



**West Midlands
Combined Authority**

Statement of Accounts

For the year ended 31 March 2026

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UNAUDITED

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NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

Welcome to the West Midlands Combined Authority's ('the Authority') Statement of Accounts for the financial year ended 31 March 2026. These accounts provide the reader with a view of the West Midlands Combined Authority's financial performance and its effectiveness in its use of resources during the year and are therefore a key element in demonstrating sound financial stewardship of taxpayers' money as well as ensuring that key stakeholders understand the financial position of the West Midlands Combined Authority (WMCA).

The Statement of Accounts for the year ended 31 March 2026 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 2025/26, supported by International Financial Reporting Standards.

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

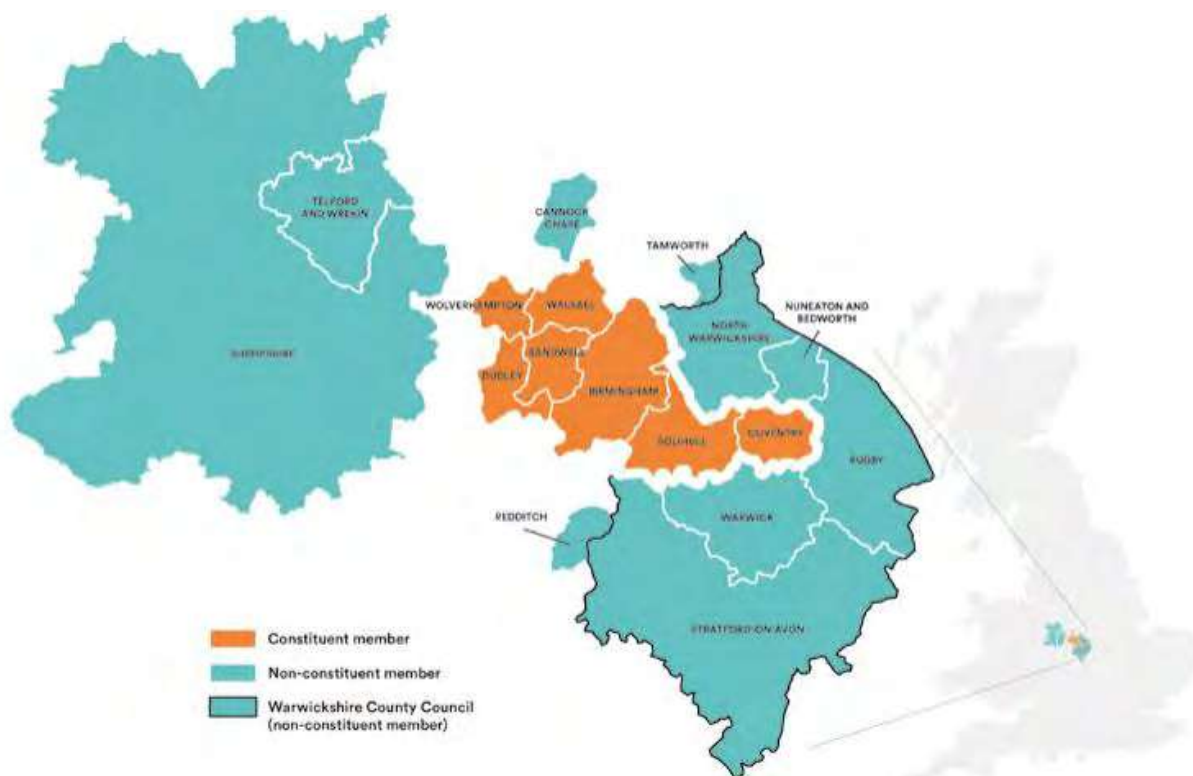
The Narrative Report has been prepared to outline the activities for the year 2025/26, providing both a guide to the Authority's accounts and to its achievements in delivering inclusive economic growth through transport and economic development as well as setting out the economy, efficiency, and effectiveness in its use of resources in doing so.

1. Organisational overview and external environment

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

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

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



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

Leadership of the Authority comes from the Mayor and the leaders (or deputy leaders where there is devolved responsibility) of the seven constituent local authorities, which have full voting rights. Other bodies which include ten local councils from across the wider West Midlands region, have reduced voting rights but play a crucial role at Board level, helping to inform policy and drive forward the Authority agenda. Full details of bodies that are members of the Authority are set out in the Annual Governance Statement on pages 38 to 64.

Richard Parker was elected as the second Mayor of the West Midlands in 2024 and will serve for four years to May 2028 as Chair of the Authority and its Board.

Recent local elections held on 7 May 2026 across the West Midlands have delivered a significant shift in the political landscape with changes in control and a number of councils in a no-overall control. In councils with a majority, the group leader of the respective majority party is expected to become the council leader. However, in authorities with no overall control, agreements will need to be made between parties, so a leader can then be selected. Although the political landscape has changed, WMCA priorities have not as they are set out in the Growth Plan & Corporate Plan.

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

The Group employed 1,414 people and the Authority employed 1,088 people as at 31 March 2026. Further analysis can be found in Table 1 on page 11.

NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

The WMCA is committed to a more prosperous and better connected West Midlands which is fairer, greener and healthier.

We will achieve this vision through living our values which are central to how we work and interact with our wider partners and stakeholders. Our Behaviour Framework outlines the behaviours that are essential to effective performance and outcomes in our organisation.

Below are the behaviours which underpin each of our four values.



Collaborative

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

Service Driven – customer, resident and partner focused



Inclusive

One Organisation Mindset – believe in each others expertise

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



Driven

Empowered and Accountable – taking ownership and leading when needed

Performance Focused – being ambitious and going the extra mile



Innovative

Forward Thinking – embrace change and open to new possibilities

Problem Solving – go for clear and simple whenever possible

The Mayor's priorities – **Jobs, Homes, Growth, and Journeys for Everyone** detailed below – set the direction for everything we do. These aren't just policy commitments; they reflect what matters most to the people of the West Midlands. Delivering on them means helping more people into good jobs, making sure housing meets the needs of our communities, securing investment to grow our economy, and ensuring our transport system is accessible, reliable, and fit for the future.

For the first time, we have the flexibility and power to decide how to make that happen. The **Integrated Funding Settlement** puts us in control of how investment is allocated, meaning we can take a long term view rather than being limited by short-term, fragmented funding pots. The **Devolution Bill** has strengthened our ability to shape policy around what works best for our region, rather than working within national frameworks that don't always reflect local priorities. Together, these changes give us more responsibility than ever before – but they also bring a greater expectation that we will deliver, at pace and with impact.

What is the Integrated Settlement?

The Integrated Settlement represents a fundamental shift in the region's funding mechanism from central government. Instead of fragmented, short-term grants, the Integrated Settlement consolidates funding for six key functions known as 'pillars': **local transport, adult skills, housing and regeneration, local growth and place, retrofitting of buildings and employment support.**

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

How will it be invested?

The Integrated Settlement will be invested across the region, in skills and training initiatives, the transport network, housing and regeneration schemes, business support and decarbonising homes.

This will be reflected in our **Functional Strategies** – one for each ‘pillar’ of the Integrated Settlement. Functional strategies will explain how we are going to invest, and how we are going to deliver the thematic outcomes we agree with HM Government (HMG). **Place-Based Strategies** will be long-term plans to increase local prosperity, led by Local Authorities and building on existing plans with support from the WMCA. They will join up investment and policy levers – including but beyond Integrated Settlement – to address local opportunities and challenges, where an integrated approach could deliver the most impact.

Mayoral Priorities

Mayor of the West Midlands, Richard Parker, has announced the four priorities he’ll deliver for everyone across the region.

Jobs for everyone – Investing in jobs, skills, training and apprenticeships and reducing youth unemployment and ensuring everyone has a job that pays well.

Homes for everyone – Building social and affordable homes and creating vibrant communities so that everyone will have a place to call home.

Growth for Everyone – Helping businesses grow, supporting innovation and creativity and making sure everyone benefits, and the environment is protected.

Journeys for everyone – Connecting communities and making travel easier, safer and more affordable for everyone.



Together with the **Mayoral Priorities** and the **Outcomes** defined in the Integrated Settlement, the WMCA Aims set out how we’ll deliver for the region.



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



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



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



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



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



To develop our organisation and strengthen our role as a leading regional partner, fully aligned with the WMCA Transformation Programme.

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In addition to the WMCA Aims, the WMCA Corporate Plan issued in June 2026 sets out the priorities agreed for the West Midlands region over the next three years – bringing together the West Midlands Growth Plan published in July 2025, the priorities of the Mayor and our unwavering commitments to inclusive growth and equalities.

Our priorities are translated into delivery through six delivery portfolios:



We measure our performance using the WMCA's Planning and Performance Framework. This framework supports a more integrated and consistent approach to aligning priorities, outcomes and delivery activity across the Authority. The framework operates across four connected levels:



Transformation Programme

The Transformation Programme is a critical initiative designed to make sure we are fit for the future. We have a clear set of priorities and an ambitious delivery programme. To support the WMCA to double our impact over the next three years, the Authority must be set up in the best way to enable delivery.

At the time of publication, the Authority is undergoing a corporate transformation programme. This transformation is cultural as well as structural, underpinned by the new People and Culture Strategy detailed on page 22.

The diagram below shows the four elements to the programme: how we will become the best place to work and belong, so that we attract and retain the right people in the right places, are able to give them the freedom to deliver, and thereby double our impact.



Inclusive Growth

As an organisation, we are committed to a more deliberate and socially purposeful model of economic growth – measured not only by how fast or aggressive it is; but also, by how well it is created and shared across the whole population and place, and by the social and environmental outcomes it realises for our people.

To achieve this, the WMCA focuses all types of investment on the same set of social, economic and environmental missions. These missions, articulated as the 8 fundamentals of inclusive growth, ensure that activities are not lost in thematic silos to achieve a fairer, greener and healthier region. This approach was approved by WMCA Board in 2018. It means that we must demonstrate how all our operations meet the needs of our people and places in a way which enhances or protects the environment.

Regional Economic Context

The WMCA area continued to operate within a challenging and uncertain economic environment during the 2025/26 financial year. While inflationary pressures eased compared to earlier years, economic growth remained subdued, and the legacy effects of high interest rates, global instability, and structural productivity weaknesses continued to shape regional economic performance. National and international economic conditions had a material influence on local businesses, households, and the public sector, with implications for demand, investment decisions, and the delivery of public services.

Market Risk and Global Economic Conditions

The global economic environment during 2025/26 remained volatile. Ongoing geopolitical instability, including the continuation of conflict in Ukraine, renewed tensions in the Middle East, and strategic uncertainty in global trade relations, continued to affect investor confidence, energy markets, and supply chains. Political developments internationally, including shifts in US trade and defence priorities, contributed to uncertainty in global markets.

Domestically, the UK economy experienced modest growth alongside a gradual easing of inflation. However, interest rates remained elevated relative to pre-pandemic norms for much of the year, reflecting ongoing efforts to manage inflation and fiscal constraints. These factors continued to weigh on borrowing costs, particularly for capital-intensive sectors such as construction and manufacturing, which are significant within the WMCA geography.

Rapid technological change, particularly continued advancements in artificial intelligence and automation, also contributed to market risk. While offering long-term productivity benefits, these developments created short-term adjustment pressures for firms and workers and increased demand for skills, energy, and investment.

Inflation and Interest Rate Environment

Inflation moderated further during 2025/26 following the peaks experienced in 2022/23. Easing inflation reduced some cost pressures on businesses, particularly for energy and imported inputs. However, inflation remained uneven across sectors, with persistent pressures in housing, food, and services affecting household budgets and operational costs for public services.

Interest rates remained higher than historic averages for much of the financial year, despite expectations of future reductions. These conditions constrained household consumption, delayed business investment decisions, and increased the cost of financing capital projects. As a result, private sector investment, particularly among SMEs, remained cautious, with implications for growth and productivity.

Labour Market Conditions

Labour market conditions across the WMCA area remained relatively stable during 2025/26, though signs of softening demand for labour emerged. Employment levels broadly held up, but business surveys indicated reduced recruitment intentions, particularly among small and medium-sized enterprises.

Skills shortages continued to present a structural challenge, especially within engineering, digital, logistics, advanced manufacturing, and green industries. These shortages constrained growth potential in key sectors and reinforced the need for targeted skills and employment interventions. At the same time, economic inactivity remained elevated in some communities, reflecting long-term health issues, deprivation, and mismatches between skills supply and employer demand.

Impact on Businesses and Investment

Business confidence across the region remained mixed throughout the year. Larger firms, particularly those embedded in global supply chains, continued to pursue investment in electrification, automation, and productivity-enhancing technologies. In contrast, many smaller businesses delayed or scaled back investment due to uncertainty around demand, financing costs, and national policy direction.

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The region's productivity challenges persisted, particularly in areas experiencing long-term deprivation. This continued to underpin the WMCA's focus on inclusive growth, business support, and place-based interventions aimed at improving firm performance and workforce capability.

In September 2023, Birmingham City Council, one of the WMCA's Constituent Authorities, issued 2 Section 114 notices as part of the plans to meet the Council's financial liabilities relating to equal pay claims and an in-year financial gap within its budget. Councils are required by law to have balanced budgets. If a council cannot find a way to finance its budget, a Section 114 notice must be issued. On 19 September 2023, the Secretary of State for the Department of Levelling Up, Housing and Communities (DLUHC) announced the government's proposals to handle the Council's financial and governance problems including:

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

The commissioners issued their latest assessment of progress on the 1 December 2025, nearly 26 months after the commencement of the intervention. The report highlighted that, while the Council continues to face substantial risks and persistent challenges, the Council has made meaningful progress since the previous assessment in January 2025. The commissioners noted improved resilience and performance in key service areas, including housing, children's services and adults' services, alongside progress towards resolving historic equal pay claims.

The Council has also strengthened its corporate and financial management arrangements. A stable permanent Corporate Leadership Team is now in place, and the Council has made significant progress in stabilising its budget position, reducing future years' budget gaps and moving close to balancing its revenue budget without requiring Exceptional Financial Support.

The commissioners further reported improvements in strategic planning, including publication of the Corporate Plan for 2025-28 and establishment of an Improvement and Recovery Board as the vehicle for delivering the Council's long-term recovery programme. However, they emphasised that governance reform remains fragile, cultural change is not yet embedded, and several high-impact risks persist, specifically the ongoing waste dispute, the reimplementation of the Oracle IT programme, financial sustainability pressures and equal pay liabilities.

Despite these challenges, the Council continues to operate normally and remains committed to delivering essential services. Monies owing to partners, including WMCA are still expected to be settled in the usual way. Accordingly, the impact on WMCA remains minimal.

Sectoral Performance

Economic performance varied significantly by sector:

- Manufacturing, including automotive supply chains, experienced a gradual and uneven recovery, influenced by global demand conditions, trade uncertainty, and the transition to electric vehicles.
- Construction activity remained constrained by high financing costs and delays to private sector developments, despite continued public sector and regeneration investment.
- Transport and logistics benefited from the region's central location and sustained demand from e-commerce, although cost pressures persisted.
- Creative and digital industries continued to expand steadily, supported by a relatively young workforce, innovation activity, and targeted business support initiatives.

Impact on Communities and Demand for Services

Households across the WMCA area continued to experience pressure on living standards during 2025/26. Although easing inflation provided some relief, higher interest rates, housing costs, and legacy cost-of-living pressures disproportionately affected lower-income communities. This sustained demand for public services, employment support, and targeted interventions.

Public sector bodies within the region continued to prioritise support for vulnerable residents, including employment and skills programmes, cost-of-living support initiatives, and community-level economic resilience measures. These pressures influenced service demand and resource allocation across the financial year.

Public Sector Investment and Strategic Programmes

WMCA capital and revenue programmes continued to play an important counter-cyclical role in supporting the regional economy. Investment in transport connectivity, housing delivery, town centre regeneration, and skills provision helped sustain employment, stimulate local supply chains, and mitigate weaker private sector investment.

However, higher construction costs, financing pressures, and capacity constraints continued to present delivery risks. The need to balance strategic investment with affordability and value for money remained a key consideration throughout the year.

Climate Risk Management

Following national cycles of adaptation reporting, the WMCA voluntarily produce corporate climate risk assessments and adaptation action plans. WMCA did this for the first time in 2024. Colleagues across the WMCA are delivering the key actions which are outlined in the Authority's [Climate Adaptation Plan](#). These actions respond to the climate risks facing the business.

- "Failure to adapt to climate change" has been captured as a corporate risk in the WMCA's Enterprise Risk Register. Climate risks are strategically identified, and adaptation action is coordinated by the WMCA's Environment team, but the day-to-day management and mitigation of these risks are the responsibility of individual teams across the organisation.
- Transport for West Midlands (TfWM) are commissioning a strategic business case for greater integration of climate adaptation in their policies, projects and processes. This thinking will influence and inform TfWM's scheme development, transport planning and asset management decisions, protecting transport functions against climate-related hazards.
- A climate adaptation checklist has been included in the guidance surrounding net zero retrofit delivery. Though the following of this checklist is not mandatory for funded schemes, it is a first step towards implementing a future-proofed, climate resilient approach to building retrofit.
- The WMCA have produced 'Climate Resilient Project Lifecycle Guidance' for colleagues to reference at different project stages. The WMCA are refreshing the Strategic Assurance Framework (SAF) to align with recent Green Book updates. This includes reference to the future climate scenarios that business cases should account for. As the SAF starts to reflect this, so should the business cases of mid-long-term projects across the WMCA.
- Climate Adaptation Literacy training is also available for colleagues across the WMCA to complete. This course intends to contribute towards the behaviour change needed for WMCA staff to consider climate risk and adaptation options in terms of their remit.

Progress towards action delivery is monitored and scored on a bi-annual basis, with annual progress reports produced at the end of each financial year. The WMCA evaluate progress against scoring criteria outlined in the Climate Adaptation Plan.

2. Governance

Governance arrangements during the year are set out in the Annual Governance Statement that can be found on pages 38 to 64.

3. Operational model

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

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One of the major sources of funding for operational expenditure is the Transport levy which is paid by local authorities to the Authority to discharge its Transport duties. The Department for Education provides the funding for post-19 education through the Integrated Settlement as mentioned on page 4 whilst other specific grants from government, investment income generated on balances, and fees paid by the Constituent and Non-Constituent Members of the Authority support the work of all other delivery portfolios. Unlike many other local authorities, the Authority does not have significant commercial lines of activity which could provide additional income but also expose the funding to risk and uncertainty. Where commercial undertakings are made, separate vehicles such as Midland Metro Limited (MML), WM5G Limited (WM5G), and other subsidiary undertakings have been created, where appropriate, to mitigate risk and deliver specific services.

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

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

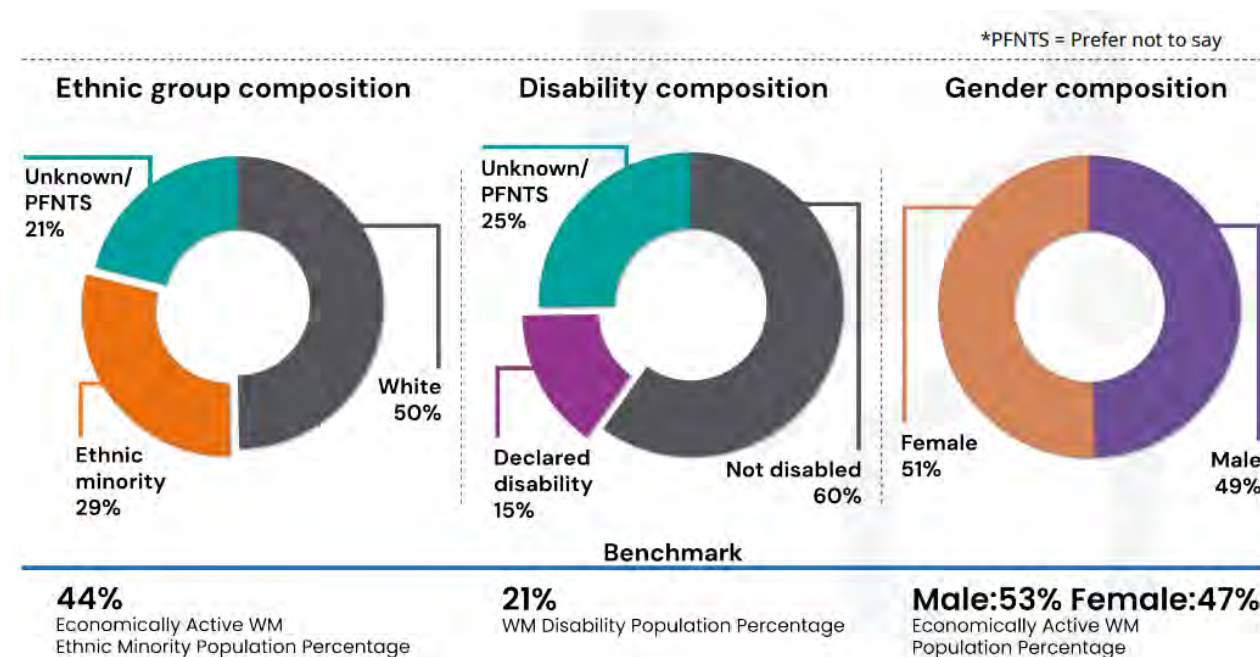
Table 1 below sets out the headcount (March 2026) and established full time equivalent (FTE) posts.

Table 1: WMCA, MML & WM5G Staffing Analysis — March 2026

No.	Headcount	FTEs
TfWM	371	346.8
Enabling Services	497	487.0
Portfolio Services	214	210.2
Mayor's Office	6	6.0
WMCA Total	1,088	1,050.0
Midland Metro Limited	326	287.6
Group Total	1,414	1,337.6

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.

Diversity, Equality & Inclusion (DEI) are hugely important to us, and we want our people to represent the communities in which we work. The graphics below illustrate how we compare on a number of key protected characteristics against the 2021 Census.



4. Operational performance

Performance summary of the Annual Business Plan (2025/26)

The WMCA monitors performance through a set of indicators aligned to the Annual Business Plan (ABP), providing a consistent measure of delivery against organisational priorities.

In February 2025, the WMCA Board approved 148 indicators to be delivered during the 2025/26 financial year. This section provides a summary of performance and key achievements over this period.

WMCA delivered a strong overall performance position in 2025/26, with the majority of indicators completed or progressing as planned. At year-end, 91 indicators were completed, 42 remained on target, and 15 were reported as red or amber.

This represents a marked improvement compared to previous years, with 10% of indicators reported as red or amber in 2025/26, compared to 22% in 2024/25, 20% in 2023/24, and 16% in 2022/23. This reflects improved planning assumptions across teams, supported by the first full year of Integrated Settlement funding.

A small number of indicators experienced delays, reflecting timing, resourcing and delivery dependencies rather than systemic issues.

No indicators currently report any material financial or reputational risk arising from performance delivery. Activity will continue into 2026/27, and these trends will inform performance reporting under the transition to the Rolling Annual Business Plan, supporting a more integrated view of organisational performance.

The 2025/26 performance position is supported by a range of key achievements delivered across the WMCA's directorates, as set out below.

2025/26 key achievements:

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

Transport for West Midlands (TfWM)

- Following the Mayor and WMCA Board's decision in May 2025 to take control of local bus services, TfWM has taken decisive steps to improve everyday journeys for residents. It has invested in cleaner, more comfortable buses, introducing the region's first articulated Bus Rapid Transit vehicles for Sprint, and taking ownership of the first 30% of bus depots to improve reliability and standards. At the same time, a skilled local team is being built to deliver bus franchising over the next three years, giving residents greater confidence that services will be shaped around their needs - supporting fair access to jobs, education and opportunities across the region.
- £55m has been invested to protect the bus network that carries 80% of all public transport journeys, ensuring people can continue to rely on frequent, affordable and connected services. This investment safeguards vital routes that many residents depend on every day and helps create a fully integrated transport system, linking buses seamlessly with new Metro lines and rail stations so more people can travel easily without needing a car. This integrated system is also supported by the E-Cycle and E-Scooter hire scheme.
- Reconnected communities across South Birmingham and the Black Country by opening five new railway stations on the Camp Hill and Walsall–Wolverhampton lines. For the first time in over 85 years, residents can travel more easily to jobs, education and leisure by rail. Together, these investments support new housing developments and Investment Zone sites, reduce reliance on cars, and deliver long term benefits for local communities.
- Brought better public transport to people living and working in East Birmingham by opening the first phase of the Birmingham Eastside metro extension. This first step paves the way for a wider network that could connect up to 300,000 residents, support new homes and sports facilities, improve access between HS2 and Birmingham Airport, and help create up to 20,000 jobs alongside £6bn of investment.
- Secured new £2.2bn for regional transport improvements through Transport of City Regions funding. This sets the foundation for the development of a longer-term investment pipeline which supports the West Midlands Growth Plan and Local Transport Plan by enabling jobs, homes and growth and providing journeys for everyone.
- Supported innovation that benefits everyday journeys by backing Coventry City Council to test its Very Light Rail system on live streets. This low cost, battery powered transport solution is being designed and developed locally, with the potential to deliver affordable, flexible public transport for residents.
- Championed better, more reliable rail services for passengers by making the case for increased regional rail capacity through projects such as Midlands Rail Hub. A more devolved and accountable railway would give residents more frequent services, better connections and clearer local decision making.

Strategy, Economy and Net Zero

- Published the West Midlands Growth Plan – our plan, informed by 2 years of consultation and engagement and the largest evidence review ever undertaken on the West Midlands' economy, to grow the economy by £17.4 billion over the next decade.
- Negotiated the region's first multi-year Integrated Settlement, bringing £2.5 billion of investment into the region over the next four years – to improve residents' lives, support businesses and transform places – and building on the successful delivery of the first Integrated Settlement from the previous financial year.

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- Launched the region's Economic Development Vehicle, bringing together local and regional business support services to make it easier for businesses to access them, alongside delivering new investment into the cultural and creative industries.
- Launched the second Climate Change Five Year Plan (2026-2031), West Midlands Local Nature Recovery Strategy and West Midlands Nature Delivery Plan. Also started the delivery of England's first devolved retrofit pilot (2025-2028), which will see £167.1 million grant invested to drive carbon reduction and reduce fuel poverty by lowering energy bills.

Employment, Skills, Health and Communities

- We have deployed Adult Skills Funding across the West Midlands, delivering 110,000 enrolments, focusing on over 83,000 unemployed residents to support the transition into work, and strengthening pathways into key growth sectors including construction, health and digital. This included 22,000 Level 2 and 11,000 Level 3+ qualifications, alongside vital basic skills in English and maths, ensuring residents are equipped to access and progress in work.
- As part of the Mayor's Youth Plan, we are on track to deliver 20,000 work placements, having already reached the major milestone of 18,000, while successfully rolling out Youth Trailblazer and Connect to Work to tackle youth unemployment and health-related barriers and support more young people into jobs.
- We have launched West Midlands Works, the Mayor's flagship approach to tackling economic inactivity, bringing together health, employment and skills systems with an ambition to support 93,000 residents into sustained employment by 2035.
- We launched a new, region-wide approach to Health, Wellbeing and Public Service Innovation, setting a long-term ambition to redesign public services around prevention, inclusion and better outcomes for future generations.

Housing, Property and Regeneration

Delivery

- The Delivery Programme delivered its strongest year to date, reflecting improved programme processes and working with Local Authorities. Activity increased by 162% in contracted grants and 82% in homes unlocked across a record 22 projects with £110 million of grants unlocking 5,634 homes.
- As well as a substantial increase in performance year on year, with the Programme achieving five times the yearly average, it has also diversified tenures with Affordable and Social homes forming 34% of those contracted. This is substantially above the 20% Programme target.

Policy

- The Spatial Development Strategy (SDS) programme is in full swing, with 8 technical theme groups, a major survey attracting over 1600 responses, a planning symposium attended by over 300 people, and a residents assembly established. An SDS evidence base is developing with live studies including Strategic Growth Study, Housing and Economic Land Assessment, Green Belt review, GIS platform, and numerous other evidence-based initiatives.
- The new high streets programme launched, with the first 9 high streets for investment set at the UK Real Estate Investment and Infrastructure Forum (UKREIIF) in March 2026.
- We launched our West Midlands Remediation Acceleration Plan in January 2026, creating a coordination structure for 9 enforcement agencies and the WM Fire and Rescue Service, for better identification of risk mid/high rise residential buildings, and to speed up remediation works.

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- We established our Private Rented Sector (PRS) programme, building LAs' inspection and enforcement capacity, creating new links for PRS homes to access Devolved Retrofit funding, and promoting awareness of the new rights and responsibilities under the upcoming Renters Rights Act.

Homelessness

- Building on the success of the WMCA Rough Sleeping Initiative Programme, the region secured £0.421m for 2025/26 through the Rough Sleeping Prevention and Recovery Grant (RSPARG) to strengthen prevention-focused activity and targeted interventions for people at the highest risk of returning to rough sleeping and long-term rough sleeping. In September 2025, the Ministry of Housing, Communities and Local Government (MHCLG) confirmed a further one-off allocation of £0.5m, which was rapidly mobilised within the financial year through a combination of devolved funding to Solihull and Walsall, enhancements to existing projects, and new targeted initiatives focused on early identification and prevention, as well as supporting move-on from temporary accommodation.
- To date, 488 individuals have been supported, with 95% helped to retain or secure accommodation; of those contactable, 90% sustained this for at least one month, 73% beyond one month, and 22% for six months or more.

Strategy

- During 2025/26, we secured additional flexibility from Government including deploying £30m through a new Social Housing Accelerator Fund (SHAF), which secured over 700 homes to be let at social rent levels.
- In order to supply the housing pipeline in years to come, c.£0.5m has been deployed to enable Local Authorities to meet pre-development costs on specific priority schemes.
- The national Social and Affordable Homes Programme (SAHP) launched with a £1.7bn minimum commitment to the West Midlands. The team has worked with sector colleagues on proposals for this programme since 2023, including hundreds of hours of engagement and co-design. The programme prospectus sets out the West Midlands regional priorities focusing on social rent, estate regeneration and "Stepping Stone" accommodation to address some of the region's biggest challenges.

Chief Executives Office

People and Culture

- A permanent Chief Executive was recruited in February 2026, and recruitment is underway for the remaining four Executive Director positions following the development of a new Executive team structure. Work and design sprints are underway, as part of the Transformation Programme, to embed the organisation's target operating model and relationships between strategy, corporate services and delivery functions.
- New WMCA People & Culture Strategy was published and widely disseminated including at annual all-staff conference. It sets out the organisation's definition of high performance and the actions required to embed a values driven culture. A detailed action plan, structured around nine core objectives and associated subobjectives, has been developed. Progress will be monitored through the ongoing People & Culture Senior Leadership Team and newly established Corporate Services Group. Supported by a newly published Behaviours Framework which embeds a culture first approach within the Integrated Performance Management (IPM) Framework. Our newly established leadership architecture (Leading Ourselves, Leading Others and Leading the Combined Authority) will further support and

embed the expected behaviours at every level across the organisation. Internal communications materials have been developed under the Our WMCA brand to support staff engagement with the People & Culture Strategy and Transformation Programme. A structured communications drumbeat is in place to ensure staff receive timely, clear, and accessible updates.

- An Organisation Design Panel has been established to provide a single, strategic lens across the organisation, offering fairness, clarity and consistency for organisation design and structural decisions.
- Enhancements have been made to workspaces through the introduction of more effective collaboration and learning environments, supporting better interaction, flexibility, and shared ways of working.
- The Health, Safety & Wellbeing team have achieved ISO45001 certification, providing independent assurance of effective health and safety management within the corporate functions and a strong commitment to employee wellbeing and continuous improvement.
- A rapid review of Corporate Services was undertaken to identify the capacity, capabilities, and requirements needed to support the organisation's future growth.

Finance

- Successfully developed a balanced budget for 2026/27 alongside a refreshed Medium-Term Financial Plan, delivering a significantly improved financial trajectory compared with the position at the start of the financial year.
- Played a central role in shaping and implementing the new strategic planning framework, ensuring full alignment between organisational priorities, workforce planning, and financial strategy. Delivered all financial components in line with the agreed planning cycle, enabling more coherent decision-making and demonstrating functional collaboration.
- Produced high-quality, bi-monthly financial reports for the WMCA Board, offering clear insight into the current financial position, emerging risks, and forward-looking issues. This included the proactive identification of mitigation strategies, strengthening the Board's ability to make informed, timely decisions.
- We were amongst the top performing authorities for 2024/25, receiving a clean audit opinion from our external auditors for our statutory accounts and value for money assessment ahead of the statutory backstop date.
- Delivered robust statutory and governmental reporting. Completed all required Government returns, including Revenue Account (RA) submissions and financial reporting for the Integrated Settlement Programme Board, ensuring accuracy, compliance, and timely delivery. Actively contributed to lessons learned activities for the first Integrated Settlement, helping shape future national reporting and funding processes.
- These include supporting and enabling the delivery of:
 - Contract with the Growth Company.
 - £129m Housing development contracts which exceed the MHCLG targets for the year of £127m and 6,800 units.
 - Retrofit contracts to improve the quality of housing in the region.
- Continuing to challenge and enable delivery across the rest of the Programme, including on the first year of the Integrated Settlement.
- Supporting the Budget process and Multi Year Integrated Settlement planning for the next 3 financial years.

Law and Governance

The Law and Governance Directorate has made significant strides in its transformation journey over the past year.

- In 2025/26, the legal team was nationally recognised and highly commended for the transformation and the significant impact this has had on both individual team members and the organisation as a whole. Alongside this, the team continues to deliver a broad and complex portfolio of legal work, supporting major programmes, high value commercial activity, governance and constitutional matters, and compliance across the organisation's statutory responsibilities. The legal team continues to embrace a 'home-grown' approach with further recruitment planned for this year to deal with the growth of the WMCA and the increased demand on the service. This approach has created valuable development opportunities, with several members progressing into more senior roles, while also strengthening staff retention. As a result, the directorate has substantially reduced costs and simultaneously enhanced the quality, consistency and efficiency of legal support across the Combined Authority.
- In 2025/26, the WMCA strengthened its governance framework through coordinated activity across the Member Engagement, Governance and Scrutiny, and Corporate Governance teams. Governance and Scrutiny supported robust, transparent decision-making through the effective operation of Boards, Committees, Overview & Scrutiny and Audit, Risk and Assurance functions, ensuring clear challenge, accountability and assurance. Corporate Governance activity continued to embed consistent standards, improving the quality of decision-making, record-keeping and organisational assurance through clearer guidance, systems and support. The Member Engagement Team further embedded a coordinated approach to engagement with elected Members across the region, strengthening relationships, improving Member understanding of WMCA activity, and supporting effective two-way communication with local authorities. Collectively, this work has strengthened transparency, accountability and confidence in the WMCA's governance arrangements.
- In 2025/26, the WMCA strengthened its assurance and organisational resilience through the introduction of an enhanced fraud and corporate investigation function, supported by updated frameworks and a refreshed Fraud Risk Assessment. Assurance was further reinforced by an expanded internal audit plan and increased audit advisory activity, alongside enhanced insurance arrangements, including cyber security cover. The year also marked the start of a programme to transform data governance across the WMCA, supporting stronger compliance, security and more informed decision-making.
- In 2025/26, the procurement team awarded approximately £1.22 billion across 442 procurement activities across the WMCA. The team's performance received national recognition, winning both 'Procurement Team of the Year 2025' and the 'Next Generation Award' at the Public Sector Go Awards. Further acknowledgement followed at the 2026 Constellia Customer Summit, where the team secured the 'Driving Value Award'. In preparation for the transition to the Procurement Act (PA23), the team undertook a comprehensive review and overhaul of all procurement processes, communication materials, and templates. This ensured the organisation was fully prepared to implement and embed the requirements of the new Act; this extensive preparation and targeted training ensured the transition was seamless. To further strengthen compliance with PA23 and enhance ongoing contract management and oversight, the team has also invested in and embedded a new contract management function, reinforcing the organisation's ability to deliver value and maintain robust governance throughout the contract lifecycle.

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5. Financial performance

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

Revenue Performance

Table 2 below shows the overall consolidated revenue position for the Authority compared with the budget approved by the Authority Board in March 2025 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 2025/26

£000's	Full Year			Reconciliation to Expenditure and Funding Analysis (note 6)							Total
	Actual	Budget	Variance	Transport Services	Other Services	Invest. Prog.	Mayor's Office	Mayoral Elections	Financing	Local Funding	
Transport Levy	122,936	122,936	0							122,936	122,936
Revenue Grants	372,416	371,104	1,312	138,070	81,964		742				220,776
Adult Education Funding	0	0	0		151,640						151,640
Share of Business Rates	15,000	15,000	0							15,000	15,000
Constituent Membership	4,644	4,644	0							4,644	4,644
Non Constituent Members	390	390	0							390	390
Mayoral Election Funding	0	1,125	(1,125)					0			0
Investment Programme	36,500	36,500	0							36,500	36,500
Investment Income	7,161	4,529	2,632						7,161		7,161
Use of Reserves	0	0	0								0
Total Funding	559,047	556,228	2,819	138,070	233,604	0	742	0	7,161	179,470	559,047
Transport for West Midlands	240,600	257,189	16,589	240,600							240,600
Economic Delivery, Skills & Communities Strategy, Economy and Net Zero	211,417	212,313	896		211,417						211,417
Housing & Regeneration	26,701	28,497	1,796		26,701						26,701
Programme Support	3,026	7,126	4,100		3,026						3,026
Investment Programme	9,723	10,947	1,224		9,723						9,723
Mayor's Office	40,696	38,065	(2,631)			40,696					40,696
Mayoral Election	742	966	224				742				742
Mayoral Election	0	1,125	1,125					0			0
Total Expenditure	532,905	556,228	23,323	240,600	250,867	40,696	742	0	0	0	532,905
Net Expenditure before proposed transfers to reserves	26,142	0	26,142	(102,530)	(17,263)	(40,696)	0	0	7,161	179,470	26,142
Transfers to reserves	(39,838)	0	(39,838)	38,298	1,540						39,838
Net Expenditure after Q3 proposed transfers to reserves	(13,696)	0	(13,696)	(140,828)	(18,803)	(40,696)	0	0	7,161	179,470	(13,696)
Release of reserves funds											
Treasury windfall income	24,000	0	24,000	24,000							24,000
Impact of potential pay award increases	1,540	0	1,540		1,540						1,540
Total after providing for known commitments	11,844	0	11,844	(116,828)	(17,263)	(40,696)	0	0	7,161	179,470	11,844

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

The WMCA achieved gross savings of £51.7m in 2025/26, reflecting a combination of treasury gains, operational underspends and one off financial benefits. A significant proportion of this position relates to £24.0m of treasury management gains, driven by higher investment income and proactive debt management activity, alongside the release of a £1.5m Government grant originally provided to offset National Insurance cost pressures. These have provided some opportunity to make strategic reserves transfers to manage risks.

Operational areas also contributed to the improved position, with Transport delivering £6.1m of savings against budget and Programmes achieving a further £0.8m. Taken together, WMCA ended the year with a £7.0m underspend across its operational activities. However, this favourable position is not indicative of recurring savings; rather, it reflects a set of temporary, non-recurring factors that will not generate ongoing savings in future years.

The underspend is primarily driven by the following factors include:

- Vacancy savings, arising from recruitment delays, which will unwind as posts are filled to support delivery capacity.
- Release of historic provisions following the resolution of long-standing issues, alongside the receipt of backdated rental income, both of which are one-off in nature.
- Treasury management gains, which are inherently volatile and influenced by wider macro-economic conditions.
- Programme slippage, generating short-term savings in insurance, capital financing and transport support costs; these reflect timing differences rather than ongoing reductions. In the case of Metro operations, this has led to £1.6m of savings in year. Within Housing & Regeneration, there is lower spend of £2.2m because delivery of some schemes, whilst contracted in 2025/26, has been rephased to 2026/27. Active Travel is another area where £3.6m of programme expenditure has been rephased into 2026/27.
- Reduced funding needs for Midland Metro Limited (£2.2m), of which £1.0m has been taken forward to mitigate against risks of higher requirements in 2026/27
- Lower concessionary reimbursement costs, driven by temporarily reduced patronage levels, which are expected to normalise over time.

Further detail on the drivers of the outturn position, including quarterly trends and variances, can be found in the detailed quarterly management reports, which provide a comprehensive breakdown of performance throughout the year.

Alongside managing in year pressures, WMCA has continued to apply a proactive reserves strategy to strengthen financial resilience and support future commitments. In line with WMCA Board approval, £39.8m has been transferred to reserves during the year, including:

- £20.0m to support bus franchising and wider reform costs.
- £5.3m to replace BSIP funding for franchising, given the grant's expiry on 31 March 2026.
- £4.0m to support network related costs, to be utilised in the 2026/27 budget setting process.
- £1.5m to offset pay pressures.
- £9.0m to mitigate general transport risks.

As part of standard financial practice, the WMCA undertakes a periodic review of all earmarked reserves to ensure that their continued use remains justified and aligned with current organisational priorities. A review undertaken at the time of budget setting identified £4.9m of previously earmarked balances that are no longer required for their original purposes. In line with the approved Reserves Policy, these funds have been released and transferred to the General Reserve, strengthening the WMCA's overall financial resilience and supporting the ambition set out in the Reserves Strategy to increase the General Reserves. After accounting for these movements, the statutory accounts report an overall surplus of £11.8m, reflecting both the operational outturn and the release of previously earmarked balance.

Total funding for the year is £559.0m, which is £2.8m below budget, mainly due to Revenue Grants being £1.3m lower than planned largely driven by timing changes: £3.4 for Investment Zones where £2.0m revenue funding was switched to capital and a further £1.4m will now be spent in 2026/27, £2.2m within Housing & Regeneration where contracted schemes will draw down funding in 2026/27. A further £1.9m for Employment Support and £1.3m within Adult Skills rephased into 2026/27 due to academic-year delivery cycles. Digital Bootcamps show a £3.0m underspend due to increased funding and capacity-building requirements delaying grant drawdown. These reductions are partly offset by £5.9m of legacy Adult Education funding utilised in-year, along with £2.3m of additional Bus funding that has been prioritised over local funding to meet grant conditions.

Capital Programme Performance

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

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

The WMCA spent £463.2m on capital projects in 2025/26 (see note 26) with the major items of expenditure as detailed in Table 3a below. This represents a delivery of 71% of the capital programme, which is an 11% improvement compared to the previous 2 years where only around 60% of the programme was delivered. Total capital expenditure was £190.3m less than the budget of £653.5m, with variances spread across all programmes including significant movement experienced in the following areas: Transport – External (£99.9m), Transport - WMCA (£54.9m), Strategy, Innovation and Net Zero (£15.0m) and Housing and Regeneration (£15.2m).

In relation to the externally delivered programme, the variances observed are largely due to timing of business case approvals which has resulted in costs being re-profiled into 2026/27 and beyond.

In terms of the WMCA delivered Transport programme, the budget variance primarily relates to Bus projects where the variance is £30.7m less than budget. The variance arises from timing and alignment issues. A planned £10m payment has been delayed due to extended discussions around the grant agreement in relation to the Zero Emission Bus Regional Area (ZEBRA) project. In addition, there is around £7.5m variance on the Cross City Bus arising from updated and more accurate cost information following improved early-stage contractor reporting. This represents a realignment of costs to their correct position. Whilst there has been significant progress made in terms of Metro schemes, the timing of construction works have taken longer than anticipated and works have been rescheduled to reflect the latest expectations, leading to overall variance of £20.7m. Spend is now expected to accelerate over 2026/27 to achieve delivery within project lifecycle.

Within the Housing and Regeneration programme, the budget variance is mainly due to timing. Whilst schemes have been contracted by 31st March 2026, the actual cash flows will take place 2026/27 and beyond.

Table 3a) : Major Items of Capital Spend 2025/26

	£ million
Metro Wednesbury to Brierley Hill Extension	76.8
Rail package 1 and 2	46.7
Metro Birmingham Eastside Extension	30.7
City Centre Regeneration	29.4
Metro Network enhancements	23.2
Sprint Phase 2	19.1
Sustainable Travel projects	14.3
Business Energy Advice Service	13.5
Cycling & Walking	12.5
Bus Station Interchange	11.5
Investment Zones	9.1

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The capital programme spending of £463.2m was financed in the following way:

Table 3b) : Financing of Capital Expenditure 2025/26

	£ million
Government grants	335.1
Borrowing	125.2
Third party	0.6
Local funding	1.4
Reserves	0.9
Total	463.2

Debt Management

The Authority's forecast change in its Capital Financing Requirement (CFR), or underlying need to borrow, for 2025/26 was £130m. No further external borrowing was undertaken in year.

On 3rd October 2025, following consultation with Treasury Management Group (TMG) and approval from Section 73 Chief Finance Officer, the WMCA made early repayments on four historic PWLB loans worth £21.8m. A discount of early repayments was achieved at an average rate of £5.32%. Given advisors and consensus economic forecasts for Bank Rate to settle at a neutral rate of 3.5% - 4.0% in forthcoming years the discount available represented excellent value.

The Authority remains 'under borrowed', meaning that internal cash-backed resources such as balances, reserves, and working capital (predominantly capital grants received in advance) can be deployed to offset external borrowing.

On 31 March 2026, the Authority had principal debt outstanding of £544.06m, well within the authorised limit for external debt of £1,022m. Debt outstanding is made up of the following figures:

£m	As at 1 April 2025	In Year		As at 31 March 2026
		Repaid	Raised	
PWLB	459.97	34.17	0.00	425.80
Barclays	10.00	0.00	0.00	10.00
Former WM County Council	1.34	1.34	0.00	0.00
Phoenix Group	100.00	0.00	0.00	100.0
UKIB	8.70	0.44	0.00	8.26
Total Borrowing	580.01	35.95	0.00	544.06

Rates for medium to long term borrowing were volatile during the year as central banks embarked on loosening monetary policy whilst keeping a watching brief on inflation particularly following changes in US economic policy after the change in administration. The Authority will maintain a low-risk treasury management approach, seeking to maximise low interest loans when the opportunity arises.

Short Term Investments for Treasury Management Purposes

Short term deposits (investments of 365 days or less) increased during the year from £787m (2024/25) to £910m (2025/26). This is made up of the following figures:

2024/25 £m		2025/26 £m
90.75	Bank Deposits	72.75
696.00	Local Authorities / Housing Associations / UK Government Backed Deposits	836.78
786.75	Total	909.53

Cash flow management

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

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

6. Strategy and resource allocation

At the WMCA, we believe that a high-performing organisation, and values driven culture is essential for our people, our partners, our place and to achieve our purpose.

Our People and Culture Strategy explains the why, and describes what high-performance is for us, and how we will develop and embed our values driven culture. This strategy makes sure that we have a common understanding when we think and talk about our personal, team and organisational performance and culture. This strategy guides the development of these priorities for the next 4 years, through to 2030.

We will define the detailed actions needed to deliver out People & Culture Strategy through our rolling annual plans, three-year strategic plan, team and personal objectives. The themes in this strategy represent the cross-cutting and high-level priorities we believe will take us towards a high-performing organisation and values driven culture. This strategy will provide clarity and direction for all WMCA people.

To remain an ambitious, trailblazing Combined Authority, we must shape our organisation to be future-ready, retaining and attracting the region's top talent, as combined authorities across the country increase. It means we will proactively refine our culture, structures, capabilities, capacity and workspaces that include operational and remote places of work as we anticipate future needs. Investing in strategic workforce planning, organisation design and development and creating a working environment - physical and virtual - that people are inspired to join and are proud to be part of.

Being inspirational leaders – We will develop leaders at every level who are inspirational, values-driven, and accountable. This includes leading the organisation and region strategically, leading others with empathy and clarity, and leading ourselves with self-awareness and resilience.

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Being ourselves – Our commitment for everyone to be valued, respected, and able to be themselves will embed our values. We will champion equity, diversity, inclusion and belonging (EDI) in all we do – removing barriers, celebrating differences, and ensuring fair access to opportunities for all, irrespective of where the employee role is based.

Being safe and well – We will prioritise the physical, mental, and emotional wellbeing of our people no matter where they work as we deliver our plans by creating a supportive environment where colleagues feel physically and psychologically safe, providing resources and support for wellbeing to promote a healthy work-life balance; working to remove barriers for disabled colleagues, ensuring wider inclusion for all so everyone can participate fully in work, by providing necessary adjustments to make our working environment accessible.

Being high performers – We will support employees to grow their skills, work hard to remove bureaucracy and barriers to delivery, help employees to influence stakeholders, and advise partners, so we can take ownership and thrive with new challenges. We will also work hard to build flexibility in our approach to reward, to recognise and retain high performing colleagues.

Revenue Budget 2026/2027

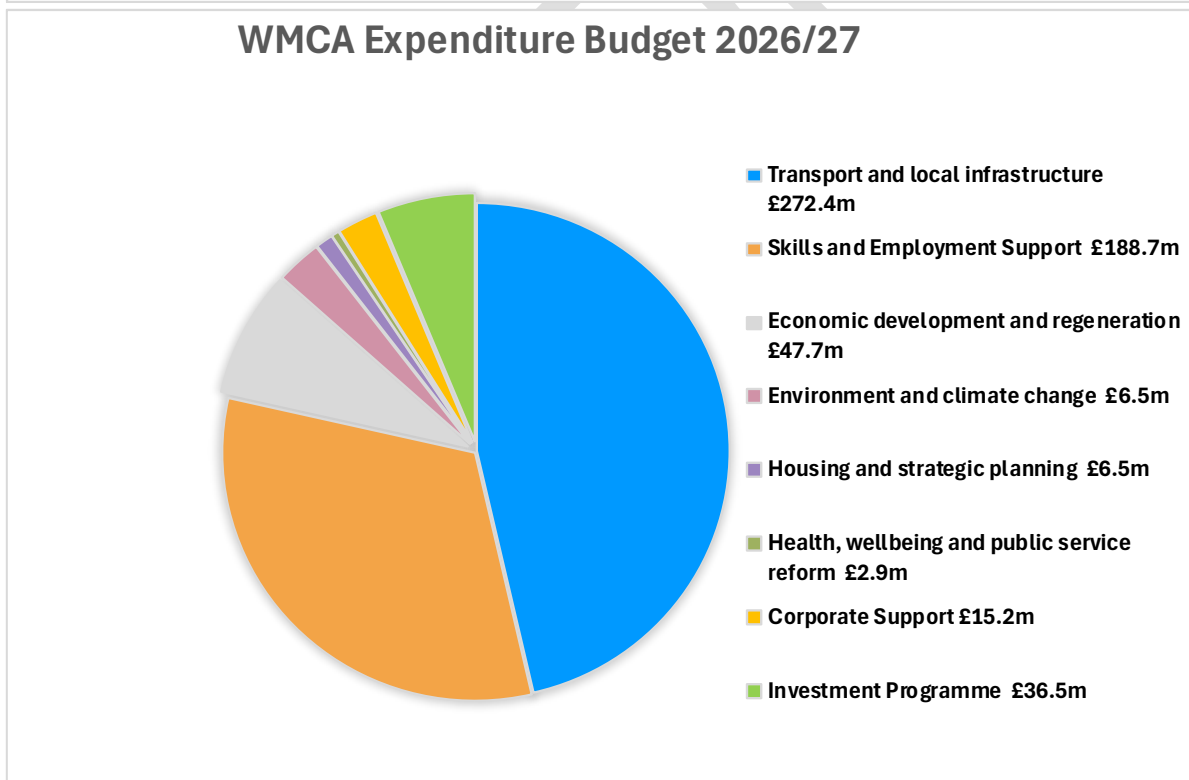
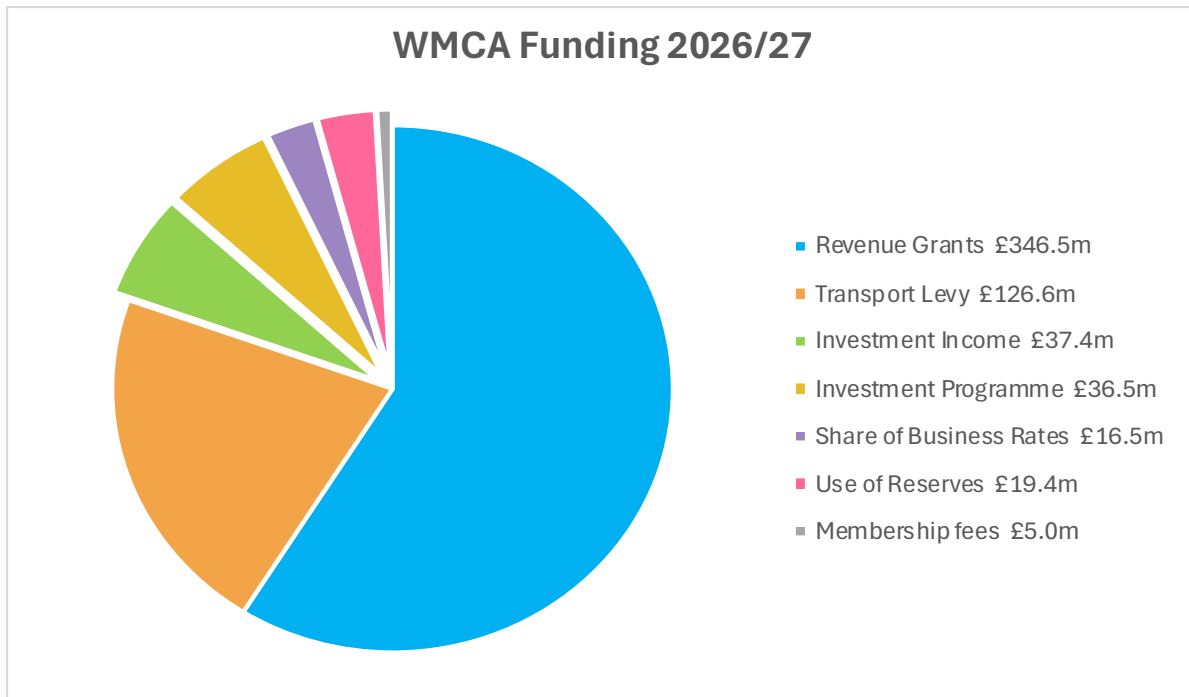
The consolidated revenue budget as reported to the WMCA Board in February 2026 was £588.0m. The chart below shows how this income is sourced and where it gets allocated for expenditure.

The 2026/27 transport expenditure is funded by £126.6m of Transport Levy which is received from constituent members along with £92.9m of transport specific revenue grants and £19.4m use of reserves.

WMCA's Programme Delivery areas, including Employment Skills Health & Communities, Strategy Economy and Net Zero, and Housing Property & Regeneration Programmes are largely funded by grant (£252.7m) with the remainder funded by local funding (£25.2m).

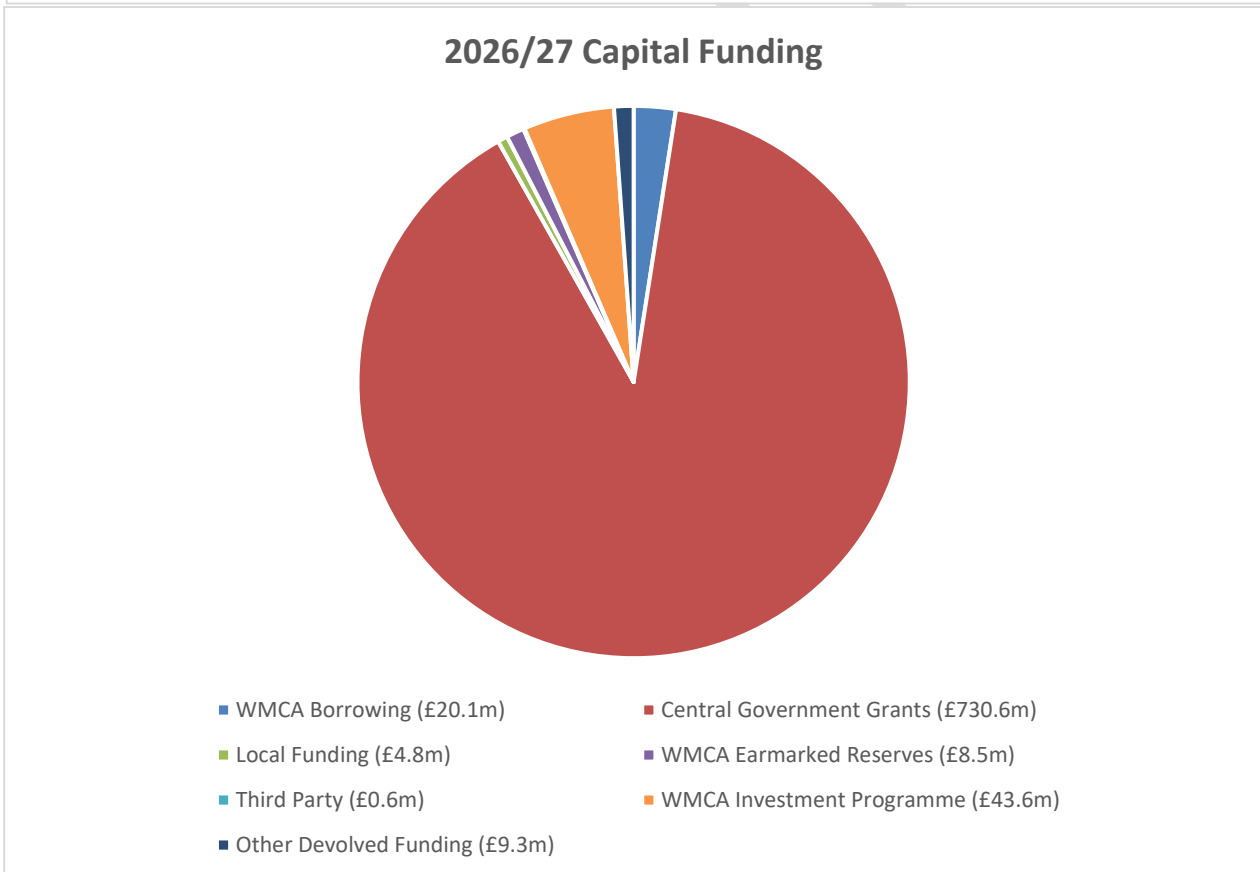
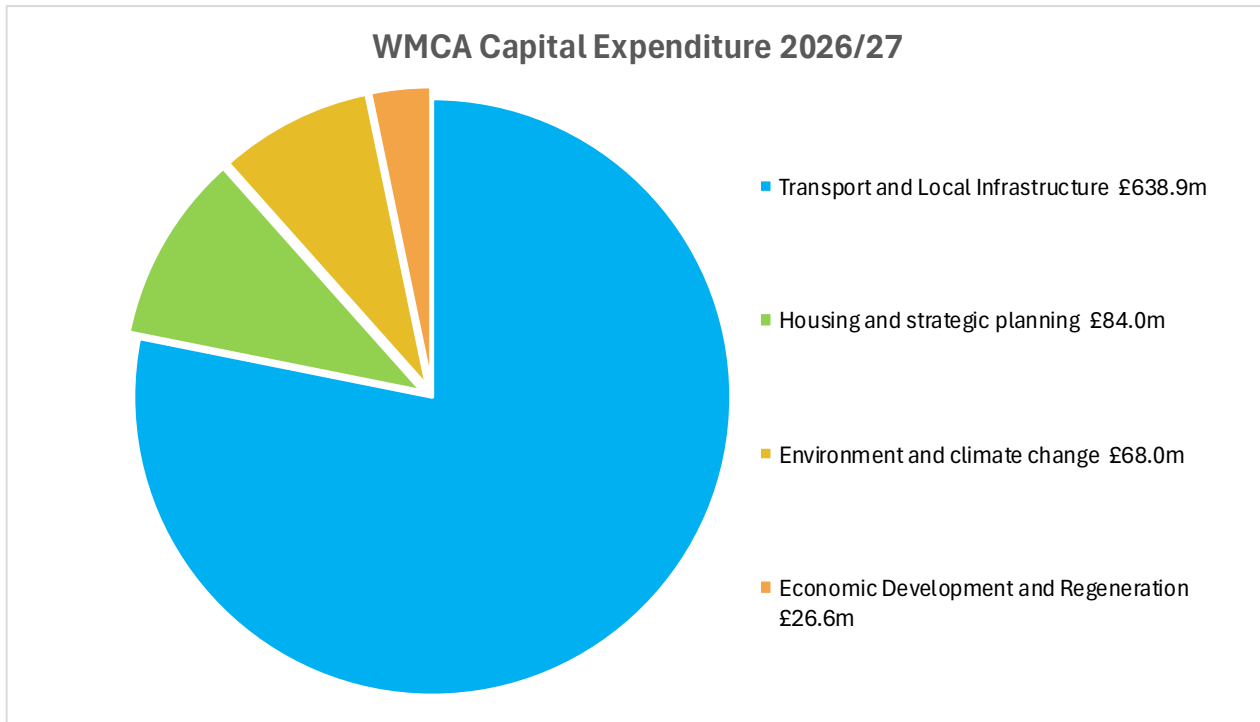
The Investment Programme and Mayor's Office budgets are in line with prior years. A gainshare grant of £36.5m will be used to deliver the capital projects within the Investment Programme, whilst a £0.9m Mayoral Capacity Funding grant supports the operation of the Mayoral Office.

Financial Position
2026/27 Revenue Budget Analysis



Capital Programme Analysis 2026/2027

The West Midlands Combined Authority’s capital programme is summarised below, highlighting planned capital investment of £817.5m for 2026/27. The figures are indicative and have been refined during the 2026/27 capital budgeting process. The final 2026/27 capital budget will be presented to WMCA Board in July 2026, following confirmation of the 2025/26 outturn position. The programme is predominantly grant funded.



Medium-Term Financial Plan (MTFP)

The WMCA received its second round of Integrated Settlement allocation from the Government, totalling £2.7bn across the financial years 2026/27 to 2029/30 (£840.9m of revenue funding to 2028/29 and £1.8bn of capital funding to 2029/30), with associated outcomes to be delivered. The Settlement provides advance strategic priorities to deliver impactful change in the region and provides opportunities for some flexibilities in the application of funding.

The multi-year Integrated Settlement has afforded the WMCA the opportunity to enter a new phase of financial planning. The Integrated Settlement provided the Authority with a level of certainty of funding that had not previously been available. With this certainty of funding in place, the WMCA moved from the traditional annual budgeting cycle and adopted a more strategic, three-year approach. This allowed board to approve the budget for 2026/27 and consider the indicative budgets put forward for the further two financial years, 2027/28 and 2028/29.

This revised method was transformative in nature as it aligned financial planning directly with the WMCA's three-year strategic outcomes and Mayoral priorities, with budgets being built in detail from the bottom up, starting with activities necessary to deliver agreed outcomes. This ensured that resources were allocated based on evidence of need, operational capacity, and the long-term ambitions of the region. The result was a more coherent, outcome-driven financial framework that strengthened the link between finance decisions and the tangible benefits expected for residents and businesses across the West Midlands.

As the budgets have been built from the lowest level, they take account of, but are not limited to, the following key risks and sensitivities:

- Demographic growth and demand pressures, specifically where transport payments and services are directly affected by patronage demands.
- Costs of funding local transport policy choices.
- Costs of maintaining the bus network and impact of bus reform.
- Inflationary rises including impact of energy uplifts, pay awards, and contractual requirements.
- Income in the form of Transport Levy and Member fees
- Business Rates Retention Scheme and the achievement of growth targets.
- Grant funding, particularly in relation to those outside of the Integrated Settlement

The current financial plans (indicative budgets) assume 3% per annum increased requirement from WMCA's Constituent Authorities in terms of the Transport for West Midlands Levy (following an increase of 3% in 2026/27) and cash flat contributions to the Authority's wider services budget. Whilst this currently represents the planning assumption, it is acknowledged that this creates a potential financial risk, specifically regarding inflationary increases, pay and legislative changes and demand in terms of patronage. The impact of these risks is kept under continuous review and discussion with WMCA's Constituent Authorities.

Assumptions have been made around pay and price rises and the Consumer Prices Index, along with changes in patronage and fares. Any variation on this for 2026/27 will need to be managed within the available resources over the planning period.

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

The February 2026 report to the WMCA Board on the consolidated WMCA budgets reflected a significant improvement in the Authority's medium-term financial outlook. Earlier forecasts had projected substantial deficits across the planning period in excess of £100m per annum, driven by inflationary pressures, transport operating costs, and uncertainty around government funding. The confirmation of the Integrated Settlement and the use of some flexibilities under the grant conditions, application of grant funding which saved on local resources, combined with changing planning assumptions (e.g. pension contributions based on actuarial valuation outcomes and prudent

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assumptions on investment gains), along with a focus on leanness in the budget build, reduced these gaps considerably. In addition, some specific Transport related actions were taken to balance the budget as listed below:

- Exercising flexibilities under Integrated settlement to transfer 10% of the annual CRSTS1 allocation and the Transport for City Regions (TCR) capital allocations to revenue.
- Funding Metro lifecycle costs from CRSTS/TCR to remove the pressure on the locally funded budget and providing a sustainable stream for funding this vital maintenance work.
- Utilising Consolidated Bus Grant to support the bus network
- 3% annual increase in the Transport Levy.
- Fare adjustments for the Metro service across the medium term

Table 4: Medium Term Financial Plan to 2028/29

	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Transport Levy	122.9	126.6	130.4	134.3
Revenue Grants	340.7	346.5	351.7	339.2
Share of Business Rates	15.0	16.5	18.0	19.5
Constituent Membership	4.6	4.6	4.6	4.6
Non Constituent Members	0.4	0.4	0.4	0.4
Investment Programme (Gain share)	36.5	36.5	36.5	36.5
Investment Income	18.8	37.4	38.3	39.0
Bus Franchising Commercial Income	0.0	0.0	0.0	15.1
Use of Reserves	1.2	19.4	18.7	0.0
Total Funding	540.3	588.0	598.7	588.7
Transport for West Midlands	257.3	272.4	328.8	324.0
Strategy, Economy and Net Zero	21.8	35.9	29.4	20.7
Economic Delivery, Skills and Communities	204.9	220.6	216.0	210.5
Housing and Regeneration	3.0	6.5	6.1	10.5
Corporate Support Recharges to Programmes	14.5	15.2	14.7	14.6
Investment Programme	36.5	36.5	36.5	36.5
Mayoral Office	1.0	0.9	0.9	0.9
Mayoral Election	1.1	0.0	0.0	0.0
Total Expenditure	540.3	588.0	632.4	617.8
Net Expenditure	0.0	0.0	33.7	29.1

As can be seen from the figures above, a balanced budget for 2026/27 was approved by the WMCA Board on 13 February 2026. However, a funding gap remains for future years, with an estimated shortfall of £33.7m in 2027/28, reducing slightly to £29.1m in 2028/29.

Work will now continue with the Mayor and Local Authority Leaders to identify sustainable measures to address these medium term funding gaps, with momentum expected to build over the summer period. The indicative budgets for 2027/28 and 2028/29 will form the foundation for a more detailed and robust rebasing of the Medium-Term Financial Plan (MTFP) through to 2031/32. This process will incorporate the latest outturn position, updated income forecasts, and the anticipated impact of wider macro-economic factors.

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

- **English Devolution Bill** may potentially deliver new opportunities to generate additional income for the WMCA utilising financial levers. It will also bring proposed changes to responsibilities of the Combined Authority to include Fire and Police in future years. There will need to be organisational change to prepare for this expansion in responsibilities along with new burdens funding associated with taking on new duties. Local government reorganisation proposals may eventually impact on the non-Constituent member fees and therefore this will be kept under review.

- **Bus Franchising** - The Mayor's decision to progress with franchising will be instrumental in the future in managing the pressure and risks within the bus network, but it is important to note that it will not provide a medium-term financial solution for the transport gap. The cash flows associated with this decision have been built into the indicative budgets shown above but will be refined as plans are developed and better information becomes available.
- **Inflation rates** – The UK Consumer Prices Index (CPI) annual inflation rate for the 2025/26 financial year is trending around 3% to 3.4%, with the CPI inflation rate recorded at 3.3% in the 12 months to March 2026. The Office for Budget Responsibility's March 2026 Economic and Fiscal Outlook provides the most up-to-date assessment of inflation. The OBR now forecasts CPI inflation to average around 2.3% in 2026, reflecting an easing of price pressures compared with recent years. This downward revision from earlier projections is driven largely by lower energy and food prices and a softer economic outlook. However, the OBR notes that global geopolitical risks, particularly those affecting energy markets, continue to pose potential upward pressures on inflation. Inflation risks will be kept under review.
- **Current Economic Climate** – The UK economy is experiencing modest, uneven growth, with national performance constrained by weak investment, persistent skills shortages, and regional productivity gaps. The WMCA area shows a mixed picture: recent assessments highlight rising incomes and growing high-value sectors such as advanced manufacturing, digital industries, and scientific and pharmaceutical work, supported by strong university-led R&D capacity. However, the region continues to lag behind the UK average in productivity, reflecting structural challenges including skills deficits, infrastructure weaknesses, and fragmented supply chains. Despite output growth and improved digital connectivity, the region still contends with slow job growth, high worklessness in some districts, and uneven employment outcomes. The factors underscore the need for further investment in skills, transport, innovation, and inclusive growth to close long standing regional disparities.
- **Reset of the Business Rates** - As part of the Deeper Devolution Deal, it has been confirmed that the West Midlands business rates retention pilot will continue in its existing form for the next 10 years, where the region retains 100% of the business rates it collects. However, the amount of business rates income available is impacted by the next nationwide business rates revaluation in England and Wales which will take effect on 1 April 2026. As part of the Final Local Government Settlement, the Government has confirmed that the WMCA will receive baseline funding of £15m per annum to support the transition to the new business rates baseline and provide stability during the reset period. Any growth assumed in the financial plans above this baseline, is subject to risk. In the case of 2026/27, the growth required is £1.5m.
- **Capital Financing Costs** – MRP charges have are levied in full in accordance with WMCA Board approved policy. Future changes in Capital Financing requirements and timings will impact the MRP charge incurred in each financial year.
- **Mayor's budget and precept** – All Metropolitan Mayors have powers to raise a Mayoral Precept, effectively an incremental charge on top of existing Council Tax bills. The current MTFP makes no assumptions around income from a Mayoral precept.
- **WMCA's Investment Programme** – The Investment Programme aims to deliver an ambitious programme of infrastructure and other measures that are aimed at driving inclusive economic growth in the West Midlands region. Funding for the programme to date is predominantly through the Gainshare Grant, with other options for raising the required funding under continual review. The Deeper Devolution Deal has provided some additional resources for the Investment Programme.
- **Borrowing Powers** – The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. The WMCA also has agreed Capital Financing Limits

(CFL) with His Majesty's Treasury (HMT). For financial years 2026/27 to 2028/29 these are £1.968bn, £2.536bn, and £3.015bn respectively. WMCA are in dialogue with HMT and MHCLG about alternative proposals to the current 'CFL / debt cap' process which should mean WMCA and MHCLG enter into more regular discussions around borrowing requirements and projections. This is considered to be a positive step, and further updates will be provided in subsequent reports on the WMCA Treasury function during 2026/27.

- **Business Rates Supplement** – WMCA has the same legal powers as Local Authorities to raise a business rate supplement, subject to it gaining consent from businesses affected by the charge. Recognising the regional impacts such a charge may have on local businesses, the prospect to implement a Business Rates Supplement was placed on hold by WMCA Board in July 2019.
- **Midland Metro Limited** – MML is expected to generate profits in the longer term, which will be channelled back into the network for the benefit of passengers and the local economy. The service is being impacted by high operational costs, but the required support from the WMCA has been gradually declining year on year. There is continued monitoring of the risks around this and the ability of MML to generate the required revenues in order to secure borrowing for future investment in the network.
- **Commercial & Residential Investment Funds** – WMCA's Investment Funds support the acceleration of commercial/residential property developments within the West Midlands area where traditional lending is not readily available. These are revolving loan funds that aim to underpin the region's long-term growth and stability and are open to developers seeking finance of £1m to £20m. The fund commits repayable loan capital to eligible commercial, light industrial, and residential regeneration opportunities at commercial rates of interest. The maximum value of commitments WMCA will allow against the total fund is £300m, as approved by the WMCA Board in January 2025. WMCA is obliged under the Accounting Standards to make a suitable financial provision for credit losses which, in the event of a default, would be used to negate the in-year impact of the event.
- **General Fund balances** – The WMCA Reserves Policy presented to the Board on 13 February 2026 established a clear, formal framework for managing the WMCA's reserves. It defined how General and Earmarked Reserves should be set, maintained, and used, set target reserve levels, aligned reserve decisions with financial planning and risk management; and ensured transparency and compliance with national financial guidance. The forecast position for General Reserves in 2026/27 is £21.3m, representing 3.6% of net revenue expenditure. Maintaining an adequate level of General Reserves is a critical safeguard against financial risk and unforeseen events. Whilst the appropriate level of general fund reserves is a matter for judgement by the Chief Finance Officer (Section 73 Officer) it is generally accepted for general fund reserves to be between 3% and 5% of net expenditure. The ambition is to increase General Reserves to around 3% of expenditure. Looking ahead, it is anticipated that WMCA will continue to expand and assume new responsibilities under further devolution. Accordingly in alignment with the reserves policy, it is proposed that WMCA will take advantage of strategic opportunities throughout the medium term to strengthen General Reserves over the MTFP period.

7. Risks and opportunities

Risks

Building on the Executive Board's (EXB) decision to move the WMCA towards an Enterprise Risk Management (ERM) model, work has proceeded to build processes necessary to make this approach work effectively. Embedding ERM will improve visibility of risk across the WMCA, clarify ownership and accountability, strengthen governance and assurance, and support proportionate, risk-informed decision-making.

NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

As organisational transformation continues, ERM arrangements will continue to mature and evolve. Some of the key activities being undertaken include:

- The WMCA is implementing a network of Risk Champions across the organisation. These individuals will promote good risk management practice locally, support early identification of emerging risks and act as a link between services and the central risk function.
- The central risk function continues to work with teams across the organisation to support the identification, monitoring and escalation of risks, providing advice, coordination and constructive challenge to strengthen maturity and consistency of approach.
- As part of transformation activity, explicit consideration is being given to how ERM responsibilities are reflected within emerging Strategy and Portfolio Management arrangements, particularly in relation to prioritisation, interdependencies and organisational capacity risks.
- New Management Groups have been established to support the Executive Board. These groups bring together senior leaders to oversee defined areas of work, resolve issues and ensure strong alignment between strategy and delivery. In line with their remits, they will play an important role in reviewing relevant risks and strategic concerns, providing assurance and informing escalation to the Executive Board where appropriate.

The EXB have also agreed to replace the previous strategic risk register with a corporate risk register, that will focus on risks that could directly impact delivery or operational activity, and which can be managed through standard risk management practices. In addition, the EXB will regularly review Strategic Concerns — matters which may not fit into traditional risk criteria but which still require attention. Both documents are subject to regular quarterly review by the EXB and the ARAC and can be accessed on the WMCA website.

When the corporate risk register was last reviewed by the EXB and ARAC (in February / April 2026), there were twelve strategic risks rated high. A brief explanation of each risk is provided below.

Information technology resilience	Failure of digital infrastructure to support business continuity in the case of a disruption affecting business performance.
Cybersecurity	<p>Cybersecurity breach by a third-part or internal failure could lead to unauthorised data disclosure, financial or data manipulation, critically affecting WMCA operations.</p> <p>Cyberattacks can have disastrous effects: in 2020 Redcar Council was subject of a denial of service attack costing them more than £10m, with a recovery operation that took months. The Sept 24 attack on TfL is quoted to have cost them in the region of £30m. Such attacks could breach confidentiality, integrity, or availability of critical data (CIA) leading to: reputational damage; complete / partial halt of operations; legal / regulatory consequences from data protection breaches.</p>
Information Management Governance	The lack of a co-ordinated and strategic approach to data management and information governance, resulting in fragmented data management practices, unclear compliance responsibilities, and insufficient oversight of data processing activities. A failure in information governance could result in unauthorised access, loss, or misuse of sensitive information, leading to regulatory non-compliance, financial penalties, and reputational damage. It may also undermine decision-making due to poor data quality, reduce public and partner confidence, and expose WMCA to legal challenges.

NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

<p>Insufficient senior leadership capacity and resilience during change</p>	<p>The capacity and resilience of senior leadership may not be sufficient to maintain clarity of leadership and direction during a critical period of change within the WMCA. Decision-making, prioritisation, and strategic co-ordination could suffer, leading to delays in the delivery of the Transformation Programme. A lack of strategic alignment, reduced organisational focus and delays in key programme milestones could compromise the pace and effectiveness of transformation, weaken stakeholder confidence and hinder the WMCA's ability to lead across the region.</p>
<p>Unable to deliver a balanced Medium Term Financial Plan</p>	<p>Although CSR 25 supports a steady state for the coming year, its full effect across all departmental budgets – and how that might in turn impact the WMCA – is not known. With much of our budget still coming through funding streams outside of Integrated Settlement, we remain susceptible to wider Government pressures and decision making.</p>
<p>Failure to deliver outcomes of WMCA</p>	<p>The absence of PMO for the business results in the inability to plan, deliver and operate across a multi-billion-pound regional portfolio. This will result in the inability to manage budget, resources, planning, outcomes and manage risks effectively. The absence of PMO for the business results in the inability to plan, deliver and operate across a multi-billion-pound regional portfolio.</p>
<p>Delivering transformation</p>	<p>Fails to maximise best use of increasing resources; investments in infrastructure, people and processes are not managed to reduce contradiction and duplication of effort, minimise delivery gaps, or exploit new business models As the WMCA grows it does not prioritise effectively and improve efficiency and productivity and is no better placed to achieve the Transformation Programme and be impactful and collaborative.</p>
<p>WMCA services fail adapt to climate change</p>	<p>Climate change is bringing more frequent severe and extreme weather - warmer, wetter winters and hotter, drier summers than we are used to. The West Midlands is not designed for these conditions. Failure to adapt to these new conditions could result in us not achieving our regional goals and not delivering our work programmes.</p>
<p>Misalignment between strategy and activity</p>	<p>Resourcing and capacity challenges; either internal or external with Local Authority delivery partners. This could lead to a misalignment between our ambition, our resources, meaning we fail to deliver on our commitments.</p>
<p>TfWM Capital Delivery</p>	<p>Failure to deliver capital activity on time and in budget across the transport portfolio (regional) and an increase in requirements to deliver in parallel across the region in the remaining timeframe.</p>
<p>Employment and Skills Platform Integrity</p>	<p>The employment and skills platform helps us process provider data returns, which underpins reporting, payments, performance management, and contracting. A failure or compromise in system integrity could result in, and in some cases has resulted in:</p> <ul style="list-style-type: none"> • Incorrect payments; • Misreporting of performance; • Contractual breaches; Operational disruption; and other issues

<p>Bus Reform: Complexity of Concurrent Organisational Transformation</p>	<p>Bus Reform requires significant organisational change and is being delivered concurrently alongside wider organisational change and an expansion of WMCA statutory responsibilities. There is a risk that the change requirements for Bus Reform could be overshadowed by competing priorities or become misaligned with the requirements and timescales for wider change. Limitations to organisational capability, capacity and preparedness could undermine the WMCA’s ability to manage the future network effectively and realise the benefits of franchising for the region, damaging public confidence and trust, and limiting the impact of franchising to address wider strategic objectives.</p>
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Opportunities

Deeper Devolution Deal - A landmark deal for the West Midlands

Announced by the Government in its March 2023 Spring Budget, the WMCA has secured new and significant longer-term funding agreements under the Deeper Devolution Deal.

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

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

Integrated Settlement

The Integrated Settlement, a cornerstone of the WMCA’s trailblazer deeper devolution deal announced during the 2023 Spring Budget, represents a fundamental shift in the region’s funding mechanism from central government. Further details can be found on page 4.

The first Integrated Settlement began in April 2025 and ran to 31 March 2026. From April 2026, the WMCA will receive its first multi-year Integrated Settlement, a huge four-year funding package that is the latest step in an unprecedented shift in power, money and responsibility from Westminster to the West Midlands.

Bus Franchising - The WMCA Board in May 2025 marked a momentous occasion for public transport in the West Midlands. The decision to move to bus franchising was one of the most significant changes the region has seen in over 40 years. This decision is a catalyst for developing the future structure of our transport operations. It will enable WMCA to deliver integrated transport by aligning funding, timetables, and fares at a multimodal level. This will, in turn, enhance the customer experience and deliver on core outcomes set out in our local transport plan. Our target is to have the first franchise lots operating in November 2027 — a date we must meet. As an organisation, this is our most definitive deadline since the start of the 2022 Commonwealth Games. This is set to be an exciting journey, one that will deliver real and lasting change for the people of the region.

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

NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

The Spending Review 2025 has confirmed funding to provide Transport for City Regions (TCR) settlement to the WMCA. This funding is in addition to the CRSTS funding and is a multi-year, consolidated settlement to enhance the local transport networks including investment in public and sustainable transport infrastructure.

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

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

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

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

The second largest subsidiary, WM5G Limited, came into operation in 2019/20 in order to channel the investment from the European Regional Development Fund (ERDF) and from central government through the Department for Digital, Culture, Media & Sport (DCMS) into the development of new 5G technology at its testbed in the West Midlands. Now WM5G's focus is on helping businesses, public bodies and health organisations realise significant benefits from new technology. As WM5G's main income stream is from the WMCA, it is not consolidated in the Group accounts.

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

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

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

8. Midland Metro Limited

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

NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

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

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

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

MML made a loss for the year before subsidy funding from WMCA of £6.9m, which represents a favourable position compared with a budget of £8.9m. Further funding from WMCA totalled £6.9m, with externally generated income at £21.0m mainly comprising Passenger Revenues.

9. Basis of preparation

The Authority's Statement of Accounts have been prepared under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) and are for the full year from 1 April 2025 to 31 March 2026.

The Group Accounts comprise of:

- i) The Authority.
- ii) Midland Metro 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.

Cash Flow Statement

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

NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

10. Directors and Senior Officers

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

<u>Directors/Senior Officers</u>	<u>Title</u>	<u>Appointment/Resignation</u>
Laura Shoaf	Chief Executive	Resigned – 17 June 2025
Ed Cox	Chief Executive	Appointed – 18 June 2025
Ed Cox	Executive Director of Strategy, Integration and Net Zero (Deputy Chief Executive)	Resigned – 17 June 2025
Anne Shaw	Executive Director, Transport for West Midlands	Resigned – 21 November 2025
Sandeep Shingadia	Interim Executive Director, Transport for West Midlands	Appointed – 14 November 2025
Linda Horne	Executive Director of Finance & Business Hub	Resigned – 31 July 2025
Claire Nye	Chief Finance Officer	Appointed – 18 July 2025
Helene Dearne OBE	Interim Executive Director of Policy & Strategy	
Professor Stuart Somerville	Interim Executive Director of Corporate Services	Appointed – 2 March 2026
Mike Waters	Chief Technology and Insight Officer	Appointed – 1 April 2026
Helen Edwards	Chief Legal & Governance Officer	Resigned – 30 April 2026
Siobhan Bassford	Chief Communications and External Affairs Officer	Resigned – 30 April 2026
Sarah Lal	Chief People and Culture Officer	
Ian Martin	Director of Commercial and Investment	

Ed Cox was appointed as the interim Chief Executive in June 2025 following the resignation of Laura Shoaf, and subsequently appointed as the permanent Chief Executive in February 2026.

Kieran Stockley was appointed as the interim Chief Legal & Governance Officer in May 2026 following the retirement of Helen Edwards in April 2026.

Claire Nye was appointed as the interim Chief Finance Office in July 2025 and subsequently appointed as the permanent Chief Finance Officer in June 2026.

During 2025/26, there was a re-organisation of the Chief Executive team with the creation of new roles, additional direct reports and some changes in job titles, which are also reflected in the list of directors and senior officers on page 100.

11. Auditors

Grant Thornton (UK) LLP are the auditors of the Authority for 2025/26. Their appointment was made by the Public Sector Audit Appointments (PSAA) under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015.

On behalf of the West Midlands Combined Authority Board

Ed Cox
Chief Executive
Date:

UNAUDITED

STATEMENT OF RESPONSIBILITIES

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. In this Authority, that officer is the Chief Finance Officer.

(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 Chief Finance Officer's Responsibilities

The Chief 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 Chief 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 Chief 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 2026.

Claire Nye
Chief Finance Officer
Date: 29 June 2026

4. Approval of the Accounts

I certify that the audited Statement of Accounts covering the period 1 April 2025 to 31 March 2026 were approved by a resolution of the Audit, Risk and Assurance Committee on DD MM 2026.

Cecilie Booth
Chair of the Audit, Risk and Assurance Committee
Date:

Scope of WMCA's Responsibility

The West Midlands Combined Authority (WMCA) is responsible for ensuring that its functions are carried out in accordance with the law, proper standards, and the principles of good governance.

As a democratically accountable, politically led organisation made up of seven constituent councils, eleven non-constituent authorities, observer organisations and a co-opted member, the WMCA must ensure that public money is safeguarded, properly accounted for, and used effectively.

This Annual Governance Statement reflects the activities of the Authority for the year ending 31 March 2026 and up to the date of approval of the Statement of Accounts, setting out how the WMCA manages risk, maintains robust internal controls, and delivers transparent, efficient, and accountable decision-making across the region.

The West Midlands Combined Authority (WMCA) is an ambitious and evolving organisation with a clear commitment to delivering inclusive growth and improving outcomes for the region's 3 million residents and was established on 17th June 2016 by the West Midlands Combined Authority Order.

The Mayor of the West Midlands holds the position of Chair of the WMCA, having been elected on 4th May 2024 for a four-year term, and will remain in office until May 2028.

The Authority's Constituent member authorities consist of the seven district councils across the region:

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

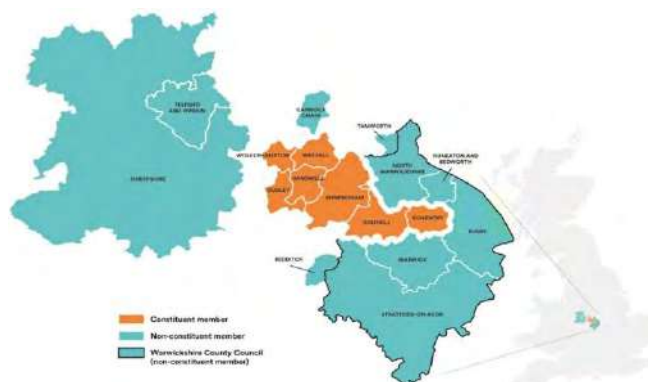
The non-Constituent members of the Authority are:

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

The Observer and co-opted members are:

- West Midlands Fire and Rescue Authority
- West Midlands Police and Crime Commissioner
- Trade Union Congress (TUC)

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



ANNUAL GOVERNANCE STATEMENT

The Authority currently has 8 Arm's Length Companies as well as 3 Joint Ventures, namely;

No.	Company/Project 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	7.7%	Investment
e.	WM5G Limited	100%	Subsidiary
f.	Midlands Development Capital Limited (dormant co.)	100%	Subsidiary
g.	Network West Midlands Limited (dormant co.)	100%	Subsidiary
h.	WMCA JV Limited	100%	Subsidiary
i.	Black Country Innovative Manufacturing Organisation (BCIMO) **	50%	Investment
j.	Urban Transport Group Limited ***		
k.	HTO1 LLP	50%	Joint venture
	HTO2 LLP****	44%	Joint venture
l.	Friar Park*****		

*50% ownership in the Company is by virtue of seven of the fourteen partnership authorities of the Company being metropolitan districts that make up the Combined Authority.

** BCIMO as of 9th July 2025 BCIMO is in Administration. As of 3rd February 2026, the current Administration report identifies that the Administration will end by 30th June 2026 with the resolution that the Administration will end in Dissolution, which will result in WMCA no longer being part owner of the Company. WMCA's liability in this respect is limited to £1.

***This company has been included in the table because whilst the WMCA has no ownership of the Company itself, a WMCA Officer is a Director on the Board.

****through ownership with HTO1 LLP

***** The Authority entered into a joint venture agreement with Sandwell Metropolitan Borough Council in 2019 for the development of land at Friar Park. The sale proceeds will be distributed in accordance with the methodology set out in the agreement.

For each of the arm's length companies where the Authority owns a 50% or greater share of the Authority, an assurance and governance review is regularly completed to confirm all legal and financial controls have been satisfied.

Although the stake in the West Midlands Growth Company is small, WMCA together with other contracting authorities exercises joint control over the company and therefore ensures legal and financial controls are satisfied.

WMCA Peer Review

During 2025/26, the WCMA put itself forward for its first Local Government Association Corporate Peer Challenge. This came at a pivotal moment for the CA in terms of future development and provided an opportunity to reflect on the journey so far and receive some constructive insight into shaping the next phase in order to help the authority meet its organisational objectives and make a difference to the lives of people in the West Midlands region.

Over a period of 4 days, a team of experienced peers including elected Councillors and Senior officers examined five core areas – strategic priorities and local outcome, financial planning and management, and capacity to transform and improve – providing robust challenge and support to help the WMCA strengthen delivery and maximise the benefits of deeper devolution. The peer team with over 170 staff together with councillors and external stakeholders sought views from more than 40 meetings and gathered evidence to support their findings report. In February 2026 the independent LGA peer challenge published its final report, which can be accessed here: [LGA Corporate Peer Challenge: West Midlands Combined Authority | Local Government Association](#)

Other Major Assurance Reviews

In addition to the Corporate Peer Challenge, the WMCA has been subject to several other major assurance reviews over the past 12 months, including the Rosewell Review, and the Integrated Settlement Readiness Check. To strengthen oversight and ensure a coordinated organisational response, the Authority has centralised the monitoring and assurance of actions arising from these reviews within the Audit function. This has enabled all significant recommendations to be captured within a single system, allowing areas of overlap to be identified and strategic themes for improvement to be drawn out. This approach provides clearer assurance to senior management and Members on the delivery and resolution of improvement actions, reduces duplication, and supports more effective tracking of progress across the organisation. Collectively, this work strengthens the WMCA's governance arrangements by improving visibility, accountability and assurance over how external challenge and review findings are addressed.

Purpose of the Governance Framework

WMCA has established formal governance structures that provide clarity on decision-making responsibilities and delegated authority. The constitution is clear and supported by a single assurance framework, which acts as a reference point for the organisation and reflects the principles of good governance and Best Value. These arrangements are complemented by robust financial oversight: external audit reports have consistently provided clean opinions on financial statements, and internal audit processes are well established, offering assurance on compliance and risk management.

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

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

In discharging this overall responsibility, the Executive Board 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.

The Executive Board, alongside the Statutory Officers Group, provides the central strategic oversight and governance for the organisation. Sitting beneath that, there are three new Officer Groups that replace the previous panel arrangements and are intended to provide a more focused, structured and coherent route for discussion, challenge and decision shaping across the different parts of the organisation's business.

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Taken together, these groups create a clearer governance architecture and more disciplined routes for matters to be considered before they reach the Executive Board and, where relevant, WMCA Board.

Alongside the new group structure, the WMCA has also introduced a 12-week plan, which is an important part of the overall governance picture. It has created better forward visibility, stronger alignment and improved oversight of papers coming forward to the WMCA Board.

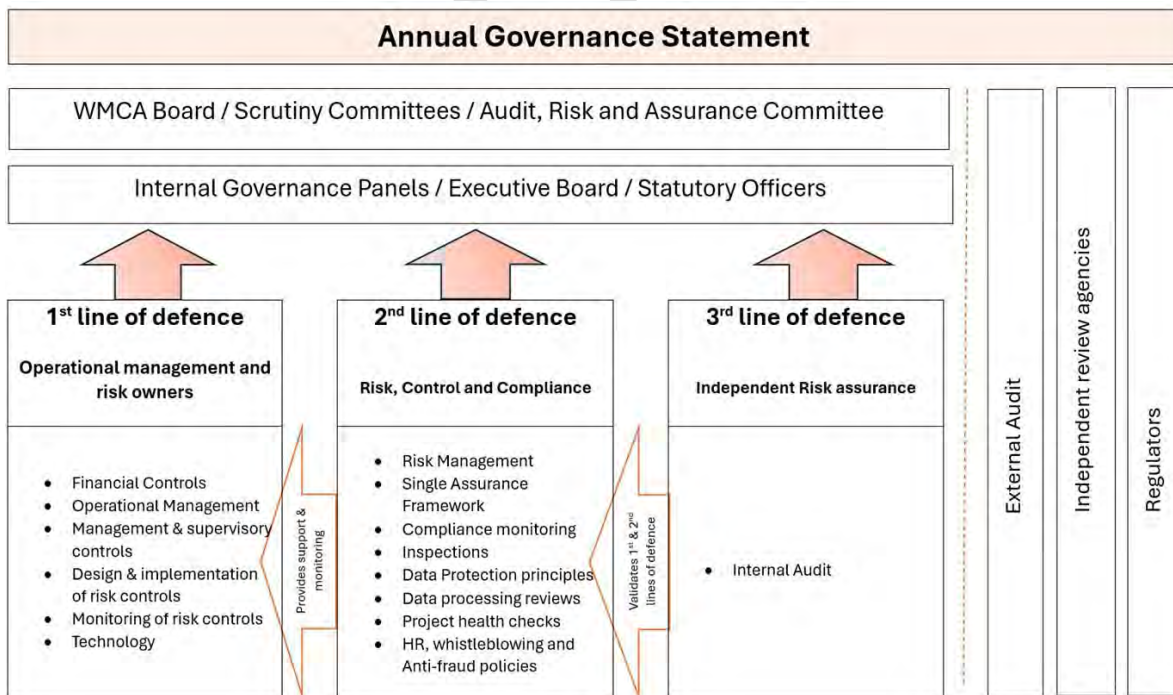
The Authority also has a system of internal control designed to manage risk to a reasonable level. It cannot, however, eliminate all risk of failure to achieve the aims and objectives and can therefore only provide reasonable and not absolute assurance of its effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives; evaluating the likelihood of those risks being realised, the impact should they be realised, and managing them efficiently, effectively and economically. To that end, the Authority has developed and embedded a Strategic Risk Management Framework, raising awareness of its structure and the tools available for WMCA staff to ensure consistency in how risks are identified, managed, monitored and escalated.

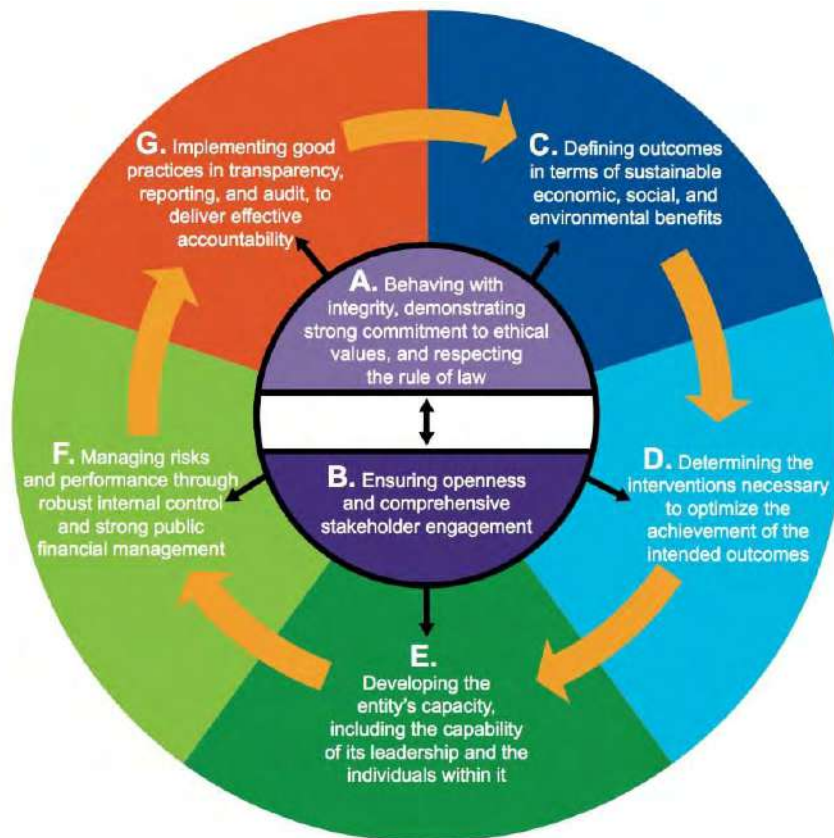
Alongside this activity, the authority continues to focus on providing visibility of risk at a strategic level. A corporate risk register is in place, is updated quarterly, and is reported and reviewed regularly by Executive Board and the Audit, Risk and Assurance Committee (ARAC).

The quality of governance arrangements is of paramount importance to enable the WMCA to make decisions with high-quality information, and with a good understanding of risk. These arrangements enable 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 across the region.

Governance, Risk and Control Framework



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



The Authority demonstrates compliance with the seven core principles of good governance as set out in the 2016 CIPFA /SOLACE Delivering Good Governance in Local Government Framework, as demonstrated in this diagram, and detailed on the following pages.

Principle A
Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- ❖ A 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 all officers and contractors working on behalf of the Authority.
- ❖ As stated in the Officer Code of Conduct, the public is entitled to expect the highest standard of conduct from all Officers who work for the Authority, including the Statutory Officers. The aim of the code is to lay down guidelines for Officers that will help maintain and improve standards and protect Officers from misunderstanding and criticism. The Code of Conduct incorporates the principles defined by the Nolan Committee's first report on standards in public life.

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- ❖ The duty of the Head of Paid Service is to discharge the functions of the Head of Paid Service in relation to the authority as set out in Section 4 of the Local Government and Housing Act 1989. The duties of the Head of Paid Service are to report to the authority where necessary, setting out proposals with respect to the co-ordination of the authority's functions, the number and grades of staff required and the organisation, the appointment and proper management of the authority's staff, and the approval of the annual governance statement.
- ❖ The Monitoring Officer undertakes to discharge their statutory responsibilities with a positive determination in a manner that enhances the overall reputation of the authority. In doing so, they will safeguard, so far as is possible, the Mayor, members and officers, whilst acting in their official capacity, from legal difficulties and/or criminal sanctions.
- ❖ The Monitoring Officer provides authoritative advice and guidance on matters of propriety, governance, and decision-making, helping to foster a culture of integrity across the organisation. This support offers assurance to officers, the Mayor, and members alike. While the Monitoring Officer will always seek to work constructively and positively, the role also carries a personal statutory duty to issue a public report where it appears necessary to do so. In some circumstances, this may require the Mayor and/or the authority to consider issues they may not otherwise have wished to address.
- ❖ The Section 73 Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and Procedures, and for submitting any additions or changes to the WMCA Board for approval. They are also responsible for ensuring transactions relating to the disposal of any land or property, are properly recorded in the Authority's financial records and for reporting a breach of financial regulations and procedures to the Authority and its Monitoring Officer.
- ❖ Like all public office holders, the Seven Principles of Public Life apply to these roles and are central to the ethical framework and standards in which they operate. The three roles of Head of Paid Service, Chief Finance Officer and Monitoring Officer ensure good administrative, financial, and ethical governance of the authority is in place with Statutory Officer Group meetings taking place fortnightly. To be effective, these roles will advise and communicate with officers clearly, always demonstrating impartiality and integrity, and for this reason, they are often referred to collectively as the governance 'Golden triangle'.
- ❖ Audit, Risk and Assurance Committee (ARAC) perform the role of the Standards Committee, as detailed in their Terms of Reference, to promote and maintain high standards of conduct and ethical governance by the Mayor, Members and co-opted members of the WMCA. ARAC has the ability to appoint a sub-committee with delegated power to consider investigation reports, to conduct hearings, and to review findings of failure to comply with the Members' Code of Conduct and any action taken in respect thereof.
- ❖ Arrangements exist to ensure Members and officers are not influenced by prejudice, bias, or conflicts of interest being in place in the course of their engagement with stakeholders. A register of gifts and hospitality, and declarations of disclosable conflicts is maintained, with disclosable interests of Members being noted at the start of meetings where applicable.
- ❖ The Constitution sets out the responsibilities of the Authority, the Overview & Scrutiny committees, Audit Risk and Assurance Committee and other Committees in place within the WMCA, including the decision-making powers it has in place.

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- ❖ All officers recognise and demonstrate the Authority's Values in how they work and interact with our partners and stakeholders. Officer performance appraisals are aligned to the Values, these being:

Collaborative	Driven	Inclusive	Innovative
<i>Team</i>	<i>Empowerment and</i>	<i>One Organisation</i>	<i>Forward</i>
<i>Focussed</i>	<i>Accountable</i>	<i>Mindset</i>	<i>Thinking</i>
<i>Self-Driven</i>	<i>Performance</i>	<i>Open and Honest</i>	<i>Problem</i>
	<i>Focussed</i>	<i>Communication</i>	<i>Solving</i>

- ❖ The WMCA has undertaken a review of its formal decision-making bodies to ensure the arrangements reflect the evolving role and remit of the Authority as it continues to grow and in preparation for the introduction of new powers resulting from Integrated Settlement funding. As an independent service within WMCA, Internal Audit manages whistleblowing and fraud claims received by the Authority, with the Head of Internal Audit and Information Governance, as the Chief Audit Executive, having direct access to the Chief Executive and Chair of Audit Risk and Assurance Committee when required, to raise and consider concerns with them.
- ❖ 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 all key decisions. The Overview and Scrutiny Committee reviews and challenges the work and decisions of the Authority with policy review and development.
- ❖ Due diligence forms part of the procurement process with background checks, financial assessments and references being undertaken prior to the awarding of contracts. WMCA has standard Terms and Conditions in place with the monitoring of compliance with these being the responsibility of operational departments alongside performance management.

Principle B **Ensuring Openness and comprehensive Stakeholder engagement**

- ❖ WMCA occupies a pivotal role on the West Midlands and is recognised as a mature, strategic authority with the ability to convene partners and influence national policy. The LGA Peer Challenge recognised the Mayor's collaborative approach and focus on delivery being widely welcomed by constituent councils and partners, creating a foundation of trust and shared ambition.
- ❖ WMCA is part of a growing network of directly elected Mayors that represents a new tier of regional governance in England. This development is reshaping how regions influence national policy. The Mayor of the West Midlands plays an important role in this wider conversation, ensuring the region's priorities are heard and helping to shape the future of devolution.

- ❖ WMCA is increasingly recognised as a catalyst for economic growth, with strong relationships across local authorities, health partners, universities, major employers, and civic partners. This influence is already delivering results through significant ventures such as the £4bn East Birmingham regeneration programme and the Innovation Accelerator, which is attracting global investment and positioning the region as a hub for advanced technology. Businesses value the Mayor's proactive approach. Building on this momentum, WMCA has secured a landmark agreement with the BBC - a partnership that will strengthen the region's creative industries, boost skills, and amplify the West Midlands' profile nationally and internationally. This deal, alongside recent successes such as the UK Battery Industrialisation Centre and the West Midlands Gigafactory, underlines the region's ability to compete globally and lead in next-generation industries. Together, these achievements demonstrate WMCA's convening power and ability to attract major institutions and multinational corporations, driving innovation, investment, and inclusive growth at scale while positioning the West Midlands as a national exemplar for economic leadership.
- ❖ The Growth Plan consultation was praised as inclusive and meaningful, and civic and third-sector organisations reported closer engagement since the Mayor's election in 2024. There is now a clear appetite among external stakeholders for WMCA to move beyond being a regional leader and become a national exemplar - mobilising resources, influence, and networks to accelerate investment, attract global businesses, and drive innovation at scale.
- ❖ A clear example of WMCA's leadership and convening power is the decision to bring the region's bus network back under public control for the first time in almost 40 years. This momentous move, agreed by the WMCA Board in May 2025, initiates the transition to franchised services. The first services are expected to roll out in late 2027, with full implementation by 2029. This demonstrates WMCA's ambition to improve connectivity across the whole of the region and to inclusive growth, ensuring residents have access to high-quality jobs. Projects of this scale require strong governance and delivery capability to manage complexity and risk. WMCA recognises the importance of maintaining close grip and a clear line of sight on the development and delivery of this important project.
- ❖ The LGA peer team commended WMCA's motivated workforce and strong sense of pride in place.
- ❖ The Member Relationship Team has grown this year and as a result, the breadth and scope of engagement from this team has matured and grown. The team provide organisational oversight of all engagement that we have with the 470 Elected Members within the Constituent Councils as well as co-ordinating wider engagement with the Local Authorities as an entity. The team regularly attend Local Authority Scrutiny meetings, work with project teams on significant changes (i.e. Bus Franchising and Integrated Settlement) to ensure open and comprehensive engagement, as well as supporting the Mayoral and Chief Executive Offices on the engagement they have at a senior level with Leaders and Chief Executives of each Local Authority. The team encourages the organisation to be open with all engagement we do and are expanding their reach across the organisation to ensure that a comprehensive approach is taken to all the WMCA activity.
- ❖ All Committee meetings are held in public, (other than in limited circumstances where consideration of confidential information requires the public to be excluded) with agenda and reports being accessible on the WMCA's external website. All public meetings are recorded and accessible through YouTube on-demand.
- ❖ The Authority has a committee management system in place that proactively publishes information relating to public meetings, decisions and the Forward Plan, and is designed to make information readily available to the public without the need for specific written requests. Any information not published is available, subject to assessment, under the provisions of the Freedom of Information Act 2000. Details of how to make a request for information is available on our website.

- ❖ Where consultation is required, a variety of measures are used to seek the views of stakeholders and residents of the West Midlands. Consultation arrangements are aligned to the “Gunning Principles” and a variety of measures are used to seek the views of the public. Public consultation is incorporated into any plans where a change to public transport policy is being considered.
- ❖ Overview & Scrutiny Committee has responsibility to ensure that the decisions of the WMCA have been made with consideration to all relevant information that is available, is proportionate to the outcomes desired, and has been made in the best interests of the region. The Committee is able to ‘Call In’ any decision for further scrutiny that it considers may not meet these standards. It also conducts Question & Answer sessions with the Mayor twice yearly, with questioning focusing on policy delivery and budget setting. The overview and scrutiny function was reviewed in line with the Deeper Devolution Deal and a secondary scrutiny committee was formed in 2023, focusing on public transport matters. The requirements of these committees will continue to be assessed and updated to remain in line with the Scrutiny Protocol, as published by MHCLG.
- ❖ WMCA Board has, on occasion, been held in local authority offices throughout the constituent member’s region to improve transparency and accessibility for its citizens. The Mayor also conducts Question and Answer sessions for, and with, the public at multiple locations throughout the year.

Principle C

Determining Outcomes in terms of Sustainable, Economic, Social and Environmental benefits

- ❖ WMCA demonstrates strong leadership of place, not only by setting a clear strategic direction, through the Growth Plan, but by actively shaping how that translates into tangible outcomes for communities. This means aligning investment decisions with local priorities, fostering inclusive growth, and ensuring that initiatives - from transport to skills - are designed to improve health, wellbeing, and quality of life across the region.
- ❖ Relationships with MPs and government departments are positive and ensure that the CA’s voice is heard within Government and Parliament.
- ❖ The Authority is focussed on delivering value for money and success, and in this respect is reviewed by independent auditors in line with the National Audit Office’s Code of Audit Practice and Auditor’s Guidance Note AGN03. The results of the Value for Money audit work and the key messages arising are reported in the Audit Findings Report and, in the Auditor’s Annual Report. Value for Money is assessed within all business cases using the principles set out in HMG Treasury’s Green Book.
- ❖ The Authority ensures the vision and implications for governance arrangements are regularly reviewed including the monitoring of its achievement of intended outcomes from social, economic, environmental, and organisational health perspectives through the budget, performance framework, and project delivery process.

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- ❖ In July 2025, WMCA published the West Midlands Growth Plan, which provides a clear articulation, backed by the regions’ Leaders and key regional partners, of what our long-term (ten-year) priorities are, structured around four ‘big objectives’ to:
 - Empower the people of the West Midlands to get on in life.
 - Enable the businesses of the West Midlands to become more productive and provide good jobs.
 - Make the places of the West Midlands more prosperous and resilient.
 - Tell the West Midlands’ story and strengthen its partnerships.

- ❖ To ensure accountability and progress towards attaining these ten-year ambitions, in October 2025 WMCA Board approved a set of three-year outcomes – aligned to the West Midlands Growth Plan. Alongside the Integrated Settlement Outcomes Framework, published in March 2026, these three-year outcomes set our priorities from April 2026 to March 2029 structured under six thematic areas: Transport; Employment and Skills; Economy; Housing, Planning and Regeneration; Environment and Energy; and Health and Public Service Innovation.

- ❖ The purpose and vision of the Authority is clear and well communicated, an Annual Business Plan (ABP) is produced, and is closely aligned to the WMCA Aims and Objectives that have been agreed by WMCA Board. The ABP outlines all activities to be undertaken in-year to deliver against these objectives, with progress regularly monitored through a number of outcome measures (both High Level Deliverables and profiled milestones) and reported monthly to the Executive Board and bi-annually to WMCA Board. To account for the new multi-year Spending Review period, from 2026/27 onwards, we will seek to build on this approach. In summer 2026, we will publish a Three-Year Corporate Plan – an externally facing document that will set out our strategic objectives – and our first Rolling Annual Business Plan, which will set detailed annual targets and milestones in the context of three-year outcomes.

- ❖ The Aims and Objectives are aligned to the Mayoral priorities of:

Jobs for everyone	Homes for everyone	Growth for everyone	Journeys for everyone
We’re investing in jobs, skills, training and apprenticeships. Reducing youth unemployment and ensuring everyone has a job that pays well.	We’re building social and affordable homes and creating vibrant communities so that everyone will have a place to call home	We’re helping businesses grow, supporting innovation and creativity and making sure everyone benefits	We’re connecting communities and making travel easier, safer and more affordable for everyone

- ❖ The Authority aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms with onward contract management arrangements in place to ensure this is consistently applied.

- ❖ The Outcomes Framework for the first Integrated Settlement was agreed with Government in March 2025. As set out in the Integrated Settlement policy document, monitoring of the delivery of outcomes takes place via bi-annual reporting to the Integrated Settlement Programme Board, to be chaired by the Director General MHCLG.

- ❖ In March 2025, WMCA Board approved the Functional Strategies, which explained how WMCA would invest funding within each of the five pillars of the Integrated Settlement across the region to deliver these outcomes. The Functional Strategies were complemented by and aligned to a set of 'Place Based Strategies', authored by each of our seven constituent local authorities. Place Based Strategies provided strategic direction to the range of policy and investment levers that could drive change in place. They were designed to be iterative and over the course of the past year, helped to inform the four place corridors of the Major Investment Prospectus.
- ❖ The Employment, Skills, Health and Communities directorate (ESHC), has focused on tackling stubborn and persistent challenges across the region including youth unemployment, economic inactivity, and those with low/no qualification in low paid work. This aligns with ambitions set out in key strategic plans such as WM Growth Plan and West Midlands Works. In 2025/26 it launched West Midlands Works, the Mayor's flagship approach to tackling economic inactivity, bringing together health, employment and skills systems with an ambition to support 93,000 residents into sustained employment by 2035.
- ❖ Health and Equity impact assessments (HEIA) are carried out ensuring the Authority meets its obligations with the Equality Act 2010, while working in a way which promotes equality and diversity and does not discriminate against any of our staff, service users, partners or people living in the region.

Principle D

Determining the interventions necessary to optimize the achievement of the intended outcomes

- ❖ The Authority works closely with relevant Government Departments, local and national stakeholders and constituent and non-constituent authorities to determine the necessary actions to achieve its Aims and objectives.
- ❖ The Executive Board oversees the corporate decision-making process and reports are considered at an appropriate level of the organisation in accordance with the provisions of the Constitution and the Scheme of Delegation.
- ❖ Corporate strategic decisions are primarily taken at meetings of the WMCA Board, with Investment Programme and Investment Fund decisions between £5m and £20M having been delegated to the Investment Board and the Investment Zone Board respectively. Delegated authority is held by the relevant Executive Director (in consultation with the Monitoring Officer and the Section 73 Chief Finance Officer) for the approval of key decisions between £1M and £5M.
- ❖ To ensure all work undertaken across the organisation can be done in a more collaborative way, three Governance groups were established in 2026 to provide assurance to the Executive Board that all activity carried out by the WMCA is based on solid rationale and has clear objectives, is fully appraised prior to delivery, and is subject to ongoing monitoring, evaluation and feedback.
- ❖ The three new groups will provide a more focused, structured and coherent route for discussion, challenge and decision shaping across the different parts of the organisation's business.
 1. The Strategy and Policy Group will provide a space for the strategic and policy conversations that need collective visibility and alignment.
 2. The Corporate Services Group will bring together the core corporate enabling functions, strengthen grip and ensure that the organisation's operating system is supporting delivery in the right way.

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3. The Delivery and Commissioning Group will provide stronger oversight of delivery activity, commissioning issues and the broader regional delivery landscape.
- ❖ Taken together, these groups should create a clearer governance architecture and more disciplined routes for matters to be considered before they reach the Executive Board and, where relevant, WMCA Board.
 - ❖ Detailed planning of the financial budget and the Annual Business Plan for the successive year commences in quarter three of the previous year, and are developed as one, to ensure the Authority has the required people, finances, and technological resources in place to deliver expectations. WMCA Board approves both the Budget and the Annual Business Plan, with monthly monitoring of delivery in place being undertaken by the Internal Governance Groups and the Executive Board.
 - ❖ The Annual Business Plan is monitored monthly throughout the Authority at a directorate and organisational level to ensure delivery of the objectives contained within the Plan. This is reported quarterly to the Corporate Services Group and bi-annually to Overview and Scrutiny Committee. Planning for 2026/27 objectives has evidenced a greater focus being placed on the measurement and delivery of Outcomes for the region with the introduction of new performance monitoring systems being aligned to the Integrated Settlement Outcomes Framework.
 - ❖ The Corporate Land and Property Strategy was adopted in 2025 and guides how the Authority undertakes its property management including strategic property decisions to make sure the portfolio is managed sustainably and efficiently; it can adapt and remain fit for the future and will help the Authority meet its corporate aims and objectives and support in delivering the Mayor's priorities for the region. The strategy sets out clear outputs for change, including the introduction of a corporate landlord approach, supported by a Property Information system to give good assurance in this area. Additionally, we will undertake asset reviews to identify new opportunities to release surplus land and buildings for development to generate new sustained revenue income and other non-financial benefits, as well as improving efficiency and utilisation of assets with partners.
 - ❖ The WMCA is a member of the English Devolution Accountability Framework Task and Finish Group 1, Exploring Local Public Accounts Committees. This group is considering areas such as local public outcome committees and how 'value for money' and how 'best value' might be best achieved in the future. The learning from this group will be used to help with the continuing development of WMCA's approach to 'Value for Money' and 'Best Value'.
 - ❖ Each commissioning, procurement and contracting requirement has social value considered at procurement strategy stage and included if deemed appropriate and applicable.

Principle E

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

- ❖ We have defined and documented the roles and responsibilities of the Board, Scrutiny, Statutory Officer, and officer functions within the Constitution, with clear delegation arrangements and protocols in place for effective communication. As the Authority continues to evolve, we will review the governance arrangements and revise the Constitution to ensure it remains fit for purpose. The Scheme of Delegations is laid out in the Constitution.

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- ❖ Our Performance Management and Monitoring & Evaluation Frameworks, together with a performance reporting solution using Power Bi dashboards, provide a foundation for the journey towards data-driven and evidence-based decision making. This improves the visibility and transparency of reporting as a 'single version of the truth,' and together with the introduction of a more dynamic business planning process, this enables regular conversations about the activity to be delivered and the resources, both financial and people, required to achieve this.
- ❖ The Authority has ongoing performance management arrangements in place to measure and celebrate the performance of its officers and management teams, and to provide relevant individual support, where needed, and when required. Regular reviews are undertaken with ongoing one-to-one meetings held, providing an opportunity to reflect on how an individual is performing and to identify where additional support or development is required for an individual to successfully perform their role.
- ❖ We identify and aim to address the development needs of managers and officers in relation to their roles, and this is supported by a comprehensive induction and training program, including a suite of courses specifically designed for those fulfilling a management role. In addition, mandatory training requirements are in place for all officers to ensure our duties under Equalities, Safeguarding, Health & Safety, Sexual Harassment in the Workplace, Information Security and GDPR are met.
- ❖ A new WMCA People & Culture Strategy was published in 2025 and widely disseminated. It sets out the organisation's definition of high performance and the actions required to embed a values driven culture. A detailed action plan, structured around nine core objectives and associated subobjectives, has been developed. Progress will be monitored through the ongoing People & Culture Senior Leadership Team and newly established Corporate Services Group. This work is supported by a newly published Behaviours Framework which embeds a culture first approach within the Integrated Performance Management (IPM) Framework. The WMCA's newly established leadership architecture (Leading Ourselves, Leading Others and Leading the Combined Authority) will further support and embed the expected behaviours at every level across the organisation.
- ❖ Internal communications materials have been developed under the OurWMCA brand to support staff engagement with the People & Culture Strategy and Transformation Programme. A structured communications drumbeat is in place to ensure staff receive timely, clear, and accessible updates.
- ❖ An Organisation Design Panel has been established to provide a single, strategic lens across the organisation, offering fairness, clarity and consistency for organisation design and structural decisions.
- ❖ External legal and internal audit reviews of the contingent workforce have strengthened data quality, analytical insight, and scrutiny of extensions and expenditure. Manager training, including IR35, has been embedded and is delivered on an ongoing basis to support new and existing managers. Systems improvements continue to progress, and commercial negotiations have identified approximately £300k per annum in savings ahead of procurement. A re-tender of the managed service provision for contingent labour is planned for autumn 2026, supporting a broader ambition to reduce overall expenditure on contingent labour by £1.5m. A contingent hiring panel is also being established to improve cost control, expand internal opportunities, and reduce contingent utilisation from 20% to a 10% rolling average.
- ❖ Enhancements have been made to workspaces through the introduction of more effective collaboration and learning environments, supporting better interaction, flexibility, and shared ways of working.
- ❖ The Health, Safety & Wellbeing team have achieved ISO45001 certification, providing independent assurance of effective health and safety management within the corporate functions and a strong commitment to employee wellbeing and continuous improvement.

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- ❖ A rapid review of Corporate Services has been undertaken to identify the capacity, capabilities, and requirements needed to support the organisation's future growth designed to develop the WMCA's capacity including the capability of its leadership and the individuals within it
- ❖ The Authority prides itself on the health and wellbeing program available to all staff with a Wellbeing Strategy having been established in 2021/22. Hybrid and flexible working arrangements are in place, with additional services available including a team of Mental Health Volunteer Buddies, access to webinars on wellbeing topics, an Employee Assistance Programme providing a 24/7 independent, confidential advice and support service, Occupational Health, and a Cycle scheme to aid officers with the purchase of a bike. All officers are required to complete a Display Screen Equipment (DSE) assessment upon employment with the provision of ergonomic equipment to make sure officers are working safely, and the provision of eye tests alongside a contribution towards the cost of eyewear, where applicable.
- ❖ Each year, after the local elections have been held, the WMCA provides an 'Induction Day' for newly elected Members to provide an introduction to the WMCA, its role and remit, how it operates, and the role of elected members who are attending its boards and committees. This induction also provides further details on the key strategies of the WMCA, along with its current Annual Business Plan.
- ❖ WMCA has established and is currently progressing a Transformation Programme with the aim to rethink how WMCA operates as an organisation and to enhance how we collaborate with Local Authority partners, businesses, and other stakeholders to ensure we remain agile and responsive to regional priorities. A key aspect to this Programme is about improving how the Authority prioritises, delivers, and aligns with the region's needs, placing our Values at the centre of everything we do. This programme is expected to continue throughout 2026/27.
- ❖ Working with an external facilitator, the Executive Board undertake a monthly leadership development workshop, with a structured programme of supporting work underpinning this. This programme focusses on improving the Executive Board's function as a team and identifying techniques to improve the team's management of the significant change programme now underway across the Authority.
- ❖ The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are considered politically restricted posts within WMCA and must comply with the WMCA's Politically Restricted Posts policy.

Those persons fulfilling these roles are automatically restricted from engaging in political activity with no right to apply for an exemption from this obligation. Recruitment to these positions is managed through the Officer Employment Procedure Rules, as defined within the Constitution, and must be ratified by WMCA Board prior to appointment. Arrangements for disciplinary action, suspension or dismissal is included within this policy and conforms to legislative requirements.

- ❖ The Executive Board is collectively responsible for setting the strategic direction for the Authority, for the management of its finances and for the delivery of its services.
- ❖ The Chief Finance Officer is a key member of the Executive Board, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest, and also has a responsibility to advise those members not in executive or leadership roles. She is professionally qualified and is a member of the leadership team.
- ❖ The Chief Finance Officer is actively involved in all material business decisions ensuring immediate and longer-term implications, opportunities and risks are fully considered and aligned with WMCA's overall financial strategy. They are responsible for the establishment of the medium-term financial plan and the annual budgeting process, ensuring the financial sustainability of the WMCA, and a monitoring process to ensure its delivery. Management accounting systems, functions and controls are in place, and finances are kept under review on a monthly basis. Clear, well presented, timely,

complete and accurate information and reports are provided to budget holders and senior officers on the financial performance of the Authority.

The Chief Financial Officer leads and directs the finance function so that it is resourced to be fit for purpose and meets the needs of the business. This is achieved through an ethos of continuous improvement in the finance function, ensuring that performance and services provided by the finance function are in line with the expectations and needs of its stakeholders.

- ❖ The Chief Financial Officer leads the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. This is achieved through effective systems and processes of financial control, an effective internal audit function, and an effective Audit, Risk and Assurance Committee which meets regularly throughout the financial year. Annual accounts are published on a timely basis which communicate the Authority's activities and achievements, its financial position and performance.
- ❖ Fortnightly meetings are diarised with the Head of Paid Service, Chief Financial Officer and the Monitoring Officer, and these have been embedded to demonstrate the importance of the governance Golden Triangle and the application of the Code of Practice on Good Governance for Local Authority Statutory Officers.

Principle F

Managing risks and performance through robust internal controls and strong public financial management

- ❖ The Authority ensures compliance with relevant laws and regulations, internal policies, and procedures. We are rigorous and transparent about decision making and the recording of all key decisions. The Overview and Scrutiny Committee reviews and challenges the work and decisions of the Authority with policy review and development.
- ❖ The Strategic Risk Management Framework (SRMF) was approved by the Executive Board and provides the structure and the tools for WMCA staff to undertake consistent risk management that protects the WMCA and supports the delivery of objectives. In addition, it documents the risk management roles and responsibilities across the three Lines of Defence, helping support the WMCA Board, Executive Board, Statutory Officers and Senior Leaders in creating and embedding a strong risk culture across the organisation. Audit, Risk and Assurance Committee monitors the adequacy of the risk identification, monitoring and control of strategic risks within the Authority.
- ❖ A Single Assurance Framework is in place and actively applied for the appraisal of business cases and change requests. The Framework supports good governance with enhanced assurance tools and processes to identify any improvement opportunities, together with any ongoing risks to inform the decision-making process. The Single Assurance Framework continues to be aligned to the Ministry of Housing, Communities and Local Government's (MHCLG), English Devolution Accountability Framework, published in March 2023. There is a requirement for this Framework to be reviewed annually and was last considered and approved by MHCLG in November 2025.
- ❖ The Single Assurance Framework is supplemented by an Investment Panel and Investment Board whose remit includes the review and approval of all investment decisions. The Investment Board has a delegated authority to approve investment decisions between £5 million to £20 million and this is reflected in its Terms of Reference. The approval of all investments above £20 million must be considered and approved by WMCA Board.

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- ❖ The Audit, Risk and Assurance Committee is responsible for overseeing the effectiveness of the WMCA's governance, risk management and internal control arrangements. Through the delivery of a risk-based Internal Audit Plan, Internal Audit provides independent and objective assurance to the Committee on the adequacy and effectiveness of the Authority's control environment, including its framework for governance, risk management and internal control.
- ❖ The Internal Audit Annual Plan is approved by the Audit, Risk and Assurance Committee, with progress against delivery reported on a quarterly basis. In accordance with the Global Internal Audit Standards (UK Public Sector) and the CIPFA Code of Practice for Internal Audit in Local Government, the Head of Internal Audit provides an annual opinion on the overall adequacy and effectiveness of the WMCA's control environment, which informs the Annual Governance Statement.
- ❖ The WMCA's Chief Financial Officer is a member of WMCA's Executive Board and is at the heart of WMCA's decision making processes, ensuring the principles of the English Devolution Accountability Framework and Managing Public Money are observed. The Chief Financial Officer ensures the WMCA operates effectively and to a high standard of probity, ensuring decisions made are in line with the strategy, aims and objectives of the WMCA and that resources are used efficiently, economically and effectively.
- ❖ An Anti-Fraud and Corruption policy is in place with a review of the policy having taken place in 2024. An organisational Fraud risk assessment is currently in progress with a fraud risk register to be established in due course. The authority participates in the National Fraud Initiative, that is led by HMG Cabinet Office.
- ❖ Appropriate controls are in place for arms-length companies and as good practice, external auditors have been appointed for West Midlands Rail Limited, Midland Metro Limited, WM5G Limited, West Midlands Development Capital Limited, HTO1 LLP and HTO2 LLP, and the more recently established WMCA JV Limited. Summary reports are provided to ARAC on the status and internal control arrangements in place for all WMCA arm's length companies.
- ❖ WMCA has two Overview and Scrutiny Committees in place to provide internal challenge on the Authority's actions, with one of these committees focusing on public transport related matters. The LGA Peer Challenge found Overview and Scrutiny to be of notable strength. The Committee operates strategically and is forward-looking, focusing on issues of regional significance rather than narrow operational detail. Scrutiny is supported by constructive relationships between members and officers, which adds real value to decision-making. The committees have the constitutional authority to require the Mayor, members and officers to attend its meetings to answer questions of the committee or to provide information on matters being considered. The Mayor attends Overview and Scrutiny twice per year to answer questions from the Committee. An annual report is published by the Overview and Scrutiny committees to demonstrate the activities undertaken each year. Committee guidance and support is provided to Members through the Statutory Scrutiny Officer. This year, scrutiny sessions have examined the implications of bus franchising and the delivery of the growth plan, providing challenge on timelines, risk management and social value outcomes. Chairs and members have demonstrated a willingness to probe and influence policy development, ensuring transparency and accountability.
- ❖ The Authority complies with Information Governance legislation, enabling members of the public to access recorded information held by WMCA. Data controls are in place to ensure conformity of the General Data Protection Regulations with continual monitoring in place through the statutory role of a WMCA Data Protection Officer (DPO). The DPO also provides oversight of the data protection arrangements in place with arm's length companies and where required, will undertake the role of the registered DPO on their behalf.

- ❖ The Chief Technology & Insight Officer performs the role of Senior Information Risk Owner (SIRO) and has responsibility for the Authority's Information Security policies. The Head of Internal Audit and Information Governance deputises in their absence. Cyber and Information Security arrangements have been established across all WMCA systems, with ongoing oversight provided by an internally led Information Governance Group. The Authority was awarded Cyber Essentials accreditation in 2024.
- ❖ Disaster Recovery and Business Continuity arrangements are in place and operate through an established Gold and Silver structure to provide a strategic and managerial response to incidents. 24 hour On-Call arrangements are in place with key departments to ensure a swift response to any emergency the Authority may experience. Ongoing developmental requirements are in progress as a response to a Business Continuity audit completed in 2024 and includes the creation of a bespoke Business Continuity team within WMCA to improve operational plans.

Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability

- ❖ The Monitoring Officer sits on the Executive Board and attends the WMCA Board meetings to ensure all activities are conducted in a legal manner. Our high level of governance standards includes the publication of a Forward Plan, agendas, minutes and reports through the WMCA website with the limited use of confidential reporting, when required.
- ❖ Report templates were further revised in 2025 to improve transparency and reporting requirements. Report authors are required to consider and record the relevant legal clause by which a confidential report has been determined (where applicable), and to demonstrate the WMCA Aims that a report contributes towards. Financial, Legal, Risk, Equity, Inclusive Growth, Procurement and Programme Assurance implications are also considered and reflected in all formal reports.
- ❖ Accessibility to WMCA data, as required by the Transparency Code 2015, is provided on the WMCA website with progress currently being made to improve the quality and accessibility of data being made available, and to provide assurance of our compliance with all transparency requirements.
- ❖ An annual report is published by the Overview and Scrutiny committee and the Audit, Risk and Assurance committee each year. This provides a summary of the key issues and activities considered by these statutory committees and is publicly available through the WMCA website.
- ❖ The Annual Internal Audit Opinion sets out conformance with the Global Internal Audit Standards (GIAS) UK – Public Sector and CIPFA Code of Practice.
- ❖ A Whistleblowing policy is in place providing accessibility to raise concerns, anonymously if preferred, through the WMCA website. The policy is intended to encourage and enable employees and stakeholders to raise serious concerns about any wrongdoing that is in the public interest to declare. A triage process has been established to assess all claims received and is managed by the Internal Audit team. Statutory Officers and Audit, Risk and Assurance Committee provide oversight of all whistleblowing concerns raised.
- ❖ Good working relations are in place with Grant Thornton as WMCA's external auditor, with the monitoring of delivery of recommendations being managed by Internal Audit for onward reporting and escalation to the Audit, Risk and Assurance Committee when required.

ANNUAL GOVERNANCE STATEMENT

- ❖ The publication of the Authority's Annual Accounts is a statutory summary of the financial affairs for each financial year. The purpose of the Annual Statement of Accounts is to give clear information on the income and expenditure of the WMCA and provides confirmation that effective stewardship arrangements are in place.
- ❖ Reporting on the arrangements in place of all WMCA owned or partially owned arms-length companies is provided to Audit, Risk and Assurance Committee periodically to provide transparency and accountability of these companies. Further work is ongoing to ensure the relationship and details of all arms-length companies are more accessible for public scrutiny.
- ❖ Procurement and Contract management arrangements have been revised during this financial year to ensure the Authority remains compliant in advance of the new requirements of the Procurement Act 2023. Amendments to the Procurement section of the Constitution policy is to be approved by WMCA Board in due course and training has been provided to all officers on changes to process.
- ❖ A Corporate Land and Property Strategy was adopted in 2025 and will guide how the Authority undertakes its property management including strategic property decisions, ensuring the portfolio is managed sustainably and efficiently, it can adapt and remain fit for the future, and help the Authority meet its corporate aims and objectives. The strategy sets out clear outputs for change, including the introduction of a corporate landlord approach, supported by a Property Information system to give good assurance in this area.

Key Roles & Responsibilities in delivery of the Governance Framework

<p>Monitoring Officer</p> <ul style="list-style-type: none"> • Review of the Constitution ensuring consistency with legislation and best practice • Compliance with the Constitution, legislation & Scrutiny • Oversight of arrangements for member decision making • Conduct of Councillors and officers • Principal advisor to the Standards Committee • Data transparency • Reporting on matters they believe to be illegal or amount to maladministration 	<p>Head of Paid Service</p> <ul style="list-style-type: none"> • Review corporate performance reporting to inform actions regarding appropriate number, grades, organisation, and management of staff in place to discharge WMCA functions • Ensures appropriate number of senior skilled staff in place, including for: <ul style="list-style-type: none"> • Risk Management • Health & Safety • Business Continuity • Equalities • Safeguarding • Ensures appropriate person leads a review of controls, consistent with CIPFA guidelines • Effective whistleblowing policy is in place • Annual Governance Statement 	<p>Chief Financial Officer</p> <ul style="list-style-type: none"> • Section 73 Officer • Scheme of Delegations • Oversight of financial affairs with the proper administration of funds including: <ul style="list-style-type: none"> • Budget setting • Budgetary controls • Treasury Management • Counter fraud measures • Procurement processes • Scheme of delegations • Single Assurance Framework 	<p>Executive Board / Internal Governance Panels</p> <ul style="list-style-type: none"> • Performance, finance and risk reporting including: <ul style="list-style-type: none"> • Delivery of corporate plans and objectives • Strategic risk register • Compliance with statutory performance requirements / corporate policies / financial regulations • National reporting requirements • Corporate health indicators inc staff turnover, grievances, complaints • Staff feedback • Benchmarking / triangulation • Strategic planning • Consider and respond to internal and external audit opinions, reports of external ombudsman, inspectors and regulators 	<p>Operational Directors & Heads of Service</p> <ul style="list-style-type: none"> • Directorate risk registers • Training and compliance of policies and procedures • Project and programme management • Contract management • Delivery of departmental plans and objectives • Management of budgetary controls / financial regulations • Savings delivery • Performance management • Code of Conduct • Statutory reporting
<p>Senior Information Risk Owner (SIRO)</p> <ul style="list-style-type: none"> • Responsibility for information governance, protection of confidentiality and the proper use of information 	<p>Data Protection Officer</p> <ul style="list-style-type: none"> • Oversight of General Data Protection Guidelines • Freedom of Information (FOI) • Subject Access Requests (SAR) 	<p>Head of Internal audit and Information governance</p> <p>Acts as Chief Audit Executive (CAE) and deputy Senior Information Risk Owner (SIRO)</p> <p>Prepares and delivers an annual risk-based audit plan including governance, risk, controls, policies and processes</p> <ul style="list-style-type: none"> • Provides annual audit opinion of organisational controls • Management of Whistleblowing and fraud claims 		<p>Statutory Scrutiny officer</p> <ul style="list-style-type: none"> • Overview & Scrutiny committees

Governance Improvement actions

This Annual Governance Statement identifies that WMCA has effective arrangements in place; however, the organisation realises the need to monitor its governance arrangements on an ongoing basis given the ever-changing environment within which it operates, and due to the organisation continuing to evolve.

ANNUAL GOVERNANCE STATEMENT

A number of areas were identified within the 2024/25 Annual Governance Statement for development during 2025/26, and the table below provides detail on the progress made for each of these actions.

Area	Action to be taken	Current Status
Integrated Settlement	Implementation of the Integrated Settlement governance controls including the actions resulting from the internal and externally led readiness checks.	WMCA has reached the end of the first Integrated Settlement and submitted its first six-month report to the MHCLG-chaired Integrated Settlement Programme Board and to Overview & Scrutiny Committee. The report confirmed good progress in delivery of Integrated Settlement outcomes and in the delivery of the readiness check recommendations – the two urgent recommendations of the external check have been completed and there is a system for monitoring the progress of all other recommendations (some of which have informed and shaped the ongoing transformation programme).
Transformation Programme	A continuation of the WMCA Transformation Programme, established in 2024/25 to drive the Authority’s focus being Place Based, and being central to everything we do, ensuring our work directly serves the unique needs of the communities across the West Midlands. Prioritising place means tackling local challenges head on and developing strategies that make a lasting impact where it’s needed most.	permanent Chief Executive was recruited in February 2026, and recruitment is underway for the remaining four Executive Director positions following the development of a new Executive team structure. Work and design sprints are underway, as part of the Transformation Programme, to embed the organisation’s target operating model and relationships between strategy, corporate services and delivery functions.
Procurement Act	The embedding and delivery of changes required to be compliant with the Procurement Act, including the full resourcing of a contract compliance team, roll out and implementation of a new contract management policy and related templates.	<p>In preparation for the transition to the Procurement Act (PA23), the team undertook a comprehensive review and overhaul of all procurement processes, communication materials, and templates. This ensured the organisation was fully prepared to implement and embed the requirements of the new Act; this extensive preparation and targeted training ensured the transition was seamless.</p> <p>To further strengthen compliance with PA23 and enhance ongoing contract management and oversight, the team is also investing in and embedding a new contract management function, reinforcing the organisation’s ability to deliver value and maintain robust governance throughout the contract lifecycle.</p>

ANNUAL GOVERNANCE STATEMENT

Area	Action to be taken	Current Status
Constitution	A review of the Constitution commenced in 2024/25 and following completion, will be presented to WMCA Board for approval. Any changes resulting from the review will be implemented thereafter.	An updated Constitution was approved by WMCA Board in July 2025. A further update will be presented to WMCA Board after the elections in May 2026.
Transparency	A continuation of the review into the requirements of the Transparency Code 2015, ensuring the Authority is providing full and easy access to its data obligations.	WMCA has continued its review of compliance with the Transparency Code 2015 and wider transparency legislation by assessing current disclosures against statutory requirements. This has identified areas where the clarity, consistency and accessibility of published information can be improved. Work is currently underway to further develop the external website to ensure required data is published in a clear, accessible and user-friendly way, supporting transparency, public accountability and ongoing compliance with legislative requirements.
Enterprise Risk Management	Embedding of the Enterprise Risk Management through: <ul style="list-style-type: none"> • Engaging with governance panels to ensure they have the information to undertake their oversight responsibility • Continuing to engage with Exec Directors and their leadership teams on the risk management activity they undertake • Finalising work on the Fraud Risk Assessment • Supporting improved project risk management • Developing a new strategic risk register 	WMCA has continued to embed Enterprise Risk Management across the organisation, with Executive Board agreement in 2025/26 to a revised ERM approach. <ul style="list-style-type: none"> ❖ Risk management activity has been maintained throughout a period of governance transformation, strengthening risk culture, scrutiny and use of risk in decision-making. ❖ Regular engagement now takes place with governance panels and Chief Officer SLTs to support effective risk ownership and oversight. ❖ The Fraud Risk Assessment has been finalised, with fraud risk now more consistently considered within projects and programmes at an earlier stage. ❖ In October 2025, Executive Board agreed a new Corporate Risk Register and Strategic Risk Themes, replacing the previous strategic risk register and supporting clearer corporate oversight informed by operational and delivery-level risk management.

ANNUAL GOVERNANCE STATEMENT

Area	Action to be taken	Current Status
Corporate Property Strategy	The Corporate Land and Property Strategy continues to be implemented and will guide how the Authority undertakes its property management including strategic property decisions to make sure the portfolio is managed sustainably and efficiently.	This was approved by Board and will continue to be implemented across the CA. The strategy sets out clear outputs for change, including the introduction of a corporate landlord approach, supported by a Property Information system to improve assurance in this area.
Internal Audit	Policies and procedures to be developed for the service, to support the development and embedding of the In house team.	The Internal Audit charter was updated and approved by ARAC in September 2024 and 2025, reflecting the new procedures for delivery of audits and a refinement of the measurement of audit ratings

Actions to be developed in 2026/27

The Authority continues to be transformative in its approach to demonstrate continuous improvement of the governance arrangements in place. As a result, the following activities are planned for delivery during 2026/27.

Area	Action to be taken
Major Reviews Action Planning	To coordinate and progress the implementation of recommendations and actions emerging from a series of 'major reviews', including the LGA Peer Review, the Rosewell Review, and the Integrated Settlement Readiness Check.
Accountability Framework	A piece of work to evolve the existing Single Assurance Framework into a more comprehensive and relevant Accountability Framework to take into consideration areas such as future devolution, the new English Devolution Accountability Framework, developments with the Teal book and Place Based Business Cases.
Overview and Scrutiny	New developments in the English Devolution and Community Empowerment Bill will require significant changes to how overview and scrutiny operates in all Established Mayoral Strategic Combined Authorities. Work relating to this has begun and we await the publishing of new regulations and guidance in December 2026. Initial changes to the existing overview and scrutiny arrangements were considered by WMCA Board in June 2026.
Declaration of Interests Policy	A new Policy has been agreed by Executive Board and this will need to be implemented and embedded across the WMCA in 2026/27.
Independent Remuneration Panel	There is a need to reconvene the Independent Remuneration Panel to refresh existing allowances and to consider new allowances that may come out of the English Devolution and Community Empowerment Bill such as allowances for Leaders and the appointment of Mayoral Commissioners.

ANNUAL GOVERNANCE STATEMENT

Area	Action to be taken
Place Based Business Case Pilot	<p>The PBBC pilot is an attempt to move away from traditional, single-project business cases and instead develop one integrated business case for a defined place, covering multiple inter-related investments (for example transport, land, housing, skills and public realm).</p> <p>Instead of each project repeatedly justifying its own strategic case, the place itself becomes the unit of analysis and approval. The PBBC pilot is being tested in a geography where the Mayoral Development Corporation (MDC) and Mayoral Development Zone (MDZ) will operate. WMCA has been selected as 1 of 4 MCAs to participate in the Early Adopter Trial by HMT. This is still in the development stage but will allow WMCA to influence future thinking about coordinated regional development based on 'place'.</p>
Transformation Programme	<p>A continuation of the WMCA Transformation Programme, established in 2024/25 to drive the Authority's focus being Place Based, and being central to everything we do, ensuring our work directly serves the unique needs of the communities across the West Midlands. Prioritising place means tackling local challenges head on and developing strategies that make a lasting impact where it's needed most.</p>
Procurement Act	<p>The embedding and delivery of changes required to be compliant with the Procurement Act, including the full resourcing of a contract compliance team, roll out and implementation of a new contract management policy and related templates.</p>
Constitution	<p>A review of the Constitution is currently underway and will be presented to WMCA Board in July 2026.</p>
Transparency	<p>A continuation of the review into the requirements of the Transparency Code 2015, ensuring the Authority is providing full and easy access to its data obligations.</p>
Enterprise Risk management	<p>During 2026/27, the Authority will continue to embed and mature its Enterprise Risk Management (ERM) framework to support effective governance, accountability and risk-informed decision-making, through the following actions:</p> <ul style="list-style-type: none"> ❖ Reinforcing risk ownership at the appropriate level, with Delivery Areas, Chief Officers, Projects and Programmes responsible for managing low-level and operational risks within their remit ❖ Strengthening escalation and challenge, ensuring emerging and higher-impact risks are routinely discussed at Chief Officer level and escalated where required. ❖ Clarifying and strengthening the role of Governance Panels, with Panels expected to provide effective challenge, 'own' risks within their Terms of Reference, and escalate strategic concerns to inform Executive Board consideration. ❖ Supporting effective Executive Board oversight, through clearer visibility of corporate-level risks and assurance over the Authority's overall risk exposure

ANNUAL GOVERNANCE STATEMENT

Area	Action to be taken
	Embedding consistent ERM behaviours, through engagement between the WMCA Risk Manager, Directors, Chief Officers and risk champions to support risk identification, monitoring and escalation across the organisation.
Corporate Property Strategy	The Corporate Land and Property Strategy is to be implemented and will guide how the Authority undertakes its property management including strategic property decisions to make sure the portfolio is managed sustainably and efficiently. The strategy sets out clear outputs for change, including the introduction of a corporate landlord approach, supported by a Property Information system to improve assurance in this area.

Annual Review of Effectiveness of Governance Framework

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

- a) External audit
- b) Internal audit, including the Head of Internal Audit and Information Governance's annual audit opinion
- c) The Risk Management process, particularly the Corporate Risk Register
- d) Annual performance information relating to Information Security, Data Protection, Equalities, and Health & Safety
- e) Application of the Single Assurance Framework
- f) Validation by independent regulators of external accreditations

Based on the work undertaken during the year, the implementation by management of the recommendations and actions highlighted in Internal Audit reports, and the assurance made available to the Combined Authority by other providers as well as directly by Internal Audit, the Head of Internal Audit and Information Governance has provided an interim audit opinion of Reasonable Assurance that the Combined Authority has adequate and effective governance, risk management and internal control processes in place. The completion of ongoing 2025/26 audit work is necessary to provide a comprehensive assessment. We will continue to monitor and evaluate the effectiveness of governance, risk management, and control processes, and will provide a final opinion upon the completion of all audit activities.

The Single Assurance Framework (SAF) continues to provide robust oversight of all business cases and change requests for WMCA monies made directly by the Authority and also its member authorities, demonstrating effective project controls and consistent processes are in place. This is contributing to the management of risk and is providing continuous improvement in the quality of business cases and overall project and programme management arrangements in place.

Regular reporting on Programme Assurance and Appraisal activity, together with insights regarding common themes, issues and any recommendations for improvement has been provided to the Executive Board and ARAC throughout 2025/26.

As noted above, work is underway to evolve the Single Assurance Framework into a more strategic and relevant Accountability Framework that will support the ambitions of the WMCA and provide a solid foundation for future devolution. The publication of the updated English Devolution Accountability Framework expected in December 2026 and the Place Based Business Case Pilot will help to inform this work alongside the development of the transformation programme and the finalisation of the English Devolution and Community Empowerment Bill.

ANNUAL GOVERNANCE STATEMENT

Progress of the 2025/26 performance indicators have been monitored throughout the year with exceptions requiring further scrutiny escalated to Executive Board and consideration given to key risks that could impact on delivery. In addition, performance was reported to the Overview and Scrutiny Committee in October 2025 and will be reported again at the end of the fiscal year.

The Strategic Risk Management Framework includes an escalation process that allows for risks to be escalated, ultimately to the Corporate Risk Register, with ownership of those risks being held by Chief Officers. Quarterly reporting of the Corporate Risk Register to Executive Board and ARAC is working effectively, with the embedding of a new approach to Enterprise Risk Management (ERM) being a focus for 2026/27.

In accordance with the Digital and Data Strategy, the Authority has adopted cabinet office levels of protective security. These mandated standards allow for increasing maturity across the business by adherence to articulated mandates and best practice advice and guidance. WMCA was re-awarded Cyber Essentials accreditation in 2025, a government backed certification scheme designed to set a strong security baseline for all organisations. Any non-conformity of policy constitutes risk and is managed appropriately.

The Authority continues to set itself a demanding programme of work and is ambitious for itself and the benefits that it aims to bring to the region. The team of experienced professionals who prepared the Authority for the introduction of Integrated Settlement in 2025/26 continue to work on the multi-year settlement, alongside a strengthened Executive Board who have managed the introduction of Internal Governance Groups to enable a strategic focus on the region. There is a continued pressure on resources however, and this is being carefully monitored and considered by the Authority as part of its Transformation Programme to ensure the organisational structure is fit for purpose and flexible enough to absorb further devolution of powers.

The Statutory Officers

The Head of Paid Service ensures the organisation is properly structured, resourced, and managed so that governance systems operate effectively. The AGS confirms that:

- ❖ The authority's functions are being co-ordinated and delivered effectively.
- ❖ There are assurances that staffing, management arrangements and service delivery support good governance
- ❖ It reflects the organisation's operational reality not just policies.

The Chief Finance Officer has statutory responsibility for the authority's financial administration, financial controls and financial resilience. The AGS provides:

- ❖ Assurance on financial governance, internal controls and risk management
- ❖ Confirmation of the accuracy of financial reporting and the robustness of financial planning
- ❖ The AGS reflects compliance with financial regulations and CIPFA standards

The Monitoring Officer ensures legal, ethical governance and compliance with the constitution and member/officer code of conduct. In this regard the AGS:

- ❖ Provides assurance that decision making is lawful, transparent and aligned with the constitution
- ❖ Identifies any governance failures, risk or breaches
- ❖ Ensures it reflects ethical standards, complaints, investigations and governance improvements

The three officers (the golden triangle) meet regularly to share concerns, triangulate evidence and challenge each others' assumptions. This ensures that the AGS is balanced, independent and not overly influenced by any single perspective.

ANNUAL GOVERNANCE STATEMENT

Whilst each officer has independent statutory duties, the AGS requires them to work together to provide a full picture of governance effectiveness; their independence ensures objectivity and their collaboration ensures completeness.

The golden triangle through the AGS ensure the following sources have been properly evaluated and integrated:

- ❖ Management assurance
- ❖ Oversight and compliance assurance
- ❖ Independent assurance
- ❖ Local Code of Corporate Governance
- ❖ CIPFA/SOLACE Good Governance Framework

The golden triangle is of the view that the AGS is fit for purpose by combining:

- ❖ Operational Assurance (Head of Paid Service)
- ❖ Financial Assurance (Section 73 Officer)
- ❖ Legal and Ethical Assurance (Monitoring Officer)

The AGS provides a balanced, evidence-based and independent assessment of the Authority's governance, ensuring it is credible, transparent and aligned with statutory and professional standards.

Conclusion

In undertaking this review of the internal controls and governance framework in place, 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 with actions having been assigned an appropriate owner.

The WMCA has demonstrated an ongoing commitment to best practice and good corporate governance within the principles of the framework.

As the WMCA moves forward in 2026, it will continue to play a key role in leading on its strategic direction and values. There is a strong focus on delivery with robust arrangements in place to monitor delivery, performance and risk management which are underpinned by strong governance arrangements. The multi-year integrated settlement is a hugely significant development for the region and provides greater flexibility for delivery, the ability to plan over a longer time horizon, and the opportunity to align strategic priorities across the region to make it a better place to live, work and visit.

On behalf of the West Midlands Combined Authority

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

Ed Cox
Chief Executive
Date:

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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 (note 6) and the Movement in Reserves Statement.

The 2024/2025 comparatives have been restated with further details in note 35 Prior period adjustments. There is no impact on the General Fund Balance.

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

2024/2025 (restated)				2025/2026		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Notes	£'000	£'000	£'000
413,734	(290,987)	122,747		498,785	(351,844)	146,941
369,578	(335,620)	33,958		328,109	(264,122)	63,987
27,885	(217)	27,668		49,462	(192)	49,270
713	(713)	-		972	(742)	230
4,034	-	4,034		-	-	-
815,944	(627,537)	188,407		877,328	(616,900)	260,428
504	-	504	8	365	-	365
12,536	(51,835)	(39,299)	9	13,829	(60,543)	(46,714)
410	(246,138)	(245,728)	10	-	(307,181)	(307,181)
829,394	(925,510)	(96,116)		891,522	(984,624)	(93,102)
		(2,601)	27			(731)
		105	25			113
	(2,496)					(618)
	(98,612)					(93,720)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Group Comprehensive Income and Expenditure Statement includes the results of the Authority's subsidiary, Midland Metro Limited, which impacts transport services, and financing and investment income and expenditure line items.

The 2024/2025 comparatives have been restated with further details in note 35 Prior period adjustments. There is no impact on the General Fund Balance.

The reconciliation of Total Co2025-26 Comprehensive Income and Expenditure to Surplus or deficit for the year under funding basis is provided in note 5.

2024/2025 (restated)				2025/2026		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Notes	£'000	£'000	£'000
423,175	(300,363)	122,812		511,482	(364,539)	146,943
369,578	(335,620)	33,958		328,109	(264,122)	63,987
27,885	(217)	27,668		49,462	(192)	49,270
713	(713)	-		972	(742)	230
4,034	-	4,034		-	-	-
825,385	(636,913)	188,472		890,025	(629,595)	260,430
504	-	504	8	365	-	365
12,740	(51,900)	(39,160)	9	13,103	(60,545)	(47,442)
421	(246,138)	(245,717)		-	(307,181)	(307,181)
839,050	(934,951)	(95,901)		903,493	(997,321)	(93,828)
		-				-
		(95,901)				(93,828)
		(2,601)	27			(731)
		105	25			113
		(2,496)				(618)
		(98,397)				(94,446)

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.

Movement in Reserves Statement

	Usable reserves					Unusable reserves							Total reserves
	General Fund Balance	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Revaluation Reserve	Financial Instruments Adjustment Account	Pensions Reserve	Accumulated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2024	6,437	310,671	317,108	3,995	321,103	5,740	160,917	(1,559)	(1,616)	-	(1,060)	162,422	483,525
Movements in reserves during 2024/25													
Total comprehensive income and expenditure	96,116	-	96,116	-	96,116	-	-	(105)	-	2,601	-	2,496	98,612
Adjustments between accounting basis and funding basis under regulations (note 6b)	(36,483)	-	(36,483)	-	(36,483)	(193)	37,476	(554)	2,421	(2,601)	(66)	36,483	-
Increase or (decrease) in 2024/25 before transfer to earmarked reserves	59,633	-	59,633	-	59,633	(193)	37,476	(659)	2,421	-	(66)	38,979	98,612
Transfers (to)/from earmarked reserves	(56,713)	56,713	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2025 carried forward	9,357	367,384	376,741	3,995	380,736	5,547	198,393	(2,218)	805	-	(1,126)	201,401	582,137
Movements in reserves during 2025/26													
Total comprehensive income and expenditure	93,102	-	93,102	-	93,102	-	-	(113)	-	731	-	618	93,720
Adjustments between accounting basis and funding basis under regulations (note 6b)	(18,173)	-	(18,173)	-	(18,173)	(193)	16,438	(48)	3,465	(731)	(79)	18,852	679
Increase or (decrease) in 2025/26 before transfer to earmarked reserves	74,929	-	74,929	-	74,929	(193)	16,438	(161)	3,465	-	(79)	19,470	94,399
Transfers (to)/from earmarked reserves	(63,085)	63,085	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2026 carried forward	21,201	430,469	451,670	3,995	455,665	5,354	214,831	(2,379)	4,270	-	(1,205)	220,871	676,536

GROUP MOVEMENT IN RESERVES

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

Movement in Reserves Statement

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Revaluation Reserve £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Reserves of the Subsidiary £'000	Total reserves £'000
Balance at 31 March 2024	6,437	310,671	317,108	3,995	321,103	5,740	160,917	(1,559)	(1,616)	-	(1,060)	162,422	483,525	159	483,684
Movements in reserves during 2024/25															
Total comprehensive income and expenditure	95,912	-	95,912	-	95,912	-	-	(105)	-	2,601	-	2,496	98,408	(11)	98,397
Adjustments between group accounts and authority accounts	204	-	204	-	204	-	-	-	-	-	-	-	204	(204)	-
Net increase/decrease before transfers	96,116	-	96,116	-	96,116	-	-	(105)	-	2,601	-	2,496	98,612	(215)	98,397
Adjustments between accounting basis and funding basis under regulations (note 6b)	(36,483)	-	(36,483)	-	(36,483)	(193)	37,476	(554)	2,421	(2,601)	(66)	36,483	-	-	-
Increase or (decrease) in 2024/25 before transfer to earmarked reserves	59,633	-	59,633	-	59,633	(193)	37,476	(659)	2,421	-	(66)	38,979	98,612	(215)	98,397
Transfers to/(from) earmarked reserves	(56,713)	56,713	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2025 carried forward	9,357	367,384	376,741	3,995	380,736	5,547	198,393	(2,218)	805	-	(1,126)	201,401	582,137	(56)	582,081
Movements in reserves during 2025/26															
Total comprehensive income and expenditure	93,828	-	93,828	-	93,828	-	-	(113)	-	731	-	618	94,446	-	94,446
Adjustments between group accounts and authority accounts	(726)	-	(726)	-	(726)	-	-	-	-	-	-	-	(726)	726	-
Net increase/decrease before transfers	93,102	-	93,102	-	93,102	-	-	(113)	-	731	-	618	93,720	726	94,446
Adjustments between accounting basis and funding basis under regulations (note 6b)	(18,173)	-	(18,173)	-	(18,173)	(193)	16,438	(48)	3,465	(731)	(79)	18,852	679	-	679
Increase or (decrease) in 2025/26 before transfer to earmarked reserves	74,929	-	74,929	-	74,929	(193)	16,438	(161)	3,465	-	(79)	19,470	94,399	726	95,125
Transfers to/(from) earmarked reserves	(63,085)	63,085	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2026 carried forward	21,201	430,469	451,670	3,995	455,665	5,354	214,831	(2,379)	4,270	-	(1,205)	220,871	676,536	670	677,206

BALANCE SHEETS

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

The 2024/2025 comparatives have been restated with further details in note 35 Prior period adjustments. There is no impact on the General Fund Balance.

	Notes	31 March 2026		31 March 2025 (restated)	
		Authority £'000	Group £'000	Authority £'000	Group £'000
Property, plant and equipment	14	1,013,597	1,013,871	911,297	911,712
Right-of-use assets	30	6,422	6,422	6,629	6,629
Intangible assets	15	364	364	548	548
Long-term investments	16	93,308	93,308	125,889	125,889
Long-term debtors	29	19,302	19,302	18,941	18,941
Long-term assets		1,132,993	1,133,267	1,063,304	1,063,719
Short-term investments	16	872,881	872,881	727,594	727,594
Inventories	17	6,545	8,850	10,099	11,957
Short-term debtors	18	93,241	93,812	116,882	115,123
Cash and cash equivalents	19	69,549	69,759	82,848	85,202
Current assets		1,042,216	1,045,302	937,423	939,876
Short-term borrowing	20	(16,231)	(16,231)	(16,525)	(16,525)
Short-term creditors	21	(184,581)	(187,271)	(166,252)	(169,176)
Lease liabilities	30	(200)	(200)	(588)	(588)
Provisions	22	(3,655)	(3,655)	(4,615)	(4,615)
Grants receipts in advance - revenue	10	(13,119)	(13,119)	(31,770)	(31,770)
Transferred debt	23	-	-	(1,392)	(1,392)
Current liabilities		(217,786)	(220,476)	(221,142)	(224,066)
Net current assets/(liabilities)		824,430	824,826	716,281	715,810
Long-term borrowing	20	(525,526)	(525,526)	(559,602)	(559,602)
Lease liabilities	30	(6,415)	(6,415)	(6,143)	(6,143)
Provisions	22	(9,791)	(9,791)	(4,875)	(4,875)
Grants receipts in advance - revenue		(13,310)	(13,310)	-	-
Grants receipts in advance - capital	10	(725,845)	(725,845)	(626,828)	(626,828)
Net pension liability	27	-	-	-	-
Long-term liabilities		(1,280,887)	(1,280,887)	(1,197,448)	(1,197,448)
Net assets		676,536	677,206	582,137	582,081
General Fund Balance	24	21,201	21,201	9,357	9,357
Earmarked Reserves	24	430,469	431,195	367,384	367,384
Capital Receipts Reserve	24	3,995	3,995	3,995	3,995
Profit and Loss Reserve	24	-	(56)	-	(56)
Usable reserves		455,665	456,335	380,736	380,680
Revaluation Reserve	25	5,354	5,354	5,547	5,547
Capital Adjustment Account	25	214,831	214,831	198,393	198,393
Financial Instruments Revaluation Reserve	25	(2,379)	(2,379)	(2,218)	(2,218)
Financial Instruments Adjustment Account	25	4,270	4,270	805	805
Pensions Reserve	25	-	-	-	-
Accumulated Absences Account	25	(1,205)	(1,205)	(1,126)	(1,126)
Unusable reserves		220,871	220,871	201,401	201,401
Total reserves		676,536	677,206	582,137	582,081

This unaudited Statement of Accounts was certified by Claire Nye on 29 June 2026.

CASH FLOW STATEMENT

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

	2026		2025 (restated)	
	Authority £'000	Group £'000	Authority £'000	Group £'000
Net surplus/(deficit) on the provision of services	93,102	93,828	96,116	95,901
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation and amortisation of non-current assets	34,815	35,077	30,000	30,270
Revaluation decrease/(increase)	819	819	1,946	1,946
Net amounts of non-current assets written off on disposal	365	365	504	504
Non-current assets transferred to provision of services	12,314	12,314	237	237
Other non-cash items charged to the net (deficit)/surplus on the provision of services	(2,718)	(2,718)	(7,563)	(7,563)
Change in pensions liability (note 27)	731	731	2,601	2,601
(Increase)/decrease in long-term debtors	(361)	(361)	(2,461)	(2,461)
(Increase)/decrease in short-term debtors	23,641	21,311	(13,482)	(13,118)
(Increase)/decrease in inventories	3,554	3,107	(7,100)	(7,227)
Increase/(decrease) in short-term creditors	18,329	18,095	16,208	16,255
Increase/(decrease) in provisions	3,956	3,956	3,468	3,468
Net interest payable	(44,969)	(44,971)	(35,530)	(35,595)
Interest paid	(15,389)	(15,389)	(16,136)	(16,136)
Interest received	60,543	60,545	51,835	51,900
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Capital grants received	(127,711)	(127,711)	(71,749)	(71,749)
Capital grants paid	-	-	410	410
Any other items for which the cash effects are investing or financing cash flows	-	-	-	-
Net cash flows from operating activities	61,021	58,998	49,304	49,643
Investing activities				
Purchase of property, plant and equipment and intangible assets	(149,714)	(149,835)	(109,148)	(109,230)
Purchase of short-term and long-term investments	(2,646,625)	(2,646,625)	(2,429,363)	(2,429,363)
Proceeds from short-term and long-term investments	2,536,849	2,536,849	2,398,373	2,398,373
Capital grants received for the purchase of property, plant and equipment, intangible assets and inventories	127,711	127,711	71,339	71,339
Increase/(decrease) in grants receipts in advance	93,676	93,676	53,609	53,609
Net cash flows from investing activities	(38,103)	(38,224)	(15,190)	(15,272)
Financing activities				
Cash receipts of short- and long-term borrowing	-	-	-	-
Repayments of principal on leases	(270)	(270)	(255)	(255)
Repayment of loans	(34,605)	(34,605)	(12,789)	(12,789)
Transferred debt - repayment of principal	(1,342)	(1,342)	(1,220)	(1,220)
Net cash flows from financing activities	(36,217)	(36,217)	(14,264)	(14,264)
Net increase or decrease in cash and cash equivalents	(13,299)	(15,443)	19,850	20,107
Cash and cash equivalents at 1 April	82,848	85,202	62,998	65,095
Cash and cash equivalents at 31 March (note 19)	69,549	69,759	82,848	85,202

NOTES TO THE ACCOUNTS

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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 2025/26 financial year and the position as at 31 March 2026. 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 2025/26 (the Code), supported by International Financial Reporting Standards (IFRS).

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

b) Basis of preparation

i) Authority Accounts

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

ii) Group Accounts

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

The Group's financial statements have been prepared using uniform accounting policies and on a historical cost basis modified by the revaluation of certain categories of non-current assets in accordance with the Code and incorporate the financial statements of the Authority and its material subsidiaries as at 31 March 2026.

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

c) Going concern

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

2. Significant accounting policies

a) Consolidation

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

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

An assessment of all the Authority's interests has been carried out during the year to determine the relationships that exist and whether they should be included within the Authority's group accounts. As such, the accounts of Midlands Development Capital Limited, Network West Midlands Limited, West Midlands Development Capital Limited, WM5G Limited and WMCA JV Limited which are subsidiaries of the Authority; its associates, West Midlands Rail Limited and Black Country Innovative Manufacturing Organisation;

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

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

b) Taxation

Corporation, income and capital gains tax

Authority

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

Subsidiaries

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

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

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

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

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

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

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

c) Income

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

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

d) Government grants and other contributions

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

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

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

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

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

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

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

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

f) **Pensions scheme**

Defined Benefit Pension Scheme

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

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

- Service cost comprising:
 - i) current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - ii) past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement

- iii) net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - i) the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
 - ii) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure
 - iii) contribution paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
 - iv) any change in the effect of the asset ceiling excluding amounts included in net interest on the net defined benefit

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

Defined Contribution Pension Scheme

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

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

g) Financial assets

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

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

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

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

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

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

Financial assets measured at amortised cost

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

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

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

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

Expected credit loss model

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

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

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

Financial assets measured at fair value through other comprehensive income (FVOCI)

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

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

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

Financial assets measured at fair value through profit or loss (FVPL)

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

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

Fair value measurements of financial assets

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

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

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

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

h) Financial liabilities

Financial liabilities include loans and borrowings and trade creditors.

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 in respect of early settlement, 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 2025/26, discounts on PWLB early repayment 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.

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

i) Intangible assets

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

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

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

j) Property, plant and equipment

Recognition and measurement

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

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

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

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

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

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

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

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

Depreciation

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

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

- Buildings 40 years
- Equipment 5 – 40 years

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

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

Midland Metro – future routes

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

Assets under construction

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

k) Inventories

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

Midland Metro Limited

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

l) Joint arrangements

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

m) Leases

Authority as a lessee

The Authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption rate
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Authority is reasonably certain to exercise
- lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the Authority is reasonably certain not to terminate early

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest rate method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the Authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the Authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Authority is reasonably certain to exercise and any termination options that the Authority is reasonably certain not to exercise)

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not proper charges as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

n) Impairment

Non-financial assets

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

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

o) Provisions and contingent liabilities

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

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

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

p) Minimum Revenue Provision

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

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

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

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

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

q) Events After the Reporting Period

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

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

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

r) Prior Period Adjustments and changes in accounting policies

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

3. Critical accounting judgements, estimates and assumptions

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

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

Judgements

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

Group Boundaries

The Authority has an interest in another entity which falls within the group boundary (see note 16). Midland Metro Limited is deemed to be material and is therefore consolidated into the group accounts. WM5G Limited is no longer deemed to be material and is therefore not consolidated into the group accounts.

Capital grants receipts in advance

The Authority receives substantial capital grants with conditions attached. Due to the nature of the capital projects and schemes; and the objectives of the funding, capital grants receipts in advance are recognised as long-term liabilities.

Where an element of a grant could be short-term, the Authority has determined that there is no reliable basis on which to make such assessment to be treated as current liabilities. In the absence of such basis, these grants are treated as long-term liabilities.

Capital grants receipts in advance are only recognised as current liabilities where:

- i) the grant terms specify an end date within 12 months of reporting date and extensions are not permissible; and

- ii) repayment or return of the grant have been requested by the funder

Estimates and assumptions

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

The item in the Balance Sheet as at 31 March 2026 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 2026 IAS 19 valuation report:

- A 0.1% p.a. decrease in the Real Discount Rate will increase the pension fund liability by £3.606m.
- An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £9.983m.
- 0.1% p.a. increase in the Salary Increase Rate will increase the pension fund liability by £0.116m.
- 0.1% p.a. increase in the Pension Increase Rate (CPI) will increase the pension fund liability by £3.487m.

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 2026/27 CIPFA Code of Practice are:

- Amendments to FRS 102 The Financial Reporting Standard (Amendments to Heritage Asset) – provide clarifications and enhanced disclosures for heritage assets, improving consistency with general FRS 102 principles while retaining the existing flexible approach to recognition and measurement (with no fundamental change in accounting treatment).
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) - provide clarifications to classification and measurement requirements (including the assessment of contractual cash flows and derecognition of financial liabilities, particularly for electronic payments) and introduce enhanced disclosure requirements for certain financial instruments, with no fundamental change to the overall accounting model.

- Annual improvements to IFRS accounting standards Volume 11 - amendments comprise minor clarifications, corrections and simplifications across several IFRS standards to improve consistency and application, with no significant impact on overall accounting policies or results.
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) - introduce targeted clarifications for accounting for nature-dependent electricity contracts (e.g. PPAs), including application of the 'own-use' exemption and hedge accounting, together with enhanced disclosures, with no fundamental change to the overall financial instruments model.

The amendments to the accounting standards will have no impact on the Authority or the Group's financial performance or position.

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

	Notes	2025/26		2024/25 (restated)	
		Authority Net Expenditure £'000	Group Net Expenditure £'000	Authority Net Expenditure £'000	Group Net Expenditure £'000
Total Comprehensive Income and Expenditure		(93,720)	(94,446)	(98,612)	(98,397)
Adjustments between funding and accounting basis under regulations	6	18,173	18,173	36,483	36,483
Transfer to Pensions Reserve	27	731	731	2,601	2,601
Transfer to Financial Instruments Revaluation Reserve	25	(113)	(113)	(105)	(105)
Transfers to/from Earmarked Reserves					
- General fund	24	61,583	62,309	40,580	40,376
- Unapplied revenue grants	24	(14,715)	(14,715)	(2,704)	(2,704)
- Investment programme funding	24	16,217	16,217	18,837	18,837
(Surplus) or deficit for the year under funding basis		(11,844)	(11,844)	(2,920)	(2,909)

6. Expenditure and Funding Analysis - Authority

(a) Expenditure and Funding Analysis

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

NOTES TO THE ACCOUNTS Continued

Analysis for 2025/26

	As reported for resource management £'000	Adjustments to arrive at amounts chargeable to the General Fund		Net expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis (note 6b) £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
		Reserves Transfer £'000	Financing £'000			
Transport services	116,828	(39,605)	13,415	90,638	56,303	146,941
Combined Authority wider services	17,263	(1,010)	16,883	33,136	30,851	63,987
Investment Programme	40,696	(22,700)	5,854	23,850	25,420	49,270
Mayor's office	-	230	-	230	-	230
Mayoral elections	-	-	-	-	-	-
Cost of services	174,787	(63,085)	36,152	147,854	112,574	260,428
Other operating expenditure	-	-	-	-	365	365
Financing and investment income and expenditure	(7,161)	-	(36,152)	(43,313)	(3,401)	(46,714)
Taxation and non-specific grant income and expenditure	(179,470)	-	-	(179,470)	(127,711)	(307,181)
(Surplus) or deficit on provision of services	(11,844)	(63,085)	-	(74,929)	(18,173)	(93,102)
Opening General Fund Balance (including Earmarked Reserves)				(376,741)		
Closing General Fund Balance (including Earmarked Reserves)				(451,670)		

NOTES TO THE ACCOUNTS Continued

Comparatives for 2024/25 (restated)	As reported for resource management £'000	Adjustments to arrive at amounts chargeable to the General Fund		Net expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis (note 6b) £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
		Reserves Transfer £'000	Financing £'000			
Transport services	119,467	(39,720)	15,433	95,180	27,567	122,747
Combined Authority wider services	12,540	2,227	14,950	29,717	4,241	33,958
Investment Programme	42,839	(19,254)	(266)	23,319	4,349	27,668
Mayor's office	-	-	-	-	-	-
Mayoral elections	4,000	34	-	4,034	-	4,034
Cost of services	178,846	(56,713)	30,117	152,250	36,157	188,407
Other operating expenditure	-	-	-	-	504	504
Financing and investment income and expenditure	(8,618)	-	(28,876)	(37,494)	(1,805)	(39,299)
Taxation and non-specific grant income and expenditure	(173,148)	-	(1,241)	(174,389)	(71,339)	(245,728)
(Surplus) or deficit on provision of services	(2,920)	(56,713)	-	(59,633)	(36,483)	(96,116)
Opening General Fund Balance (including Earmarked Reserves)				(317,108)		
Closing General Fund Balance (including Earmarked Reserves)				(376,741)		

(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 2025/26

	Adjustments for capital purposes				Financial Instruments Adjustments Account £'000	Pensions adjustments £'000	Accumulated Absences Account £'000	Total adjustments £'000
	Depreciation/ revaluation/ loss on disposal £'000	REFCUS £'000	Grants/ contributions £'000	Financing £'000				
Transport services	35,634	222,148	(192,420)	(8,999)	-	(139)	79	56,303
Combined Authority wider services	3,810	67,754	(41,567)	-	-	854	-	30,851
Investment Programme	-	35,674	-	(10,254)	-	-	-	25,420
Mayor's office	-	-	-	-	-	-	-	-
Mayoral elections	-	-	-	-	-	-	-	-
Net cost of services	39,444	325,576	(233,987)	(19,253)	-	715	79	112,574
Other operating expenditure	365	-	-	-	-	-	-	365
Financing and investment income and expenditure	-	-	-	-	(3,417)	16	-	(3,401)
Taxation and non-specific grant income and expenditure	-	-	(127,711)	-	-	-	-	(127,711)
(Surplus) or deficit on provision of services	39,809	325,576	(361,698)	(19,253)	(3,417)	731	79	(18,173)

NOTES TO THE ACCOUNTS Continued

Comparatives for 2024/25 (restated)

	Adjustments for capital purposes				Financial Instruments Adjustments Account	Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/ revaluation/ loss on disposal	REFCUS	Grants/ contributions	Financing				
	£'000	£'000	£'000	£'000				
Transport services	31,946	174,927	(172,175)	(8,882)	-	1,685	66	27,567
Combined Authority wider services	451	53,967	(51,031)	-	-	854	-	4,241
Investment Programme	-	14,862	-	(10,513)	-	-	-	4,349
Mayor's office	-	-	-	-	-	-	-	-
Mayoral elections	-	-	-	-	-	-	-	-
Net cost of services	32,397	243,756	(223,206)	(19,395)	-	2,539	66	36,157
Other operating expenditure	504	-	-	-	-	-	-	504
Financing and investment income and expenditure	-	-	-	-	(1,867)	62	-	(1,805)
Taxation and non-specific grant income and expenditure	-	-	(71,339)	-	-	-	-	(71,339)
(Surplus) or deficit on provision of services	32,901	243,756	(294,545)	(19,395)	(1,867)	2,601	66	(36,483)

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

REFCUS - revenue expenditure funded from capital under statute is added to services lines as it is chargeable to Cost of Services.

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

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

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

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

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

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

7. Expenditure and income analysed by nature

The expenditure and income is analysed as follows:

	Authority 2025/26	Group 2025/26	Authority 2024/25	Group 2024/25 (restated)
	£'000	£'000	£'000	£'000
Expenditure				
Employee benefits expenses	60,325	73,521	60,325	73,521
Other service expenses	463,582	462,821	477,164	474,560
IAS 19 pension adjustment	731	731	2,601	2,601
Depreciation, amortisation and revaluation	39,444	39,706	32,397	33,261
REFCUS	313,262	313,262	243,519	243,519
Other operating expenditure	365	365	504	504
Interest payments	13,813	13,087	12,474	12,678
Capital grants paid	-	-	410	410
	891,522	903,493	829,394	841,054
Income				
Fees and charges and other service income	(22,771)	(34,785)	(21,755)	(32,164)
Other operating income	-	-	-	-
Government revenue grants and contributions	(396,642)	(397,323)	(419,076)	(419,757)
Capital grants funding REFCUS credited to cost of services	(233,987)	(233,987)	(223,206)	(223,206)
Local Authority business rates growth and contributions	(20,034)	(20,034)	(18,534)	(18,534)
Levies	(122,936)	(122,936)	(119,355)	(119,355)
Capital grants and contributions	(127,711)	(127,711)	(71,749)	(71,749)
Interest and investment income	(60,543)	(60,545)	(51,835)	(52,190)
	(984,624)	(997,321)	(925,510)	(936,955)
Surplus on provision of services	(93,102)	(93,828)	(96,116)	(95,901)

8. Other operating expenditure

	Authority 2025/26	Group 2025/26	Authority 2024/25	Group 2024/25
	£'000	£'000	£'000	£'000
Loss on disposal of property, plant and equipment	365	365	504	504
Share of disposal proceeds on asset funded from grant	-	-	-	-
Total	365	365	504	504

9. Financing and investment income and expenditure

	Authority 2025/26	Group 2025/26	Authority 2024/25	Group 2024/25 (restated)
	£'000	£'000	£'000	£'000
Interest payable and similar charges on borrowings:				
PWLB	12,158	12,158	12,838	12,838
Barclays	403	403	403	403
Other	2,719	2,719	2,640	2,640
Interest payable on the former transferred debt	4	4	140	140
Interest expense on lease liabilities	340	340	346	346
Impairment loss allowance (notes 16 and 18)	1,232	506	3,670	3,874
Net interest on the net defined benefit liability (note 27)	16	16	62	62
(Gains)/losses on loan modification	-	-	(6,021)	(6,021)
(Gains)/losses on financial assets at fair value through profit and loss	(3,043)	(3,043)	(1,542)	(1,542)
	13,829	13,103	12,536	12,740
Interest receivable and similar income	(52,031)	(52,033)	(43,166)	(43,231)
Other investment income	(8,512)	(8,512)	(8,669)	(8,669)
Total	(46,714)	(47,442)	(39,299)	(39,160)

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 gains on loan modification in 2024/25 relate to the restructuring of the Phoenix Group loan.

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

10. Government and other grant income

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

	Authority	
	2025/26	2024/25
	(restated)	
	£'000	£'000
Revenue grants and contributions credited to cost of services		
Active Travel Fund	270	182
Active Travel Capability Fund	-	-
Adult Education Budget	(6,707)	137,595
Bus Service Improvement Plan	18,992	37,767
Bus Service Operator Grant	-	13,031
City Region Sustainable Transport Settlements	4,448	14,845
Commonwealth Games	10	27
Commonwealth Games Legacy Enhancement	-	51,979
Digital Bootcamp	1,954	14,763
Employer National Insurance Contribution	1,541	-
Housing Package	-	20
Intra-City Transport Settlements	1,603	803
Individual Placement & Support in Primary Care	2,665	4,160
Innovation Accelerators	1,346	2,146
Local Transport Fund	-	-
Made Smarter West Midlands	1,437	2,443
Mayoral Capacity Fund	2,001	2,750
Midlands Connect Programme	3,702	5,262
Multiply Local Allocations	(79)	5,253
Network Stability Fund	51,000	28,000
Pilot Business Energy Advice Service	3,984	4,846
Social Housing Decarbonisation Fund	-	2,227
Integrated Settlement	249,128	-
UK Shared Prosperity Fund	207	45,395
Other grants and contributions	22,640	9,082
Total	360,142	382,576
Capital grants funding Revenue Expenditure Funded from Capital under Statute credited to cost of services		
Active Travel Fund	11,417	5,497
All-Electric Bus Town or City	1,503	13,243
Brownfield Housing	14,801	1,017
Brownfield Infrastructure and Land Fund	5,427	1,746
Bus Priority	3,849	438
City Region Sustainable Transport Settlements	140,628	123,245
Future Mobility Zones	1,274	924
Integrated Settlement	27,135	-
Investment Zone	-	2,215
Land Fund	156	5,723
Local Transport Fund	9,120	3,791
Pilot Business Energy Advice Service	10,000	3,661
Social Housing Decarbonisation	-	9,036
Social Housing Decency Fund	-	34
Transforming Cities Fund	318	887
UK Shared Prosperity Fund	-	19,542
WMCA Capital Funding	(25)	3,098
Contributions from third parties	194	1,187
Other grants and contributions	8,190	27,922
Total	233,987	223,206

NOTES TO THE ACCOUNTS Continued

	Authority	
	2025/26	2024/25
	£'000	£'000
Grants and contributions credited to taxation and non-specific grant income		
Transport levy from the West Midlands districts*	122,936	119,355
Gainshare contribution - DLUHC	36,500	36,500
Business rates growth	15,000	13,500
Constituent, non-constituent and observers membership fees and contributions*	5,034	5,034
Capital grants and contributions	127,711	71,749
Gross income	307,181	246,138
Capital grants paid	-	(410)
Total	307,181	245,728

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

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver in the event that conditions are not met. These are recognised in the Balance Sheet as grants receipts in advance until such time as the conditions are met. The balances at the year-end are shown below:

	Authority	
	2025/26	2024/25
	£'000	£'000
Grants received in advance - capital		
Active Travel Fund	19,768	31,185
ADEPT Live Labs	15	2,975
All-Electric Bus Town or City	13,863	15,205
Brownfield Housing	120,798	135,729
Brownfield Infrastructure and Land Fund	19,096	24,035
Bus Priority	12,130	15,985
City Region Sustainable Transport Settlements	321,094	301,723
Capital Capacity Funding 16 - 19 Education	19,924	-
Construction Skills	3,269	-
Future Mobility Zones	1,602	2,795
Integrated Settlement	100,304	-
Land Fund	48,172	48,503
Local Electric Vehicle Infrastructure	16,792	17,566
Local Transport Fund	290	815
Transforming Cities Fund	6,187	6,534
Zero Emission Bus Regional Area	15,533	15,533
Contributions from third parties	1,252	2,556
Other grants	5,756	5,689
	725,845	626,828

NOTES TO THE ACCOUNTS Continued

	Authority	
	2025/26 £'000	2024/25 £'000
Grants received in advance - revenue		
Current liabilities		
Active Travel Fund	1,212	1,570
Adult Education Budget	-	1,946
Air Quality	261	484
Bus Service Improvement Plan		18,992
Cycle for Everyone	258	394
Intra-City Transport Settlements	-	1,603
Integrated Settlement	3,203	-
Investment Zones	817	817
Local Authority Capability Fund	174	286
Made Smarter	-	1
Midlands Connect	3,352	2,055
Multiply Local Allocations	-	238
UK Shared Prosperity Fund	-	22
Other grants	3,842	3,362
	13,119	31,770
Long-term liabilities		
Integrated Settlement	13,310	-
	13,310	-

11. Officers' remuneration

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

		Salary, fees and allowances £'000	Compensation for loss of office £'000	Pension contributions £'000	Total Authority £'000
WMCA Staff					
Chief Executive ¹	2025/26	121	155	7	283
	2024/25	207	-	20	227
Chief Executive ²	2025/26	156	-	15	171
	2024/25	-	-	-	-
Chief Legal & Governance Officer ³	2025/26	139	-	14	153
	2024/25	126	-	12	138
Interim Executive Director of Housing, Property and Regeneration ⁴	2025/26	-	-	-	-
	2024/25	33	-	-	33
Executive Director - Strategy, Economy and Net Zero ²	2025/26	29	-	3	32
	2024/25	151	-	15	166
Director of Employment, Skills, Health and Communities ⁵	2025/26	-	-	-	-
	2024/25	11	-	1	12
Interim Executive Director of Policy & Strategy ⁶	2025/26	122	-	9	131
	2024/25	107	-	-	107
Interim Executive Director of Corporate Services ⁷	2025/26	10	-	1	11
	2024/25	-	-	-	-
Chief Communications and External Affairs Officer ⁸	2025/26	116	-	11	127
	2024/25	108	-	11	119
Executive Director of Finance & Business Hub ⁹	2025/26	85	134	5	224
	2024/25	143	-	14	157
Interim Chief Finance Officer ¹⁰	2025/26	152	-	-	152
	2024/25	-	-	-	-
Executive Director, Transport for West Midlands ¹¹	2025/26	98	-	10	108
	2024/25	148	-	15	163
Interim Executive Director, Transport for West Midlands ¹¹	2025/26	54	-	5	59
	2024/25	-	-	-	-
Chief Technology and Insight Officer ¹²	2025/26	139	-	14	153
	2024/25	-	-	-	-
Chief People and Culture Officer ¹³	2025/26	139	-	13	152
	2024/25	56	-	5	61
Director of Commercial and Investment ¹⁴	2025/26	97	-	10	107
	2024/25	-	-	-	-

NOTES TO THE ACCOUNTS Continued

		Salary, fees and allowances £'000	Compensation for loss of office £'000	Pension contributions £'000	Total Authority £'000
Mayoral Team					
Mayor ¹⁵	2025/26	100	-	-	100
	2024/25	84	-	-	84
Deputy Mayor ¹⁵	2025/26	10	-	-	10
	2024/25	10	-	-	10
Chief of Staff ¹⁶	2025/26	80	-	11	91
	2024/25	44	-	2	46
Director of Mayoral Strategy ¹⁷	2025/26	118	-	12	130
	2024/25	16	-	2	18

¹ The postholder resigned in June 2025 and therefore, the amount does not reflect a full year's salary.

² The postholder was appointed as an interim in June 2025 and subsequently appointed as the permanent Chief Executive in February 2026. The postholder previously held the role of Executive Director - Strategy, Economy and Net Zero.

³ The title of Director of Law and Governance was renamed to Chief Legal & Governance Officer during 2025/26.

⁴ Interim Executive Director of Housing, Property and Regeneration was seconded in July 2023 from a third party and on fixed term from January 2024 which ended on 31 July 2024. The amount disclosed in 2024/25 is the amount that has been received by the postholder who works on a part-time basis.

⁵ The postholder resigned in May 2024 and therefore, the amount does not reflect a full year's salary in 2024/25.

⁶ The role of Executive Director – Employment, Skills, Health & Communities was deleted and replaced with the role of Executive Director of Policy & Strategy during 2025/26. The interim postholder was seconded from Department for Work and Pensions from June 2024 to June 2025 before becoming a WMCA employee in July 2025. The same postholder was appointed to the new role. The amount disclosed in 2024/25 is the amount that has been received by the postholder and does not reflect a full year's fees.

⁷ The Interim Executive Director of Corporate Services was appointed in March 2026. Therefore, the pay does not reflect a full year's salary.

⁸ The title of Director of Communications was renamed to Chief Communications and External Affairs Officer during 2025/26.

⁹ The Executive Director of Finance & Business Hub resigned in July 2025. Following the restructure, the role was deleted and a new role of Chief Finance Officer created during 2025/26.

¹⁰ The Interim Chief Finance Officer was employed in July 2025 through a third party. The amount disclosed is the amount that was paid to the third party.

NOTES TO THE ACCOUNTS Continued

¹¹ The Executive Director, Transport for West Midlands resigned in November 2025 and the interim postholder was appointed in the same month. Therefore, the pay does not reflect a full year's salary.

¹² The postholder was appointed in April 2025.

¹³ The title of Director of People & Culture was renamed to Chief People and Culture Officer. The postholder was appointed in October 2024. Therefore, the pay does not reflect a full year's salary in 2024/25.

¹⁴ The Director of Commercial and Investment role started reporting to the Chief Executive effective 1 August 2025. Therefore, the pay does not reflect a full year's salary.

¹⁵ The post was held by two individuals following the Mayoral election in May 2024.

¹⁶ The Chief of Staff was appointed in June 2025 and previous postholder resigned in May 2024. Therefore, the pay does not reflect a full year's salary for 2024/25 and 2025/26.

¹⁷ The Director of Mayoral Strategy was appointed in February 2025. Therefore, the pay does not reflect a full year's salary in 2024/25.

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:

	2026	Authority 2025
£50,000 - £54,999	107	98
£55,000 - £59,999	76	81
£60,000 - £64,999	67	68
£65,000 - £69,999	56	35
£70,000 - £74,999	32	33
£75,000 - £79,999	38	26
£80,000 - £84,999	20	13
£85,000 - £89,999	12	13
£90,000 - £94,999	7	4
£95,000 - £99,999	5	-
£100,000 - £104,999	1	2
£105,000 - £109,999	1	1
£110,000 - £114,999	2	5
£115,000 - £119,999	5	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	4
£130,000 - £134,999	2	-
£135,000 - £139,999	-	2
£140,000 - £144,999	1	-

NOTES TO THE ACCOUNTS Continued

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.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2026	2025	2026	2025	2026	2025	2026	2025
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	3	7	6	-	9	7	65	26
£20,001 - £40,000	2	5	-	-	2	5	49	139
£40,001 - £60,000	2	-	1	-	3	-	140	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100,000	1	-	1	-	2	-	377	-
	8	12	8	-	16	12	631	165

12. Members' allowances

	Authority and Group	
	2026	2025
	£'000	£'000
Allowances	190	170
Total	190	170

13. External audit costs

Charges relating to work undertaken by the external auditors:

	Authority	Group	Authority	Group
	2026	2026	2025	2025
	£'000	£'000	£'000	£'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	179	196	174	190
Additional variation fee agreed relating to prior years	-	-	9	9
Total	179	196	183	199

14. Property, plant and equipment

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

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

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

NOTES TO THE ACCOUNTS Continued

Movements in 2025/26 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 2025	11,110	51,333	629,158	499,606	1,191,207
Additions - capital programme (note 26)	11,418	1,706	4,483	132,107	149,714
Transfers	-	4,818	180,355	(185,173)	-
Revaluation decrease recognised in the provision of services	(819)	-	-	-	(819)
Depreciation reversed on revaluation	-	-	-	-	-
Transfers from Inventories (note 17)	-	-	-	-	-
Transfers to intangible assets (note 15)	-	-	-	-	-
Transfers to provision of services	-	-	-	(12,314)	(12,314)
Disposals	(4)	(2,579)	(71)	-	(2,654)
At 31 March 2026	21,705	55,278	813,925	434,226	1,325,134
Accumulated depreciation					
At 1 April 2025	-	31,015	248,895	-	279,910
Transfers	-	-	-	-	-
Charge for the year	360	4,062	29,849	-	34,271
Depreciation reversed on revaluation	(360)	-	-	-	(360)
Disposals	-	(2,234)	(50)	-	(2,284)
At 31 March 2026	-	32,843	278,694	-	311,537
Net book value					
At 31 March 2026	21,705	22,435	535,231	434,226	1,013,597
At 31 March 2025	11,110	20,318	380,263	499,606	911,297
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 2025	11,110	52,983	629,158	499,606	1,192,857
Additions - capital programme (note 26)	11,418	1,706	4,483	132,107	149,714
Additions - other	-	121	-	-	121
Transfers	-	4,818	180,355	(185,173)	-
Revaluation decrease recognised in the provision of services	(819)	-	-	-	(819)
Depreciation reversed on revaluation	-	-	-	-	-
Transfers from Inventories (note 17)	-	-	-	-	-
Transfers to intangible assets (note 15)	-	-	-	-	-
Transfers to provision of services	-	-	-	(12,314)	(12,314)
Disposals	(4)	(2,579)	(71)	-	(2,654)
At 31 March 2026	21,705	57,049	813,925	434,226	1,326,905
Accumulated depreciation					
At 1 April 2025	-	32,250	248,895	-	281,145
Transfers	-	-	-	-	-
Charge for the year	360	4,324	29,849	-	34,533
Depreciation reversed on revaluation	(360)	-	-	-	(360)
Disposals	-	(2,234)	(50)	-	(2,284)
At 31 March 2026	-	34,340	278,694	-	313,034
Net book value					
At 31 March 2026	21,705	22,709	535,231	434,226	1,013,871
At 31 March 2025	11,110	20,733	380,263	499,606	911,712

NOTES TO THE ACCOUNTS Continued

Comparative movements in 2024/25 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 2024	9,559	49,653	632,256	405,044	1,096,512
Additions - capital programme (note 26)	3,953	3,212	4,479	97,504	109,148
Transfers	(225)	1,877	1,053	(2,705)	-
Revaluation decrease recognised in the provision services	(1,946)	-	-	-	(1,946)
Depreciation reversed on revaluation	(231)	-	-	-	(231)
Transfers from Inventories (note 17)	-	-	-	-	-
Transfers to intangible assets (note 15)	-	-	-	-	-
Transfers to provision of services	-	-	-	(237)	(237)
Disposals	-	(3,409)	(8,630)	-	(12,039)
At 31 March 2025	11,110	51,333	629,158	499,606	1,191,207
Accumulated depreciation					
At 1 April 2024	-	30,447	232,405	-	262,852
Transfers	-	-	-	-	-
Charge for the year	231	3,771	24,823	-	28,825
Depreciation reversed on revaluation	(231)	-	-	-	(231)
Disposals	-	(3,203)	(8,333)	-	(11,536)
At 31 March 2025	-	31,015	248,895	-	279,910
Net book value					
At 31 March 2025	11,110	20,318	380,263	499,606	911,297
At 31 March 2024	9,559	19,206	399,851	405,044	833,660
Group (restated)					
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2024	9,559	51,221	632,256	405,044	1,098,080
Additions - capital programme (note 26)	3,953	3,212	4,479	97,504	109,148
Additions - other	-	82	-	-	82
Transfers	(225)	1,877	1,053	(2,705)	-
Revaluation decrease recognised in the provision of services	(1,946)	-	-	-	(1,946)
Depreciation reversed on revaluation	(231)	-	-	-	(231)
Transfers from Inventories (note 17)	-	-	-	-	-
Transfers to intangible assets (note 15)	-	-	-	-	-
Transfers to provision of services	-	-	-	(237)	(237)
Disposals	-	(3,409)	(8,630)	-	(12,039)
At 31 March 2025	11,110	52,983	629,158	499,606	1,192,857
Accumulated depreciation					
At 1 April 2024	-	31,412	232,405	-	263,817
Transfers	-	-	-	-	-
Charge for the year	231	4,041	24,823	-	29,095
Depreciation reversed on revaluation	(231)	-	-	-	(231)
Disposals	-	(3,203)	(8,333)	-	(11,536)
At 31 March 2025	-	32,250	248,895	-	281,145
Net book value					
At 31 March 2025	11,110	20,733	380,263	499,606	911,712
At 31 March 2024	9,559	19,809	399,851	405,044	834,263

Revaluations

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

In the intervening years, annual indexation is applied to the assets by independent valuers 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	-	-	-	434,226	434,226
Carried at depreciated historical cost	-	55,278	813,925	-	869,203
Valued at current value as at:					
31 March 2026	21,705	-	-	-	21,705
31 March 2025	-	-	-	-	-
31 March 2024	-	-	-	-	-
31 March 2023	-	-	-	-	-
31 March 2022	-	-	-	-	-
Total cost or valuation	21,705	55,278	813,925	434,226	1,325,134

Capital commitments

At 31 March 2026, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2026/27 and future years budgeted to cost £9.8m (2025: £9.6m). The major commitments are listed in the table below:

	2026 £'000	2025 £'000
Metro extension schemes	9,750	7,655
Rail carpark	-	1,929
	9,750	9,584

15. Intangible assets

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

NOTES TO THE ACCOUNTS Continued

	Authority and Group	
	2026	2025
	£'000	£'000
Cost		
At 1 April	4,873	4,873
Transfers from assets under construction (note 14)	-	-
At 31 March	4,873	4,873
Amortisation		
At 1 April	4,326	3,506
Amortisation for the year	183	819
At 31 March	4,509	4,325
Net carrying amount		
At 31 March	364	548

16. Investments

	Long-term		Current		Authority and Group Total	
	2026	2025	2026	2025	2026	2025
	£'000	£'000	£'000	£'000	£'000	£'000
Loans investments - Collective Investment Fund	79,363	99,302	33,042	34,688	112,405	133,990
Loss allowance	(3,227)	(5,746)	(1,936)	(3,094)	(5,163)	(8,840)
Loans investments - Collective Investment Fund	76,136	93,556	31,106	31,594	107,242	125,150
Investments in subsidiaries and joint ventures	3,442	3,555	-	-	3,442	3,555
Pooled investment funds	3,730	3,778	-	-	3,730	3,778
Deposits with financial institutions and local authorities	10,000	25,000	841,775	696,000	851,775	721,000
Total	93,308	125,889	872,881	727,594	966,189	853,483

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

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

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

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

NOTES TO THE ACCOUNTS Continued

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

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

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

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

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

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

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

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

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

Black Country Innovative Manufacturing Organisation was incorporated under the Companies Act 2006 as a private limited company (limited by guarantee) on 23 May 2019. It is currently in administration which is expected to end by 30 June 2026 with the resolution that the administration will end in a dissolution.

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

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

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

NOTES TO THE ACCOUNTS Continued

17. Inventories

	2026		2025 (restated)	
	Authority £'000	Group £'000	Authority £'000	Group £'000
Balance at 1 April	10,099	11,957	2,999	4,730
Purchases	256	1,314	7,551	8,186
Transfers to assets under construction (note 14)	-	-	-	-
Recognised as an expense in the year	(3,810)	(4,421)	(451)	(959)
Balance at 31 March	6,545	8,850	10,099	11,957

18. Short-term debtors

	2026		2025 (restated)	
	Authority £'000	Group £'000	Authority £'000	Group £'000
Loans to group undertakings	4,898	-	2,453	-
Loss allowance	(4,898)	-	(2,453)	-
Loans to group undertakings	-	-	-	-
Trade debtors and accrued income	68,949	67,741	98,564	94,637
Other debtors	10,535	10,539	7,440	7,444
Prepayments	13,757	15,532	10,878	13,042
Total	93,241	93,812	116,882	115,123

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

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

19. Cash and cash equivalents

	2026		Carrying amount 2025 (restated)	
	Authority £'000	Group £'000	Authority £'000	Group £'000
Cash at bank and in hand	1,799	2,009	(7,902)	(5,548)
Deposits with financial institutions	67,750	67,750	90,750	90,750
Total	69,549	69,759	82,848	85,202

The bank overdraft in 2024/25 is offset against the deposits due to the offsetting arrangements with the banks.

20. Borrowing

	Authority and Group	
	2026	2025
	£'000	£'000
Lender		
Public Works Loan Board (PWLB)	425,803	459,973
Barclays	10,000	10,000
UK Infrastructure Bank	8,261	8,696
Phoenix Group	94,283	93,738
Accrued interest payable	3,410	3,720
Total	541,757	576,127
Maturity		
Principal and accrued interest due within one year	16,231	16,525
1 - 2 years	12,838	12,821
2 - 5 years	48,623	48,568
5 - 10 years	157,782	157,674
Over 10 years	306,283	340,539
Principal due after more than one year	525,526	559,602
Total	541,757	576,127

The Group adopts a low-risk treasury management approach seeking to maximise low interest loans when the opportunity arises. No short-term borrowing was undertaken in 2025/26. The amount of fixed rate debt is 100% (2025: 100%) with no variable rate debt (2025: nil).

Historically, the majority of Group borrowing has been undertaken through HM Treasury's lending facility (i.e. Public Works Loan Board (PWLB)). The Group is able to access PWLB debt at 80 basis points above the equivalent UK Gilt rate. No loans were secured from this source in 2025/26.

The Authority made early repayments on 4 PWLB loans in 2025/26. In total, a discount on early repayment of £3.435m was achieved at an average rate of 5.32%. In accordance with IFRS9 and CIPFA Code this will be amortised in equal instalments to the Authority's Income and Expenditure account over the remaining term of the loans.

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.

21. Short-term creditors

	2026		2025 (restated)	
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Trade creditors and accruals	180,516	182,716	161,809	164,106
Taxes and social security	1,691	2,081	1,410	1,937
Payments received on account	2,374	2,474	3,033	3,133
	184,581	187,271	166,252	169,176

NOTES TO THE ACCOUNTS Continued

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

22. Provisions

Current year movements	Transport	Buildings	Rail	Skills	Other	Total
	development	maintenance	services/ insurance			
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2025	4,115	4,008	867	500	-	9,490
Additional provision	527	5,000	239	-	132	5,898
Amounts used/released	(1,119)	-	(323)	(500)	-	(1,942)
Balance at 31 March 2026	3,523	9,008	783	-	132	13,446
Current	3,523	-	-	-	132	3,655
Long-term	-	9,008	783	-	-	9,791
Total	3,523	9,008	783	-	132	13,446

Prior year comparatives	Transport	Buildings	Rail	Skills	Other	Total
	development	maintenance	services/ insurance			
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2024	2,564	1,608	650	1,200	-	6,022
Additional provision	1,770	2,400	228	-	-	4,398
Amounts used/released	(219)	-	(11)	(700)	-	(930)
Balance at 31 March 2025	4,115	4,008	867	500	-	9,490
Current	4,115	-	-	500	-	4,615
Long-term	-	4,008	867	-	-	4,875
Total	4,115	4,008	867	500	-	9,490

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.

Skills

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

Other

This has been provided for other legal obligations.

23. Transferred debt

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

	Authority and Group	
	2026	2025
	£'000	£'000
Balance at 1 April	1,392	2,624
Accrued interest payable - brought forward	(50)	(62)
Repayment in the year - principal	(1,342)	(1,220)
Accrued interest payable - carried forward	-	50
Balance at 31 March	-	1,392
Due within one year	-	1,392
Due over one year	-	-
Total	-	1,392

24. Usable reserves

The purpose of the individual reserves are as follows:

General Fund Balance

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

Earmarked Reserves

Current year movements Authority	Earmarked	Investment	Unapplied	Total Authority
	general fund Authority	programme funding reserve Authority	revenue grants Authority	
	£'000	£'000	£'000	£'000
Balance at 1 April 2025	135,156	158,828	73,400	367,384
Receivable in year	-	-	15,166	15,166
Utilised in year	-	-	(29,881)	(29,881)
Net unapplied in year	-	-	(14,715)	(14,715)
Released in year to general reserves	79,067	40,889	-	119,956
Transfers in year from general reserves	(17,484)	(24,672)	-	(42,156)
Net transfer (to)/from general reserves	61,583	16,217	-	77,800
Total transfer (to)/from general reserves	61,583	16,217	(14,715)	63,085
Balance at 31 March 2026	196,739	175,045	58,685	430,469

NOTES TO THE ACCOUNTS Continued

Group	Earmarked	Investment	Unapplied	Total Group
	general	programme	revenue	
	fund	funding	grants	
	£'000	£'000	£'000	£'000
Balance at 1 April 2025	140,162	158,828	68,394	367,384
Receivable in year	-	-	15,166	15,166
Utilised in year	-	-	(29,881)	(29,881)
Net unapplied in year	-	-	(14,715)	(14,715)
Released in year to general reserves	79,067	40,889	-	119,956
Transfers in year from general reserves	(16,758)	(24,672)	-	(41,430)
Net transfer (to)/from general reserves	62,309	16,217	-	78,526
Total transfer (to)/from general reserves	62,309	16,217	(14,715)	63,811
Balance at 31 March 2026	202,471	175,045	53,679	431,195
Prior year comparatives				
Authority (restated)	Earmarked	Investment	Unapplied	Total
	general	programme	revenue	Authority
	fund	funding	grants	£'000
	£'000	£'000	£'000	£'000
Balance at 1 April 2024	94,576	139,991	76,104	310,671
Receivable in year	-	-	154,352	154,352
Utilised in year	-	-	(157,056)	(157,056)
Net unapplied in year	-	-	(2,704)	(2,704)
Released in year to general reserves	84,306	43,055	-	127,361
Transfers in year from general reserves	(43,726)	(24,218)	-	(67,944)
Net transfer (to)/from general reserves	40,580	18,837	-	59,417
Total transfer (to)/from general reserves	40,580	18,837	(2,704)	56,713
Balance at 31 March 2025	135,156	158,828	73,400	367,384
Group (restated)				
	Earmarked	Investment	Unapplied	Total Group
	general	programme	revenue	
	fund	funding	grants	
	£'000	£'000	£'000	£'000
Balance at 1 April 2024	99,786	139,991	71,098	310,875
Receivable in year	-	-	154,352	154,352
Utilised in year	-	-	(157,056)	(157,056)
Net unapplied in year	-	-	(2,704)	(2,704)
Released in year to general reserves	84,306	43,055	-	127,361
Transfers in year from general reserves	(43,930)	(24,218)	-	(68,148)
Net transfer (to)/from general reserves	40,376	18,837	-	59,213
Total transfer (to)/from general reserves	40,376	18,837	(2,704)	56,509
Balance at 31 March 2025	140,162	158,828	68,394	367,384

Earmarked general fund

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

Investment programme funding reserve

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

Unapplied revenue grants

This reserve largely contains revenue grants that the Authority has received from the DfE in respect of the Adult Skills Fund 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	
	2026	2025
	£'000	£'000
Opening balance at 1 April	3,995	3,995
Share of disposal proceeds of asset funded from the Brownfield Land & Property Development Fund	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash from loan repayments under Collective Investment Fund	58,333	17,603
Use of the Capital Receipts Reserve to finance capital expenditure	(58,333)	(17,603)
Closing balance at 31 March	3,995	3,995

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.

	2026	Group 2025 (restated)
	£'000	£'000
Opening balance at 1 April	(56)	(45)
In-year profit/(loss) results for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	-	(11)
Closing balance at 31 March	(56)	(56)

25. Unusable reserves

The purpose of the individual reserves are as follows:

Revaluation Reserve

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

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

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	5,547	5,740
Difference between current value depreciation and historical cost	(193)	(193)
Closing balance at 31 March	5,354	5,547

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).

NOTES TO THE ACCOUNTS Continued

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	198,393	160,917
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and amortisation of non-current assets (notes 14 and 15)	(34,454)	(30,000)
Revaluation increase recognised in the provision of services (note 14)	(819)	(1,946)
Adjusting amount written out of the Revaluation Reserve (note 25)	193	193
Loss on disposal of property, plant and equipment (note 8)	(365)	(504)
Non-current assets transferred to provision of services (note 14)	(12,314)	(237)
Inventory recognised as an expense (note 17)	(3,810)	(451)
Revenue expenditure funded from capital under statute (note 26)	(313,262)	(243,519)
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	337,247	277,509
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing in prior years	24,498	17,036
Statutory provision for the financing of capital investment charged against the General Fund (MRP - note 26)	15,540	14,505
Debt repayment charged against the General Fund (note 23)	1,342	1,220
Capital expenditure charged against the General Fund (note 26)	1,760	1,609
Capital expenditure funded by the Gainshare contribution (note 26)	882	2,061
Closing balance at 31 March	214,831	198,393

Financial Instruments Revaluation Reserve

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

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	2,218	1,559
(Upward)/downward revaluation of investments	48	554
Accumulated gains or losses on equity investments designated at fair value through other comprehensive income	113	105
Closing balance at 31 March	2,379	2,218

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. This account is used by the Authority for recognised losses on loans advanced at less than commercial interest rates. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out from the General Fund balance to this account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on account at 31 March 2026 will be credited to the General Fund over the next 8 years.

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	(805)	1,616
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	(3,465)	(2,421)
Closing balance at 31 March	(4,270)	(805)

Pensions Reserve

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

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	-	-
Remeasurements (liabilities and assets) (note 27)	(731)	(2,601)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement (note 27)	5,078	7,290
Employer's pension contributions payable in the year: Current year (note 27)	(4,347)	(4,689)
Closing balance at 31 March	-	-

Accumulated Absences Account

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

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	1,126	1,060
Movement in the year	79	66
Closing balance at 31 March	1,205	1,126

26. Capital expenditure and capital financing

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

	2026	Authority
	£'000	2025
		£'000
WMCA delivered capital schemes		
Midland Metro	132,268	115,936
Rail infrastructure	47,136	50,726
Key Routes network	20,805	15,773
Bus infrastructure	22,376	20,552
Land Fund	17,858	8,439
Social Housing Decarbonisation	3,892	9,036
Social Housing Decency Fund	132	34
Future Transport Zone	863	977
Regional Transport Coordination Centre	1,050	1,416
Sustainable Transport	12,490	5,497
Digital innovation	3,743	6,164
UKSPF Communities & Place	10,680	19,542
Business Energy Advice Service	13,499	5,381
Brownfield Infrastructure & Land Fund	5,722	8,965
Other	29,482	15,165
	321,996	283,603
Grants to local authorities	141,236	76,615
Total capital expenditure	463,232	360,218
Property, plant and equipment (note 14)	149,714	109,148
Inventories (note 17)	256	7,551
REFCUS	313,262	243,519
	463,232	360,218
Funded by:		
Central Government grants	335,123	251,448
District/Local Enterprise Partnership (LEP) grants and contributions	1,422	24,415
3rd party contributions	655	1,231
Total grants and contributions	337,200	277,094
Gainshare contribution	882	2,061
Borrowing	125,150	81,063
	463,232	360,218

NOTES TO THE ACCOUNTS Continued

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	
	2026	2025
	£'000	£'000
Opening Capital Financing Requirement	873,011	779,541
Capital investment		
Capital programme costs funded by borrowing (note 26)	125,150	81,063
Other capital expenditure funded by borrowing - Collective Investment Fund	35,882	57,395
Right-of-use assets recognised on IFRS 16 adoption	-	6,985
Sources of finance		
Minimum Revenue Provision (MRP)	(15,540)	(14,505)
Use of the Capital Receipts Reserve to finance capital expenditure (note 24)	(58,333)	(17,603)
Transferred debt repayment (note 23)	(1,342)	(1,220)
Capital expenditure charged to the General Fund	(1,760)	(1,609)
Capital grants received previously funded through borrowings	(24,498)	(17,036)
Closing Capital Financing Requirement	932,570	873,011
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	59,559	93,470
Increase in Capital Financing Requirement	59,559	93,470

27. Pension schemes

Defined benefit pension scheme

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

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

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

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

The employer's contribution for 2026/27 is estimated by the actuaries to be approximately £4.4m.

The weighted average duration of the funded obligations as at 31 March 2026 is 17 years (2025: 17 years).

In June 2023, the High Court ruled in *Virgin Media Limited v NTL Pension Trustees II Limited* that certain historic pension scheme amendments may be invalid without written actuarial confirmation under Section 37 of the Pension Schemes Act 1993. This decision was upheld on appeal in July 2024. Although the case relates to a private sector scheme, HM Treasury and the Government Actuary's Department are reviewing its relevance to public service schemes, including the Local Government Pension Scheme. The Government has proposed legislation to allow retrospective actuarial confirmation of historic amendments, which is expected to significantly reduce any potential risk. No adjustments have been made to the defined benefit obligation as the impact remains uncertain and cannot be reliably quantified at this time.

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

Calculation method

The figures as at 31 March 2026 are based on the 31 March 2025 formal valuation of the fund. Membership data as at 31 March 2025 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 2026. This valuation was carried out by Hymans Robertson LLP.

Net asset/liability and pension reserve

Following the pensions valuation by the fund's actuary at 31 March 2025 and 31 March 2026, the fair value of the Authority's pension plan assets outweighed the present value of the plan obligations resulting in a net defined benefit asset. IAS 19 Employee Benefits requires that, where net defined benefit asset exists, it is measured at the lower of:

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

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

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

Movement in pension fund asset/liability during the year

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	-	-
Employer's pension contributions payable in the year:		
Current year	(4,347)	(4,689)
Post employment benefit charged to the surplus or deficit on provision of services:		
Current service cost	5,062	7,228
Net interest cost	16	62
Total cost	731	2,601
Remeasurements (liabilities and assets)	(731)	(2,601)
Closing balance at 31 March	-	-

Transactions relating to post-employment benefits

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

	Authority and Group	
	2026	2025
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	5,062	7,228
Past service cost	-	-
Financing and investment income and expenditure		
Net interest cost	16	62
Total post employment benefit charged to the surplus or deficit on provision of services	5,078	7,290
Remeasurements (liabilities and assets)	(731)	(2,601)
Total post employment benefit charged/(credited) to the Comprehensive Income and Expenditure Statement	4,347	4,689
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 Actual amount charged against the General Fund Balance for pensions in the year	(5,078)	(7,290)
	4,347	4,689
	(731)	(2,601)

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	Authority and Group	
	2026	2025
	£'000	£'000
Return on plan assets (excluding the amount included in the net interest expense)	(13,586)	10,128
Actuarial gains and losses arising on changes in demographic assumptions	(5,439)	(443)
Actuarial gains and losses arising on changes in financial assumptions	(6,735)	(38,038)
Experience gains and (losses) on scheme liabilities	26,254	(2,537)
Changes in the effect of limiting the net defined benefit asset to the asset ceiling (excluding amounts included in the net interest expense)	(1,225)	28,289
	(731)	(2,601)

Assets and liabilities in relation to post-employment benefits

	Authority and Group	
	2026	2025
	£'000	£'000
Present value of scheme liabilities	(249,577)	(220,922)
Present value of scheme assets	357,566	324,153
Sub-total	107,989	103,231
Effect of the asset ceiling	(107,989)	(103,231)
Amounts recognised as assets/(liabilities)	-	-

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

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	220,922	249,529
Current service cost	5,062	7,228
Interest cost	12,767	11,979
Change in demographic assumptions	(5,439)	(443)
Change in financial assumptions	(6,735)	(38,038)
Experience (gain)/loss on defined benefit obligations	29,689	(2,537)
Contributions by scheme participants	3,262	3,301
Benefits paid	(9,951)	(10,097)
Closing balance at 31 March	249,577	220,922

Reconciliation of fair value of the scheme assets

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	324,153	321,039
Interest on plan assets	18,734	15,349
Return on assets less interest	13,586	(10,128)
Employer contributions - current year	4,347	4,689
Experience (gain)/loss on defined benefit assets	3,435	-
Contributions by scheme participants	3,262	3,301
Benefits paid	(9,951)	(10,097)
Closing balance at 31 March	357,566	324,153

Reconciliation of the effect of the asset ceiling

	Authority and Group	
	2026	2025
	£'000	£'000
Opening balance at 1 April	103,231	71,510
Changes in the effect of limiting the net defined benefit asset to the asset ceiling excluding amounts included in interest	(1,225)	28,289
Interest on the effect of the asset ceiling	5,983	3,432
Closing balance at 31 March	107,989	103,231

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

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

Authority	2026	2026	2025	2025
	%	£'000	%	£'000
Asset				
Equities	42.0	150,237	43.5	140,984
Gilts	13.6	48,531	13.4	43,490
Other bonds	7.5	26,747	8.4	27,202
Property	6.2	22,016	6.8	21,976
Cash/liquidity	4.9	17,679	4.9	15,763
Other*	25.8	92,356	23.0	74,738
Total	100.0	357,566	100.0	324,153

* mainly consists of infrastructure, other debt securities and derivatives

Basis for estimating assets and liabilities

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

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

	2026	Authority 2025
Valuation assumptions		
Discount rate	6.2%	5.8%
Rate of salary increase	4.0%	3.8%
Rate of pension increase	3.0%	2.8%
Future life expectancies from age 65		
Retiring today:		
Males	21.1	20.1
Females	23.2	22.4
Retiring in 20 years:		
Males	23.1	22.6
Females	26.0	25.5

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 £264k (2024: £213k).

28. Financial risk management

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

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

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

Credit risk

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

The Authority manages the credit risk from its financing activities by restricting its exposure with financial institutions to those that are on the official lending list as compiled by the Authority's treasury management advisors. The criteria for these lending lists are set out in the Treasury Management Strategy report in advance of the financial year. Credit ratings are monitored constantly through the receipt of real-time credit rating bulletins from its treasury management

NOTES TO THE ACCOUNTS Continued

advisors. If a financial institution fails to meet the criteria they are removed from the official lending list. The lending list contains financial as well as duration limits to reduce risk. Minimal balances are held for daily cash flow management and any surplus funds are invested firstly with Money Market Funds and bank call accounts to ensure agreed liquidity levels and thereafter in fixed term deposits.

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

	Authority 2025/6 £'000	Group 2025/6 £'000	Authority 2024/25 £'000	Group 2024/25 £'000
12-month expected credit losses:				
Investments (note 16)	959,017	959,017	846,150	846,150
Cash and short-term deposits (note 19)	69,549	69,759	82,848	85,202
Pooled investment funds (note 16)	3,730	3,730	3,778	3,778
	1,032,296	1,032,506	932,776	935,130
Simplified approach:				
Trade debtors and accrued income (note 18)	68,949	67,741	98,564	94,637
Total	1,101,245	1,100,247	1,031,340	1,029,767

The loss allowance recognised during the year are as follows:

Authority	12-month expected credit losses		Lifetime expected credit losses - simplified approach		Total	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Asset class (amortised cost)						
Opening balance as at 1 April	11,291	7,621	-	-	11,291	7,621
Individual financial assets transferred to 12-month expected credit loss (note 9)	1,232	3,670	-	-	1,232	3,670
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	12,523	11,291	-	-	12,523	11,291

Group	12-month expected credit losses		Lifetime expected credit losses - simplified approach		Total	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Asset class (amortised cost)						
Opening balance as at 1 April	11,291	7,417	-	-	11,291	7,417
Individual financial assets transferred to 12-month expected credit loss (note 9)	506	3,874	-	-	506	3,874
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	11,797	11,291	-	-	11,797	11,291

Liquidity risk

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

Market risk

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

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

With respect to the commercial loans, the Authority is continually reviewing the impacts on the construction sector and the potential impact on its loan portfolio. Provision has been made in the 2025/26 accounts for potential defaults and the Authority will continue to maintain a close dialogue with borrowers through its sector specialist fund manager. In the event that any of the investments encounter difficulty, each will be managed on a case by case basis and if necessary, the Authority's rights over control of the development or assets will be exercised.

Maturity analysis of financial liabilities

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

29. Financial Instruments

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

Analysis for 2025/26	Long-term		Current		Total	
	Authority	Group	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 16)	86,136	86,136	872,881	872,881	959,017	959,017
Long-term debtors	19,302	19,302	-	-	19,302	19,302
Short-term debtors (note 18)	-	-	68,949	67,741	68,949	67,741
Cash and cash equivalents (note 19)	-	-	69,549	69,759	69,549	69,759
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and joint ventures (note 16)	3,442	3,442	-	-	3,442	3,442
Financial assets at fair value through profit or loss						
Pooled investment funds (note 16)	3,730	3,730	-	-	3,730	3,730
Total financial assets	112,610	112,610	1,011,379	1,010,381	1,123,989	1,122,991
Financial liabilities at amortised cost						
Borrowings (note 20)	525,526	525,526	16,231	16,231	541,757	541,757
Short-term creditors (note 21)	-	-	180,516	182,716	180,516	182,716
Lease liabilities (note 30)	6,415	6,415	200	200	6,615	6,615
Total financial liabilities	531,941	531,941	196,947	199,147	728,888	731,088

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Comparatives for 2024/25 (restated)	Long-term		Current		Total	
	Authority	Group	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 16)	118,556	118,556	727,594	727,594	846,150	846,150
Long-term debtors	18,941	18,941	-	-	18,941	18,941
Short-term debtors (note 18)	-	-	98,564	94,637	98,564	94,637
Cash and cash equivalents (note 19)	-	-	82,848	85,202	82,848	85,202
Financial assets at fair value through						
Investments in subsidiaries and joint ventures (note 16)	3,555	3,555	-	-	3,555	3,555
Financial assets at fair value through profit or loss						
Pooled investment funds (note 16)	3,778	3,778	-	-	3,778	3,778
Total financial assets	144,830	144,830	909,006	907,433	1,053,836	1,052,263
Financial liabilities at amortised cost						
Borrowings (note 20)	559,602	559,602	16,525	16,525	576,127	576,127
Finance lease liabilities (note 25)	-	-	-	-	-	-
Short-term creditors (note 21)	-	-	161,809	164,106	161,809	164,106
Lease liabilities (note 30)	6,143	6,143	588	588	6,731	6,731
Transferred debt (note 23)	-	-	1,392	1,392	1,392	1,392
Total financial liabilities	565,745	565,745	180,314	182,611	746,059	748,356

Material soft loans made by the Authority

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

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

	Authority	
	2025/26 £'000	2024/25 £'000
Opening balance as at 1 April	18,805	16,384
Interest credited to Financing and Investment Income and Expenditure	374	326
Decrease in discounted amount	-	2,095
Closing balance at 31 March	19,179	18,805
Nominal value at 31 March	18,000	18,000

Valuation assumptions

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

Income, Expense, Gains and Losses

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

Authority	2025/26					2024/25				
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total Authority	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total Authority
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net (gains)/losses on financial instruments	-	113	(3,043)	-	(2,930)	-	105	(1,542)	-	(1,437)
Interest income (note 9)	(60,543)	-	-	-	(60,543)	(51,835)	-	-	-	(51,835)
Interest expense (note 9)	-	-	-	16,872	16,872	-	-	-	14,078	14,078
Net loss/(gain) for the year in the surplus or deficit on the provision of services	(60,543)	113	(3,043)	16,872	(46,601)	(51,835)	105	(1,542)	14,078	(39,194)

Group	2025/26					2024/25				
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total Group	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net (gains)/losses on financial instruments	-	113	(3,043)	-	(2,930)	-	105	(1,542)	-	(1,437)
Interest income (note 9)	(60,545)	-	-	-	(60,545)	(51,900)	-	-	-	(51,900)
Interest expense (note 9)	-	-	-	16,146	16,146	-	-	-	14,282	14,282
Net loss/(gain) for the year in the surplus or deficit on the provision of services	(60,545)	113	(3,043)	16,146	(47,329)	(51,900)	105	(1,542)	14,282	(39,055)

Fair value of financial assets and liabilities

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

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

NOTES TO THE ACCOUNTS Continued

Analysis for 2025/26	Input level in fair value hierarchy	Valuation technique used to measure fair value	Authority		Group	
			Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets at amortised cost						
Long-term investments - Collective Investment Fund	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	76,136	81,494	76,136	81,494
Long-term investments	N/A	Fair value is approximated at their carrying amount	10,000	10,000	10,000	10,000
Short-term investments	N/A		872,881	872,881	882,881	882,881
Long-term debtors	N/A		123	123	123	123
Long-term debtors - soft loan	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	19,179	15,703	19,179	15,703
Short-term debtors	N/A	Fair value is approximated at their carrying amount	68,949	68,949	67,741	67,741
Cash and cash equivalents	N/A		69,549	69,549	69,759	69,759
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and joint ventures	Level 3	Earnings based valuation	3,442	3,442	3,442	3,442
Financial assets at fair value through profit or loss						
Pooled investment funds	Level 1	Unadjusted quoted prices in active markets for identical shares	3,730	3,730	3,730	3,730
Total financial assets			1,123,989	1,125,871	1,132,991	1,134,873
Financial liabilities at amortised cost						
Public Works Loan Board (PWLB)	Level 2		429,213	336,604	429,213	336,604
Barclays	Level 2	PWLB redemption and new PWLB	10,000	6,965	10,000	6,965
UK Infrastructure Bank	Level 2	certain rate loan discount rates	8,261	6,162	8,261	6,162
Phoenix Group	Level 2		94,283	42,683	94,283	42,683
Total borrowings			541,757	392,414	541,757	392,414
Short-term creditors	N/A	Fair value is approximated at their carrying amount	180,516	180,516	182,716	182,716
Total financial liabilities			722,273	572,930	724,473	575,130

NOTES TO THE ACCOUNTS Continued

Comparatives for 2024/25 (restated)	Input level in fair value hierarchy	Valuation technique used to measure fair value	Authority		Group (restated)	
			Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets at amortised cost						
Long-term investments - Collective Investment Fund	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	93,556	103,349	93,556	103,349
Long-term investments	N/A	Fair value is approximated at their carrying amount	25,000	25,000	25,000	25,000
Short-term investments	N/A		752,594	752,594	752,594	752,594
Long-term debtors	N/A		136	136	136	136
Long-term debtors - soft loan	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	18,805	15,088	18,805	15,088
Short-term debtors	N/A	Fair value is approximated at their carrying amount	98,564	98,564	94,637	94,637
Cash and cash equivalents	N/A		82,848	82,848	85,202	85,202
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and	Level 3	Earnings based valuation	3,555	3,555	3,555	3,555
Financial assets at fair value through profit or loss						
Pooled investment funds	Level 1	Unadjusted quoted prices in active	3,778	3,778	3,778	3,778
Total financial assets			1,078,836	1,084,912	1,077,263	1,083,339
Financial liabilities at amortised cost						
Public Works Loan Board (PWLB)	Level 2	PWLB redemption and new PWLB certain rate loan discount rates	463,693	366,288	463,693	366,288
Barclays	Level 2		10,000	7,290	10,000	7,290
UK Infrastructure Bank	Level 2		8,696	6,543	8,696	6,543
Phoenix Group	Level 2		93,738	47,190	93,738	47,190
Total borrowings			576,127	427,311	576,127	427,311
Short-term creditors	N/A	Fair value is approximated at their carrying amount	161,809	161,809	164,106	164,106
Transferred debt *	Level 2	PWLB new loan rates	1,392	1,392	1,392	1,392
Total financial liabilities			739,328	590,512	741,625	592,809

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

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

Transfers between levels of the fair value hierarchy

There were no transfers between input levels during the year.

Changes in the valuation technique

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

30. Leases

The Authority adopted IFRS 16 Leases from 1 April 2024 which resulted in qualifying operating leases being reclassified as right-of-use assets of £7.0m with corresponding liabilities. IFRS 16 has been applied retrospectively but with the cumulative effect recognised at 1 April 2024.

Authority as lessee

The Authority's lease contracts comprise leases of operational land and buildings for park and ride sites and bus stations. Most are individually immaterial.

Right-of-use assets

The table below shows the change in the value of right-of-use assets held under the leases by the Authority.

Movements in 2025/26	Authority and Group		Total £'000
	Infra- structure assets £'000	Vehicles, plant and equipment £'000	
Cost or valuation			
At 1 April 2025 on IFRS 16 adoption	6,915	70	6,985
Additions	154	-	154
At 31 March 2026	7,069	70	7,139
Accumulated depreciation			
At 1 April 2025 on IFRS 16 adoption	340	16	356
Charge for the year	345	16	361
At 31 March 2026	685	32	717
Net carrying amount			
At 31 March 2026	6,384	38	6,422
At 31 March 2025	6,575	54	6,629

Lease liabilities

	Authority and Group	
	2026	2025
	£'000	£'000
Due within one year	200	588
1 - 5 years	425	1,561
Over 5 years	5,990	4,582
Due after more than one year	6,415	6,143
Balance at 31 March	6,615	6,731

Amounts recognised in the Comprehensive Income and Expenditure Statement

	Authority and Group	
	2026	2025
	£'000	£'000
Depreciation	361	356
Interest expense	340	346
Low value and short-term leases	-	30
	701	732

Amounts recognised in the Cash Flow Statement

	Authority and Group	
	2026	2025
	£'000	£'000
Interest expense	340	346
Repayments of principal on leases	270	255
	610	601

Short-term and low value leases

The future minimum lease payments payable under non-cancellable operating leases as at 31 March 2026 are shown below:

	2026	2025
	£'000	£'000
Land and buildings		
Less than one year	21	45
Between two and five years	1	40
More than five years	5	5
	27	90

Authority as lessor

The Authority leases out parts of the Head Office at Summer Lane, various units at bus stations and land and buildings acquired for the future expansion of Midland Metro and bus network whilst they are awaiting development. The treatment of these leases are not affected by the adoption of IFRS 16, and are a mixture of cancellable and non-cancellable operating leases.

NOTES TO THE ACCOUNTS Continued

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2026 are as follows:

	2026	2025
	£'000	£'000
Land and buildings		
Less than one year	725	537
Between two and five years	2,196	1,312
More than five years	2,973	2,650
	5,894	4,499

31. Reconciliation of liabilities arising from financing activities

	Long-term borrowings	Short-term borrowings	Lease liabilities	Grants receipts in advance	Total Authority and Group
	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	559,602	17,917	6,731	658,598	1,242,848
Financing cash flows	(21,800)	(14,147)	(270)	-	(36,217)
Non-cash changes	(12,276)	12,461	-	93,676	93,861
Closing balance at 31 March	525,526	16,231	6,461	752,274	1,300,492

32. Contingent liabilities and guarantees

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

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

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

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

NOTES TO THE ACCOUNTS Continued

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

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

33. Related party disclosures

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

Central Government

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates and provides funding in the form of grants. Grants received from Government Departments together with grant receipts not yet recognised due to conditions attached to them at 31 March 2025 are set out in note 10.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2025/26 is shown in note 12. All members have at least two roles under the Local Government Act 1985 in that they are members of one of the seven constituent levying District Councils and are appointed to the Authority or co-opted to one of its committees.

During the year, the Authority made significant payments to West Midlands Growth Company Limited totalling £3.98m (2025: £10.7m) in which no members and no officer representation on the board as WMCA stakeholder have an interest.

Officers

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

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

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

	Transport Levy		Membership fees and contributions	
	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000
Constituent authorities				
Birmingham City Council	48,089	46,775	1,088	1,089
City of Wolverhampton Council	11,235	10,815	575	574
Coventry City Council	14,876	14,369	626	625
Dudley MBC	13,472	13,131	607	607
Sandwell MBC	14,333	13,908	619	619
Solihull MBC	9,023	8,796	545	545
Walsall Council	11,908	11,561	584	585
Non-constituent authorities	-	-	330	390
Total	122,936	119,355	4,974	5,034

NOTES TO THE ACCOUNTS Continued

Funding paid by the Authority to the constituent District Councils:

	Devolved Transport		Economic		Adult Education		Levelling Up	
	Funding		Regeneration		Budget			
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities								
Birmingham City Council	12,507	-	-	-	12,166	10,602	5,156	3,332
City of Wolverhampton Council	5,956	5,481	669	4,293	3,823	3,283	1,429	848
Coventry City Council	20,581	6,888	31,431	4,431	6,184	5,422	1,288	1,654
Dudley MBC	7,851	6,729	-	-	2,063	1,559	1,439	841
Sandwell MBC	6,436	7,129	-	-	1,568	1,330	2,761	1,349
Solihull MBC	9,441	5,472	3,335	2,000	-	-	1,224	657
Walsall MBC	6,408	5,515	898	8,437	-	-	1,319	1,153
Total	69,180	37,214	36,333	19,161	25,804	22,196	14,616	9,834

Entities controlled or significantly influenced by the Authority

During the year, the Authority paid management fees of £20k (2025: £20k) and £761k (2025: £684k) 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 (2025: £41k) from the Authority. In addition, the Authority recharged expenses of £582k (2025: £780k) which the Authority paid on behalf of West Midlands Rail Limited. The Authority has also charged corporate support and professional services of £85k (2025: £46k).

Other than as disclosed in note 23, Midland Metro Limited, a wholly-owned subsidiary which is consolidated in the group accounts, received a subsidy of £6.9m (2025: £5.3m) from the Authority under the terms of the Public Service Agreement. The Authority has charged corporate support and professional services of £511k (2025: £438k). The Authority has also recharged expenses of £637k (2025: £550k). Additionally, Midland Metro Limited has recharged £7.4m (2025: £5.0m) in respect of Metro network developments and enhancements to the Authority.

During the year, the Authority paid for services of £7.2m (2025: £8.2m) to WM5G Limited, a wholly-owned subsidiary, in respect initiatives and competitions to acceleration 5G infrastructure, applications, innovation and Smart City Region programme revolutionising healthcare.

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 2026 are as follows:

Due from

Midland Metro Limited	£914k
West Midlands Rail Limited	£800k

Payment to Operators

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

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

NOTES TO THE ACCOUNTS Continued

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 £138.9m (2025: £125.4m).

34. Events after the Reporting Period

The unaudited Statement of Accounts were authorised for issue by the Authority's Section 73 officer on DD June 2026. 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 2026, the amounts in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

35. Prior Period Adjustments

An unapplied revenue grant was discovered to have been accounted for in error in earmarked general fund. In order to correct this error, the Authority has restated the prior year information for 2024/25 with no impact to the General Fund balance.

The Authority decided not to consolidate WM5G Limited in 2025/26 as it is deemed to be not material. Prior comparatives have been adjusted to ensure consistency in the treatment across both years i.e. 2024/25 and 2025/26.

Effect on Comprehensive Income and Expenditure Statement

Authority	As previously reported			Correction			As restated		
	Gross	Gross	Net	Gross	Gross	Net	Gross	Gross	Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	410,599	(287,852)	122,747	3,135	(3,135)	-	413,734	(290,987)	122,747
Combined Authority other services	369,578	(335,620)	33,958	-	-	-	369,578	(335,620)	33,958
Investment Programme	27,885	(217)	27,668	-	-	-	27,885	(217)	27,668
Mayor's office	713	(713)	-	-	-	-	713	(713)	-
Mayoral elections	4,034	-	4,034	-	-	-	4,034	-	4,034
Cost of services	812,809	(624,402)	188,407	3,135	(3,135)	-	815,944	(627,537)	188,407
Other operating expenditure	504	-	504	-	-	-	504	-	504
Financing and investment income and expenditure	12,536	(51,835)	(39,299)	-	-	-	12,536	(51,835)	(39,299)
Taxation and non-specific grant income and expenditure	410	(246,138)	(245,728)	-	-	-	410	(246,138)	(245,728)
(Surplus) or deficit on provision of services	826,259	(922,375)	(96,116)	3,135	(3,135)	-	829,394	(925,510)	(96,116)

NOTES TO THE ACCOUNTS Continued

Group	As previously reported			Correction			As restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Transport services	423,175	(300,363)	122,812	3,135	(3,135)	-	426,310	(303,498)	122,812
Combined Authority other services	368,449	(334,199)	34,250	1,129	(1,421)	(292)	369,578	(335,620)	33,958
Investment Programme	27,885	(217)	27,668	-	-	-	27,885	(217)	27,668
Mayor's office	713	(713)	-	-	-	-	713	(713)	-
Mayoral elections	4,034	-	4,034	-	-	-	4,034	-	4,034
Cost of services	824,256	(635,492)	188,764	4,264	(4,556)	(292)	828,520	(640,048)	188,472
Other operating expenditure	504	-	504	-	-	-	504	-	504
Financing and investment income and expenditure	12,740	(52,190)	(39,450)	-	290	290	12,740	(51,900)	(39,160)
Taxation and non-specific grant income and expenditure	421	(246,138)	(245,717)	-	-	-	421	(246,138)	(245,717)
(Surplus) or deficit on provision of services	837,921	(933,820)	(95,899)	4,264	(4,266)	(2)	842,185	(938,086)	(95,901)

NOTES TO THE ACCOUNTS Continued

Effect on Balance Sheets

	As previously reported		Correction		As restated	
	Authority	Group	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	911,297	911,712	-	-	911,297	911,712
Right-of-use assets	6,629	6,629	-	-	6,629	6,629
Intangible assets	548	548	-	-	548	548
Long-term investments	125,889	125,889	-	-	125,889	125,889
Long-term debtors	18,941	18,941	-	-	18,941	18,941
Long-term assets	1,063,304	1,063,719	-	-	1,063,304	1,063,719
Short-term investments	727,594	727,594	-	-	727,594	727,594
Inventories	10,099	12,405	-	(448)	10,099	11,957
Short-term debtors	116,882	115,833	-	(710)	116,882	115,123
Cash and cash equivalents	82,848	90,010	-	(4,808)	82,848	85,202
Current assets	937,423	945,842	-	(5,966)	937,423	939,876
Short-term borrowing	(16,525)	(16,525)	-	-	(16,525)	(16,525)
Short-term creditors	(166,252)	(171,237)	-	2,061	(166,252)	(169,176)
Lease liabilities	(588)	(588)	-	-	(588)	(588)
Provisions	(4,615)	(4,615)	-	-	(4,615)	(4,615)
Grants receipts in advance - revenue	(31,770)	(31,770)	-	-	(31,770)	(31,770)
Transferred debt	(1,392)	(1,392)	-	-	(1,392)	(1,392)
Current liabilities	(221,142)	(226,127)	-	2,061	(221,142)	(224,066)
Net current assets/(liabilities)	716,281	719,715	-	(3,905)	716,281	715,810
Long-term borrowing	(559,602)	(559,602)	-	-	(559,602)	(559,602)
Lease liabilities	(6,143)	(6,143)	-	-	(6,143)	(6,143)
Provisions	(4,875)	(4,875)	-	-	(4,875)	(4,875)
Grants receipts in advance - capital	(626,828)	(626,828)	-	-	(626,828)	(626,828)
Transferred debt	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-
Long-term liabilities	(1,197,448)	(1,197,448)	-	-	(1,197,448)	(1,197,448)
Net assets	582,137	585,986	-	(3,905)	582,137	582,081
General Fund Balance	9,357	9,357	-	-	9,357	9,357
Earmarked Reserves	367,384	370,987	-	(3,603)	367,384	367,384
Capital Receipts Reserve	3,995	3,995	-	-	3,995	3,995
Profit and Loss Reserve	-	246	-	(302)	-	(56)
Usable reserves	380,736	384,585	-	(3,905)	380,736	380,680
Revaluation Reserve	5,547	5,547	-	-	5,547	5,547
Capital Adjustment Account	198,393	198,393	-	-	198,393	198,393
Financial Instruments Revaluation Reserve	(2,218)	(2,218)	-	-	(2,218)	(2,218)
Financial Instruments Adjustment Account	805	805	-	-	805	805
Pensions Reserve	-	-	-	-	-	-
Accumulated Absences Account	(1,126)	(1,126)	-	-	(1,126)	(1,126)
Unusable reserves	201,401	201,401	-	-	201,401	201,401
Total reserves	582,137	585,986	-	(3,905)	582,137	582,081

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.