



West Midlands
Combined Authority

Statement of Accounts

For the year ended 31 March 2019

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NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

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, Midland Metro Limited, where the interest and the level of activity is considered material to the group as a whole.

The Narrative Report has been prepared to 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 25.

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 eight 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, an annual grant awarded by central government as part of the first devolution deal to help boost and accelerate infrastructure investment, 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 Ordnance 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.

Productivity and Skills

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.