



**West Midlands  
Combined Authority**

# **Statement of Accounts**

**For the year ended 31 March 2025**

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## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

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Welcome to the West Midlands Combined Authority's ('the Authority') Statement of Accounts for the financial year ended 31 March 2025. 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 2025 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 2024/25, 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 the subsidiaries of Midland Metro Limited and WM5G Limited, where the interest and the level of activity is considered material to the group as a whole.

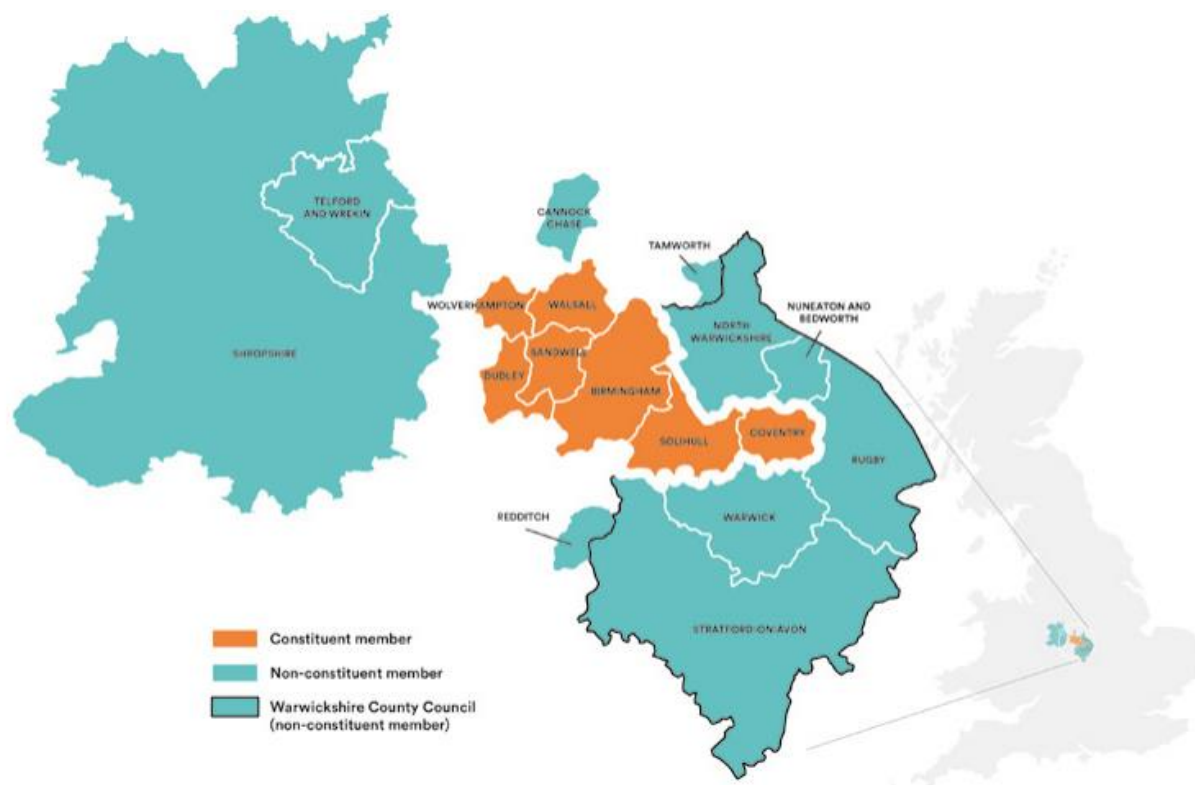
The Narrative Report has been prepared to outline the activities for the year 2024/25, providing both a guide to the Authority's accounts and to its achievements in delivering inclusive economic growth through transport and economic development as well as setting out the economy, efficiency, and effectiveness 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 36 to 54.

The 2024 West Midlands Mayoral Election was held on 2 May 2024 to elect the Mayor of the West Midlands. Richard Parker was the elected candidate and will serve for four years to May 2028 as Chair of the Authority and its Board.

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 seven Directors, supported by officers. The assurance function is carried out by both 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 1,355 people and the Authority employed 1,029 people as at 31 March 2025. Further analysis can be found in Table 1 on page 9.

Our functions reflect the value we add within the region. In most cases, we work by playing a strategic role and acting at the regional level, such as by co-ordinating transport services or regenerating brownfield sites, or by connecting partner organisations.

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**Deliver:** In some areas we deliver and commission services, such as the regional public transport network and the provision of adult skills.

**Enable:** In other areas we convene and guide the work of partners, including by developing strategies to support regional businesses and unlocking sites for housing and regeneration schemes.

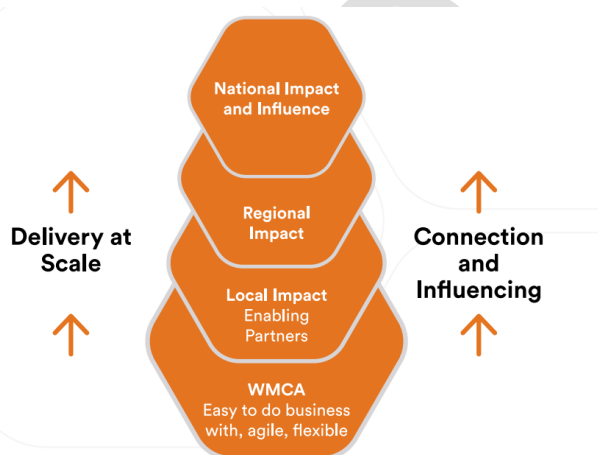
**Influence:** We also play an advocacy role, amplifying the voices of partners in the region to solve shared challenges and secure new resources.

These functions, together with our specific legal obligations, are shown below.

- Connecting Others
- Action with Regional Scale Impact

WMCA statutory functions are:

- provision of regional adult education
- delivery of free English national concession transport for older and disabled citizens on bus
- production of a regional economic strategy and local transport plan



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

This year marks a major shift for WMCA. We have greater responsibility, stronger partnerships, and more control over how we invest in our region than ever before. The opportunity to drive real, lasting change has never been greater – but neither has the expectation.

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 five key functions known as 'pillars': **local transport, adult skills, housing and regeneration, local growth and place, and retrofitting of buildings.**

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 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.

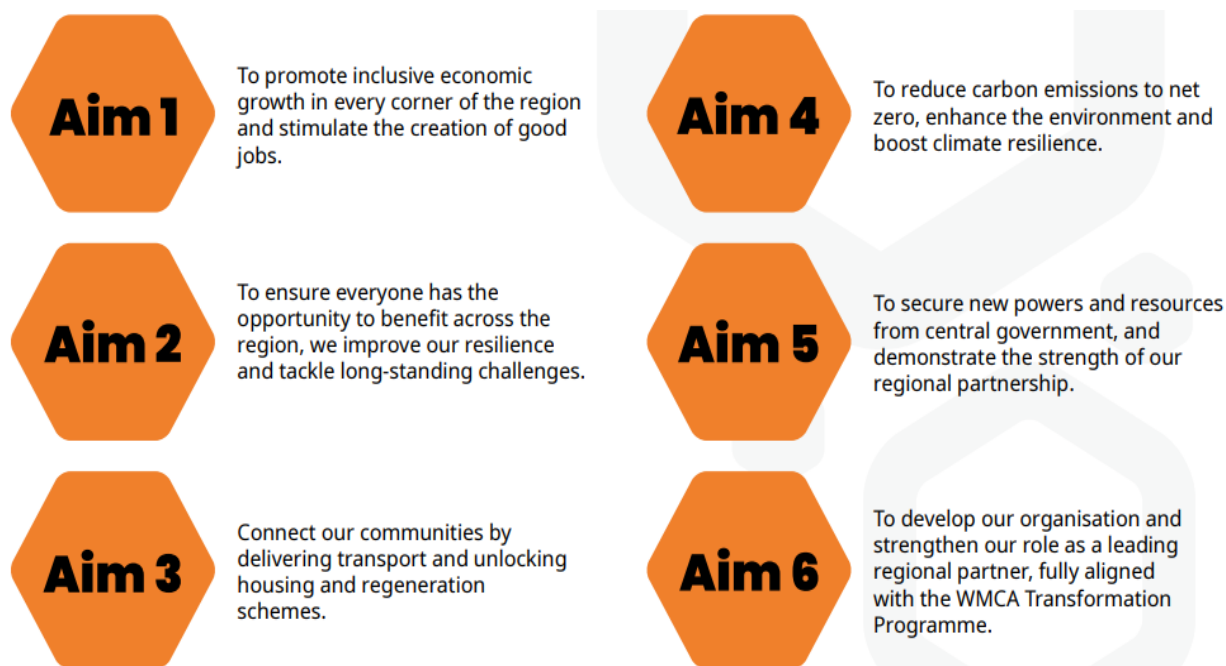
**Homes for everyone** – Building social and affordable homes and creating vibrant communities so that everyone will have a place to call home.

**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 monitor our progress on delivering our Aims we use a range of performance indicators. Each aim is supported by a number of objectives, and key activities then set out how we will achieve those objectives. Our aims and objectives will be regularly reviewed, including a formal review every six months, to monitor progress. They are agreed and owned by the WMCA Board, chaired by the Mayor.

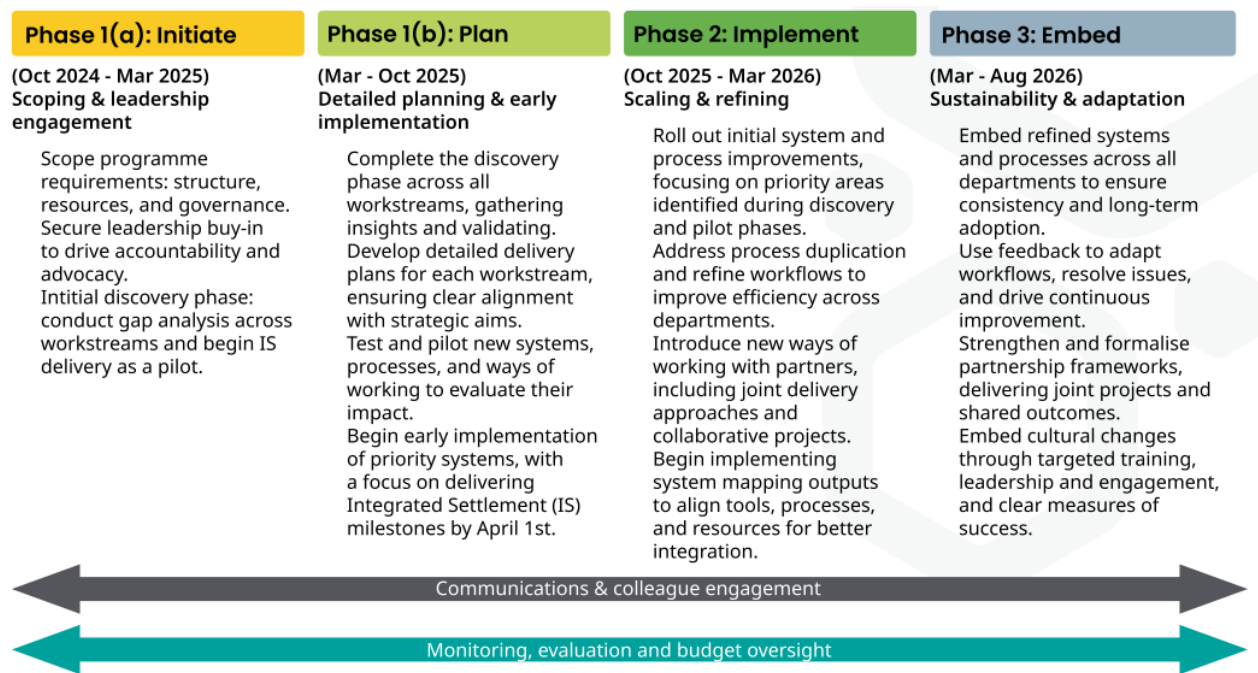
### Transformation Programme

The Transformation Programme is a critical initiative designed to make sure we are fit for the future. As we navigate significant external and internal changes, our programme provides a structured approach to re-aligning the work we do through our design and structure, culture, systems and processes, partnerships with our purpose, vision, mission, core values, and strategic objectives.

Through the Devolution White Paper, the Government has demonstrated a real trust in our ability, with more authority and control to make decisions at a local level for the residents of the West Midlands. With the Integrated Settlement, we will have much greater control over how we invest in the region, providing a unique opportunity to deliver in a way that reflects local needs.

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Our Transformation Programme is how we make this happen – by improving the way we work.



## 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 economy of West Midlands Combined Authority area has faced a challenging environment during the 2024/25 financial year. Several key domestic and global factors have influenced the regional economy.

## Market Risk

The election of a new government in the UK in 2025 marked an end to domestic political uncertainty, but there was continued political volatility in key markets and strategic partners for the UK around the world. The election of Donald Trump in the USA and the implications for NATO, new and continued conflicts in the Middle East and Ukraine, and tensions around China have had impacts on security, defence and trade not seen for a generation. These have heavily affected investor sentiment as governments around the world shift spending priorities. Rapid advancements in technology, particularly in Artificial Intelligence and its huge demand for energy, have also driven market volatility. Continued high inflation rates have increased operational costs, while fluctuating interest rates have impacted borrowing and recruitment strategies among businesses in the WMCA area.

### **Impact on Service Delivery and Strategic Plans**

The cost-of-living crisis and geopolitical events, including the ongoing conflict in Ukraine, have significantly affected the WMCA's strategic plans for service delivery. Public sector bodies in the region have had to reassess priorities, focusing on essential services and support for vulnerable populations. This has led to adjustments in resource allocation and the implementation of targeted initiatives to address emerging needs. These adjustments will have implications in the rest of the economy as individuals and businesses respond.

### **Inflation Data**

Inflation has been a significant factor affecting the regional economy. The rate of inflation in the West Midlands declined to 1.7% in September 2024, the lowest inflation rate in over three years. Despite this decline, inflation remains a concern, particularly in areas such as food and non-alcoholic drinks, which have seen price increases. The Consumer Prices Index including owner occupiers' housing costs (CPIH) was 4.1% in the 12 months to April 2025, up from 3.7% earlier in the year. The Consumer Prices Index (CPI) rose by 3.5% in the 12 months to April 2025. Investor sentiment suffers for a long time after inflationary shocks, as fears linger, businesses wait for interest rates to drop, and plans are revisited following delays.

### **Impact on the Local Community**

The local community has been profoundly affected by the economic challenges of the past year. The cost-of-living crisis has strained household budgets, leading to increased demand for social services and support programmes. Additionally, the aftermath of the COVID-19 pandemic continues to influence economic activity and community well-being. Public sector bodies have responded by enhancing community engagement efforts, providing additional resources to support local businesses, and implementing measures to foster economic resilience. These actions aim to mitigate the adverse effects on the community and promote sustainable growth.

The West Midlands has seen a significant increase in demand for social services. In 2024, the number of households seeking assistance from food banks rose by 15% compared to the previous year. Unemployment rates in the region have also been affected, with the rate standing at 5.8% in March 2025, up from 5.2% in March 2024. The WMCA has implemented several initiatives to address these challenges, including bootcamps and job training programmes. Additionally, the region has seen a 10% increase in small business closures, highlighting the need for targeted economic support. The WMCA's efforts to foster economic resilience include providing targeted support to growing businesses in key growth clusters and enhancing engagement at a hyper-local level to ensure that resources are effectively allocated to those most able to adapt and create opportunities.

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 31 January 2025, nearly 16 months after the commencement of the intervention. The report summarised that the Council has a major improvement journey ahead and has started to make progress, but the organisation is not yet effecting change at the pace needed.

However, the council continues to operate and will continue to deliver on its essential commitments. Money owing to partners is still expected to be settled in the usual way. Therefore, there has been minimal impact on WMCA.

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### 2. Governance

Governance arrangements during the year are set out in the Annual Governance Statement that can be found on pages 36 to 54.

### 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.

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

The 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.

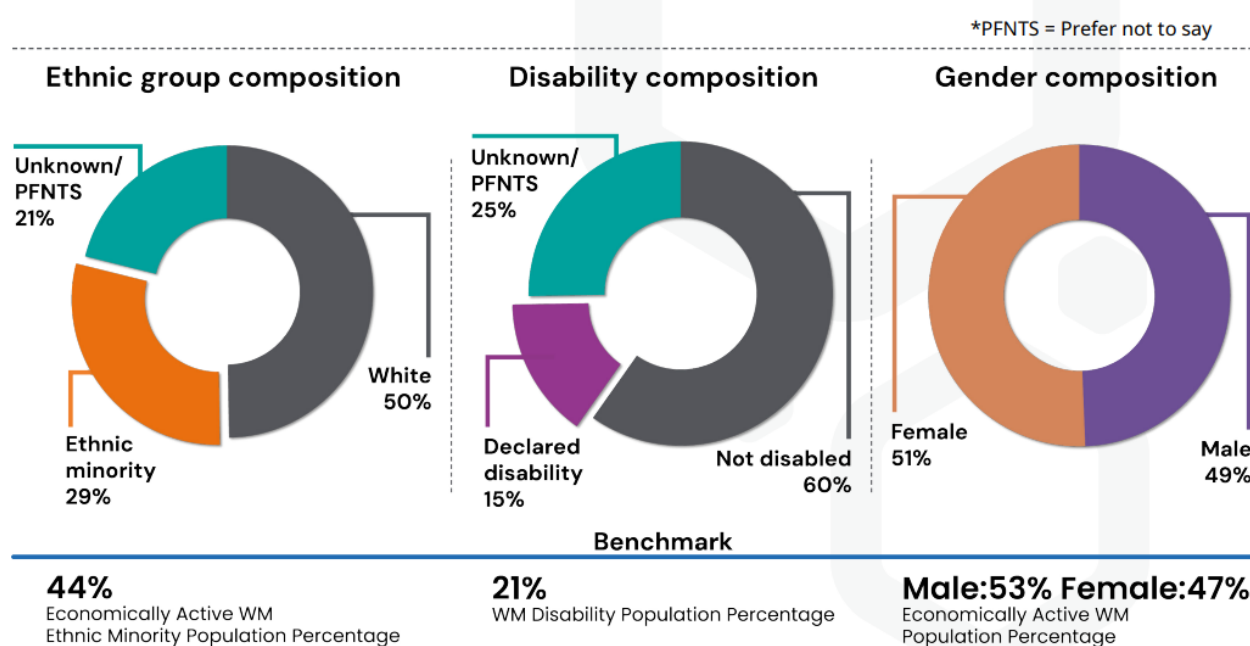
Table 1 below sets out the headcount (March 2025) and established full time equivalent (FTE) posts.

**Table 1: WMCA, MML & WM5G Staffing Analysis — March 2025**

| No.                   | Headcount | FTEs    |
|-----------------------|-----------|---------|
| TfWM                  | 509       | 482.6   |
| Enabling Services     | 293       | 285.3   |
| Portfolio Services    | 220       | 216.9   |
| Mayor's Office        | 7         | 7.0     |
| WMCA Total            | 1,029     | 991.8   |
| Midland Metro Limited | 299       | 287.6   |
| WM5G Limited          | 27        | 26.0    |
| Group Total           | 1,355     | 1,305.4 |

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.

Equality, Diversity & Inclusion 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 (2024/25)

The West Midlands Combined Authority (WMCA) is committed to delivering positive change across the region through our shared vision of a more prosperous, better-connected West Midlands that is fairer, greener and healthier. This commitment is reflected in our performance indicators (PIs), which are output measures used to demonstrate how we are delivering against our Annual Business Plan.

In February 2024, the WMCA Board approved 119 PIs to be monitored and delivered for the 2024/25 fiscal year. This section provides a summary of our performance and key achievements over this period.

At year end, 93 of the 119 PIs (78%) have either been completed or remain on target - an encouraging result given the ongoing cost-of-living crisis, volatile market conditions and the expansion of workstreams relating to the Integrated Settlement. The remaining 26 PIs have been carried forward into the 2025/26 reporting cycle, where they will continue to be monitored and are expected to be completed over the coming year.

### 2024/25 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.

### Housing, Property and Regeneration

- In 2024/25, we delivered the Social Housing Decency Fund (SHDF) – a £15m capital funding pot secured to improve the physical decency of social housing in the West Midlands, focussing on serious issues like severe damp and mould. In partnership with 7 councils and 13 registered providers, measures were taken to remove damp and mould from over 4,600 homes, improving quality of life and health outcomes for many families in our region. We have also been laying the foundations for key future work programmes, including leading the commissioning of the Strategic Growth Study in preparation for the Combined Authority assuming spatial planning powers, as well as important programme and strategic development work for high streets, Private Rental Sector (PRS) and building safety.

- In October 2024, we launched WMCA's Collaborative Partnering Agreement with the Homes for the West Midlands LLP (HfWM LLP) - the latest in a series of partnerships and joint approaches with the sector. The new relationship with HfWM LLP, a group of five of the region's leading housing associations, seeks to maximise the combined expertise, resources and capacity of each organisation to see affordable housing delivery realised more quickly, efficiently and in the right places. In particular, the partnership identifies parcels of land to develop for affordable housing through a simplified and cost-effective process set out in the agreement. A 100% affordable pilot site in the Black Country is the first to test this new process. As well as increasing affordable housing numbers, the agreement enables greater local input into the design of projects and embeds broader policy objectives in developments, encouraging innovation.
- The WMCA Housing Development and Delivery Programme made significant strides in 2024/25. It approved funding for fifteen grant-funded projects, marking a 67% increase from the previous year. Contracted projects valued at £49.3m unlocked the delivery of 2,946 homes, showcasing improved efficiency and governance. Notably, these projects delivered 580 affordable homes and 511 social homes, constituting approximately 37% of total homes delivered, surpassing the WMCA's target of 20%. This progress highlights the programme's commitment to addressing housing affordability across the region, while fostering inclusive growth and economic development.
- We have adopted our Corporate Land and Property Strategy, which sets out the context for property asset management within WMCA. This outlines the key drivers and guiding principles as to how property is managed and how our people and our culture play a central role in developing a forward thinking and ambitious approach to realising our ambitions. The Strategy considers linkages to wider public sector asset management and how, working together, we can be the vanguards in the way we manage public land. Some of these ideas were tested in the Cabinet Office/Local Government Association (LGA) sponsored Place Pilots Programme, which brought together public asset owners in each area to deliver a more joined up approach to future public estate demand and supply. The Strategy also sets out the rationale for working with our partners for undertaking strategic acquisitions, for example our work in collaboration with Stratford-upon-Avon District Council to support their masterplan of delivering the World Shakespeare Centre Scheme.

### Employment, Skills, Health and Communities

- To close the skills gap, in the last academic year we trained 54,000 learners, supporting 6,600 unemployed adults into work and through our investment, we trained 13,600 people with no prior qualifications and supported 7,000 learners to gain a level 3 qualification.
- As part of the Mayors Youth Plan, launched an initiative to create 20,000 industry placements to introduce young people to the world of work.
- We are improving careers education in schools and colleges with 91% of WMCA students having received at least one employer encounter last year, compared to 86% nationally.
- We developed an Inclusive Communities Approach for addressing inequalities and backed the Birmingham Race Impact Group for an anti-racist West Midlands. Our Inclusive Communities grant fund distributed £11.8m to 388 organisations, benefiting over half a million residents.
- We also leveraged £1.85m into communities through the West Midlands Race Equalities Taskforce and produced key reports like the Disabled People's Voice, whose findings have informed actions set out in the Exemplar Region Report and are now being taken forward. Additionally, we engaged over 40 businesses in promoting disability confidence and integrated Health and Equality Impact Assessment (HEIA) into our governance.
- Through our health and wellbeing programmes we supported 220 residents to become more physically active. We have supported 180,000 workers/students to improve mental wellbeing and had 3,000 meaningful conversations with businesses to support employee health. We collated critical evidence for the Health of the Region and Disability Exemplary Region reports and published the Mental Health (MH) Commission One Year On reports supporting the most vulnerable across our region.

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### Strategy, Economy and Net Zero

- The WMCA reached an agreement with government and has now received the first Integrated Settlement, following two years of negotiations, partnership working across the combined authority and with our local partners, and through preparations for delivery.
- The English Devolution White Paper, published in December, affirmed the government's commitment to English devolution and combined authorities, and will result in the transfer of additional devolved functions to the region.
- A key part of economic activity in the year was development of the West Midlands Growth Plan, providing a blueprint for the region's future growth. Due to launch in June 2025, the directorate has worked across the year, including with key stakeholders, to understand the specific challenges, opportunities and solutions for the West Midlands to enable the region to unlock its economic potential.
- Having secured the West Midlands Investment Zone at the close of 2023/24, WMCA worked closely with leading Local Authority partners to mobilise capital investment into the zone's key sites and proactively promote these to the international market, alongside designing and standing up programmes to support businesses across the region.
- Business Growth West Midlands, the region's business support programme, reached a new level of maturity, supporting an estimated 10,000 businesses in 2024/25, including the delivery of the Business Energy Advice Service (supported by the Department for Energy Security and Net Zero) and Made Smarter (supported by the Department for Business and Trade) specialist advice programmes to more than 1,250 of those businesses.
- Energy Capital has delivered in the region of c.£33m of retrofit works this year (up to 31 March 2025) to reduce fuel poverty and carbon emissions, whilst negotiating the devolution of £167m of retrofit funding to further upscale delivery and enable a more flexible, place-based approach going forward.
- The Local Net Zero Accelerator programme has secured up to c.£7m of innovation funding to grow the pipeline of financeable net zero projects and expand the grass-roots work being undertaken in the Brockmoor Net Zero Neighbourhood, to six other areas, in partnership with Local Authorities across the region.
- Energy Capital has also produced a new Regional Energy Strategy for the West Midlands, endorsed by the WMCA, positioning the region as leaders in smart energy; supporting the establishment of a smart energy systems cluster to bring high quality jobs to the area, and secured innovation funding to help plan the regions energy infrastructure investment appropriately, in partnership with National Grid, to support growth and investment across the region.
- Through the WMCA Environment programme, we have installed 90 air quality sensors, the second-largest network in the UK; secured £2m for the region, with University of Birmingham, to build our approach to climate adaptation at a community level; drafted the region's first Local Nature Recovery Strategy alongside a new pipeline of over 100 nature projects to attract private investment.
- The directorate has also been responsible for implementation of a number of other key programmes including the Commonwealth Games Legacy Enhancement Fund, of which a large share has been used to support the Global West Midlands business and tourism programme. Other areas of investment include supporting the European Athletics Championships in 2026, providing grants to over 400 voluntary and community organisations through the Inclusive Communities Grants Fund and Community Environment Fund. Provision of targeted employment support across Local Authority areas and supporting the Culture, Heritage and Creative Industries sector through funding to local authorities and creative organisations, tailored skills and business support, and the development of cultural, creative and heritage frameworks.

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### Finance and Business Hub

- The Procurement team achieved a green rating in their Procurement Readiness Assessment following an audit. They awarded contracts worth a total of £181m through 293 individual procurement activities, demonstrating both efficiency and scale in their operations. In recognition of their excellence, the team were winners of the national procurement GO awards held in May 2025 in two categories: Team of the year for local government, and the Next Generation award.
- The Business Improvement Team continuously improved performance and risk reporting, increasing visibility through dynamic Power BI reports and infographics to make Annual Business Plan (ABP), People and Equality, Diversity & Inclusion (EDI) data more accessible and support evidence-based decision making at Designated Sign Off (DSO)/Leadership teams, internal governance panels and Executive Board.
- For Financial Management, from an external audit perspective, we were amongst the top performing 11% of authorities for 2023/24, receiving a clean audit opinion from our external auditors for our statutory accounts and value for money assessment in December 2024, two months ahead of the statutory backstop date.
- Finance Business Partnering delivered an improved position against the 2024/25 revenue budget which allowed WMCA to allocate financial support for emerging regional priorities and increase its own financial resilience by building up the general and earmarked financial risk reserves. This has been achieved alongside enhancements to management information and financial reporting to continue to further strengthen decision-making.

### Transport for West Midlands (TfWM)

- Business Case for Metro Wednesbury to Brierley Hill Extension (WBHE Phase 2) approved by the Department for Transport (DfT), funding for its implementation obtained and works started on site.
- The production of robust evidence for the social and economic value of bus services which helped to unlock the case for bus network support grant and a 3% increase in the transport levy.
- TfWM have actively engaged with all new and existing Combined Authorities north of the West Midlands to commence 'Strategic Conversations' discussing challenges faced within the respective organisations around funding, governance, infrastructure project development and delivery; prioritisation to create new strategic long-term relationships.
- TfWM have continued to invest in the retention of the West Midlands Bus Network through a c£50m per annum subsidy scheme to support commercially operated local bus services. This continuation of subsidy during 2024/25 has prevented up to 39% of the network being cut. This investment in our transport services has supported an estimated c45 million trips on the bus network, underpinning the social and economic viability of the region, enabling passengers to access jobs, training, education, health, leisure activities and other opportunities.
- Working in collaboration with the Regional Road Safety Partnership, consisting of 17 organisations, we launched the Regional Road Safety Action Plan 2024-2030 to support delivery of the Road Safety Strategy. We signed the joint working agreement with West Midlands Police and the 7 constituent Local Authorities to tackle speed related fatalities and seriously injured incidents. Received international awards for innovation using AI technology to predict road safety priority areas looking at near misses rather than waiting for accidents that cause serious injury or death on our roads.
- In October the region said goodbye to the Class 323 trains and welcomed all 48 of the brand-new Class 730 units. These state-of-the-art electric trains are now in service on routes between Wolverhampton, Walsall and Birmingham, the Chase Line to Rugeley, and the Cross City Line. As well as offering all the modern features customers would expect from a new train, they are also longer than the 30-year-old fleet they have replaced, boosting capacity by a third, with fewer seats and more space for standing. These new trains are a direct result of the role that West Midlands Rail Executive (WMRE) had in specifying the West Midlands Franchise back in 2017.

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- The Passenger Incentive Programme has enabled over 5m new incentivised bus journeys that otherwise would not have been made, supporting over 50,000 individuals to either change mode from car to bus or to support access to life changing opportunities for vulnerable individuals within 'excluded access' categories.

### Chief Executives Office

- From Technology and Insight there has been significant development of our Service Desk, helping and supporting the business as well as further progress in modernising our Digital and Data systems. Service Desk is now resolving tickets within agreement 96.7% of the time (well above the 90% target) with a customer satisfaction rating of 99%. Further progress on removal of legacy systems including storage and wide area networks provide more robust and future proofed infrastructure for WMCA's services. These types of upgrades have also facilitated the enhancement of our cyber threat position, achieving Cyber Essentials accreditation and participating in Ministry of Housing, Communities and Local Government (MHCLG)'s Cyber Assurance Framework (CAF) pilot.
- The Communications and External Affairs team ran:
  - The 'You're Bussing It' campaign which included the passenger incentive programme, which has seen an additional 4.5 million bus journeys taken across the network over the past year. This scheme also included free bus travel for shoppers during the Christmas period, students getting to campus for their studies and around 4,500 NHS staff.
  - The handling of the Mayoral Election which saw national media descend on the International Convention Centre (ICC) in May 2024. Our digital communications for the day attracted 20,000 live stream viewers and won us the recognition at the Comms2point0 UnAwards. Following the result, the communications team led the development and branding of the Mayor's key priorities for the region - growth, jobs, journeys and homes for everyone.
  - The first ever West Midlands Business Festival – 97 events held across the region over 5 days. Nearly 1,500 businesses were involved with nearly 65% saying they gained valuable knowledge from the events to help their businesses grow.
- The Law, Governance, and Audit Directorate has made significant strides in its transformation journey over the past two years.
  - The legal team has embraced a 'home-grown' approach, successfully recruiting several new lawyers into key positions within its restructured framework. This initiative not only fosters valuable development opportunities but also strengthens staff retention. As a result, the directorate has dramatically reduced costs and reliance on expensive interim external consultants, while simultaneously enhancing the quality and efficiency of services across the Combined Authority.
  - The governance team has advanced corporate governance processes by launching a new online Guide to Corporate Governance, establishing internal governance panels, dedicating an entire Governance month, and refining support for the WMCA and the Mayor in their collaboration with Local Authorities. These efforts reinforce transparency and accountability across the organisation.
  - The integration of an in-house internal audit function has further strengthened assurance over WMCA's risk management, internal control, and governance. By identifying control weaknesses and operational inefficiencies, the function provides valuable insights and actionable recommendations, helping optimise performance and drive strategic objectives.
- People and Culture Services:
  - Developed a comprehensive overview of various people metrics and initiatives to evidence and drive decision making over the last 6 months. This includes developing data and analysis on headcount and turnover, employee starters and leavers, sickness absence rates, job offers and hiring statistics. The data covers mandatory training completion, employee engagement, policies, and rewards programs. Additionally, it highlights the performance of the Transport Skills Academy, Health & Safety and Facilities & Workplace Services, along with business continuity plans

- Seventy percent of our employees participated in our employee survey, reflecting a strong sense of engagement across the organisation and resulting in an impressive 82% engagement index score. Building on these insights, over 300 colleagues took part in focus groups to shape our priorities, while collaboration with trade unions and employee networks has helped embed equity, inclusivity, and diversity at the heart of all we do.

### **Our Performance roadmap for 2024/25**

The performance roadmap is a strategic plan that sets out the steps for the WMCA to achieve its performance goals. It drives organisational success by providing a framework for setting goals, implementing targets, monitoring progress, and making evidence-based decisions to improve performance and outcomes.

Over the last financial year we have made great progress, driving significant improvements across the business, as evidenced through the above narrative. During 2024/25 we achieved the following objectives:

- Incorporated the strategic objectives of the Integrated Settlement and outcomes framework to support its successful implementation into the roadmap.
- Increased visibility and transparency of performance through the WMCA's internal governance panels.
- Further embedded a performance reporting culture that included consistent use of Power BI data.
- Changed our language so that HLDs are referred to as performance indicators and identified a smaller suite of key performance indicators that are critical to the WMCA achieving its aims and objectives.

## **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 set out on page 16 shows the overall consolidated revenue position for the Authority compared with the budget approved by the Authority Board in February 2024, 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.

# NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

**Table 2: West Midlands Combined Authority Revenue Outturn 2024/25**

| £000's  | Full Year      |                |                 | Reconciliation to Expenditure and Funding Analysis (note 6) |                 |                 |                |                   |              |                |                |
|---|----------------|----------------|-----------------|---|-----------------|-----------------|----------------|-------------------|--------------|----------------|----------------|
|   | Actual         | Budget         | Variance        | Transport Services  | Other Services  | Invest. Prog.   | Mayor's Office | Mayoral Elections | Finan- cing  | Local Funding  | Total          |
| Transport Levy  | 119,355        | 119,355        | 0               |   |                 |                 |                |                   |              | 119,355        | 119,355        |
| Revenue Grants & Other Income                               | 234,576        | 204,010        | 30,566          | 90,260  | 143,615         |                 | 701            |                   |              |                | 234,576        |
| Adult Education Funding                                     | 148,702        | 143,483        | 5,219           |   | 148,702         |                 |                |                   |              |                | 148,702        |
| Share of Business Rates                                     | 12,259         | 12,259         | 0               |   |                 |                 |                |                   |              | 12,259         | 12,259         |
| Constituent Membership                                      | 4,644          | 4,644          | 0               |   |                 |                 |                |                   |              | 4,644          | 4,644          |
| Non Constituent Members                                     | 390            | 390            | 0               |   |                 |                 |                |                   |              | 390            | 390            |
| Mayoral Election Funding                                    | 34             | 2,100          | (2,066)         |   |                 |                 |                | 34                |              |                | 34             |
| Investment Programme  | 36,500         | 36,500         | 0               |   |                 |                 |                |                   |              | 36,500         | 36,500         |
| Investment Income   | 8,618          | 5,368          | 3,250           |   |                 |                 |                |                   | 8,618        |                | 8,618          |
| Use of Reserves   | 0              | 5,000          | (5,000)         |   |                 |                 |                |                   |              |                | 0              |
| <b>Total Funding</b>  | <b>565,078</b> | <b>533,109</b> | <b>31,969</b>   | <b>90,260</b>   | <b>292,317</b>  | <b>0</b>        | <b>701</b>     | <b>34</b>         | <b>8,618</b> | <b>173,148</b> | <b>565,078</b> |
| Transport for West Midlands                                 | 209,727        | 198,696        | (11,031)        | 209,727   |                 |                 |                |                   |              |                | 209,727        |
| Economic Delivery, Skills & Communities                     | 229,888        | 226,170        | (3,718)         |   | 229,888         |                 |                |                   |              |                | 229,888        |
| Strategy, Economy and Net Zero                              | 69,792         | 56,109         | (13,683)        |   | 69,792          |                 |                |                   |              |                | 69,792         |
| Housing & Regeneration                                      | 3,440          | 1,873          | (1,567)         |   | 3,440           |                 |                |                   |              |                | 3,440          |
| Programme Support   | 1,937          | 3,696          | 1,759           |   | 1,937           |                 |                |                   |              |                | 1,937          |
| Investment Programme  | 42,839         | 39,590         | (3,249)         |   |                 | 42,839          |                |                   |              |                | 42,839         |
| Mayoral Office  | 701            | 875            | 174             |   |                 |                 | 701            |                   |              |                | 701            |
| Mayoral Election  | 4,034          | 6,100          | 2,066           |   |                 |                 |                | 4,034             |              |                | 4,034          |
| <b>Total Expenditure</b>                                    | <b>562,358</b> | <b>533,109</b> | <b>(29,249)</b> | <b>209,727</b>  | <b>305,057</b>  | <b>42,839</b>   | <b>701</b>     | <b>4,034</b>      | <b>0</b>     | <b>0</b>       | <b>562,358</b> |
| <b>Net Expenditure (before earmarked reserves transfer)</b> | <b>2,720</b>   | <b>0</b>       | <b>2,720</b>    | <b>(119,467)</b>  | <b>(12,740)</b> | <b>(42,839)</b> | <b>0</b>       | <b>(4,000)</b>    | <b>8,618</b> | <b>173,148</b> | <b>2,720</b>   |
| Release of windfall treasury savings                        | 29,000         | 0              | 29,000          | 2,000   | 27,000          |                 |                |                   |              |                | 29,000         |
| <b>Transfer to earmarked reserves for known commitments</b> |                |                |                 |   |                 |                 |                |                   |              |                |                |
| Bolster Financial Resilience (approved January 2025)        | 16,800         | 0              | (16,800)        |   | 16,800          |                 |                |                   |              |                | 16,800         |
| Digital Transformation                                      | 4,000          | 0              | (4,000)         |   | 4,000           |                 |                |                   |              |                | 4,000          |
| General Transformation                                      | 1,000          | 0              | (1,000)         |   | 1,000           |                 |                |                   |              |                | 1,000          |
| Mayoral Priorities  | 2,000          | 0              | (2,000)         |   | 2,000           |                 |                |                   |              |                | 2,000          |
| WMCA Mayoral Priorities                                     | 1,000          | 0              | (1,000)         |   | 1,000           |                 |                |                   |              |                | 1,000          |
| Pooled Investment Reserve (approved January 2025)           | 2,000          | 0              | (2,000)         | 2,000   |                 |                 |                |                   |              |                | 2,000          |
| Creative Industry Support                                   | 1,500          | 0              | (1,500)         |   | 1,500           |                 |                |                   |              |                | 1,500          |
| West Midlands Chief Executive Regional Work                 | 500            | 0              | (500)           |   | 500             |                 |                |                   |              |                | 500            |
| <b>Net Expenditure (after earmarked reserves transfer)</b>  | <b>2,920</b>   | <b>0</b>       | <b>2,920</b>    | <b>(119,467)</b>  | <b>(12,540)</b> | <b>(42,839)</b> | <b>0</b>       | <b>(4,000)</b>    | <b>8,618</b> | <b>173,148</b> | <b>2,920</b>   |
| Transport   | (111)          | 0              | 111             |   |                 |                 |                |                   |              |                |                |
| Portfolios  | 3,031          | 0              | (3,031)         |   |                 |                 |                |                   |              |                |                |
| Investment Programme  | 0              | 0              | 0               |   |                 |                 |                |                   |              |                |                |
| Mayoral Office  | 0              | 0              | 0               |   |                 |                 |                |                   |              |                |                |
| <b>Total Surplus / (Deficit)</b>                            | <b>2,920</b>   | <b>0</b>       | <b>(2,920)</b>  |   |                 |                 |                |                   |              |                |                |

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

The final outturn position at the end of March shows a surplus after transfer to Earmarked Reserves of £2.9m and represents a favourable variance from budget. WMCA achieved gross savings of £32.0m, due to treasury gains from investment income and debt management of £29.0m along with an underspend within Programme delivery of £3.0m due to vacancy savings, lower external advice spend and maximising the use of grants and reserves to fund expenditure previously chargeable to local funding, offset by minor overspend within Transport of £0.1m.

From this gross saving, the WMCA Board has already approved earmarking to reserves for known commitments, leaving a surplus of £2.9m which will flow to the General Reserves. The following summarises the transfers to reserves actioned in line with the WMCA Board approval:

- £16.8m has been transferred to reserves to bolster financial resilience against known risks
- £5.0m to support the organisational Transformation Programme
- £3.0m to deliver Mayoral priorities, with £2.0m for Mayoral priorities for the region and £1.0m Mayoral priorities for the WMCA (for e.g. Road safety and support for the High Streets)
- £2.0m of surplus investment income has been transferred to a pooled investment reserve to mitigate against future valuation movements.
- £1.5m to fund creative industry targeted intervention to support the growth of Film & TV in the region
- £0.5m to support West Midlands Chief Executive Regional work

Total funding for the financial year at £565.1m is more than budget by £32.0m. This is predominantly due to Revenue Grants and Other Income which is higher than budget by £30.6m, mainly due to new grant funding received in year since the budget was set, the largest being Bus Service Operators Grant (BSOG) £11.2m, Commonwealth Games Legacy Fund £9.4m, and Business Energy Advice Service (BEAS) £4.8m. Within Programmes, the use of grant income has been maximised in order to protect

## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

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local funding. Within Transport, there has been higher than anticipated advertising income of £1.4m against budget.

The increased grant drawdown of £5.2m re Adult Education is mainly due to greater allocations for the academic year and higher delivery of the Free Courses for Jobs (FCFJ) programmes where the target set by the Department of Education was achieved.

There are savings compared with the Mayoral Election budget as costs associated with the Police Crime Commissioner element were not borne by WMCA as originally budgeted. This resulted in a lower drawdown from budgeted reserves.

Higher Investment income of £3.3m results from excellent cash management and slippage within the capital programme.

It has not been necessary to utilise the £5m budgetary support due to savings achieved in Transport relating to Metro, and these have formed part of the £11.3m redirected to bus franchising.

Within Transport, the overspend of £11.0m mainly relates to BSOG payments to bus operators covered by Department for Transport (DfT) grants received after budget was set. Within the Concession schemes, £7.3m savings on historic payment on profiles and reduced service mileage have been transferred to a reserve, as approved by WMCA Board, to safeguard against future risks in the transport network. It should be noted that since January 2025, the payment structure shifted to actuals, incorporating a new reimbursement rate. Savings have been made in operational areas from vacancy management and lower non-pay spend than budget which, along with the £1.4m increase in advertising income, have contributed to the full attainment of the £2.4m savings target for 2024/25. This is a significant achievement as it equates to around 5.6% of the Transport function's controllable budget.

In the Economic Delivery, Skills and Communities area, expenditure is above budget by £3.7m mainly relating to Economy and Innovation where grant funding of various programmes was awarded post budget.

The additional expenditure of £13.7m compared with budget in the Strategy, Economy and Net Zero directorate mainly relates to the receipt of Commonwealth Games Legacy Grant funding £9.4m and Investment Zone funding £3.0m, both of which were awarded post budget. The Commonwealth Games Legacy Grant has now been fully utilised.

The Housing and Regeneration minor adverse variance of £1.6m includes the transfer of early development costs to revenue, representing capital schemes that are no longer deemed viable and will therefore not achieve the required outcomes.

Programme support is lower than budget by £1.9m as a result of reduced Enabling Services costs.

### **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 £360.2m on capital projects in 2024/25 (see note 26) with the major items of expenditure as detailed in Table 3 below. Total capital expenditure was £244.3m less than the budget of £604.5m, with variances spread across all programmes including significant movement experienced in the following areas: Transport – External (£116.1m), Transport - WMCA (£98.3m), and Housing and Regeneration (£21.4m).

## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

In relation to the externally delivered programme, progress on schemes is behind the schedule originally anticipated at budget setting, specifically the Coventry City Centre South Regeneration project, and the Sustainable Transport schemes. The variances observed are largely due to timing of business case approvals which has resulted in costs being re-profiled into 2025/26 and beyond.

In terms of the WMCA delivered Transport programme, the budget variance primarily relates to Metro, where timing of landowners' compensation payments and utility works have taken longer than anticipated. Following detailed review of costs and timings, works have been rescheduled to reflect the latest expectations. Spend is now expected to accelerate over 2025/26 to achieve delivery within project lifecycle.

Within the Housing and Regeneration programme, the budget variance is mainly due to timing. The Brownfield Housing Fund conditions required schemes to commence before 31st March 2025. As at 31st March 2025, the unapplied balance on the Fund was £135.7m. There are ongoing discussions with the HM Treasury and MHCLG to extend the timeline and/or negotiate changes to the conditions such as relaxation of intervention rates.

**Table 3a) : Major Items of Capital Spend 2024/25**

|   | £ million |
|---|-----------|
| Metro Wednesbury to Brierley Hill Extension             | 64.8      |
| Metro Birmingham Eastside Extension                     | 27.9      |
| Camp Hill Line Local Enhancements                       | 26.3      |
| Walsall to Wolverhampton Local Enhancements             | 22.9      |
| Communities and Place                                   | 19.5      |
| Coventry Electric Bus City                              | 13.4      |
| Social Housing Decarb Wave                              | 9.0       |
| Metro Network Enhancements                              | 7.3       |
| Stratford Gateway Housing and Regeneration              | 7.2       |
| Dudley Town Centre Interchange Sustainable Connectivity | 6.7       |

The capital programme spending of £360.2m was financed in the following way:

**Table 3b) : Financing of Capital Expenditure 2024/25**

|  | £ million    |
|--|--------------|
| Government grants  | 251.4        |
| Borrowing  | 81.0         |
| District/Local Enterprise Partnership (LEP) grants and contributions | 24.5         |
| Third party contributions  | 1.2          |
| Gainshare contribution   | 2.1          |
| <b>Total</b>   | <b>360.2</b> |

### Debt Management

The Authority's forecast change in its Capital Financing Requirement (CFR), or underlying need to borrow, for 2024/25 was £166m. No further external borrowing was undertaken in year, but the Authority was able to restructure a proportion of its loan portfolio. Following negotiations between parties, a restructure of the Authority's £100m loan facility with Phoenix Life Group was agreed as set out overleaf:

## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

|               | Original Terms   | Restructured Terms   |
|---------------|--|--|
| Principal     | £100m  | £100m  |
| Interest rate | 2.455%   | 2.000%   |
| Tenor         | 50 years with £30m repayment at Year 10; £35m repayments between years 35-40 and £35m repayments between years 45-50 | 31 years with £30m repayment at year 10; then amortising repayments of c.£4.5m per annum between Years 15 - 31 |

In assessing the restructure, the Authority sought the following strategic objectives which were all met:

- The tenor of the restructured loan provided a more favourable alignment with the WCMA's liability benchmark
- The market value of the new structure was at par with the existing structure
- Net Present Value (NPV) savings in loan interest costs of £2m (HMT Green Book methodology) and £4m (market discount rates) were achieved
- The new structure did not breach the IFRS 9 '10% rule'

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 2025, the Authority had principal debt outstanding of £580.01m, 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 2024 | In Year      |             | As at 31 March 2025 |
|--------------------------|--------------------|--------------|-------------|---------------------|
|                          |                    | Repaid       | Raised      |                     |
| PWLB                     | 472.33             | 12.36        | 0.00        | 459.97              |
| Barclays                 | 10.00              | 0.00         | 0.00        | 10.00               |
| Former WM County Council | 2.57               | 1.23         | 0.00        | 1.34                |
| Phoenix Group            | 100.00             | 0.00         | 0.00        | 100.00              |
| UKIB                     | 9.12               | 0.42         | 0.00        | 8.70                |
| <b>Total Borrowing</b>   | <b>594.02</b>      | <b>14.01</b> | <b>0.00</b> | <b>580.01</b>       |

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) decreased slightly during the year from £789m (2023/24) to £787m (2024/25). This is made up of the following figures:

| 2023/24<br>£m |  | 2024/25<br>£m |
|---------------|--|---------------|
| 115.75        | Bank Deposits  | 90.75         |
| 673.57        | Local Authorities / Housing Associations / UK Government Backed Deposits | 696.00        |
| <b>789.32</b> | <b>Total</b>   | <b>786.75</b> |

### 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

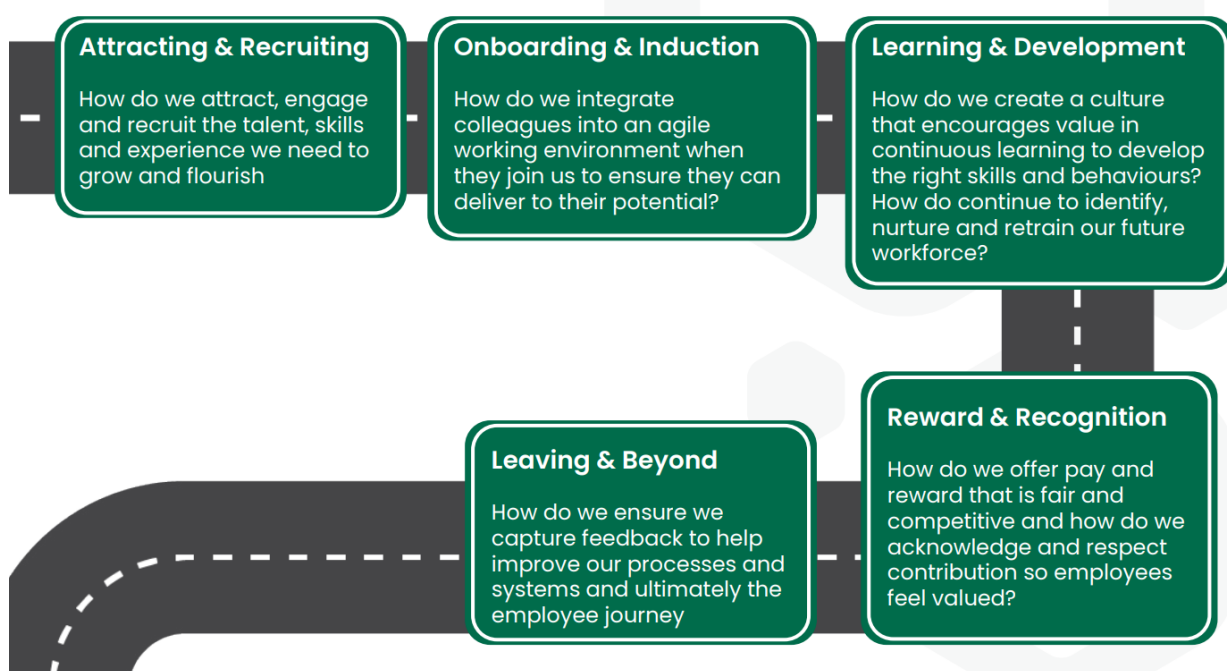
People are our best resource and vital to our success. We all achieve more when we work in a more integrated way.

Our first People and Culture strategy launched in April 2023 sets out three principles guiding the employee journey and way in which the WMCA will operate over the next 3-5 years to ensure we attract and retain the talent needed.

**Create an agile, curious and learning organisation** – WMCA will develop a learning organisation that has the agility to at least keep pace with, ideally ahead of, the changing skills and expertise needed to deliver. Colleagues will be self-motivated to learn, curious and open to fresh thinking and new ideas. They will be willing, able, and excited about flexing what they do to meet the demands required.

**Provide the environment to help everyone bring their best energy and thrive** – WMCA will ensure colleagues feel connected to its purpose and operate in an environment where they can deliver high performance. Our people, leaders, and those we work with should reflect the diversity of our region and be inclusive of the people we serve. Technology, ways of working and policies will be progressive and provide tools and frameworks for people to be their best.

**Think and act as 'One team WMCA' aligned to our overall purpose, values and strategy** – WMCA will foster a one team WMCA culture through developing a community of colleagues who collaborate effectively, focussing on delivery of the purpose and overall strategy. WMCA will use diverse platforms to share information and generate open dialogue. Everyone will be expected to participate and contribute, everyone is responsible for creating our culture.



### Revenue Budget 2025/2026

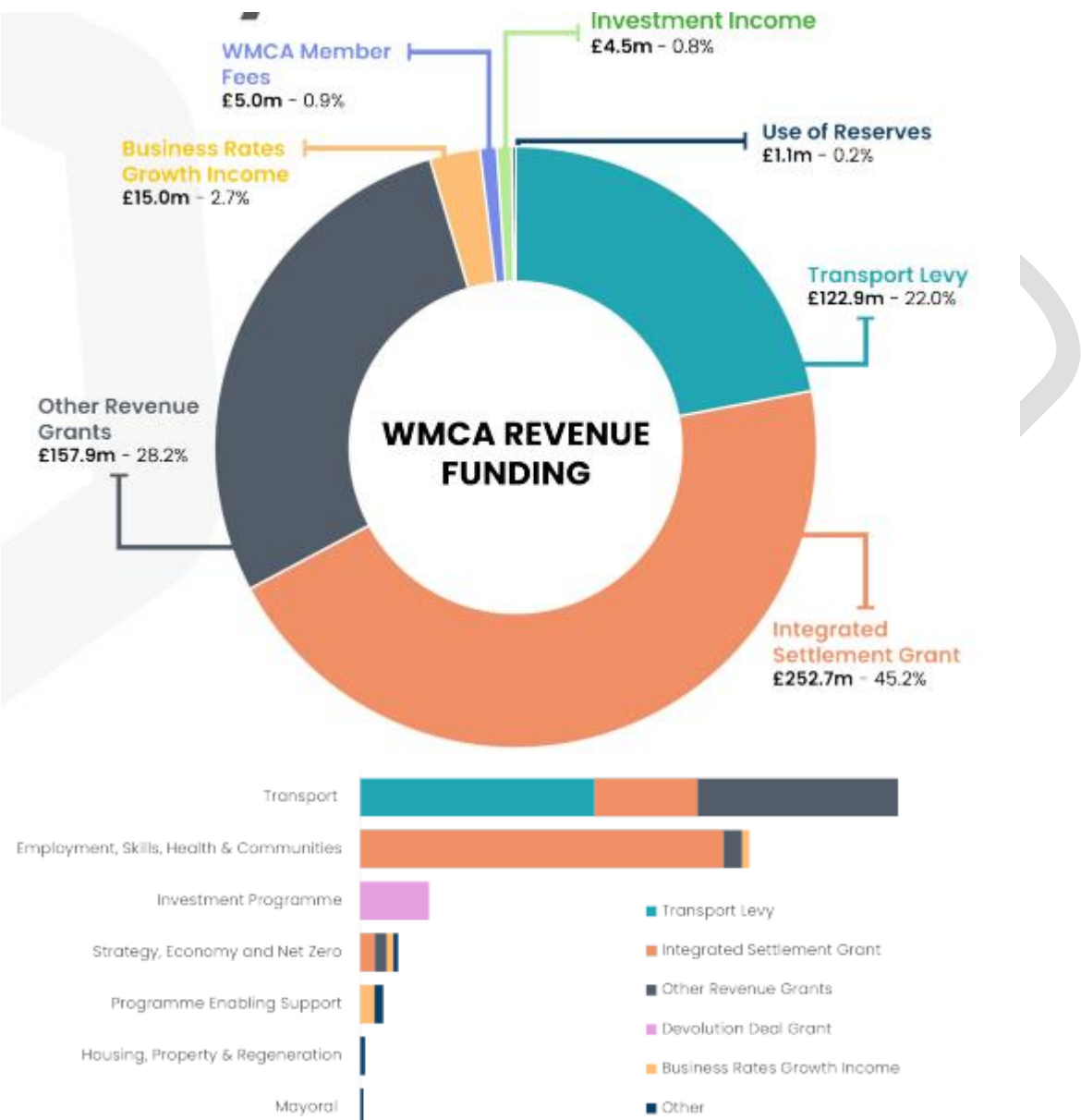
The consolidated revenue budget as reported to the WMCA Board in February was £559.25m. The chart below shows how this income is sourced and where it gets allocated for expenditure.

The 2025/26 transport expenditure is funded by £122.9m of Transport Levy which is received from constituent members along with £104.8m of transport specific revenue grants and £54.1m Integrated Settlement grant.

WMCA's Employment Skills Health & Communities, Strategy Economy and Net Zero, and Housing Property & Regeneration Programmes are largely funded by Integrated Settlement grant (£252.7m) and specific revenue grants (£120.6m) with the remainder funded by local funding (£24.6m).

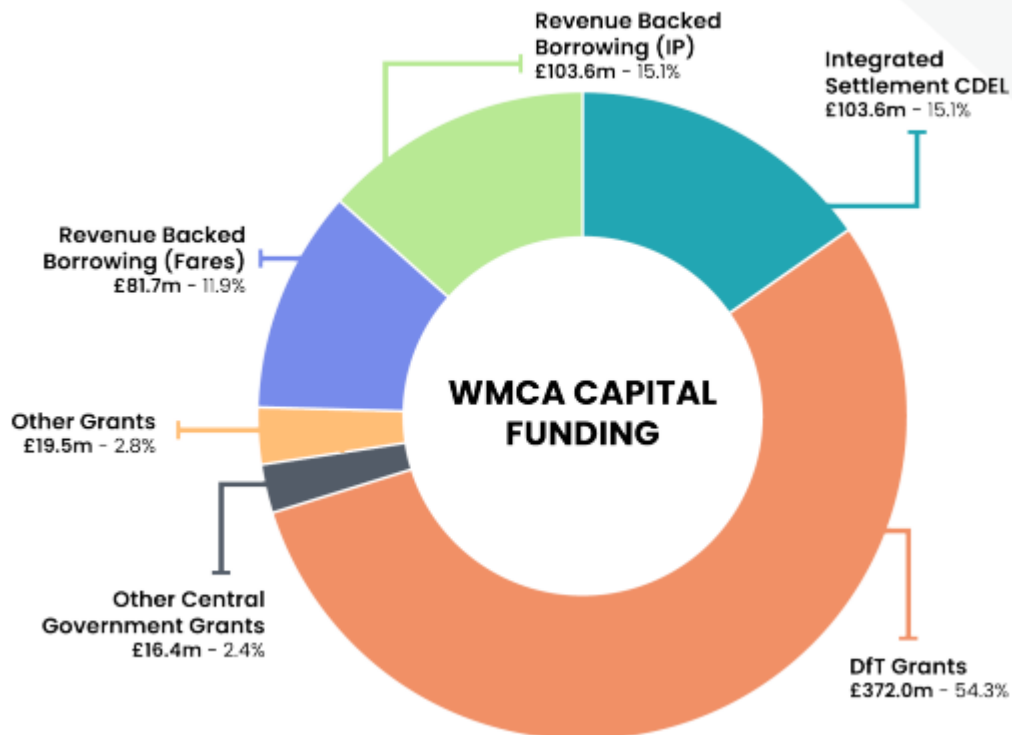
The Investment Programme and Mayor's Office budgets are in line with prior years. A gainshare grant of £36.5m will be used to deliver the capital projects within the Investment Programme, whilst a £0.8m Mayoral Capacity Funding grant supports the operation of the Mayoral Office.

Financial Position  
2024 / 2025 Revenue Budget Analysis

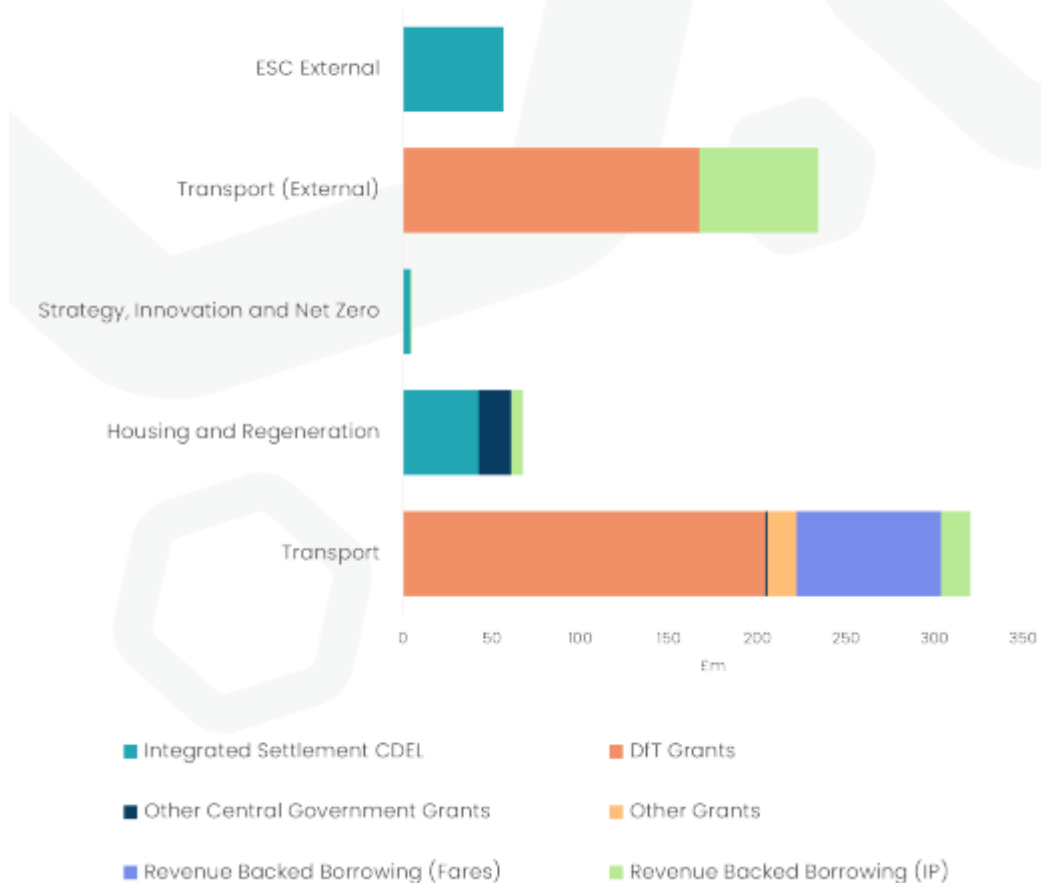


Capital Programme Analysis 2025/2026

The West Midlands Combined Authority’s capital programme is summarised below, highlighting planned capital investment for 2025/26. The figures are indicative and will be refined during the 2025/26 budgeting process. The final 2025/26 capital budget will be presented to WMCA Board at the earliest opportunity in June 2025, following confirmation of the 2024/25 outturn position.



### WMCA CAPITAL PROGRAMME EXPENDITURE



## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

### Medium-Term Financial Plan (MTFP)

The WMCA currently plans its finances over a Medium-Term Financial Plan (MTFP), covering a 5-year rolling period and includes all known and quantifiable financial pressures that it faces.

The MTFP incorporates a broad estimate of the financial impact for the following risks and sensitivities:

- Demographic growth and demand pressures, specifically where transport payments and services are directly affected by patronage demands.
- Costs of funding local transport policy choices.
- Costs of maintaining the bus network. The bus delivery options work was presented to WMCA Board in July 2024 which provided some clarity over the future of the bus network in the region and associated financial impacts. The MTFP carries a £50m per annum charge in relation to bus network pressures.
- Inflationary rises including impact of energy uplifts, pay awards, and contractual requirements.
- Business Rates Retention Scheme and the achievement of growth targets.

The current MTFP assumes a cash flat funding requirement from WMCA's Constituent Authorities, both in terms of the Transport for West Midlands levy (following an increase of 3% in 2025/26) and their contributions to the Authority's wider services budget up to and including 2029/30. 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 2025/26 will need to be managed within the available resources. These may change significantly over the period covered by the MTFP, meaning a cash flat funding requirement may not be achievable without changes to policy.

The MTFP reflects 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.

**Table 4: Medium Term Financial Plan to 2029/30**

|   | 2024/25      | 2025/26      | 2026/27        | 2027/28        | 2028/29        | 2029/30        |
|---|--------------|--------------|----------------|----------------|----------------|----------------|
|   | £m           | £m           | £m             | £m             | £m             | £m             |
| Transport Levy                            | 119.4        | 122.9        | 122.9          | 122.9          | 122.9          | 122.9          |
| Integrated Settlement grant               | 0.0          | 252.7        | 145.3          | 145.3          | 145.3          | 145.3          |
| Other Revenue grants                      | 383.4        | 158.1        | 39.4           | 43.1           | 43.1           | 39.1           |
| Share of Business Rates                   | 12.3         | 15.0         | 16.5           | 18.0           | 19.5           | 21.0           |
| Membership fees                           | 5.0          | 5.0          | 5.0            | 5.0            | 5.0            | 5.0            |
| Investment Income                         | 5.4          | 4.5          | 1.6            | 1.6            | 1.6            | 1.6            |
| Use of Treasury Windfall Income           | 5.0          | 0.0          | 0.0            | 0.0            | 0.0            | 0.0            |
| Use of Reserves                           | 2.1          | 1.1          | 4.5            | 4.9            | 4.2            | 3.6            |
| <b>Total Funding</b>                      | <b>532.5</b> | <b>559.4</b> | <b>335.2</b>   | <b>340.8</b>   | <b>341.6</b>   | <b>338.6</b>   |
| Transport for West Midlands               | 198.3        | 281.9        | 245.1          | 258.4          | 263.2          | 263.8          |
| Strategy, Economy and Net Zero            | 56.3         | 20.0         | 7.0            | 7.3            | 7.6            | 7.9            |
| Economic Delivery, Skills and Communities | 225.7        | 204.0        | 149.4          | 149.3          | 149.8          | 149.9          |
| Housing and Regeneration                  | 1.9          | 2.7          | 2.1            | 2.1            | 2.1            | 2.2            |
| Corporate Support Recharges to Programmes | 3.7          | 10.7         | 12.9           | 14.6           | 14.6           | 15.3           |
| Investment Programme                      | 39.6         | 38.1         | 36.5           | 36.5           | 36.5           | 36.5           |
| Mayoral Office                            | 0.9          | 1.0          | 1.0            | 1.0            | 1.0            | 1.0            |
| Mayoral Election                          | 6.1          | 1.1          | 1.1            | 1.1            | 1.1            | 1.1            |
| <b>Total Expenditure</b>                  | <b>532.5</b> | <b>559.4</b> | <b>455.0</b>   | <b>470.3</b>   | <b>475.9</b>   | <b>477.6</b>   |
| <b>Net Expenditure</b>                    | <b>0.0</b>   | <b>0.0</b>   | <b>(119.8)</b> | <b>(129.5)</b> | <b>(134.3)</b> | <b>(139.0)</b> |

\*Note that legacy grant funding has been rolled into the Integrated Settlement. The MTFP includes assumptions around receipt of some of these grants in future years, hence grant income reported against the Integrated Settlement funding line beyond 2025/26.

## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

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A balanced budget position for 2025/26 was approved by the WMCA Board on 14 March 2025, made possible through one-off exceptional support from Government. However, there currently remains a gap in available funding to support expenditure plans ranging from £119.8m in 2026/27 rising to £139.0m in 2029/30. Work has already begun with the Mayor and Leaders in identifying actions to resolve the medium-term funding gaps identified above.

The WMCA received its first Integrated Settlement allocation from the Government, totalling £388.6m (£252.7m of revenue funding and £135.9m of capital funding), 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. Multi-year settlements are expected following the upcoming Comprehensive Spending Review (CSR) in June 2025. These longer-term allocations will provide greater certainty, allowing for better informed strategic planning, improved resource allocation and longer-term investment.

Whilst Integrated Settlement may provide some opportunities, there remains some fiscal uncertainty around the funding for transport in particular. There is still a need for Government to provide some sustainable funding for the bus network and lobbying will continue for this in conjunction with other Transport Authorities.

The Mayor's decision to progress with franchising will be instrumental in the future in managing the pressure and risks within transport, but it is important to note that it will not provide a medium-term financial solution. The financial implications of franchising are not yet reflected in the MTFP figures above but will be incorporated in the next iteration.

WMCA will continue to review existing established expenditure budgets to drive efficiency savings in the medium term. A £5.0m efficiency target has been planned for 2025/26, which represents around 6.2% of the controllable budgets. Of the total, £3.5m was factored into budget plans with a further £1.5m to be found during the year.

The process to refresh the MTFP for the period 2026/27 to 2030/31 has already commenced, to include the latest position on outturn, changes in income and impact of macro-economic variables.

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

- **Outcome of the Comprehensive Spending Review** and subsequent allocations under the multiyear financial settlement. This will affect the income for the WMCA and the decisions to be taken in resolving the funding gap.
- **English Devolution Bill** may potentially deliver new opportunities to generate additional income for the WMCA utilising financial levers.
- **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.
- **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 will be reflected in the next iteration of the Medium Term Financial Plan.
- **Inflation rates** – The average Consumer Prices Index (CPI) for 2024/25 was 2.5%. The Office of Budget Responsibility, within the March 2025 Economic and Fiscal Outlook report, projects that CPI will rise to 3.2% in 2025, but then fall rapidly to around 2% from mid-2026 onwards. Whilst inflation has been gradually reducing compared to prior years, the higher than usual rate still poses a risk to WMCA on the cost of any borrowing required to support delivery of capital infrastructure but also should allow WMCA to generate better returns on its investments.

- **Current Economic Climate** – The financial plans include assumptions around Business Rates growth income, noting the risks around resetting in 2026/27. 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. Business rates income is affected by business closures, contractions, and due to the nature of the businesses, are impacted by financial/economic shocks such as inflation, imposition of tariffs, etc. Per the West Midlands State of the Region 2024 – 2025, the number of businesses in the WMCA area has not grown and growth has been uneven across the region. The West Midlands is particularly challenged as the shape of the regional economy leaves it particularly exposed to these trends.
- **Reset of the Business Rates** - It is anticipated that the baselines used to measure business rates growth will be reset in 2026/27 in line with a technical consultation published by MHCLG on 08 April 2025. This is currently being recognised and monitored as a risk, and an estimate of the impact will be built into a future iteration of the MTFP when there is more certainty on how the reset will be implemented.
- **Capital Financing Costs** – WMCA changed how it calculated MRP in 2017/18, allowing for a temporary break or holiday from payments. This break ended in 2023/24 and MRP charges have resumed 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.
- **Pensions costs** – WMCA received confirmation in March 2023 of the outcome of its latest triennial actuarial valuation which sets the contributions for the three-year period 2023/24 to 2025/26. It is possible that at the next valuation, WMCA may have to increase annual contributions, or make a lump sum contribution to offset any funding shortfall in the pension scheme.
- **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. A Precept for 2026/27 is no longer feasible since WMCA Board failed to support a proposal for consultation in relation to the Conferral of General Functions on the Mayor on 09 May 2025.
- **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 and share of Business Rates, 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 amendment to statutory regulations which extended WMCA's ability to borrow for non-transport capital schemes was confirmed in May 2018, subject to the Authority agreeing to operate within an agreed borrowing cap set by HM Treasury. The Chief Secretary to the Treasury (CST) has considered and has set the WMCA's debt cap at £1,476m for 2025/26. The Authority can apply for a reset if our capital investment plans change.
- **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. 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** – Although the appropriate level of general fund reserves is a matter of judgement by the Executive Director of Finance & Business Hub (Section 73 Officer), the generally accepted practice is for general fund reserves to be between 3% and 5% of expenditure. The proposed balance is below this recommended level and consideration should be given to increase the level of general balances to ensure risk can be managed within WMCA without creating volatility on Constituent Authority contributions. It is noted however that the Authority does hold Earmarked Reserves, which gives the Executive Director of Finance & Business Hub (Section 73 Officer) comfort that the General Fund balance is sufficient in the short term.

## 7. Risks and opportunities

### Risks

The WMCA's most significant risks are captured through the Strategic Risk Register (SRR), which supports the identification and management of the risks faced by the organisation in achieving its strategic objectives. This activity aims to evaluate the likelihood of risks being realised, the impact should they be realised and how they are being managed efficiently, effectively, and economically to an acceptable level.

The SRR captures only those high-level risks which are of such significance as to require oversight and assurance by the Executive Board (EXB). The SRR is reviewed by the EXB and Audit, Risk & Assurance Committee (ARAC) on a quarterly basis to ensure effective risk management or mitigation is in place to reduce or eliminate possible effects.

When the SRR was last reviewed by the EXB and ARAC (in Mar / Apr 2025), there were twelve strategic risks rated high. A brief explanation of each risk is provided below.

|   |   |
|---|---|
| <b>Financial resilience of WMCA to absorb fiscal shocks</b> | <p>Reduced levels of reserves / resources available to deal with fiscal shocks. The most evident causes of such fiscal shocks currently being the ongoing effect of;</p> <ul style="list-style-type: none"> <li>• Financial sustainability issues on public transport services particularly in relation to bus</li> <li>• Inflation and global supply chain issues affecting our capital delivery projects</li> <li>• Government spending cuts proposed by the Chancellor to departmental budgets.</li> </ul> |
|---|---|

## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

|   |   |
|---|---|
| <b>TfWM Programme Cost Management</b>   | Inconsistent visibility of dependable financial and management information at programme level, including forecast outturn costs, the impact of change and cost over-runs, and the visibility of programme whole-life costs. Business cases often include black cost allowances in key areas e.g risk allocation and do not benefit from robust bottom up assessments.   |
| <b>Local authority partners in financial difficulties or entering Section 114</b> | Local Authority uncertainty of long-term funding and the relatively small growth in funding has put sustained pressure on Local Authority finances. This has been exacerbated by the increasing demand for services and low levels of general reserves to withstand fiscal shocks.  |
| <b>Information and IT Systems Assurance &amp; Security</b>                        | <ul style="list-style-type: none"> <li>• Data protection requirements and/or proper protective security of all WMCA assets, information systems, premises and people, require constant maintenance.</li> <li>• Organised and Opportunistic Crime. There has been an increase in the number of cyber incidents reported in the media over the past 18 months where UK public sector and transport related organisations have been targeted, including occurrences where vulnerabilities in globally used products, such as Microsoft applications, have been exploited.</li> <li>• Security assurance is more limited in areas of the Combined Authority independent of Digital &amp; Data.</li> <li>• Authorised user and 3rd Party Services failures.</li> </ul> |
| <b>Capacity and Capability</b>  | New organisational priorities will increase demands and pressures on staff, creating potential challenges in recruitment, retention, and skills gaps. With additional skills required for many of these new priorities: Single settlement implementation; new procurement regs implementation; Investment Zones.  |
| <b>Capital Delivery (Transport)</b>   | Macro-economic events creating significant cost pressures.  |
| <b>Regional Stakeholder &amp; Political Relations</b>                             | Positive stakeholder and political relations with strong Combined Authority (CA)/Local Authority (LA) partnership working are needed across the region to deliver the collective ambitions of the organisation. Low trust and poor relations have the potential to impact our ability to deliver the funding, powers and priorities of WMCA and undermine our ability to take the right strategic decisions for the region.   |
| <b>WMCA Resilience</b>  | WMCA should ensure the continuation of essential business functions and services whilst protecting the wellbeing and safety of our employees, visitors and tenants across all our assets. Unexpected or irregular events and circumstances may affect WMCA services, buildings and facilities, disrupting operations and activities.  |
| <b>Energy Efficient Homes</b>   | The cost of living crisis has been primarily driven by increases in the cost of gas and electricity, the cost of food, and the cost of transport. There is a direct link, therefore, with WMCA's risk regarding Inflation & global supply chain pressures.  |

## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

|  |  |
|--|--|
| <b>Investment Zones (IZ)</b>                                 | <p>There are several issues to work through on the financial arrangements underpinning the West Midlands (WM) Investment Zones and Growth Zones which require LAs to reach an acceptable position on borrowing / risk / reward. If a collective position cannot be achieved, then there is a risk that the region will be unable to deliver the priority infrastructure and re-development it had put forward under these proposals.</p> <p>All Memorandum of Understandings related to Business Rates Retention are signed and legal agreements advancing. Government has confirmed 10-year IZ funding is in the MHCLG baseline as a commitment. However, this is still subject to the Comprehensive Spending Review (CSR).</p> |
| <b>Sustainable &amp; affordable public transport network</b> | Increased costs of service operation along with continued uncertainty over longer term government funding beyond March 2025 (latest extension to funding deadline).  |
| <b>Commerciality</b>   | Having chosen to use commercial company delivery models in some areas, challenging economic conditions and / or material loss of revenue from investments may result in these commercial models being unable to deliver expected benefits and commercial revenue targets.  |

Throughout the year work has continued to improve risk management at the WMCA and to look at our readiness for Integrated Settlement. There is significant work in hand to continue to support the embedding of good risk management practices at the CA. This includes the Executive Board having agreed some additional structure to our future risk management in the form of an approach to Enterprise Risk Management – see diagram – which will provide greater clarity and assurance around how significant and thematic concerns the WMCA faces are being managed with a route for information to get to the Executive Board.

### Strategic Risks

Internal or external events that may make it difficult, or even impossible, for WMCA to achieve its aims and objectives.

#### Delivery Risks

##### Performance Risks

Events that could affect the successful achievement of our key business activity; our KPIs, PIs etc.

##### Programme & Project Risks

Risks that could affect the delivery of our projects or programmes.

#### Operational Risks

Arising from, or affecting, the operation of our business; our resources, systems and processes.

##### Compliance Risks

Failures that could result in a breach of laws or regulations

##### Information Risks

Risks relating to the management of our information and related systems and processes.

##### Finance Risks

Risks relating to our financial management, our budget, and related systems and processes.

##### People Risks

Risks relating to the recruitment, retention, development and management of our people.

This approach reinforces the need for delivery risk registers, and a process for their regular review, to be embedded across the organisation, alongside a role for internal governance panels to play in ensuring wider operational risks are similarly being recognised and managed. This will enable full visibility of those risks with the potential to impact on the organisation's success, providing teams the opportunity to monitor the status of risks, ascertain the level of risk exposure, and track activity to manage or mitigate the risk.

In addition, we continue to seek opportunities to bring risk management, performance management, and business planning activity together to provide a strong evidence base to support risk identification, substantiate risk assumptions, and improve decision making.

### **Opportunities**

#### **Deeper Devolution Deal - A landmark deal for the West Midlands**

In February 2022, the Government announced new devolution deals for the West Midlands, alongside Greater Manchester, as part of its Levelling Up White Paper.

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 – Looking forward to 2025, what does this mean for the West Midlands?**

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 5.

**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.

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.

## NARRATIVE REPORT OF THE CHIEF EXECUTIVE AND MEMBERS

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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.

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 Ltd 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 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.

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 £5.4m, which represents a favourable position compared with a budget of £9.6m. Further funding from WMCA totalled £5.3m, with externally generated income at £1.3m mainly comprising Passenger Revenues.

### 9. WM5G Limited

West Midlands 5G Limited (WM5G) is a private limited company wholly owned by the Authority and was incorporated in February 2019. The main business of WM5G was initially to be the UK's first region-wide 5G test bed and thus accelerate 5G deployment across the region to achieve citizen, public and private sector benefits from 5G. Since then, WM5G has been sharing their expertise and collaborating with innovators to take businesses, organisations and communities on a journey by; developing the fastest-growing technology economy in the UK, supporting healthcare providers to deliver innovative digital solutions, at home and in the wider community, and reducing the time taken to roll out better connectivity across communities.

WM5G started trading on 1 April 2019 as a 100% subsidiary of the Authority and is consolidated into the Authority's group accounts.

WM5G made a net profit for the year of £186.7k. Sector revenues for Health & Care £3.8m and Acceleration & Adoption £3.7m make up the majority of the income. Funding from and services provided to WMCA total £8.2m, and the impact on Group after consolidation is minimal at £188k.

### 10. 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 2024/25 (the Code) and are for the full year from 1 April 2024 to 31 March 2025.

The Group Accounts comprise of:

- i) The Authority.
- ii) Midland Metro Limited
- iii) WM5G Limited

The Statement of Accounts covering the Authority and the Group includes:

#### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost of providing services in the year, according to the Code. An adjustment is required to be made between the accounting basis and the funding basis due to the different accounting treatments for capital grants and pension costs, further details of which are shown in the Movement in Reserves Statement.

#### **Movement in Reserves Statement**

This statement shows the movement of the different reserves in the year. These are analysed between 'usable reserves' (those that can be applied to fund expenditure) and 'unusable reserves' (those allocated for specific purposes).

#### **Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities as at the Balance Sheet date. The net assets (assets less liabilities) are matched by the reserves held.

#### **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

### 11. Directors and Senior Officers

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

| <b><u>Directors/Senior Officers</u></b> | <b><u>Title</u></b>   | <b><u>Appointment/Resignation</u></b> |
|---|---|---------------------------------------|
| Laura Shoaf                             | Chief Executive   | Resigned – 17 June 2025               |
| Ed Cox                                  | Executive Director of Strategy, Integration and Net Zero (Deputy Chief Executive) |                                       |
| Anne Shaw                               | Executive Director, Transport for West Midlands                                   |                                       |
| Linda Horne                             | Executive Director of Finance & Business Hub                                      |                                       |
| John Godfrey                            | Interim Executive Director of Housing, Property and Regeneration                  | Resigned – 31 July 2024               |
| Clare Hatton                            | Interim Director for Employment, Skills, Health and Communities                   | Resigned – 1 May 2024                 |
| Helene Dearne OBE                       | Interim Executive Director of Employment, Skills, Health and Communities          | Appointed – 1 June 2024               |
| Helen Edwards                           | Director of Law, Governance and Audit   |                                       |
| Siobhan Bassford                        | Director of Communications  |                                       |
| Sarah Lal                               | Director of People & Culture  | Appointed – 7 October 2024            |

Ed Cox was appointed as the interim Chief Executive in June 2025 following the resignation of Laura Shoaf.

#### WMCA Executive Team



**Laura Shoaf**  
Chief Executive



**Ed Cox**  
Executive Director of Strategy, Integration and Net Zero (Deputy Chief Executive)



**Anne Shaw**  
Executive Director, Transport for West Midlands



**Linda Horne**  
Executive Director of Finance & Business Hub



**Helene Dearne**  
**OBE**  
Interim Executive  
Director of  
Employment, Skills,  
Health and  
Communities



**Helen Edwards**  
Director of Law,  
Governance and  
Audit



**Siobhan Bassford**  
Director of  
Communications



**Sarah Lal**  
Director of People  
& Culture

### 12. Auditors

Grant Thornton (UK) LLP are the auditors of the Authority for 2024/25. 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**  
Interim Chief Executive  
Date:

## STATEMENT OF RESPONSIBILITIES

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### 1. The Authority's Responsibilities

The Authority is required to:

(i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. These responsibilities are discharged through the role of the Responsible Finance Officer that is the Executive Director of Finance & Business Hub.

(ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

(iii) Approve the Statement of Accounts.

### 2. The Responsible Finance Officer's Responsibilities

The Responsible Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Responsible Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Responsible Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### 3. Certification of the accounts

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2025.

**Linda Horne**

**Executive Director of Finance & Business Hub and Responsible Finance Officer**

**Date: 26.6.25**

### 4. Approval of the Accounts

I certify that the audited Statement of Accounts covering the period 1 April 2024 to 31 March 2025 were approved by a resolution of the Audit, Risk and Assurance Committee on DD MM 2025.

**Mark Smith**

**Chair of the Audit, Risk and Assurance Committee**

**Date:**

### Scope of WMCA's Responsibility

This Annual Governance Statement (AGS) reflects the activities of the Authority for the year ending 31st March 2025 and up to the date of approval of this Statement and the Statement of Accounts.

West Midlands Combined Authority (WMCA) was established on 17<sup>th</sup> June 2016 by the West Midlands Combined Authority Order and is made up of seven constituent and eleven non-constituent local authority members, two observer parties and a co-opted member.

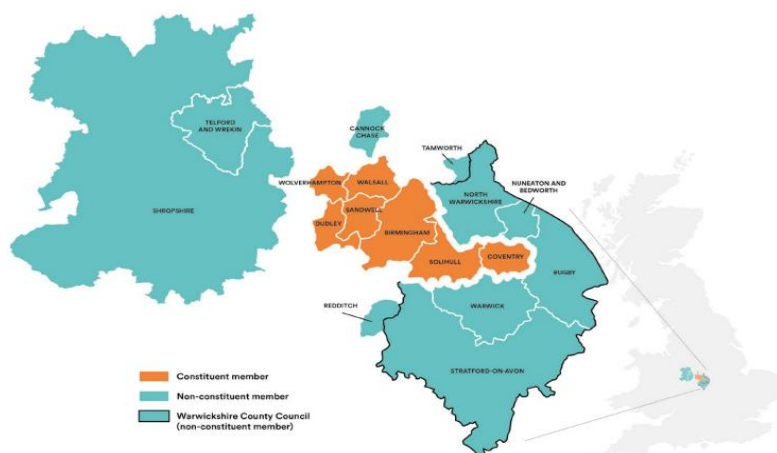
The Mayor of the West Midlands holds the position of Chair of the WMCA, having been elected on 4th May 2024 for a four-year term, and will remain in office until May 2028.

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



## ANNUAL GOVERNANCE STATEMENT

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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.

The Authority currently has ten Arm's Length Company relationships, namely;

| No. | Company Name  | Stake | Accounting Treatment |
|-----|---|-------|----------------------|
| a.  | West Midlands Rail Limited*                                 | 50%   | Associate            |
| b.  | West Midlands Development Capital Limited                   | 100%  | Subsidiary           |
| c.  | Midland Metro Limited                                       | 100%  | Subsidiary           |
| d.  | West Midlands Growth Company Limited                        | 5.3%  | Investment           |
| e.  | WM5G Limited  | 100%  | Subsidiary           |
| f.  | HTO1 LLP  | 50%   | Joint venture        |
|     | HTO2 LLP**  | 44%   | Joint venture        |
| g.  | Midlands Development Capital Ltd (dormant co.)              | 100%  | Subsidiary           |
| h.  | Network West Midlands Ltd (dormant co.)                     | 100%  | Subsidiary           |
| i.  | WMCA JV Ltd   | 100%  | Subsidiary           |
| j.  | Black Country Innovative Manufacturing Organisation (BCIMO) | 50%   | Investment           |

\*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.

\*\*through ownership with HTO1 LLP

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.

### Purpose of the Governance Framework

The Authority is responsible for ensuring that business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and delivers value for money. 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.

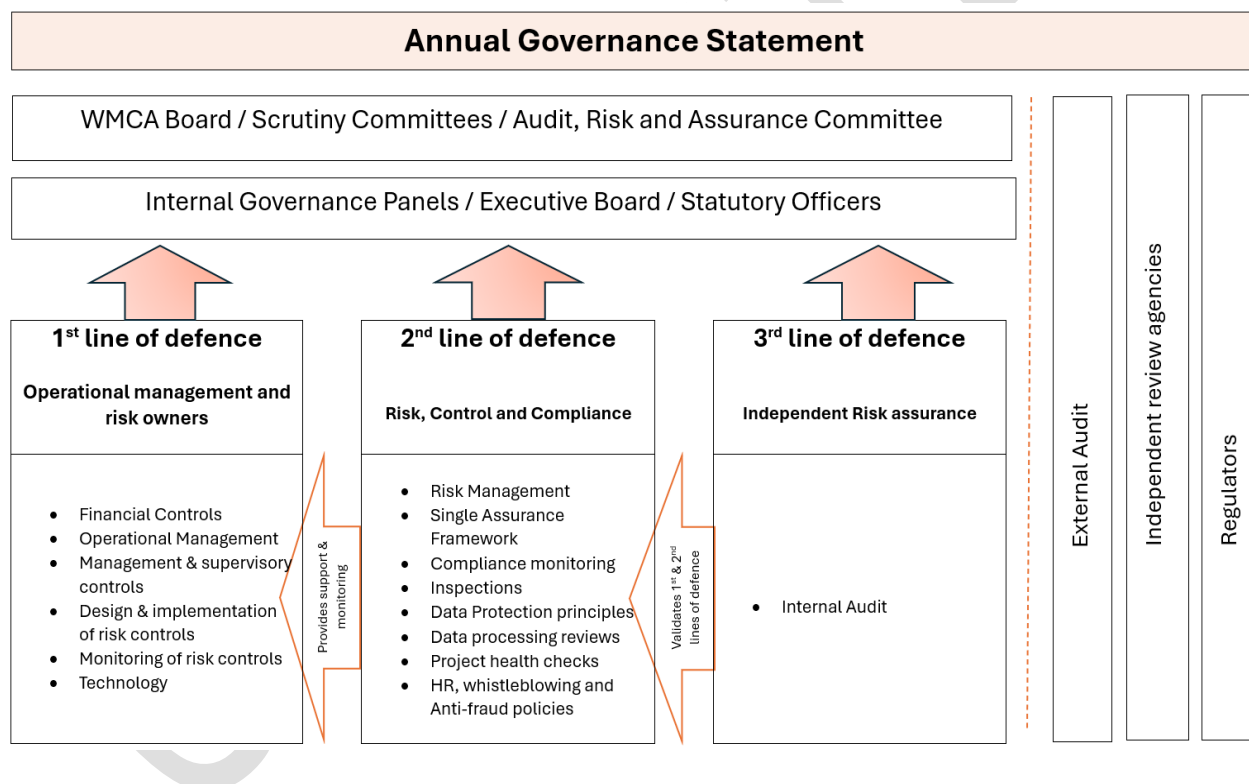
## ANNUAL GOVERNANCE STATEMENT

This enables the Authority to govern its affairs, facilitate the effective exercise of its functions, which includes arrangements for the management of risk, in addition to exercising leadership and being held accountable for its decisions and activities.

The Authority has put in place a system of internal control designed to manage risk to a reasonable level. It cannot 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.

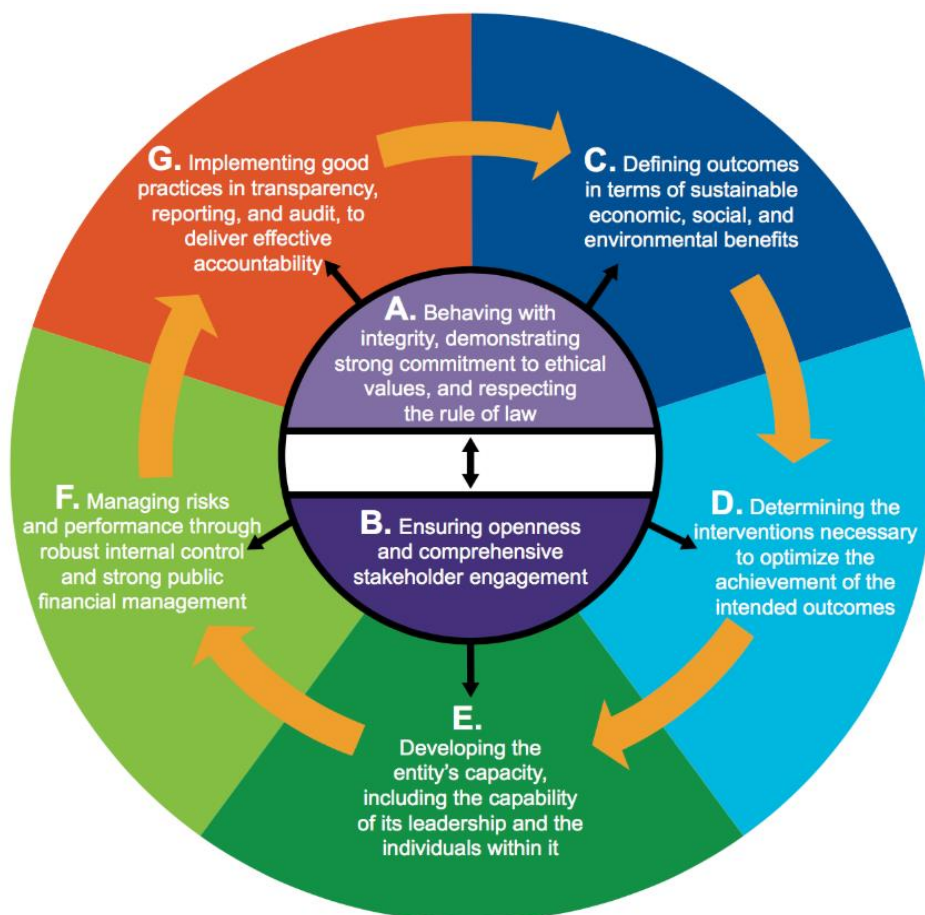
The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives; evaluating the likelihood of those risks being realised, the impact should they be realised, and managing them efficiently, effectively 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 strategic 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).

### Governance, Risk and Control Framework



### Annual Governance Statement

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

## ANNUAL GOVERNANCE STATEMENT

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- ❖ 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.
- ❖ 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 gives authoritative advice and guidance on these issues which will be conducive to a culture of propriety and integrity. This will provide comfort for officers, the Mayor, and members alike. Whilst the Monitoring Officer will seek to be positive within their role, it is recognized the role imposes a personal duty to make public, a statutory report where it appears to be necessary. This could ultimately force the Mayor and/or the authority to consider issues they/it might not wish to do so.
- ❖ The Section 73 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.
- ❖ 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.
- ❖ 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 meetings taking place weekly. 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:

| <b>Collaborative</b>                 | <b>Driven</b>   | <b>Inclusive</b>  | <b>Innovative</b>                               |
|--------------------------------------|---|---|---|
| <i>Team Focussed<br/>Self-Driven</i> | <i>Empowerment and<br/>Accountable<br/>Performance<br/>Focussed</i> | <i>One Organisation<br/>Mindset<br/>Open and Honest<br/>Communication</i> | <i>Forward<br/>Thinking<br/>Problem 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, commencing in April 2025.
- ❖ As an independent service within WMCA, Internal Audit manages whistleblowing and fraud claims received by the Authority, with the Head of Internal Audit, 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**

- ❖ 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.

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- ❖ 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 the 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**

- ❖ 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.
- ❖ 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.
- ❖ To ensure 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. 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.
- ❖ Ongoing engagement is in place between WMCA, local authority members, and the Ministry of Housing, Communities and Local Government (MHCLG) to establish the functional strategies of the Integrated Settlement and the publication of a WMCA Outcomes Framework. Localised plans and Place Based strategies have been developed with Local Authorities in preparation of the first Integrated Settlement due on 1<sup>st</sup> April 2025, with onward monitoring of delivery, and bi-annual reporting being provided to an Integrated Settlement Programme Board, to be chaired by representatives of MHCLG. Arrangements to achieve fair access to determine outcomes will be addressed through the ongoing work in relation to place based strategies and improved stakeholder engagement.
- ❖ The Employment, Skills, Health and Communities directorate (ESHC) input in relation to how they measure benefits underpinning the Annual Business Plan through an established Employment and Skills Strategy. The strategy sets out the priority areas of focus over a 3-year period and includes information relating to the activities and provision to be commissioned in that time, with a clear provider strategy for existing and new providers, the approach to business engagement and any data and insights that have been used to support the development of strategic plans.
- ❖ 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.

## ANNUAL GOVERNANCE STATEMENT

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- ❖ 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 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, five Internal Governance panels were established in 2024 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. Panels include a Policy, Strategy and Intelligence Panel, a Place Development Panel, a Delivery Panel, a People Panel, and a Business Management Panel, reflecting the staged interventions required to achieve the successful delivery of all outputs and outcomes.
- ❖ 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 Panels and the Executive Board.
- ❖ Performance management is monitored monthly throughout the Authority at a directorate and organisational level to ensure the delivery of all objectives contained within the Annual Business Plan is achieved. This is reported monthly to the Executive Board and bi-annually to WMCA Board. Planning for 2025/26 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 will shortly be adopted and will guide 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.
- ❖ 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.
- ❖ A People and Culture Strategy is in place that sets a vision for the WMCA over the next 3-5 years to ensure it attracts and retains the talent needed to deliver its corporate strategies. The Strategy is set around three foundation principles of how WMCA will; Create an agile, curious and learning organization; Provide the environment to help everyone to bring their best energy and thrive, and to; Think and act as 'One Team WMCA' aligned to our overall purpose, values and strategy.
- ❖ 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.
- ❖ 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.

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- ❖ 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, and putting our Values at the centre of everything we do. This programme is expected to continue throughout 2025/26.
- ❖ 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 getting 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 leadership team 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 Financial Officer is a key member of the leadership team, 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, reporting directly to the Chief Executive.
- ❖ The Chief Financial 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.

- ❖ Weekly 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 February 2024.
- ❖ 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.
- ❖ The operation of the Internal Audit service is consistent with the Public Sector Internal Audit Standards in the UK public sector with the Head of Internal Audit and Information Governance fulfilling the role of Chief Audit Executive (CAE). A risk-based audit plan is prepared annually, with approval and the monitoring of delivery and outputs being the responsibility of Audit, Risk and Assurance Committee and the Business Management Panel.
- ❖ 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.

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- ❖ 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 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 of 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.
- ❖ The Authority complies with the Freedom of Information Act 2000, 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 Executive 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 for the CEO 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.

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- ❖ Report templates were revised in 2024 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 committees 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.
- ❖ 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 Business Management Panel and Audit, Risk and Assurance Committee when required.
- ❖ 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 effective stewardship arrangements are in place.
- ❖ The Mayor has recently established four dedicated taskforces of independent experts from across a range of sectors to provide a Council of Experts. These experts will advise the Mayor and WMCA Board on; shaping strategies to drive progress; bring fresh perspectives to policy development and help push forward the Mayor's key priorities; lead short term projects to accelerate action and; collaborate with experts from across the region to support wider engagement and help promote WMCA's ambitious agenda.
- ❖ 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 is 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 is to be adopted shortly 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

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

## 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. A number of areas were identified within the 2023/24 Annual Governance Statement for development during 2024/25, and the table below provides detail on the progress made for each of these actions.

| Area           | Action to be taken  | Current Status  |
|----------------|---|---|
| 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, reflecting the new procedures for delivery of audits and a refinement of the measurement of audit ratings. |

## ANNUAL GOVERNANCE STATEMENT

| Area   | Action to be taken   | Current Status  |
|--|--|---|
| <b>Audit, Risk &amp; Assurance Committee</b> | ARAC members to consider the introduction of annual self-assessments to determine the committee's effectiveness, to identify any skills or knowledge gaps within its membership, and its engagement with officers and WMCA Board.  | This Municipal Year, Members of ARAC were asked to complete a self-assessment identifying any gaps in their knowledge. 8 of 12 members returned a self-assessment, representing a 75% completion rate. As a result of this the Head of Internal Audit, supported by the Member Relationship team delivered a training session in November covering the basics and any identified gaps, this was attended by 5 members, representing an attendance rate of 41%. Further work is being carried out by the Member Relationship Team to deliver a more comprehensive induction and training package for all committees in the new Municipal Year.   |
| <b>Integrated Settlement</b>                 | Work is ongoing to ensure that the governance framework is ready to support the requirements of the Integrated Settlement.   | A comprehensive work program has been in place throughout 24/25 to support WMCA's preparedness for the first Integrated Settlement, due in April 2025. An external review of WMCA's preparedness was commissioned by MHCLG in December 2024 with the outcome of this being 'core expectations for readiness are being met' across three of the four thematic zones.   |
| <b>Organisational governance processes</b>   | The alignment and awareness of governance arrangements across the authority is to be improved.   | A bespoke training program has been developed and made available to all officers including the introduction of a comprehensive 'Guide to Corporate Governance' accessible via the authority's intranet site. The Guide forms WMCA's Local Code of Governance.   |
| <b>Risk Management Framework</b>             | Engagement with Directors and their leadership teams will continue to help embed the revised Risk Management Framework, and to provide advice and deliver bespoke guidance and solutions.<br>Development and the delivery of specific training guides for the new Risk Management intranet page. | We have continued to engage with Executive Board (EXB) and ARAC on strategic risks, and with a range of colleagues across the WMCA on risk management more generally.<br>A new Power BI risk report to EXB has been delivered, while the introduction of Governance Panels provided an opportunity to reconsider our risk management roles and responsibilities.<br>A new Enterprise Risk Management (ERM) approach has been developed and approved by the EXB, which will see governance panels take on oversight for specific strategic risks, with a responsibility to consider these risks and provide challenge and / or assurance to the EXB, when reviewing the strategic risk register. |

## ANNUAL GOVERNANCE STATEMENT

| Area  | Action to be taken   | Current Status  |
|---|--|---|
| <b>Webcasting of meetings – openness and transparency</b> | Investigations are continuing into options for improving our facilities in Summer Lane in relation to hosting public meeting meetings and in particular our ability to host hybrid meetings and to webcast public meetings.                          | WMCA has continued to utilise constituent member hosting facilities when required, to provide full transparency and accessibility of its Board meetings.<br>Options for improving existing facilities at WMCA's Summer Lane offices continues to be considered.   |
| <b>Procurement Act 2023</b>                               | A restructuring of Procurement and Contract Management arrangements is progressing to ensure robust arrangements are in place and conform to the requirements of the Procurement Act 2023 prior to implementation on 24 <sup>th</sup> February 2025. | Planning progressed throughout 24/25 in readiness for implementation of the Procurement Act 2023, this included a full review of the procurement documents and processes, with training provided to all officers in advance of 24 <sup>th</sup> February implementation date.<br>Further improvements are to be implemented in 25/26 with the introduction of a contract management framework, template and system. |

### Actions to be developed in 2025/26

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 2025/26.

| Area                              | Action to be taken  |
|-----------------------------------|---|
| <b>Integrated Settlement</b>      | Implementation of the Integrated Settlement governance controls including the actions resulting from the internal and externally led readiness checks.  |
| <b>Transformation Programme</b>   | 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   |
| <b>Procurement Act</b>            | 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.  |
| <b>Constitution</b>               | 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.   |
| <b>Transparency</b>               | 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.   |
| <b>Enterprise Risk management</b> | Embedding of the Enterprise Risk Management through: <ul style="list-style-type: none"> <li>Engaging with governance panels to ensure they have the information to undertake their oversight responsibility</li> <li>Continuing to engage with Exec Directors and their leadership teams on the risk management activity they undertake</li> <li>Finalising work on the Fraud Risk Assessment</li> <li>Supporting improved project risk management</li> <li>Developing a new strategic risk register</li> </ul> |

|                                    |  |
|------------------------------------|--|
| <b>Corporate Property Strategy</b> | 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

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

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

These statements have been confirmed and agreed by the Monitoring Officer and the Chief Financial Officer respectively.

The Director of Law, Governance & Audit is satisfied that the system of internal assurance is robust and provides visibility of risk and reasonable assurance to the Executive Board and WMCA Board.

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 Strategic 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 2024/25 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 2024/25.

## ANNUAL GOVERNANCE STATEMENT

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Progress of the 2024/25 High Level deliverables has been monitored on a monthly basis by the Executive Board through exception reporting and against the identification of key risks that could impact on delivery. In addition, performance was reported to WMCA Board mid-year and will be reported again at year end.

The Strategic Risk Management Framework includes an escalation process that allows for risks to be escalated, ultimately to the Strategic Risk Register, with ownership of those risks being held by Executive Directors. Quarterly reporting of the strategic 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 2025/26.

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 awarded Cyber Essentials accreditation in 2024, 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. It has developed a team of experienced professionals to prepare the Authority for the introduction of Integrated Settlement in preparation of its introduction in 2025/26, alongside a strong leadership team who has managed the introduction of the Internal Governance Panels which enables Executive Board to concentrate with a focus on strategic matters. 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 reset the organisational structure.

### 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.

### On behalf of the West Midlands Combined Authority

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

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

| 2023/2024         |                  |                 |   | 2024/2025         |                |                  |
|-------------------|------------------|-----------------|---|-------------------|----------------|------------------|
| Gross Expenditure | Gross Income     | Net Expenditure |   | Gross Expenditure | Gross Income   | Net Expenditure  |
| £'000             | £'000            | £'000           |   | Notes             | £'000          | £'000            |
| 367,998           | (211,377)        | 156,621         | Transport services  |                   | 410,599        | (287,852)        |
| 253,681           | (238,989)        | 14,692          | Combined Authority wider services   |                   | 370,278        | (335,620)        |
| 46,585            | (922)            | 45,663          | Investment Programme  |                   | 27,885         | (217)            |
| 901               | (895)            | 6               | Mayor's office  |                   | 713            | (713)            |
| -                 | -                | -               | Mayoral elections   |                   | 4,034          | -                |
| <b>669,165</b>    | <b>(452,183)</b> | <b>216,982</b>  | <b>Cost of services</b>   |                   | <b>813,509</b> | <b>(624,402)</b> |
| 756               | (1,736)          | (980)           | Other operating expenditure   | 8                 | 504            | -                |
| 20,551            | (40,486)         | (19,935)        | Financing and investment income and expenditure   | 9                 | 12,536         | (51,835)         |
| 2,872             | (261,296)        | (258,424)       | Taxation and non-specific grant income and expenditure  | 10                | 410            | (246,138)        |
| <b>693,344</b>    | <b>(755,701)</b> | <b>(62,357)</b> | <b>(Surplus) or deficit on provision of services</b>  |                   | <b>826,959</b> | <b>(922,375)</b> |
|                   |                  | (3,576)         | Remeasurement of the net defined benefit asset/liability  | 27                |                | (2,601)          |
|                   |                  | 103             | (Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income | 25                |                | 105              |
|                   |                  | <b>(3,473)</b>  | <b>Other Comprehensive Income and Expenditure</b>   |                   |                | <b>(2,496)</b>   |
|                   |                  | <b>(65,830)</b> | <b>Total Comprehensive Income and Expenditure</b>   |                   |                | <b>(97,912)</b>  |

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

| 2023/2024         |                  |                 |   | 2024/2025         |                  |                 |
|-------------------|------------------|-----------------|---|-------------------|------------------|-----------------|
| Gross Expenditure | Gross Income     | Net Expenditure |   | Gross Expenditure | Gross Income     | Net Expenditure |
| £'000             | £'000            | £'000           |   | £'000             | £'000            | £'000           |
| 378,800           | (222,232)        | 156,568         | Transport services  | 423,175           | (300,363)        | 122,812         |
| 253,640           | (239,831)        | 13,809          | Combined Authority wider services   | 369,149           | (334,199)        | 34,950          |
| 45,018            | (922)            | 44,096          | Investment Programme  | 27,885            | (217)            | 27,668          |
| 901               | (895)            | 6               | Mayor's office  | 713               | (713)            | -               |
| -                 | -                | -               | Mayoral elections   | 4,034             | -                | 4,034           |
| <b>678,359</b>    | <b>(463,880)</b> | <b>214,479</b>  | <b>Cost of services</b>   | <b>824,956</b>    | <b>(635,492)</b> | <b>189,464</b>  |
| 756               | (1,736)          | (980)           | Other operating expenditure   | 8                 | 504              | 504             |
| 20,566            | (40,441)         | (19,875)        | Financing and investment income and expenditure   | 9                 | 12,740           | (52,190)        |
| 2,925             | (261,296)        | (258,371)       | Taxation and non-specific grant income and expenditure  |                   | 421              | (246,138)       |
| <b>702,606</b>    | <b>(767,353)</b> | <b>(64,747)</b> | <b>(Surplus) or deficit on provision of services</b>  | <b>838,621</b>    | <b>(933,820)</b> | <b>(95,199)</b> |
|                   |                  | -               | Tax expenses of subsidiary  |                   |                  | -               |
|                   |                  | <b>(64,747)</b> | <b>Group (surplus) or deficit</b>   |                   |                  | <b>(95,199)</b> |
|                   |                  | (3,576)         | Remeasurement of the net defined benefit asset/liability  | 27                |                  | (2,601)         |
|                   |                  | 103             | (Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income | 25                |                  | 105             |
|                   |                  | <b>(3,473)</b>  | <b>Other Comprehensive Income and Expenditure</b>   |                   |                  | <b>(2,496)</b>  |
|                   |                  | <b>(68,220)</b> | <b>Total Comprehensive Income and Expenditure</b>   |                   |                  | <b>(97,695)</b> |

## AUTHORITY MOVEMENT IN RESERVES

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

|  | Usable reserves      |                    |                            |                          |                       | Unusable reserves   |                            |   |  |                  |                              |                         | 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                   |                |
| <b>Balance at 31 March 2023</b>  | <b>4,411</b>         | <b>267,049</b>     | <b>271,460</b>             | <b>2,259</b>             | <b>273,719</b>        | <b>5,933</b>        | <b>141,863</b>             | <b>(1,070)</b>                            | <b>(1,760)</b>                           | <b>-</b>         | <b>(990)</b>                 | <b>143,976</b>          | <b>417,695</b> |
| <b>Movements in reserves during 2023/24</b>  |                      |                    |                            |                          |                       |                     |                            |   |  |                  |                              |                         |                |
| Total comprehensive income and expenditure   | 62,357               | -                  | 62,357                     | -                        | 62,357                | -                   | -                          | (103)                                     | -  | 3,576            | -                            | 3,473                   | 65,830         |
| Adjustments between accounting basis and funding basis under regulations (note 6b) | (16,709)             | -                  | (16,709)                   | 1,736                    | (14,973)              | (193)               | 19,054                     | (386)                                     | 144                                      | (3,576)          | (70)                         | 14,973                  | -              |
| <b>Increase or (decrease) in 2023/24 before transfer to earmarked reserves</b>     | <b>45,648</b>        | <b>-</b>           | <b>45,648</b>              | <b>1,736</b>             | <b>47,384</b>         | <b>(193)</b>        | <b>19,054</b>              | <b>(489)</b>                              | <b>144</b>                               | <b>-</b>         | <b>(70)</b>                  | <b>18,446</b>           | <b>65,830</b>  |
| Transfers (to)/from earmarked reserves   | (43,622)             | 43,622             | -                          | -                        | -                     | -                   | -                          | -   | -  | -                | -                            | -                       | -              |
| <b>Balance at 31 March 2024 carried forward</b>                                    | <b>6,437</b>         | <b>310,671</b>     | <b>317,108</b>             | <b>3,995</b>             | <b>321,103</b>        | <b>5,740</b>        | <b>160,917</b>             | <b>(1,559)</b>                            | <b>(1,616)</b>                           | <b>-</b>         | <b>(1,060)</b>               | <b>162,422</b>          | <b>483,525</b> |
| <b>Movements in reserves during 2024/25</b>  |                      |                    |                            |                          |                       |                     |                            |   |  |                  |                              |                         |                |
| Total comprehensive income and expenditure   | 95,416               | -                  | 95,416                     | -                        | 95,416                | -                   | -                          | (105)                                     | -  | 2,601            | -                            | 2,496                   | 97,912         |
| 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                  | -              |
| <b>Increase or (decrease) in 2024/25 before transfer to earmarked reserves</b>     | <b>58,933</b>        | <b>-</b>           | <b>58,933</b>              | <b>-</b>                 | <b>58,933</b>         | <b>(193)</b>        | <b>37,476</b>              | <b>(659)</b>                              | <b>2,421</b>                             | <b>-</b>         | <b>(66)</b>                  | <b>38,979</b>           | <b>97,912</b>  |
| Transfers (to)/from earmarked reserves   | (56,013)             | 56,013             | -                          | -                        | -                     | -                   | -                          | -   | -  | -                | -                            | -                       | -              |
| <b>Balance at 31 March 2025 carried forward</b>                                    | <b>9,357</b>         | <b>366,684</b>     | <b>376,041</b>             | <b>3,995</b>             | <b>380,036</b>        | <b>5,547</b>        | <b>198,393</b>             | <b>(2,218)</b>                            | <b>805</b>                               | <b>-</b>         | <b>(1,126)</b>               | <b>201,401</b>          | <b>581,437</b> |

## 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.

|  | General Fund Balance<br>£'000 | Earmarked General Fund Reserves<br>£'000 | Total General Fund Balance<br>£'000 | Capital Receipts Reserve<br>£'000 | Total Usable Reserves<br>£'000 | Revaluation Reserve<br>£'000 | Capital Adjustment Account<br>£'000 | Financial Instruments Revaluation Reserve<br>£'000 | Financial Instruments Adjustment Account<br>£'000 | Pensions Reserve<br>£'000 | Accumulated Absences Account<br>£'000 | Total Unusable Reserves<br>£'000 | Total Authority Reserves<br>£'000 | Authority's Share of Reserves of the Subsidiary<br>£'000 | Total reserves<br>£'000 |
|--|-------------------------------|--|-------------------------------------|-----------------------------------|--------------------------------|------------------------------|-------------------------------------|--|---|---------------------------|---------------------------------------|----------------------------------|-----------------------------------|--|-------------------------|
| <b>Balance at 31 March 2023</b>  | <b>4,411</b>                  | <b>267,049</b>                           | <b>271,460</b>                      | <b>2,259</b>                      | <b>273,719</b>                 | <b>5,933</b>                 | <b>141,863</b>                      | <b>(1,070)</b>                                     | <b>(1,760)</b>                                    | <b>-</b>                  | <b>(990)</b>                          | <b>143,976</b>                   | <b>417,695</b>                    | <b>1,676</b>   | <b>419,371</b>          |
| <b>Movements in reserves during 2023/24</b>  |                               |  |                                     |                                   |                                |                              |                                     |  |   |                           |                                       |                                  |                                   |  |                         |
| Total comprehensive income and expenditure   | 64,797                        | -  | 64,797                              | -                                 | 64,797                         | -                            | -                                   | (103)  | -   | 3,576                     | -                                     | 3,473                            | 68,270                            | (50)   | 68,220                  |
| Adjustments between group accounts and authority accounts                          | (2,440)                       | -  | (2,440)                             | -                                 | (2,440)                        | -                            | -                                   | -  | -   | -                         | -                                     | -                                | (2,440)                           | 2,440  | -                       |
| <b>Net increase/decrease before transfers</b>                                      | <b>62,357</b>                 | <b>-</b>                                 | <b>62,357</b>                       | <b>-</b>                          | <b>62,357</b>                  | <b>-</b>                     | <b>-</b>                            | <b>(103)</b>                                       | <b>-</b>  | <b>3,576</b>              | <b>-</b>                              | <b>3,473</b>                     | <b>65,830</b>                     | <b>2,390</b>   | <b>68,220</b>           |
| Adjustments between accounting basis and funding basis under regulations (note 6b) | (16,709)                      | -  | (16,709)                            | 1,736                             | (14,973)                       | (193)                        | 19,054                              | (386)  | 144   | (3,576)                   | (70)                                  | 14,973                           | -                                 | -  | -                       |
| <b>Increase or (decrease) in 2023/24 before transfer to earmarked reserves</b>     | <b>45,648</b>                 | <b>-</b>                                 | <b>45,648</b>                       | <b>1,736</b>                      | <b>47,384</b>                  | <b>(193)</b>                 | <b>19,054</b>                       | <b>(489)</b>                                       | <b>144</b>  | <b>-</b>                  | <b>(70)</b>                           | <b>18,446</b>                    | <b>65,830</b>                     | <b>2,390</b>   | <b>68,220</b>           |
| Transfers to/(from) earmarked reserves   | (43,622)                      | 43,622                                   | -                                   | -                                 | -                              | -                            | -                                   | -  | -   | -                         | -                                     | -                                | -                                 | -  | -                       |
| <b>Balance at 31 March 2024 carried forward</b>                                    | <b>6,437</b>                  | <b>310,671</b>                           | <b>317,108</b>                      | <b>3,995</b>                      | <b>321,103</b>                 | <b>5,740</b>                 | <b>160,917</b>                      | <b>(1,559)</b>                                     | <b>(1,616)</b>                                    | <b>-</b>                  | <b>(1,060)</b>                        | <b>162,422</b>                   | <b>483,525</b>                    | <b>4,066</b>   | <b>487,591</b>          |
| <b>Movements in reserves during 2024/25</b>  |                               |  |                                     |                                   |                                |                              |                                     |  |   |                           |                                       |                                  |                                   |  |                         |
| Total comprehensive income and expenditure   | 95,024                        | -  | 95,024                              | -                                 | 95,024                         | -                            | -                                   | (105)  | -   | 2,601                     | -                                     | 2,496                            | 97,520                            | 175  | 97,695                  |
| Adjustments between group accounts and authority accounts                          | 392                           | -  | 392                                 | -                                 | 392                            | -                            | -                                   | -  | -   | -                         | -                                     | -                                | 392                               | (392)  | -                       |
| <b>Net increase/decrease before transfers</b>                                      | <b>95,416</b>                 | <b>-</b>                                 | <b>95,416</b>                       | <b>-</b>                          | <b>95,416</b>                  | <b>-</b>                     | <b>-</b>                            | <b>(105)</b>                                       | <b>-</b>  | <b>2,601</b>              | <b>-</b>                              | <b>2,496</b>                     | <b>97,912</b>                     | <b>(217)</b>   | <b>97,695</b>           |
| 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                           | -                                 | -  | -                       |
| <b>Increase or (decrease) in 2024/25 before transfer to earmarked reserves</b>     | <b>58,933</b>                 | <b>-</b>                                 | <b>58,933</b>                       | <b>-</b>                          | <b>58,933</b>                  | <b>(193)</b>                 | <b>37,476</b>                       | <b>(659)</b>                                       | <b>2,421</b>                                      | <b>-</b>                  | <b>(66)</b>                           | <b>38,979</b>                    | <b>97,912</b>                     | <b>(217)</b>   | <b>97,695</b>           |
| Transfers to/(from) earmarked reserves   | (56,013)                      | 56,013                                   | -                                   | -                                 | -                              | -                            | -                                   | -  | -   | -                         | -                                     | -                                | -                                 | -  | -                       |
| <b>Balance at 31 March 2025 carried forward</b>                                    | <b>9,357</b>                  | <b>366,684</b>                           | <b>376,041</b>                      | <b>3,995</b>                      | <b>380,036</b>                 | <b>5,547</b>                 | <b>198,393</b>                      | <b>(2,218)</b>                                     | <b>805</b>  | <b>-</b>                  | <b>(1,126)</b>                        | <b>201,401</b>                   | <b>581,437</b>                    | <b>3,849</b>   | <b>585,286</b>          |

## 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).

|   | Notes | 31 March 2025      |                    | 31 March 2024      |                    |
|---|-------|--------------------|--------------------|--------------------|--------------------|
|   |       | Authority<br>£'000 | Group<br>£'000     | Authority<br>£'000 | Group<br>£'000     |
| Property, plant and equipment             | 14    | 911,297            | 911,712            | 833,660            | 834,757            |
| Right-of-use assets                       | 30    | 6,629              | 6,629              | -                  | -                  |
| Intangible assets                         | 15    | 548                | 548                | 1,367              | 1,367              |
| Long-term investments                     | 16    | 100,889            | 100,889            | 72,249             | 72,249             |
| Long-term debtors                         | 29    | 18,941             | 18,941             | 16,480             | 16,480             |
| <b>Long-term assets</b>                   |       | <b>1,038,304</b>   | <b>1,038,719</b>   | <b>923,756</b>     | <b>924,853</b>     |
| Short-term investments                    | 16    | 752,594            | 752,594            | 748,807            | 748,807            |
| Inventories                               | 17    | 10,099             | 12,405             | 2,999              | 5,199              |
| Short-term debtors                        | 18    | 121,165            | 120,116            | 103,400            | 102,531            |
| Cash and cash equivalents                 | 19    | 82,848             | 90,010             | 62,998             | 67,039             |
| <b>Current assets</b>                     |       | <b>966,706</b>     | <b>975,125</b>     | <b>918,204</b>     | <b>923,576</b>     |
| Short-term borrowing                      | 20    | (16,525)           | (16,525)           | (16,327)           | (16,327)           |
| Short-term creditors                      | 21    | (166,252)          | (171,237)          | (150,044)          | (152,447)          |
| Lease liabilities                         | 30    | (601)              | (601)              | -                  | -                  |
| Provisions                                | 22    | (5,315)            | (5,315)            | (3,764)            | (3,764)            |
| Grants receipts in advance - revenue      | 10    | (34,953)           | (34,953)           | (28,771)           | (28,771)           |
| Transferred debt                          | 23    | (1,392)            | (1,392)            | (1,282)            | (1,282)            |
| <b>Current liabilities</b>                |       | <b>(225,038)</b>   | <b>(230,023)</b>   | <b>(200,188)</b>   | <b>(202,591)</b>   |
| <b>Net current assets/(liabilities)</b>   |       | <b>741,668</b>     | <b>745,102</b>     | <b>718,016</b>     | <b>720,985</b>     |
| Long-term borrowing                       | 20    | (559,602)          | (559,602)          | (578,429)          | (578,429)          |
| Lease liabilities                         | 30    | (6,130)            | (6,130)            | -                  | -                  |
| Provisions                                | 22    | (4,875)            | (4,875)            | (2,258)            | (2,258)            |
| Grants receipts in advance - capital      | 10    | (627,928)          | (627,928)          | (576,218)          | (576,218)          |
| Transferred debt                          | 23    | -                  | -                  | (1,342)            | (1,342)            |
| Net pension liability                     | 27    | -                  | -                  | -                  | -                  |
| <b>Long-term liabilities</b>              |       | <b>(1,198,535)</b> | <b>(1,198,535)</b> | <b>(1,158,247)</b> | <b>(1,158,247)</b> |
| <b>Net assets</b>                         |       | <b>581,437</b>     | <b>585,286</b>     | <b>483,525</b>     | <b>487,591</b>     |
| General Fund Balance                      | 24    | 9,357              | 9,357              | 6,437              | 6,437              |
| Earmarked Reserves                        | 24    | 366,684            | 370,287            | 310,671            | 314,666            |
| Capital Receipts Reserve                  | 24    | 3,995              | 3,995              | 3,995              | 3,995              |
| Profit and Loss Reserve                   | 24    | -                  | 246                | -                  | 71                 |
| <b>Usable reserves</b>                    |       | <b>380,036</b>     | <b>383,885</b>     | <b>321,103</b>     | <b>325,169</b>     |
| Revaluation Reserve                       | 25    | 5,547              | 5,547              | 5,740              | 5,740              |
| Capital Adjustment Account                | 25    | 198,393            | 198,393            | 160,917            | 160,917            |
| Financial Instruments Revaluation Reserve | 25    | (2,218)            | (2,218)            | (1,559)            | (1,559)            |
| Financial Instruments Adjustment Account  | 25    | 805                | 805                | (1,616)            | (1,616)            |
| Pensions Reserve                          | 25    | -                  | -                  | -                  | -                  |
| Accumulated Absences Account              | 25    | (1,126)            | (1,126)            | (1,060)            | (1,060)            |
| <b>Unusable reserves</b>                  |       | <b>201,401</b>     | <b>201,401</b>     | <b>162,422</b>     | <b>162,422</b>     |
| <b>Total reserves</b>                     |       | <b>581,437</b>     | <b>585,286</b>     | <b>483,525</b>     | <b>487,591</b>     |

This unaudited Statement of Accounts was certified by Linda Horne on 26 June 2025.

## 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.

|  | 2025               |                 | 2024               |                 |
|--|--------------------|-----------------|--------------------|-----------------|
|  | Authority<br>£'000 | Group<br>£'000  | Authority<br>£'000 | Group<br>£'000  |
| <b>Net surplus/(deficit) on the provision of services</b>  | 95,416             | 95,199          | 62,357             | 64,747          |
| <b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>   |                    |                 |                    |                 |
| Depreciation and amortisation of non-current assets  | 30,000             | 30,864          | 30,195             | 30,529          |
| Revaluation decrease/(increase)  | 1,946              | 1,946           | 2,066              | 2,066           |
| Net amounts of non-current assets written off on disposal  | 504                | 504             | 756                | 756             |
| Non-current assets transferred to provision of services  | 237                | 237             | 1,418              | 1,418           |
| Other non-cash items charged to the net (deficit)/surplus on the provision of services   | (7,563)            | (7,563)         | 325                | 325             |
| Change in pensions liability (note 27)   | 2,601              | 2,601           | 3,576              | 3,576           |
| (Increase)/decrease in long-term debtors   | (2,461)            | (2,461)         | (88)               | (88)            |
| (Increase)/decrease in short-term debtors  | (17,765)           | (17,585)        | 3,747              | 6,368           |
| (Increase)/decrease in inventories   | (7,100)            | (7,206)         | 4,771              | 3,860           |
| Increase/(decrease) in short-term creditors  | 16,208             | 18,790          | 7,181              | 6,171           |
| Increase/(decrease) in provisions  | 4,168              | 4,168           | 680                | 680             |
| Net interest payable   | (35,530)           | (35,885)        | (23,060)           | (23,015)        |
| Interest paid  | (16,136)           | (16,136)        | (17,073)           | (17,073)        |
| Interest received  | 51,835             | 52,190          | 40,486             | 40,441          |
| <b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b> |                    |                 |                    |                 |
| Capital grants received  | (71,749)           | (71,749)        | (88,407)           | (88,407)        |
| Capital grants paid  | 410                | 410             | 2,872              | 2,872           |
| Any other items for which the cash effects are investing or financing cash flows   | -                  | -               | (1,736)            | (1,736)         |
| <b>Net cash flows from operating activities</b>  | <b>45,021</b>      | <b>48,324</b>   | <b>30,066</b>      | <b>33,490</b>   |
| <b>Investing activities</b>  |                    |                 |                    |                 |
| Purchase of property, plant and equipment and intangible assets  | (109,148)          | (109,330)       | (166,654)          | (167,721)       |
| Purchase of short-term and long-term investments   | (2,429,363)        | (2,429,363)     | (1,689,905)        | (1,689,905)     |
| Proceeds from short-term and long-term investments   | 2,398,373          | 2,398,373       | 1,596,096          | 1,596,096       |
| Capital grants received for the purchase of property, plant and equipment, intangible assets and inventories                                 | 71,339             | 71,339          | 85,535             | 85,535          |
| Increase/(decrease) in grants receipts in advance  | 57,892             | 57,892          | 91,218             | 91,218          |
| Other receipts from investing activities   | -                  | -               | 1,736              | 1,736           |
| <b>Net cash flows from investing activities</b>  | <b>(10,907)</b>    | <b>(11,089)</b> | <b>(81,974)</b>    | <b>(83,041)</b> |
| <b>Financing activities</b>  |                    |                 |                    |                 |
| Cash receipts of short- and long-term borrowing  | -                  | -               | 407,900            | 407,900         |
| Repayments of principal on leases  | (255)              | (255)           | -                  | -               |
| Repayment of loans   | (12,789)           | (12,789)        | (320,673)          | (320,673)       |
| Transferred debt - repayment of principal  | (1,220)            | (1,220)         | (1,109)            | (1,109)         |
| <b>Net cash flows from financing activities</b>  | <b>(14,264)</b>    | <b>(14,264)</b> | <b>86,118</b>      | <b>86,118</b>   |
| <b>Net increase or decrease in cash and cash equivalents</b>   | <b>19,850</b>      | <b>22,971</b>   | <b>34,210</b>      | <b>36,567</b>   |
| Cash and cash equivalents at 1 April   | 62,998             | 67,039          | 28,788             | 30,472          |
| <b>Cash and cash equivalents at 31 March (note 19)</b>   | <b>82,848</b>      | <b>90,010</b>   | <b>62,998</b>      | <b>67,039</b>   |

## 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 2024/25 financial year and the position as at 31 March 2025. 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 2024/25 (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 2025.

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

### **b) Taxation**

#### **Corporation, income and capital gains tax**

##### **Authority**

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

##### **Subsidiaries**

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

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

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

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

##### **Value added tax (VAT)**

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

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

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

### **c) Income**

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

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

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

### **g) Financial assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their 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 2024/25, no such transactions have occurred.

Trade creditors are recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Comprehensive Income and Expenditure Statement in the period in which it is recognised.

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 31<sup>st</sup> 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 a number of interests in other entities which fall within the group boundary (see note 16). Midland Metro Limited and WM5G Limited are deemed to be material and are therefore consolidated into the group accounts.

### 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 2025 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 2025 IAS 19 valuation report:

- A 0.1% p.a. decrease in the Real Discount Rate will increase the pension fund liability by £3.441m.
- An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £8.837m.
- 0.1% p.a. increase in the Salary Increase Rate will increase the pension fund liability by £0.091m.
- 0.1% p.a. increase in the Pension Increase Rate (CPI) will increase the pension fund liability by £3.445m.

#### **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 2025/26 CIPFA Code of Practice are:

- Amendments to IAS 21 (lack of exchangeability) – guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not
- IFRS 17 Insurance Contracts – replaces IFRS 4 and sets out the principles for recognition, measurement, presentation and disclosure of insurance contracts

There are changes to the measurement of non-investment assets within the 2025/26 CIPFA Code of Practice which include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out the revaluation processes for operational property, plant and equipment and the valuation requirement for intangible assets.

The amendments to IAS 21 and IFRS 17 will have no impact on the Authority or the Group's financial performance or position while the changes to the measurement of non-investment assets are not expected to have a material impact as desktop reviews were performed in 2024/25.

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

|  | Notes | 2024/2025                                |                                      | 2023/24                                  |                                      |
|--|-------|--|--------------------------------------|--|--------------------------------------|
|  |       | Authority<br>Net<br>Expenditure<br>£'000 | Group<br>Net<br>Expenditure<br>£'000 | Authority<br>Net<br>Expenditure<br>£'000 | Group<br>Net<br>Expenditure<br>£'000 |
| <b>Total Comprehensive Income and Expenditure</b>                  |       | <b>(97,912)</b>                          | <b>(97,695)</b>                      | <b>(65,830)</b>                          | <b>(68,220)</b>                      |
| Adjustments between funding and accounting basis under regulations | 6     | 36,483                                   | 36,483                               | 16,709                                   | 16,709                               |
| Transfer to Pensions Reserve                                       | 27    | 2,601                                    | 2,601                                | 3,576                                    | 3,576                                |
| Transfer to Financial Instruments Revaluation Reserve              | 25    | (105)                                    | (105)                                | (103)                                    | (103)                                |
| Transfers to/from Earmarked Reserves                               |       |  |                                      |  |                                      |
| - General fund   | 24    | 43,015                                   | 42,811                               | 25,948                                   | 25,933                               |
| - Unapplied revenue grants   | 24    | (5,839)                                  | (5,839)                              | 718                                      | 718                                  |
| - Investment programme funding                                     | 24    | 18,837                                   | 18,649                               | 16,956                                   | 19,411                               |
| <b>(Surplus) or deficit for the year under funding basis</b>       |       | <b>(2,920)</b>                           | <b>(3,095)</b>                       | <b>(2,026)</b>                           | <b>(1,976)</b>                       |

## 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 2024/25

|  | As reported<br>for resource<br>management | Adjustments to arrive at<br>amounts chargeable to<br>the General Fund |                    | Net<br>expenditure<br>chargeable<br>to the<br>General<br>Fund | Adjustments<br>between<br>funding and<br>accounting<br>basis<br>(note 6b) | Net<br>expenditure<br>in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
|--|---|---|--------------------|---|---|---|
|  | £'000                                     | Reserves<br>Transfer<br>£'000   | Financing<br>£'000 | £'000   | £'000   | £'000   |
| Transport services   | 119,467                                   | (39,720)  | 15,433             | 95,180  | 27,567  | 122,747   |
| Combined Authority wider services                                  | 12,540                                    | 2,927   | 14,950             | 30,417  | 4,241   | 34,658  |
| 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   |
| <b>Cost of services</b>  | <b>178,846</b>                            | <b>(56,013)</b>   | <b>30,117</b>      | <b>152,950</b>  | <b>36,157</b>   | <b>189,107</b>  |
| Other operating expenditure  | -   | -   | -                  | -   | 504   | 504   |
| Financing and investment income and<br>expenditure                 | (8,618)                                   | -   | (28,876)           | (37,494)  | (1,805)   | (39,299)  |
| Taxation and non-specific grant income and<br>expenditure          | (173,148)                                 | -   | (1,241)            | (174,389)   | (71,339)  | (245,728)   |
| <b>(Surplus) or deficit on provision of<br/>services</b>           | <b>(2,920)</b>                            | <b>(56,013)</b>   | <b>-</b>           | <b>(58,933)</b>   | <b>(36,483)</b>   | <b>(95,416)</b>   |
| Opening General Fund Balance (including Earmarked Reserves)        |   |   |                    | (317,108)   |   |   |
| <b>Closing General Fund Balance (including Earmarked Reserves)</b> |   |   |                    | <b>(376,041)</b>  |   |   |

## NOTES TO THE ACCOUNTS Continued

| Comparatives for 2023/24   | As reported<br>for resource<br>management<br><br>£'000 | Adjustments to arrive at<br>amounts chargeable to<br>the General Fund |                        | Net<br>expenditure<br>chargeable<br>to the<br>General<br>Fund<br><br>£'000 | Adjustments<br>between<br>funding and<br>accounting<br>basis<br>(note 6b)<br>£'000 | Net<br>expenditure<br>in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement<br>£'000 |
|--|--|---|------------------------|--|--|--|
|  |  | Reserves<br>Transfer<br><br>£'000                                     | Financing<br><br>£'000 |  |  |  |
|  |  |   |                        |  |  |  |
| Transport services   | 115,865  | (3,246)   | 2,459                  | 115,078  | 41,543   | 156,621  |
| Combined Authority wider services                                  | 7,396  | (11,426)  | 12,465                 | 8,435  | 6,257  | 14,692   |
| Investment Programme   | 55,485   | (28,956)  | (2,548)                | 23,981   | 21,682   | 45,663   |
| Mayor's office   | -  | 6   | -                      | 6  | -  | 6  |
| Mayoral elections  | -  | -   | -                      | -  | -  | -  |
| <b>Cost of services</b>  | <b>178,746</b>   | <b>(43,622)</b>   | <b>12,376</b>          | <b>147,500</b>   | <b>69,482</b>  | <b>216,982</b>   |
| Other operating expenditure  | -  | -   | -                      | -  | (980)  | (980)  |
| Financing and investment income and<br>expenditure                 | (7,883)  | -   | (12,376)               | (20,259)   | 324  | (19,935)   |
| Taxation and non-specific grant income and<br>expenditure          | (172,889)  | -   | -                      | (172,889)  | (85,535)   | (258,424)  |
| <b>(Surplus) or deficit on provision of<br/>services</b>           | <b>(2,026)</b>   | <b>(43,622)</b>   | <b>-</b>               | <b>(45,648)</b>  | <b>(16,709)</b>  | <b>(62,357)</b>  |
| Opening General Fund Balance (including Earmarked Reserves)        |  |   |                        | (271,460)  |  |  |
| <b>Closing General Fund Balance (including Earmarked Reserves)</b> |  |   |                        | <b>(317,108)</b>   |  |  |

### (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 2024/25

|   | Adjustments for capital purposes                           |                 |                                   |                    | Financial<br>Instruments<br>Adjustments<br>Account<br>£'000 | Pensions<br>adjustments<br>£'000 | Accumulated<br>Absences<br>Account<br>£'000 | Total<br>adjustments<br>£'000 |
|---|--|-----------------|-----------------------------------|--------------------|---|----------------------------------|---|-------------------------------|
|   | Depreciation/<br>revaluation/<br>loss on disposal<br>£'000 | REFCUS<br>£'000 | Grants/<br>contributions<br>£'000 | Financing<br>£'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   | -  | -               | -                                 | -                  | -   | -                                | -   | -                             |
| <b>Net cost of services</b>                               | <b>32,397</b>  | <b>243,756</b>  | <b>(223,206)</b>                  | <b>(19,395)</b>    | <b>-</b>  | <b>2,539</b>                     | <b>66</b>                                   | <b>36,157</b>                 |
| Other operating expenditure                               | 504  | -               | -                                 | -                  | -   | -                                | -   | 504                           |
| Financing and investment income<br>and expenditure        | -  | -               | -                                 | -                  | (1,867)   | 62                               | -   | (1,805)                       |
| Taxation and non-specific grant<br>income and expenditure | -  | -               | (71,339)                          | -                  | -   | -                                | -   | (71,339)                      |
| <b>(Surplus) or deficit on provision<br/>of services</b>  | <b>32,901</b>  | <b>243,756</b>  | <b>(294,545)</b>                  | <b>(19,395)</b>    | <b>(1,867)</b>  | <b>2,601</b>                     | <b>66</b>                                   | <b>(36,483)</b>               |

## NOTES TO THE ACCOUNTS Continued

### Comparatives for 2023/24

|  | 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           | £'000                                     | £'000                | £'000                        | £'000             |
| Transport services                                     | 32,261                                      | 140,966        | (121,432)             | (12,680)        | -   | 2,358                | 70                           | 41,543            |
| Combined Authority wider services                      | 5,121                                       | 37,196         | (37,196)              | -               | -   | 1,136                | -                            | 6,257             |
| Investment Programme                                   | -   | 32,839         | -                     | (11,157)        | -   | -                    | -                            | 21,682            |
| Mayor's office   | -   | -              | -                     | -               | -   | -                    | -                            | -                 |
| Mayoral elections                                      | -   | -              | -                     | -               | -   | -                    | -                            | -                 |
| <b>Net cost of services</b>                            | <b>37,382</b>                               | <b>211,001</b> | <b>(158,628)</b>      | <b>(23,837)</b> | <b>-</b>                                  | <b>3,494</b>         | <b>70</b>                    | <b>69,482</b>     |
| Other operating expenditure                            | 756   | -              | -                     | (1,736)         | -   | -                    | -                            | (980)             |
| Financing and investment income and expenditure        | -   | -              | -                     | -               | 242                                       | 82                   | -                            | 324               |
| Taxation and non-specific grant income and expenditure | -   | -              | (85,535)              | -               | -   | -                    | -                            | (85,535)          |
| <b>(Surplus) or deficit on provision of services</b>   | <b>38,138</b>                               | <b>211,001</b> | <b>(244,163)</b>      | <b>(25,573)</b> | <b>242</b>                                | <b>3,576</b>         | <b>70</b>                    | <b>(16,709)</b>   |

**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. Also included within REFCUS are amounts charged to Cost of Services in respect of capital development schemes.

**Grants/contributions** – capital grants and contributions receivable funding REFCUS 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<br>2024/25<br>£'000 | Group<br>2024/25<br>£'000 | Authority<br>2023/24<br>£'000 | Group<br>2023/24<br>£'000 |
|--|-------------------------------|---------------------------|-------------------------------|---------------------------|
| <b>Expenditure</b>   |                               |                           |                               |                           |
| Employee benefits expenses                                 | 60,325                        | 73,521                    | 51,582                        | 62,741                    |
| Other service expenses                                     | 474,729                       | 472,127                   | 367,124                       | 364,878                   |
| IAS 19 pension adjustment                                  | 2,601                         | 2,601                     | 3,576                         | 3,576                     |
| Depreciation, amortisation and revaluation                 | 32,397                        | 33,261                    | 37,382                        | 37,716                    |
| REFCUS   | 243,519                       | 243,519                   | 209,583                       | 209,583                   |
| Other operating expenditure                                | 504                           | 504                       | 756                           | 756                       |
| Interest payments  | 12,474                        | 12,678                    | 20,469                        | 20,484                    |
| Capital grants paid  | 410                           | 410                       | 2,872                         | 2,872                     |
|  | 826,959                       | 838,621                   | 693,344                       | 702,606                   |
| <b>Income</b>  |                               |                           |                               |                           |
| Fees and charges and other service income                  | (21,755)                      | (32,164)                  | (19,238)                      | (30,175)                  |
| Other operating income                                     | -                             | -                         | (1,736)                       | (1,736)                   |
| Government revenue grants and contributions                | (415,941)                     | (416,622)                 | (310,817)                     | (311,577)                 |
| Capital grants funding REFCUS credited to cost of services | (223,206)                     | (223,206)                 | (158,628)                     | (158,628)                 |
| Local Authority business rates growth and contributions    | (18,534)                      | (18,534)                  | (17,034)                      | (17,034)                  |
| Levies   | (119,355)                     | (119,355)                 | (119,355)                     | (119,355)                 |
| Capital grants and contributions                           | (71,749)                      | (71,749)                  | (88,407)                      | (88,407)                  |
| Interest and investment income                             | (51,835)                      | (52,190)                  | (40,486)                      | (40,441)                  |
|  | (922,375)                     | (933,820)                 | (755,701)                     | (767,353)                 |
| <b>Surplus on provision of services</b>                    | <b>(95,416)</b>               | <b>(95,199)</b>           | <b>(62,357)</b>               | <b>(64,747)</b>           |

## 8. Other operating expenditure

|   | Authority<br>2024/25<br>£'000 | Group<br>2024/25<br>£'000 | Authority<br>2023/24<br>£'000 | Group<br>2023/24<br>£'000 |
|---|-------------------------------|---------------------------|-------------------------------|---------------------------|
| Loss on disposal of property, plant and equipment     | 504                           | 504                       | 756                           | 756                       |
| Share of disposal proceeds on asset funded from grant | -                             | -                         | (1,736)                       | (1,736)                   |
| <b>Total</b>  | <b>504</b>                    | <b>504</b>                | <b>(980)</b>                  | <b>(980)</b>              |

## 9. Financing and investment income and expenditure

|  | Authority<br>2024/25<br>£'000 | Group<br>2024/25<br>£'000 | Authority<br>2023/24<br>£'000 | Group<br>2023/24<br>£'000 |
|--|-------------------------------|---------------------------|-------------------------------|---------------------------|
| Interest payable and similar charges on borrowings:                      |                               |                           |                               |                           |
| PWLB   | 12,838                        | 12,838                    | 13,079                        | 13,079                    |
| Barclays   | 403                           | 403                       | 404                           | 404                       |
| Other  | 2,640                         | 2,640                     | 3,819                         | 3,819                     |
| Interest payable on the former transferred debt                          | 140                           | 140                       | 189                           | 189                       |
| Interest expense on lease liabilities                                    | 346                           | 346                       | -                             | -                         |
| Impairment loss allowance (notes 16 and 18)                              | 3,670                         | 3,874                     | 2,413                         | 2,428                     |
| Net interest on the net defined benefit liability (note 27)              | 62                            | 62                        | 82                            | 82                        |
| (Gains)/losses on loan modification                                      | (6,021)                       | (6,021)                   | -                             | -                         |
| (Gains)/losses on financial assets at fair value through profit and loss | (1,542)                       | (1,542)                   | 565                           | 565                       |
|  | 12,536                        | 12,740                    | 20,551                        | 20,566                    |
| Interest receivable and similar income                                   | (43,166)                      | (43,521)                  | (35,322)                      | (35,277)                  |
| Other investment income  | (8,669)                       | (8,669)                   | (5,164)                       | (5,164)                   |
| <b>Total</b>   | <b>(39,299)</b>               | <b>(39,450)</b>           | <b>(19,935)</b>               | <b>(19,875)</b>           |

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 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      |                |
|--|----------------|----------------|
|  | 2024/25        | 2023/24        |
|  | £'000          | £'000          |
| <b>Revenue grants and contributions credited to cost of services</b>   |                |                |
| Active Travel Fund   | 182            | 63             |
| Active Travel Capability Fund  | -              | 4,856          |
| Adult Education Budget   | 137,595        | 134,905        |
| Bus Service Improvement Plan   | 37,767         | 40,333         |
| Bus Service Operator Grant   | 13,031         | 13,181         |
| City Region Sustainable Transport Settlements  | 11,710         | 1,731          |
| Commonwealth Games   | 27             | 9              |
| Commonwealth Games Legacy Enhancement  | 51,979         | 20,321         |
| Digital Bootcamp   | 14,763         | 8,071          |
| European Social Fund   | -              | 1,055          |
| Housing Package  | 20             | 1,966          |
| Intra-City Transport Settlements   | 803            | 1,220          |
| Individual Placement & Support in Primary Care   | 4,160          | 3,428          |
| Innovation Accelerators  | 2,146          | -              |
| Local Transport Fund   | -              | 5,897          |
| Made Smarter West Midlands   | 2,443          | 2,367          |
| Mayoral Capacity Fund  | 2,750          | 1,000          |
| Midlands Connect Programme   | 5,262          | 5,095          |
| Multiply Local Allocations   | 5,253          | 4,405          |
| Network Stability Fund   | 28,000         | -              |
| Pilot Business Energy Advice Service   | 4,846          | 1,161          |
| Social Housing Decarbonisation Fund  | 2,227          | 1,643          |
| UK Community Renewal Fund  | -              | 130            |
| UK Shared Prosperity Fund  | 45,395         | 14,404         |
| Other grants and contributions   | 9,082          | 7,076          |
| <b>Total</b>   | <b>379,441</b> | <b>274,317</b> |
| <b>Capital grants funding Revenue Expenditure Funded from Capital under Statute credited to cost of services</b> |                |                |
| Active Travel Fund   | 5,497          | 5,683          |
| All-Electric Bus Town or City  | 13,243         | 800            |
| Brownfield Housing   | 1,017          | 2,227          |
| Brownfield Infrastructure and Land Fund  | 1,746          | -              |
| Bus Priority   | 438            | 1,719          |
| City Region Sustainable Transport Settlements  | 123,245        | 67,200         |
| Future Mobility Zones  | 924            | 2,140          |
| Investment Zone  | 2,215          | -              |
| Land Fund  | 5,723          | 3,678          |
| Local Transport Fund   | 3,791          | 6,469          |
| Pilot Business Energy Advice Service   | 3,661          | -              |
| Social Housing Decarbonisation   | 9,036          | 9,440          |
| Social Housing Decency Fund  | 34             | 14,966         |
| Transforming Cities Fund   | 887            | 14,288         |
| UK Shared Prosperity Fund  | 19,542         | 3,925          |
| WMCA Capital Funding   | 3,098          | 2,155          |
| Contributions from third parties   | 1,187          | 20,204         |
| Other grants and contributions   | 27,922         | 3,734          |
| <b>Total</b>   | <b>223,206</b> | <b>158,628</b> |

## NOTES TO THE ACCOUNTS Continued

|  | Authority      |                |
|--|----------------|----------------|
|  | 2024/25        | 2023/24        |
|  | £'000          | £'000          |
| <b>Grants and contributions credited to taxation and non-specific grant income</b> |                |                |
| Transport levy from the West Midlands districts*                                   | 119,355        | 119,355        |
| Gainshare contribution - DLUHC   | 36,500         | 36,500         |
| Business rates growth  | 13,500         | 12,000         |
| Constituent, non-constituent and observers membership fees and contributions*      | 5,034          | 5,034          |
| Capital grants and contributions   | 71,749         | 88,407         |
| Gross income   | 246,138        | 261,296        |
| Capital grants paid  | (410)          | (2,872)        |
| <b>Total</b>   | <b>245,728</b> | <b>258,424</b> |

\*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      |                |
|---|----------------|----------------|
|   | 2024/25        | 2023/24        |
|   | £'000          | £'000          |
| <b>Grants received in advance - capital</b>   |                |                |
| Active Travel Fund                            | 31,185         | 32,522         |
| ADEPT Live Labs                               | 2,975          | 1,375          |
| All-Electric Bus Town or City                 | 15,205         | 28,448         |
| Brownfield Housing                            | 135,729        | 136,746        |
| Brownfield Infrastructure and Land Fund       | 24,035         | 33,000         |
| Bus Priority                                  | 15,985         | 16,447         |
| City Region Sustainable Transport Settlements | 301,723        | 204,850        |
| Future Mobility Zones                         | 2,795          | 3,931          |
| Land Fund                                     | 48,503         | 54,599         |
| Local Electric Vehicle Infrastructure         | 17,566         | 16,111         |
| Local Transport Fund                          | 815            | 2,331          |
| Transforming Cities Fund                      | 6,534          | 7,470          |
| UK Shared Prosperity Fund                     | -              | 4,716          |
| Zero Emission Bus Regional Area               | 15,533         | 28,733         |
| Contributions from third parties              | 2,556          | 269            |
| Other grants                                  | 6,789          | 4,670          |
|   | <b>627,928</b> | <b>576,218</b> |

## NOTES TO THE ACCOUNTS Continued

|   | Authority     |               |
|---|---------------|---------------|
|   | 2024/25       | 2023/24       |
|   | £'000         | £'000         |
| <b>Grants received in advance - revenue</b> |               |               |
| Active Travel Fund                          | 1,570         | 1,196         |
| Adult Education Budget                      | 1,946         | 1,660         |
| Air Quality                                 | 484           | 1,574         |
| Bus Service Improvement Plan                | 18,992        | 7,336         |
| Commonwealth Games Legacy Enhancement       | -             | 2,821         |
| Cycle for Everyone                          | 394           | 1,054         |
| Intra-City Transport Settlements            | 1,603         | 2,406         |
| Investment Zones                            | 2,100         | -             |
| Local Authority Capability Fund             | 286           | 206           |
| Made Smarter                                | 1             | 152           |
| Midlands Connect                            | 2,055         | 1,982         |
| Multiply Local Allocations                  | 238           | 1,105         |
| UK Shared Prosperity Fund                   | 1,922         | 4,207         |
| Other grants                                | 3,362         | 3,072         |
|   | <b>34,953</b> | <b>28,771</b> |

# 11. Officers' remuneration

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

|   |         | Salary,<br>fees and<br>allowances<br>£'000 | Pension<br>contributions<br>£'000 | Total<br>Authority<br>£'000 |
|---|---------|--|-----------------------------------|-----------------------------|
| <b>WMCA Staff</b>   |         |  |                                   |                             |
| Chief Executive   | 2024/25 | 207  | 20                                | 227                         |
|   | 2023/24 | 202  | 20                                | 222                         |
| Director of Law and Governance  | 2024/25 | 126  | 12                                | 138                         |
|   | 2023/24 | 126  | 12                                | 138                         |
| Interim Executive Director of Housing, Property and<br>Regeneration <sup>1</sup>      | 2024/25 | 33   | -                                 | 33                          |
|   | 2023/24 | 55   | -                                 | 55                          |
| Executive Director - Strategy, Economy and Net Zero                                   | 2024/25 | 151  | 15                                | 166                         |
|   | 2023/24 | 143  | 14                                | 157                         |
| Director of Employment, Skills, Health and Communities <sup>2</sup>                   | 2024/25 | 11   | 1                                 | 12                          |
|   | 2023/24 | 139  | 11                                | 150                         |
| Interim Executive Director - Employment, Skills, Health &<br>Communities <sup>3</sup> | 2024/25 | 107  | -                                 | 107                         |
|   | 2023/24 | -  | -                                 | -                           |
| Director of Communications <sup>4</sup>   | 2024/25 | 108  | 11                                | 119                         |
|   | 2023/24 | 88   | 9                                 | 97                          |
| Executive Director of Finance & Business Hub  | 2024/25 | 143  | 14                                | 157                         |
|   | 2023/24 | 140  | 14                                | 154                         |
| Executive Director, Transport for West Midlands                                       | 2024/25 | 148  | 15                                | 163                         |
|   | 2023/24 | 144  | 14                                | 158                         |
| Director of People & Culture <sup>5</sup>   | 2024/25 | 56   | 5                                 | 61                          |
|   | 2023/24 | -  | -                                 | -                           |
| <b>Mayoral Team</b>   |         |  |                                   |                             |
| Mayor <sup>6</sup>  | 2024/25 | 84   | -                                 | 84                          |
|   | 2023/24 | 79   | -                                 | 79                          |
| Deputy Mayor <sup>6</sup>   | 2024/25 | 8  | -                                 | 8                           |
|   | 2023/24 | 10   | -                                 | 10                          |
| Chief of Staff <sup>7 8</sup>   | 2024/25 | 44   | 2                                 | 46                          |
|   | 2023/24 | 99   | 10                                | 109                         |
| Head of Mayoral Operations <sup>7 8</sup>   | 2024/25 | -  | -                                 | -                           |
|   | 2023/24 | 4  | -                                 | 4                           |
| Head of Mayoral Policy & Delivery <sup>7</sup>  | 2024/25 | -  | -                                 | -                           |
|   | 2023/24 | 9  | 1                                 | 10                          |
| Director of Mayoral Strategy <sup>9</sup>   | 2024/25 | 16   | 2                                 | 18                          |
|   | 2023/24 | -  | -                                 | -                           |

## NOTES TO THE ACCOUNTS Continued

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<sup>1</sup> 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 is the amount that has been received by the postholder who works on a part-time basis.

<sup>2</sup> The post was held by two individuals during 2023/24 following the resignation of the previous post holder and interim appointment. The interim post holder resigned in May 2024 and therefore, the amount does not reflect a full year's salary.

<sup>3</sup> Interim Executive Director – Employment, Skills, Health & Communities was seconded from Department for Work and Pensions in June 2024. The amount disclosed is the amount that has been received by the postholder and does not reflect a full year's fees.

<sup>4</sup> Interim Director of Communications was employed through a third party to provide maternity cover until the Director of Communications returned on 1 August 2023. The amount paid to the third party was £37k and is not the amount that would have been received by the postholder. Therefore, the amount disclosed for the Director of Communications does not reflect a full year's salary for 2023/24.

<sup>5</sup> Director of People & Culture was appointed in October 2024. Therefore, the pay does not reflect a full year's salary.

<sup>6</sup> The post was held by two individuals following the Mayoral election in May 2024.

<sup>7</sup> Head of Mayoral Policy & Delivery resigned in April 2023. Therefore, the amount does not reflect a full year's salary for 2023/24. Following the restructure in the Mayoral team effective 24 May 2023, the roles of Head of Mayoral Policy & Delivery and Head of Mayoral Operations were deleted and replaced with the role of Chief of Staff.

<sup>8</sup> Chief of Staff was appointed in May 2023 and resigned in May 2024. The post holder previously held the role of Head of Mayoral Operations. Therefore, the pay does not reflect a full year's salary for 2023/24 and 2024/25.

<sup>9</sup> Director of Mayoral Strategy was appointed in February 2025. Therefore, the pay does not reflect a full year's salary.

## NOTES TO THE ACCOUNTS Continued

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:

|                     | 2025 | Authority<br>2024 |
|---------------------|------|-------------------|
| £50,000 - £54,999   | 98   | 94                |
| £55,000 - £59,999   | 81   | 63                |
| £60,000 - £64,999   | 68   | 51                |
| £65,000 - £69,999   | 35   | 28                |
| £70,000 - £74,999   | 33   | 28                |
| £75,000 - £79,999   | 26   | 8                 |
| £80,000 - £84,999   | 13   | 16                |
| £85,000 - £89,999   | 13   | 6                 |
| £90,000 - £94,999   | 4    | 3                 |
| £95,000 - £99,999   | -    | 1                 |
| £100,000 - £104,999 | 2    | 2                 |
| £105,000 - £109,999 | 1    | 2                 |
| £110,000 - £114,999 | 5    | 2                 |
| £115,000 - £119,999 | -    | -                 |
| £120,000 - £124,999 | -    | -                 |
| £125,000 - £129,999 | 4    | 2                 |
| £130,000 - £134,999 | -    | 2                 |
| £135,000 - £139,999 | 2    | -                 |

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

|  | Compulsory redundancies |      | Total exit packages |      | Total cost of<br>packages in each<br>band |       |
|--|-------------------------|------|---------------------|------|---|-------|
|  | 2025                    | 2024 | 2025                | 2024 | 2025                                      | 2024  |
| Cost band (including special payments) | No.                     | No.  | No.                 | No.  | £'000                                     | £'000 |
| £0 - £20,000                           | 7                       | -    | 7                   | -    | 26  | -     |
| £20,001 - £40,000                      | 5                       | 1    | 5                   | 1    | 139                                       | 23    |
| £40,001 - £60,000                      | -                       | -    | -                   | -    | -   | -     |
| £60,001 - £80,000                      | -                       | 1    | -                   | 1    | -   | 60    |
|  | 12                      | 2    | 12                  | 2    | 165                                       | 83    |

## 12. Members' allowances

|              | Authority and Group |            |
|--------------|---------------------|------------|
|              | 2025                | 2024       |
|              | £'000               | £'000      |
| Allowances   | 170                 | 176        |
| <b>Total</b> | <b>170</b>          | <b>176</b> |

On 9 June 2023, the WMCA Board agreed proposals to increase members allowances following recommendations made by the Independent Remuneration Panel that was set up to look at allowances at the WMCA. Remuneration was backdated to the start of the municipal year.

### 13. External audit costs

Charges relating to work undertaken by the external auditors:

|  | Authority<br>2025<br>£'000 | Group<br>2025<br>£'000 | Authority<br>2024<br>£'000 | Group<br>2024<br>£'000 |
|--|----------------------------|------------------------|----------------------------|------------------------|
| Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year | 174                        | 190                    | 159                        | 191                    |
| Additional variation fee agreed relating to prior years  | 9                          | 9                      | 64                         | 64                     |
| <b>Total</b>   | <b>183</b>                 | <b>199</b>             | <b>223</b>                 | <b>255</b>             |

### 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.

| Movements in 2024/25<br>Authority                            | Land and<br>buildings<br>£'000 | Vehicles,<br>plant and<br>equipment<br>£'000 | Infra-<br>structure<br>assets<br>£'000 | Assets<br>under<br>construction<br>£'000 | Total<br>Authority<br>£'000 |
|--|--------------------------------|--|--|--|-----------------------------|
| <b>Cost or valuation</b>                                     |                                |  |  |  |                             |
| 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 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)                                      | (4,469)                                | -  | (7,878)                     |
| <b>At 31 March 2025</b>                                      | <b>11,110</b>                  | <b>51,333</b>                                | <b>633,319</b>                         | <b>499,606</b>                           | <b>1,195,368</b>            |
| <b>Accumulated depreciation</b>                              |                                |  |  |  |                             |
| 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)                                      | (4,172)                                | -  | (7,375)                     |
| <b>At 31 March 2025</b>                                      | <b>-</b>                       | <b>31,015</b>                                | <b>253,056</b>                         | <b>-</b>                                 | <b>284,071</b>              |
| <b>Net book value</b>  |                                |  |  |  |                             |
| 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                     |

## NOTES TO THE ACCOUNTS Continued

| Group  | Land and<br>buildings | Vehicles,<br>plant and<br>equipment | Infra-<br>structure<br>assets | Assets<br>under<br>construction | Total<br>Group     |
|--|-----------------------|-------------------------------------|-------------------------------|---------------------------------|--------------------|
|  | £'000                 | £'000                               | £'000                         | £'000                           | £'000              |
| <b>Cost or valuation</b>                                     |                       |                                     |                               |                                 |                    |
| At 1 April 2024  | 9,559                 | 51,729                              | 632,256                       | 405,044                         | 1,098,588          |
| Additions - capital programme (note 26)                      | 3,953                 | 3,212                               | 4,479                         | 97,504                          | 109,148            |
| Additions - other  | -                     | 182                                 | -                             | -                               | 182                |
| 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)                             | (4,469)                       | -                               | (7,878)            |
| <b>At 31 March 2025</b>                                      | <b>11,110</b>         | <b>53,591</b>                       | <b>633,319</b>                | <b>499,606</b>                  | <b>1,197,626</b>   |
| <b>Accumulated depreciation</b>                              |                       |                                     |                               |                                 |                    |
| At 1 April 2024  | -                     | 31,426                              | 232,405                       | -                               | 263,831            |
| Transfers  | -                     | -                                   | -                             | -                               | -                  |
| Charge for the year  | 231                   | 4,635                               | 24,823                        | -                               | 29,689             |
| Depreciation reversed on revaluation                         | (231)                 | -                                   | -                             | -                               | (231)              |
| Disposals  | -                     | (3,203)                             | (4,172)                       | -                               | (7,375)            |
| <b>At 31 March 2025</b>                                      | <b>-</b>              | <b>32,858</b>                       | <b>253,056</b>                | <b>-</b>                        | <b>285,914</b>     |
| <b>Net book value</b>  |                       |                                     |                               |                                 |                    |
| At 31 March 2025   | 11,110                | 20,733                              | 380,263                       | 499,606                         | 911,712            |
| At 31 March 2024   | 9,559                 | 20,303                              | 399,851                       | 405,044                         | 834,757            |
| <b>Comparative movements in 2023/24 Authority</b>            |                       |                                     |                               |                                 |                    |
|  | Land and<br>buildings | Vehicles,<br>plant and<br>equipment | Infra-<br>structure<br>assets | Assets<br>under<br>construction | Total<br>Authority |
|  | £'000                 | £'000                               | £'000                         | £'000                           | £'000              |
| <b>Cost or valuation</b>                                     |                       |                                     |                               |                                 |                    |
| At 1 April 2023  | 4,991                 | 48,384                              | 554,859                       | 329,202                         | 937,436            |
| Additions - capital programme (note 26)                      | 6,881                 | 2,133                               | 4,090                         | 153,424                         | 166,528            |
| Transfers  | (30)                  | -                                   | 75,407                        | (75,377)                        | -                  |
| Revaluation decrease recognised in the provision services    | (2,066)               | -                                   | -                             | -                               | (2,066)            |
| Depreciation reversed on revaluation                         | (217)                 | -                                   | -                             | -                               | (217)              |
| Transfers from Inventories (note 17)                         | -                     | -                                   | -                             | 126                             | 126                |
| Transfers to intangible assets (note 15)                     | -                     | -                                   | -                             | (913)                           | (913)              |
| Transfers to provision of services                           | -                     | -                                   | -                             | (1,418)                         | (1,418)            |
| Disposals  | -                     | (864)                               | (2,100)                       | -                               | (2,964)            |
| <b>At 31 March 2024</b>                                      | <b>9,559</b>          | <b>49,653</b>                       | <b>632,256</b>                | <b>405,044</b>                  | <b>1,096,512</b>   |
| <b>Accumulated depreciation</b>                              |                       |                                     |                               |                                 |                    |
| At 1 April 2023  | -                     | 27,078                              | 209,331                       | -                               | 236,409            |
| Transfers  | -                     | -                                   | -                             | -                               | -                  |
| Charge for the year  | 217                   | 3,856                               | 24,795                        | -                               | 28,868             |
| Depreciation reversed on revaluation                         | (217)                 | -                                   | -                             | -                               | (217)              |
| Disposals  | -                     | (487)                               | (1,721)                       | -                               | (2,208)            |
| <b>At 31 March 2024</b>                                      | <b>-</b>              | <b>30,447</b>                       | <b>232,405</b>                | <b>-</b>                        | <b>262,852</b>     |
| <b>Net book value</b>  |                       |                                     |                               |                                 |                    |
| At 31 March 2024   | 9,559                 | 19,206                              | 399,851                       | 405,044                         | 833,660            |
| At 31 March 2023   | 4,991                 | 21,306                              | 345,528                       | 329,202                         | 701,027            |

## NOTES TO THE ACCOUNTS Continued

| Group  | Land and<br>buildings | Vehicles,<br>plant and<br>equipment | Infra-<br>structure<br>assets | Assets<br>under<br>construction | Total<br>Group   |
|--|-----------------------|-------------------------------------|-------------------------------|---------------------------------|------------------|
|  | £'000                 | £'000                               | £'000                         | £'000                           | £'000            |
| <b>Cost or valuation</b>                                     |                       |                                     |                               |                                 |                  |
| At 1 April 2023  | 4,991                 | 49,393                              | 554,859                       | 329,202                         | 938,445          |
| Additions - capital programme (note 26)                      | 6,881                 | 2,133                               | 4,090                         | 153,424                         | 166,528          |
| Additions - other  | -                     | 1,067                               | -                             | -                               | 1,067            |
| Transfers  | (30)                  | -                                   | 75,407                        | (75,377)                        | -                |
| Revaluation decrease recognised in the provision of services | (2,066)               | -                                   | -                             | -                               | (2,066)          |
| Depreciation reversed on revaluation                         | (217)                 | -                                   | -                             | -                               | (217)            |
| Transfers from Inventories (note 17)                         | -                     | -                                   | -                             | 126                             | 126              |
| Transfers to intangible assets (note 15)                     | -                     | -                                   | -                             | (913)                           | (913)            |
| Transfers to provision of services                           | -                     | -                                   | -                             | (1,418)                         | (1,418)          |
| Disposals  | -                     | (864)                               | (2,100)                       | -                               | (2,964)          |
| <b>At 31 March 2024</b>                                      | <b>9,559</b>          | <b>51,729</b>                       | <b>632,256</b>                | <b>405,044</b>                  | <b>1,098,588</b> |
| <b>Accumulated depreciation</b>                              |                       |                                     |                               |                                 |                  |
| At 1 April 2023  | -                     | 27,723                              | 209,331                       | -                               | 237,054          |
| Transfers  | -                     | -                                   | -                             | -                               | -                |
| Charge for the year  | 217                   | 4,190                               | 24,795                        | -                               | 29,202           |
| Depreciation reversed on revaluation                         | (217)                 | -                                   | -                             | -                               | (217)            |
| Disposals  | -                     | (487)                               | (1,721)                       | -                               | (2,208)          |
| <b>At 31 March 2024</b>                                      | <b>-</b>              | <b>31,426</b>                       | <b>232,405</b>                | <b>-</b>                        | <b>263,831</b>   |
| <b>Net book value</b>  |                       |                                     |                               |                                 |                  |
| At 31 March 2024   | 9,559                 | 20,303                              | 399,851                       | 405,044                         | 834,757          |
| At 31 March 2023   | 4,991                 | 21,670                              | 345,528                       | 329,202                         | 701,391          |

### 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.

Between valuations, a desktop review is carried out by independent valuers for indications of material changes to values and adjustments are made to the carrying value of assets as appropriate.

## NOTES TO THE ACCOUNTS Continued

| Authority                              | Land and<br>buildings | Vehicles,<br>plant and<br>equipment | Infra-<br>structure<br>assets | Assets<br>under<br>construction | Total<br>Authority |
|--|-----------------------|-------------------------------------|-------------------------------|---------------------------------|--------------------|
|  | £'000                 | £'000                               | £'000                         | £'000                           | £'000              |
| Carried at historical cost             | -                     | -                                   | -                             | 499,606                         | 499,606            |
| Carried at depreciated historical cost | -                     | 51,333                              | 633,319                       | -                               | 684,652            |
| Valued at current value as at:         |                       |                                     |                               |                                 |                    |
| 31 March 2025                          | 11,110                | -                                   | -                             | -                               | 11,110             |
| 31 March 2024                          | -                     | -                                   | -                             | -                               | -                  |
| 31 March 2023                          | -                     | -                                   | -                             | -                               | -                  |
| 31 March 2022                          | -                     | -                                   | -                             | -                               | -                  |
| 31 March 2021                          | -                     | -                                   | -                             | -                               | -                  |
| 31 March 2020                          | -                     | -                                   | -                             | -                               | -                  |
| <b>Total cost or valuation</b>         | <b>11,110</b>         | <b>51,333</b>                       | <b>633,319</b>                | <b>499,606</b>                  | <b>1,195,368</b>   |

### Capital commitments

At 31 March 2025, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2025/26 and future years budgeted to cost £8.5m (2024: £18.4m). The major commitments are listed in the table below:

|                              | 2025<br>£'000 | 2024<br>£'000 |
|------------------------------|---------------|---------------|
| Metro third generation trams | -             | 1,804         |
| Metro extension schemes      | 6,592         | 14,727        |
| Rail carpark                 | 1,929         | 1,897         |
|                              | <b>8,521</b>  | <b>18,428</b> |

### 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.

|  | Authority and Group |               |
|--|---------------------|---------------|
|  | 2025<br>£'000       | 2024<br>£'000 |
| <b>Cost</b>  |                     |               |
| At 1 April   | 4,873               | 3,960         |
| Transfers from assets under construction (note 14) | -                   | 913           |
| <b>At 31 March</b>                                 | <b>4,873</b>        | <b>4,873</b>  |
| <b>Amortisation</b>                                |                     |               |
| At 1 April   | 3,506               | 2,179         |
| Amortisation for the year                          | 819                 | 1,327         |
| <b>At 31 March</b>                                 | <b>4,325</b>        | <b>3,506</b>  |
| <b>Net carrying amount</b>                         |                     |               |
| At 31 March  | <b>548</b>          | <b>1,367</b>  |

## 16. Investments

|  | Long-term      |               | Current        |                | Authority and Group Total |                |
|--|----------------|---------------|----------------|----------------|---------------------------|----------------|
|  | 2025<br>£'000  | 2024<br>£'000 | 2025<br>£'000  | 2024<br>£'000  | 2025<br>£'000             | 2024<br>£'000  |
| Loans investments - Collective Investment Fund             | 99,302         | 69,204        | 34,688         | 21,828         | 133,990                   | 91,032         |
| Loss allowance   | (5,746)        | (4,946)       | (3,094)        | (1,592)        | (8,840)                   | (6,538)        |
| Loans investments - Collective Investment Fund             | 93,556         | 64,258        | 31,594         | 20,236         | 125,150                   | 84,494         |
| Investments in subsidiaries and joint ventures             | 3,555          | 3,659         | -              | -              | 3,555                     | 3,659          |
| Pooled investment funds                                    | 3,778          | 4,332         | -              | -              | 3,778                     | 4,332          |
| Deposits with financial institutions and local authorities | -              | -             | 721,000        | 728,571        | 721,000                   | 728,571        |
| <b>Total</b>   | <b>100,889</b> | <b>72,249</b> | <b>752,594</b> | <b>748,807</b> | <b>853,483</b>            | <b>821,056</b> |

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.

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          | Trading            |
| West Midlands Rail Limited                          | 50%       | n/a - limited by guarantee          | Trading            |
| HTO Group (HTO1/HTO2 LLP)                           | 44%       | n/a - limited liability partnership | Trading            |

## NOTES TO THE ACCOUNTS Continued

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.

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.

### 17. Inventories

|  | Authority     | 2025<br>Group | Authority    | 2024<br>Group |
|--|---------------|---------------|--------------|---------------|
|  | £'000         | £'000         | £'000        | £'000         |
| Balance at 1 April                               | 2,999         | 5,199         | 7,770        | 9,059         |
| Purchases  | 7,551         | 8,186         | 476          | 1,780         |
| Transfers to assets under construction (note 14) | -             | -             | (126)        | (126)         |
| Recognised as an expense in the year             | (451)         | (980)         | (5,121)      | (5,514)       |
| <b>Balance at 31 March</b>                       | <b>10,099</b> | <b>12,405</b> | <b>2,999</b> | <b>5,199</b>  |

## 18. Short-term debtors

|                                  | Authority<br>£'000 | 2025<br>Group<br>£'000 | Authority<br>£'000 | 2024<br>Group<br>£'000 |
|----------------------------------|--------------------|------------------------|--------------------|------------------------|
| Loans to group undertakings      | 2,453              | -                      | 1,083              | -                      |
| Loss allowance                   | (2,453)            | -                      | (1,083)            | -                      |
| Loans to group undertakings      | -                  | -                      | -                  | -                      |
| Trade debtors and accrued income | 102,847            | 99,135                 | 73,471             | 69,851                 |
| Other debtors                    | 7,440              | 7,939                  | 8,080              | 8,393                  |
| Prepayments                      | 10,878             | 13,042                 | 21,849             | 24,287                 |
| <b>Total</b>                     | <b>121,165</b>     | <b>120,116</b>         | <b>103,400</b>     | <b>102,531</b>         |

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

|                                      | Authority<br>£'000 | 2025<br>Group<br>£'000 | Carrying amount<br>Authority<br>£'000 | 2024<br>Group<br>£'000 |
|--------------------------------------|--------------------|------------------------|---------------------------------------|------------------------|
| Cash at bank and in hand             | (7,902)            | (5,485)                | 2,248                                 | 4,549                  |
| Deposits with financial institutions | 90,750             | 95,495                 | 60,750                                | 62,490                 |
| <b>Total</b>                         | <b>82,848</b>      | <b>90,010</b>          | <b>62,998</b>                         | <b>67,039</b>          |

The bank overdraft is offset against the deposits due to the offsetting arrangements with the banks.

## 20. Borrowing

|  | <b>Authority and Group</b> |                |
|--|----------------------------|----------------|
|  | <b>2025</b>                | <b>2024</b>    |
|  | <b>£'000</b>               | <b>£'000</b>   |
| <b>Lender</b>                                      |                            |                |
| Public Works Loan Board (PWLB)                     | 459,973                    | 472,328        |
| Barclays   | 10,000                     | 10,000         |
| UK Infrastructure Bank                             | 8,696                      | 9,130          |
| Phoenix Group                                      | 93,738                     | 99,760         |
| Accrued interest payable                           | 3,720                      | 3,538          |
| <b>Total</b>                                       | <b>576,127</b>             | <b>594,756</b> |
| <b>Maturity</b>                                    |                            |                |
| Principal and accrued interest due within one year | 16,525                     | 16,327         |
| 1 - 2 years  | 12,821                     | 25,626         |
| 2 - 5 years  | 48,568                     | 48,568         |
| 5 - 10 years                                       | 157,674                    | 157,674        |
| Over 10 years                                      | 340,539                    | 346,561        |
| Principal due after more than one year             | 559,602                    | 578,429        |
| <b>Total</b>                                       | <b>576,127</b>             | <b>594,756</b> |

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 2024/25. The amount of fixed rate debt is 100% (2024: 100%) with no variable rate debt (2024: 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 2024/25.

The Authority negotiated a loan restructure of £100m with Phoenix Life Group, saving £2m in loan interests costs and achieving £4m market discount rates.

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

|                              | <b>2025</b>      |                | <b>2024</b>      |                |
|------------------------------|------------------|----------------|------------------|----------------|
|                              | <b>Authority</b> | <b>Group</b>   | <b>Authority</b> | <b>Group</b>   |
|                              | <b>£'000</b>     | <b>£'000</b>   | <b>£'000</b>     | <b>£'000</b>   |
| Trade creditors and accruals | 161,809          | 166,100        | 146,491          | 148,247        |
| Taxes and social security    | 1,410            | 2,004          | 1,282            | 1,829          |
| Payments received on account | 3,033            | 3,133          | 2,271            | 2,371          |
|                              | <b>166,252</b>   | <b>171,237</b> | <b>150,044</b>   | <b>152,447</b> |

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<br>development<br>£'000 | Buildings<br>maintenance<br>£'000 | Rail<br>services/<br>insurance<br>£'000 | Skills<br>£'000 | Total<br>Authority<br>and Group<br>£'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)                                    | -               | (230)                                    |
| <b>Balance at 31 March 2025</b> | <b>4,115</b>                      | <b>4,008</b>                      | <b>867</b>                              | <b>1,200</b>    | <b>10,190</b>                            |
| Current                         | 4,115                             | -                                 | -                                       | 1,200           | 5,315                                    |
| Long-term                       | -                                 | 4,008                             | 867                                     | -               | 4,875                                    |
| <b>Total</b>                    | <b>4,115</b>                      | <b>4,008</b>                      | <b>867</b>                              | <b>1,200</b>    | <b>10,190</b>                            |
| Prior year comparatives         | Transport<br>development<br>£'000 | Buildings<br>maintenance<br>£'000 | Rail<br>services/<br>insurance<br>£'000 | Skills<br>£'000 | Total<br>Authority<br>and Group<br>£'000 |
| Balance at 1 April 2023         | 2,232                             | 1,608                             | 1,502                                   | -               | 5,342                                    |
| Additional provision            | 332                               | -                                 | 316                                     | 1,200           | 1,848                                    |
| Amounts used/released           | -                                 | -                                 | (1,168)                                 | -               | (1,168)                                  |
| <b>Balance at 31 March 2024</b> | <b>2,564</b>                      | <b>1,608</b>                      | <b>650</b>                              | <b>1,200</b>    | <b>6,022</b>                             |
| Current                         | 2,564                             | -                                 | -                                       | 1,200           | 3,764                                    |
| Long-term                       | -                                 | 1,608                             | 650                                     | -               | 2,258                                    |
| <b>Total</b>                    | <b>2,564</b>                      | <b>1,608</b>                      | <b>650</b>                              | <b>1,200</b>    | <b>6,022</b>                             |

### 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.

## 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 is repayable in annual instalments on an annuity basis with the last instalment due in 2025/26.

|  | Authority and Group |              |
|--|---------------------|--------------|
|  | 2025                | 2024         |
|  | £'000               | £'000        |
| Balance at 1 April                         | 2,624               | 3,736        |
| Accrued interest payable - brought forward | (62)                | (65)         |
| Repayment in the year - principal          | (1,220)             | (1,109)      |
| Accrued interest payable - carried forward | 50                  | 62           |
| <b>Balance at 31 March</b>                 | <b>1,392</b>        | <b>2,624</b> |
| Due within one year                        | 1,392               | 1,282        |
| Due over one year                          | -                   | 1,342        |
| <b>Total</b>                               | <b>1,392</b>        | <b>2,624</b> |

## 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<br>general<br>fund<br>Authority<br>£'000 | Investment<br>programme<br>funding<br>reserve<br>Authority<br>£'000 | Unapplied<br>revenue<br>grants<br>Authority<br>£'000 | Total<br>Authority<br>£'000 |
|--|--|---|--|-----------------------------|
| Balance at 1 April 2024                          | 99,582   | 139,991   | 71,098   | 310,671                     |
| Receivable in year                               | -  | -   | 154,352  | 154,352                     |
| Utilised in year                                 | -  | -   | (160,191)  | (160,191)                   |
| Net unapplied in year                            | -  | -   | (5,839)  | (5,839)                     |
| Released in year to general reserves             | 86,741   | 43,055  | -  | 129,796                     |
| Transfers in year from general reserves          | (43,726)   | (24,218)  | -  | (67,944)                    |
| Net transfer (to)/from general reserves          | 43,015   | 18,837  | -  | 61,852                      |
| <b>Total transfer (to)/from general reserves</b> | <b>43,015</b>                                      | <b>18,837</b>   | <b>(5,839)</b>                                       | <b>56,013</b>               |
| <b>Balance at 31 March 2025</b>                  | <b>142,597</b>                                     | <b>158,828</b>  | <b>65,259</b>  | <b>366,684</b>              |

## NOTES TO THE ACCOUNTS Continued

| Group  | Earmarked<br>general<br>fund<br>£'000           | Investment<br>programme<br>funding<br>reserve<br>£'000            | Unapplied<br>revenue<br>grants<br>£'000           | Total Group<br>£'000                 |
|--|---|---|---|--------------------------------------|
| Balance at 1 April 2024                          | 99,786  | 143,782   | 71,098  | 314,666                              |
| Receivable in year                               | -   | -   | 154,352   | 154,352                              |
| Utilised in year                                 | -   | -   | (160,191)   | (160,191)                            |
| Net unapplied in year                            | -   | -   | (5,839)   | (5,839)                              |
| Released in year to general reserves             | 86,741  | 43,055  | -   | 129,796                              |
| Transfers in year from general reserves          | (43,930)  | (24,406)  | -   | (68,336)                             |
| Net transfer (to)/from general reserves          | 42,811  | 18,649  | -   | 61,460                               |
| <b>Total transfer (to)/from general reserves</b> | <b>42,811</b>                                   | <b>18,649</b>   | <b>(5,839)</b>                                    | <b>55,621</b>                        |
| <b>Balance at 31 March 2025</b>                  | <b>142,597</b>                                  | <b>162,431</b>  | <b>65,259</b>                                     | <b>370,287</b>                       |
| <b>Prior year comparatives</b>                   |   |   |   |                                      |
| <b>Authority</b>                                 | <b>Earmarked<br/>general<br/>fund<br/>£'000</b> | <b>Investment<br/>programme<br/>funding<br/>reserve<br/>£'000</b> | <b>Unapplied<br/>revenue<br/>grants<br/>£'000</b> | <b>Total<br/>Authority<br/>£'000</b> |
| Balance at 1 April 2023                          | 73,634  | 123,035   | 70,380  | 267,049                              |
| Receivable in year                               | -   | -   | 138,280   | 138,280                              |
| Utilised in year                                 | -   | -   | (137,562)   | (137,562)                            |
| Net unapplied in year                            | -   | -   | 718   | 718                                  |
| Released in year to general reserves             | (36,049)  | (44,616)  | -   | (80,665)                             |
| Transfers in year from general reserves          | 61,997  | 61,572  | -   | 123,569                              |
| Net transfer (to)/from general reserves          | 25,948  | 16,956  | -   | 42,904                               |
| <b>Total transfer (to)/from general reserves</b> | <b>25,948</b>                                   | <b>16,956</b>   | <b>718</b>  | <b>43,622</b>                        |
| <b>Balance at 31 March 2024</b>                  | <b>99,582</b>                                   | <b>139,991</b>  | <b>71,098</b>                                     | <b>310,671</b>                       |
| <b>Group</b>                                     | <b>Earmarked<br/>general<br/>fund<br/>£'000</b> | <b>Investment<br/>programme<br/>funding<br/>reserve<br/>£'000</b> | <b>Unapplied<br/>revenue<br/>grants<br/>£'000</b> | <b>Total Group<br/>£'000</b>         |
| Balance at 1 April 2023                          | 73,853  | 124,371   | 70,380  | 268,604                              |
| Receivable in year                               | -   | -   | 138,280   | 138,280                              |
| Utilised in year                                 | -   | -   | (137,562)   | (137,562)                            |
| Net unapplied in year                            | -   | -   | 718   | 718                                  |
| Released in year to general reserves             | (36,064)  | (44,616)  | -   | (80,680)                             |
| Transfers in year from general reserves          | 61,997  | 64,027  | -   | 126,024                              |
| Net transfer (to)/from general reserves          | 25,933  | 19,411  | -   | 45,344                               |
| <b>Total transfer (to)/from general reserves</b> | <b>25,933</b>                                   | <b>19,411</b>   | <b>718</b>  | <b>46,062</b>                        |
| <b>Balance at 31 March 2024</b>                  | <b>99,786</b>                                   | <b>143,782</b>  | <b>71,098</b>                                     | <b>314,666</b>                       |

### 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 Department for Levelling up, Housing and Communities (DLUHC) (previously known as MHCLG) 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 Education Budget 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.

|   | <b>Authority and Group</b> |              |
|---|----------------------------|--------------|
|   | <b>2025</b>                | <b>2024</b>  |
|   | <b>£'000</b>               | <b>£'000</b> |
| Opening balance at 1 April  | 3,995                      | 2,259        |
| Share of disposal proceeds of asset funded from the Brownfield Land & Property Development Fund                     | -                          | 1,736        |
| Transfer to the Capital Receipts Reserve upon receipt of cash from loan repayments under Collective Investment Fund | 17,603                     | 650          |
| Use of the Capital Receipts Reserve to finance capital expenditure  | (17,603)                   | (650)        |
| <b>Closing balance at 31 March</b>  | <b>3,995</b>               | <b>3,995</b> |

### 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.

|  | <b>Group</b> |              |
|--|--------------|--------------|
|  | <b>2025</b>  | <b>2024</b>  |
|  | <b>£'000</b> | <b>£'000</b> |
| Opening balance at 1 April   | 71           | 121          |
| In-year profit/(loss) results for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions | 175          | (50)         |
| <b>Closing balance at 31 March</b>   | <b>246</b>   | <b>71</b>    |

## 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.

|   | <b>Authority and Group</b> |              |
|---|----------------------------|--------------|
|   | <b>2025</b>                | <b>2024</b>  |
|   | <b>£'000</b>               | <b>£'000</b> |
| Opening balance at 1 April  | 5,740                      | 5,933        |
| Difference between current value depreciation and historical cost | (193)                      | (193)        |
| <b>Closing balance at 31 March</b>                                | <b>5,547</b>               | <b>5,740</b> |

### 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

|  | <b>Authority and Group</b> |                |
|--|----------------------------|----------------|
|  | <b>2025</b>                | <b>2024</b>    |
|  | <b>£'000</b>               | <b>£'000</b>   |
| <b>Opening balance at 1 April</b>  | 160,917                    | 141,863        |
| <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>                         |                            |                |
| Charges for depreciation and amortisation of non-current assets (notes 14 and 15)  | (30,000)                   | (30,195)       |
| Revaluation increase recognised in the provision of services (note 14)   | (1,946)                    | (2,066)        |
| Adjusting amount written out of the Revaluation Reserve (note 25)  | 193                        | 193            |
| Loss on disposal of property, plant and equipment (note 8)   | (504)                      | (756)          |
| Non-current assets transferred to provision of services (note 14)  | (237)                      | (1,418)        |
| Inventory recognised as an expense (note 17)   | (451)                      | (5,121)        |
| Revenue expenditure funded from capital under statute (note 26)  | (243,519)                  | (209,583)      |
| <b>Capital financing applied in the year</b>   |                            |                |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing                | 277,509                    | 244,120        |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing in prior years | 17,036                     | 43             |
| Statutory provision for the financing of capital investment charged against the General Fund (MRP - note 26)   | 14,505                     | 10,235         |
| Debt repayment charged against the General Fund (note 23)  | 1,220                      | 1,109          |
| Capital expenditure charged against the General Fund (note 26)   | 1,609                      | 8,196          |
| Capital expenditure funded by the Gainshare contribution (note 26)   | 2,061                      | 4,297          |
| <b>Closing balance at 31 March</b>   | <b>198,393</b>             | <b>160,917</b> |

### 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.

|   | <b>Authority and Group</b> |              |
|---|----------------------------|--------------|
|   | <b>2025</b>                | <b>2024</b>  |
|   | <b>£'000</b>               | <b>£'000</b> |
| Opening balance at 1 April  | 1,559                      | 1,070        |
| (Upward)/downward revaluation of investments  | 554                        | 386          |
| Accumulated gains or losses on equity investments designated at fair value through other comprehensive income | 105                        | 103          |
| <b>Closing balance at 31 March</b>  | <b>2,218</b>               | <b>1,559</b> |

### 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 2025 will be credited to the General Fund over the next 8 years.

|  | Authority and Group |              |
|--|---------------------|--------------|
|  | 2025                | 2024         |
|  | £'000               | £'000        |
| Opening balance at 1 April   | 1,616               | 1,760        |
| Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (2,421)             | (144)        |
| <b>Closing balance at 31 March</b>   | <b>(805)</b>        | <b>1,616</b> |

### 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 |          |
|--|---------------------|----------|
|  | 2025                | 2024     |
|  | £'000               | £'000    |
| Opening balance at 1 April   | -                   | -        |
| Remeasurements (liabilities and assets) (note 27)  | (2,601)             | (3,576)  |
| 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) | 7,290               | 6,949    |
| Employer's pension contributions payable in the year:  |                     |          |
| Current year (note 27)   | (4,689)             | (3,373)  |
| <b>Closing balance at 31 March</b>   | <b>-</b>            | <b>-</b> |

### 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 |              |
|------------------------------------|---------------------|--------------|
|                                    | 2025                | 2024         |
|                                    | £'000               | £'000        |
| Opening balance at 1 April         | 1,060               | 990          |
| Movement in the year               | 66                  | 70           |
| <b>Closing balance at 31 March</b> | <b>1,126</b>        | <b>1,060</b> |

## 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.

|  | Authority      |                |
|--|----------------|----------------|
|  | 2025           | 2024           |
|  | £'000          | £'000          |
| <b>WMCA delivered capital schemes</b>                                |                |                |
| Midland Metro  | 115,936        | 158,192        |
| Rail infrastructure  | 50,726         | 54,431         |
| Key Routes network   | 15,773         | 8,944          |
| Bus infrastructure   | 20,552         | 12,574         |
| Land Fund  | 8,439          | 9,020          |
| Social Housing Decarbonisation                                       | 9,036          | 9,746          |
| Social Housing Decency Fund  | 34             | 14,966         |
| Future Transport Zone  | 977            | 2,114          |
| Regional Transport Coordination Centre                               | 1,416          | 3,125          |
| Sustainable Transport  | 5,497          | 5,683          |
| Digital innovation   | 6,164          | 2,365          |
| UKSPF Communities & Place  | 19,542         | 3,926          |
| Business Energy Advice Service                                       | 5,381          | -              |
| Brownfield Infrastructure & Land Fund                                | 8,965          | -              |
| Other  | 15,165         | 3,462          |
|  | 283,603        | 288,548        |
| Grants to local authorities  | 76,615         | 88,039         |
| <b>Total capital expenditure</b>                                     | <b>360,218</b> | <b>376,587</b> |
| Property, plant and equipment (note 14)                              | 109,148        | 166,528        |
| Inventories (note 17)  | 7,551          | 476            |
| REFCUS   | 243,519        | 209,583        |
|  | <b>360,218</b> | <b>376,587</b> |
| <b>Funded by:</b>  |                |                |
| Central Government grants  | 251,448        | 223,134        |
| District/Local Enterprise Partnership (LEP) grants and contributions | 24,415         | 787            |
| 3rd party contributions  | 1,231          | 20,199         |
| Total grants and contributions                                       | 277,094        | 244,120        |
| Gainshare contribution   | 2,061          | 4,297          |
| Borrowing  | 81,063         | 128,170        |
|  | <b>360,218</b> | <b>376,587</b> |

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:

|  | <b>Authority and Group</b> |                |
|--|----------------------------|----------------|
|  | <b>2025</b>                | <b>2024</b>    |
|  | <b>£'000</b>               | <b>£'000</b>   |
| <b>Opening Capital Financing Requirement</b>   | <b>779,541</b>             | <b>624,188</b> |
| <b>Capital investment</b>  |                            |                |
| Capital programme costs funded by borrowing (note 26)                                  | 81,063                     | 128,170        |
| Other capital expenditure funded by borrowing - Collective Investment Fund             | 57,395                     | 47,416         |
| <b>Sources of finance</b>  |                            |                |
| Minimum Revenue Provision (MRP)  | (14,505)                   | (10,235)       |
| Use of the Capital Receipts Reserve to finance capital expenditure (note 24)           | (17,603)                   | (650)          |
| Transferred debt repayment (note 23)   | (1,220)                    | (1,109)        |
| Capital expenditure charged to the General Fund  | (1,609)                    | (8,196)        |
| Capital grants received previously funded through borrowings                           | (17,036)                   | (43)           |
| <b>Closing Capital Financing Requirement</b>   | <b>866,026</b>             | <b>779,541</b> |
| <b>Explanation of movement in year</b>   |                            |                |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 86,485                     | 155,353        |
| <b>Increase in Capital Financing Requirement</b>                                       | <b>86,485</b>              | <b>155,353</b> |

## 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 2025/26 is estimated by the actuaries to be approximately £4.4m.

The weighted average duration of the funded obligations as at 31 March 2025 is 17 years (2024: 17 years).

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

### Calculation method

The figures as at 31 March 2025 are based on the 31 March 2022 formal valuation of the fund. Membership data as at 31 March 2022 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 2025. 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 2024 and 31 March 2025, 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

|   | <b>Authority and Group</b> |              |
|---|----------------------------|--------------|
|   | <b>2025</b>                | <b>2024</b>  |
|   | <b>£'000</b>               | <b>£'000</b> |
| Opening balance at 1 April  | -                          | -            |
| Employer's pension contributions payable in the year:                               |                            |              |
| Current year  | (4,689)                    | (3,373)      |
| Post employment benefit charged to the surplus or deficit on provision of services: |                            |              |
| Current service cost  | 7,228                      | 6,867        |
| Net interest cost   | 62                         | 82           |
| Total cost  | 2,601                      | 3,576        |
| Remeasurements (liabilities and assets)   | (2,601)                    | (3,576)      |
| <b>Closing balance at 31 March</b>  | <b>-</b>                   | <b>-</b>     |

**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:

|   | <b>Authority and Group</b> |                |
|---|----------------------------|----------------|
|   | <b>2025</b>                | <b>2024</b>    |
|   | <b>£'000</b>               | <b>£'000</b>   |
| <b>Comprehensive Income and Expenditure Statement</b>   |                            |                |
| <b>Cost of services</b>   |                            |                |
| Current service cost  | 7,228                      | 6,867          |
| Past service cost   |                            | -              |
| <b>Financing and investment income and expenditure</b>  |                            |                |
| Net interest cost   | 62                         | 82             |
| <b>Total post employment benefit charged to the surplus or deficit on provision of services</b>   | <b>7,290</b>               | <b>6,949</b>   |
| Remeasurements (liabilities and assets)   | (2,601)                    | (3,576)        |
| <b>Total post employment benefit charged/(credited) to the Comprehensive Income and Expenditure Statement</b>                                 | <b>4,689</b>               | <b>3,373</b>   |
| <b>Movement in Reserves Statement</b>   |                            |                |
| Reversal of net charges made to the surplus or deficit on provision of services for post employment benefits in accordance with the Code      | (7,290)                    | (6,949)        |
| Actual amount charged against the General Fund Balance for pensions in the year   | 4,689                      | 3,373          |
|   | <b>(2,601)</b>             | <b>(3,576)</b> |
|   |                            |                |
|   | <b>Authority and Group</b> |                |
|   | <b>2025</b>                | <b>2024</b>    |
|   | <b>£'000</b>               | <b>£'000</b>   |
| Return on plan assets (excluding the amount included in the net interest expense)   | 10,128                     | (9,118)        |
| Actuarial gains and losses arising on changes in demographic assumptions  | (443)                      | (1,578)        |
| Actuarial gains and losses arising on changes in financial assumptions  | (38,038)                   | (10,740)       |
| Experience gains and (losses) on scheme liabilities   | (2,537)                    | 8,184          |
| Changes in the effect of limiting the net defined benefit asset to the asset ceiling (excluding amounts included in the net interest expense) | 28,289                     | 9,676          |
|   | <b>(2,601)</b>             | <b>(3,576)</b> |

## NOTES TO THE ACCOUNTS Continued

### Assets and liabilities in relation to post-employment benefits

|   | <b>Authority and Group</b> |               |
|---|----------------------------|---------------|
|   | <b>2025</b>                | <b>2024</b>   |
|   | £'000                      | £'000         |
| Present value of scheme liabilities               | (220,922)                  | (249,529)     |
| Present value of scheme assets                    | 324,153                    | 321,039       |
| <b>Sub-total</b>                                  | <b>103,231</b>             | <b>71,510</b> |
| Effect of the asset ceiling                       | (103,231)                  | (71,510)      |
| <b>Amounts recognised as assets/(liabilities)</b> | <b>-</b>                   | <b>-</b>      |

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

|   | <b>Authority and Group</b> |                |
|---|----------------------------|----------------|
|   | <b>2025</b>                | <b>2024</b>    |
|   | £'000                      | £'000          |
| Opening balance at 1 April                            | 249,529                    | 243,110        |
| Current service cost                                  | 7,228                      | 6,867          |
| Interest cost   | 11,979                     | 11,525         |
| Change in demographic assumptions                     | (443)                      | (1,578)        |
| Change in financial assumptions                       | (38,038)                   | (10,740)       |
| Experience (gain)/loss on defined benefit obligations | (2,537)                    | 8,184          |
| Contributions by scheme participants                  | 3,301                      | 2,818          |
| Benefits paid   | (10,097)                   | (10,657)       |
| <b>Closing balance at 31 March</b>                    | <b>220,922</b>             | <b>249,529</b> |

### Reconciliation of fair value of the scheme assets

|                                       | <b>Authority and Group</b> |                |
|---------------------------------------|----------------------------|----------------|
|                                       | <b>2025</b>                | <b>2024</b>    |
|                                       | £'000                      | £'000          |
| Opening balance at 1 April            | 321,039                    | 302,140        |
| Interest on plan assets               | 15,349                     | 14,247         |
| Return on assets less interest        | (10,128)                   | 9,118          |
| Employer contributions - current year | 4,689                      | 3,373          |
| Contributions by scheme participants  | 3,301                      | 2,818          |
| Benefits paid                         | (10,097)                   | (10,657)       |
| <b>Closing balance at 31 March</b>    | <b>324,153</b>             | <b>321,039</b> |

**Reconciliation of the effect of the asset ceiling**

|   | <b>Authority and Group</b> |               |
|---|----------------------------|---------------|
|   | <b>2025</b>                | <b>2024</b>   |
|   | £'000                      | £'000         |
| Opening balance at 1 April  | 71,510                     | 59,030        |
| Changes in the effect of limiting the net defined benefit asset to the asset ceiling excluding amounts included in interest | 28,289                     | 9,676         |
| Interest on the effect of the asset ceiling   | 3,432                      | 2,804         |
| <b>Closing balance at 31 March</b>  | <b>103,231</b>             | <b>71,510</b> |

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:

| <b>Authority</b> | <b>2025</b>  | <b>2025</b>    | <b>2024</b>  | <b>2024</b>    |
|------------------|--------------|----------------|--------------|----------------|
|                  | %            | £'000          | %            | £'000          |
| <b>Asset</b>     |              |                |              |                |
| Equities         | 43.5         | 140,984        | 49.8         | 160,013        |
| Gilts            | 13.4         | 43,490         | 13.1         | 41,903         |
| Other bonds      | 8.4          | 27,202         | 5.2          | 16,591         |
| Property         | 6.8          | 21,976         | 6.4          | 20,545         |
| Cash/liquidity   | 4.9          | 15,763         | 4.7          | 15,210         |
| Other*           | 23.0         | 74,738         | 20.8         | 66,777         |
| <b>Total</b>     | <b>100.0</b> | <b>324,153</b> | <b>100.0</b> | <b>321,039</b> |

\* 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.

|                                      | <b>Authority</b> |             |
|--------------------------------------|------------------|-------------|
|                                      | <b>2025</b>      | <b>2024</b> |
| <b>Valuation assumptions</b>         |                  |             |
| Discount rate                        | 5.8%             | 4.8%        |
| Rate of salary increase              | 3.8%             | 3.8%        |
| Rate of pension increase             | 2.8%             | 2.8%        |
| Future life expectancies from age 65 |                  |             |
| Retiring today:                      |                  |             |
| Males                                | 20.1             | 20.2        |
| Females                              | 22.4             | 22.5        |
| Retiring in 20 years:                |                  |             |
| Males                                | 22.6             | 22.7        |
| Females                              | 25.5             | 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).

The amounts recognised in WM5G Limited's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £58k (2024: £57k).

## **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 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.

## NOTES TO THE ACCOUNTS Continued

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

|  | Authority        | Group            | Authority      | Group          |
|--|------------------|------------------|----------------|----------------|
|  | 2024/25          | 2023/24          | 2024/25        | 2023/24        |
|  | £'000            | £'000            | £'000          | £'000          |
| 12-month expected credit losses:           |                  |                  |                |                |
| Investments (note 16)                      | 846,150          | 846,150          | 813,065        | 813,065        |
| Cash and short-term deposits (note 19)     | 82,848           | 90,010           | 62,998         | 67,039         |
| Pooled investment funds (note 16)          | 3,778            | 3,778            | 4,332          | 4,332          |
|  | 932,776          | 939,938          | 880,395        | 884,436        |
| Simplified approach:                       |                  |                  |                |                |
| Trade debtors and accrued income (note 18) | 102,847          | 99,135           | 73,471         | 69,851         |
| <b>Total</b>                               | <b>1,035,623</b> | <b>1,039,073</b> | <b>953,866</b> | <b>954,287</b> |

The loss allowance recognised during the year are as follows:

| Authority   | 12-month expected credit losses |              | Lifetime expected credit losses - simplified approach |          | Total         |              |
|---|---------------------------------|--------------|---|----------|---------------|--------------|
| Asset class (amortised cost)  | 2024/25                         | 2023/24      | 2024/25   | 2023/24  | 2024/25       | 2023/24      |
|   | £'000                           | £'000        | £'000   | £'000    | £'000         | £'000        |
| Opening balance as at 1 April   | 7,621                           | 5,208        | -   | -        | 7,621         | 5,208        |
| Individual financial assets transferred to 12-month expected credit loss (note 9) | 3,670                           | 2,413        | -   | -        | 3,670         | 2,413        |
| Individual financial assets transferred to lifetime expected credit losses        | -                               | -            | -   | -        | -             | -            |
| <b>Closing balance at 31 March</b>  | <b>11,291</b>                   | <b>7,621</b> | <b>-</b>  | <b>-</b> | <b>11,291</b> | <b>7,621</b> |

| Group   | 12-month expected credit losses |              | Lifetime expected credit losses - simplified approach |          | Total         |              |
|---|---------------------------------|--------------|---|----------|---------------|--------------|
| Asset class (amortised cost)  | 2024/25                         | 2023/24      | 2024/25   | 2023/24  | 2024/25       | 2023/24      |
|   | £'000                           | £'000        | £'000   | £'000    | £'000         | £'000        |
| Opening balance as at 1 April   | 7,417                           | 4,989        | -   | -        | 7,417         | 4,989        |
| Individual financial assets transferred to 12-month expected credit loss (note 9) | 3,874                           | 2,428        | -   | -        | 3,874         | 2,428        |
| Individual financial assets transferred to lifetime expected credit losses        | -                               | -            | -   | -        | -             | -            |
| <b>Closing balance at 31 March</b>  | <b>11,291</b>                   | <b>7,417</b> | <b>-</b>  | <b>-</b> | <b>11,291</b> | <b>7,417</b> |

### 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 2023/24 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 2024/25   | Long-term          |                | Current            |                | Total              |                  |
|--|--------------------|----------------|--------------------|----------------|--------------------|------------------|
|  | Authority<br>£'000 | Group<br>£'000 | Authority<br>£'000 | Group<br>£'000 | Authority<br>£'000 | Group<br>£'000   |
| <b>Financial assets at amortised cost</b>                                |                    |                |                    |                |                    |                  |
| Investments (note 16)  | 93,556             | 93,556         | 752,594            | 752,594        | 846,150            | 846,150          |
| Long-term debtors  | 18,941             | 18,941         | -                  | -              | 18,941             | 18,941           |
| Short-term debtors (note 18)   | -                  | -              | 102,847            | 99,135         | 102,847            | 99,135           |
| Cash and cash equivalents (note 19)                                      | -                  | -              | 82,848             | 90,010         | 82,848             | 90,010           |
| <b>Financial assets at fair value through other comprehensive income</b> |                    |                |                    |                |                    |                  |
| Investments in subsidiaries and joint ventures (note 16)                 | 3,555              | 3,555          | -                  | -              | 3,555              | 3,555            |
| <b>Financial assets at fair value through profit or loss</b>             |                    |                |                    |                |                    |                  |
| Pooled investment funds (note 16)  | 3,778              | 3,778          | -                  | -              | 3,778              | 3,778            |
| <b>Total financial assets</b>  | <b>119,830</b>     | <b>119,830</b> | <b>938,289</b>     | <b>941,739</b> | <b>1,058,119</b>   | <b>1,061,569</b> |
| <b>Financial liabilities at amortised cost</b>                           |                    |                |                    |                |                    |                  |
| Borrowings (note 20)   | 559,602            | 559,602        | 16,525             | 16,525         | 576,127            | 576,127          |
| Short-term creditors (note 21)   | -                  | -              | 161,809            | 166,100        | 161,809            | 166,100          |
| Lease liabilities (note 30)  | 6,130              | 6,130          | 601                | 601            | 6,731              | 6,731            |
| Transferred debt (note 23)   | -                  | -              | 1,392              | 1,392          | 1,392              | 1,392            |
| <b>Total financial liabilities</b>                                       | <b>565,732</b>     | <b>565,732</b> | <b>180,327</b>     | <b>184,618</b> | <b>746,059</b>     | <b>750,350</b>   |

## NOTES TO THE ACCOUNTS Continued

| Comparatives for 2023/24                                     | Long-term      |                | Current        |                | Total          |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
|  | Authority      | Group          | Authority      | Group          | Authority      | Group          |
|  | £'000          | £'000          | £'000          | £'000          | £'000          | £'000          |
| <b>Financial assets at amortised cost</b>                    |                |                |                |                |                |                |
| Investments (note 16)  | 64,258         | 64,258         | 748,807        | 748,807        | 813,065        | 813,065        |
| Long-term debtors  | 16,480         | 16,480         | -              | -              | 16,480         | 16,480         |
| Short-term debtors (note 18)                                 | -              | -              | 73,471         | 69,851         | 73,471         | 69,851         |
| Cash and cash equivalents (note 19)                          | -              | -              | 62,998         | 67,039         | 62,998         | 67,039         |
| <b>Financial assets at fair value through</b>                |                |                |                |                |                |                |
| Investments in subsidiaries and joint ventures (note 16)     | 3,659          | 3,659          | -              | -              | 3,659          | 3,659          |
| <b>Financial assets at fair value through profit or loss</b> |                |                |                |                |                |                |
| Pooled investment funds (note 16)                            | 4,332          | 4,332          | -              | -              | 4,332          | 4,332          |
| <b>Total financial assets</b>                                | <b>88,729</b>  | <b>88,729</b>  | <b>885,276</b> | <b>885,697</b> | <b>974,005</b> | <b>974,426</b> |
| <b>Financial liabilities at amortised cost</b>               |                |                |                |                |                |                |
| Borrowings (note 20)   | 578,429        | 578,429        | 16,327         | 16,327         | 594,756        | 594,756        |
| Short-term creditors (note 21)                               | -              | -              | 146,491        | 148,247        | 146,491        | 148,247        |
| Transferred debt (note 23)                                   | 1,342          | 1,342          | 1,282          | 1,282          | 2,624          | 2,624          |
| <b>Total financial liabilities</b>                           | <b>579,771</b> | <b>579,771</b> | <b>164,100</b> | <b>165,856</b> | <b>743,871</b> | <b>745,627</b> |

### 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     |               |
|--|---------------|---------------|
|  | 2024/25       | 2023/24       |
|  | £'000         | £'000         |
| Opening balance as at 1 April  | 16,384        | 16,240        |
| Interest credited to Financing and Investment Income and Expenditure | 326           | 323           |
| Decrease in discounted amount  | 2,095         | (179)         |
| <b>Closing balance at 31 March</b>                                   | <b>18,805</b> | <b>16,384</b> |
| 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  | 2024-25                            |   |   |   |                 | 2023-24                            |   |   |   |                 |
|--|------------------------------------|---|---|---|-----------------|------------------------------------|---|---|---|-----------------|
|  | 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  | -                                  | 105   | (1,542)   | (6,021)                                 | (7,458)         | -                                  | 105   | 565   | -                                       | 670             |
| Interest income (note 9)   | (51,835)                           | -   | -   | -                                       | (51,835)        | (40,486)                           | -   | -   | -                                       | (40,486)        |
| Interest expense (note 9)  | -                                  | -   | -   | 20,099                                  | 20,099          | -                                  | -   | -   | 19,986                                  | 19,986          |
| <b>Net loss/(gain) for the year in the surplus or deficit on the provision of services</b> | <b>(51,835)</b>                    | <b>105</b>  | <b>(1,542)</b>  | <b>14,078</b>                           | <b>(39,194)</b> | <b>(40,486)</b>                    | <b>105</b>  | <b>565</b>  | <b>19,986</b>                           | <b>(19,830)</b> |

| Group  | 2024-25                            |   |   |   |                 | 2023-24                            |   |   |   |                 |
|--|------------------------------------|---|---|---|-----------------|------------------------------------|---|---|---|-----------------|
|  | 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  | -                                  | 105   | (1,542)   | -                                       | (1,437)         | -                                  | 105   | 565   | -                                       | 670             |
| Interest income (note 9)   | (52,190)                           | -   | -   | -                                       | (52,190)        | (40,441)                           | -   | -   | -                                       | (40,441)        |
| Interest expense (note 9)  | -                                  | -   | -   | 14,282                                  | 14,282          | -                                  | -   | -   | 20,001                                  | 20,001          |
| <b>Net loss/(gain) for the year in the surplus or deficit on the provision of services</b> | <b>(52,190)</b>                    | <b>105</b>  | <b>(1,542)</b>  | <b>14,282</b>                           | <b>(39,345)</b> | <b>(40,441)</b>                    | <b>105</b>  | <b>565</b>  | <b>20,001</b>                           | <b>(19,770)</b> |

## 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 2024/25  | Input level | Authority                           |           |           | Group     |           |
|---|-------------|-------------------------------------|-----------|-----------|-----------|-----------|
|   | in fair     | Valuation technique used to measure | Carrying  | Fair      | Carrying  | Fair      |
|   | value       |                                     | amount    | value     | amount    | value     |
|   | hierarchy   | fair value                          | £'000     | £'000     | £'000     | £'000     |
| Financial assets at amortised cost                                |             |                                     |           |           |           |           |
|   |             | Discounted contractual (or expect)  |           |           |           |           |
|   |             | cash flows at PWLB's new annuity    |           |           |           |           |
| Long-term investments   | Level 2     | rate                                | 93,556    | 103,349   | 93,556    | 103,349   |
| Short-term investments  | N/A         | Fair value is approximated at their | 752,594   | 752,594   | 752,594   | 752,594   |
| Long-term debtors   | N/A         | carrying amount                     | 136       | 136       | 136       | 136       |
|   |             | Discounted contractual (or expect)  |           |           |           |           |
|   |             | cash flows at PWLB's new annuity    |           |           |           |           |
| Long-term debtors - soft loan                                     | Level 2     | rate                                | 18,805    | 15,088    | 18,805    | 15,088    |
| Short-term debtors  | N/A         | Fair value is approximated at their | 102,847   | 102,847   | 99,135    | 99,135    |
| Cash and cash equivalents   | N/A         | carrying amount                     | 82,848    | 82,848    | 90,010    | 90,010    |
| Financial assets at fair value through other comprehensive income |             |                                     |           |           |           |           |
| Investments in subsidiaries and joint ventures                    | Level 3     | Earnings based valuation            | 3,555     | 3,555     | 3,555     | 3,555     |
| Financial assets at fair value through profit or loss             |             |                                     |           |           |           |           |
|   |             | Unadjusted quoted prices in active  |           |           |           |           |
|   |             | markets for identical shares        |           |           |           |           |
| Pooled investment funds   | Level 1     |                                     | 3,778     | 3,778     | 3,778     | 3,778     |
| Total financial assets  |             |                                     | 1,058,119 | 1,064,195 | 1,061,569 | 1,067,645 |
| Financial liabilities at amortised cost                           |             |                                     |           |           |           |           |
| Public Works Loan Board (PWLB)                                    | Level 2     |                                     | 463,693   | 366,288   | 463,693   | 366,288   |
| Barclays  | Level 2     | PWLB redemption and new PWLB        | 10,000    | 7,290     | 10,000    | 7,290     |
| UK Infrastructure Bank  | Level 2     | certain rate loan discount rates    | 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   |
|   |             | Fair value is approximated at their |           |           |           |           |
|   |             | carrying amount                     |           |           |           |           |
| Short-term creditors  | N/A         |                                     | 161,809   | 161,809   | 166,100   | 166,100   |
| Transferred debt *  | Level 2     | PWLB new loan rates                 | 1,392     | 2,614     | 1,392     | 2,614     |
| Total financial liabilities                                       |             |                                     | 739,328   | 591,734   | 743,619   | 596,025   |

## NOTES TO THE ACCOUNTS Continued

| Comparatives for 2023/24   | Input level<br>in fair<br>value<br>hierarchy | Valuation technique used to measure<br>fair value                | Authority       |                | Group           |                |
|--|--|--|-----------------|----------------|-----------------|----------------|
|  |  |  | Carrying        | Fair           | Carrying        | Fair           |
|  |  |  | amount<br>£'000 | value<br>£'000 | amount<br>£'000 | value<br>£'000 |
| Financial assets at amortised cost                                   |  |  |                 |                |                 |                |
| Long-term investments  | Level 2                                      | Discounted contractual (or expect)                               | 64,258          | 71,916         | 64,258          | 71,916         |
| Short-term investments   | N/A  | Fair value is approximated at their                              | 748,807         | 748,807        | 748,807         | 748,807        |
| Long-term debtors  | N/A  | carrying amount  | 96              | 96             | 96              | 96             |
|  |  | Discounted contractual (or expect)                               |                 |                |                 |                |
|  |  | cash flows at PWLB's new annuity                                 |                 |                |                 |                |
| Long-term debtors - soft loan  | Level 2                                      | rate   | 16,384          | 14,524         | 16,384          | 14,524         |
| Short-term debtors   | N/A  | Fair value is approximated at their                              | 73,471          | 73,471         | 69,851          | 69,851         |
| Cash and cash equivalents  | N/A  | carrying amount  | 62,998          | 62,998         | 67,039          | 67,039         |
| Financial assets at fair value through<br>other comprehensive income |  |  |                 |                |                 |                |
| Investments in subsidiaries and                                      | Level 3                                      | Earnings based valuation   | 3,659           | 3,659          | 3,659           | 3,659          |
| Financial assets at fair value through<br>profit or loss             |  |  |                 |                |                 |                |
| Pooled investment funds  | Level 1                                      | Unadjusted quoted prices in active                               | 4,332           | 4,332          | 4,332           | 4,332          |
| Total financial assets   |  |  | 974,005         | 979,803        | 974,426         | 980,224        |
| Financial liabilities at amortised cost                              |  |  |                 |                |                 |                |
| Public Works Loan Board (PWLB)                                       | Level 2                                      | PWLB redemption and new PWLB<br>certain rate loan discount rates | 475,866         | 395,602        | 475,866         | 395,602        |
| Barclays   | Level 2                                      |  | 10,000          | 8,243          | 10,000          | 8,243          |
| UK Infrastructure Bank   | Level 2                                      |  | 9,130           | 7,174          | 9,130           | 7,174          |
| Phoenix Group  | Level 2                                      |  | 99,760          | 53,492         | 99,760          | 53,492         |
| Total borrowings   |  |  | 594,756         | 464,511        | 594,756         | 464,511        |
|  |  | Fair value is approximated at their                              |                 |                |                 |                |
| Short-term creditors   | N/A  | carrying amount  | 146,491         | 146,491        | 148,247         | 148,247        |
| Transferred debt *   | Level 2                                      | PWLB new loan rates  | 2,624           | 2,568          | 2,624           | 2,568          |
| Total financial liabilities  |  |  | 743,871         | 613,570        | 745,627         | 615,326        |

\* 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 with corresponding liabilities. Therefore, there are no comparatives for 2023/24.

#### 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.

|                                     | Authority and Group<br>Land and buildings<br>£'000 |
|-------------------------------------|--|
| <b>Cost or valuation</b>            |  |
| At 1 April 2024 on IFRS 16 adoption | 6,985  |
| Additions                           | -  |
| <b>At 31 March 2025</b>             | <b>6,985</b>                                       |
| <b>Accumulated depreciation</b>     |  |
| At 1 April 2024 on IFRS 16 adoption | -  |
| Charge for the year                 | 356  |
| <b>At 31 March 2025</b>             | <b>356</b>   |
| <b>Net carrying amount</b>          |  |
| At 31 March 2025                    | 6,629  |
| At 31 March 2024                    | -  |

#### Lease liabilities

|                              | Authority and Group<br>2025<br>£'000 | 2024<br>£'000 |
|------------------------------|--------------------------------------|---------------|
| Due within one year          | 601                                  | -             |
| 1 - 5 years                  | 2,167                                | -             |
| Over 5 years                 | 3,963                                | -             |
| Due after more than one year | <b>6,130</b>                         | -             |
| <b>Balance at 31 March</b>   | <b>6,731</b>                         | -             |

#### Amounts recognised in the Comprehensive Income and Expenditure Statement

|                                 | Authority and Group<br>2025<br>£'000 | 2024<br>£'000 |
|---------------------------------|--------------------------------------|---------------|
| Depreciation                    | 356                                  | -             |
| Interest expense                | 346                                  | -             |
| Low value and short-term leases | 30                                   | -             |
|                                 | <b>732</b>                           | -             |

### Amounts recognised in the Cash Flow Statement

|                                   | Authority and Group |          |
|-----------------------------------|---------------------|----------|
|                                   | 2025                | 2024     |
|                                   | £'000               | £'000    |
| Interest expense                  | 346                 | -        |
| Repayments of principal on leases | 255                 | -        |
|                                   | <b>601</b>          | <b>-</b> |

### Short-term and low value leases

The future minimum lease payments payable under non-cancellable operating leases as at 31 March 2025 are shown below:

|                            | 2025      | 2024         |
|----------------------------|-----------|--------------|
|                            | £'000     | £'000        |
| <b>Land and buildings</b>  |           |              |
| Less than one year         | 45        | 402          |
| Between two and five years | 40        | 791          |
| More than five years       | 5         | 4,972        |
|                            | <b>90</b> | <b>6,165</b> |

Amounts disclosed as at 31 March 2024 included leases that are now classified as right-of-use assets following the adoption of IFRS 16 on 1 April 2024.

### 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.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2025 are as follows:

|                            | 2025         | 2024         |
|----------------------------|--------------|--------------|
|                            | £'000        | £'000        |
| <b>Land and buildings</b>  |              |              |
| Less than one year         | 537          | 211          |
| Between two and five years | 1,312        | 143          |
| More than five years       | 2,650        | 1,733        |
|                            | <b>4,499</b> | <b>2,087</b> |

### 31. Reconciliation of liabilities arising from financing activities

|                                    | Long-term<br>borrowings | Short-term<br>borrowings | Lease liabilities | Grants<br>receipts in<br>advance | Total<br>Authority and<br>Group |
|------------------------------------|-------------------------|--------------------------|-------------------|----------------------------------|---------------------------------|
|                                    | £'000                   | £'000                    | £'000             | £'000                            | £'000                           |
| Opening balance at 1 April         | 579,771                 | 17,609                   | -                 | 604,989                          | 1,202,369                       |
| Financing cash flows               | -                       | (14,009)                 | (255)             | -                                | (14,264)                        |
| Non-cash changes                   | (20,169)                | 14,317                   | 6,986             | 57,892                           | 59,026                          |
| <b>Closing balance at 31 March</b> | <b>559,602</b>          | <b>17,917</b>            | <b>6,731</b>      | <b>662,881</b>                   | <b>1,247,131</b>                |

### 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.

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 2024/25 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 £10.7m (2024: £9.6m) in which no (2024: four) members and no officer representation on the board as WMCA stakeholder (2024: one 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 |              |
|------------------------------------|----------------|----------------|-----------------------------------|--------------|
|                                    | 2024/25        | 2023/24        | 2024/25                           | 2023/24      |
|                                    | £'000          | £'000          | £'000                             | £'000        |
| <b>Constituent authorities</b>     |                |                |                                   |              |
| Birmingham City Council            | 46,775         | 46,805         | 1,089                             | 1,083        |
| City of Wolverhampton Council      | 10,815         | 10,780         | 574                               | 573          |
| Coventry City Council              | 14,369         | 14,116         | 625                               | 640          |
| Dudley MBC                         | 13,131         | 13,225         | 607                               | 607          |
| Sandwell MBC                       | 13,908         | 13,977         | 619                               | 611          |
| Solihull MBC                       | 8,796          | 8,838          | 545                               | 545          |
| Walsall Council                    | 11,561         | 11,614         | 585                               | 585          |
| <b>Non-constituent authorities</b> | -              | -              | 390                               | 390          |
| <b>Total</b>                       | <b>119,355</b> | <b>119,355</b> | <b>5,034</b>                      | <b>5,034</b> |

## NOTES TO THE ACCOUNTS Continued

Funding paid by the Authority to the constituent District Councils:

|                                | Devolved Transport<br>Funding |               | Economic<br>Regeneration |               | Adult Education<br>Budget |               | Levelling Up |              | Social Housing<br>Decency Funding |               |
|--------------------------------|-------------------------------|---------------|--------------------------|---------------|---------------------------|---------------|--------------|--------------|-----------------------------------|---------------|
|                                | 2024/25                       | 2023/24       | 2024/25                  | 2023/24       | 2024/25                   | 2023/24       | 2024/25      | 2023/24      | 2024/25                           | 2023/24       |
|                                | £'000                         | £'000         | £'000                    | £'000         | £'000                     | £'000         | £'000        | £'000        | £'000                             | £'000         |
| <b>Constituent authorities</b> |                               |               |                          |               |                           |               |              |              |                                   |               |
| Birmingham City Council        | -                             | 6,254         | -                        | -             | 10,602                    | 10,612        | 3,332        | 5,241        | -                                 | 2,330         |
| City of Wolverhampton Council  | 5,481                         | 5,898         | 4,293                    | 2,770         | 3,283                     | 3,414         | 848          | 515          | -                                 | 2,100         |
| Coventry City Council          | 6,888                         | 9,031         | 4,431                    | 8,944         | 5,422                     | 5,500         | 1,654        | 1,366        | -                                 | 2,100         |
| Dudley MBC                     | 6,729                         | 7,437         | -                        | -             | 1,559                     | 1,567         | 841          | 660          | -                                 | 2,100         |
| Sandwell MBC                   | 7,129                         | 8,816         | -                        | -             | 1,330                     | 497           | 1,349        | 606          | -                                 | 2,100         |
| Solihull MBC                   | 5,472                         | 6,600         | 2,000                    | 4,729         | -                         | -             | 657          | 863          | -                                 | 2,100         |
| Walsall MBC                    | 5,515                         | 6,051         | 8,437                    | 15,781        | -                         | -             | 1,153        | 526          | -                                 | 189           |
| <b>Total</b>                   | <b>37,214</b>                 | <b>50,087</b> | <b>19,161</b>            | <b>32,224</b> | <b>22,196</b>             | <b>21,590</b> | <b>9,834</b> | <b>9,777</b> | <b>-</b>                          | <b>13,019</b> |

### Entities controlled or significantly influenced by the Authority

During the year, the Authority paid management fees of £20k (2024: £50k) and £684k (2024: £672k) 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 (2024: £41k) from the Authority. In addition, the Authority recharged expenses of £780k (2024: £222k) which the Authority paid on behalf of West Midlands Rail Limited. The Authority has also charged corporate support and professional services of £46k (2024: £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 £5.3m (2024: £5.8m) from the Authority under the terms of the Public Service Agreement. The Authority has charged corporate support and professional services of £438k (2024: £490k). The Authority has also recharged expenses of £550k (2024: £620k). Additionally, Midland Metro Limited has recharged £5.0m (2024: £2.1m) in respect of Metro network developments and enhancements to the Authority.

During the year, the Authority provided grants and services of £8.2m (2024: £2.6m) to WM5G Limited, a wholly-owned subsidiary which is consolidated in the group accounts, in respect of funding of initiatives and competitions to acceleration 5G infrastructure, 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 2025 are as follows:

### Due from

|                            |       |
|----------------------------|-------|
| Midland Metro Limited      | £120k |
| West Midlands Rail Limited | £992k |

### 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).

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 £125.4m (2024: £90.4m).

### **34. Events after the Reporting Period**

The unaudited Statement of Accounts were authorised for issue by the Authority's Section 73 officer on 26 June 2025. 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 2025, the amounts in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**Accounting Standards**

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) are the accounting standards that the Authority are required to follow when producing the financial statements.

**Accruals**

An accounting principle that recognises income and expenditure as they are earned or incurred, not as money is received or paid.

**Actuarial Assumptions**

Predictions made for factors that will affect the financial position of the pension scheme.

**Actuarial Gains and Losses**

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

**Amortisation**

The measure of the consumption of an intangible asset over its useful life.

**Budget**

A budget is a plan of approved spending during a financial year.

**Capital Programme**

The plan of approved spending on non-current assets.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy, the institute that governs accounting in the public sector.

**Collective Investment Fund**

Fund of investments held by the Authority which provides loans to property developers to support the acceleration of commercial property developments within the West Midlands region.

**Credit loss**

Cash shortfalls measured by the difference between the net present value of all the contractual cash flows that are due to an authority in accordance with the contract for the instrument and the net present value of all the cash flows that the authority expects to receive.

**Deficit**

This occurs when spending exceeds income.

**Depreciation**

The measure of wear and tear, consumption or other reduction in the useful economic life of a non-current asset.

**Expected credit loss**

The weighted average of credit losses with the respective risks of a default occurring as the with the weights.

**Fair Value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Year**

The Authority's financial year runs from 1 April to the following 31 March.

**Impairment of Asset**

An asset has been impaired when it is judged to have lost value other than through normal use.

**Intangible Assets**

An item which does not have physical substance (for example software) but can be identified and used by the Authority over a number of years.

**Lease**

A finance lease is an agreement to pay for an asset in regular instalments where the person paying the lease (the lessee) is deemed to own the asset. In contrast, an operating lease occurs when the lessee is not considered to own the asset.

**LOBO**

Lenders Options Borrowers Option. A form of loan where the lender can change certain conditions of the loan, such as the dates and the interest rate. If this occurs, the borrower then has the option of either continuing with the loan or redeeming it in full without a penalty.

**Materiality**

An item is material if its inclusion in the financial statements would influence or change the judgement of a reasonable person. If the information would have no impact on the decision maker, it is deemed not material.

**Public Works Loan Board (PWLB)**

A government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Spending on assets that have a lasting value but are not owned by the Authority.