners. This expenditure does not form part of the Authority's capital programme but is included within taxation and non-specific grant income and expenditure.

15. Government and other grant income

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

	Authority	
	2018/19	**2017/18**
	£'000	£'000
Revenue grants and contributions credited to cost of services		
Adult Education Budget - Department for Education (DfE)	197	-
Bus Service Operator Grant - DfT	1,929	1,969
Brexit - Ministry of Housing, Communities and Local Government (MHCLG)	182	-
Careers Learning Pilot	274	-
Construction Skills - DfE	719	-
Creative Scale Up - Department for Digital, Culture, Media and Sport (DCMS)	650	-
Employment Support Pilot - Department for Work and Pensions (DWP)	230	-
Health-led Employment Trials - DWP	512	512
Housing Package - MHCLG	890	158
Joint Data Team	879	-
Mayoral Capacity Fund - MHCLG	1,000	-
Midlands Connect Programme - DfT	7,258	5,000
Office for Data Analytics - MHCLG	300	-
5G Mobilisation - DCMS	160	-
Other	635	-
Total	**15,815**	**7,639**

	Authority	
	2018/19	**2017/18**
	£'000	£'000
Capital grants and contributions credited to taxation and non-specific grant income		
Integrated Transport Block - DfT	18,311	16,669
Transforming Cities Fund - DfT	18,445	-
Highways Maintenance Incentive Fund - DfT	2,752	1,393
Highways Capital Maintenance - DfT	13,112	14,486
Highways Maintenance Challenge Fund - DfT	-	13,989
Pot Hole Fund - DfT	1,703	1,223
Local Authority Major Project - DfT	21,828	28,671
National Productivity Investment Fund (NPIF) - DfT	4,425	5,788
Clean Bus Technology - DfT	559	-
Joint Air Quality - DfT	289	-
Co-Op Intelligent Transport - DfT	68	284
Enterprize Zone - Birmingham City Council	195	4,587
Local Growth Fund - BC LEP	2,353	1,834
Local Growth Fund - GBS LEP	7,044	4,444
West Midlands Train - DfT	6,041	-
Commonwealth Games Athletes' Village - DfT	581	-
Commonwealth Games - DCMS	786	-
A45 Sprint - DfT	1,204	-
3rd Party Contributions	-	271
Ring and Ride vehicles	-	577
Other	746	925
Total	**100,442**	**95,141**

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	
	2019	**2018**
	£'000	£'000
Grants received in advance - capital		
Clean Bus Technology - DfT	5,428	-
Integrated Transport Block - DfT	1,585	2,516
Joint Air Quality - DfT	3,168	-
Local Authority Major Project - DfT	7,801	875
Local Growth Fund - GBS LEP/BC LEP	1,079	2,281
Local Sustainability Transport Fund - DfT	229	271
Managing Change - DfT	98	211
Midlands Connect - DfT	2,000	-
Pot Hole Fund - DfT	942	1,359
Other - DfT	428	129
	22,758	**7,642**
Grants received in advance - revenue		
Adult Education Budget - Department for Education	109	220
Bus Service Operator Grant - DfT	913	1,050
Construction Skills - Department for Education	1,137	-
Employment Support Pilot - Department for Work and Pensions	3,071	-
Housing Package - MHCLG	2,952	1,842
Midlands Connect - DfT	3,917	919
Wellbeing Premium Trial Implementation Phase - NHS England	-	120
Other	524	50
	12,623	**4,201**

16. Officers' remuneration

The remuneration paid to the Authority's senior employees during 2018/19 was as follows:

	Salary, fees and allowances £'000	Pension contributions £'000	Total Authority £'000
WMCA Staff			
Chief Executive	191	28	219
Clerk to the WMCA and Monitoring Officer	92	13	105
Director of Housing and Regeneration	112	16	128
Director of Finance [2]	91	13	104
Director of Investment and Commercial Activities [3]	-	-	-
Director of Public Service Reform	120	17	137
Director of Productivity and Skills	118	17	135
Director of Strategic Communications and Public Affairs [1]	50	7	57
Director of Strategy	113	17	130
Interim Finance Director [2]	22	3	25
Managing Director, Transport for West Midlands	125	18	143
Mayoral Team			
Mayor	79	-	79
Deputy Mayor [4]	-	-	-
Chief of Staff	82	12	94

[1] The post was newly appointed during the year, therefore the pay does not reflect a full year's salary.

[2] Director of Finance resigned in December and an Interim Finance Director was appointed on a temporary basis until a new Director of Finance is appointed. Therefore the pay does not reflect a full year's salary.

[3] This is a new post and the Director of Investment and Commercial Activities was appointed in April 2019.

[4] Deputy Mayor did not receive any remuneration from the Authority and no amount was re-charged from other District Authorities for his service during the period.

Comparatives for 2017/18

	Salary, fees and allowances £'000	Pension contributions £'000	Total Authority £'000
WMCA Staff			
Chief Executive [1]	101	13	114
Chief Operating Officer [2]	-	-	-
Clerk to the WMCA and Monitoring Officer [1]	83	11	94
Investment Director [2]	-	-	-
Director of Finance [1]	54	7	61
Director of Housing and Regeneration [3]	32	4	36
Director of Public Service Reform [3]	47	3	50
Director of Productivity and Skills [3]	33	4	37
Director of Strategy [3]	26	3	29
Managing Director, Transport for West Midlands	121	16	137
Mayoral Team			
Mayor [3]	71	-	71
Deputy Mayor [4]	-	-	-
Chief of Staff [3]	64	8	72

[1] These posts were newly appointed during the year, therefore their pay does not reflect a full year's salary. The outgoing officers did not receive any remuneration from the Authority and no amounts were re-charged from other District Authorities for their services during the period.

[2] Chief Operating Officer and Investment Director posts were deleted during the year as part of the restructure of the Leadership Team. They did not receive any remuneration from the Authority and no amounts were re-charged from other District Authorities for their services during the period.

[3] These are new posts appointed during the year, therefore their pay does not reflect a full year's salary.

[4] Deputy Mayor was appointed during the year and did not receive any remuneration from the Authority and no amount was re-charged from other District Authorities for his service during the period.

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 2019 £'000	Authority 2018 £'000
£50,000 - £54,999	35	22
£55,000 - £59,999	17	9
£60,000 - £64,999	14	8
£65,000 - £69,999	8	1
£70,000 - £74,999	2	2
£75,000 - £79,999	2	3
£80,000 - £84,999	4	1
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	2	1
£100,000 - £104,999	2	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
£135,000 - £139,999	-	1
£140,000 - £144,999	1	-

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.

Cost band (including special payments)	Compulsory redundancies 2019 No.	Compulsory redundancies 2018 No.	Total exit packages 2019 No.	Total exit packages 2018 No.	Total cost of packages in each band 2019 £'000	Total cost of packages in each band 2018 £'000
£0 - £20,000	16	6	16	6	**173**	**56**
£20,001 - £40,000	4	2	4	2	**112**	**60**
£40,001 - £60,000	-	-	-	-	**-**	-
£60,001 - £80,000	2	-	2	-	**153**	-
£80,001 - £100,000	-	1	-	1	**-**	**92**
£100,001 +	1	1	1	1	**119**	**137**
	23	**10**	**23**	**10**	**557**	**345**

17. Members' allowances

	Authority and Group 2019 £'000	Authority and Group 2018 £'000
Allowances	125	127
Expenses	5	5
Total	**130**	**132**

18. External audit costs

Charges relating to work undertaken by the external auditors:

	Authority 2019 £'000	Group 2019 £'000	Authority 2018 £'000	Group 2018 £'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	47	63	47	47
Fees payable in respect of other services provided by external auditors during the year	-	-	3	3
Total	**47**	**63**	**50**	**50**

19. 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 acquired for the future expansion of park and ride sites and the Midland Metro.

Assets under construction largely consists of expenditure on the construction of the Midland Metro extension. Ring and Ride vehicles with a carrying value of £1.555m previously included in vehicles, plant and equipment in the Balance Sheet in accordance with IFRIC 4 have been derecognised in the year as they no longer meet the requirements of IFRIC 4.

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 2019. This valuation was carried out by Bruton Knowles 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.

Movements in 2018/19 Authority	**Land and buildings**	**Vehicles, plant and equipment**	**Infra-structure assets**	**Assets under construction**	**Total Authority**
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2018	3,576	44,360	346,559	68,755	463,250
Additions - capital programme	-	1,166	632	59,765	61,563
Revaluation increase recognised in the provision of services	447	-	-	-	447
Depreciation reversed on revaluation	(464)	-	-	-	(464)
Disposals	-	-	(992)	-	(992)
Derecognition - Ring & Ride vehicles	-	(8,371)	-	-	(8,371)
At 31 March 2018	**3,559**	**37,155**	**346,199**	**128,520**	**515,433**
Accumulated depreciation					
At 1 April 2018	391	29,753	138,384	-	168,528
Charge for the year	73	1,796	11,618	-	13,487
Depreciation reversed on revaluation	(464)	-	-	-	(464)
Disposals	-	-	(694)	-	(694)
Derecognition - Ring & Ride vehicles	-	(6,816)	-	-	(6,816)
At 31 March 2018	-	**24,733**	**149,308**	-	**174,041**
Net book value					
At 31 March 2019	3,559	12,422	196,891	128,520	341,392
At 31 March 2018	3,185	14,607	208,175	68,755	294,722

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 2018	3,576	44,360	346,559	68,755	463,250
Additions - capital programme	-	1,166	632	59,765	61,563
Additions - other	-	291	-	-	291
Revaluation increase recognised in the provision of services	447	-	-	-	447
Depreciation reversed on revaluation	(464)	-	-	-	(464)
Disposals	-	-	(992)	-	(992)
Derecognition - Ring & Ride vehicles	-	(8,371)	-	-	(8,371)
At 31 March 2018	**3,559**	**37,446**	**346,199**	**128,520**	**515,724**
Accumulated depreciation					
At 1 April 2018	391	29,753	138,384	-	168,528
Charge for the year	73	1,893	11,618	-	13,584
Depreciation reversed on revaluation	(464)	-	-	-	(464)
Disposals	-	-	(694)	-	(694)
Derecognition - Ring & Ride vehicles	-	(6,816)	-	-	(6,816)
At 31 March 2018	-	**24,830**	**149,308**	-	**174,138**
Net book value					
At 31 March 2019	3,559	12,616	196,891	128,520	341,586
At 31 March 2018	3,185	14,607	208,175	68,755	294,722

Comparative movements in 2017/18 Authority and Group	**Land and buildings**	**Vehicles, plant and equipment**	**Infra-structure assets**	**Assets under construction**	**Total Authority and Group**
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2017	3,576	41,729	340,356	32,735	418,396
Additions - capital programme	-	1,490	14,586	36,904	52,980
Additions - other	-	577	-	-	577
Transfers	-	564	236	(800)	-
Transfers to provision of services	-	-	-	(84)	(84)
Disposals	-	-	(8,619)	-	(8,619)
At 31 March 2018	**3,576**	**44,360**	**346,559**	**68,755**	**463,250**
Accumulated depreciation					
At 1 April 2017	293	27,354	130,947	-	158,594
Charge for the year	98	2,399	12,970	-	15,467
Disposals	-	-	(5,533)	-	(5,533)
At 31 March 2018	**391**	**29,753**	**138,384**	-	**168,528**
Net book value					
At 31 March 2018	3,185	14,607	208,175	68,755	294,722
At 31 March 2017	3,283	14,375	209,409	32,735	259,802

20. Investments

	Long-term		**Current**		**Authority and Group Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	£'000	£'000	£'000	£'000	£'000	£'000
Loans investments - Collective Investment Fund	7,598	-	11,741	-	19,339	-
Loss allowance	(658)	-	(742)	-	(1,400)	-
Loans investments - Collective Investment Fund	6,940	-	10,999	-	17,939	-
Investments in subsidiaries	-	-	-	-	-	-
Short-term deposits	-	-	10,000	11,000	10,000	11,000
Total	**6,940**	**-**	**20,999**	**11,000**	**27,939**	**11,000**

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

	Ownership	Share capital	Nature of business
Centro Properties Limited	100%	£100	Dormant
Midlands Development Capital Limited	100%	£100	Dormant
Midland Metro Limited	100%	£100	Trading
Midland Metro (Two) Limited	100%	£100	Dormant
Network West Midlands Limited	100%	£100	Dormant
West Midlands Development Capital Limited	100%	£100	Trading
WM5G Limited	100%	n/a - limited by guarantee	Dormant
West Midlands Growth Company Limited	5%	n/a - limited by guarantee	Trading
West Midlands Rail Limited	50%	n/a - limited by guarantee	Trading

Centro Properties Limited was incorporated under the Companies Act 2006 as a private limited company on 1 December 2009. The company was dissolved on 3 April 2018.

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.

Midland Metro (Two) Limited was incorporated under the Companies Act 1985 as a private limited company on 16 March 1988.

Network West Midlands Ltd 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.

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

21. Short-term debtors

	2019		2018	
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Trade debtors and accrued income	22,105	21,450	19,982	19,982
Other debtors	4,073	4,378	3,372	3,372
Prepayments	10,152	11,067	8,606	8,606
Total	**36,330**	**36,895**	**31,960**	**31,960**

Included within trade debtors and accrued income are monies owed in respect of grant funding claims, business rates growth and also monies owed from operators for ticketing. Prepayments consist of prepayments for concessions to operators and capital prepayments for the Midland Metro extension. Other debtors consist of amounts recoverable for VAT.

22. Cash and cash equivalents

	Carrying amount			
	2019		2018	
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Cash at bank and in hand	82	474	55	55
Short-term deposits	28,650	28,650	38,200	38,200
Altram refundable deposit	-	-	2,750	2,750
	28,732	**29,124**	**41,005**	**41,005**
Amount to be repaid to Altram	-	-	(2,750)	(2,750)
Total	**28,732**	**29,124**	**38,255**	**38,255**

Daily cash balances are invested overnight. The balance at 31 March 2019 represents monies held on deposit as at 31 March 2019 to be repaid on the next available banking day. Interest is earned at the respective short-term deposit rates.

The Authority held £2.750m on behalf of Altram, its private sector partner in the Midland Metro project, as a deposit against unforeseen circumstances. This sum was repaid to Altram on the handback of the concession to the Authority.

23. Borrowing

	Authority and Group	
	2019	2018
	£'000	£'000
Lender		
Public Works Loan Board (PWLB)	119,099	142,417
Barclays	10,000	10,000
Accrued interest payable	1,808	2,244
Total	**130,907**	**154,661**
Maturity		
Principal and accrued interest due within one year	7,136	25,561
1 - 2 years	5,340	5,328
2 - 5 years	1,104	6,062
5 - 10 years	2,152	2,070
Over 10 years	115,175	115,640
Principle due after more than one year	123,771	129,100
Total	**130,907**	**154,661**

The Group adopts a low risk treasury management approach seeking to maximise low interest loans when the opportunity arises. During the year, the Group did not undertake any new short-term borrowing (2018: nil). The amount of fixed rate debt is 100% (2018: 100%) with no variable rate debt (2018: nil).

The Certainty Rate was introduced by the Public Works Loans Board (PWLB) in November 2012, allowing the Authority to borrow at a reduction of 20 base points (bps) on the standard PWLB rate. The Authority has continued to submit information required in order to be eligible for the Certainty Rate and be on the PWLB approved list of authorities who could access the preferential rates. Thus any future borrowing can be done at this preferential rate.

During 2005/06 the ITA 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.

24. Short-term creditors

		2019		2018
	Authority	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000
Trade creditors and accruals	53,868	55,298	37,537	37,537
Taxes and social security	620	801	467	467
Payments received on account	2,675	2,775	3,009	3,009
	57,163	**58,874**	**41,013**	**41,013**

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. Payments received on account include ticketing income received but not yet paid to operators and advertising income billed in advance.

25. Provisions

Current year movements	**Transport development**	**Buildings maintenance**	**Rail services/ insurance**	**Total Authority and Group**
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	3,742	1,414	1,392	6,548
Additional provision	-	-	180	180
Amounts used	(2,483)	(414)	(14)	(2,911)
Balance at 31 March 2019	**1,259**	**1,000**	**1,558**	**3,817**
Current	1,259	-	1,558	2,817
Long-term	-	1,000	-	1,000
Total	**1,259**	**1,000**	**1,558**	**3,817**

Prior year comparatives	**Transport development**	**Buildings maintenance**	**Rail services/ insurance**	**Total Authority and Group**
	£'000	£'000	£'000	£'000
Balance at 1 April 2017	4,202	1,311	1,290	6,803
Additional provision	-	339	180	519
Release of provision	-	-	(58)	(58)
Amounts used	(460)	(236)	(20)	(716)
Balance at 31 March 2018	**3,742**	**1,414**	**1,392**	**6,548**
Current	3,742	414	1,392	5,548
Long-term	-	1,000	-	1,000
Total	**3,742**	**1,414**	**1,392**	**6,548**

Transport development
This has been provided to meet the 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 the Authority's properties.

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**.**

26. 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	
	2019	**2018**
	£'000	£'000
Balance at 1 April	7,873	8,499
Repayment in the year	(688)	(626)
Balance at 31 March	**7,185**	**7,873**
Due within one year	757	688
Due over one year	6,428	7,185
Total	**7,185**	**7,873**

27. 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.

Earmarked Reserves

Current year movements	Earmarked general fund £'000	Investment programme funding reserve £'000	Unapplied revenue grants £'000	Total Authority and Group £'000
Balance at 1 April 2018	14,889	64,938	2,529	82,356
Receivable in year	-	-	2,974	2,974
Utilised in year	-	-	(2,881)	(2,881)
Net unapplied in year	-	-	93	93
Released in year to general reserves	(4,720)	-	-	(4,720)
Transfers in year from general reserves	10,003	8,910	-	18,913
Net transfer (to)/from general reserves	5,283	8,910	-	14,193
Balance at 31 March 2019	**20,172**	**73,848**	**2,622**	**96,642**

Prior year comparatives	Earmarked general fund £'000	Investment programme funding reserve £'000	Unapplied revenue grants £'000	Total Authority and Group £'000
Balance at 1 April 2017	9,195	35,608	3,464	48,267
Receivable in year	-		5,512	5,512
Utilised in year	-		(6,447)	(6,447)
Net unapplied in year	-	-	(935)	(935)
Released in year to general reserves	(1,407)	-	-	(1,407)
Transfers in year from general reserves	7,101	29,330	-	36,431
Net transfer (to)/from general reserves	5,694	29,330	-	35,024
Balance at 31 March 2018	**14,889**	**64,938**	**2,529**	**82,356**

Earmarked general fund
This reserve contains contributions in the year to provide funding to back transport capital programme commitments.

Investment programme funding reserve
This reserve (renamed from Gainshare contribution) contains the Gainshare contribution received from the MHCLG (previously known as DCLG) 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 contains revenue grants that the Authority has received from the DfT in respect of the Local Sustainable Transport Fund and the Midlands Connect Programme 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.

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	
	2019	**2018**
	£'000	£'000
Opening balance at 1 April	247	247
Transfer to the Capital Receipts Reserve upon receipt of cash from loan repayments under Collective Investment Fund	12,680	-
Use of the Capital Receipts Reserve to finance capital expenditure	(12,680)	-
Closing balance at 31 March	**247**	**247**

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.

28. 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	
	2019	**2018**
	£'000	£'000
Opening balance at 1 April	6,953	7,164
Difference between current value depreciation and historical cost	(211)	(211)
Closing balance at 31 March	**6,742**	**6,953**

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.

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	
	2019	**2018**
	£'000	£'000
Opening balance at 1 April	67,617	45,253
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 (note 19)	(13,487)	(15,467)
Revaluation increase recognised in the provision of services (note 19)	447	-
Adjusting amount written out of the Revaluation Reserve (note 28)	211	211
Loss on disposal of property, plant and equipment (note 12)	(298)	(3,086)
Non-current assets transferred to provision of services (note 19)	-	(84)
Revenue expenditure funded from capital under statute (note 29)	(54,031)	(18,803)
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	66,317	44,549
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing in prior years	-	6,355
Statutory provision for the financing of capital investment charged against the General Fund (MRP - note 29)	400	400
Debt repayment charged against the General Fund (note 26)	688	626
Capital expenditure charged against the General Fund (note 29)	2,431	147
Capital expenditure funded by the Gainshare contribution (note 29)	27,609	7,516
Derecognition of Ring & Ride vehicles (note 19)	(1,555)	-
Closing balance at 31 March	**96,349**	**67,617**

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 debit balance on the reserve shows the shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Authority and Group	
	2019	**2018**
	£'000	£'000
Opening balance at 1 April	55,377	57,166
Remeasurements (liabilities and assets) (note 30)	(18,622)	(5,660)
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 30)	7,571	6,701
Employer's pension contributions payable in the year:		
Current year (note 30)	(3,269)	(2,830)
Closing balance at 31 March	**41,057**	**55,377**

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	
	2019	**2018**
	£'000	£'000
Opening balance at 1 April	305	228
Movement in the year	62	77
Closing balance at 31 March	**367**	**305**

29. 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 and Group	
	2019	**2018**
	£'000	£'000
Directly delivered capital schemes		
Midland Metro	64,021	51,597
Rail infrastructure	6,798	4,442
Key Routes network	3,420	1,086
Bus infrastructure	2,579	1,589
Other	2,042	795
	78,860	59,509
Grants to local authorities	36,734	12,274
Total capital expenditure	**115,594**	**71,783**
Property, plant and equipment (note 19)	61,563	52,980
Written off to cost of services - capital development/district schemes	54,031	18,803
	115,594	**71,783**
Funded by:		
Central Government grants	56,726	32,147
District/Local Enterprise Partnership (LEP) grants and contributions	9,396	6,966
3rd party contributions	195	4,859
Gainshare contribution	27,609	7,516
Borrowing	21,668	20,295
	115,594	**71,783**

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 overleaf:

	Authority and Group	
	2019	**2018**
	£'000	£'000
Opening Capital Financing Requirement	220,152	207,385
Capital investment		
Capital programme costs funded by borrowing	21,668	20,295
Other capital expenditure funded by borrowing - Collective Investment Fund	31,556	-
Sources of finance		
Minimum Revenue Provision (MRP)	(400)	(400)
Use of the Capital Receipts Reserve to finance capital expenditure (note 27)	(12,680)	-
Transferred debt repayment (note 26)	(688)	(626)
Capital expenditure charged to the General Fund	(2,431)	(147)
Capital grants received previously funded through borrowings	-	(6,355)
Closing Capital Financing Requirement	**257,177**	**220,152**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	37,025	12,767
Increase in Capital Financing Requirement	**37,025**	**12,767**

30. Pension schemes

a) Defined benefit pension scheme

Employees of the Authority participate in the West Midlands Pension Fund, a defined benefit career average salary statutory scheme administered by the City of Wolverhampton Council in accordance with the Local Government Pension Scheme Regulations 2013.

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 2016. Based on the results of this valuation, the actuaries set the Authority's employer contributions for the three years from 1 April 2017 at a primary rate of 15.9% of the current employees' pensionable pay plus £0.8m per annum 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.

In 2017/18 a prepayment of employer's contributions of £5.164m was made for the two years to 2019/20 to take advantage of discounts available.

Disclosures in this note are taken from the actuarial report provided by Barnett Waddingham LLP.

An updated actuarial report incorporating assets valuation as at March 2019 is expected to be received from Barnett Waddingham LLP by 24 May 2019 and the accounts will be adjusted if there are material differences.

Calculation method

The figures as at 31 March 2019 are based on the 31 March 2016 formal valuation of the fund. Membership data as at 31 March 2016 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 2019. This valuation was carried out by Barnett Waddingham LLP.

Net liability and pension reserve

The net amount recognised on the Balance Sheet at 31 March 2019 is a deficit of £39.100m compared to a deficit of £50.213m at 31 March 2018. The deficit has been reduced by the prepayment of £1.957m for 2019/20 contributions. As a result, the pension liability does not agree to the pension reserve by that amount.

Movement in pension fund liability during the year

	Authority and Group	
	2019	**2018**
	£'000	£'000
Opening balance at 1 April	50,213	57,166
Employer's pension contributions payable in the year:		
Current year	(3,269)	(2,830)
Prepayment for 2018/19 and 2019/20	3,207	(5,164)
Post employment benefit charged to the surplus or deficit on provision of services:		
Current service cost	6,192	5,306
Administration expenses	113	115
Net interest cost	1,266	1,280
Remeasurements (liabilities and assets)	(18,622)	(5,660)
Closing balance at 31 March	**39,100**	**50,213**

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	
	2019	**2018**
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	6,192	5,306
Administration expenses	113	115
Financing and investment income and expenditure		
Net interest cost	1,266	1,280
Total post employment benefit charged to the surplus or deficit on provision of services	**7,571**	**6,701**
Remeasurements (liabilities and assets)	(18,622)	(5,660)
Total post employment benefit charged/(credited) to the Comprehensive Income and Expenditure Statement	**(11,051)**	**1,041**
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	(7,571)	(6,701)
Actual amount charged against the General Fund Balance for pensions in the year	3,269	2,830
	(4,302)	**(3,871)**

Assets and liabilities in relation to post-employment benefits

	Authority and Group	
	2019	**2018**
	£'000	£'000
Present value of scheme liabilities	(303,028)	(306,062)
Present value of scheme assets	263,928	255,849
Amounts recognised as liabilities	**(39,100)**	**(50,213)**

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

	Authority and Group	
	2019	**2018**
	£'000	£'000
Opening balance at 1 April	306,062	318,749
Current service cost	5,596	5,016
Interest cost	7,522	7,489
Change in demographic assumptions	(16,237)	-
Change in financial assumptions	11,384	(11,701)
Liabilities assumed on settlements	1,107	-
Contributions by scheme participants	1,220	995
Benefits paid	(13,753)	(14,776)
Past service costs/curtailments	127	290
Closing balance at 31 March	**303,028**	**306,062**

Reconciliation of fair value of the scheme assets

	Authority and Group	
	2019	**2018**
	£'000	£'000
Opening balance at 1 April	255,849	261,583
Interest on plan assets	6,256	6,209
Administration expenses	(113)	(115)
Return on assets less interest	13,769	(6,041)
Employer contributions - current year	3,269	2,830
Employer contributions - prepayment for 2018/19 and 2019/20	(3,207)	5,164
Contributions by scheme participants	1,220	995
Settllement prices received	638	-
Benefits paid	(13,753)	(14,776)
Closing balance at 31 March	**263,928**	**255,849**

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

Authority	2019 %	2019 £'000	2018 %	2018 £'000
Asset				
Equities	57.9	152,745	63.9	163,524
Gilts	7.5	19,861	7.3	18,696
Other bonds	3.8	10,083	3.8	9,788
Property	8.9	23,620	7.7	19,699
Cash/liquidity	5.2	13,743	2.5	6,296
Other	16.7	43,876	14.8	37,846
Total	**100.0**	**263,928**	**100.0**	**255,849**

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
	2019	**2018**
Valuation assumptions		
Discount rate	2.4%	2.5%
Rate of salary increase	4.0%	3.9%
Rate of pension	2.5%	2.4%
Future life expectancies from age 65		
Retiring today:		
Males	20.9	21.9
Females	23.2	24.3
Retiring in 20 years:		
Males	22.6	24.0
Females	25.0	26.6

It is assumed that 50% of retiring members will take the maximum tax-free lump sum available and 50% will take the standard 3/80ths cash sum.

Five year history	**2015** £'000	**2016** £'000	**2017** £'000	**2018** £'000	**2019** £'000
Present value of liabilities	(306,754)	(316,284)	(318,749)	(306,062)	(303,028)
Fair value of assets in the pension scheme	226,440	225,655	261,583	255,849	263,928
(Deficit)/surplus in the scheme	(80,314)	(90,629)	(57,166)	(50,213)	(39,100)
Difference between the expected and actual return on scheme assets	22,069	(7,765)	32,795	(6,041)	13,769
Percentage of scheme assets	9.7%	-3.4%	12.5%	-2.4%	5.2%
Experience gains and (losses) on scheme liabilities	(22,941)	(12,058)	(28,991)	11,701	(11,384)
Percentage of scheme liabilities	-7.5%	-3.8%	-9.1%	3.8%	-3.8%
Changes in actuarial assumptions	-	-	9,272	-	16,237
Percentage of scheme liabilities	0.0%	0.0%	2.9%	0.0%	5.4%
Net actuarial gain/(loss) recognised	(872)	(19,823)	13,076	5,660	18,622
Percentage of scheme liabilities	-0.3%	-6.3%	4.1%	1.8%	6.1%
Cumulative actuarial loss recognised	(74,078)	(93,901)	(80,825)	(75,165)	(56,543)

Defined Contribution Pension Scheme – Midland Metro Limited

Income Statement
The amounts recognised in Midland Metro's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £70k (2018: £nil).

31. 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. 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.

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 and credit ratings monitored constantly through the receipt of 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 cashflow management and any surplus funds are invested on the overnight money market with HSBC Bank plc.

Customer credit risk: customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

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

	Authority 2018/19 £'000	Group 2018/19 £'000	Authority 2017/18 £'000	Group 2017/18 £'000
12-month expected credit losses:				
Investments (note 20)	27,939	27,939	11,000	11,000
Cash and short-term deposits (note 22)	28,732	29,124	38,255	38,255
	56,671	57,063	49,255	49,255
Simplified approach:				
Trade debtors and accrued income (note 21)	22,105	21,450	19,982	19,982
Total	**78,776**	**78,513**	**69,237**	**69,237**

The loss allowance recognised during the year are as follows:

	12-month expected credit losses		Lifetime expected credit losses - simplified		Total	
Asset class (amortised cost)	**Authority 2018/19** £'000	**Group 2018/19** £'000	**Authority 2018/19** £'000	**Group 2018/19** £'000	**Authority 2018/19** £'000	**Group 2018/19** £'000
Opening balance as at 1 April 2018	-	-	-	-	-	-
Individual financial assets transferred to 12-month expected credit loss	1,400	1,400	-	-	1,400	1,400
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**1,400**	**1,400**	**-**	**-**	**1,400**	**1,400**

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 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 ensures any borrowing is undertaken at favourable rates.

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.
- 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.

EU Referendum

Following the triggering of Article 50 on 29 March 2017, the Authority continues to closely assess and manage the direct effects of the UK leaving the European Union, in relation to market reaction (i.e. returns on investments), financial stability of counter parties, likelihood of future funding opportunities and options for raising finance. The Authority are assisted in this regard by professional Treasury Management advisors, Arlingclose Limited.

Maturity analysis of financial liabilities
All trade and other payables are due to be paid in less than one year.

32. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet at amortised cost. Short-term debtors consist of trade debtors and accrued income, short-term creditors consist of trade creditors and accruals.

Analysis for 2018/19	**Long-term**		**Current**		**Total**	
	Authority	**Group**	**Authority**	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 20)	6,940	6,940	20,999	20,999	27,939	27,939
Short-term debtors (note 21)	-	-	22,105	21,450	22,105	21,450
Cash and cash equivalents (note 22)	-	-	28,732	29,124	28,732	29,124
Total financial assets	**6,940**	**6,940**	**71,836**	**71,573**	**78,776**	**78,513**
Financial liabilities at amortised cost						
Borrowings (note 23)	123,771	123,771	7,136	7,136	130,907	130,907
Short-term creditors (note 24)	-	-	53,868	55,298	53,868	55,298
Transferred debt (note 26)	6,428	6,428	757	757	7,185	7,185
Total financial liabilities	**130,199**	**130,199**	**61,761**	**63,191**	**191,960**	**193,390**

Comparatives for 2017/18	**Long-term**		**Current**		**Total**	
	Authority	**Group**	**Authority**	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 20)	-	-	11,000	11,000	11,000	11,000
Short-term debtors (note 21)	-	-	19,982	19,982	19,982	19,982
Cash and cash equivalents (note 22)	-	-	38,255	38,255	38,255	38,255
Total financial assets	**-**	**-**	**69,237**	**69,237**	**69,237**	**69,237**
Financial liabilities at amortised cost						
Borrowings (note 23)	129,100	129,100	25,561	25,561	154,661	154,661
Short-term creditors (note 24)	-	-	37,537	37,537	37,537	37,537
Transferred debt (note 26)	7,185	7,185	688	688	7,873	7,873
Total financial liabilities	**136,285**	**136,285**	**63,786**	**63,786**	**200,071**	**200,071**

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

Authority			2018-19			2017-18
	Financial assets at amortised cost	Financial liabilities at amortised cost	Total Authority	Financial assets at amortised cost	Financial liabilities at amortised cost	Total Authority
	£'000	£'000	£'000	£'000	£'000	£'000
Interest income (note 13)	(1,703)	-	(1,703)	(297)	-	(297)
Interest expense (note 13)	-	10,160	10,160	-	10,536	10,536
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(1,703)**	**10,160**	**8,457**	**(297)**	**10,536**	**10,239**

Group			2018-19			2017-18
	Financial assets at amortised cost	Financial liabilities at amortised cost	Total Group	Financial assets at amortised cost	Financial liabilities at amortised cost	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Interest income (note 13)	(1,705)	-	(1,705)	(297)	-	(297)
Interest expense (note 13)	-	10,160	10,160	-	10,536	10,536
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(1,705)**	**10,160**	**8,455**	**(297)**	**10,536**	**10,239**

Fair value of financial assets and liabilities

The table below compares the carrying value of financial assets and liabilities to their fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Analysis for 2018/19	Input level in fair value hierarchy	Authority		Group	
		Carrying amount	Fair value	Carrying amount	Fair value
		£'000	£'000	£'000	£'000
Financial assets at amortised cost					
Investments	N/A	27,939	27,939	27,939	27,939
Short-term debtors	N/A	22,105	22,105	21,450	21,450
Cash and cash equivalents	N/A	28,732	28,732	29,124	29,124
Total financial assets		**78,776**	**78,776**	**78,513**	**78,513**
Financial liabilities at amortised cost					
Public Works Loan Board (PWLB)	Level 2	120,800	180,745	120,800	180,745
Barclays	Level 2	10,107	14,201	10,107	14,201
Total borrowings		**130,907**	**194,946**	**130,907**	**194,946**
Short-term creditors	N/A	53,868	53,868	55,298	55,298
Transferred debt	Level 2	7,185	8,239	7,185	8,239
Total financial liabilities		**191,960**	**257,053**	**193,390**	**258,483**

Comparatives for 2017/18	Input level in fair value hierarchy	Authority Carrying amount £'000	Authority Fair value £'000	Group Carrying amount £'000	Group Fair value £'000
Financial assets at amortised cost					
Investments	N/A	11,000	11,000	11,000	11,000
Short-term debtors	N/A	19,982	19,982	19,982	19,982
Cash and cash equivalents	N/A	38,255	38,255	38,255	38,255
Total financial assets		**69,237**	**69,237**	**69,237**	**69,237**
Financial liabilities at amortised cost					
Public Works Loan Board (PWLB)	Level 2	144,557	206,759	144,557	206,759
Barclays	Level 2	10,104	14,339	10,104	14,339
Total borrowings		**154,661**	**221,098**	**154,661**	**221,098**
Short-term creditors	N/A	37,537	37,537	37,537	37,537
Transferred debt	Level 2	7,873	9,083	7,873	9,083
Total financial liabilities		**200,071**	**267,718**	**200,071**	**267,718**

Short-term debtors and creditors, cash and cash equivalents and investments approximate to their carrying amounts largely due to the short-term nature of these instruments.

Barclays: the valuation method used is to discount contractual (or expected) cash flows at the market rate for local authority loans of the same remaining term, which is an income approach.

PWLB: the valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using lending rates for new loans based on PWLB rates at the measurement date, which is an income approach. The fair value is adjusted to reflect the premium or discount charged for early repayment.

The key inputs for Barclays and PWLB valuation model are contractual future cash flows which are then discounted using a discount rate. The discount rate ranges from 1.10% to 2.39% depending on the remaining term.

Transferred debt: this consists mainly of PWLB and LOBOs. The valuation technique for PWLB is to discount contractual cash flows at the market rate for local authority loans of the same remaining term. The valuation technique for LOBOs is to discount contractual cash flows at the market rate for local authority loans of the same remaining term and add the value of the lenders' option from a market option pricing model. The key inputs for these valuation models are contractual future cash flows which are then discounted using a discount rate. The discount rates used for PWLB and LOBOs ranges from 1.47% to 1.65% and 1.57% respectively.

The fair valuation methodology for borrowings and transferred debt are at level 2 – significant observable inputs. There have been no changes in valuation methodology during the year.

33. 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.

Supported bus services - the Authority has determined that the tendered service contracts of four (2018: four) bus operators take the form of operating leases under IFRIC 4.

The future minimum lease payments payable under non-cancellable operating leases at 31 March 2019 are as follows:

	2019	2018
	£'000	£'000
Land and buildings		
Less than one year	430	458
Between two and five years	1,029	1,394
More than five years	2,900	3,005
	4,359	**4,857**
Supported bus services		
Total contract spend:		
Less than one year	413	638
Between two and five years	219	483
	632	**1,121**

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 park and ride sites 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 2019 are as follows:

	2019	2018
	£'000	£'000
Land and buildings		
Less than one year	188	197
Between two and five years	448	547
More than five years	1,987	2,065
	2,623	**2,809**

34. Reconciliation of liabilities arising from financing activities

	Long-term borrowings	Short-term borrowings	Grants receipts in advance	Total Authority and Group
	£'000	£'000	£'000	£'000
Opening balance at 1 April	136,284	24,006	11,843	172,133
Financing cash flows	-	(24,006)	-	(24,006)
Non-cash changes	-	-	23,538	23,538
Closing balance at 31 March	**136,284**	**-**	**35,381**	**171,665**

35. Capital commitments

At 31 March 2019, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment and future years for £8.855m (2018: £9.587m). The major commitments are listed in the table overleaf:

	2019	2018
	£'000	£'000
Bradley Lane Park and Ride	1,339	-
Longbridge Connectivity Package	3,013	3,013
Metro Catenary Free	4,503	6,574
	8,855	**9,587**

36. Contingent liabilities and guarantees

The West Midlands Integrated Transport Authority 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.

The pension fund was established by Government Regulation on 29 November 1991 and became active on 4 December 1991. The date of the last triennial actuarial valuation was 31 March 2016, the actuarial value was £569m. The valuation resulted in a deficit of £105m against the market value of £464m. As at 31 March 2019 the market value of the pension fund was £492m (2018: £492m).

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

37. 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 2019 are set out in note 15.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2018-19 is shown in note 17. 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.

There were no transactions with related parties during the year (2018: Nil).

Officers
During the year there were income transactions of £209k (2018: £104k) relating to rental income and recharges, and professional consultancy fees of £320k (2018: £172k) with companies in which three (2018: three) officers had an interest. Transactions with these companies were conducted at arm's length. The amounts as at 31 March 2019 due to these companies are £370k (2018: £nil) and due from these companies are £37k (2018: £nil).

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		LGF LEP funding	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities						
Birmingham City Council	45,031	47,667	1,090	213	1,593	-
City of Wolverhampton Council	10,276	10,912	572	212	-	-
Coventry City Council	14,132	14,815	630	213	-	-
Dudley MBC	12,719	13,576	608	213	-	-
Sandwell MBC	12,922	13,704	612	213	-	-
Solihull MBC	8,480	9,025	545	212	-	-
Walsall Council	11,160	11,843	586	212	2,636	-
Non-constituent authorities						
Black Country LEP	-	-	25	21	-	-
Cannock Chase District Council	-	-	25	21	-	-
Coventry and Warwickshire LEP	-	-	25	21	-	-
Greater Birmingham and Solihull LEP	-	-	25	21	-	-
North Warwickshire Borough Council	-	-	25	21	-	-
Nuneaton and Bedworth Borough Council	-	-	25	21	-	-
Redditch Borough Council	-	-	25	21	-	-
Rugby Borough Council	-	-	25	21	-	-
Shropshire Council	-	-	25	21	-	-
Stratford-on-Avon District Council	-	-	25	21	-	-
Tamworth Borough Council	-	-	25	21	-	-
Telford and Wrekin Council	-	-	25	21	-	-
Warwickshire County Council	-	-	25	21	-	-
Total	**114,720**	**121,542**	**4,968**	**1,761**	**4,229**	**-**

Funding paid by the Authority to the District Councils:

	Devolved Transport Funding		Economic Regeneration	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Constituent authorities				
Birmingham City Council	5,160	7,644	112	451
City of Wolverhampton Council	3,610	6,245	1,172	-
Coventry City Council	4,588	4,741	-	17
Dudley MBC	4,745	7,875	-	-
Sandwell MBC	4,918	6,666	-	-
Solihull MBC	5,523	5,259	-	1,997
Walsall MBC	5,581	5,807	-	-
Total	**34,125**	**44,237**	**1,284**	**2,465**

Entities controlled or significantly influenced by the Authority
During the year, the Authority paid management fees of £150k (2018: £75k) and £175k (2018: £nil) 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 (2018: £43k) from the Authority. In addition, the Authority recharged expenses of £389k which the Authority paid on behalf of West Midlands Rail Limited. The Authority has also charged corporate support and professional services of £46k.

Midland Metro Limited, a wholly-owned subsidiary which is consolidated in the group accounts, received subsidy of £821k from the Authority under the terms of the Public Service Agreement. The Authority has charged corporate support and professional services of £370k. The Authority has also recharged expenses of £126k.

Transactions with West Midlands Development Capital Limited, West Midlands Rail Limited and Midland Metro Limited were conducted at arm's length. The outstanding balances as at 31 March 2019 are as follows:

Due to	
West Midlands Development Capital Limited	£125k
Due from	
Midland Metro Limited	£204k
West Midlands Rail Limited	£86k

38. Events after the Reporting Period

The Statement of Accounts were authorised for issue by the Audit, Risk and Assurance Committee on DD MMMM YYYY. There have been no adjustments to the financial statements after the Balance Sheet date.

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.

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.

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