Statement of Accounts

For the year ended 31 March 2021

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Welcome to the West Midlands Combined Authority's Statement of Accounts for the financial year ended 31 March 2021. 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 2021 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 2020/21, 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 also prepared to include the subsidiaries of Midland Metro Limited and WM5G Limited, where the interest and the level of activity is considered material to the group as a whole.

The Narrative Report has been prepared to provide an outline of the activities for the year 2020/21, 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. COVID-19 impact

The COVID-19 pandemic has had a significant impact on the Authority's finances and the way it provides its services in 2020/21. The financial impact in 2019/20 was quite limited as the impact of COVID-19 was reflected only towards the end of the financial year as people began to work from home or were furloughed as a result of the COVID-19 crisis.

Impact on priorities and portfolios

Throughout the pandemic, almost all of the Authority's workforce have had to adapt their work programmes in response to changing circumstances. Senior leaders have played a central role in both the emergency response and in subsequent 'recovery' activities. Programmes of activity on issues such as homelessness, health and well-being, town centre renewal and adult skills provision have had to be adapted in response to guidance.

In terms of the wider economic recovery of the West Midlands region, the Authority has collaborated and engaged with key regional stakeholders to set up new programmes, address gaps in support, lobby Government and allocate funds to support our communities.

The West Midlands Mayor and the Authority convened a COVID-19 economic impact group on 4 March 2020, which meets every week to understand the impact on the regional economy, pinpoint gaps for emergency support and drive economic recovery. The group includes leaders of major firms including NEC Group, Balfour Beatty, Deliveroo, Create Central and major banks, the TUC, universities, business representative organisations, local authority leaders, Local Enterprise Partnership chairs, the Growth Company, government officials, Innovate UK and Bank of England.

We have set up a rapid recruitment team to find suitable candidates for industries in critical need of extra staff, such as supermarkets, care homes, hospitals and other essential services.

Impact on the provision of transport services

In February 2021, the UK Government published the COVID-19 Response – Spring 2021, outlining its plans for lifting coronavirus restrictions in England. The Government is also conducting Roadmap Reviews to consider the introduction of COVID-status certificates and the relaxation of social distancing. Workers continue to be encouraged to work from home if they can, which continues to have an impact on patronage and passenger revenues.

Although it is difficult to predict with certainty what the long-term effects of the COVID-19 pandemic on future public transport demand will be, various research sources have suggested the pandemic will transform the way we live, work and travel in the UK. The Authority is in the initial stages of understanding the long-term impact on the transport system as a whole and the picture is complex; bus and metro systems for instance suffered less serious patronage reductions and experienced a swifter recovery than heavy rail. External factors, from the acceleration in remote working practices nationally, to the pace and extent of the economic recovery, present both risks and opportunities for the future Transport system.

The Government has demonstrated it is committed to supporting the Transport system as evidenced through the direct financial support into the industry in the midst of the pandemic, and the publication of the national bus strategy (Bus Back Better) which will seek to make the system cleaner, safer, healthier, greener, cheaper, more convenient and more inclusive. Additionally, in May 2021, the Government announced its plans for a new vision for the rail industry, which media has reported as presenting the biggest change since privatisation in the early 1990s.

The potential for volatility within the bus industry, as the direct financial support from the Government is slowly withdrawn, was highlighted within the 2021/22 WMCA Budget Report as a key risk in the financial year along with potential ongoing losses in Metro revenues. In March 2021, the Authority Board subsequently agreed to provisionally allocate one-off funding to ensure the Authority can meet cost escalations in the event it is required to maintain an effective network by subsidising additional services.

Beyond 2020/21, the Authority remains committed to the intrinsic value of a good public transport system and therefore has not fundamentally re-assessed the case for investment in existing projects because of COVID-19. The pandemic has introduced some complexities, but these are being managed on a case by case basis to ensure the benefits can be realised as originally intended. At this point therefore, the Authority remains committed to delivering those projects it has already committed to deliver.

The 2021/22 financial year presents a unique opportunity for the Authority to set a firm, forward agenda in the context of a new Mayoral term and the expected announcements of Government settlements that will span across multiple years. The work which will go into selecting and evaluating those projects will take into account all the relevant external factors and forecasts as the case for investment is made.

Impact on the Authority's workforce

With the impact of COVID-19, we have been able to transition and support the workforce with working from home. This has been a significant change to the way we work, and this has been received by the workforce in a positive way. We have implemented support and new ways to engage with our employees. Health & Well-being has been a top priority during the pandemic. 4% of employees were ill due to COVID-19 and 3% of our workforce were identified as being Clinically Extremely Vulnerable and required to shield, although the majority of employees were able to work from home. We focused on engagement and promoting good mental health over the last year, which has included a programme of health & well-being webinars. Levels of absence have remained low, attributable to the majority of employees working from home. We have embarked on a 'New ways of working' programme, which will mean that a hybrid way of working, a combination of office-based, partially remote and fully remote working, will be implemented post COVID-19. This allows us to capitalise on the positives of working flexibly and ensuring the health and well-being of our workforce.

At the early stages of COVID-19, the Authority recorded higher than average sickness levels due to high infection rates, and resulting from when front-line or clinically vulnerable staff were required to self-isolate but were unable to work from home. Sickness levels across the organisation have since declined in the final quarter of the year, due to the successful roll out of the vaccination programme and other measures such as the 'track and trace' system, and also attributable in part to the flexibility of working from home. The Authority is recording COVID-19 related sickness absence as part of monitoring the impact of the pandemic, but COVID-19 absence does not count towards the sickness absence triggers for staff. All non COVID-19 related sickness absence is recorded in the normal way in line with the Managing Attendance Policy and is counted on individuals' records.

Impact on the Authority's supply chain

In respect of supply chain risk, the Authority is following guidance issued by the Cabinet Office in June 2020: 'Procurement Policy Note – Recovery and Transition from COVID-19'. This Procurement Policy Note (PPN) sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during the current coronavirus, COVID-19, outbreak. It updates and builds on the provisions contained in PPN 02/20.

Actions taken include:

- a review of the Authority's contract portfolio, including the provision of any contractual relief due to COVID-19.
- the development of transition plans, in partnership with suppliers, to exit from any relief as soon as reasonably possible. This includes agreeing contract variations if operational requirements have changed significantly.
- working openly and pragmatically in partnership with our suppliers during this transition, ensuring contracts are still relevant and sustainable and deliver value for money over the medium to long term; and
- continuing to pay suppliers as quickly as possible, on receipt of invoices or in accordance with pre-agreed milestone dates, to maintain cash flow and protect jobs.

Impact on reserves, financial performance and financial position

The Authority has a general fund balance of £2.3m at the end of 2020/21, representing 0.84% of net cost of services in the year. In addition, the Authority had balances of £41.0m in general fund earmarked reserves at the end of 2020/21 (see note 27 to the accounts on page 83). This balance includes amounts earmarked for specific risks which will remain present in the Authority's planning environment independent of the COVID-19 crisis.

Whilst there is a significant gap in funding emerging in future years in the Medium-Term Financial Plan, this is being addressed corporately by reviewing transformation opportunities and potential efficiency savings.

At the end of 2020/21, the Authority had utilised £1.0m of the specific COVID-19 reserve of £1.3m created from savings in the financial year 2019/20. This represents only a small proportion of the financial impact of the crisis on the Authority.

The Authority continued to include consideration for the impact of COVID-19 in its provision for anticipated credit losses and there was no significant change from the previous year. The movement on the credit losses can be found in note 31 on page 95.

The impact of the crisis on the Authority has been most profound in terms of the loss of major income streams for a prolonged period, through reduced patronage for light rail for example, and a significant drop in other transport related income. Capital project delivery timescales have been impacted as programmes were rescheduled with a delayed effect on the realisation of the project benefits for the West Midlands region.

This impact is more significant on the Authority's subsidiaries, especially Midland Metro Limited, where passenger revenues make up the majority of its income, although it has been confirmed that the DfT will make good these losses in the form of Light Rail Restart Grant until the end of social distancing.

The support given by the Authority to bus operators through subsidised services and the concessionary fares schemes has been directed by the Cabinet Office guidance since the start of the crisis. Whilst these payments continue to be made in much the same way and level as they would have been before the crisis hit, the value of the service being provided has changed. The Authority will continue to have contractual discussions with operators and providers to ensure that this value is tracked and monitored on an 'open book' basis as directed by the Cabinet Office guidance.

Grants and reliefs administered on behalf of Central Government

The Authority has received various grants from the Department for Transport (DfT) and the Department for Education (DfE) during the financial year to recompense the Authority, its bus operators and constituent authorities for the prolonged loss of major income streams due to the pandemic.

On 9 April 2020, the DfT announced extra funding for bus operators and local authorities, to support bus services during the coronavirus (COVID-19) pandemic. The local transport authority element of COVID-19 Bus Services Support Grant (CBSSG) was allocated to support local bus services for lost fares revenue. This included tendered bus services that were experiencing revenue shortfalls. The aim was to ensure that local bus services continued to operate appropriately during the COVID-19 pandemic. Most of the grant claimed by the Authority was passed to the bus operators based on service provision. Some of the grant was retained by the Authority to cover direct costs experienced by the Authority as a result of the pandemic, such as enhanced cleaning and increased information requirements.

Additionally, the sales, fees and charges grant from the DfT has compensated the Authority for lost transactional income from customer receipts generated from parking and public transport.

The grant from the DfE supported additional Bus services to ensure that students were able to travel safely to and from schools and colleges. Some of this funding was spent on additional network services procured directly by the Authority, with the remainder passed to the regions local authorities enabling them to procure additional home to school transport.

Following the 'A Plan for Jobs' announcement on Wednesday 8 July, the DfE also made available additional funding to scale up Apprenticeships, Traineeships and to support people looking for a job. This additional Adult Education Board (AEB) funding was part of the DfE's COVID-19 Skills Recovery Package and wider Government plans to protect, support and create jobs and in turn, to boost the economy.

Further details relating to the above grants can be found in Note 13 on page 69.

Acting as an agent, the Authority has also received Light Rail Grant funding of £7.2m from the DfT, supporting the Metro services during the prolonged period of reduced patronage on the tram system. The aim of this funding was to help protect services, allowing people travelling to hospitals, supermarkets or their place of work to get to their destination safely and quickly, while helping ensure there is enough space for them to observe social distancing guidelines.

On 9 May 2020 the Government announced that a COVID-19 Emergency Active Travel Fund (EATF) would be made available to local authorities across the country to help them introduce measures to re-allocate road space for cyclists and pedestrians and encourage people to walk and use a bike more. Funding of £3.9m was made available to support the delivery of temporary schemes such as pop up cycle lanes, road re-allocations and pavement widening schemes. This addressed the immediate need to provide alternatives to public transport as well as recognising the long-term need to provide alternatives to the car. The EATF was delivered in partnership with our seven constituent authorities and £3m of the total grant received was passed to the local authorities to fund revenue and capital projects.

Debt Management

All of the Authority's historic borrowing is at fixed rates so there is no significant impact as a result of the pandemic. As a proportion of its capital programmes were rescheduled during 2020 because of lockdown, no further external borrowing was undertaken in year. This resulted in a reduced in year cost of borrowing compared with budget, although the position was partially offset by reduced yields on our cash investments which fell following the Bank of England's decision to reduce base rate to 0.10% and as a result of needing to invest in short term lower risk instruments.

It's likely that the current low rates for medium to long term borrowing will continue for a period of time as central banks continue to provide support for the economy. This may result in a favourable outcome in purely financial terms as the cost of this infrastructure borrowing will stay with the Authority for around 30 years.

Cashflow management

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

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

2. 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 pages 30 to 38.

The 2021 West Midlands Mayoral Election was held on 6 May 2021 to elect the mayor of the West Midlands. Andy Street was re-elected and will continue to serve for the next three years as chair of the Authority and its cabinet of the seven metropolitan West Midlands council leaders.

The policies of the Authority are directed by the Authority Board which is chaired by the Mayor and are implemented by the Senior Leadership Team comprising a Chief Executive and seven Directors, supported by officers. The assurance function is carried out by both the Audit, Risk and Assurance Committee (ARAC) and the Overview and Scrutiny Committee (OSC), 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 as Chair.

The Group employed 884 people and the Authority employed 641 people as at 31 March 2021. Further analysis can be found in Table 1 on page 9.

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 Strategic Economic Plan. The investments and actions the Authority makes and takes are focussed on delivering this plan, working with the LEPs 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 and outcomes for everyone who lives and works in the area.

The key objectives set out in the Strategic Economic Plan are as follows with further details provided within the Operational Performance section on page 14:

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

The region's Economic Plan is due to be updated during 2021/22.

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

3. Governance

The last year has seen an unprecedented challenge in the shape of the COVID-19 pandemic. This has affected every area of life in the UK and clearly these issues have affected the Authority as with others. Through agile working and the implementation of our corporate resilience arrangements, we have continued to manage workloads and delivery. We have worked with public transport providers to ensure that appropriate measures are in place to safeguard the public. We have taken a key role in regional response and recovery arrangements and are leading work to ensure that the economic recovery of the West Midlands is put on a secure footing. Through the use of remote meeting technology, we were able to ensure the continuation of political meetings, and decision-making and controls have remained robust as shown by the audit findings below.

During 2020/21, the audit of Budgetary Control and three other ‘key financial systems’ audits were given ‘substantial’ rating by internal audit and 100% ‘green’ in terms of its recommendations, whilst a ‘satisfactory’ level was achieved for Treasury Management and Accounts Payable. The Authorities’ response to COVID-19 Procurement and Supplier Relief and Employee Management Arrangements were both rated ‘substantial’ with 100% ‘green’ recommendations. One ‘amber’ recommendation was identified for the Environment Management Systems. No audit recommendations were flagged as ‘red’ where imperative action is required. This demonstrates the continued effectiveness of systems and processes supporting audit, risk and governance.

As agreed by the Authority Board in July 2020, the first projects and programmes to transition to the new Single Assurance Framework would be the Investment Programme. This would allow a phased and managed transition of projects and programmes onto the new assurance arrangements. There are broadly five areas within a project lifecycle that are supported by the new assurance Framework - Initiation, Development, Approvals, Delivery and Post Implementation Review. The new Approvals stage went live in September 2020 with the Investment Panel; any proposal and/or Business Case that requires Investment Board and the Authority Board approval will first be considered at the Investment Panel. From November 2020 to March 2021, five Business Cases relating to major projects in the Investment Programme have been appraised in accordance with the new assurance arrangements. In addition, five Change Requests have also been appraised. A commitment has been made by the Senior Leadership Team that the Single Assurance Framework disciplines will be rolled out across all portfolio areas in the near future.

In 2021/22 the annual planning process is being revised with closer links between the strategic objectives and business plans. Regular risk management review meetings are now in place across all of the Authority’s 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.

Further details are set out in the Annual Governance Statement that can be found on pages 30 to 38.

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.

The major source of funding for operational expenditure is the Transport levy which is paid by local authorities to the Authority to discharge its Transport duties. The Department for Education provides the funding for post-16 education through the Adult Education grant whilst other specific grants from government, investment income generated on balances and fees paid by the Constituent and Non-Constituent Members of the Authority support the work of all other delivery portfolios. Unlike many other local authorities, the Authority does not have significant commercial lines of activity which could provide additional income but also expose the funding to risk and uncertainty. Where commercial undertakings are made, separate vehicles such as Midland Metro Limited (MML), WM5G Limited (WM5G) and other subsidiary undertakings have been created, where appropriate, to mitigate risk and deliver specific services.

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

Detailed workforce planning, monitoring and management is undertaken by the Human Resources team within 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 2021) and established full time equivalent (FTE) posts.

Table 1: WMCA, MML & WM5G Staffing Analysis — March 2021

No.	Headcount	FTEs
TfWM	342	320.6
Enabling Services	193	189.6
Other Services	97	96.5
Mayor’s Office	9	9.0
WMCA Total	641	615.7
Midland Metro Limited	224	217.0
WM5G Limited	19	19.0
Group Total	884	851.7

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

5. Review of the year

This section provides a summary of performance across Portfolios during 2020/21 and looks back at delivery and progress against the actions, activity and outcomes we set out in our 2020/21 plan.

Following the identification of the Authority's aspirations and strategic outcomes in the Strategic Economic Plan, the business planning process for 2020/21 began in the autumn of 2019. This included consultation with Budget Holders across the Authority, leading to the preparation of the Financial Plan for 2020/21 onwards and the informing the budget for 2020/21. There was not a published Annual Business Plan for 2020/21 however, there was the introduction of performance reporting for the High-Level Deliverables approved by the WMCA Board as part of the Financial Plan paper. Performance reporting to the Strategic Leadership Team went live in August 2020 and the Performance team worked closely with Directorates to monitor, report and track progress of delivery.

The High-Level Deliverables were reviewed and refined in September in light of the priorities and challenges facing the Authority around the pandemic. Yet overall, the Authority delivered against the commitments and continued working with partners to generate real improvements to the lives of people in the West Midlands. Key highlights of our year include:

Transport

- Created an easy to use system for customers to access the transport system for information and affordable payments. The key achievements are the development of a single app for Ticket Finder, Public Transport Payment, Parking and Car Share; and the extension of Swift, an electronic ticketing scheme, for rail passengers.
- Significant progress made in the delivery of the Sprint rapid bus routes along the A34 and A45 road networks, due to complete by March 2022.
- Travel legacy for the Commonwealth Games programme on track to complete by March 2022.
- Delivered the Transport Operations Plan for the Commonwealth Games for visitors (spectators and workforce) to the region. This included the development of a Youth Engagement Programme, the implementation of travel demand management campaigns, communications and engagement, and delivery of the Resilience Communications strategy.
- Delivered the Cycling Charter and Making Streets More Walkable, which involved delivery of West Midlands Bike Share Scheme, development and promotion of the West Midlands Walking and Cycle Network and the introduction of the WM Walking and Cycling programme [2019-2023]
- Work undertaken to enhance the infrastructure and customer experience at bus stations and major interchanges, and continued improvements to the quality and capacity of the rail stations and interchange.
- One of our priorities is the provision of enhanced local rail connectivity and the capacity of the rail network, with early scheme development completed for a number of new schemes. This also includes input into recommendations of how the released capacity after HS2 could best be utilised.
- Expansion of the Metro network via the Westside extension to Hagley Road, Edgbaston and the Wolverhampton extension.
- Increased capability of the Regional Transport Coordination Centre (RTCC) through Operations development and increased partner engagement and collaboration.

Housing & Land

- Town Centre Regeneration programme, the Housing Deal, and the Advance Methods in Construction (AMC) programme achieved all planned objectives for the year. Further detail regarding the planned objectives is set out in the annual budget report for 2020/21 which can be accessed on the Authority's website.

- Official new housing delivery statistics are published annually in November by the Ministry of Housing, Communities and Local Government (MHCLG), therefore, we do not have any update for 2020/21. However, market intelligence indicates robust housing delivery during 2020/21. The published figures in November 2020 showed that the West Midlands delivered 16,527 new homes in 2019/20 towards the Housing Deal target of 215,000 homes by 2031. The figures are an aggregation of the housing delivery for local authority areas (constituent & non-constituent) in the Authority area.
- Landmark schemes stalled for years are moving rapidly to delivery on the ground thanks to the Authority's intervention (e.g. Friar Park, Stoneyard) with additional leverage from WMCA funding in terms of enhanced affordable housing provision and creating a pipeline for advanced methods of construction.
- The Authority secured £84m from Brownfield Housing Fund and £24m from National Competitive Fund to deliver even more homes and jobs on brownfield sites throughout the region over the next three years.

Productivity & Skills

- A regional network of technical education and training has been established, for example the Digital Retraining fund and Digital bootcamps, enrolling over 1,000 people on the programme of which over 900 subsequently gained employment. With an estimated 1.5 million employees in the UK being at risk from automation in future, the Beat the Bots Digital Retraining fund aims to pay for digital training for up to 1,900 people in the West Midlands over the next three years.
- Secured £20m apprenticeship levy funding against a difficult picture nationally to support nearly 2,000 new apprentices in over 600 Small & Medium Enterprises (SMEs). The Authority will continue to work with businesses in order to encourage further use of the levy fund in future months.
- The Employment Support Pilot (ESP) tackles unemployment and low pay within nine communities across the region. The aim is for the pilot to be embedded within communities to engage and support unemployed people, including the long-term unemployed, into sustainable employment opportunities. The ESP has supported 1,200 people by guiding them in the development of new skills to achieve and retain good jobs.

Economy & Innovation

- Work has been completed via the Innovation Board to increase the demand for business innovation. The work provides integrated intelligence via the Office of Data Analytics (ODA) and Create Central to create a three year action plan.
- Established new economic resilience activity to tackle the COVID-19 pandemic and ensure Brexit resilience.
- Secured the Authority's Board agreement to 5 Key Challenges - Deliver Good Jobs / Support Thriving Places & Communities / Embed our green ambition (2041) / Tackling inequality and levelling up / Prevent a lost generation. These will feed into the Corporate Strategy and shape both recovery and reflect the emphasis of the Government's 'Plan for Growth'. The Corporate Strategy will set out what the Authority will deliver towards addressing the key challenges.

Environment & Energy, HS2

- Bringing interested businesses together to co-create a pledge of support for WM2041, the Authority's environmental action plan to make the West Midlands a net zero carbon region within the next 20 years, which has helped inform the approved WM2041 Strategy.
- The Environment and Landscape Board has been reconfigured and work has begun with regional partners to develop sustainable travel opportunities across the region to support inclusive growth.
- A new Virtual Forest site has been launched and was covered on BBC Midlands Today. The total number of trees now registered is 11,160 at the end of March 2021.

- Net Zero Pathfinder Declaration made by the Mayor to share insights from our highly regarded smart local energy systems projects. These include early insights into the institutional structures necessary to build the long-term infrastructure to achieve our net zero goals.
- Energy Devolution and net zero ‘asks’ agreed, published and submitted to Department for Business, Energy and Industrial Strategy (BEIS).
- Full integration of Energy Capital into the Authority and core funding secured through the #WM2041 Five Year Plan.
- Innovation funding secured which provided the business case and partnership foundations for the Sustainable Market for Affordable Retrofit Technologies (SMART) Hub.
- The Net Zero Neighbourhood received funding of £2m, with three new roles approved as part of the #WM2041 Five Year Plan to tackle fuel poverty and scale up retrofit.
- A strong delivery partnership with the Midlands Energy Hub has been established and support provided to the constituent local authorities to access government grants for retrofit.
- Three collaborative projects funded by Innovate UK under the ‘Prospering from the Energy Revolution’ programme were successfully initiated and a new data portal for energy intelligence was created to share the data developed across the West Midlands.
- An ‘Ultra Low Emission Vehicles’ strategy evidence base has been commissioned and delivered, which formed the basis of a paper to the Authority’s board, outlining the roles of both the Authority and the constituent local authorities in delivering the necessary infrastructure for the transition to Zero Emission Vehicles (ZEVs).
- The UK Central-HS2 Interchange programme is led by Solihull MBC as the accountable body, through their wholly owned subsidiary Urban Growth Company (UGC). The Authority is providing ongoing support to the business plan of UGC through Investment programme funding, which totalled £10.1m during 2020/21. Key milestones achieved thus far include the completion of design works and enabling works for the A452/A446 Roundabout Over-Trace and the development of a full business case for the Birmingham International Station redevelopment project at the Arden Cross HS2 Interchange site.

Public Service Reform & Social Economy

- Developed the ‘Commitment to Collaborate’ (C2C) toolkit to continue work across sectors to prevent and relieve homelessness.
- In partnership with Birmingham City Council as the accountable body, the additional 6 constituent Local Authorities and the Homelessness Taskforce, 401 unique individuals were supported into Housing First accommodation across all 7 constituent authorities up to 31 March 2021.
- Through the WMCA Rough Sleepers Initiative programme, working with partners across the region, 1,211 unique individuals were supported, of which 229 people were rough sleeping at the point of engagement.
- Through the national 'everyone in' initiative our local authorities;
  - accommodated over 800 potential and actual rough sleepers across the region during the initial lockdown
  - gathered evidence of greater engagement with support offered and, in some cases, an unprecedented willingness on the part of rough sleepers to engage with services
- Work continues on the Community Recovery Programme as a result of the Citizens Panel delivered during the year. This programme increased collaboration with key stakeholders such as local authorities by bringing different groups together and delivering work on health, mental health, education and young people as well as linking to existing programmes on towns and cities and jobs and skills. This work also delivered the Community Recovery Innovation Challenge, seeking innovative ideas to address complex problems identified through the programme.
- Our inclusive growth work continues at pace, particularly supporting and implementing the publication of East Birmingham Inclusive Growth strategy, and in North Solihull by supporting the Kingshurst development to increase the percentage of affordable, low carbon homes built as part of the project.

- Collaborative work with the Office of the Police and Crime Commissioner on the publication of 'Punishing Abuse' report in early 2021 has resulted in £1m targeted funding through NHS England to address the recommendations made within the report.

Culture & Digital

- Strategic Culture and Digital priorities agreed by the Authority's Board with new working groups formed to take forward work on cultural strategy, the Black Country culture investment and other opportunities.
- Supported the Cultural Leadership Board to maximise the contribution of culture in delivering inclusive growth and to enhance the quality of life for our citizens. This included the launch of the Cultural and Creative Social Enterprise project.
- Supported the delivery of the Coventry City of Culture Regeneration project. As part of our Investment programme, the Authority provided funding to Coventry City Council, as the accountable body, of £17.9m during 2020/21, in support of ongoing project delivery which are expected to conclude in 2021/22.
- Digital Roadmap launched January 2021 and initial projects rolled out on climate tech, data sharing, and digital inclusion.
- Developed the capacity to support digital public services across the West Midlands, which included a review and refresh of the digital strategy for the region.
- Secured £100m funding to the emerging 5G network for the region.

Wellbeing

- Work to refresh the Thrive action plan and Physical Activity Strategy has been completed with key outcomes as follows:
    - Recruited 615 people into roles through the Individual Placement and Support Programme against a target of 700. Tender to expand the programme into all seven Local Authority areas and in specialist pathways areas is now open. Funding secured to support programme delivery to July 2022
    - Approach to establish the Mental Health Commission as a task and finish group presented to the Wellbeing Board March 2021
- Work to develop and deliver an innovative new funding mechanism, the Radical Prevention Fund continues, with initial conversations with Department of Health and Social Care (DHSC) taking place to secure funding. Business cases have been established and submitted to progress the work for Radical Prevention.
- The Authority has supported the effort for Placed Based Health & Care through key stakeholder engagement and collaboration
- A Population Intel Hub has been established identifying the impact of COVID-19 to inform future priorities.
- The COVID-19 Task & Finish group have made considerable progress in developing a regional health inequalities programme, and an interim report has already been completed. Final findings are to be included within the Health of the Region report, to be published in November 2021.

Inclusive Communities

- New model for the Young Combined Authority (YCA) designed to enable greater impact, which includes:
    - More vocal YCA Board which has published a Vision report for the region.
    - Launched the YCA Community which will enable wider outreach.
- The Leadership Commission launched two projects to work with businesses to improve diversity in the workplace and to support more local people to become 'board ready'.

- The Authority has;
  - undertaken the ‘RACE Code’ assessment.
  - continued to support West Midlands Women's Voice.
  - supported the new Faith Strategic Partnership
  - assisted the development of the ‘Diversity West Midlands Network’

Enabling Services

- Made funding approvals of £59.9m from the Authority’s Investment Programme, bringing the total cumulative funding approvals to £834.9m as at 31 March 2021.
- Launched our Business Transformation Programme to build on our strengths, drawing on our evolved experience and creating an organisation that’s more effective, sustainable and fit for the future. Phase 1 of that transformation is now complete which has seen structural changes to enabling services functions to ensure services are fit for the future including driving improvement through our systems and processes.
- Continued to embed Social Value into procurement exercises, with over £4.0m social value commitments delivered to date.
- Featured in the 2020/21 Times Top 50 Inclusive Employers list and recognised as a Times Top 50 Employer for Women.
- Further formal accreditations and awards include:
  - Leaders in Diversity Accreditation
  - Disability Confident Leaders status
  - Thrive at Work Wellbeing Accreditation
  - Armed Forces Covenant Silver Award
  - Race Equality Code Quality Mark
  - Real Living Wage Accreditation

6. Operational performance

The Authority 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 independently 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 Authority SEP. These carefully targeted set of interventions are intended to 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 gross value added (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 Service 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

Regional Economic Context

In the first part of 2020 we knew that the economic impact of the COVID-19 pandemic was initially severe. In the first quarter UK Gross domestic product (GDP) fell 20% compared with the previous year, manufacturing Purchasing Managers' Index (PMI) hit an all-time low and 496,000 people across the three LEP areas were on furlough in June 2020: the equivalent of all jobs in Birmingham. Despite the general stasis felt at the time by the economy through furlough and lockdown, the overall claimant count had nearly doubled overall and was most acute for young people. What we now know is that globally there is a twin track economy: some sectors are largely unaffected, and some consumers are still active. By contrast, some sectors are essentially closed and still in stasis - mainly because of the direct impact of lockdown. This is a time like no other, with no recent precedent. We have yet to understand what the easing of lockdown (hopefully for a final time) means in the short-, medium- and longer-term.

Sectors where we had previously seen growth and expansion were hard hit, such as construction which back in June 2020 was hardest hit but has seen some recovery as the lockdowns have eased. We know from the evidence in the Weekly Economic Impact Monitors that the lockdowns in November 2020 and from January 2021 have had an ongoing sustained impact on the same sectors. The expanding higher education sector in the three cities - Birmingham, Coventry and Wolverhampton - has switched to online and distance learning. This has contributed to leaving cities empty for much of the last year. Our largest employment and Gross value added (GVA) sector (professional, businesses and financial services) is still resilient but has sustained job losses, and we predict that workers are unlikely to return to the workplace in the same way as in the pre-COVID-19 era. This will have a significant effect on our three city centres, especially Birmingham. The sectors hardest hit through furlough and lockdown (retail, hospitality and tourism) could bounce back, providing consumer demand returns and certainty in a future where people feel safe and able to return to the leisure activities they once had. But some workers from these sectors may have looked to employment opportunities in other sectors and others may be less willing than formerly to change employers. The Commonwealth Games will rely heavily on these sectors and demand will increase, so it is important that the jobs are protected to ensure the games can be delivered.

The success of the region is vital to the success of the UK, ensuring strong recovery, especially in sectors of national importance such as advanced manufacturing, automotive and the business and professional services sector, and will support the wider growth of the nation. The upcoming Commonwealth Games in 2022 is an opportunity to show the world the resilience and capacity of the people of the West Midlands to bounce back. Investment in the jobs and sectors which have been hardest hit during the pandemic, but are of greatest importance to the Games, is essential to ensure the ongoing strengths in attracting international visitors, importing and exporting which the region has.

We do believe, however, that the region has demonstrated encouraging resilience in the face of the pandemic, through business innovation and redesign and adoption of technology, as seen by some of our most successful support programmes which have enabled businesses to adapt, pivot and prosper. The pandemic has highlighted the role, importance and response of the social economy, through a galvanised voluntary and community sector addressing key issues such as food poverty, mental health and community support.

There is also an emerging trend towards ‘north shoring’. This can be seen in large relocations and expansions such as Goldman Sachs announcing setting up an office in Birmingham and moves of Civil Service jobs to the region. Investments are holding up and the housing market is growing, especially at the top end. But these are not mirrored at the bottom of the market in in the rented sector, and data suggests that the risks of homelessness are growing.

7. Financial performance

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

Revenue Performance

Table 2 set out overleaf shows the overall consolidated revenue position for the Authority compared with the budget that was approved by the Authority Board in February 2020 and is set out in the same way as the regular financial reports that are considered by the Authority Board. This means that the table excludes statutory accounting and funding adjustments required by the Code of Practice on Local Authority Accounting, setting out the outturn position in the same way that the Authority's finances are planned and managed throughout the year.

Table 2: West Midlands Combined Authority Revenue Outturn 2020/21

£000's	Year to Date		
	Actual	Budget	Variance
Transport Levy	114,720	114,720	0
Commonwealth Games	1,503	2,157	(654)
Adult Education Funding	120,440	128,534	(8,094)
Share of Business Rates	7,500	7,500	0
Constituent Membership	4,644	4,644	0
Non Constituent Members	425	425	0
Investment Programme	36,500	36,500	0
Investment Income	1,001	1,921	(920)
Revenue Grants & Other Income	16,162	13,098	3,064
Use of Reserves	4,053	4,053	0
Total Funding	**306,948**	**313,552**	**(6,604)**
Transport for West Midlands	114,264	118,353	4,089
Commonwealth Games	1,503	2,157	654
Economy & Innovation	3,134	2,312	(822)
Environment, Energy & HS2	1,147	345	(802)
Housing and Land	1,386	2,521	1,135
Wellbeing	1,179	941	(238)
PSR & Social Economy	1,258	689	(569)
Culture and Digital	1,693	210	(1,483)
Productivity & Skills	129,727	137,715	7,988
Inclusive Communities	84	118	34
Business Support	2,714	3,229	515
Investment Programme	44,106	44,155	49
Mayoral Office	807	807	0
Total Expenditure	**303,002**	**313,552**	**10,550**

Net Expenditure	**3,946**	**0**	**3,946**
Transfer to 2021/22 Budget Reserve	3,900	0	(3,900)
Net Total (after reserves)	**46**	**0**	**46**

Transport	4,089	0	4,089
Delivery	(143)	0	(143)
Mayoral Office	0	0	0
Total Surplus / (Deficit) before reserves	**3,946**	**0**	**3,946**
Transfer to 2021/22 Budget Reserve	3,900	0	(3,900)
Total Surplus / (Deficit) after reserves	**46**	**0**	**46**

The table above shows the overall consolidated revenue position for the West Midlands Combined Authority. Total expenditure of £303.0m, compares favourably with the budgeted expenditure of £313.5m and is funded by the Transport Levy, government grants, investment programme, business rates growth, contributions from members, reserves and other income streams.

This provides a net income position at the end of March of £3.9m. To support the 2021/22 budget, and in line with the final forecast out-turn for the year, £3.9m has been transferred to reserves, resulting in net income of £46k for the financial year.

Transport represents a favourable position of £4.1m compared with budget. This is largely due to lower concessionary patronage volumes, no fare increases and Regional Transport Coordination Centre (RTCC) efficiency savings. This is further supplemented by the drawdown of Government grants to support Subsidised Bus, Metro and the wider Transport system. These favourable movements have been partly offset by the impact of COVID-19 on advertising revenue and departure charge income.

Furthermore, the net savings have also been utilised to create a reserve mitigating against potential risk related to the Metro and Rail programmes in future years.

There is an adverse variance of £143k within the Delivery budget, largely as a result of lower investment yields resulting from the 0.1% bank rate. This has been partly offset by debt interest savings as the expected new borrowings have not been required during the financial year.

Where the Directorates are showing an adverse variance for expenditure compared with budget, this is due to the receipt of grant funding during the year, which is additional to budget.

The major movement of note between 2020/21 and 2019/20 relates to the Productivity and Skills Directorate within the Delivery portfolio. This area includes the Adult Education Grant of £131.9m (2020: £79.2m), devolved from the Department for Education. The accounts for 2019/20 saw the first year of this grant covering the period August 2019 to March 2021, in line with the academic year. The grant in 2020/21 includes the remaining £46.9m from the first academic years funding which, along with additional COVID-19 funding of £3.3m, is the main reason for the movement of £52.7m.

Capital Programme Performance

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 over a period of some years and therefore considerable variations can arise.

The Authority spent £238.1m on capital projects in 2020/21 which was £267.2m less than the budget of £505.3m and primarily reflects the re-phasing of activities in relation to the various Metro extension schemes, grants allocated to Local Authorities through the Investment Programme and Housing schemes, which are taking place later than originally planned. The variances at the end of March 2021 were spread across all programmes, but primarily within the Local Authority led Investment Programme (£103.5m), the WMCA Investment Programme (£54.5m) and the Commonwealth Games (£49.0m). The impact of the COVID-19 pandemic has had a prolonged and significant impact on progression of schemes across the year. In the main, delivery schedules are not anticipated to be impacted by the rephasing of expenditure plans into 2021/22.

Major items of capital spend in the year were:

- Metro Wednesbury to Brierley Hill Extension £35.4m
- Metro Centenary Square / Edgbaston Extension £25.9m
- Coventry Station Masterplan £20.0m
- Coventry City of Culture £17.9m
- Metro Birmingham Eastside Extension £15.6m
- SPRINT A45 Birmingham-Airport-Solihull £12.0m
- Solihull-HS2 Interchange £10.1m
- University Station £9.4m
- Brownfield Land Property Development Fund (BLPDF) £9.0m

The capital programme spending of £238.1m was financed in the following way:

Table 3: Financing of Capital Expenditure 2020/21

	£ million
Government grants	107.17
Borrowing	106.27
District/Local Enterprise Partnership (LEP) grants and contributions	9.00
Third party contributions	0.09
Gainshare contribution	15.61
Total	**238.14**

8. Strategy and resource allocation

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

The Medium-Term Financial Plan (MTFP) incorporates a broad estimate of the financial impact for the following risks and sensitivities:

- Demographic growth and demand pressures, specifically where transport payments and services are directly affected by patronage demands;
- Ongoing impact of COVID-19 and associated recovery of the region;
- 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.

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 and their contributions to the Authority's Delivery Budget up to and including 2025/26. Whilst this currently represents the planning assumption, it is acknowledged that this creates a potential financial risk, specifically regarding inflationary increases, pay and legislative changes and demand in terms of patronage. The impact of these risks 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 2021/22 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. Medium term planning assumptions will also be kept under constant review to reflect the latest available information in relation to the COVID-19 pandemic.

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 taxpayers and users as appropriate.

Table 4: Medium-Term Financial Plan 2021/22 to 2025/26

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Transport Levy	114.7	114.7	114.7	114.7	114.7
Revenue Grants & Other Income	188.6	166.9	165.5	165.8	166.5
Business Rates Share	9.0	10.5	12.0	13.5	15.0
Constituent Membership	4.6	4.6	4.6	4.6	4.6
Non-Constituent Members	0.4	0.4	0.4	0.4	0.4
Investment Income	0.9	0.9	0.9	0.9	0.9
Mayoral Precept	0.0	7.3	7.4	7.5	7.6
Commonwealth Games	5.4	20.7	0.0	0.0	0.0
Use of Reserves	5.1	0.0	0.0	0.0	0.0
Unsecured Mayoral Election Funding	3.6	0.0	0.0	0.0	0.0
Total Funding	**332.3**	**326.0**	**305.5**	**307.4**	**309.7**
Transport for West Midlands	118.6	127.6	127.5	131.1	135.4
Commonwealth Games	5.4	20.7	0.0	0.0	0.0
The Authority Delivery Budget	158.3	141.4	143.2	145.2	146.3
Investment Programme	45.6	53.6	55.2	56.8	58.3
Mayoral Office	0.8	0.9	0.9	0.9	0.9
Mayoral Election	3.6	1.0	1.0	1.0	1.0
Total Expenditure	**332.3**	**345.2**	**327.8**	**335.0**	**341.9**
Net Expenditure	**0.0**	**(19.2)**	**(22.3)**	**(27.6)**	**(32.2)**

The medium-term planning position set out in the table above was noted by the Authority Board in February 2021. A balanced budget position for 2021/22 was approved. However, there currently remains a gap in available funding to support expenditure plans ranging from £19.2m in 2022/23 rising to £32.2m in 2025/26.

It is increasingly acknowledged that combined authorities do not have an adequate sustainable funding base and therefore need to bid for much of the resources they do have. This makes longer term financial planning more difficult, whilst the delay to the Comprehensive Spending Review (CSR) has added to the uncertainty and means it is harder for us to respond to changing priorities. The councils that make up mayoral combined authorities also have a financial system that is subject to ongoing review. It is therefore clear that more stable and long-term funding is needed to enable combined authorities to deliver their priorities.

The Authority will continue to review existing established expenditure budgets to drive efficiency savings in the medium term and is continuing to lobby government alongside other Mayoral combined authorities for sustainable funding for Mayoral combined authorities to be included in the Government's spending plans, including funding future Mayoral Elections.

The Medium-Term Financial Plan position set out above was developed in Summer 2020, amid the COVID-19 crisis and the postponed Mayoral election. The Authority has therefore begun a refresh of its Medium-Term Financial Plan position, to enable strategic priorities and to include the latest position on additional spending requirements and reductions in income.

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

- **COVID-19** – the impact of the COVID-19 crisis on the Authority’s financial position is being assessed, both in terms of the negative impact on revenue income and the increased risk of cost escalation in delivering its approved Capital Programme and Investment Programme.

- **Capital Financing Costs** – The Authority opted to change the way it calculates Minimum Revenue Provision (MRP) in the 2017/18 financial year. The change was approved by the Authority 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 was used to support the Transport Delivery Budget during the period 2018/19 to 2020/21.

- **Pensions costs** – The Authority has received its triennial actuarial valuation which sets the contributions for the three years beginning 2019/20. It has agreed to prepay these in order to benefit from a discount.

- **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. At the time of writing, the Games are anticipated to go ahead as planned in 2022.

- **Mayor's budget and precept** – All Metropolitan Mayors have powers to raise a Mayoral Precept; effectively an incremental charge on top of existing Council Tax bills. Prior to his re-election in May 2021, the Mayor made a commitment in his manifesto not to set a Mayoral council tax precept for the whole of his 2021-24 term as Mayor.

- **The Authority’s Investment Programme** – The Investment Programme aims to deliver an ambitious programme of infrastructure and other measures that are aimed at driving inclusive economic growth in the West Midlands Region. Funding for the programme to date is predominantly though Gainshare Grant and Share of Business Rates with other options for raising the required funding under continual review. Until such time that those additional revenues are realised, the programme will remain within the affordable limit as agreed by the Authority Board.

- **Borrowing Powers** – the amendment to statutory regulations that extended the Authority to borrow for non-transport capital schemes was confirmed in May 2018 subject to the Authority agreeing to operate within an agreed borrowing cap set by HM Treasury. The final year of the three-year cap was 2020/21 (£1,042.0m), however this has been rolled forward for 2021/22. The Authority expects to commence a dialogue with HM Treasury during 2021/22 about the value of the borrowing cap which will be effective from 2022/23 onwards.

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

- **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 in the longer term, which will be channelled back into the network for the benefit of passengers and the local economy. Patronage falls during the COVID-19 outbreak have significantly increased the risk to the funding of this investment. This risk is to be reviewed as part of the refreshed Medium-Term Financial Plan.

- **Commercial & Residential Investment Funds** – The Authority employs West Midlands Development Capital Limited (a subsidiary of the Authority incorporated in 2017) as the fund manager for these commercial loans. The Authority Investment Funds support the acceleration of commercial / residential property developments within the West Midlands area where traditional lending is not readily available.

  These are revolving loan funds that aim to underpin the region's long-term growth and stability and are open to developers seeking finance of £1m to £10m. The fund commits repayable loan capital to eligible commercial, light industrial and residential regeneration opportunities at commercial rates of interest. The maximum value of commitments the Authority will allow against the total fund has been increased from £70m to £210m.

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

9. Risks and opportunities

Risks

The Authority has put in place a system of internal controls designed to manage risks to a reasonable level and aims to identify and prioritise the risks to the achievement of 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 Senior Leadership Team. It provides visibility of risk at operational, programme and strategic levels.

Operational Risk Registers are in place within directorates which feed into the Authority Strategic Risk Register. 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 Senior Leadership Team on a quarterly basis.

Progress of the 2020/21 Annual Business Plan was monitored on a monthly basis by internal management teams with key risks impacting on its delivery, being escalated to the directorate operational risk registers. In addition, delivery against performance of the High-Level Deliverables within the Annual Plan was reported monthly to Senior Leadership Team and quarterly to the Authority Board.

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 principal risks and uncertainties faced by the Authority in relation to future service provision, including those in connection with the continued availability, quality and affordability of key resources that the Authority depends on to deliver its service, are as follows:

- the Authority is negatively impacted by either the Comprehensive Spending Review and/or the approach to business rates localisation, leading to a risk that baseline funding is not secure and depends on one-off grants from government for core spending commitments.
- external challenges or changes in policy from global or government / political or financial change are not factored into the Authority plans, which could make delivery ambitions more difficult to achieve.
- as a result of political and economic uncertainty, there is a risk that the overall objectives underpinning the establishment of the Authority to deliver Devolution are compromised. This is both a delivery risk and also a reputational and functional risk.
- if the Authority is not able to realise the supplementary (or alternative, equivalent) income streams envisaged in the 2016 Devolution deal the Investment programme may not be delivered as originally intended.
- as the Authority continues to expand and absorb new remits and accountabilities that the Authority's stakeholders become more pressured in terms of their funding contributions.
- the Authority cannot respond in an effective and timely manner to events that disrupt operations and activities, which could lead to financial loss (or failure to realise expected benefits or funding) reputational damage, legal or regulatory breach.
- new project and programme proposals are not effectively appraised or assured and there are insufficient ‘lessons learnt’ from post implementation reviews. This could lead to poor investment decisions and failure to realise anticipated benefits or value for money; hence it will have an adverse financial and reputational impact.
- having chosen to use commercial company delivery models in some areas, challenging economic conditions and/or material loss of revenue from investments may result in:
    a) commercial models not being able to deliver expected benefits and commercial revenue targets and/or
    b) the structure exposing the Authority to greater financial risk if the delivery model is unsuccessful.
- a lack of, or non-adherence to, formal governance arrangements will result in a risk of ineffective or unsuccessful delivery of the Authority’s objectives and possible legal challenge, impacting on the Authority's ability to meet its obligations and future aspirations. As the Authority is going through a period of growth with the absorption of new and emerging priorities, there is a risk that existing governance arrangements do not support the delivery of the organisation's objectives. With new devolved budgets, different government departments have specified different assurance requirements which are adding to pressures to develop bespoke governance arrangements.
- that Health & Safety procedures to ensure safe working conditions for staff, visitors and users of all of the Authority’s facilities are absent or inadequate. Failure to provide a safe environment for all users will result in potential legal challenges and reputational damage due to unsafe, or unreliable infrastructure, particularly on the transport network. The Authority is now accountable for the delivery of Metro operations and a number of project construction sites, with a growing number of infrastructure projects in delivery.
- the effective management and control of risk are prime objectives of the Authority’s treasury management activities. The Treasury Management Strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. This includes the 'interest rate risk' and the degree to which any upwards movement in the rate the Authority borrows at erodes the purchasing power of the grants / funding it has secured to date.

- data protection requirements and/or appropriate protective security of the Authority's assets (information/systems, premises and people) is not maintained causing damage, loss or misuse of corporate assets, and opportunities for fraudulent criminal and terrorist related activity. This may result in harm to personnel (staff, visitors and partners), data subjects (citizens of the West Midlands), reputational damage, legal challenges and an inability to maintain operations.
- Cyber Crime, predominantly attempted via social engineering (phishing, vishing and smishing), direct 'hacking' and/or denial of service of ICT systems and services, is an increasing threat and public sector bodies are regular targets. National Technical Authority (NTA) advice sets the risk at substantial. Failure to maintain adequate protection and response to incidents has the potential for severe reputational, operational and regulatory impact on the Authority. Financial penalties for breach of Data Protection obligations are now significantly increased.
- the Authority is governed by stakeholders who are also responsible for the delivery of some of its corporate objectives leading to a governance risk mitigated through effective monitoring, evaluation and reporting.
- the capacity and capability of the Leadership team is not sufficient to enable business decisions to be made in a timely manner, for instance due to difficulties in recruitment or excessive workloads.
- capacity and skills amongst managers and officers is not fully aligned to meet the continuing focus for delivery of new and challenging initiatives within the Authority. This results in difficulties in its ability to achieve delivery of the organisational priorities, including a comprehensive organisation wide transformation programme, within the constraints of the funding pressures set for the organisation.
- there is significant pressure on resources, particularly in matching staff resources to the tasks in hand. This is being carefully monitored by the Authority with a plan in place to mitigate these pressures.
- the reputation of the Authority will be compromised if the organisation does not present itself as an effective and efficient organisation, resulting in negative media coverage and an inability to deliver expectations. Where the Authority has significant monetary investment and proposals run by partners, for example the Commonwealth Games, the operation of Arm's Length Companies or high profile sporting or cultural events in the region; the Authority needs to manage the additional indirect reputational risks that are posed by association with these projects/proposals. There is reputational risk involved in that there is a wider perception that the Authority is accountable for more than it is, i.e. delivery of the Commonwealth Games.
- that the cost of resources to strengthen the local and regional transport network, under the extraordinary one-off demands of the Commonwealth Games cannot be met entirely by the agreed Organising Committee (OC) operations budget. Additionally, the current impact on the Business as Usual public transport network and its recovery period as a result of COVID-19 (medium/long term) may not be sufficient to support the proposed public transport strengthening plans.
- where Projects/Programmes are wholly or partially funded by the Authority's Investment Programme but delivered by Delivery Partners/Delivery Bodies, that the Delivery Partners/ Delivery Bodies may fail to deliver the agreed scope of the Project/Programme due to circumstances beyond their control. Potentially this would lead towards the risk of both reputational damage to the Authority and damage to political relations.
- inherent risks remain in respect of the ongoing impact of the pandemic on our Transport services, in particular that Metro patronage will recover to pre COVID-19 levels, or that the Department for Transport (DfT) will continue to reimburse any losses. Further risks remain within the Commercial Bus network, which is facing unprecedented shock as a result of the pandemic. As a result, companies previously providing critical services could and are failing. Additionally, there is a risk of escalating costs when current subsidised service contracts expire, further reducing the commercial viability of some services where patronage does not recover to pre COVID-19 levels.

- Devolution of Adult Education Board (AEB) represents a significant opportunity to demonstrate the impact of local control of skills funding on communities, through the ability to align c.£130m per annum of skills funding to better meet the needs of residents and businesses in line with the priorities as set out within the Regional Skills Plan. There is a risk that this opportunity will not be taken if not managed appropriately.
- Housing & Regeneration priorities and objectives are contingent on the deployment of funding secured through Devolution and subsequent agreements with the Government, including acquisitions by the Authority directly and joint ventures and investments. The impact of the COVID-19 pandemic on the property market may have consequences for programme delivery, progress towards Government targets and the financial risk profile of the Authority's investments and acquisitions.
- With the impact of COVID-19 on local authority priorities and resourcing, there is a risk that progress with local plans could be hampered. This is a risk that the Authority does not control, with a consequence for securing continuing funding, support and confidence from Whitehall to achieve the Authority's outcomes.
- the Authority's members and partners will not meet the region's carbon budget reduction net-zero CO_2 by 2041 (and attendant interim targets) due to a variety of structural and operational factors, including the pace of transition within key industries and sectors and the scale of government investment and legislation.
- 5G is a complex, multi-stakeholder project which is part of the national Test Beds and Trials programme within the Department for Digital, Culture, Media & Sport **(**DCMS). There is managed risk inbuilt within the programme regarding the market response, the technical requirements of a hitherto largely untested (at scale) technology, and the extent to which we as a region can build the mix of supply and demand that will be needed to realise maximum economic and social value for the region. Additionally, WM5G has currently no secured guaranteed funding in place beyond March 2022.

Opportunities

The Authority will be taking the opportunity to make a submission to the forthcoming Comprehensive Spending Review, which was deferred from 2020 due to Brexit and the COVID-19 outbreak. This submission would seek to place the Authority on a stronger and more resilient basis for funding of its core operations and build on its potential to draw additional funding into the West Midlands region.

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.

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

Opportunities to ensure optimum financial stability and security include Treasury Management activity, maximising the current market opportunities, reviewing the borrowing strategy and making best use of capital financing, including optimum use of access to the Public Works Loans Board.

The Authority commenced a Business Transformation Programme during 2020/21 focused on its enabling services, to ensure they are fit for the future, with an efficient and effective structure. The Business Transformation work is ongoing into 2021/22 with the planned restructure of some teams. At the same time, the Authority also launched a Productivity and Efficiencies Board chaired by the Finance Director, which will continue to meet throughout 2021/22 to identify further productivity and efficiency opportunities. The Productivity and Efficiencies Board and Business Transformation Programme have a combined target to achieve annualised savings of £1.0m during 2021/22.

The new Single Assurance Framework (SAF) was approved by WMCA Board in July 2020. It provides the Authority with a consistent approach for appraisal, assurance, risk management and performance throughout the lifecycle of projects and programmes and is applied proportionally and consistently. The new assurance framework sets out key processes for ensuring accountability, probity, transparency and legal compliance and for ensuring value for money is achieved across its investments.

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

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

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

10. 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.

11. WM5G Limited

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

WM5G started trading on 1 April 2019 as a 100% subsidiary of the Authority and has now been consolidated into the Authority’s group accounts.

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

12. 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 2020/21 (the Code) and are for the full year from 1 April 2020 to 31 March 2021.

The Group Accounts comprise of:
- i) The Authority.
- ii) Midland Metro Limited
- iii) WM5G Limited

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.

13. 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	Resigned – DD MM 2021
Ed Cox	Director of Inclusive Growth & Public Service Reform	Appointed – 20 April 2020
Gareth Bradford	Director of Housing and Regeneration	
Ian Martin	Director of Investment and Commercial Activities	
Julia Goldsworthy	Director of Strategy	
Julie Nugent	Director of Productivity and Skills	
Laura Shoaf	Managing Director, Transport for West Midlands	
Linda Horne	Finance Director	
Simon Wren	Director of Strategic Communications and Public Affairs	Resigned – 12 October 2020
Tim Martin	Director of Law and Governance, Clerk and Monitoring Officer	Resigned – 31 May 2021

The title of Head of Governance, Clerk to the WMCA and Monitoring Officer was re-named to Director of Law and Governance, Clerk and Monitoring Officer in February 2021.

The title Director of Strategic Communications and Public Affairs was re-named to Head of Communications and appointed in April 2021.

14. Auditors

Grant Thornton (UK) LLP are the auditors of the Authority for 2020/21. 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 that is the 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 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 2021.

Linda Horne
Finance Director and Responsible Finance Officer
Date: 27 May 2021

4. Approval of the Accounts

I certify that the audited Statement of Accounts covering the period 1 April 2020 to 31 March 2021 were approved by a resolution of the Audit, Risk and Assurance Committee on DD July 2021.

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 2020 to 31 March 2021.

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:

<u>Non-constituent authorities</u>

- 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

<u>LEP members</u>

- 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 seven 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.	WM5G Limited	100%	Subsidiary
f.	HTO1 LLP	50%	Associate
g.	HTO2 LLP	50%	Associate

For each of the arm's length companies[1] where the Authority owns a 50% or greater share of the organisation, an annual 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.

HTO1 LLP (HTO1) is a newly established Limited Liability Partnership incorporated on the 3rd March 2021. The members are the Authority and the City of Wolverhampton Council (CWC) both of whom hold 50% voting rights. The business of HTO1 is to carry out the business of HTO2.

HTO2 LLP (HTO2) is a newly established Limited Liability Partnership incorporated on the 9th March 2021. Its members are HTO1, the Authority and CWC. The Authority and CWC both hold 50% voting rights. The business of HTO2 is the acquisition, development and management of 100 Units at The Marches, Wolverhampton for the purpose of providing Affordable Housing with a view to profit and to create an affordable home ownership model.

The assurance and governance checklist for both HTO1 and HTO2 is currently being finalised. 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, Senior Leadership Team and Statutory officers are responsible for putting in place proper arrangements (known as a Governance Framework) which comprises the legislative requirements, systems and processes, cultures and values. This enables the Authority to govern its affairs, facilitate the effective exercise of its functions, which includes arrangements for the management of risk, in addition to exercising leadership and being held accountable for its decisions and activities.

[1] With exception to HTO1 LLP and HTO2 LLP which have recently been established.

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 a strategic risk register, which is regularly reported to and reviewed by Audit, Risk and Assurance Committee (ARAC) and the Senior Leadership Team. A new Strategic Risk Framework is being developed to provide visibility of risk at strategic, operational, and programme levels and to ensure consistency across Directorates in how risks are identified, managed, monitored and escalated. The aim is for an integrated approach to risk management and processes will be developed alongside the organisation's performance management framework as it is being developed together with training and support to embed this new approach.

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

Following consideration by ARAC the revised code was adopted by the WMCA Board on 22nd March 2021. The Director of Law and Governance who is the Monitoring Officer deals with issues of conduct and generally promotes high standards among officers, Members and the Mayor. ARAC perform the role of 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. All formal meetings are held in public and reports are in the public domain unless there are good reasons for confidentiality in individual cases.

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.

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

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

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

The Authority is focussed on delivering value for money and success, and in this respect 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), Industrial Strategy, and the Annual Plan. Performance against the Devolution Deals will be monitored and assessed throughout 2021/22. A Gateway review challenge session in respect of the first Devolution Deal took place in January 2021 with Senior Leadership Team being joined by the Ministry of Housing, Communities and Local Government (MHCLG) to discuss the approach the Authority had taken with the Investment Programme, consider projects in delivery and identify improved ways of joint working.

To ensure the purpose and vision of the Authority is clear and well communicated, an annual update of the Annual Business Plan and Delivery outlines the Authority's activities and achievements. This was presented to WMCA Board in September 2020.

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 strategic decisions are primarily taken at meetings of the WMCA Board, although Investment Fund decisions up to the value of £20m are delegated to the Investment Board. Other thematic Boards have roles as set out under the Strategic Assurance Framework (SAF) in terms of overseeing and reviewing project initiation and delivery. 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. In July 2020 the WMCA Board approved the revised Single Assurance Framework which has also been signed off by MHCLG.

The collective and individual roles and responsibilities of the Senior Leadership Team, Members and officers is well established and to support our ambition to become an agile, and high performing workforce, our approach to performance has been refreshed in line with our Re-set and Re-build programme. Our new performance management framework will enable us to build on our strengths and focus everything we do. Our behavioural framework will be fundamental to our performance framework and will align to our goals – helping us to focus on what we do and how we do things. This will facilitate how we develop a culture that supports us all to be diverse, inclusive, innovative and proud to be part of the Authority.

We identify and aim to address the development needs of Members and officers in relation to their roles and support with appropriate induction and training. In 2020/21 a considerable portion of the training budget was spent on the leadership of the organisation. Specifically in 2020/21, ARAC members received finance training to allow them to understand financial accounts, financial reporting arrangements and the Authority's Treasury Management Strategy and practices.

Training requirements for 2021/22 will be reviewed following ARAC in June. Overview and Scrutiny 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 continues to be 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 with the new Strategic Risk Framework that is being presented to Senior Leadership Team in June 2021. The Authority's risk appetite for the 6 recognised risk categories has been reconfirmed by Senior Leadership Team for 2020/21.

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

ARAC is independent of the executive and scrutiny function; it has an independent, external Chair. 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 arms-length companies and as good practice external auditors have been appointed for West Midlands Rail Limited, Midland Metro Limited, WM5G Limited and West Midlands Development Capital 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, along with independent programme assurance activities undertaken as part of the Single Assurance Framework. Professional advice and good quality information is provided to ensure those making decisions are provided with relevant information that is fit for purpose.

A new Single Assurance Framework was approved by WMCA Board in July 2020. This enhanced the previous document ensuring a consistent and proportionate approach to initiation, development and approval of projects and programmes with robust processes. This supports good governance with enhanced assurance tools and appraisal of projects, including identification of risks and issues of the project and the investment and how they are managed, reviewed, and escalated. The new assurance framework has been expanded to include assurance requirements for the new and proposed devolution deals and was approved by DfT, Department for Education (DfE) and MHCLG and is aligned to the National Single Pot Assurance Guidance.

The Single Assurance Framework implementation has been supplemented by the introduction of the reviewed governance arrangements to support Investment Programme decision making in the form of an Investment Panel and Investment Board. There are clear Terms of Reference for these groups and training has been provided to the members of these groups to support the undertaking of their roles and to understand the risks around these proposals. The introduction of the Assurance Toolkit and Risk & Investment Appraisal process review of project business cases through the Single Assurance Framework systematically seeks confidence and evidence for potential risks.

In 2020 the majority of the Authority's key financial audits received a 'substantial' internal audit outcome.

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

The Authority has begun implementation of the WMCA Assurance Framework which was approved by MHCLG (previously Department of Communities and Local Government (DCLG)) in July 2020.

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

The Authority has a monitoring officer who sits on both the Senior Leadership Team and attends the WMCA Board meetings to ensure all of our activity is legal. Our high level of Governance standards includes the publishing of agendas, minutes and reports in the public domain and only limited use of confidential reporting. The 2021/22 internal audit plan was approved at ARAC's March 2021 meeting.

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 ARAC, to develop a checklist of questions that would provide a consistent mechanism of assurance to the Committee that could provide overall assurance on all the Authority's activities. All relationships are reviewed at least once per year.

Arrangements are in place for "whistleblowing" and "counter-fraud" for receiving and investigating complaints from both officers and members of the public. Any issues raised are considered by the Monitoring Officer in conjunction with Internal Audit and reported to the ARAC Chair.

Annual Review of Effectiveness of Governance Framework

The Opinion of the Director of Law and Governance 2020/2021

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

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

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

The Director of Law and Governance is satisfied that the system of internal assurance is robust and providing visibility of risk and reasonable assurance to the Senior Leadership Team.

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

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

During 2020/21, the audit of Budgetary Control and three other ‘key financial systems’ audits were given ‘substantial’ rating by internal audit and 100% ‘Green’ in terms of its recommendations, whilst a ‘Satisfactory’ level was achieved for Treasury Management and Accounts Payable. The Authority’s response to COVID-19 Procurement and Supplier relief, and Employee management arrangements were both rated substantial with 100% green recommendations and 1 amber recommendation was identified for the Environment Management systems. No audit recommendations were flagged as ‘red’ where imperative action is required. This demonstrates the continued effectiveness of systems and processes supporting audit, risk and governance.

As agreed by WMCA Board in July 2020, the first projects and programmes to transition to the new Single Assurance Framework would be the Investment Programme. This would allow a phased and managed transition of projects and programmes onto the new assurance arrangements. There are broadly three areas within a project lifecycle that are supported by the new assurance Framework, - Initiation, Development and Approvals. The new Approvals stage went live in September 2020 with the Investment Panel; any proposal and/or Business Case that requires Investment Board and WMCA Board approval will first be considered at the Investment Panel. From November 2020 to March 2021, 5 Business Cases relating to major projects in the Investment Programme have been appraised in accordance with the new assurance arrangements. In addition, 5 Change Requests have also been appraised. A commitment has been made by the Senior Leadership Team that the Single Assurance Framework disciplines will be rolled out across all portfolio areas in the near future.

Progress of the 2020/21 Annual Business Plan was monitored on a monthly basis by internal management teams with key risks impacting on its delivery, being escalated to the directorate risk registers. In addition, delivery against performance of the High Level Deliverables within the Annual Plan was reported monthly to Senior Leadership Team and quarterly to WMCA Board. In 2021/22 the annual planning process is being revised with closer links between the strategic objectives and business plans.

Regular risk management review meetings are now in place across all the Authority’s 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.

Operational Risk Registers are in place within directorates which feed into the WMCA Strategic Risk Register. 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 Senior Leadership Team on a quarterly basis.

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. There is significant pressure on resources however, particularly in matching staff resources to the tasks in hand and this is being carefully monitored by the Authority and a plan in place to mitigate these pressures accordingly.

The last year has seen an unprecedented challenge in the shape of the COVID-19 pandemic. This has affected every area of life in the UK and clearly these issues have affected the Authority as with others. Through agile working and the implementation of our corporate resilience arrangements we have been able to continue to manage workloads and delivery. We have worked with public transport providers to ensure that appropriate measures are in place to safeguard the public. We have taken a key role in regional response and recovery arrangements and are leading work to ensure that the economic recovery of the West Midlands is put on a secure footing. Through the use of remote meeting technology, we were able to ensure the continuation of political meetings and decision-making and controls have remained robust as the audits referred to above show.

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 an 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:

Independent auditor's report to the members of West Midlands Combined Authority

TO BE PROVIDED UPON AUDIT COMPLETION

TO BE PROVIDED UPON AUDIT COMPLETION

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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.

2019/2020					2020/2021		
Gross Expenditure £'000	**Gross Income** £'000	**Net Expenditure** £'000		Notes	**Gross Expenditure** £'000	**Gross Income** £'000	**Net Expenditure** £'000
178,759	(27,418)	151,341	Transport services	7	194,761	(26,966)	167,795
90,605	(97,131)	(6,526)	Combined Authority other services	8	155,983	(144,599)	11,384
68,581	-	68,581	Investment Programme	9	96,444	-	96,444
752	(804)	(52)	Mayor's office	10	796	(807)	(11)
338,697	**(125,353)**	**213,344**	**Cost of services**		**447,984**	**(172,372)**	**275,612**
325	-	325	Other operating expenditure	11	(1,584)	-	(1,584)
10,705	(2,262)	8,443	Financing and investment income and expenditure	12	6,550	(1,975)	4,575
35,274	(287,558)	(252,284)	Taxation and non-specific grant income and expenditure	13	77,139	(358,431)	(281,292)
385,001	**(415,173)**	**(30,172)**	**(Surplus) or deficit on provision of services**		**530,089**	**(532,778)**	**(2,689)**
		(20,168)	Remeasurement of the net defined benefit liability	30			20,100
		(20,168)	**Other Comprehensive Income and Expenditure**				**20,100**
		(50,340)	**Total Comprehensive Income and Expenditure**				**17,411**
		(3,588)	Adjustments between funding and accounting basis under regulations	5			(25,189)
		20,168	Transfer to Pensions Reserve	30			(20,100)
			Transfers to/from Earmarked Reserves				
		6,465	- General fund	27			14,382
		27,277	- Investment programme funding	27			13,450
		(18)	**(Surplus) or deficit for the year under funding basis**				**(46)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2019/2020 Gross Expenditure £'000	2019/2020 Gross Income £'000	2019/2020 Net Expenditure £'000		Notes	2020/2021 Gross Expenditure £'000	2020/2021 Gross Income £'000	2020/2021 Net Expenditure £'000
189,724	(38,369)	151,355	Transport services		206,111	(38,353)	167,758
97,402	(103,927)	(6,525)	Combined Authority other services		164,815	(152,532)	12,283
66,876	-	66,876	Investment Programme		96,173	-	96,173
752	(804)	(52)	Mayor's office		796	(807)	(11)
354,754	**(143,100)**	**211,654**	**Cost of services**		**467,895**	**(191,692)**	**276,203**
325	-	325	Other operating expenditure	11	(1,584)	-	(1,584)
9,075	(2,277)	6,798	Financing and investment income and expenditure	12	6,988	(1,938)	5,050
35,274	(287,558)	(252,284)	Taxation and non-specific grant income and expenditure		76,879	(358,431)	(281,552)
399,428	**(432,935)**	**(33,507)**	**(Surplus) or deficit on provision of services**		**550,178**	**(552,061)**	**(1,883)**
		-	Tax expenses of subsidiary				-
		(33,507)	**Group (surplus) or deficit**				**(1,883)**
		(20,168)	Remeasurement of the net defined benefit liability	30			20,100
		(20,168)	**Other Comprehensive Income and Expenditure**				**20,100**
		(53,675)	**Total Comprehensive Income and Expenditure**				**18,217**
		(3,588)	Adjustments between funding and accounting basis under regulations	5			(25,189)
		20,168	Transfer to Pensions Reserve	30			(20,100)
			Transfers to/from Earmarked Reserves				
		8,095	- General fund	27			13,944
		28,982	- Investment programme funding	27			13,082
		(18)	**(Surplus) or deficit for the year under funding basis**				**(46)**

AUTHORITY MOVEMENT IN RESERVES

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

	Usable reserves					Unusable reserves						
	General Fund Balance	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Reval-uation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Accumulated Absences Account	Total Unusable Reserves	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	**2,284**	**96,642**	**98,926**	**247**	**99,173**	**6,742**	**96,349**	**-**	**(53,070)**	**(367)**	**49,654**	**148,827**
Movements in reserves during 2019/20												
Total comprehensive income and expenditure	30,172	-	30,172	-	30,172	-	-	-	20,168	-	20,168	50,340
Adjustments between accounting basis and funding basis under regulations (note 5b)	3,588	16,173	19,761	-	19,761	(211)	(12,421)	-	(7,000)	(129)	(19,761)	-
Increase or (decrease) in 2019/20 before transfer to earmarked reserves	**33,760**	**16,173**	**49,933**	**-**	**49,933**	**(211)**	**(12,421)**	**-**	**13,168**	**(129)**	**407**	**50,340**
Transfers to/(from) earmarked reserves	(33,742)	33,742	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2020 carried forward	**2,302**	**146,557**	**148,859**	**247**	**149,106**	**6,531**	**83,928**	**-**	**(39,902)**	**(496)**	**50,061**	**199,167**
Movements in reserves during 2020/21												
Total comprehensive income and expenditure	2,689	-	2,689	-	2,689	-	-	-	(20,100)	-	(20,100)	(17,411)
Adjustments between accounting basis and funding basis under regulations (note 5b)	25,189	9,307	34,496	1,594	36,090	(212)	(26,706)	(2,388)	(6,250)	(534)	(36,090)	-
Increase or (decrease) in 2020/21 before transfer to earmarked reserves	**27,878**	**9,307**	**37,185**	**1,594**	**38,779**	**(212)**	**(26,706)**	**(2,388)**	**(26,350)**	**(534)**	**(56,190)**	**(17,411)**
Transfers to/(from) earmarked reserves	(27,832)	27,832	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2021 carried forward	**2,348**	**183,696**	**186,044**	**1,841**	**187,885**	**6,319**	**57,222**	**(2,388)**	**(66,252)**	**(1,030)**	**(6,129)**	**181,756**

GROUP MOVEMENT IN RESERVES

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves' (i.e. those allocated for specific purposes).

	Usable reserves						Unusable reserves						
	General Fund Balance	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Reserves of the Subsidiary	Total Usable Reserves	Reval-uation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Accumulated Absences Account	Total Unusable Reserves	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	**2,284**	**96,642**	**98,926**	**247**	**-**	**99,173**	**6,742**	**96,349**	**-**	**(53,070)**	**(367)**	**49,654**	**148,827**
Movements in reserves during 2019/20													
Total comprehensive income and expenditure	33,507	-	33,507	-	-	33,507	-	-	-	20,168	-	20,168	53,675
Adjustments between accounting basis and funding basis under regulations (note 5b)	3,588	16,173	19,761	-	-	19,761	(211)	(12,421)	-	(7,000)	(129)	(19,761)	-
Increase or (decrease) in 2019/20 before transfer to earmarked reserves	**37,095**	**16,173**	**53,268**	**-**	**-**	**53,268**	**(211)**	**(12,421)**	**-**	**13,168**	**(129)**	**407**	**53,675**
Transfers to/(from) earmarked reserves	(37,077)	37,077	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2020 carried forward	**2,302**	**149,892**	**152,194**	**247**	**-**	**152,441**	**6,531**	**83,928**	**-**	**(39,902)**	**(496)**	**50,061**	**202,502**
Movements in reserves during 2020/21													
Total comprehensive income and expenditure	1,883	-	1,883	-	-	1,883	-	-	-	(20,100)	-	(20,100)	(18,217)
Adjustments between accounting basis and funding basis under regulations (note 5b)	25,189	9,307	34,496	1,594	-	36,090	(212)	(26,706)	(2,388)	(6,250)	(534)	(36,090)	-
Increase or (decrease) in 2020/21 before transfer to earmarked reserves	**27,072**	**9,307**	**36,379**	**1,594**	**-**	**37,973**	**(212)**	**(26,706)**	**(2,388)**	**(26,350)**	**(534)**	**(56,190)**	**(18,217)**
Transfers to/(from) earmarked reserves	(27,026)	27,026	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2021 carried forward	**2,348**	**186,225**	**188,573**	**1,841**	**-**	**190,414**	**6,319**	**57,222**	**(2,388)**	**(66,252)**	**(1,030)**	**(6,129)**	**184,285**

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).

		31 March 2021		31 March 2020	
		Authority	**Group**	**Authority**	**Group**
	Notes	£'000	£'000	£'000	£'000
Property, plant and equipment	17	483,792	484,044	410,886	411,244
Intangible assets	18	1,594	1,594	-	-
Long-term investments	19	6,641	6,641	5,093	5,093
Long-term debtors	30	15,951	15,951	241	241
Long-term assets		**507,978**	**508,230**	**416,220**	**416,578**
Short-term investments	19	118,098	118,098	7,995	7,995
Inventories	20	13,082	13,904	12,424	13,253
Short-term debtors	21	49,714	52,001	43,103	47,066
Cash and cash equivalents	22	144,413	148,702	78,793	79,546
Current assets		**325,307**	**332,705**	**142,315**	**147,860**
Short-term borrowing	23	(1,925)	(1,925)	(7,024)	(7,024)
Short-term creditors	24	(111,860)	(116,149)	(73,385)	(75,953)
Provisions	25	(2,071)	(2,071)	(933)	(933)
Grants receipts in advance - revenue	13	(12,976)	(13,808)	(8,850)	(8,850)
Transferred debt	26	(982)	(982)	(833)	(833)
Current liabilities		**(129,814)**	**(134,935)**	**(91,025)**	**(93,593)**
Net current assets/(liabilities)		**195,493**	**197,770**	**51,290**	**54,267**
Long-term borrowing	23	(118,078)	(118,078)	(118,432)	(118,432)
Provisions	25	(2,234)	(2,234)	(1,810)	(1,810)
Grants receipts in advance - capital	13	(337,140)	(337,140)	(102,604)	(102,604)
Transferred debt	26	(4,678)	(4,678)	(5,595)	(5,595)
Net pension liability	30	(59,585)	(59,585)	(39,902)	(39,902)
Long-term liabilities		**(521,715)**	**(521,715)**	**(268,343)**	**(268,343)**
Net assets/(liabilities)		**181,756**	**184,285**	**199,167**	**202,502**
General Fund Balance	27	2,348	2,348	2,302	2,302
Earmarked Reserves	27	183,696	186,225	146,557	149,892
Capital Receipts Reserve	27	1,841	1,841	247	247
Profit and Loss Reserve	27	-	-	-	-
Usable reserves		**187,885**	**190,414**	**149,106**	**152,441**
Revaluation Reserve	28	6,319	6,319	6,531	6,531
Capital Adjustment Account	28	57,222	57,222	83,928	83,928
Financial Instruments Adjustment Account	28	(2,388)	(2,388)	-	-
Pensions Reserve	28	(66,252)	(66,252)	(39,902)	(39,902)
Accumulated Absences Account	28	(1,030)	(1,030)	(496)	(496)
Unusable reserves		**(6,129)**	**(6,129)**	**50,061**	**50,061**
Total reserves		**181,756**	**184,285**	**199,167**	**202,502**

This unaudited financial report was certified by Linda Horne on 27 May 2021.

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.

	2021		2020	
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Net (deficit)/surplus on the provision of services	2,689	1,883	30,172	33,507
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation and impairment of non-current assets	19,919	20,054	18,607	18,750
Net amounts of non-current assets written off on disposal	10	10	325	325
Non-current assets transferred to provision of services	517	517	139	139
Change in pensions liability (note 30)	(417)	(417)	8,957	8,957
(Increase)/decrease in long-term debtors	(15,710)	(15,710)	(241)	(241)
(Increase)/decrease in short-term debtors	(6,611)	(4,935)	(6,773)	(10,171)
(Increase)/decrease in inventories	(658)	(651)	(12,424)	(12,693)
(Decrease)/increase in short-term creditors	38,475	40,196	16,222	17,079
(Decrease)/increase in provisions	1,562	1,562	(1,074)	(1,074)
Net interest payable	4,455	4,492	4,321	4,306
Interest paid	(6,471)	(6,471)	(6,713)	(6,713)
Interest received	1,975	1,938	2,262	2,277
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Capital grants received	(194,642)	(194,642)	(125,266)	(125,266)
Capital grants paid	77,139	77,139	35,274	35,274
Any other items for which the cash effects are investing or financing cash flows	(1,594)	(1,594)	-	-
Net cash flows from operating activities	**(79,362)**	**(76,629)**	**(36,212)**	**(35,544)**
Investing activities				
Purchase of property, plant and equipment and intangible asset	(94,946)	(94,975)	(88,565)	(88,872)
Capital grants received for the purchase of property, plant and equipment, intangible asset and inventories	117,503	117,503	89,992	89,992
Other receipts from investing activities	1,594	1,594	-	-
Increase/(decrease) in short-term and long-term investments	(111,651)	(111,651)	14,851	14,851
Net cash flows from investing activities	**(87,500)**	**(87,529)**	**16,278**	**15,971**
Financing activities				
Increase/(decrease) in grants receipts in advance	238,662	239,494	76,073	76,073
Repayment of loans	(5,347)	(5,347)	(5,321)	(5,321)
Transferred debt - repayment of principal	(833)	(833)	(757)	(757)
Net cash flows from financing activities	**232,482**	**233,314**	**69,995**	**69,995**
Net increase or decrease in cash and cash equivalents	**65,620**	**69,156**	**50,061**	**50,422**
Cash and cash equivalents at 1 April	78,793	79,546	28,732	29,124
Cash and cash equivalents at 31 March (note 22)	**144,413**	**148,702**	**78,793**	**79,546**

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1. Basis of preparation

a) General principles

The Statement of Accounts summarises the Authority and the Group's transactions for the 2020/21 financial year and the position as at 31 March 2021. 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 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS).

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

b) Basis of preparation

i) Authority Accounts

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

ii) Group Accounts

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

The Group's financial statements have been prepared using uniform accounting policies and on a historical cost basis modified by the revaluation of certain categories of non-current assets in accordance with the Code and incorporate the financial statements of the Authority and its subsidiaries as at 31 March 2021.

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

c) Going concern

The accounts of the Authority and the Group have been prepared on a going concern basis 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 Midlands Development Capital Limited, Network West Midlands Limited and 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 19 on investments).

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

b) Taxation

Corporation, income and capital gains tax

Authority

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

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

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

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

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

Value added tax (VAT)
Revenues, expenses and assets are recognised net of the amount of VAT except:
- Irrecoverable VAT on the purchase of assets or services is recognised as an expense in the Comprehensive Income and Expenditure Statement.
- Receivables and payables that are stated with the amount of VAT included.

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

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

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

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

g) Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their 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 investments, long-term debtors, trade debtors 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.

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

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

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

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

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

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

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 2020/21, 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(l).

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

i) Intangible assets

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

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

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

j) Property, plant and equipment

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

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

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 as identified in note 2 (l) 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.

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

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

l) 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.

m) 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.

n) 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.

o) 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 2008 or which in future will be financed by supported borrowing, MRP will be determined as 2% Capital Financing Requirement in respect of that expenditure.
- For unsupported capital expenditure incurred after 31st March 2008 MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 2%, starting in the year after the asset becomes operational.
- For capital expenditure loans to third parties WMCA will make nil MRP but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.
- 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.

p) 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.

q) 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 critical judgements made in the Statement of Accounts are:

<u>Group Boundaries</u>

The Authority has a number of interests in other entities which fall within the group boundary (see note 19). Midland Metro Limited and WM5G Limited are deemed to be material and are therefore consolidated into the group accounts.

<u>Going Concern</u>

Local authorities are required by the Code of Practice on Local Authority Accounting 2020/21 to prepare their accounts on a going concern basis, that is that the functions of the Authority will continue to operate for the foreseeable future, as it can only be discontinued under statutory prescription. This is despite the impact of COVID-19 on the financial sustainability of the Authority because the going concern basis and the rationale behind it remains unchanged.

Estimates and assumptions

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

The item in the Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year is as follows:

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

The effects of changes in individual assumptions have been measured by the fund's actuaries in their 2021 IAS 19 valuation report:

- A 0.1% p.a. increase in the discount rate will reduce the pension fund liability by £6.233m.
- A 0.1% p.a. decrease in the discount rate will increase the pension fund liability by £6.351m.
- An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £21.233m.
- A decrease of life expectancy at retirement by 1 year will decrease the pension fund liability by £19.925m.
- 0.1% p.a. increase in inflation will increase the pension fund liability by £5.796m.
- 0.1% p.a. decrease in inflation will decrease the pension fund liability by £5.697m.

4. Accounting Standards issued but not yet adopted

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

The Code requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard under the International Financial Reporting Standard (IFRS) that has been issued but not yet adopted by the Code. The accounting standards that are to be introduced in the 2021/22 CIPFA Code of Practice are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The amendments to IFRS 3 Business Combinations and the Interest Rate Benchmark Reforms will not be applicable to the Authority or the Group.

Definition of a Business: Amendments to IFRS 3 Business Combinations

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and they are:

i) confirmation that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs;

ii) narrowed the definitions of a business by focussing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

iii) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments are effective for periods beginning on or after 1 January 2020 and they are:

- modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;

- are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
- require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments are effective for periods beginning on or after 1 January 2021 and they are:

i) modification of financial assets, financial liabilities and lease liabilities – introduces practical expedient for modifications by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

ii) hedge accounting requirements – hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

iii) Disclosures – an entity is required to disclose information about:
   - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
   - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continued to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
   - to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.

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.

Analysis for 2020/21

	As reported for resource management (notes 7 - 10) £'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)	114,531	(7,036)	(6,306)	101,189	66,606	167,795
Combined Authority other services (note 8)	6,107	1,044	-	7,151	4,233	11,384
Investment Programme (note 9)	44,106	(21,829)	1,347	23,624	72,820	96,444
Mayor's office (note 10)	-	(11)	-	(11)	-	(11)
Cost of services	**164,744**	**(27,832)**	**(4,959)**	**131,953**	**143,659**	**275,612**
Other operating expenditure	-	-	-	-	(1,584)	(1,584)
Financing and investment income and expenditure	(1,001)	-	4,959	3,958	617	4,575
Taxation and non-specific grant income and expenditure	(163,789)	-	-	(163,789)	(117,503)	(281,292)
(Surplus) or deficit on provision of services	**(46)**	**(27,832)**	-	**(27,878)**	**25,189**	**(2,689)**
Opening General Fund balance				(2,302)		
Transfers to/from Earmarked Reserves				27,832		
Closing General Fund balance				**(2,348)**		

Comparatives for 2019/20

	As reported for resource management (notes 7 - 10) £'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)	114,740	(6,503)	(8,432)	99,805	51,536	151,341
Combined Authority other services (note 8)	6,217	(529)	-	5,688	(12,214)	(6,526)
Investment Programme (note 9)	42,569	(26,658)	(62)	15,849	52,732	68,581
Mayor's office (note 10)	-	(52)	-	(52)	-	(52)
Cost of services	**163,526**	**(33,742)**	**(8,494)**	**121,290**	**92,054**	**213,344**
Other operating expenditure	-	-	-	-	325	325
Financing and investment income and expenditure	(1,252)	-	8,494	7,242	1,201	8,443
Taxation and non-specific grant income and expenditure	(162,292)	-	-	(162,292)	(89,992)	(252,284)
(Surplus) or deficit on provision of services	**(18)**	**(33,742)**	-	**(33,760)**	**3,588**	**(30,172)**
Opening General Fund balance				(2,284)		
Transfers to/from Earmarked Reserves				33,742		
Closing General Fund balance				**(2,302)**		

(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 2020/21

	Adjustments for capital purposes				Financial Instruments Adjustment Account	Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/ revaluation/ loss on disposal	REFCUS	Grants/ contributions	Financing				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	19,919	44,404	(503)	(2,086)	-	4,338	534	66,606
Combined Authority other services	-	9,354	(8,804)	-	2,595	1,088	-	4,233
Investment Programme	-	89,295	-	(16,475)	-	-	-	72,820
Mayor's office	-	-	-	-	-	-	-	-
Net cost of services	**19,919**	**143,053**	**(9,307)**	**(18,561)**	**2,595**	**5,426**	**534**	**143,659**
Other operating expenditure	10	-	-	(1,594)	-	-	-	(1,584)
Financing and investment income and expenditure	-	-	-	-	(207)	824	-	617
Taxation and non-specific grant income and expenditure	-	-	(117,503)	-	-	-	-	(117,503)
(Surplus) or deficit on provision of services	**19,929**	**143,053**	**(126,810)**	**(20,155)**	**2,388**	**6,250**	**534**	**25,189**

Comparatives for 2019/20

	Adjustments for capital purposes				Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/ revaluation/ loss on disposal	REFCUS	Grants/ contributions	Financing			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	18,607	32,968	(2,894)	(2,008)	4,734	129	51,536
Combined Authority other services	-	-	(13,279)	-	1,065	-	(12,214)
Investment Programme	-	60,890	-	(8,158)	-	-	52,732
Mayor's office	-	-	-	-	-	-	-
Net cost of services	**18,607**	**93,858**	**(16,173)**	**(10,166)**	**5,799**	**129**	**92,054**
Other operating expenditure	325	-	-	-	-	-	325
Financing and investment income and expenditure	-	-	-	-	1,201	-	1,201
Taxation and non-specific grant income and expenditure	-	-	(89,992)	-	-	-	(89,992)
(Surplus) or deficit on provision of services	**18,932**	**93,858**	**(106,165)**	**(10,166)**	**7,000**	**129**	**3,588**

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

Financial Instruments Adjustment Account – the adjustment to reverse the impact on the General Fund of accounting for soft loans in the surplus or deficit on the provision of services in accordance with relevant statutory provisions such that the General Fund is credited with the actual interest receivable (if any) under the loan agreement.

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

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

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	
	2020/21	**2019/20**
	£'000	£'000
Expenditure		
Employee benefits expenses	28,865	25,247
Other service expenses	250,721	194,386
Pension	6,250	7,800
Depreciation, amortisation and impairment	19,919	18,607
REFCUS	143,053	93,858
Other operating expenditure	(1,584)	325
Interest payments	5,726	9,504
	452,950	349,727
Income		
Fees and charges and other service income	(12,269)	(15,338)
Government revenue grants and contributions	(196,603)	(146,515)
Local Authority business rates growth and contributions	(12,569)	(11,072)
Levies	(114,720)	(114,720)
Capital grants and contributions (net of payments)	(117,503)	(89,992)
Interest and investment income	(1,975)	(2,262)
	(455,639)	(379,899)
Surplus on provision of services	**(2,689)**	**(30,172)**

7. Transport services

Policy and Strategy and Elected Member Services is now reported separately as Strategic Development and Transport Governance. The use of reserves is also disclosed separately. The comparatives have been restated to ensure consistency.

Analysis for 2020/21		Authority	
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000
Concessions	58,155	(94)	58,061
Bus Services	33,988	(11,796)	22,192
Rail and Metro Services	10,348	(2,822)	7,526
Integration	9,285	(3,596)	5,689
Network Resilience	2,198	(444)	1,754
Commonwealth Games	1,503	(1,503)	-
Business Support Costs	3,581	-	3,581
Strategic Development	4,378	(1,204)	3,174
Transport Governance	127	-	127
LSTF/Midlands Connect Programmes	5,004	(5,004)	-
Finance Charges	12,160	-	12,160
Reserves transfer - approved contribution to 2021-22 budget	3,900	-	3,900
Use of Reserves	(3,633)	-	(3,633)
As reported to management (note 5)	**140,994**	**(26,463)**	**114,531**
Adjustments to arrive at amounts chargeable to the General Fund	(13,342)	-	(13,342)
Adjustments between funding and accounting basis (note 5b)	67,109	(503)	66,606
Per Comprehensive Income and Expenditure Statement	**194,761**	**(26,966)**	**167,795**

Comparatives for 2019/20 (restated)	Authority		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Concessions	60,437	(88)	60,349
Bus Services	30,733	(9,333)	21,400
Rail and Metro Services	9,585	(5,725)	3,860
Integration	8,286	(2,021)	6,265
Network Resilience	1,324	(36)	1,288
Business Support Costs	3,748	(111)	3,637
Strategic Development	3,172	(683)	2,489
Transport Governance	130	-	130
LSTF/Midlands Connect Programmes	6,527	(6,527)	-
Finance Charges	12,463	-	12,463
Reserves transfer - approved contribution to 2020-21 budget	3,859	-	3,859
Use of Reserves	(1,000)	-	(1,000)
As reported to management (note 5)	**139,264**	**(24,524)**	**114,740**
Adjustments to arrive at amounts chargeable to the General Fund	(14,935)	-	(14,935)
Adjustments between funding and accounting basis (note 5b)	54,430	(2,894)	51,536
Per Comprehensive Income and Expenditure Statement	**178,759**	**(27,418)**	**151,341**

Explanation for the major movements can be found in section 7 of the Narrative Report.

The Authority manages and administers two public transport ticketing schemes in the West Midlands on behalf of bus, tram and rail operators. The nNetwork scheme is a ticketing scheme which allows holders of tickets to travel on bus, rail and tram services within the West Midlands**.** The nBus & nBus/Metro schemes are ticketing schemes covering the majority of bus services within the West Midlands and the Midland Metro (tram).

The Authority receives revenues from ticket sales which are then pooled and distributed to operators net of commission based on passenger journeys. Net amounts to operators during the year amounted to £9.6m (2020: £26.2m). The decrease from last year was due to the decline in patronage resulting from the lockdown measures throughout 2020/21.

8. Combined Authority other services

Analysis for 2020/21		Authority	
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Economy and Innovation	3,134	(1,671)	1,463
Environment & Energy, HS2	1,147	(649)	498
Culture and Digital	1,693	(1,531)	162
Public Service Reform and Social Economy	1,258	(628)	630
Wellbeing	1,179	(629)	550
Housing and Land	1,386	(1,386)	-
Inclusive Communities	84	-	84
Productivity and Skills	129,727	(129,108)	619
Business Support	2,714	(193)	2,521
Use of Reserves	(420)	-	(420)
As reported to management (note 5)	**141,902**	**(135,795)**	**6,107**
Adjustments to arrive at amounts chargeable to the General Fund	1,044	-	1,044
Adjustments between funding and accounting basis (note 5b)	13,037	(8,804)	4,233
Per Comprehensive Income and Expenditure Statement	**155,983**	**(144,599)**	**11,384**

Comparatives for 2019/20		Authority	
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Economy and Innovation	1,760	(768)	992
Environment and Energy	255	(76)	179
Culture and Digital	438	(342)	96
Public Service Reform	466	(49)	417
Wellbeing	2,141	(1,595)	546
Housing and Land	2,071	(2,071)	-
Inclusive Communities	72	(68)	4
Skills and Productivity	79,362	(78,883)	479
Leadership and Corporate Support	2,984	-	2,984
Reserves transfer - approved contribution to 2020-21 budget	520	-	520
As reported to management (note 5)	**90,069**	**(83,852)**	**6,217**
Adjustments to arrive at amounts chargeable to the General Fund	(529)	-	(529)
Adjustments between funding and accounting basis (note 5b)	1,065	(13,279)	(12,214)
Per Comprehensive Income and Expenditure Statement	**90,605**	**(97,131)**	**(6,526)**

Amounts reported for Skills and Productivity included the Adult Education Budget are as follows:

Adult Education Budget

		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Education Budget	**2020/21**	120,440	(120,440)	-
	2019/20	71,478	(71,515)	(37)

Explanation for the major movements can be found in section 7 of the Narrative Report.

9. Investment Programme

Analysis for 2020/21	Authority		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Revenue costs of project and programme delivery	4,858	-	4,858
Programme resource	2,291	-	2,291
Investment programme financing costs	38,260	-	38,260
Interest income	-	(1,303)	(1,303)
As reported to management (note 5)	**45,409**	**(1,303)**	**44,106**
Adjustments to arrive at amounts chargeable to the General Fund	(21,785)	1,303	(20,482)
Adjustments between funding and accounting basis (note 5b)	72,820	-	72,820
Per Comprehensive Income and Expenditure Statement	**96,444**	**-**	**96,444**

Comparatives for 2019/20	Authority		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Revenue costs of project and programme delivery	5,374	-	5,374
Programme resource	2,318	-	2,318
Investment programme financing costs	36,107	-	36,107
Interest income	-	(1,230)	(1,230)
As reported to management (note 5)	**43,799**	**(1,230)**	**42,569**
Adjustments to arrive at amounts chargeable to the General Fund	(27,950)	1,230	(26,720)
Adjustments between funding and accounting basis (note 5b)	52,732	-	52,732
Per Comprehensive Income and Expenditure Statement	**68,581**	**-**	**68,581**

10. Mayor's office

Analysis for 2020/21	Authority		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Staff	752	-	752
Premises and services	52	-	52
Promotions, information and initiatives	-	-	-
Travel and subsistence	3	-	3
Grants and other contributions	-	(807)	(807)
As reported to management (note 5)	**807**	**(807)**	**-**
Adjustments to arrive at amounts chargeable to the General Fund	(11)	-	(11)
Adjustments between funding and accounting basis (note 5b)	-	-	-
Per Comprehensive Income and Expenditure Statement	**796**	**(807)**	**(11)**

Comparatives for 2019/20		**Authority**	
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000
Staff	676	-	676
Premises and services	57	-	57
Promotions, information and initiatives	2	-	2
Travel and subsistence	17	-	17
Grants and other contributions	-	(804)	(804)
Use of reserves	52	-	52
As reported to management (note 5)	**804**	**(804)**	**-**
Adjustments to arrive at amounts chargeable to the General Fund	(52)	-	(52)
Adjustments between funding and accounting basis (note 5b)	-	-	-
Per Comprehensive Income and Expenditure Statement	**752**	**(804)**	**(52)**

11. Other operating expenditure

	Authority 2020/21	**Group 2020/21**	**Authority 2019/20**	**Group 2019/20**
	£'000	£'000	£'000	£'000
Loss on disposal of property, plant and equipment	10	10	325	325
Share of disposal proceeds on asset funded from grant	(1,594)	(1,594)	-	-
Total	**(1,584)**	**(1,584)**	**325**	**325**

The loss on disposal of property, plant and equipment relates to the ongoing replacement of bus shelters which have been funded by grants.

12. Financing and investment income and expenditure

	Authority 2020/21	**Group 2020/21**	**Authority 2019/20**	**Group 2019/20**
	£'000	£'000	£'000	£'000
Interest payable and similar charges on borrowings:				
PWLB	5,596	5,596	5,752	5,752
Barclays	403	403	402	402
Interest payable on the former transferred debt	431	431	429	429
Impairment loss allowance (notes 19, 21 and 32)	(704)	(266)	2,921	1,291
Net interest on the net defined benefit liability (note 30)	824	824	1,201	1,201
	6,550	6,988	10,705	9,075
Interest receivable and similar income	(672)	(635)	(1,006)	(1,021)
Other investment income	(1,303)	(1,303)	(1,256)	(1,256)
Total	**4,575**	**5,050**	**8,443**	**6,798**

Other investment income relates to the loan interest income from the Collective Investment Fund (see note 19).

Impairment loss allowance relates to potential losses recognised on the Collective Investment Fund and the loan to Midland Metro Limited, in accordance with the requirement of IFRS 9 Financial Instruments. The loss allowance includes consideration for the impact of COVID-19 (see notes 19 and 21).

13. Government and other grant income

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

	Authority	
	2020/21	**2019/20**
	£'000	£'000
Revenue grants and contributions credited to cost of services		
Adult Education Budget	131,871	79,195
Bus Service Operator Grant	1,792	1,999
Bus Services Support Grant	4,280	-
Business and Tourism Programme	1,508	-
Commonwealth Games	1,503	-
Construction Skills	1,044	11,480
Digital Bootcamp	1,545	-
Employment Support Pilot	1,489	-
Housing Package	1,218	1,806
Mayoral Capacity Fund	1,000	1,000
Midlands Connect Programme	4,884	7,274
Sales, Fees & Charges Support Grant	1,606	-
Other grants and contributions less than £1m	6,363	7,261
Total	**160,103**	**110,015**

	Authority	
	2020/21	**2019/20**
	£'000	£'000
Grants and contributions credited to taxation and non-specific grant income		
Transport levy from the West Midlands districts*	114,720	114,720
Gainshare contribution - MHCLG	36,500	36,500
Business rates growth	7,500	6,003
Constituent, non-constituent and observers membership fees and contributions*	5,069	5,069
Capital grants and contributions	194,642	125,266
Gross income	358,431	287,558
Capital grants paid	(77,139)	(35,274)
Total	**281,292**	**252,284**

*An analysis of the transport levy and constituent and non-constituent member membership fees and contributions by district is shown in note 36 Related party disclosures.

The Authority receives grants from the DfT which it administers and passes on to 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.

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 overleaf:

	Authority	
	2020/21	**2019/20**
	£'000	£'000
Grants received in advance - capital		
All-Electric Bus Town or City	49,990	-
Brownfield Housing	39,553	-
Bus Priority	23,965	-
Clean Bus Technology	786	1,764
Commonwealth Games	3,100	-
Emergency Active Travel	8,187	-
Future Mobility Zones	14,912	18,265
Getting Building	3,984	-
Joint Air Quality	412	1,133
Land Fund	77,316	41,286
Local Authority Major Project	36,689	-
Local Growth Fund	530	2,100
Local Transport Fund	7,378	1,729
Midlands Connect	2,000	2,000
Transforming Cities Fund	60,003	28,674
Contributions from third parties	6,000	-
Other grants less than £2m	2,335	5,653
	337,140	**102,604**
Grants received in advance - revenue		
Bus Service Operator Grant	627	627
Emergency Active Travel	2,167	-
Employment Support Pilot	1,523	3,012
Housing Package	4,754	3,146
Midlands Connect	1,785	1,642
Other	2,120	423
	12,976	**8,850**

In light of the COVID-19 pandemic, grants and contributions are expected to continue to be receivable from the awarding body in accordance with the terms and conditions of the grant or funding agreement.

14. Officers' remuneration

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

		Salary, fees and allowances	Pension contributions	Total Authority
		£'000	£'000	£'000
WMCA Staff				
Chief Executive	**2020/21**	200	25	225
	2019/20	195	31	226
Director of Law and Governance [1]	**2020/21**	96	12	108
	2019/20	94	15	109
Director of Housing and Regeneration	**2020/21**	118	15	133
	2019/20	114	18	132
Director of Investment and Commercial Activities [2]	**2020/21**	115	14	129
	2019/20	111	17	128
Director of Inclusive Growth & Public Service Reform [3]	**2020/21**	115	14	129
	2019/20	82	13	95
Director of Productivity and Skills	**2020/21**	127	16	143
	2019/20	126	20	146
Director of Strategic Communications and Public Affairs [4]	**2020/21**	68	8	76
	2019/20	115	18	133
Director of Strategy	**2020/21**	125	16	141
	2019/20	121	20	141
Finance Director	**2020/21**	113	14	127
	2019/20	110	17	127
Managing Director, Transport for West Midlands	**2020/21**	136	17	153
	2019/20	133	21	154
Mayoral Team				
Mayor	**2020/21**	79	-	79
	2019/20	79	-	79
Deputy Mayor [5]	**2020/21**	-	-	-
	2019/20	-	-	-
Chief of Staff [6]	**2020/21**	53	7	60
	2019/20	67	10	77

[1] The title Director of Law and Governance was renamed from Clerk to the WMCA and Monitoring Officer in February 2021.

[2] The role of this post changed in March 2021 following the Business Transformation Programme and therefore, the pay does not reflect a full year's salary.

[3] Director of Public Service Reform resigned in November 2019. Therefore, the pay does not reflect a full year's salary. The title was renamed to Director of Inclusive Growth & Public Service Reform and this post was appointed in April 2020.

[4] Director of Strategic Communications and Public Affairs resigned in October 2020. Therefore, the pay does not reflect a full year's salary. The title was re-named to Head of Communications and this post was appointed in April 2021.

[5] 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.

[6] Chief of Staff resigned in January 2020 and a new appointment was made in August 2020, therefore the pay does not reflect a full year's salary.

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
	2021	**2020**
£50,000 - £54,999	31	31
£55,000 - £59,999	32	28
£60,000 - £64,999	15	5
£65,000 - £69,999	23	16
£70,000 - £74,999	3	3
£75,000 - £79,999	7	6
£80,000 - £84,999	4	1
£85,000 - £89,999	2	6
£90,000 - £94,999	-	1
£95,000 - £99,999	-	2
£100,000 - £104,999	5	2
£105,000 - £109,999	-	-
£110,000 - £114,999	4	1
£115,000 - £119,999	-	1
£120,000 - £124,999	1	-
£125,000 - £139,999*	-	-
£140,000 - £144,999	1	-

* there were no employees within these bands

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

	Compulsory redundancies		Total exit packages		Total cost of packages in each band	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Cost band (including special payments)	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	9	4	9	4	**47**	**29**
£20,001 - £40,000	1	3	1	3	**33**	**78**
£40,001 - £60,000	-	1	-	1	**-**	**49**
£60,001 - £80,000	-	-	-	-	**-**	**-**
£80,001 - £100,000	1	-	1	-	**99**	**-**
£100,001 +	-	-	-	-	**-**	**-**
	11	**8**	**11**	**8**	**179**	**156**

15. Members' allowances

	Authority and Group	
	2021	2020
	£'000	£'000
Allowances	127	127
Expenses	-	3
Total	**127**	**130**

16. External audit costs

Charges relating to work undertaken by the external auditors:

	Authority 2021 £'000	Group 2021 £'000	Authority 2020 £'000	Group 2020 £'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	67	98	47	74
Fees payable in respect of other services provided by external auditors during the year	-	-	-	2
Total	**67**	**98**	**47**	**76**

17. 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.

Movements in 2020/21 Authority	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Authority £'000
Cost or valuation					
At 1 April 2020	3,559	39,465	432,602	126,849	602,475
Additions - capital programme (note 29)	-	3,637	5,263	84,638	93,538
Transfers	-	1,778	2,191	(3,969)	-
Transfers to intangible assets (note 18)	-	-	-	(584)	(584)
Transfers to provision of services	-	-	-	(517)	(517)
Disposals	-	-	(334)	-	(334)
At 31 March 2021	**3,559**	**44,880**	**439,722**	**206,417**	**694,578**
Accumulated depreciation					
At 1 April 2020	87	26,793	164,709	-	191,589
Charge for the year	87	2,540	16,894	-	19,521
Disposals	-	-	(324)	-	(324)
At 31 March 2021	**174**	**29,333**	**181,279**	-	**210,786**
Net book value					
At 31 March 2021	3,385	15,547	258,443	206,417	483,792
At 31 March 2020	3,472	12,672	267,893	126,849	410,886

Group	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Group £'000
Cost or valuation					
At 1 April 2020	3,559	40,063	432,602	126,849	603,073
Additions - capital programme (note 29)	-	3,637	5,263	84,638	93,538
Additions - other	-	29	-	-	29
Transfers	-	1,778	2,191	(3,969)	-
Transfers to intangible assets (note 18)	-	-	-	(584)	(584)
Transfers to provision of services	-	-	-	(517)	(517)
Disposals	-	-	(334)	-	(334)
At 31 March 2021	**3,559**	**45,507**	**439,722**	**206,417**	**695,205**
Accumulated depreciation					
At 1 April 2020	87	27,033	164,709	-	191,829
Charge for the year	87	2,675	16,894	-	19,656
Disposals	-	-	(324)	-	(324)
At 31 March 2021	**174**	**29,708**	**181,279**	-	**211,161**
Net book value					
At 31 March 2021	3,385	15,799	258,443	206,417	484,044
At 31 March 2020	3,472	13,030	267,893	126,849	411,244

Comparative movements in 2019/20 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 2019	3,559	37,155	346,199	128,520	515,433
Additions - capital programme (note 29)	-	1,985	733	85,847	88,565
Transfers	-	325	87,054	(87,379)	-
Transfers to provision of services	-	-	-	(139)	(139)
Disposals	-	-	(1,384)	-	(1,384)
At 31 March 2020	**3,559**	**39,465**	**432,602**	**126,849**	**602,475**
Accumulated depreciation					
At 1 April 2019	-	24,733	149,308	-	174,041
Charge for the year	87	2,060	16,460	-	18,607
Disposals	-	-	(1,059)	-	(1,059)
At 31 March 2020	**87**	**26,793**	**164,709**	**-**	**191,589**
Net book value					
At 31 March 2020	3,472	12,672	267,893	126,849	410,886
At 31 March 2019	3,559	12,422	196,891	128,520	341,392

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 2019	3,559	37,446	346,199	128,520	515,724
Additions - capital programme (note 29)	-	1,985	733	85,847	88,565
Additions - other	-	307	-	-	307
Transfers	-	325	87,054	(87,379)	-
Transfers to provision of services	-	-	-	(139)	(139)
Disposals	-	-	(1,384)	-	(1,384)
At 31 March 2020	**3,559**	**40,063**	**432,602**	**126,849**	**603,073**
Accumulated depreciation					
At 1 April 2019	-	24,830	149,308	-	174,138
Charge for the year	87	2,203	16,460	-	18,750
Disposals	-	-	(1,059)	-	(1,059)
At 31 March 2020	**87**	**27,033**	**164,709**	**-**	**191,829**
Net book value					
At 31 March 2020	3,472	13,030	267,893	126,849	411,244
At 31 March 2019	3,559	12,616	196,891	128,520	341,586

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.

Authority	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Assets under construction	Total Authority
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	-	206,417	206,417
Carried at depreciated historical cost	-	44,880	439,722	-	484,602
Valued at current value as at:					
31 March 2021	-	-	-	-	-
31 March 2020	-	-	-	-	-
31 March 2019	3,559	-	-	-	3,559
31 March 2018	-	-	-	-	-
31 March 2017	-	-	-	-	-
Total cost or valuation	**3,559**	**44,880**	**439,722**	**206,417**	**694,578**

Capital commitments

At 31 March 2021, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment and future years for £53.8m (2020: £51.6m). The major commitments are listed in the table below:

	2021	2020
	£'000	£'000
Longbridge Connectivity Package	-	806
Metro Third Generation Trams	42,474	49,880
Metro Catenary Free	-	953
Metro extension schemes	8,220	-
West Midlands Cycle Hire scheme	3,128	-
	53,822	**51,639**

18. Intangible assets

	Authority and Group	
	2021	**2020**
	£'000	£'000
Cost		
At 1 April	-	-
Additions - capital programme (note 29)	1,408	-
Transfers from assets under construction (note 17)	584	-
At 31 March	**1,992**	-
Amortisation		
At 1 April	-	-
Amortisation for the year	398	-
At 31 March	**398**	-
Net carrying amount		
At 31 March	1,594	-

The intangible assets are internally generated assets. The carrying amount of the intangible assets is amortised over 5 years on a straight-line basis. The amortisation is charged to the transport service in the Comprehensive Income and Expenditure Statement.

19. Investments

					Authority and Group	
	Long-term		Current		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	£'000	£'000	£'000	£'000	£'000	£'000
Loans investments - Collective Investment Fund	8,074	6,652	13,390	9,127	21,464	15,779
Loss allowance	(1,433)	(1,559)	(992)	(1,132)	(2,425)	(2,691)
Loans investments - Collective Investment Fund	6,641	5,093	12,398	7,995	19,039	13,088
Investments in subsidiaries	-	-	-	-	-	-
Short-term deposits	-	-	105,700	-	105,700	-
Total	**6,641**	**5,093**	**118,098**	**7,995**	**124,739**	**13,088**

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

The loss allowance is assessed on an individual basis (see accounting policy - note 2 (g)) and recognised in the Comprehensive Income and Expenditure (see note 12).

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

	Ownership	Share capital	Nature of business
Midlands Development Capital Limited	100%	£100	Dormant
Midland Metro Limited	100%	£100	Trading
Network West Midlands Limited	100%	£100	Dormant
West Midlands Development Capital Limited	100%	£100	Trading
WM5G Limited	100%	n/a - limited by guarantee	Trading
West Midlands Growth Company Limited	5%	n/a - limited by guarantee	Trading
West Midlands Rail Limited	50%	n/a - limited by guarantee	Trading
HTO1 LLP	50%	n/a - limited liability partnership	Dormant
HTO2 LLP	50%	n/a - limited liability partnership	Dormant

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

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

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

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

WM5G Limited was incorporated under the Companies Act 2006 as a private limited company (limited by guarantee) on 26 February 2019. The company started trading in April 2020.

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

HTO1 LLP was incorporated under the Limited Liability Partnerships Act 2000 on 3 March 2021.

HTO2 LLP was incorporated under the Limited Liability Partnerships Act 2000 on 9 March 2021.

20. Inventories

	2021 Authority £'000	2021 Group £'000	2020 Authority £'000	2020 Group £'000
Balance at 1 April	12,424	13,253	-	560
Purchases	658	1,221	12,424	12,988
Recognised as an expense in the year	-	(570)	-	(295)
Balance at 31 March	**13,082**	**13,904**	**12,424**	**13,253**

21. Short-term debtors

	2021		2020	
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Loans to group undertakings	1,192	-	1,630	-
Loss allowance	(1,192)	-	(1,630)	-
Loans to group undertakings	-	-	-	-
Trade debtors and accrued income	36,441	38,177	31,300	33,573
Other debtors	4,521	4,636	2,167	2,337
Prepayments	8,752	9,188	9,636	11,156
Total	**49,714**	**52,001**	**43,103**	**47,066**

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.

The loss allowance relates to potential losses recognised in the Comprehensive Income and Expenditure (see note 12) for the impact of COVID-19.

22. Cash and cash equivalents

			Carrying amount	
	2021		2020	
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,813	2,102	343	546
Short-term deposits	142,600	146,600	78,450	79,000
Total	**144,413**	**148,702**	**78,793**	**79,546**

Daily cash balances are invested overnight. The balance at 31 March 2021 represents monies held on deposit as at 31 March 2021 to be repaid on the next available banking day. Interest is earned at the respective short-term deposit rates.

23. Borrowing

	Authority and Group	
	2021	**2020**
	£'000	£'000
Lender		
Public Works Loan Board (PWLB)	108,431	113,778
Barclays	10,000	10,000
Accrued interest payable	1,572	1,678
Total	**120,003**	**125,456**
Maturity		
Principal and accrued interest due within one year	1,925	7,024
1 - 2 years	368	354
2 - 5 years	1,193	1,148
5 - 10 years	12,326	12,237
Over 10 years	104,191	104,693
Principle due after more than one year	118,078	118,432
Total	**120,003**	**125,456**

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 (2020: nil). The amount of fixed rate debt is 100% (2020: 100%) with no variable rate debt (2020: nil).

Historically, the majority of Group borrowing has been undertaken through HM Treasury's lending facility (i.e. Public Works Loan Board (PWLB)). In November 2020, PWLB reduced the margin on its standard loans by 1% reversing a policy decision made a year earlier aimed at slowing the pace of borrowing by Local Authorities. As such, the Authority continues to review all options to obtain competitively priced debt to fund its Capital programme.

Following the rate reduction, the Group is able to access PWLB debt at 80 basis points above the UK Gilt rate. However, through a competitive bidding process, the Group has also accessed £200m of PWLB borrowing at the Governments Local Infrastructure Rate (Gilts + 60 basis points). The Group expects to begin calling this borrowing down during 2021/22.

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

24. Short-term creditors

	Authority	2021 Group	Authority	2020 Group
	£'000	£'000	£'000	£'000
Trade creditors and accruals	106,054	110,031	69,727	71,998
Taxes and social security	845	1,057	711	908
Payments received on account	4,961	5,061	2,947	3,047
	111,860	**116,149**	**73,385**	**75,953**

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 2020	933	1,000	810	2,743
Additional provision	1,182	224	200	1,606
Release of provision	-	-	-	-
Amounts used	(44)	-	-	(44)
Balance at 31 March 2021	**2,071**	**1,224**	**1,010**	**4,305**
Current	2,071	-	-	2,071
Long-term	-	1,224	1,010	2,234
Total	**2,071**	**1,224**	**1,010**	**4,305**

Prior year comparatives	**Transport development**	**Buildings maintenance**	**Rail services/ insurance**	**Total Authority and Group**
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	1,259	1,000	1,558	3,817
Additional provision	-	-	184	184
Release of provision	-	-	(917)	(917)
Amounts used	(326)	-	(15)	(341)
Balance at 31 March 2020	**933**	**1,000**	**810**	**2,743**
Current	933	-	-	933
Long-term	-	1,000	810	1,810
Total	**933**	**1,000**	**810**	**2,743**

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

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

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	
	2021	**2020**
	£'000	£'000
Balance at 1 April	6,428	7,185
Repayment in the year	(833)	(757)
Accrued interest payable	65	-
Balance at 31 March	**5,660**	**6,428**
Due within one year	982	833
Due over one year	4,678	5,595
Total	**5,660**	**6,428**

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
Authority

	Earmarked general fund Authority	Investment programme funding reserve Authority	Unapplied revenue grants Authority	Total Authority
	£'000	£'000	£'000	£'000
Balance at 1 April 2020	26,637	101,125	18,795	146,557
Receivable in year	-	-	137,075	137,075
Utilised in year	-	-	(127,768)	(127,768)
Net unapplied in year	-	-	9,307	9,307
Released in year to general reserves	(7,411)	(32,226)	-	(39,637)
Transfers in year from general reserves	21,793	45,676	-	67,469
Net transfer (to)/from general reserves	14,382	13,450	-	27,832
Balance at 31 March 2021	**41,019**	**114,575**	**28,102**	**183,696**

Group

	Earmarked general fund	Investment programme funding reserve	Unapplied revenue grants	Total Group
	£'000	£'000	£'000	£'000
Balance at 1 April 2020	28,267	102,830	18,795	149,892
Receivable in year	-	-	137,075	137,075
Utilised in year	-	-	(127,768)	(127,768)
Net unapplied in year	-	-	9,307	9,307
Released in year to general reserves	(7,849)	(32,226)	-	(40,075)
Transfers in year from general reserves	21,793	45,308	-	67,101
Net transfer (to)/from general reserves	13,944	13,082	-	27,026
Balance at 31 March 2021	**42,211**	**115,912**	**28,102**	**186,225**

Prior year comparatives
Authority

	Earmarked general fund	Investment programme funding reserve	Unapplied revenue grants	Total Authority
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	20,172	73,848	2,622	96,642
Receivable in year	-	-	95,449	95,449
Utilised in year	-	-	(79,276)	(79,276)
Net unapplied in year	-	-	16,173	16,173
Released in year to general reserves	(7,818)	-	-	(7,818)
Transfers in year from general reserves	14,283	27,277	-	41,560
Net transfer (to)/from general reserves	6,465	27,277	-	33,742
Balance at 31 March 2020	**26,637**	**101,125**	**18,795**	**146,557**

Group	Earmarked general fund	Investment programme funding reserve	Unapplied revenue grants	Total Group
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	20,172	73,848	2,622	96,642
Receivable in year	-	-	95,449	95,449
Utilised in year	-	-	(79,276)	(79,276)
Net unapplied in year	-	-	16,173	16,173
Released in year to general reserves	(7,818)	-	-	(7,818)
Transfers in year from general reserves	15,913	28,982	-	44,895
Net transfer (to)/from general reserves	8,095	28,982	-	37,077
Balance at 31 March 2020	**28,267**	**102,830**	**18,795**	**149,892**

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	
	2021	**2020**
	£'000	£'000
Opening balance at 1 April	247	247
Share of disposal proceeds of asset funded from the Brownfield Land & Property Development Fund	1,594	-
Transfer to the Capital Receipts Reserve upon receipt of cash from loan repayments under Collective Investment Fund	11,931	11,462
Use of the Capital Receipts Reserve to finance capital expenditure	(11,931)	(11,462)
Closing balance at 31 March	**1,841**	**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.

	Group	
	2021	**2020**
	£'000	£'000
Opening balance at 1 April	-	-
In-year profit/(loss) results for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	-	-
Closing balance at 31 March	**-**	**-**

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	
	2021	**2020**
	£'000	£'000
Opening balance at 1 April	6,531	6,742
Difference between current value depreciation and historical cost	(212)	(211)
Closing balance at 31 March	**6,319**	**6,531**

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	
	2021	**2020**
	£'000	£'000
Opening balance at 1 April	83,928	96,349
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and amortisation of non-current assets (notes 17 and 18)	(19,919)	(18,607)
Adjusting amount written out of the Revaluation Reserve (note 28)	212	211
Loss on disposal of property, plant and equipment (note 11)	(10)	(325)
Non-current assets transferred to provision of services (note 17)	(517)	(139)
Revenue expenditure funded from capital under statute (note 29)	(142,536)	(93,719)
Capital financing applied in the year		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing (note 29)	116,258	89,959
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing in prior years	1,245	33
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)	833	757
Capital expenditure charged against the General Fund (note 29)	1,715	1,683
Capital expenditure funded by the Gainshare contribution (note 29)	15,613	7,326
Closing balance at 31 March	**57,222**	**83,928**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. This account is used by the Authority for recognised losses on loans advanced at less than commercial interest rate. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out from the General Fund balance to this account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on account at 31 March 2021 will be charged to the General Fund over the next 13 years.

	Authority and Group	
	2021	**2020**
	£'000	£'000
Opening balance at 1 April	-	-
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,388	-
Closing balance at 31 March	**2,388**	**-**

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	
	2021	**2020**
	£'000	£'000
Opening balance at 1 April	39,902	53,070
Remeasurements (liabilities and assets) (note 30)	20,100	(20,168)
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)	9,334	9,072
Employer's pension contributions payable in the year:		
Current year (note 30)	(3,084)	(2,072)
Closing balance at 31 March	**66,252**	**39,902**

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	
	2021	**2020**
	£'000	£'000
Opening balance at 1 April	496	367
Movement in the year	534	129
Closing balance at 31 March	**1,030**	**496**

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
	2021	2020
	£'000	£'000
Directly delivered capital schemes		
Midland Metro	86,207	79,318
Rail infrastructure	21,960	15,668
Key Routes network	18,927	8,361
Bus infrastructure	2,641	7,373
Land fund	18,767	35,607
Future Transport Zone	3,024	1,614
Connected vehicles	6,972	3,382
Regional Transport Coordination Centre	2,601	1,603
Sustainable Transport	2,611	-
Other	4,487	2,922
	168,197	155,848
Grants to local authorities	69,943	38,860
Total capital expenditure	**238,140**	**194,708**
Property, plant and equipment (note 17)	93,538	88,565
Intangible asset (note 18)	1,408	-
Inventories (note 20)	658	12,424
Written off to cost of services - capital development/district schemes	142,536	93,719
	238,140	**194,708**
Funded by:		
Central Government grants	107,168	83,395
District/Local Enterprise Partnership (LEP) grants and contributions	9,004	2,507
3rd party contributions	86	4,057
Total grants and contributiions	116,258	89,959
Gainshare contribution	15,613	7,326
Borrowing	106,269	97,423
	238,140	**194,708**

Explanations on the performance of the capital programme can be found in section 7 in the Narrative Report.

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

	Authority and Group	
	2021	**2020**
	£'000	£'000
Opening Capital Financing Requirement	347,731	257,177
Capital investment		
Capital programme costs funded by borrowing (note 29)	106,269	97,423
Other capital expenditure funded by borrowing - Collective Investment Fund	16,679	7,466
Sources of finance		
Minimum Revenue Provision (MRP)	(400)	(400)
Use of the Capital Receipts Reserve to finance capital expenditure (note 27)	(11,931)	(11,462)
Transferred debt repayment (note 26)	(833)	(757)
Capital expenditure charged to the General Fund	(1,715)	(1,683)
Capital grants received previously funded through borrowings	(1,245)	(33)
Closing Capital Financing Requirement	**454,555**	**347,731**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	106,824	90,554
Increase in Capital Financing Requirement	**106,824**	**90,554**

30. Pension schemes

Defined benefit pension scheme

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

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

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

An actuarial valuation of this fund was carried out by Barnett Waddingham LLP, an independent firm of actuaries in accordance with the Regulations as at 31 March 2019. Based on the results of this valuation, the actuaries set the Authority's employer contributions for the three years from 1 April 2020 at a net primary rate of 12.4% of the current employees' pensionable pay to meet 100% of the overall fund liabilities. This pension cost has been determined after allowing for the amortisation of the difference between the assets and the accrued liabilities relating to the Authority over the average remaining service lives of the current members of the fund.

In April 2020 a prepayment of employer's contributions of £9.739m was made for the three years to 2022/23 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 2021 is expected to be received from Barnett Waddingham LLP in June 2021 and the accounts will be adjusted if there are material differences.

Following the recent McCloud and Sargeant judgement which relate to age discrimination within the Judicial and Fire Pension Schemes respectively, an allowance was made in 2018/19 for the estimated potential impact on the employer's defined benefit obligation based on analysis carried out by the Government Actuary's Department (GAD) and the employer's liability profile. Following government confirmation in a statement by the Chief Secretary to the Treasury on 15 July 2019 that the principles of the outcome would be accepted as applying to all public service schemes, this allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

On the High Court's recent ruling on the equalisation of Guaranteed Minimum Pension (GMP) between genders, the valuation assumption taken by the actuaries is that the West Midlands Pension Fund will pay limited increases for members that have reached State Pension Age (SPA) by 6 April 2016, with the Government providing the remainder of the inflationary increase, and for members that reach SPA after this date, the actuaries have assumed that the West Midlands Pension Fund will be required to pay the entire inflationary increase. Therefore the actuaries do not believe any adjustments to the value placed on the liabilities are needed.

Calculation method
The figures as at 31 March 2021 are based on the 31 March 2019 formal valuation of the fund. Membership data as at 31 March 2019 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 2021. 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 2021 is a deficit of £59.585m compared to a deficit of £39.902m at 31 March 2020. The deficit has been reduced by the prepayment of £6.667m for 2021/22 and 2022/23. 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 2021 £'000	2020 £'000
Opening balance at 1 April	39,902	51,113
Employer's pension contributions payable in the year:		
Current year	(3,084)	(2,072)
Prepayment for 2019/20	-	1,957
Prepayment for 2020/21	(6,667)	-
Post employment benefit charged to the surplus or deficit on provision of services:		
Current service cost	8,325	7,598
Past service cost	7	111
Administration expenses	178	162
Net interest cost	824	1,201
Total cost	(417)	8,957
Remeasurements (liabilities and assets)	20,100	(20,168)
Closing balance at 31 March	**59,585**	**39,902**

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 2021 £'000	2020 £'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	8,325	7,598
Past service cost	7	111
Administration expenses	178	162
Financing and investment income and expenditure		
Net interest cost	824	1,201
Total post employment benefit charged to the surplus or deficit on provision of services	**9,334**	**9,072**
Remeasurements (liabilities and assets)	20,100	(20,168)
Total post employment benefit charged/(credited) to the Comprehensive Income and Expenditure Statement	**29,434**	**(11,096)**
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	(9,334)	(9,072)
Actual amount charged against the General Fund Balance for pensions in the year	3,084	2,072
	(6,250)	**(7,000)**

Assets and liabilities in relation to post-employment benefits

	Authority and Group 2021 £'000	Authority and Group 2020 £'000
Present value of scheme liabilities	(355,122)	(289,789)
Present value of scheme assets	295,537	249,887
Amounts recognised as liabilities	**(59,585)**	**(39,902)**

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

	Authority and Group 2021 £'000	Authority and Group 2020 £'000
Opening balance at 1 April	289,789	304,285
Current service cost	8,325	7,598
Interest cost	6,671	7,022
Change in demographic assumptions*	(4,119)	8,847
Change in financial assumptions	70,720	(27,334)
Experience (gain)/loss on defined benefit obligations	(4,380)	511
Contributions by scheme participants	1,843	1,522
Benefits paid	(13,734)	(12,773)
Past service costs/curtailments	7	111
Closing balance at 31 March	**355,122**	**289,789**

***** the change in demographic assumptions can be found in the valuation assumptions on page 93

Reconciliation of fair value of the scheme assets

	Authority and Group 2021 £'000	Authority and Group 2020 £'000
Opening balance at 1 April	249,887	253,172
Interest on plan assets	5,847	5,821
Administration expenses	(178)	(162)
Return on assets less interest	42,121	(16,019)
Other actuarial gains	-	18,211
Employer contributions - current year	3,084	2,072
Employer contributions - prepayment for 2019/20	-	(1,957)
Employer contributions - prepayment for 2020/21	6,667	-
Contributions by scheme participants	1,843	1,522
Benefits paid	(13,734)	(12,773)
Closing balance at 31 March	**295,537**	**249,887**

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

Authority	**2021** %	**2021** £'000	**2020** %	**2020** £'000
Asset				
Equities	58.9	174,105	56.9	142,247
Gilts	10.0	29,434	11.6	29,045
Other bonds	3.8	11,351	4.2	10,443
Property	7.2	21,353	8.9	22,226
Cash/liquidity	6.0	17,665	3.6	8,968
Other*	14.1	41,629	14.8	36,958
Total	**100.0**	**295,537**	**100.0**	**249,887**

***** mainly consists of private equities, infrastructure, gilt and equity index futures

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.

	2021	**Authority 2020**
Valuation assumptions		
Discount rate	2.0%	2.4%
Rate of salary increase	3.9%	3.0%
Rate of pension	2.9%	2.0%
Future life expectancies from age 65		
Retiring today:		
Males	21.6	21.9
Females	23.9	24.1
Retiring in 20 years:		
Males	23.4	23.8
Females	25.8	26.0

It is assumed that:

- members will exchange half of their commutable pension for cash at retirement;
- members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- the proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

The impact of the change in the valuation assumptions is reflected in the five-year history table shown below:

Five-year history	**2017** £'000	**2018** £'000	**2019** £'000	**2020** £'000	**2021** £'000
Present value of liabilities	(318,749)	(306,062)	(304,285)	(289,789)	(355,122)
Fair value of assets in the pension scheme	261,583	255,849	253,172	249,887	295,537
(Deficit)/surplus in the scheme	(57,166)	(50,213)	(51,113)	(39,902)	(59,585)
Difference between the expected and actual return on scheme assets	32,795	(6,041)	3,013	2,192	42,121
Percentage of scheme assets	12.5%	-2.4%	1.2%	0.9%	14.3%
Experience gains and (losses) on scheme liabilities	(28,991)	11,701	(11,384)	26,823	(66,340)
Percentage of scheme liabilities	-9.1%	3.8%	-3.7%	9.3%	-18.7%
Changes in actuarial assumptions	9,272	-	16,237	(8,847)	4,119
Percentage of scheme liabilities	2.9%	0.0%	5.3%	-3.1%	1.2%
Net actuarial gain/(loss) recognised	13,076	5,660	7,866	20,168	(20,100)
Percentage of scheme liabilities	4.1%	1.8%	2.6%	7.0%	-5.7%
Cumulative actuarial loss recognised	(80,825)	(75,165)	(67,299)	(47,131)	(67,231)

Defined Contribution Pension Scheme – Midland Metro Limited and WM5G Limited

Income Statement
The amounts recognised in Midland Metro's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £164k (2020: £155k).

The amounts recognised in WM5G Limited's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £50k (2020: £15k).

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

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

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

The Authority manages the credit risk from its financing activities by restricting its exposure with financial institutions to those that are on the official lending list as compiled by the Authority's treasury management advisors. The criteria for these lending lists are set out in the Treasury Management Strategy report 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.

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

	Authority 2020/21 £'000	Group 2020/21 £'000	Authority 2019/20 £'000	Group 2019/20 £'000
12-month expected credit losses:				
Investments (note 19)	124,739	124,739	13,088	13,088
Cash and short-term deposits (note 22)	144,413	148,702	78,793	79,546
	269,152	273,441	91,881	92,634
Simplified approach:				
Trade debtors and accrued income (note 21)	36,441	38,177	31,300	33,573
Total	**305,593**	**311,618**	**123,181**	**126,207**

The loss allowance recognised during the year are as follows:

Authority	**12-month expected credit losses**		**Lifetime expected credit losses - simplified**		**Total**	
Asset class (amortised cost)	**2020/21** £'000	**2019/20** £'000	**2020/21** £'000	**2019/20** £'000	**2020/21** £'000	**2019/20** £'000
Opening balance as at 1 April	4,321	1,400	-	-	4,321	1,400
Individual financial assets transferred to 12-month expected credit loss	(704)	2,921	-	-	(704)	2,921
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**3,617**	**4,321**	**-**	**-**	**3,617**	**4,321**

Group	**12-month expected credit losses**		**Lifetime expected credit losses - simplified**		**Total**	
Asset class (amortised cost)	**2020/21** £'000	**2019/20** £'000	**2020/21** £'000	**2019/20** £'000	**2020/21** £'000	**2019/20** £'000
Opening balance as at 1 April	2,691	1,400	-	-	2,691	1,400
Individual financial assets transferred to 12-month expected credit loss	(266)	1,291	-	-	(266)	1,291
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**2,425**	**2,691**	**-**	**-**	**2,425**	**2,691**

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.

Coronavirus
The Authority will continue to monitor closely the impacts of COVID-19 including the effect on financial markets and the stability of the financial institutions the Authority has dealings with to ensure that security and liquidity of Group investments are not adversely affected. The Authority is assisted in this regard by professional Treasury Management advisors, Arlingclose Limited.

With respect to the commercial loans, the Authority is continually reviewing the impacts on the construction sector and the potential impact on its loan portfolio. Provision has been made in the 2020/21 accounts for potential defaults and the Authority will continue to maintain a close dialogue with borrowers through its sector specialist fund manager. In the event that any of the investments encounter difficulty, each will be managed on a case by case basis and if necessary, the Authority's rights over control of the development or assets will be exercised.

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

32. Financial Instruments

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

Analysis for 2020/21	**Long-term**		**Current**		**Total**	
	Authority	**Group**	**Authority**	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 19)	6,641	6,641	118,098	118,098	124,739	124,739
Long-term debtors	15,951	15,951	-	-	15,951	15,951
Short-term debtors (note 21)	-	-	36,441	38,177	36,441	38,177
Cash and cash equivalents (note 22)	-	-	144,413	148,702	144,413	148,702
Total financial assets	**22,592**	**22,592**	**298,952**	**304,977**	**321,544**	**327,569**
Financial liabilities at amortised cost						
Borrowings (note 23)	118,078	118,078	1,925	1,925	120,003	120,003
Short-term creditors (note 24)	-	-	106,054	110,031	106,054	110,031
Transferred debt (note 26)	4,678	4,678	982	982	5,660	5,660
Total financial liabilities	**122,756**	**122,756**	**108,961**	**112,938**	**231,717**	**235,694**

Comparatives for 2019/20	**Long-term**		**Current**		**Total**	
	Authority	**Group**	**Authority**	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 19)	5,093	5,093	7,995	7,995	13,088	13,088
Long-term debtors	241	241	-	-	241	241
Short-term debtors (note 21)	-	-	31,300	33,573	31,300	33,573
Cash and cash equivalents (note 22)	-	-	78,793	79,546	78,793	79,546
Total financial assets	**5,334**	**5,334**	**118,088**	**121,114**	**123,422**	**126,448**
Financial liabilities at amortised cost						
Borrowings (note 23)	118,432	118,432	7,024	7,024	125,456	125,456
Short-term creditors (note 24)	-	-	69,727	71,998	69,727	71,998
Transferred debt (note 26)	5,595	5,595	833	833	6,428	6,428
Total financial liabilities	**124,027**	**124,027**	**77,584**	**79,855**	**201,611**	**203,882**

Material soft loans made by the Authority

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

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

	Authority 2020/21 £'000	Authority 2019/20 £'000
Opening balance as at 1 April	-	-
Nominal value of new loans granted in the year	18,000	-
Fair value adjustment of new loan	(2,595)	-
Interest credited to Financing and Investment Income and Expenditure	207	-
Closing balance at 31 March	**15,612**	**-**
Nominal value at 31 March	18,000	-

Valuation assumptions

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

Income, Expense, Gains and Losses

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

Authority	**2020-21**			**2019-20**		
	Financial assets at amortised cost £'000	**Financial liabilities at amortised cost** £'000	**Total Authority** £'000	**Financial assets at amortised cost** £'000	**Financial liabilities at amortised cost** £'000	**Total Authority** £'000
Interest income (note 12)	(1,975)	-	(1,975)	(2,262)	-	(2,262)
Interest expense (note 12)	-	6,550	6,550	-	10,705	10,705
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(1,975)**	**6,550**	**4,575**	**(2,262)**	**10,705**	**8,443**

Group	**2020-21**			**2019-20**		
	Financial assets at amortised cost £'000	**Financial liabilities at amortised cost** £'000	**Total Group** £'000	**Financial assets at amortised cost** £'000	**Financial liabilities at amortised cost** £'000	**Total Group** £'000
Interest income (note 12)	(1,938)	-	(1,938)	(2,277)	-	(2,277)
Interest expense (note 12)	-	6,988	6,988	-	9,075	9,075
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(1,938)**	**6,988**	**5,050**	**(2,277)**	**9,075**	**6,798**

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 2020/21	Input level in fair value hierarchy	Authority		Group	
		Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets at amortised cost					
Investments	N/A	124,739	124,739	124,739	124,739
Long-term debtors	N/A	339	339	339	339
Long-term debtors - soft loan	Level 2	15,612	18,000	15,612	18,000
Short-term debtors	N/A	36,441	36,441	38,177	38,177
Cash and cash equivalents	N/A	144,413	144,413	148,702	148,702
Total financial assets		**321,544**	**323,932**	**327,569**	**329,957**
Financial liabilities at amortised cost					
Public Works Loan Board (PWLB)	Level 2	109,896	173,342	109,896	173,342
Barclays	Level 2	10,107	14,831	10,107	14,831
Total borrowings		**120,003**	**188,173**	**120,003**	**188,173**
Short-term creditors	N/A	106,054	106,054	110,031	110,031
Transferred debt	Level 2	5,660	6,248	5,660	6,248
Total financial liabilities		**231,717**	**300,475**	**235,694**	**304,452**

Comparatives for 2019/20	Input level in fair value hierarchy	Authority		Group	
		Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets at amortised cost					
Investments	N/A	13,088	13,088	13,088	13,088
Long-term debtors	N/A	241	241	241	241
Short-term debtors	N/A	31,300	31,300	33,573	33,573
Cash and cash equivalents	N/A	78,793	78,793	79,546	79,546
Total financial assets		**123,422**	**123,422**	**126,448**	**126,448**
Financial liabilities at amortised cost					
Public Works Loan Board (PWLB)	Level 2	115,349	178,185	115,349	178,185
Barclays	Level 2	10,107	14,639	10,107	14,639
Total borrowings		**125,456**	**192,824**	**125,456**	**192,824**
Short-term creditors	N/A	69,727	69,727	71,998	71,998
Transferred debt	Level 2	6,428	7,146	6,428	7,146
Total financial liabilities		**201,611**	**269,697**	**203,882**	**271,968**

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.

Long-term debtors – soft loan: the valuation method used is to discount contractual (or expect) cash flows at the Authority's borrowing cost plus an allowance for credit risk. The borrowing cost is an estimate of the rate payable for a new loan on the same terms based on published PWLB rates.

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 1.47% to 2.12% 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 ranges from 0.79% to 1.18% and the discount rate for LOBOs is 1.18%.

The fair valuation methodology for the soft loan, 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 seven (2020: six) 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 2021 are as follows:

	2021 £'000	2020 £'000
Land and buildings		
Less than one year	632	447
Between two and five years	843	872
More than five years	3,375	2,794
	4,850	**4,113**
Supported bus services		
Total contract spend:		
Less than one year	421	523
Between two and five years	559	495
	980	**1,018**

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 2021 are as follows:

	2020	**2019**
	£'000	£'000
Land and buildings		
Less than one year	357	174
Between two and five years	687	352
More than five years	1,840	1,909
	2,884	**2,435**

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	124,027	6,179	111,454	241,660
Financing cash flows	-	(6,180)	-	(6,180)
Non-cash changes	(1,271)	1,271	238,662	238,662
Closing balance at 31 March	**122,756**	**1,270**	**350,116**	**474,142**

35. Contingent liabilities and guarantees

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

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

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

The market value for WMTL is only available at each triennial valuation and was valued at a deficit of £92.5m at the last triennial valuation as at 31 March 2019.

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

36. 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 2021 are set out in note 13.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2020/21 is shown in note 15. 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.

During the year, there were expenditure and grant payments totalling £591k (2020: £548k) with Black Country Consortium Limited in which a member has an interest.

Officers
During the year there were income transactions of £20k (2020: £10k) relating to rental income and recharges, and professional consultancy fees and miscellaneous expenses with the following companies in which two (2020: two) officers had their representation on the board as WMCA stakeholder:

West Midlands Growth Company Limited	£3.4m (2020: £3.4m)
University of Birmingham	£361k (2020: £nil)
Urban Transport Group	£82k (2020: £90k)

Transactions with these companies were conducted at arm's length. The amounts as at 31 March 2021 due to and due from these companies are shown below:

	2020/21		2019/20	
Name	Due to	Due from	Due to	Due from
	£'000	£'000	£'000	£'000
West Midlands Growth Company Limited	625	-	-	-
University of Birmingham	64	2	-	2
Urban Transport Group	-	-	-	6

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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities						
Birmingham City Council	44,895	45,025	1,088	1,090	9,080	1,503
City of Wolverhampton Council	10,306	10,292	573	572	-	-
Coventry City Council	14,428	14,260	634	631	-	-
Dudley MBC	12,612	12,647	607	608	-	-
Sandwell MBC	12,878	12,887	611	612	-	-
Solihull MBC	8,454	8,471	545	545	-	-
Walsall Council	11,147	11,138	585	586	-	68
Non-constituent authorities	-	-	375	325	-	-
Total	**114,720**	**114,720**	**5,018**	**4,969**	**9,080**	**1,571**

Funding paid by the Authority to the District Councils:

	Devolved Transport Funding		Economic Regeneration		Adult Education Budget	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities						
Birmingham City Council	7,257	5,160	7,917	-	10,202	6,392
City of Wolverhampton Council	7,610	3,505	-	-	3,283	1,957
Coventry City Council	6,995	4,480	31,967	-	5,288	3,313
Dudley MBC	8,912	4,585	-	-	1,506	844
Sandwell MBC	7,247	4,755	-	-	1,531	959
Solihull MBC	5,894	6,414	11,992	-	-	-
Walsall MBC	7,589	6,375	9,947	-	-	-
Total	**51,504**	**35,274**	**61,823**	**-**	**21,810**	**13,465**

Entities controlled or significantly influenced by the Authority

During the year, the Authority paid management fees of £150k (2020: £150k) and £600k (2020: £579k) 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 (2020: £41k) from the Authority. In addition, the Authority recharged expenses of £380k (2020: £154k) which the Authority paid on behalf of West Midlands Rail Limited. The Authority has also charged corporate support and professional services of £46k (2020: £46k).

Other than as disclosed in note 19, Midland Metro Limited, a wholly-owned subsidiary which is consolidated in the group accounts, received subsidy of £407k (2020: £1.01m) from the Authority under the terms of the Public Service Agreement. The Authority has charged corporate support and professional services of £502k (2020: £478k). The Authority has also recharged expenses of £72k (2020: £86k). Additionally, Midland Metro Limited has recharged £1.7m in respect of Metro network developments and enhancements to the Authority.

During the year, the Authority provided grants and services of £647k (2020: £1.70m) to WM5G Limited, a wholly-owned subsidiary which is consolidated in the group accounts, in respect of funding of initiatives and competitions to acceleration 5G infrastructure and applications. The Authority has also recharged expenses of £27k (2020: £549k)

Transactions with West Midlands Development Capital Limited, West Midlands Rail Limited, Midland Metro Limited and WM5G Limited were conducted at arm's length. The outstanding balances as at 31 March 2021 are as follows:

Due from	
Midland Metro Limited	£1.7m
West Midlands Rail Limited	£136k

37. Events after the Reporting Period

The unaudited Statement of Accounts were authorised for issue by the Authority's Section 151 officer on 27 May 2021. Events taking place after this date are not reflected in the financial statements or notes to the accounts. Where events taking place before this date provided information about conditions existing as at 31 March 2021, the amounts in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

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

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