

# West Midlands Combined Authority

Auditor's Annual Report  
Year ending 31 March 2025

30 January 2026



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 01 Introduction and context

# Introduction

This report brings together a summary of all the work we have undertaken for West Midlands Combined Authority (WMCA) during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Combined Authority are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

## Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Combined Authority as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on combined authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

## Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Combined Authority which must be considered publicly
- A Public Interest Report (PIR).

## Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

# Local context

Local government has remained under significant pressure in 2024/25

## National

### Past



#### Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



#### Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

### Present



#### Financial Sustainability

Many authorities continue to face significant financial challenges. There are an increasing number of authorities in receipt of Exceptional Financial Support from the government.



#### External Audit Backlog

Authorities, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

### Future



#### Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many authorities.



#### Reorganisation and Devolution

Many authorities in England will be impacted by reorganisation and/or devolution, creating capacity and other challenges in meeting business as usual service delivery.

West Midlands Combined Authority (WMCA) is one of the founder members of the new wave of Mayoral Combined Authorities and is one of a select group of 'trailblazer' bodies that are pioneering the use of the greater financial freedoms enabled by the latest round of local government devolution. Established in 2016 WMCA brings together seven constituent local authorities (Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton) and works closely with a wide range of non-constituent members and partners (including Shropshire and Warwickshire County Councils, other neighbouring district and borough councils, West Midlands Police and Crime Commissioner and West Midlands Fire and Rescue Authority). WMCA was established to deliver improved outcomes for the people of the West Midlands and plays a crucial role in coordinating and driving strategic initiatives across the region particularly in the areas of transport, adult skills and economic development. It is within this context that we set out our commentary on the value for money arrangements in 2024/25.

## 02 Executive Summary

# Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Combined Authority's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses identified, but one improvement recommendation raised and one prior year improvement recommendation remaining open.	No risks of significant weakness identified.	A No significant weaknesses identified, but in our view two prior year improvement recommendations remain open.
Governance	A No significant weaknesses identified, but two improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses identified, but in our view two prior year improvement recommendations remain open.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified, but three improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses identified, but in our view two prior year improvement recommendations remain open.
<p><b>G</b> No significant weaknesses or improvement recommendations.</p> <p><b>A</b> No significant weaknesses, improvement recommendation(s) made.</p> <p><b>R</b> Significant weaknesses in arrangements identified and key recommendation(s) made.</p>			

# Executive Summary

We set out below the key findings from our commentary on the Combined Authority's arrangements in respect of value for money.



## Financial sustainability

WMCA continues to demonstrate robust financial planning and monitoring arrangements, supported by integrated reporting and oversight from the Executive Board and the Audit, Risk and Assurance Committee (ARAC).

The Authority has adapted to a new 'integrated settlement' funding model in 2025/26 which offers greater freedoms in the way that funding can be used to meet local needs. Further financial flexibility arises from the expected multi-year funding settlement from 2026/27 onwards.

Our previous improvement recommendation on finalising the bus network funding strategy remains open. While we note improvement in the building of general reserves, these remain below recommended levels, and this recommendation also remains open.

Overall, financial arrangements are effective as they evolve to meet the new funding arrangements.



## Governance

WMCA maintains effective governance arrangements, including clear decision-making processes, scrutiny mechanisms and risk management frameworks. Arrangements are developing to ensure that the organisation is fit for purpose as its devolved powers and financial freedoms increase.

The mayor has completed his first full year in office and the organisation has refocused on new priorities and transformation. The organisation is embedding a new corporate structure and management team as part of this process. Progress has been made on embedding enterprise risk management, although there remains work to do to fully embed it.

Two improvement recommendations raised previously remain open, as the organisation looks to incorporate these changes into its ongoing transformation programme.

Over a period of significant change, the Authority has been able to maintain effective governance arrangements.



## Improving economy, efficiency and effectiveness

WMCA has well established arrangements for performance monitoring and service evaluation, supported by the Annual Business Plan and integrated reporting. Significant progress has been made on transformation initiatives but there is significant work to do to complete the transition to the new delivery model, which will be built around regional priorities rather than specific funding streams.

The Authority has identified a need to accelerate progress on a number of current programmes. We note significant effort is being directed to achieve this and lessons learned have been carried forward into the new programme management model.

Two previous improvement recommendations remain open (cross-directorate working and capital programme deliverability).

Overall, the Authority's arrangements to deliver its programmes have been adequate but will benefit from the developments currently underway.

# Executive summary – auditor's other responsibilities

This page summarises our opinion on the Authority's financial statements and sets out whether we have used any of the other powers available to us as the Authority's auditors.

## Auditor's responsibility

## 2024/25 outcome

### Opinion on the Financial Statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 January 2026, following the Audit Risk and Assurance Committee meeting on 25 November 2025 and approval by the Board on 16 January 2026.

Our findings are set out in further detail on page 11.

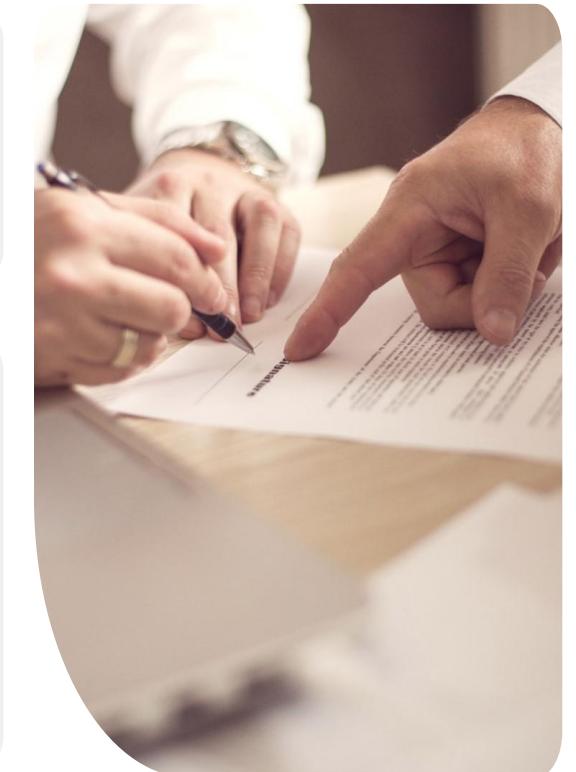
### Use of auditor's powers

We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



## 03 Opinion on the financial statements and use of auditor's powers

# Opinion on the financial statements

These pages set out the key findings from our audit of the Authority's financial statements, and whether we have used any of the other powers available to us as the Authority's auditors.

## Audit opinion on the financial statements

We issued an unqualified opinion on the Authority's financial statements on 30 January 2026.

The full opinion will be included in the Authority's Annual Report for 2024/25, which can be obtained from its website when published.

## Grant Thornton provides an independent opinion on whether the Authority's financial statements:

- give a true and fair view of the financial position of the Authority and group as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law.

We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Authority provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

## Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Authority's Audit Risk and Assurance Committee on 25 November 2025. Requests for this Audit Findings Report should be directed to WMCA.

## 04 Value for Money commentary on arrangements

# Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Combined Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Combined Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Combined Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

# Financial sustainability – commentary on arrangements

We considered how the Authority:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	WMCA has set out its medium-term financial plan that takes into account funding pressures. Prior year improvement recommendations related to building general reserves to help manage future financial risk and the need to agree a sustainable medium-to-long-term financial plan for the bus network strategy. We note that reserve levels have increased in 2024/25 and we have provided further insights at the end of this section about the value of building this further. The improvement recommendation on the bus network strategy remains relevant while this challenge is resolved.	A
plans to bridge its funding gaps and identify achievable savings	WMCA has effective arrangements to develop and deliver annual savings plans, focusing on efficiency rather than service cuts. Targets have been consistently met (£3.0m in 2023/24; £2.4m in 2024/25) through vacancy management, cost control, and income generation. For 2025/26, the target is £5.0m, with £3.5m identified at the budget-setting stage. Plans are supported by the Innovations, Productivity and Efficiency Panel (IPEC) and monitored through Executive Board reports to ensure transparency and challenge. WMCA also uses underspends and grant funding, including a £2.9m underspend and £29m treasury gains transferred to reserves in 2024/25. While some underspends are non-recurrent, work continues to identify sustainable efficiencies. Savings plans are integrated into the budget process and linked to the medium-term financial plan, which addresses funding pressures and incorporates resilience measures. Current arrangements are proportionate and effective.	G

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>WMCA's financial planning is well aligned with its strategic priorities and statutory obligations. The 2025/26 budget reflects the Mayor's core aims; Jobs, Homes, Growth and Journeys and is supported by the Annual Business Plan, which links objectives to directorate and individual goals. Performance is monitored through 120 indicators, including 27 critical KPIs, with oversight by the Executive Board and ARAC.</p> <p>Strategic risks such as transport funding and capital delivery are actively managed and a Strategic Planning Framework and Reserves Strategy are being embedded to strengthen resilience. While long-term funding for transformation remains a risk, current arrangements are robust.</p>	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	<p>We conclude that WMCA has robust arrangements to align its financial plan with workforce, capital, investment, and operational planning. The 2025/26 Annual Plan integrates KPIs with strategic aims and includes workforce actions such as upskilling and implementing the Procurement Act. Capital planning is embedded in the budget process, with a £622m programme prioritised for transport connectivity and net zero. Projects follow the Single Assurance Framework and revenue impacts are built into business cases.</p> <p>Treasury Management ensures affordability and sustainability, with regular ARAC reporting confirming compliance and prudent borrowing. Progress against capital and revenue plans is monitored bi-monthly for transparency and alignment.</p>	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

# Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	<p>WMCA has established structured arrangements to identify and manage risks to financial resilience. Strategic risks are monitored through the ARAC, which reviews the Strategic Risk Register quarterly. As of April 2025, 21 risks were recorded, with financial resilience and transport programme cost management rated highest. Risks are scored using a 5x5 matrix, and mitigation actions are documented in supporting appendices. Financial risks are also reported through monthly performance reports and treasury risks are managed under the CIPFA Treasury Management Code, supported by robust Treasury Management Practices and prudential indicators.</p> <p>The budget-setting process identifies external risks such as inflation, supply chain disruption and local authority financial pressures and earmarked reserves provide resilience despite the General Reserve being below the recommended 3% threshold. We note that there is limited use of scenario planning or sensitivity analysis to test key financial assumptions in the budget papers and we have set out some insights on how this might add value to the process.</p>	G

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Financial sustainability (continued)

## Area for Improvement identified: building of general reserve balance

**Key Finding:** The General Reserve increased to £9.4m following a £2.9m underspend transfer, equating to just over 2% of budgeted 2025/26 expenditure. This remains below the recommended benchmark of 3–5%, which is critical for financial resilience.

**Evidence:** Outturn for 2024/25 showed a positive position, driven by higher investment income and lower programme spend, which enabled a £2.9m transfer to the General Reserve. Looking ahead, the forecast for 2025/26 indicates an additional £2.6m underspend, which would increase the reserve balance to £12.0m, equivalent to approximately 2.3% of budgeted net revenue expenditure. Board papers confirm that WMCA has adopted an earmarked reserves strategy and is planning to introduce a new Reserves Policy in Spring 2026 to formalise target levels, governance and drawdown principles.

**Impact:** Insufficient general reserves limit flexibility and resilience against financial shocks. This risk becomes more significant under the single settlement, which increases flexibility but also requires stronger safeguards.

## Improvement Recommendation 1

**IR1:** The Combined Authority should continue efforts to build the General Reserve toward the 3–5% benchmark within a reasonable timeframe and implement the planned Reserves Policy in Spring 2026. The policy should set clear target levels, principles for earmarking and drawdown and governance arrangements to strengthen financial resilience.

# Financial sustainability (continued)

## Area for Improvement identified: development of a medium-long approach to support the bus network

**Key Finding:** While the Authority has approved bus franchising for full implementation by 2029 and increased the transport levy by 3%, clarity on long-term funding and service levels remains unresolved. This creates uncertainty over the scope and sustainability of the franchised network.

**Evidence:** A Full Franchising Assessment was completed and the Authority approved full implementation of bus franchising by 2029, supported by external due diligence confirming it offers best value for money. Options for network support from January 2026 are under review, but funding challenges persist. Work is ongoing to define service levels for franchised contracts, with details of the first tranche expected by May 2026. The transport levy has been increased by 3% for 2025/26, with a further 3% anticipated for 2026/27.

**Impact:** Uncertainty over funding and service levels poses a strategic risk to the delivery of a sustainable bus network and could undermine the Authority's ability to meet transport objectives.

## Improvement Recommendation 2

**IR2:** The Combined Authority should finalise funding arrangements and confirm service levels for franchised contracts as part of its medium-to-long-term bus network strategy, ensuring clarity ahead of the first tranche of franchising in May 2026. This recommendation is a direct carry-forward from 2023/24, updated to reflect current progress.

# Grant Thornton insights – learning from others

The WMCA has the arrangements we would expect to see in respect of scenario planning and sensitivity analysis within its financial planning framework, but could challenge itself to go further, based on the best arrangements we see across the sector.

## What WMCA is already doing



- Identifies key external risks in the budget document, including demand-led services, cost-of-living impacts, inflation and interest rate volatility, supply chain disruption, pension fund performance and local authority financial pressures.
- Maintains earmarked reserves to provide resilience for known risks, even though the General Reserve is below the recommended 3%.
- Confirms robustness of 2025/26 budget calculations, supported by strong financial control procedures and consideration of government policies.



## What others do well

- Undertake formal scenario planning and sensitivity analysis to test financial assumptions.
- Use stress-testing to model adverse funding or cost scenarios and demonstrate preparedness for shocks.



## WMCA could consider

- Incorporating scenario planning and sensitivity analysis into future financial planning cycles to strengthen resilience and improve transparency on how WMCA would respond to adverse changes.
- Aligning this approach with the new Reserves Policy to provide a comprehensive framework for risk management.

# Governance – commentary on arrangements

We considered how the Authority:	Commentary on arrangements	Rating
monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>WMCA has effective risk management arrangements, with the Risk Management Framework integrating identification, scoring, and mitigation into planning and being reviewed annually. The Strategic Risk Register (Feb 2025) lists 30 risks, 12 rated high, covering financial resilience, transport delivery, governance, sustainability and stakeholder relationships. Internal Audit provides assurance via a risk-based plan aligned to the SRR, with quarterly reporting to ARAC.</p> <p>The 2024/25 Head of Internal Audit Opinion confirmed governance and controls are adequate. Progress has been made on this prior year improvement recommendation through an Enterprise Risk Management approach and improved reporting, but cultural change toward proactive risk escalation and stronger ownership of risks in the services remains incomplete. This improvement recommendation will remain open until fully embedded.</p>	A
approaches and carries out its annual budget setting process	WMCA has a well-structured and transparent annual budget-setting process that ensures alignment with strategic priorities and financial sustainability. The process begins with early engagement between Finance Business Partners and Executive Directors, supported by standard templates and planning guidelines. Budgets undergo rigorous internal review and challenge before approval by elected members, with external consultation adding further scrutiny. The Section 73 Chief Finance Officer provides assurance on robustness and reserves adequacy, and the budget integrates with the Annual Business Plan and Medium-Term Financial Plan.	G

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

# Governance – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>WMCA has effective arrangements for budgetary control and financial reporting. Monthly and quarterly reports to the WMCA Board and ARAC provide detailed breakdowns, forecasts, and risk commentary. Capital programme performance is monitored through the Transport Delivery Overview &amp; Scrutiny Committee, supported by dashboards and mitigation plans. Treasury management follows CIPFA standards, with mid-year and outturn reports and ARAC oversight ensuring compliance. Reporting increasingly integrates non-financial indicators for a holistic view.</p> <p>Governance extends to arm's-length companies, and statutory reporting requirements are met. Internal audit reviews confirm substantial or reasonable assurance for most systems. Overall, arrangements are proportionate and effective, with no additional risk-based procedures required.</p>	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>WMCA has a well-established governance framework supporting informed and transparent decision-making. The Constitution and Single Assurance Framework set clear requirements, while structured decision papers and the Board Forward Plan ensure accountability. Scrutiny is embedded through the Overview &amp; Scrutiny Committee and ARAC provides effective oversight of audit, risk and governance.</p> <p>Progress has been made on our prior year improvement recommendation, with governance panels introduced in 2024/25, but they are not yet fully embedded and their effectiveness varies. Full implementation and consistent performance monitoring are still required, so this remains an improvement recommendation.</p>	A

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Governance – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>We conclude that WMCA has strong arrangements to monitor compliance with legislative and regulatory requirements and uphold high standards of conduct. The Internal Audit Charter ensures proactive monitoring of regulatory changes and the Strategic Risk Register is regularly refreshed and reviewed by ARAC and the Executive Board. Ethical governance is embedded through the Mayor and Members Code of Conduct and supporting policies, with Internal Audit confirming substantial improvement in Gifts and Hospitality controls. Procurement compliance is maintained through updated Contract Procedure Rules aligned with the Procurement Act 2023, supported by transparent processes and audit assurance. The Annual Governance Statement confirms adherence to statutory frameworks, and no material breaches or systemic failures were identified.</p> <p>We have not identified any significant weaknesses. While cyber security actions remain under implementation, these do not undermine overall compliance arrangements, but continued monitoring of outstanding actions is recommended.</p>	G

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Governance (continued)

## Area for Improvement identified: identification and communication of risks

**Key Finding:** WMCA has strong risk management arrangements, including a Risk Management Framework and Strategic Risk Register reviewed quarterly by ARAC. Progress has been made through an Enterprise Risk Management approach and improved linkages between risks and KPIs. However, cultural change toward proactive risk reporting and early escalation remains incomplete and risk ownership needs strengthening.

**Evidence:** The Strategic Risk Register currently includes 30 strategic risks and is reviewed quarterly by ARAC and monitored by the Executive Board. Risks are scored using a 5x5 matrix, mapped to strategic objectives and linked to KPIs for clarity. Internal Audit provides additional assurance through a risk-based plan aligned to the SRR, and the 2024/25 Head of Internal Audit Opinion confirmed that governance and controls are adequate. While an Enterprise Risk Management approach has been agreed and reporting linkages improved, consistent early-stage risk reporting and clear ownership across directorates are not yet fully embedded.

**Impact:** Without proactive reporting and clear ownership, emerging risks may not be escalated promptly, reducing transparency and resilience.

## Improvement Recommendation 3

**IR3:** The Combined Authority should continue embedding a proactive risk culture by strengthening early-stage risk reporting and ownership across directorates. While progress has been made through enterprise risk management and improved risk-to-KPI linkages, cultural change toward consistent escalation remains incomplete. WMCA should ensure emerging risks are identified and escalated promptly, with clear accountability embedded across governance levels. This recommendation is a direct carry-forward from 2023/24, updated to reflect current progress.

# Governance (continued)

## Area for Improvement identified: development and embedding of its Internal Governance Panels

**Key Finding:** WMCA has a well-established governance framework with clear roles and oversight through ARAC and the Overview & Scrutiny Committee. However, governance panels introduced in 2024/25, such as the Business Management Panel, are not yet fully embedded. Full implementation and consistent performance monitoring are still required.

**Evidence:** The WMCA Constitution and Single Assurance Framework clearly define legal and procedural requirements for governance. Oversight of audit, risk, and governance is provided through Scrutiny and the ARAC, ensuring transparency and accountability. Governance panels introduced in 2024/25 have made progress but remain under review as part of the Transformation Programme and their effectiveness is not yet fully embedded.

**Impact:** Limited effectiveness of governance panels reduces their contribution to robust decision-making and accountability, creating a risk of weaker challenge and oversight.

## Improvement Recommendation 4

**IR4:** The Combined Authority should fully embed governance panels and implement consistent performance monitoring to ensure they provide effective challenge and strengthen decision-making.

# Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Authority:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	<p>We conclude that WMCA has established effective arrangements for using financial and performance information to monitor progress and drive improvement. The Annual Business Plan Performance Framework provides a clear structure, aligning indicators and KPIs to strategic objectives. Regular reporting to the Executive Board, WMCA Board and Overview &amp; Scrutiny Committee ensures visibility and accountability, while integrated reports combine operational, workforce, and financial data for a comprehensive view of organisational health. The use of PowerBI dashboards supports timely monitoring and intervention and Internal Audit's Substantial Assurance opinion confirms strong controls over performance reporting.</p>	G
evaluates the services it provides to assess performance and identify areas for improvement	<p>WMCA has clear arrangements to evaluate services and drive improvement through external reviews and internal transformation initiatives. The Independent Transport Review addresses governance and delivery challenges for major projects, with findings reported to the WMCA Board and ARAC. Internally, the transformation programme aligns with the new Mayoral term and Trailblazer Devolution Deal, monitored through the Business Management Panel and ABP Performance Framework. Quarterly Assurance Performance Reports provide visibility of progress and compliance with the Single Assurance Framework.</p> <p>Our prior year improvement recommendation is partially addressed, WMCA has introduced a Strategy Unit, Portfolio Management Office and matrix working to improve collaboration and accountability. These changes are positive, but cultural and operational embedding is incomplete. We have therefore retained this as an improvement recommendation and will continue monitoring to ensure measurable improvements in collaboration and efficiency.</p>	A

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	WMCA has strong arrangements to deliver its role within partnerships and engage stakeholders effectively. Governance structures such as the WMCA Board, ARAC, Overview & Scrutiny and thematic boards ensure oversight and collaboration with constituent and non-constituent members. Strategic priorities are shaped through engagement with public, private and third-sector partners, supported by frameworks like the Skills Programmes Payment & Performance Management Framework and the Strategic Place Partnership with Homes England. Performance reporting is embedded in the Annual Business Plan and reviewed quarterly. Significant progress has been made on the Partnership Plan, but cultural change is ongoing. We are satisfied that our improvement recommendation in this area has been adequately addressed.	G
commissions or procures services, assessing whether it is realising the expected benefits	WMCA has strong arrangements to ensure commissioned and procured services deliver expected benefits. Updated Contract Procedure Rules, aligned with the Procurement Act 2023, provide a clear framework for compliance and value for money. Oversight is supported by the Commercial Procurement Pipeline for high-value contracts and performance frameworks such as the Skills Programmes Payment & Performance Management Framework, incorporating KPIs, financial checks, and escalation protocols. Regular reviews, dashboards, and exception reporting enable timely intervention, while anti-fraud policies mitigate risks.  For major investments, the Single Assurance Framework mandates structured business cases and independent reviews, with real-time monitoring through the Capital Portfolio Dashboard. Governance is strengthened by the Investment Board and external reviews such as the Arup Transport Capital Review. The prior year improvement recommendation relating to capital programme deliverability remains open as improvements are still embedding.	A

**G** No significant weaknesses or improvement recommendations.

**A** No significant weaknesses, improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Improving economy, efficiency and effectiveness (continued)

## Area for Improvement: development of cross-directorate working

**Key Finding:** WMCA has introduced structural enablers, including the Strategy Unit and Portfolio Management Office (PMO) and adopted matrix working to support collaboration and reduce siloed structures. These developments provide a strong foundation for integrated delivery; however, cultural embedding and clear evidence of efficiency improvements are still in progress.

**Evidence:** WMCA has established the Strategy Unit as a central hub for strategic alignment and a shared evidence base and implemented a PMO to embed governance standards, prioritisation and portfolio visibility. Matrix working has also been introduced to promote collaboration and shared accountability across directorates. While these structural changes represent positive progress, measurable outcomes such as efficiency gains and reduced duplication have not yet been fully evidenced. Cultural and operational adoption remains uneven, indicating that continued focus is required to ensure these initiatives deliver their intended benefits.

**Impact:** Until these changes are fully embedded and supported by demonstrable outcomes, WMCA may not achieve the intended benefits of improved agility, collaboration and efficiency. Ongoing monitoring is important to ensure these initiatives deliver tangible results across the organisation.

## Improvement Recommendation 5

**IR5:** The Combined Authority should continue embedding structural enablers such as the Strategy Unit and Portfolio Management Office and ensure matrix working delivers measurable improvements in collaboration and efficiency. WMCA should monitor progress and demonstrate tangible outcomes from these changes.

# Improving economy, efficiency and effectiveness (continued)

## Area for Improvement: delivery of the Capital Programme

**Key Finding:** WMCA has commissioned an independent review of its capital programme to strengthen planning, governance, and deliverability of major schemes. The Rosewell Review provides a clear framework for prioritisation and economic impact assessment. Governance structures are in place, and progress reporting has commenced. However, the review is still in progress and measurable improvements in programme performance and risk management have not yet been demonstrated.

**Evidence:** Last year, we recommended that WMCA conduct a comprehensive review of its capital programme to address delivery risks in areas such as CRSTS and align with multi-year funding settlements. In response, WMCA has made progress by commissioning Bridget Rosewell CBE to lead an independent review focused on economic impact, prioritisation and governance improvements. The Rosewell Review aims to set out major investment opportunities across the West Midlands, review existing and planned projects to ensure alignment with local priorities, advise on the optimal use of the £2.4bn Transport for City Regions allocation and recommend new approaches to planning, financing and delivery. Governance arrangements have been established, including a Review Working Group, Steering Group and Political Oversight Group. Commissioning and mobilisation were completed in August 2025 and the review is scheduled for completion in January 2026, with a progress report presented to the WMCA Board in November 2025.

**Impact:** Until the review is completed and recommendations implemented, WMCA risks continued challenges in capital programme deliverability and achieving value for money. Ongoing monitoring is essential to ensure improvements are embedded and outcomes achieved.

## Improvement Recommendation 6

**IR6:** The Combined Authority should complete the Rosewell Review and implement its recommendations to strengthen planning, governance and deliverability of major capital schemes. The Combined Authority should ensure alignment with the West Midlands Growth Plan and demonstrate measurable improvements in programme performance and risk management.

# Grant Thornton insights – learning from others

The WMCA has the arrangements we would expect to see in respect of partnership working and regional collaboration, but could challenge itself to go further, based on the best arrangements we see across the sector. This was previously an improvement recommendation and has now been closed; we have identified additional insights for consideration.

## What WMCA is already doing



- Developed a Growth Plan to create a shared regional narrative for growth and investment.
- Undertaking an LGA Corporate Peer Challenge, with the report expected early in the new year.
- Introduced a multi-year corporate strategy and outcomes framework, now in final stages of development.
- Completed functional mapping to clarify roles and responsibilities across WMCA and local authorities.
- Established thematic leadership by Metropolitan Chief Executives for six strategic pillars.

## What others do well



- Formalise partnership frameworks with clear impact measures to demonstrate benefits of collaboration.
- Use shared regional narratives and joint communication strategies to amplify successes and strengthen stakeholder confidence.
- Implement peer review and benchmarking to assess partnership maturity and identify best practice.

## WMCA could consider



- Embedding thematic leadership further and tracking measurable outcomes from the Partnership Plan.
- Developing a shared regional narrative for growth and investment, supported by joint communications.
- Introducing formal evaluation mechanisms to assess the impact of partnership initiatives on regional priorities.

# 05 Summary of Value for Money Recommendations raised in 2024/25

# Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	<p>The Combined Authority should continue efforts to build the General Reserve toward the 3–5% benchmark within a reasonable timeframe and implement the planned Reserves Policy in Spring 2026. The policy should set clear target levels, principles for earmarking and drawdown and governance arrangements to strengthen financial resilience.</p>	Financial sustainability	<p><b>Actions:</b> The Combined Authority will continue efforts to build the General Reserve toward the 3-5% benchmark within a reasonable timeframe and will implement the planned Reserves Policy in Spring 2026.</p> <p><b>Responsible Officer:</b> Beverly Sullivan</p> <p><b>Due Date:</b> June 2026</p>
IR2	<p>The Combined Authority should finalise funding arrangements and confirm service levels for franchised contracts as part of its medium-to-long-term bus network strategy, ensuring clarity ahead of the first tranche of franchising in May 2026. This recommendation is a direct carry-forward from 2023/24, updated to reflect current progress.</p>	Financial sustainability	<p><b>Actions:</b> The Combined Authority will finalise funding arrangements and confirm service levels for franchised contracts as part of its medium-to-long-term bus network strategy, ensuring clarity ahead of the first tranche of franchising in May 2026.</p> <p><b>Responsible Officer:</b> Jag Johal</p> <p><b>Due Date:</b> May 2026</p>
IR3	<p>The Combined Authority should continue embedding a proactive risk culture by strengthening early-stage risk reporting and ownership across directorates. While progress has been made through enterprise risk management and improved risk-to-KPI linkages, cultural change toward consistent escalation remains incomplete. WMCA should ensure emerging risks are identified and escalated promptly, with clear accountability embedded across governance levels. This recommendation is a direct carry-forward from 2023/24, updated to reflect current progress.</p>	Governance	<p><b>Actions:</b> The Combined Authority will continue embedding a proactive risk culture by strengthening early-stage risk reporting and ownership across directorates, with clear accountability embedded across governance levels.</p> <p><b>Responsible Officer:</b> Matthew Dean</p> <p><b>Due Date:</b> Autumn 2026</p>

# Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>The Combined Authority should fully embed governance panels and implement consistent performance monitoring to ensure they provide effective challenge and strengthen decision-making.</p>	Governance	<p><b>Actions:</b> The Combined Authority will fully embed governance panels and implement consistent performance monitoring to ensure they provide effective challenge and strengthen decision-making following a review of panel structure by the Executive Board.</p> <p><b>Responsible Officer:</b> Julia Cleary</p> <p><b>Due Date:</b> Summer 2026</p>
<p>The Combined Authority should continue embedding structural enablers such as the Strategy Unit and Portfolio Management Office and ensure matrix working delivers measurable improvements in collaboration and efficiency. WMCA should monitor progress and demonstrate tangible outcomes from these changes.</p>	Improving economy, efficiency and effectiveness	<p><b>Actions:</b> The Combined Authority will continue embedding structural enablers such as the Strategy Unit and Portfolio Management Office and ensure matrix working delivers measurable improvements in collaboration and efficiency and will monitor progress and demonstrate tangible outcomes from these changes.</p> <p><b>Responsible Officer:</b> Jess Hall</p> <p><b>Due Date:</b> Summer 2026</p>
<p>The Combined Authority should complete the Rosewell Review and implement its recommendations to strengthen planning, governance and deliverability of major capital schemes. The Combined Authority should ensure alignment with the West Midlands Growth Plan and demonstrate measurable improvements in programme performance and risk management.</p>	Improving economy, efficiency and effectiveness	<p><b>Actions:</b> The Combined Authority will complete the Rosewell Review and implement its recommendations to strengthen planning, governance and deliverability of major capital schemes, ensuring alignment with the West Midlands Growth Plan.</p> <p><b>Responsible Officer:</b> Sandeep Shingadia</p> <p><b>Due Date:</b> Summer 2026</p>

# 06 Appendices

# Appendix A: Responsibilities of the Combined Authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Combined Authority's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on combined authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Combined Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Combined Authority will no longer be provided.

The Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Combined Authority's Value for Money arrangements

## Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Combined Authority's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.



### A range of different recommendations can be raised by the Combined Authority's auditors as follows:

**Statutory recommendations** – recommendations to the Combined Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

**Key recommendations** – the actions which should be taken by the Combined Authority where significant weaknesses are identified within arrangements.

**Improvement recommendations** – actions which are not a result of us identifying significant weaknesses in the Combined Authority's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

## Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year

Key performance and risk management information reported to the Executive or full Combined Authority

Interviews and discussions with key stakeholders

External review such as by the LGA, CIPFA, or Local Government Ombudsman

Progress with implementing recommendations

Regulatory inspections such as from Ofsted and CQC

Findings from our opinion audit

Annual Governance Statement including the Head of Internal Audit annual opinion

# Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	Building of general reserve balance - The Combined Authority should continue to direct efforts towards building its general reserve balance to its target within a reasonable timeframe.	2022/23	While continuing to manage risks through significant earmarked reserves, WMCA has strengthened financial resilience by increasing its General Reserve to £9.4m (forecast £12m by March 2026) and plans to introduce a new Reserves Policy in Spring 2026.	Partially implemented	Recommendation has been superseded by IR1 in the current year
IR2	Development of a medium-long approach to support the bus network - The Combined Authority should prioritise developing a medium to long-term bus network strategy, which includes outlining funding arrangements, adjusting the transport levy, and considering service level provisions.	2023/24	WMCA approved bus franchising in May 2025, aiming for full implementation by 2029, with work underway to define network levels, secure long-term funding and manage levy increases to ensure value for money and service stability.	Partially implemented	Recommendation has been superseded by IR2 in the current year
IR3	Identification & communication of risks - We recommend the Combined Authority establish clear guidelines & communication channels to facilitate the proactive identification and communication of risks, ensuring that potential issues are promptly reported and addressed.	2023/24	WMCA has introduced an Enterprise Risk Management approach, strengthening Executive Board oversight of strategic risks and working to embed consistent risk reporting across programmes as part of the Transformation Programme.	Partially implemented	Recommendation has been superseded by IR3 in the current year

# Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	Development & embedding of its Internal Governance Panels - the Combined Authority undertake a review of each new panel after one year to assess their effectiveness.	2023/24	An independent review of governance panels has been completed, with feedback now being incorporated into the Transformation Programme to ensure panels are strengthened and aligned with wider organisational design.	Partially implemented	Recommendation has been superseded by IR4 in the current year
IR5	Development of cross-directorate working - Combined Authority develops and implements a workstream to aid the ability for cross-directorate working, in line with the transformation programme, to allow for sharing of best practice and greater organisational understanding.	2023/24	WMCA is embedding structural enablers such as the Strategy Unit and PMO and adopting matrix working to improve collaboration, reduce silos and create a more agile, integrated approach to strategic planning and delivery.	Partially implemented	Recommendation has been superseded by IR5 in the current year
IR6	Development & implementation of the 'Partnership Plan' - Recommend that the Combined Authority further develops its 'Partnership Plan', setting out ambitious, yet strategic aims for its Constituent members, with clear and concise directions on how to achieve the shared ambitions.	2023/24	WMCA has advanced the West Midlands Partnership Plan, introducing a multi-year strategy, functional mapping, thematic leadership and governance improvements to strengthen collaboration and regional delivery.	Closed	No further action required.

# Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR7	Delivery of the Capital Programme - Recommend the Combined Authority conducts a comprehensive review of its capital programme, aligning with Arup's findings, to enhance scheme deliverability in line with the integrated and Multi-year settlement.	2023/24	WMCA has commissioned the Rosewell Review to assess its £2.4bn capital programme, ensuring alignment with the Growth Plan and improving planning, prioritisation and delivery, with completion due January 2026.	Partially implemented	Recommendation has been superseded by IR6 in the current year



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