West Midlands Combined Authority

Statement of Accounts

For the year ended 31 March 2023

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Contents

Welcome to the West Midlands Combined Authority's ('the Authority') Statement of Accounts for the financial year ended 31 March 2023. These accounts provide the reader with a view of West Midlands Combined Authority's financial performance and its effectiveness in its use of resources during the year and are therefore a key element in demonstrating sound financial stewardship of taxpayers' money as well as ensuring that key stakeholders understand the financial position of the West Midlands Combined Authority (WMCA).

The Statement of Accounts for the year ended 31 March 2023 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 2022/23, 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.

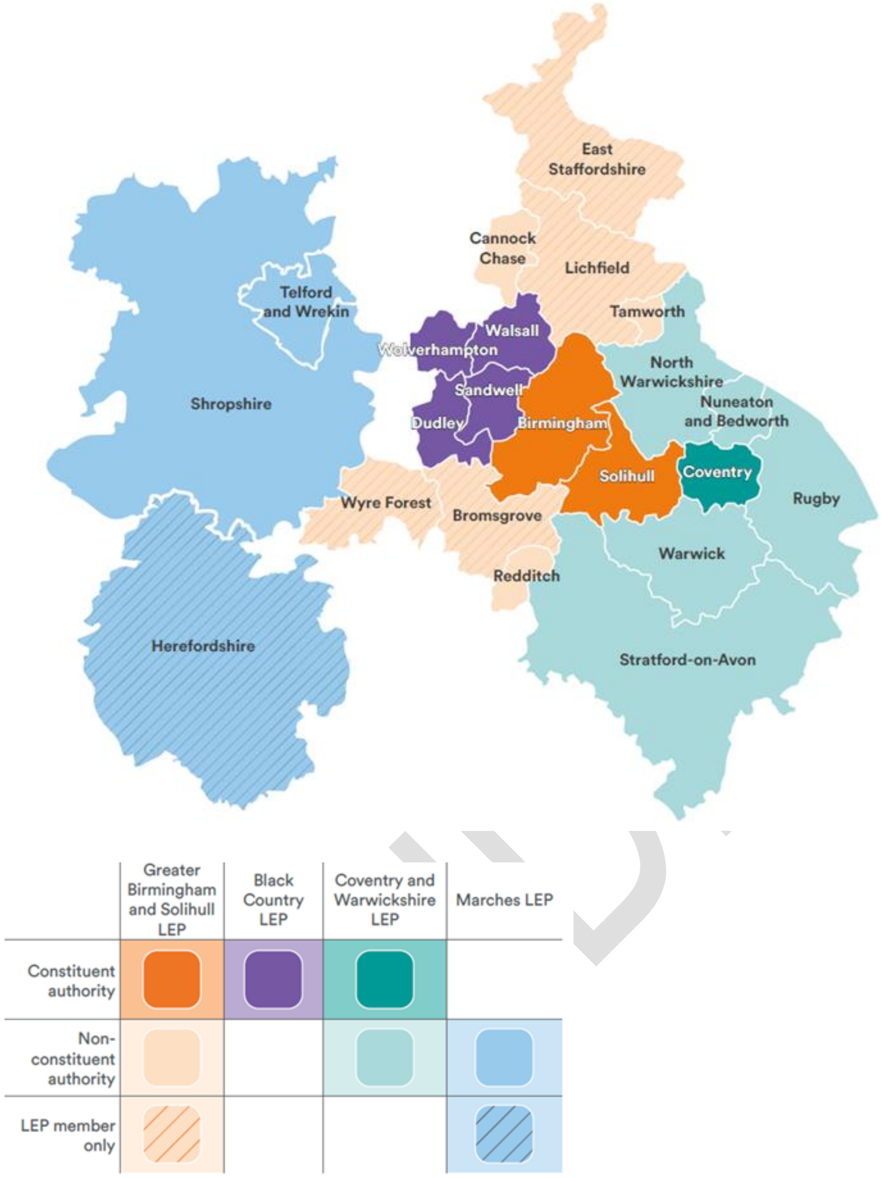
The Narrative Report has been prepared to outline the activities for the year 2022/23, providing both a guide to the Authority's accounts and to its achievements in delivering inclusive economic growth through transport and economic development as well as setting out the economy, efficiency and effectiveness 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, the West Midlands Fire and Rescue Authority and the Local Enterprise Partnerships (LEPs), though from 1st April 2023 two of the LEPs are now integrated into the WMCA. 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



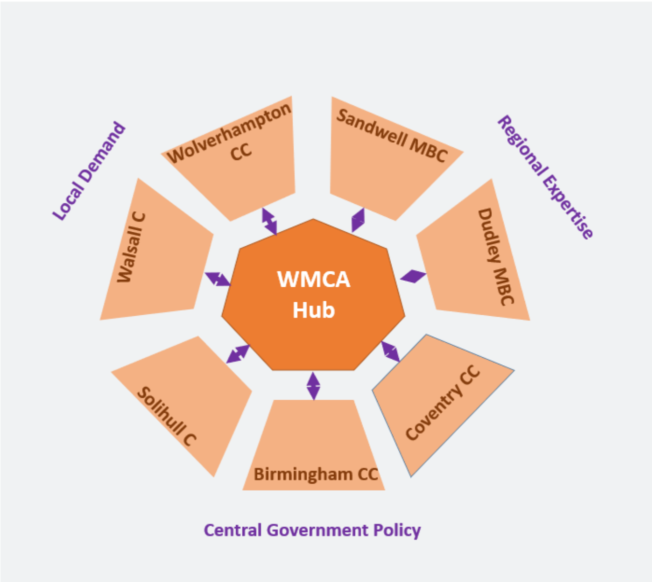
The Authority is now the Local Transport Authority for the West Midlands and has powers to exercise economic development and regeneration functions in conjunction with its seven constituent local authorities:

Leadership of the Authority comes from the Mayor and the leaders of the seven constituent local authorities, which have full voting rights. The leadership also included the chairs of the Local Enterprise Partnerships (LEPs) which are business-led organisations that help build relationships between businesses and local authorities. Other bodies which included the LEPs and ten local councils from across the wider West Midlands region, have reduced voting rights but play a crucial role at Board level, helping to inform policy and drive forward the Authority agenda. Full details of bodies that are members of the Authority are set out in the Annual Governance Statement on pages 28 to 41.

On 31st March 2022 the Departments for Levelling Up, Housing and Communities (DLUHC) and Business, Energy, and Industrial Strategy (BEIS) issued a joint letter and accompanying guidance to the Chairs of the LEPs in England and to the Mayors of Combined Authorities setting out their proposals for the roles and functions of LEPs to be integrated into local democratic institutions. WMCA is responsible for directly taking on some LEP functions and indirectly ensuring that there are arrangements for other functions to be discharged. During 2022/23 work has been underway to transfer and embed the three LEP Functions into WMCA's core activities.

- Both Black Country LEP and Growth Hub closed as of 31 March 2023.
- Coventry & Warwickshire LEP closed on 31 March 2023. The Coventry & Warwickshire Growth Hub will continue to provide support to businesses in Coventry and Warwickshire.
- Greater Birmingham and Solihull LEP and Growth Hub will continue to deliver European funded programmes until these conclude in 2024.

From 1st April 2023, WMCA has now taken over responsibility for Business Support and Careers Education Support through the creation of a Growth Hub and Careers Hub.



Business Growth West Midlands and West Midlands Careers Hub will be delivered through a "Hub and Spoke" Model.

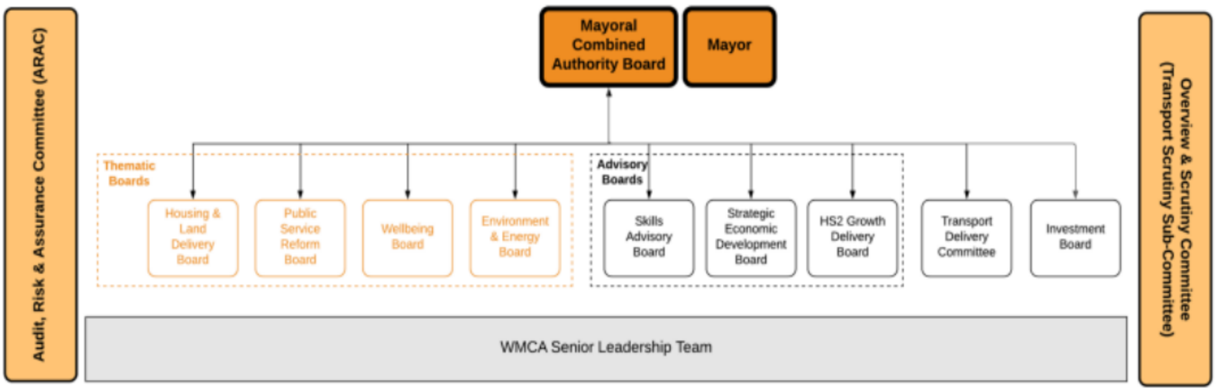
WMCA "hub" – provides core activities such as policy development, marketing, commissioning and monitoring and evaluation.

Links with other business support activity and work with schools, colleges and employers.

"Spoke" teams within constituent Local Authorities, that will lead on delivery.

The 2021 West Midlands Mayoral Election was held on 6 May 2021 to elect the Mayor of the West Midlands. Andy Street was re-elected and will continue to serve for the next three years as Chair of the Authority and its 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 five Directors, supported by officers. The assurance function is carried out by both the Audit, Risk and Assurance Committee (ARAC) and the Overview and Scrutiny Committee (OSC), both of which comprise members of the constituent authorities and member bodies. Additionally, at least one independent person is appointed to the Audit, Risk and Assurance Committee as Chair.



The Group employed 1,026 people and the Authority employed 757 people as at 31 March 2023. Further analysis can be found in Table 1 on page 8.

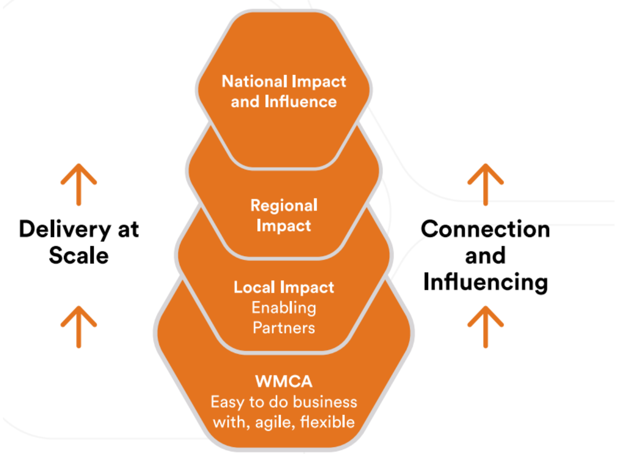
WMCA's vision is to achieve 'A more prosperous and better connected West Midlands which is fairer, greener and healthier'.

We add value for the region by working only where we're uniquely best placed:

- 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 takes on a range of different roles to deliver on our shared regional ambitions. We always ensure that our activity builds on work at a local level, led by local authorities and other partners. As above, in some areas we are responsible for delivering and commissioning services, such as the regional public transport system and the provision of adult skills. In other areas we convene and guide the work of partners, including developing economic strategy to support regional businesses and unlocking sites for housing and regeneration schemes. We also play an advocacy role, amplifying the voice of partners in the region to solve shared challenges and secure new resources or powers.

We developed six corporate aims following the Mayoral election in 2021. The WMCA also engaged extensively with our local authority partners, the Young Combined Authority, and other partners to understand our shared areas of focus. These six aims are based on evidence and data about the key challenges in the region, taken from reports such as the State of the Region, and set out how we'll deliver the region's priorities.

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.

WMCA will achieve its vision through living our values which are central to how we work and interact with our wider partners and stakeholders.

Our core values and the underpinning behaviours are listed on pages 31 to 32.

Regional Economic Context

The biggest challenges to the West Midlands economy in the financial year 2022/23 have been:

- The cost-of-living crisis has put pressure on household incomes and made it more difficult for people to spend money. During 2022/23, research by The Centre for Cities found inflation rates in urban areas of the West Midlands were rising significantly faster than in the South. Birmingham and Coventry are the hardest hit in the West Midlands, with an inflation rate of 10.5%, compared with London and Cambridge at 8.8% each. This has made workers in the West Midlands £126 a month poorer on average, according to the report, compared with workers in the South who have lost around £103 a month.

  In March 2023, one of WMCA's constituent local authorities was named as the second-poorest area in the whole country. Out of 333 local authorities, the Black Country borough of Sandwell was ranked second-lowest on a new 'cost-of-living vulnerability index' which showed there was only one place in the country where locals were expected to struggle more with daily life. Residents in Sandwell are generally worse off than in other parts of England, leaving them struggling to heat their homes and pay bills during the cost-of-living crisis.

- Rising interest rates since December 2021 has seen the Bank rate at its highest level for almost 15 years, rising consistently in response to the soaring cost of living., Raising interest rates helps to control inflation by making it more expensive to borrow money, encouraging people to borrow less and spend less, and to save more. Just under a third of households have a mortgage, according to the Government's English Housing Survey and after a period of ultra-low rates, many homeowners are now facing the likelihood of much more expensive monthly repayments. Bank of England interest rates also influence the amount charged on things such as credit cards, bank loans and car loans, and lenders could decide to put prices up further, if they expect higher interest rates in the future.

- Producer output (factory gate) prices rose by 12.1% in the 12 months to February 2023. This erodes incomes and leads to a reduction in real living standards. In the latter half of the financial year the rate of growth in prices began to fall. The largest upward contribution to the annual inflation rate came from input of other parts and equipment, which rose 9% in the 12 months to February 2023. The second largest contributor to the annual rate came from metals and non-metallic minerals, which saw an increase of 13.4% over the same period, mainly driven by globally high steel prices. Due to the large manufacturing base - and to a lesser extent construction - in the West Midlands, these two inputs have a large impact regionally.

- Increased energy costs due to several factors which put a strain on businesses making it more difficult to operate and diverting profits from investment. The ending of the Energy Bill Relief Scheme in March 2023 could exacerbate the impact of energy costs on business profitability and investment, although big drops in the price of crude oil and energy should mitigate any potential impact.

- Supply chain disruption caused by continued implications of the COVID-19 pandemic, global economic recovery from the recession and the end of lockdowns (particularly in China), and by the war in Ukraine. Due to the reliance on imported goods and components, this has had a negative impact on the West Midlands.

- The UK's exit from the European Union, which created uncertainty for businesses and made it more difficult for them to trade with the EU.

These challenges have had a significant impact on the West Midlands economy, leading to a slowdown in growth and rising unemployment. Gross Value Added in the WMCA area has shrunk by 4.7% since 2019, compared with a 4.3% reduction across the UK. Unemployment in the WMCA area is increasing and now stands at 6.7%, compared with 3.7% in the UK. The region is also facing a skills shortage, which is making it difficult for businesses to fill vacancies, although the number of vacancies fell steadily across the financial year.

In the West Midlands, the number of people on Universal Credit (UC) increased in almost every month during 2022/23 in every local authority area, though not at the same high rates as the previous year. The total people on UC in March 2023 stood at 366,818.

Business confidence in the West Midlands region, according to the Institute of Chartered Accountants in England and Wales (ICAEW) business confidence monitor, was the highest in the country in Quarter 1 2022. This dropped significantly over the rest of 2022, but in line with the rest of the country. By Quarter 1 2023 confidence returned to positive territory, though below the UK average.

2. Governance

Governance arrangements during the year are set out in the Annual Governance Statement that can be found on pages 28 to 41.

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.

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

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

Detailed workforce planning, monitoring and management is undertaken by the Human Resources team within 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 2023) and established full time equivalent (FTE) posts.

Table 1: WMCA, MML & WM5G Staffing Analysis — March 2023

No.	Headcount	FTEs
TfWM	395	371.6
Enabling Services	205	200.6
Portfolio Services	145	143.8
Mayor’s Office	12	11.6
WMCA Total	757	727.6
Midland Metro Limited	251	240.7
WM5G Limited	18	17.2
Group Total	1,026	985.5

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.

The graphics below show how far we have come in a number of the key protected characteristics. We have a slightly younger workforce on average compared to local government figures (42 compared with 45) and have an even gender split compared with economically active population figures for the West Midlands. Our ethnicity and disability numbers are slightly lower than the regional comparisons. Equality, Diversity and Inclusion are hugely important to us and we want our people to represent the communities in which we work. Our People and Culture strategy being delivered in 2023 will build upon that.

4. Operational performance

Performance summary of the 2022/23 High Level Deliverables

The WMCA is committed to delivering positive change across the region through our shared vision of a fairer, greener, healthier and better connected West Midlands. This is evidenced by our High Level Deliverables (HLDs), which are output measures that demonstrate to our stakeholders how we are progressing and what is being delivered against our Annual Business Plan. In February 2022 the WMCA Board approved 136 HLDs for the 2022/23 financial year and this section shows how we have performed and our key achievements.

At year end, 114 of the 136 HLDs have either been completed or are on target, which shows 84% of HLDs have remained within acceptable tolerance levels. This is a great achievement especially when considering the cost of living crisis, volatile market conditions and the reprioritisation of resources for the Deeper Devolution Deal. The remaining 22 HLDs that were not fully delivered have been absorbed into 2023/24 HLDs and will be monitored over the following year, where they are expected to be back on track.

2022/23 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

- Launched a landmark strategic partnership with Legal & General, with the pension fund committing £4bn over the next 7 years and delivered an extensive engagement programme with new and existing investor, developer and public sector partners, following the launch of the West Midlands Investment Prospectus in March 2022 to augment and expand a strong regional development pipeline.
- Negotiated a breakthrough housing and land deal worth up to £500m with HM Government, seeking ambitious changes to WMCA's devolved powers and resources, strengthening the regional influence and impact and creating opportunities for future success, driving local and regional priorities in the West Midlands.
- Led on the delivery of WMCA's cross-cutting Ways of Working programme, providing a flexible and hybrid working model that puts staff at the heart of WMCA HQ.

Economic Delivery, Skills and Communities

- Launched our Plan for Growth, an ambitious strategy for boosting growth, spreading opportunity and jobs, to help level-up the region.
- Exceeded target of securing £40m of apprenticeship levy transfer funds, ahead of schedule. We have used these funds to support more than 3,000 apprentices to begin a new career and 1,000 Small and Medium Size Enterprises (SMEs) to develop talent within their business.
- Through our skills bootcamps we supported more than 2,000 adults who were unemployed or looking to upskill to get a better paid job. We also secured additional funding for 4,000 more bootcamp places by 2024.

Finance and Business Hub

- Invested heavily in our people through expanding our teams – HR & Procurement in particular – and growing our expertise in Risk, Insurance, Assurance and Investments.
- Adopted the Business Partnering approach giving greater support to each Directorate to support delivery of strategic Aims and Objectives.
- Delivered new technology and systems – such as our best in class recruitment platform and Business World, giving us a single point of truth and enabling people to make more informed data driven, evidence-based decisions.

Strategy, Integration and Net Zero

- The Strategy, Integration and Net Zero Directorate was newly formed in 2022 to bring fresh impetus to strategy development and co-ordination across the combined authority and closer collaboration with regional partners. Over the past year these efforts have focused on delivering a 'trailblazing' deeper devolution deal – one of only two such pioneering deals in England.
- This third devolution deal for the region was initiated through the government's Levelling Up White Paper, which aligns well with our existing approach to inclusive growth which is guiding a fresh approach to measuring regional outcomes. We have also brought in a new, cross-cutting approach to research and intelligence across the combined authority.
- The Young Combined Authority, Faith Strategic Partnership Group and Homelessness Taskforce have continued to challenge us to develop more systemic approaches to inclusion and equality in the region, and our new Race Equalities Taskforce has delivered its initial strategy and action plan.
- The WMCA work on energy and the environment has grown rapidly, drawing in new resources and capacity as we scale-up efforts for the region to be carbon zero by 2041. Our retrofit SMART Hub is now delivering several retrofit projects including a pipeline of Net Zero Neighbourhoods; we launched an Industrial Energy Taskforce to support energy intensive businesses through the energy crisis; and our environment team continue to drive programmes on tree planting, climate adaptation, the circular economy and carbon literacy. The WMCA was

awarded an A-grade by the Carbon Disclosure Project, putting it in the top 12% of global city-regions.

Transport for West Midlands (TfWM)

- Planned and delivered an award winning, world class transport programme for the Birmingham 2022 Commonwealth Games. Preparations saw the opening of the refurbished Perry Barr Rail Station, widened platforms at University Station and the completion of important Sprint bus routes, Metro extensions and active travel infrastructure. TfWM led the transport operations during the games through its enhanced Regional Transport Co-ordination Centre, transporting over 1.5m spectators and 40,000 workforce to the multiple sports venues, all while keeping the West Midlands moving and ensuring that residents and businesses were supported through bespoke travel information and traffic management programmes.
- Secured £16m additional funding for active travel through Active Travel England. TfWM also delivered a summer of cycling activities as part of the Commonwealth Games Legacy. The Games promoted inclusivity within sport and was used as a catalyst for change to help improve inclusivity of cycling through the Cycling for Everyone (C4E) programme.
- Phase two of the Birmingham Westside Metro extension took the line along Broad Street to Hagley Road adding three stops along the way at Brindley Place and Five Ways to the end of the line at Edgbaston Village.
- TfWM, in collaboration with Coventry City Council, are working to create the UK’s first all-electric bus city by 2025. This took a major step forward with 50 new greener buses on the streets of Coventry.
- Secured £88 million for Bus Improvements and £1.3 billion to transform road, bus, rail, tram, cycling and walking infrastructure across the region through the City Region Sustainable Transport Settlement.
- Delivered a region wide Enhanced Partnership to support our bus services, the largest of its kind in the country. We continued to negotiate funding with government to maintain the network across the West Midlands that provides for 80% of public transport journeys.
- Swift continued to grow in popularity across the region with a record high 90% customer satisfaction and provides the leading best value cap outside of London across the bus and tram network via our ‘Swift Go’ package. This means our customers can make as many journeys as they like in a day, or over an entire week. We place a maximum cost of fares or ‘cap’ on those journeys and once the cap is reached our customers carry on travelling for free. Swift vending machines are now at all key bus stations and Birmingham Airport, with more rolling out across the network during 2023.
- The Policy and Strategy Team led a refresh of the Local Transport Plan, with a new Core Strategy being approved in early 2023 and a set of six Big Moves being developed throughout 2023/24.

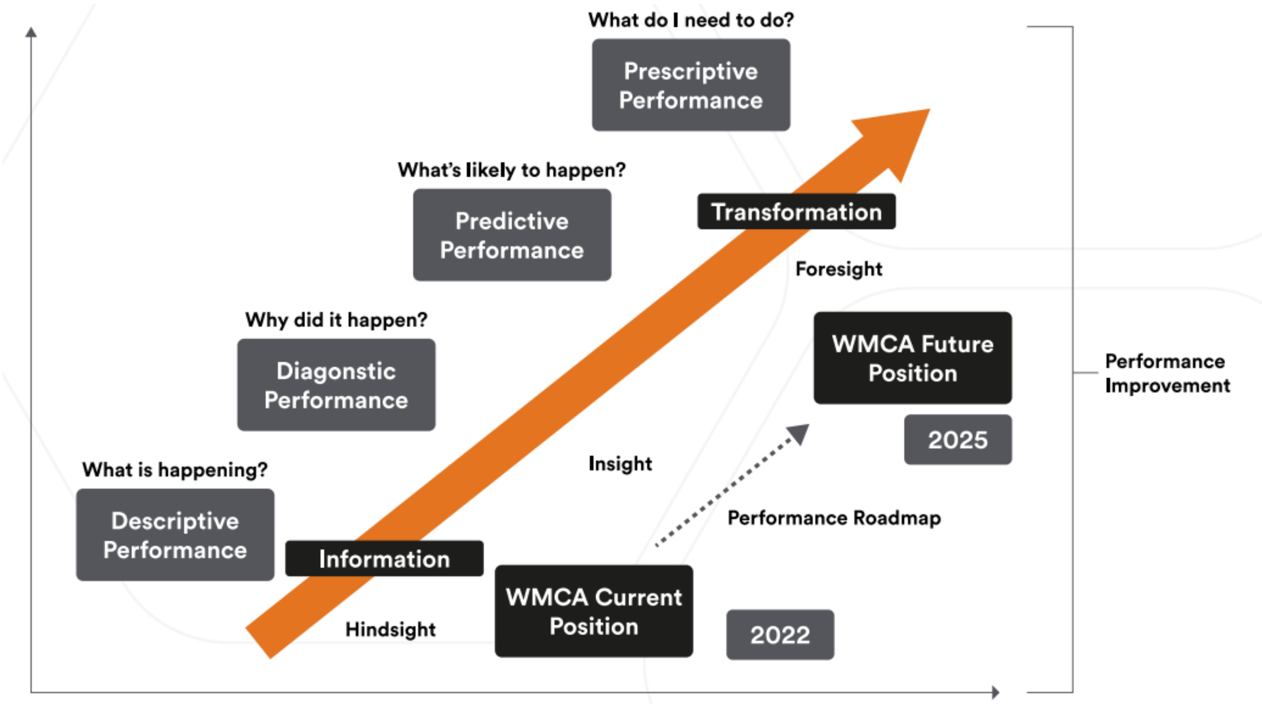
During 2023 – 2024 we want to roll-out and then embed the Performance Roadmap. The aim is to give greater transparency and visibility of performance information across the whole organisation. This will take time and the chart below shows that journey. The dotted arrow indicates where we are now, we generally look back at our performance. Ultimately, we want to move forward to a more predictive and prescriptive position. We have a massive opportunity to move further along the performance maturity graph by embedding the performance roadmap. To achieve that we will:

- Continue to engage and consult across WMCA to develop SMART (Specific Measurable Achievable Realistic Timebound) measures of our performance.

- Make sure that performance information is visible and is cascaded across teams to support evidence-based decision making.

- Develop the ABP (Annual Business Plan) dashboard to provide a more holistic view of performance (finance, performance and risk).

- Continue developing our organisational health dashboard – data on people, finance and things like complaints and customer, so that leaders can identify at a glance the direction of travel and trends.



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 12 shows the overall consolidated revenue position for the Authority compared with the budget approved by the Authority Board in February 2022, and is set out in the same way as the regular financial reports that are considered by the Authority Board. This means that the table excludes statutory accounting and funding adjustments required by the Code of Practice on Local Authority Accounting, setting out the outturn position in the same way that the Authority's finances are planned and managed throughout the year.

Table 2: West Midlands Combined Authority Revenue Outturn 2022/23

£000's	Year to Date			Reconciliation to Expenditure and Funding Analysis (note 6)							
	Actual	Budget	Variance	Transport Services	Other Services	Invest. Prog.	Mayor's Office	Mayoral Elections	Finan-cing	Grant income	Total
Transport Levy	117,015	117,015	0							117,015	117,015
Commonwealth Games	27,306	18,656	8,650	27,306							27,306
Revenue Grants & Other Income	35,369	8,338	27,031		34,523		846				35,369
Adult Education Funding	124,574	140,577	(16,003)		124,574						124,574
Share of Business Rates	10,500	10,500	0							10,500	10,500
Constituent Membership	4,644	4,644	0							4,644	4,644
Non Constituent Members	510	510	0							510	510
Investment Programme	36,500	36,500	0							36,500	36,500
Investment Income	3,035	898	2,137						3,035		3,035
Use of Reserves	15,824	15,195	629	9,706	6,118						15,824
Total Funding	**375,277**	**352,833**	**22,444**	**37,012**	**165,215**	**0**	**846**	**0**	**3,035**	**169,169**	**375,277**
Transport for West Midlands	122,124	126,093	3,969	122,124							122,124
Commonwealth Games	27,306	18,656	(8,650)	27,306							27,306
Economic Delivery, Skills & Communities	149,801	149,446	(355)		149,801						149,801
Strategy, Integration and Net Zero	14,600	6,177	(8,423)		14,600						14,600
Housing & Rengeneration	1,904	1,455	(449)		1,904						1,904
Portfolio Support	3,855	3,055	(800)		3,855						3,855
Investment Programme	49,137	47,105	(2,032)			49,137					49,137
Mayoral Office	846	846	0				846				846
Mayoral Election	0	0	0					0			0
Total Expenditure	**369,573**	**352,833**	**(16,740)**	**149,430**	**170,160**	**49,137**	**846**	**0**	**0**	**0**	**369,573**
Net Income (before reserves)	**5,704**	**0**	**5,704**	**(112,418)**	**(4,945)**	**(49,137)**	**0**	**0**	**3,035**	**169,169**	**5,704**
Transfer to earmarked reserve (2023/24) Capital Pressures	**2,400**	**0**	**(6,350)**	2,400							2,400
Transfer to earmarked reserve (2023/24) Transport Events	**500**	**0**	**(3,600)**	500							500
Net Expenditure (after reserves)	**2,804**	**0**	**(2,804)**	**(115,318)**	**(4,945)**	**(49,137)**	**0**	**0**	**3,035**	**169,169**	**2,804**

Transport	1,697	0	1,697
Portfolios	1,107	0	1,107
Investment Programme	0	0	0
Mayoral Office	0	0	0
Total Surplus / (Deficit)	**2,804**	**0**	**2,804**

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

Total income for the financial year at £375m is higher than budget by £22m. Additional funding of £8.6m for the Commonwealth Games was made available by the Organising Committee for the deployment of a contingency fleet during the industrial action. Revenue Grants and Other Income are higher than budget by £27.0m mainly due to new grant funding received in year since the budget was set. Predominantly, this relates to funding within the Economic Delivery, Skills and Communities (ESC) Portfolio relating to Employment and Skills, specifically, Digital Skills (£7.1m), Multiply (£3.1m) and UK Shared Prosperity Fund (£2.1m). Further funding was secured within ESC relating to the Community Renewal Fund (£3.3m) and West Midlands Made Smarter (£2.7m) along with funding for the Tourism, Trade and Investment Programme (£7.4m). The adverse variance of £16.0m on the Adult Education funding budget reflects lower take up on Level 3 skills than anticipated in the budget and grant clawbacks relating to the 2021/22 academic year due to the effect of the pandemic on learner numbers.

Total expenditure of £369.6m, is higher than the budgeted expenditure of £352.8m, mainly in relation to the Commonwealth Games as above, and the Tourism, Trade and Investment Programme where the budget and funding for the programme was agreed after the original budget was set in February 2022. Total expenditure is funded by the Transport Levy, government grants, investment programme, business rates growth, contributions from members, reserves and other income streams.

This provides a net income position at the end of March of £5.7m. Provisions have been made for future funding pressures within the capital programme (£2.4m) and to support WMCA in hosting transport events (£0.5m) such as the 2027 Intelligent Transport Systems World Congress bid, as reported to September 2022 WMCA Board.

The final outturn position at the end of March shows a surplus of £2.8m. This comprises £1.7m within Transport and £1.1m within Portfolios and represents a favourable variance from budget.

Transport saw higher advertising income than budgeted (£1.2m), savings against the Accessible Transport budget (£1.1m) and staff cost savings due to vacant posts. External advice savings (£2.1m) were diverted to fund an additional Metro subsidy requirement of £4.2m. Savings within the Concessions' budgets are due to lower patronage and fare levels and have been transferred to an ear-marked reserve to protect against future risks in relation to the bus network.

Within the Portfolios budgets, the surplus is largely due to vacant posts across several Portfolios resulting in savings against staffing budgets and external advice due to activity being re-profiled pending recruitment during the year.

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 £347.0m on capital projects in 2022/23 (see note 31) with the major items of expenditure as detailed in Table 3 below. Total capital expenditure was £243.9m less than the budget of £590.9m, with variances spread across all programmes including significant movement experienced in the following areas; WMCA Investment Programme (£58.9m), the Investment Programme Grants to Local Authorities (£36.4m), Housing (£45.7m) and CRSTS (£33.6m). The overall variance primarily reflects the re-phasing of activities in relation to the various Metro extension and rail schemes. Furthermore, grants allocated to Local Authorities via the Investment Programme are taking place later than originally planned. Stretched resourcing within Local Authorities has had a significant impact on the progression of schemes, and projects have also been affected by increasing construction and labour costs. In the main, delivery schedules are not anticipated to be impacted by the rephasing of expenditure plans into 2023/24.

Table 3a) : Major Items of Capital Spend 2022/23

	£ million
Metro Wednesbury to Brierley Hill Extension	55.7
Metro Birmingham Eastside Extension	40.6
CRSTS Local Authority Highways Maintenance payments	24.1
Coventry Friargate Business District Phase 1	21.6
University Station	20.6
CRSTS Local Authority Local Network Improvement Plan payments	16.0
Rail Camp Hill Line Local Enhancements	13.8
SPRINT A45 Birmingham-Airport-Solihull	13.5
Metro Wolverhampton City Centre Extension	11.3
Black Country Land and Property Investment Fund	11.1

The capital programme spending of £347.0m was financed in the following way:

Table 3b) : Financing of Capital Expenditure 2022/23

	£ million
Government grants	227.3
Borrowing	68.4
District/Local Enterprise Partnership (LEP) grants and contributions	12.0
Third party contributions	26.7
Gainshare contribution	12.6
Total	**347.0**

Debt Management

Following the hiatus in expenditure during the COVID-19 pandemic, WMCA's capital programme works restarted in 2021/22 and have continued in 2022/23. To unwind a proportion of its historic under-borrowed capital financing position and to mitigate against interest rate rises, the Authority accessed £335m of Public Works Loan Board (PWLB) and United Kingdom Infrastructure Bank (UKIB) borrowing in 2021/22. This was augmented by a further £65m of PWLB borrowing in May 2022. All borrowing has been driven by the delivery of the Investment Programme. 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 2023, the Authority had debt outstanding of £507.91m, well within the authorised limit for external debt of £821m. Debt outstanding is made up of the following figures:

	As at 1 April 2022	In Year Repaid	In Year Raised	As at 31 March 2023	Notes
	£m	£m	£m	£m	
PWLB	432.00	(12.33)	65.00	484.67	PWLB Certainty Rate Loan
Barclays	10.00	-	-	10.00	No change
WM County Council (Transferred Debt)	4.67	(1.00)	-	3.67	Annual repayment of principal
UKIB	10.00	(0.43)	-	9.57	Annual repayment of principal
Total Long-Term Borrowing	**456.67**	**(13.76)**	**65.00**	**507.91**	

Rates for medium to long term borrowing rose considerably during the year as central banks looked to contend with the impact of rising inflation. 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

As a consequence of advanced receipt of grants (in particular, City Region Sustainable Transport Settlement) short term deposits (investments of 365 days or less) increased during the year from £616m (2022/23) to £712m (2022/23). This is made up of the following figures:

2021/22 £m		**2022/23 £m**
189.16	Bank Deposits	88.50
427.00	Local Authorities / Housing Associations / UK Government Backed Deposits	623.50
616.16	**Total**	**712.00**

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.

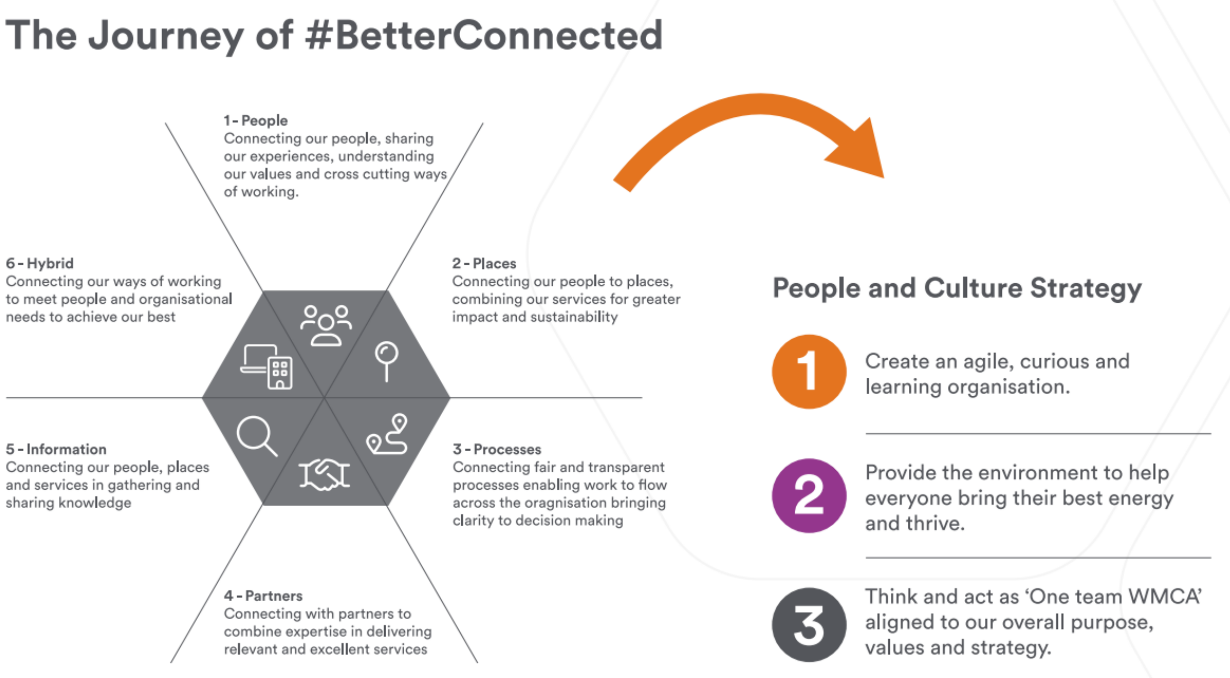
Regular cash-flow forecasting is undertaken at a short, medium and long-term level to ensure that the Authority can plan ahead and continually monitor the financial environment, assisted by sector specialists. This will ensure that there are sufficient lenders in place to borrow from in a timely and 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. That's why we launched #BetterConnected in the summer of 2022. It's an exciting time for the WMCA and we are engaging with staff on how best to be a more integrated organisation and find the solutions to help co-create the next steps on our journey.

Our first People and Culture strategy launched in April 2023 sets out what great looks like for our staff and is built on three main principles, guiding the journey from attraction and recruitment and setting out how the WMCA will operate. This is a really bold vision that will support the transformation of the WMCA.

- Create an agile, curious and learning organisation – be a learning organisation and encourage our people to learn, be curious and open to new ideas.
- Provide the environment to help everyone bring their best energy and thrive – ensure colleagues feel connected to our purpose and operate in an environment where they can deliver high performance.
- Think and act as 'One team WMCA' aligned to our overall purpose, values and strategy – develop a community of collaborators focussed on delivery of our purpose.
- Enable everyone to participate and contribute, together we are responsible for creating our culture.



Revenue Budget 2023/2024

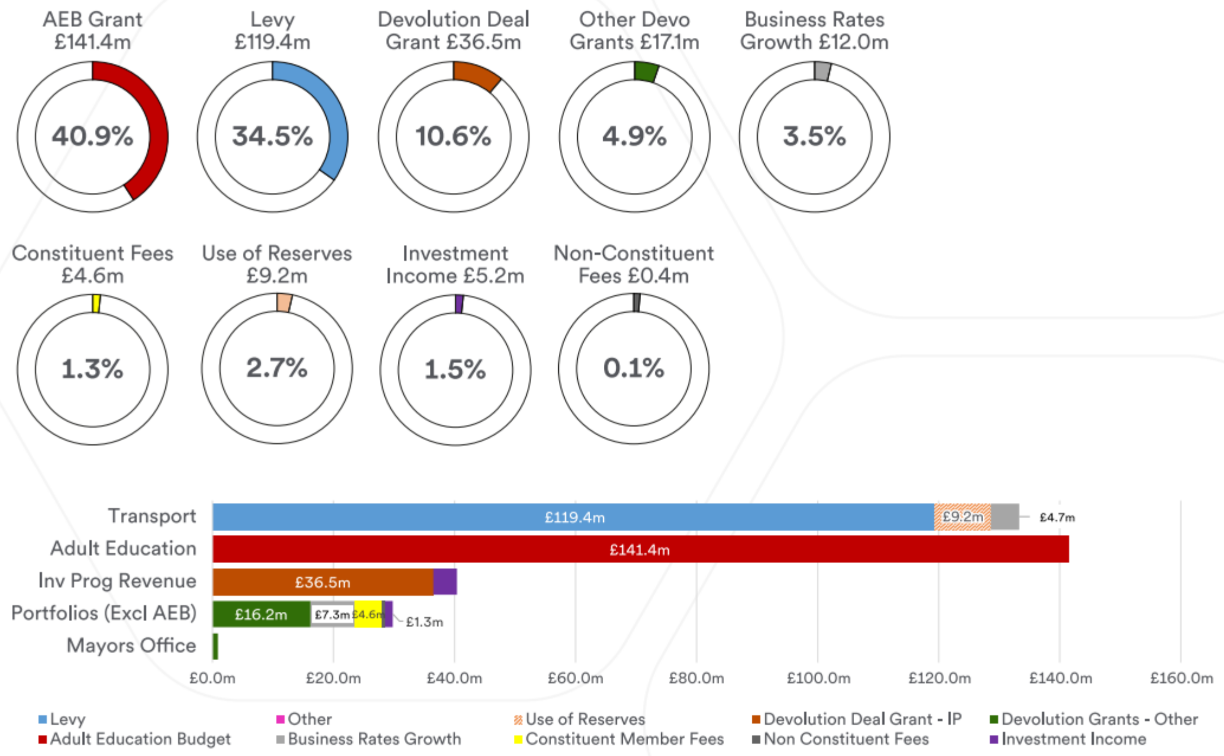
The consolidated revenue budget as reported to the WMCA Board in February was £345.0m, The table below shows how this income is sourced and where it gets allocated for expenditure.

Since that time, the revenue budget has been revised upwards by £27.9m to take account of new grants received to support Portfolio delivery, including UK Shared Prosperity Fund (UKSPF) £14.3m and funding for Digital Skills £10.6m. As reported previously, the Adult Education Budget funding for financial year 2023/24 (including Free Courses for Jobs) has also increased by £0.8m compared to budgeted assumptions reported to Board in February 2023. Most of the changes impact on the Economic Delivery, Skills and Communities Directorate. The changes have an overall net nil impact.

WMCA have committed to working with Constituent Authorities throughout 2023 to develop a longer-term, sustainable budget and plan, following confirmation by Government of the Deeper Devolution Deal.

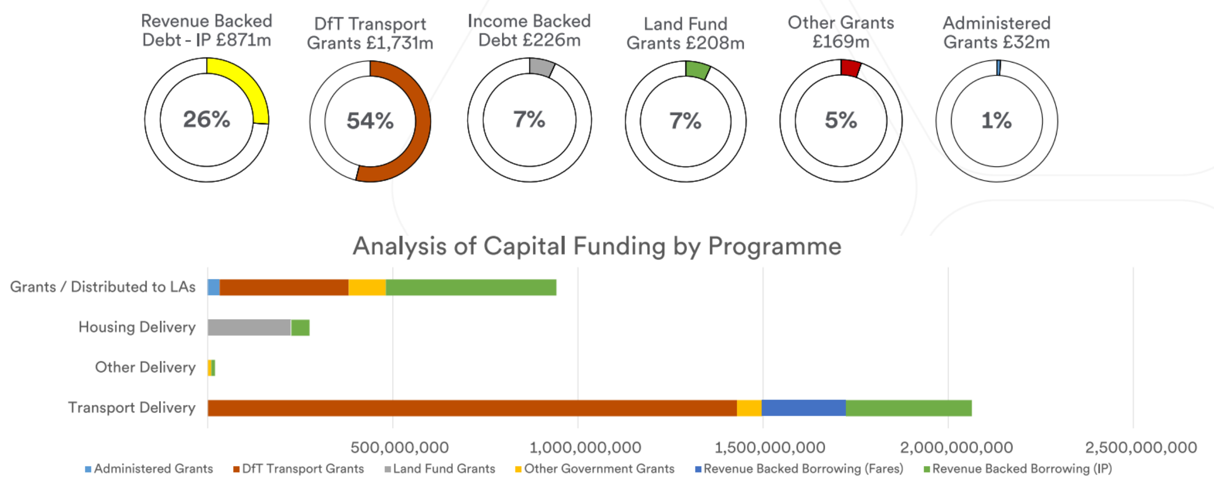
Financial Position

2023 / 2024 Revenue Budget Analysis



Capital Programme Analysis 2023/2024

The WMCA Capital Programme is summarised in these tables highlighting the current planned capital investment between 2022/23 and 2026/27. This position represents the latest 2022/23 reforecast; the final 2023/24 Capital Budget will be presented to WMCA Board at the earliest opportunity in June 2023 following confirmation of the 2022/23 outturn position.



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;
- 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 2% approved for 2023/24) and their contributions to the Authority's Wider Services Budget up to and including 2027/28. 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 2023/24 will need to be managed within the available resources. These clearly 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 2023/24 to 2027/28

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Transport Levy	119.4	119.4	119.4	119.4	119.4
Revenue Grants & Other Income	222.0	180.7	179.2	179.3	179.4
Share of Business Rates	12.0	11.6	10.6	14.7	11.1
Constituent Membership	4.6	4.6	4.6	4.6	4.6
Non Constituent Members	0.4	0.4	0.4	0.4	0.4
Investment Income	5.2	1.4	1.4	1.4	1.4
Assumed Mayoral Precept	0.0	0.0	1.0	1.0	1.1
Use of Reserves	9.2	0.7	0.7	0.7	0.7
Total Funding	**372.9**	**318.9**	**317.3**	**321.6**	**318.1**
Transport for West Midlands	133.2	148.8	154.8	172.5	171.1
Portfolio & Enabling Services Budgets	198.3	157.4	157.2	157.6	158.1
Investment Programme	40.4	36.6	36.6	36.6	36.6
Mayoral Office	0.9	0.9	1.0	1.0	1.1
Mayoral Election	0.0	4.0	1.0	1.0	1.0
Enabling Services	0.0	0.1	0.1	0.1	0.1
Total Expenditure	**372.9**	**347.7**	**350.6**	**368.7**	**367.8**
Net Expenditure	**0.0**	**-28.8**	**-33.3**	**-47.2**	**-49.7**

The MTFP set out in the table above was noted by the WMCA Board in January 2023. A balanced budget position for 2023/24 was approved by the WMCA Board on 10 February 2023. However, there currently remains a gap in available funding to support expenditure plans ranging from £28.8m in 2024/25 rising to £49.7m in 2027/28.

The Department for Levelling Up, Housing and Communities published its Levelling Up White Paper in February 2022. As part of this, WMCA, along with Greater Manchester Combined Authority, were invited to apply for ‘Trailblazer Devolution Deals’. The WMCA entered negotiations with HM Government, seeking ambitious changes to WMCA’s devolved powers and resources, strengthening the region and creating opportunities for future success, driving local and regional priorities in the West Midlands. The Deeper Devolution Deal (previously called Trailblazer Devolution Deal) shows confidence in the WMCA as a forerunner in the delivery of activity, granting new powers (e.g. public health, careers advice, devolving retrofit funding and bus service operators grant) and financial flexibilities, some of which will materialise after the next Spending Review, so 2025/26 onwards. It commits the WMCA to partnership arrangements with Government and other organisations on areas such as national arts and culture, targeted employment support, local oversight and control of public transport services. It provides certainty around some income streams to fund existing revenue activity and provides additional resources for the remaining schemes in the 2016 Investment Programme. Some of the key features of the agreement with Government include:

- A long-term commitment to the current arrangements in respect of business rates, extending the 100% business rates retention scheme pilot for a further 10 years. The current MTFP already had some assumptions around Business Rates Income, so this provides some surety around this but does not guarantee any additional resources in the short term.
- New ‘growth zones’ which are subject to further design but where business rates growth above an agreed baseline can be retained for 25 years.
- Commitment to a single settlement across the next Spending Review period (multi-year settlement), leaving it up to the region to determine how best to deploy. The benefits of a single settlement, cover three main elements:
    - Longer terms settlements to allow certainty of funding, long term strategic decision making and to facilitate the development of local capacity to deliver programmes.
    - Flexibility to use different strands of funding to maximum effect. Removing contradictory grant conditions, enabling WMCA to align objectives and set realistic time horizons
    - Reduced requirement to commit resources to bidding for national monies, competing against other areas.

Despite the above, there remains an element of fiscal uncertainty in the short term, and particularly around the funding for transport. There is still a need for Government to provide some sustainable funding for the bus network. Lobbying will also continue for provision of sustainable funding for holding future Mayoral elections.

WMCA will continue to review existing established expenditure budgets to drive efficiency savings in the medium term. A £3m efficiency target has been built into the financial plans.

The process to refresh the MTFP for the period 2024/25 to 2028/29 has already commenced, to include the latest position on additional spending requirements, changes in income and impact of macro-economic variables.

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

- **Inflation rates** – The Consumer Prices Index (CPI) rose by 10.4% in the 12 months to February 2023, up from 10.1% in January but below a recent peak of 11.1% in October 2022. This 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. The disruption caused by the pandemic has had a big effect on the labour market and employment patterns; and the war in Ukraine has hit businesses and consumers hard as inflation has soared. The West Midlands is particularly challenged as the shape of the regional economy leaves it particularly exposed to these trends.

- **Capital Financing Costs** – WMCA opted to change the way it calculates Minimum Revenue Provision (MRP) in the 2017/18 financial year. The change was approved by WMCA Board in November 2017 and enabled a MRP ‘holiday’ to be taken. This ‘holiday’ period will end during the 2023/24 financial year, at which point MRP charges will be re-introduced. Any 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 years 2023/24 to 2025/26. It is possible that at the next valuation the WMCA may have to make increased annual contributions, or 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. Prior to his re-election in May 2021, the Mayor made a commitment in his manifesto not to set a Mayoral council tax precept for the whole of his 2021-24 term as Mayor.

- **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 though 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 £1,234m for 2023/24 and £1,277m for 2024/25. The Authority is able to apply for a reset in the event that 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 still impacted by lower than anticipated patronage following the pandemic. This risk is under constant review, both in respect of ongoing operational costs, but also 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 £210m.

  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 151 Officer), the generally accepted practice is for general fund reserves to be between 3% and 5% of expenditure. The proposed balance is below this recommended level and consideration should be given 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 151 Officer) comfort that the General Fund balance is sufficient in the short term.

7. Risks and opportunities

Risks

The Authority has put in place a system of internal controls designed to manage risks to a reasonable level and aims to identify and prioritise the risks to the achievement of policies, aims and objectives; and evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The Authority's Strategic Risk Register (SRR) supports the identification and management of the risks faced by the organisation in achieving its organisational or strategic objectives. The SRR captures only those high-level risks which are of such significance as to require oversight and assurance by the Executive Board. The SRR is reviewed by Executive Board on a quarterly basis to ensure key risks are captured and effective mitigation measures are in place to reduce or eliminate the resulting effects.

Operational Risk Registers are either in place within directorates or are being developed, with review meetings taking place across all the Authority's activities enabling full visibility of those risks with the potential to impact on the organisation's success. These meetings allow management teams the opportunity to monitor the status of risks, ascertain the level of risk exposure, and track activity to manage or mitigate the risk. The Risk Management Framework includes a process that allows for risks to be escalated from the Operational Risk Registers, ultimately to the SRR. Taken together, this activity provides assurance around our risk management activity.

Risk Management, Performance Management and Business Planning activity is being brought together to provide a strong evidence base to support risk identification, substantiate risk assumptions, and improve decision making.

Progress of the 2022/23 Annual Business Plan was monitored on a monthly basis by internal management teams with key risks impacting on its delivery being escalated to the directorate operational risk registers. In addition, delivery against performance of the High-Level Deliverables within the Annual Plan was reported monthly to Executive Board and quarterly to the Authority Board.

Following review of the SRR in March 2023, there were 13 strategic risks rated High. A brief explanation of these risks is provided below.

Failure to deliver the opportunities and benefits of the Investment Programme	Decisions taken about the supplementary or alternative income streams, for example Business Rates Growth, Business Rates Supplement, raise the risk around the delivery of the opportunities and benefits of the Investment Programme.
External factors	External uncertainties such as changes in Government policy, alongside other factors e.g. challenges following the pandemic, may not be adequately factored into WMCA plans.

Inflation and global supply chain pressures	Macro-economic events are placing pressure on both the price and availability of resources. As such, there is a risk that a continuation (or escalation) of these issues severely hampers WMCA's ability to deliver to the speed and scale required.
TfWM Programme Cost Management	Programme financial management failures could result in over-ambitious budgets being set for programmes / projects leading to possible cost-over runs, and an inability to provide reliable cost-certainty.
Financial resilience of WMCA to absorb fiscal shocks	The revenue budget in recent years has been supported by reserves and other one-off resources. This approach limits the degree to which the WMCA can direct funding quickly towards specific, or changing, priorities and reduces the extent to which WMCA has the financial capacity to effectively deal with fiscal shocks.
Information Assurance and Security	Data protection requirements and/or proper protective security of all WMCA assets, information systems, premises and people are not reasonably and proportionately maintained.
Stakeholder and political relations	Changing national politics have the potential to significantly impact the devolution agenda, funding and powers of WMCA. Positive stakeholder and political relations are needed to deliver the ambitions of the organisation and as the WMCA continues to expand and absorb new remits and accountabilities, these relations may become more pressured.
Capacity and capability	There is the risk that the capacity and skills amongst managers and officers may not be sufficient or fully aligned to enable delivery of our objectives and respond to changing priorities, or to meet the continuing focus for delivery of new and challenging initiatives within WMCA.
Post pandemic sustainability of public transport network	The pandemic changed customer behaviour and working habits and we continue to see reduced patronage levels across public transport networks, albeit this trend is gradually reversing, and we are now starting to see increases in bus customer numbers.
Commerciality	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.
Investment Programme Delivery	Due to uncertainties created by the use of Delivery Partners / Delivery Bodies to deliver Projects / Programmes wholly or partially funded by WMCA Investment Programme, there is a risk that they may fail to deliver the full agreed scope of the Project / Programme.
Financial Sustainability of the MCA Model	There are multiple risks around the various funding streams for Combined Authorities, including but not limited to the lack of multi-year funding models; Government failure to act on business rate reform; reduction in transport funding per capita; and reduction in devolution deal per capita.

Cost of Living Crisis	The UK is experiencing the highest rates of inflation in forty years. This has primarily been driven by increases in the cost of electricity, gas, other fuels, food and transport, primarily driven by increases in fuel costs. The cost-of-living crisis is an existential threat to the WMCA through its impact on the businesses and people of the West Midlands, including many of our own staff.

Opportunities

Deeper Devolution Deal - A landmark deal for the West Midlands
For the West Midlands this landmark deal, announced during the Spring budget and estimated to be worth in the region of £1.5bn, will reboot the economy, provide vital housing, jobs and skills, bolster our existing strengths in transport and Smart City Region innovation.

It will drive our net zero ambitions – generating economic growth and levelling up outcomes for all our residents and communities.

Some highlights are summarised below and more information can be found at Devolution Deal for the West Midlands (wmca.org.uk).

For us at the WMCA this deal gives us more certainty about our funding in years to come so that we can work more strategically to boost jobs, business, housing, transport and the environment. A deal of this scale will provide plenty of new opportunities for us and will bring further attention to the great work we're already doing at the Combined Authority.

The Deeper Devolution Deal was announced as our 2023/24 Business Plan was going to print so it could mean that a lot of the information provided on priorities and our High Level Deliverables shifts during the year. We will take time to consider the detail and we will be developing mobilisation plans as that detail unfolds. We will need to be innovative, flexible and better connected throughout the organisation as we continue to deliver with our partners for the West Midlands.

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 new 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.

In May 2023, at the UK's Real Estate Investment & Infrastructure Forum (UKREiiF) we were pleased to announce that SEGRO, the leading owner, manager and developer of warehouse and industrial space, has been announced as a strategic partner of the WMCA, with a commitment to invest £2bn over the coming decade to deliver next generation, net-zero warehouse facilities in the West Midlands. The development programme is expected to create up to 14,000 jobs across a wide range of employment types and industry sectors. As a strategic partner and commencing with their 450-acre site at SEGRO park in Coventry, they aim to deliver 13.5 million sq ft of sustainable warehouse space across the West Midlands by the end of 2033, focused on tech-enabled logistics facilities as well as purpose-built space for Research & Development and light manufacturing. This will contribute significantly to our Plan for Growth while also supporting our vision of a more prosperous and better-connected West Midlands which is fairer, greener and healthier.

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 new Regional Transport Coordination Centre hub.

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

The Authority has also actively sought new commercial trading opportunities and in doing so has established three 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.

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 the smallest of the subsidiaries, WMDC 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 on tram sales and income received from the Authority in respect of travel card sales and concessionary travel reimbursement.

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

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 is to be the UK's first region-wide 5G test bed and thus accelerate 5G deployment across the region to achieve citizen, public and private sector benefits from 5G.

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

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

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 2022/23 (the Code) and are for the full year from 1 April 2022 to 31 March 2023.
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.

11. Directors and Senior Officers

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

Directors/Senior Officers	Title	Appointment/Resignation
Laura Shoaf	Chief Executive	
Ed Cox	Executive Director of Strategy, Integration and Net Zero	
Gareth Bradford	Executive Director of Housing, Property and Regeneration	
Julie Nugent	Executive Director of Economic Delivery, Skills and Communities	Resigned – 31 May 2023
Clare Hatton	Interim Director for Employment, Skills, Health and Communities	Appointed – 22 May 2023
Anne Shaw	Executive Director, Transport for West Midlands	
Linda Horne	Executive Director of Finance & Business Hub	
Siobhan Bassford	Director of Communications	
Satish Mistry	Interim Director or Law and Governance	Resigned – 31 January 2023
Helen Edwards	Director of Law and Governance	Appointed – 9 January 2023

12. Auditors

Grant Thornton (UK) LLP are the auditors of the Authority for 2022/23. 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

Laura Shoaf
Chief Executive
Date:

1. The Authority's Responsibilities

The Authority is required to:

(i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. These responsibilities are discharged through the role of the Responsible Finance Officer that is the 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 2023.

Linda Horne
Executive Director of Finance & Business Hub and Responsible Finance Officer
Date: 30 June 2023

4. Approval of the Accounts

I certify that the audited Statement of Accounts covering the period 1 April 2022 to 31 March 2023 were approved by a resolution of the Audit, Risk and Assurance Committee on DD MM 2023.

Mark Smith
Chair of the Audit, Risk and Assurance Committee
Date:

Scope of Responsibility

This Annual Governance Statement (AGS) reflects the activities of the Authority for the year ending 31st March 2023 and up to the date of approval of this Statement and the Statement of Accounts.

West Midlands Combined Authority (WMCA) was established on 17th June 2016 by the West Midlands Combined Authority Order and is made up of constituent and non-constituent members and three Local Enterprise Partnerships (LEPs), observers and a co-opted member.

The Mayor is the Chair of the WMCA and having been re-elected on 6th May 2021, will remain in office until May 2024. 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 comprised of non-constituent authorities and LEP members:

Non-constituent authorities

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

LEP members

- Black Country LEP
- Coventry and Warwickshire LEP
- Greater Birmingham and Solihull LEP

In the Levelling-Up White Paper in February 2022, Government set out its expectations in relation to the integration of LEPs and their business boards into the Combined Authority. On 31st March 2022 the Departments for Levelling Up, Housing and Communities (DLUHC) and Business, Energy, and Industrial Strategy (BEIS) issued a joint letter and accompanying Guidance to the Chairs of the LEPs in England and to the Mayors of Combined Authorities setting out their proposals for the roles and functions of LEPs to be integrated into local democratic institutions.

Following the letter from Ministers, the three LEP Boards each took decisions on their future status in the autumn following consultation with local public and private partners. While ultimately each LEP has resolved to close, the path for each is specific to local circumstances as summarised below.

- Black Country LEP - Closure by 31 March 2023.
- Coventry & Warwickshire LEP - Closure by 31 March 2023, with some ongoing activities undertaken by Coventry and Warwickshire Growth Hub.
- Greater Birmingham & Solihull LEP - Closure by 31 March 2024, with specific functions transferring or ceasing at milestones during 2023/24 (agreed at the GBSLEP Board meeting on 22/09/22)

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. This was reflected in the WMCA Order which specified the three LEP Chairs as business representatives on the WMCA Board. The WMCA has committed, post-LEP integration, to strengthen private sector input across the full breadth of WMCA activity. Strong and meaningful private sector engagement ensures better informed decision making by embedding commercial acumen and business expertise into the process and by allowing the WMCA to better communicate with its business base and focus on the areas that matter most or where real value can be added.

There are four Observers of the Authority. These are:

- The Marches LEP
- West Midlands Fire and Rescue Authority
- West Midlands Police and Crime Commissioner
- Warwick District Council

There is one member co-opted on to the WMCA Board at the discretion of the WMCA Board. They are:

- Trade Union Congress (TUC)

The Authority currently has 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	44%	Joint venture
g.	HTO2 LLP	44%*	Joint venture
h.	Midlands Development Capital Ltd	100%	Subsidiary
i.	Network West Midlands Ltd	100%	Subsidiary
j.	WMCA JV Ltd	100%	Subsidiary

*through ownership with HTO1 LLP

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

The Purpose of the Governance Framework

The Authority is responsible for ensuring that business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and delivers value for money. 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 (formally Strategic Leadership Team) and Statutory officers are responsible for putting in place proper arrangements (known as a Governance Framework) which comprises the legislative requirements, systems and processes, cultures and values.

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

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives; 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 been embedding the revised Strategic Risk Management Framework, raising awareness of the 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 strategic level. A strategic risk register is updated quarterly and reported to and reviewed by Audit, Risk and Assurance Committee (ARAC) and the Executive Board.

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.

It is a document which looks back retrospectively over the past year and identifies where the WMCA has demonstrated good governance and looks forward to areas where focus should be given in relation to governance in the coming year.

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.

These seven principles are:

- (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (b) Ensuring openness and comprehensive stakeholder engagement.
- (c) Defining outcomes in terms of sustainable economic, social, and environmental benefits.

(d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
(e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
(f) Managing risks and performance through robust internal control and strong public financial management.
(g) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

The table below sets out examples of how the Authority has demonstrated compliance with these principles.

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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

Following consideration by ARAC the revised code was adopted by the WMCA Board on 22nd March 2021. The Director of Law and Governance, who holds the role of Monitoring Officer, deals with issues of conduct and promotes high standards among officers, Members and the Mayor. ARAC performs the role of Standards Committee.

The WMCA has undertaken to review the governance of its formal decision-making bodies to ensure that these arrangements reflect the evolving role and remit of the WMCA as it continues to grow from the organisation that was established in 2016. The first review undertaken has revised and refreshed the decision making in regard to its responsibilities relating to economic growth, culminating in the establishment of a new Economic Growth Board. This was approved by the WMCA Board at its meeting in November 2021. Further governance reviews are in progress within transport and are due to be undertaken in respect of wellbeing and public service reform responsibilities. WMCA will consider whether its current governance arrangements remain suitable following the announcement of the Deeper Devolution Deal in March 2023 and will make recommendations for change if appropriate.

WMCA is committed to a better connected, more prosperous, fairer, greener and healthier region. This is our vision and will be achieved through living the Authority's values which are central to how we work and interact with our wider partners and stakeholders:

Collaborative
- Team Focussed – working as part of a team, managing and leading
- Service Driven – customer, resident and partner focused

Driven
- Empowered and Accountable – taking ownership and leading when needed
- Performance Focused – being ambitious and going the extra mile

Inclusive
- One Organisation Mindset – believe in each other's expertise
- Open and Honest Communication – we do what we say we are going to do

Innovative

- Forward Thinking – embrace change and open to new possibilities
- Problem Solving – go for clear and simple wherever possible

The business of the Authority is also conducted in accordance with the Seven Principles of Public Life identified in The Nolan Committee Report (1995), and defined as Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

2. Ensuring openness and comprehensive stakeholder engagement

We have established channels of communication with the community and other stakeholders, ensuring accountability and encouraging open consultation. All formal meetings are held in public and reports are in the public domain unless there are good reasons for confidentiality in individual cases.

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 now recorded and accessible through YouTube on-demand. Following the end of the temporary regulations allowing for hybrid and virtual meetings during Covid-19, all meetings constituted under the Local Government Act 1972 must be held in person and only those members present are considered part of the quorum and are able to vote.

The Authority has in place a committee management system 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 are available on our website.

We incorporate good governance arrangements with our partnerships and reflect these in our overall governance arrangements, including the assessment and effectiveness of relationship frameworks in order to identify and implement any changes if required.

Where consultation is required, we adhere to the principles of good consultation of the "Gunning Principles" and a variety of measures are used to seek the views of the public. For example, public consultation 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 considered all relevant information, are proportionate to the outcomes desired, and have been made in the best interests of the region. It 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. All of its meetings are held in public, recorded and available through YouTube on-demand. The overview and scrutiny function will be reviewed in 2023 when the requirements of the Deeper Devolution Deal in respect of greater accountability and scrutiny become clearer.

3. Defining 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 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 will be reported in the Audit Findings Report and, in the Auditor's, Annual Report.

To ensure the purpose and vision of the Authority is clear and well communicated, an Annual Business Plan (ABP) is produced, and closely aligned to the WMCA Aims & Objectives that were agreed by WMCA Board in November 2021. The ABP outlines all activities to be undertaken in 2023/24 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 2023/24 outcome measures were agreed by WMCA Board in February 2023 as part of the Budget report.

The Aims & Objectives are approved by WMCA Board and are outlined below:

Aim 1: To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs
Aim 2: To ensure everyone has the opportunity to benefit as the region recovers from Covid 19, improves resilience and tackles long standing challenges
Aim 3: To connect our communities by delivering transport and unlocking housing and regeneration.
Aim 4: To reduce carbon emissions to net zero, enhance the environment and boost climate resilience
Aim 5: To secure new powers and resources from central government, and demonstrate the strength of our regional partnership
Aim 6: To develop our organisation and our role as a good regional partner.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Authority works closely with the relevant Government Departments, local and national stakeholders and constituent and non-constituent authorities to determine the necessary actions to achieve its Aims and objectives.

The Executive Board oversees the corporate decision-making process and reports are considered at an appropriate level of the organisation in accordance with the provisions of the Constitution and the Scheme of Delegation.

Corporate strategic decisions are primarily taken at meetings of the WMCA Board, with Investment Fund decisions up to the value of £20M having been delegated to the Investment Board. Other thematic Boards have roles as set out under the Single Assurance Framework (SAF) in terms of overseeing and reviewing project initiation and delivery. This includes reviewing progress of outcomes against delivery plans.

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

We have defined and documented the roles and responsibilities of the Board, Scrutiny and officer functions within the Constitution, with clear delegation arrangements and protocols for effective communication in place. As the Authority continues to evolve, we will review governance arrangements and revise the Constitution to ensure it remains fit for purpose. A 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. Our behavioural framework is fundamental to our performance framework and will align to our goals – ensuring a 'golden thread' between the corporate aims and objectives through to individual performance management goals, enabling every one of our people to see their contribution to the Authority's vision. This facilitates how we develop a culture that supports us all to be diverse, inclusive, innovative and proud to be part of the Authority.

We identify and aim to address the development needs of Members and officers in relation to their roles and support with appropriate induction and training. In addition, statutory training requirements are in place for all officers to ensure our duties under Equalities, Safeguarding, Information Security and GDPR are met.

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 corporate strategies of the WMCA, along with its current Annual Business Plan.

6. Managing risks and performance through robust internal control and strong public financial management

The Strategic Risk Management Framework (SRMF) provides the structure and the tools for WMCA staff to undertake consistent risk management that protects the WMCA and supports the delivery of our objectives. In addition, it documents the risk management roles and responsibilities across the Lines of Defence, helping support the WMCA Board, Chief Executive Officer (CEO), Statutory Officers and Senior Leaders in creating and embedding a strong risk culture within the organisation. The last year has seen a specific focus on supporting an integrated approach to risk management at project and programme level alongside the Authority's Programme Assurance and Appraisal activity. We are now targeting the embedding of good risk management at operational and Directorate level, to similarly support an integrated approach to risk and performance 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 decisions. The Overview and Scrutiny Committee reviews and challenges the work and decisions of the Authority with policy review and development.

ARAC is independent of the Executive and Scrutiny functions; it has an independent, external Chair. They monitor and review risk and governance processes in order to provide assurance to the WMCA Board on the effectiveness of these arrangements. 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, HT01 LLP and HT02 LLP, and the newly established WMCA JV Limited.

The Single Assurance Framework was updated during 2022 and was approved by WMCA Board in December 2022. The review incorporated the National Local Growth Assurance Framework requirement for an annual review and outlined the Authority's specific approaches to Housing and Transport schemes and the Adult Education Budget.

The updated document follows more closely the structure of the National Local Growth Assurance Framework, making a distinction between governance and assurance requirements. Flowcharts contained within the framework, describing key processes, have been simplified and the assurance section within the framework reflects the different stages of the Single Assurance Framework, including change control processes.

The Framework supports good governance with enhanced assurance tools and processes and the appraisal of business cases and change requests 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 Department of Levelling Up, Housing and Communities (DLUHC) National Local Growth Framework, issued in September 2021.

The Single Assurance Framework is supplemented by an Investment Panel and Investment Board, whose remit has been expanded to include the review and approval of all investment decisions, not just Investment Programme projects (which was the case prior to 2022). The Investment Board has had its delegated approvals authority increased from £5 million to £20 million and its Terms of Reference have been updated accordingly.

Internal Audit provides the 'third line of defence' with the first line being policies, procedures and controls, and the second being managers' own checks of the control environment, along with independent Risk Management and Programme Assurance activities undertaken as part of the Single Assurance Framework. Professional advice and good quality information is provided to ensure those making decisions are provided with relevant information that is fit for purpose.

The Authority has recognized the need for increased scrutiny of its operations and has strengthened its Internal Audit provision within the past year with the appointment of two Internal Auditor posts in addition to, and to support the existing internal audit services provided by the City of Wolverhampton Council.

The majority of the Authority's audits of its Key Financial Systems received a 'Substantial' internal audit rating during the annual review of all financial systems in 2022/23, with Payroll and Accounts Payable being rated 'Satisfactory'. Actions arising from these reviews are actively being addressed with completion expected by May 2023.

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

The Authority is continuing to implement the WMCA Single Assurance Framework which was originally approved by MHCLG (previously Department of Communities and Local Government (DCLG)) in July 2020 and was more recently updated and approved by WMCA Board in December 2022.

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

The Authority has a Monitoring Officer who sits on 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 publishing of agendas, minutes and reports in the public domain and only limited use of confidential reporting. The 2022/23 Internal Audit Plan was approved at ARAC's April 2022 meeting.

An annual review of any arm's length companies of the Authority is completed to assess and provide assurance that these operate with satisfactory governance and assurance arrangements in place. The Monitoring Officer is currently undertaking a review of all companies in which WMCA has involvement, and will strengthen arrangements for oversight of them going forward, in addition to providing additional training for all councillors and officers who act as directors of companies as part of their Combined Authority responsibilities.

A Whistleblowing Policy and procedure is in place, last reviewed in May 2021. The Policy is intended to encourage and enable employees and stakeholders to raise serious concerns about any wrongdoing considered to be in the public interest, with the ability for confidential and anonymous reporting of claims to be made through the WMCA website.

Any issues raised are considered by the Monitoring Officer in conjunction with Internal Audit, the Finance Director and Chair of ARAC to determine the progression of claims.

Key Governance Issues

Last year's Annual Governance statement highlighted a number of areas to be considered for development in 2022/23. The table below sets out the actions that have been taken to address these:

Area	Proposed action	Action taken
Governance arrangements between Midland Metro and WMCA	An independent review of the governance arrangements between both parties is currently in progress with the outcome and recommendations to be considered and implemented as appropriate.	There were two key recommendations from the independent review, both of which we are now implementing. We needed to strengthen the 'Owner's Team' with technical support to oversee and challenge our Operator/Maintainer MML. The head of that new team started in January, and we are currently interviewing candidates for three additional posts reporting to him. We were recommended to add an independent Chair of MML and one or two non-exec Directors. We are preparing for a recruitment process in the coming months.

Safeguarding arrangements	WMCA's safeguarding policy to be reviewed to ensure it continues to meet our obligations and ensures the safety of all young persons engaged with the organisation.	The policy was reviewed and approved by Corporate Management Team and the Strategic Leadership Team in September 2022. The Head of HR is responsible for the role of Chief of Safeguarding with the Head of Legal and Head of Systems, Change and Inclusion listed as the Designated Safeguarding Lead Officers. Online safeguarding training is mandatory for all staff. Additional face to face training is commissioned for key roles associated with safeguarding arrangements and for targeted areas that come into contact with vulnerable children and adults.
Single Assurance Framework (SAF)	An annual re-assessment and update of the Single Assurance Framework to be undertaken ensuring it continues to meet all legislative requirements including the introduction of Assurance arrangements for Housing and Transport schemes and the Adult Education Budget.	A review of the SAF has been completed, incorporating the requirements of the National Local Growth Assurance Framework and detailing the approach for Housing and Transport schemes and the Adult Education Budget. The revised framework was approved by WMCA Board in December 2022.
Corporate Aims and Objectives	Continued embedding of a performance management culture, providing management with reporting arrangements to demonstrate its achievement in delivering the Corporate Aims through the Annual Business Plan.	A performance management framework and associated roadmap was approved by the Exec Board in July 2023 and this set out a 3 year plan to move from our current performance measurement approach towards using predictive analytics and trend analysis to a performance improvement state. There are Power BI reports that are shared with Exec Directors monthly for ABP performance and they are encouraged to cascade and share across teams to encourage increased psychological safety around reporting. In addition, improved dashboards on organisational health showing trends, benchmarking and direction of travel are shared with CMT monthly. For 24/25 the ABP dashboards will also show capital funding linked to high level deliverables (HLDs) and we have started to link to strategic risks; this ensures a triangulated view of performance and enables improved data-driven, evidence-based decision making.

Governance review	Recommendations arising from the Governance review undertaken in 21/22 will be implemented as set out in the associated report including the; • Rationalisation of decision-making and advisory bodies within service areas • Refinement of reporting and engagement processes • Engagement with Constituent and non-Constituent members • Review of arrangements for Member Allowances	A report in relation to the rationalisation of decision-making and advisory bodies was considered by the WMCA Board at the AGM on 9 June 2023. The modern.gov committee management system has been introduced for workflow of reports and will be used for all decision-making bodies from the start of the new municipal year. There is a new role for a Member Relationships Manager that will be recruited to before the start of the new municipal year. A report from the Independent Remuneration Panel was also considered by the WMCA Board at the meeting on 9 June 2023.
Freedom of Information / GDPR	Review to be undertaken of our data protection and security policies.	An Information Governance Group has been established. Its terms of reference were approved by CMT in (check date) with its first meeting having taken place in March 2023. Part of the terms of reference for this group is to undertake an annual rolling review of all Data Protection and information governance policies. This is currently in progress. Over the first quarter of 23/24, reviews will have been completed and updated policies will be communicated to all staff.

Annual Review of Effectiveness of Governance Framework

The Opinion of the Director of Law and Governance 2022/23

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

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

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

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

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

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

As at 23 March 2023 a number of internal audit reviews were nearing completion. Unless anything of significance is raised through these, prior to their completion, and dependent upon the final outcome of an independent investigation into a breach of the Combined Authority's financial regulations whereby costs on a capital project had exceeded the budget provision, we should be able to provide reasonable assurance that the Combined Authority has adequate and effective governance, risk management and internal control processes.

The Single Assurance Framework (SAF) has been implemented across all WMCA Directorates and oversight of business cases and change requests by the Programme Assurance and Appraisal team, as part of the SAF process, continues to increase; demonstrating improved project controls and consistent processes are being implemented across the organisation. This is helping to manage risks and drive improvements in the quality of business cases and overall project and programme management activity.

Regular reporting on Programme Assurance and Appraisal team activity, together with insights regarding common themes, issues and any recommendations for improvement have been provided to the Executive Board and ARAC throughout 2022/23.

Progress of the 2022/23 High Level Deliverables was monitored on a monthly basis by the Executive Board through exception reporting and against identification of key risks that could impact on delivery. In addition, performance was reported to WMCA Board mid-year and 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. Quarterly reporting of the strategic risk register is working effectively, and work has been focussed on collaboration with the Programme Assurance and Appraisal team to improve consistency of risk management across all projects and programmes. As this starts to embed, attention has turned to improving the consistency of Operational or Directorate Risk Registers and to focus attention on enabling Directorates to have full visibility of key risks with the potential to impact on the organisation's ability to deliver its business plan objectives. The aim is for Risk Management, Performance Management and Business Planning activity to provide a strong evidence base to improve decision making.

In accordance with the recently ratified Digital and Data Strategy, the organisation 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 advise and guidance. Any non-conformity constitutes risk and can then be managed appropriately.

The last three years has seen an unprecedented challenge in the shape of the COVID-19 pandemic. This has affected every area of life in the UK and clearly these issues have affected the Authority as with others. Through agile working and the implementation of our corporate resilience arrangements, we have been able to continue to manage workloads and delivery. We worked with public transport providers to ensure that appropriate measures were in place to safeguard the public and took a key role in the regional response and recovery arrangements. We continue to lead on the work needed to ensure that the economic recovery of the West Midlands is put on a secure footing.

The Authority has 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 been successful in negotiations for a second Devolution Deal and has recruited an able team of experienced professionals to form the leadership team. There is significant pressure on resources however, particularly in matching staff resources to the tasks in hand and this is being carefully monitored by the Authority and a plan in place to mitigate these pressures accordingly.

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. Whilst the organisation has not identified any significant Governance issues, a number of areas for development have been identified for progression in 23/24 and are outlined within the table below.

Area	Action to be taken
Overall governance	The Monitoring Officer has identified a need to review the Constitution, with the aim of making recommendations to the Board during 2023
Overall governance	Informal internal committees and formal decision making committees, together with processes, are to be reviewed during 2023 with a view to streamlining governance procedures to ensure the authority is able to respond to the increased responsibilities of the 2023 devolution deal. This will include the continued role out of the workflow functionality in Modern.gov, consideration as to how the Governance and Legal teams are resourced and reconvening the Independent Remuneration Panel to consider member allowances.
Audit, Risk and Assurance	A review of how internal audit is provided at WMCA has been initiated.
Governance and Accountability in the new devolution deal	Work is commencing in partnership with Department for Levelling Up, Housing and Communities, the Centre for Governance and Scrutiny and Greater Manchester Combined Authority in relation to a new scrutiny protocol as detailed in the new deal.
Strengthening Scrutiny	Work is commencing in partnership with Department for Levelling Up, Housing and Communities, the Centre for Governance and Scrutiny and Greater Manchester Combined Authority in relation to strengthening scrutiny and in particular in relation to members of parliament scrutinising the Mayor and portfolio lead.
Engagement with constituent and non constituent local authorities	Work is ongoing to strengthen governance relationships with the local authorities. A west midlands governance network has been set up where forward plans and areas of best practice can be shared and joint working initiatives explored where appropriate.

Member Induction and Engagement	A new member induction programme will be developed for the start of the new municipal year. This will seek to ensure that all members sitting on WMCA meetings are fully briefed as to the role of the WMCA and how it links and works with the Local Authorities and other regional partners.
Awareness raising as to the role of a CA and governance arrangements.	The Head of Governance is working with ADSO to produce a new training course to raise awareness of what CAs do and how they link with both local authorities and central government. Updated training slides on CAs will be included in all ADSO training as it is developed.
Webcasting of meetings – openness and transparency	Investigations are commencing as to 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.

Conclusion

In undertaking this review of internal control and governance framework, the Authority is satisfied the systems of internal control that facilitate the effective exercise of the organisation's functions are in place and that all issues raised through the Audit, Risk and Assurance Committee have been appropriately addressed and actions have been assigned an appropriate owner.

On behalf of the West Midlands Combined Authority

Andy Street

Mayor and Chair of the West Midlands Combined Authority
Date:

Laura Shoaf

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.

2021/2022 Gross Expenditure £'000	2021/2022 Gross Income £'000	2021/2022 Net Expenditure £'000		Notes	2022/2023 Gross Expenditure £'000	2022/2023 Gross Income £'000	2022/2023 Net Expenditure £'000
291,746	(154,691)	137,055	Transport services		336,138	(243,501)	92,637
181,801	(172,047)	9,754	Combined Authority wider services		183,074	(188,701)	(5,627)
95,613	-	95,613	Investment Programme		124,639	-	124,639
782	(760)	22	Mayor's office		849	(898)	(49)
3,118	-	3,118	Mayoral elections		-	(35)	(35)
573,060	**(327,498)**	**245,562**	**Cost of services**		**644,700**	**(433,135)**	**211,565**
6,226	-	6,226	Other operating expenditure	8	57	(418)	(361)
8,124	(2,680)	5,444	Financing and investment income and expenditure	9	16,793	(12,346)	4,447
63,645	(370,180)	(306,535)	Taxation and non-specific grant income and expenditure	10	1,116	(312,706)	(311,590)
651,055	**(700,358)**	**(49,303)**	**(Surplus) or deficit on provision of services**		**662,666**	**(758,605)**	**(95,939)**
		(67,911)	Remeasurement of the net defined benefit asset/liability	27			(82,621)
		877	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	25			(90)
		(67,034)	**Other Comprehensive Income and Expenditure**				**(82,711)**
		(116,337)	**Total Comprehensive Income and Expenditure**				**(178,650)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Group Comprehensive Income and Expenditure Statement includes the results of its subsidiaries, Midland Metro Limited and WM5G Limited, and impact transport services, Combined Authority 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.

2021/2022					2022/2023		
Gross Expenditure £'000	**Gross Income** £'000	**Net Expenditure** £'000		Notes	**Gross Expenditure** £'000	**Gross Income** £'000	**Net Expenditure** £'000
301,547	(164,517)	137,030	Transport services		342,785	(250,202)	92,583
192,559	(181,709)	10,850	Combined Authority wider services		184,800	(190,559)	(5,759)
95,488	-	95,488	Investment Programme		124,407	-	124,407
782	(760)	22	Mayor's office		849	(898)	(49)
3,118	-	3,118	Mayoral elections		-	(35)	(35)
593,494	**(346,986)**	**246,508**	**Cost of services**		**652,841**	**(441,694)**	**211,147**
6,226	-	6,226	Other operating expenditure	8	57	(418)	(361)
8,970	(2,639)	6,331	Financing and investment income and expenditure	9	16,920	(12,295)	4,625
62,905	(370,180)	(307,275)	Taxation and non-specific grant income and expenditure		1,116	(312,706)	(311,590)
671,595	**(719,805)**	**(48,210)**	**(Surplus) or deficit on provision of services**		**670,934**	**(767,113)**	**(96,179)**
		-	Tax expenses of subsidiary				-
		(48,210)	**Group (surplus) or deficit**				**(96,179)**
		(67,911)	Remeasurement of the net defined benefit asset/liability	27			(82,621)
		877	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	25			(90)
		(67,034)	**Other Comprehensive Income and Expenditure**				**(82,711)**
		(115,244)	**Total Comprehensive Income and Expenditure**				**(178,890)**

AUTHORITY MOVEMENT IN RESERVES

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

	Usable reserves					Unusable reserves							
	General Fund Balance	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Reval-uation Reserve	Capital Adjustment Account	Financial Instruments Revaluation Reserve	Financial Instruments Adjustment Account	Pensions Reserve	Accumulated Absences Account	Total Unusable Reserves	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	**2,348**	**183,696**	**186,044**	**1,841**	**187,885**	**6,319**	**57,222**	**-**	**(2,388)**	**(66,270)**	**(1,030)**	**(6,147)**	**181,738**
Movements in reserves during 2021/22													
Total comprehensive income and expenditure	49,303	-	49,303	-	49,303	-	-	(877)	-	67,911	-	67,034	116,337
Adjustments between accounting basis and funding basis under regulations (note 6b)	(14,084)	-	(14,084)	-	(14,084)	(193)	27,044	230	311	(13,200)	(108)	14,084	-
Increase or (decrease) in 2021/22 before transfer to earmarked reserves	**35,219**	**-**	**35,219**	**-**	**35,219**	**(193)**	**27,044**	**(647)**	**311**	**54,711**	**(108)**	**81,118**	**116,337**
Transfers (to)/from earmarked reserves	(35,960)	35,960	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2022 carried forward	**1,607**	**219,656**	**221,263**	**1,841**	**223,104**	**6,126**	**84,266**	**(647)**	**(2,077)**	**(11,559)**	**(1,138)**	**74,971**	**298,075**
Movements in reserves during 2022/23													
Total comprehensive income and expenditure	95,939	-	95,939	-	95,939	-	-	90	-	82,621	-	82,711	178,650
Adjustments between accounting basis and funding basis under regulations (note 6b)	(45,742)	-	(45,742)	418	(45,324)	(193)	57,597	(513)	317	(12,032)	148	45,324	-
Increase or (decrease) in 2022/23 before transfer to earmarked reserves	**50,197**	**-**	**50,197**	**418**	**50,615**	**(193)**	**57,597**	**(423)**	**317**	**70,589**	**148**	**128,035**	**178,650**
Transfers (to)/from earmarked reserves	(47,393)	47,393	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2023 carried forward	**4,411**	**267,049**	**271,460**	**2,259**	**273,719**	**5,933**	**141,863**	**(1,070)**	**(1,760)**	**59,030**	**(990)**	**203,006**	**476,725**

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	Earmarked General Fund 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	Total Authority Reserves	Authority's Share of Reserves of the Subsidiary	Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	**2,348**	**183,696**	**186,044**	**1,841**	**187,885**	**6,319**	**57,222**	**-**	**(2,388)**	**(66,270)**	**(1,030)**	**(6,147)**	**181,738**	**2,529**	**184,267**
Movements in reserves during 2021/22															
Total comprehensive income and expenditure	48,224	-	48,224	-	48,224	-	-	(877)	-	67,911	-	67,034	115,258	(14)	115,244
Adjustments between group accounts and authority accounts	1,079	-	1,079	-	1,079	-	-	-	-	-	-	-	1,079	(1,079)	-
Net increase/decrease before transfers	**49,303**	**-**	**49,303**	**-**	**49,303**	**-**	**-**	**(877)**	**-**	**67,911**	**-**	**67,034**	**116,337**	**(1,093)**	**115,244**
Adjustments between accounting basis and funding basis under regulations (note 6b)	(14,084)	-	(14,084)	-	(14,084)	(193)	27,044	230	311	(13,200)	(108)	14,084	-	-	-
Increase or (decrease) in 2021/22 before transfer to earmarked reserves	**35,219**	**-**	**35,219**	**-**	**35,219**	**(193)**	**27,044**	**(647)**	**311**	**54,711**	**(108)**	**81,118**	**116,337**	**(1,093)**	**115,244**
Transfers to/(from) earmarked reserves	(35,960)	35,960	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2022 carried forward	**1,607**	**219,656**	**221,263**	**1,841**	**223,104**	**6,126**	**84,266**	**(647)**	**(2,077)**	**(11,559)**	**(1,138)**	**74,971**	**298,075**	**1,436**	**299,511**
Movements in reserves during 2022/23															
Total comprehensive income and expenditure	96,044	-	96,044	-	96,044	-	-	90	-	82,621	-	82,711	178,755	135	178,890
Adjustments between group accounts and authority accounts	(105)	-	(105)	-	(105)	-	-	-	-	-	-	-	(105)	105	-
Net increase/decrease before transfers	**95,939**	**-**	**95,939**	**-**	**95,939**	**-**	**-**	**90**	**-**	**82,621**	**-**	**82,711**	**178,650**	**240**	**178,890**
Adjustments between accounting basis and funding basis under regulations (note 6b)	(45,742)	-	(45,742)	418	(45,324)	(193)	57,597	(513)	317	(12,032)	148	45,324	-	-	-
Increase or (decrease) in 2022/23 before transfer to earmarked reserves	**50,197**	**-**	**50,197**	**418**	**50,615**	**(193)**	**57,597**	**(423)**	**317**	**70,589**	**148**	**128,035**	**178,650**	**240**	**178,890**
Transfers to/(from) earmarked reserves	(47,393)	47,393	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2023 carried forward	**4,411**	**267,049**	**271,460**	**2,259**	**273,719**	**5,933**	**141,863**	**(1,070)**	**(1,760)**	**59,030**	**(990)**	**203,006**	**476,725**	**1,676**	**478,401**

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).

		31 March 2023		31 March 2022	
		Authority	**Group**	**Authority**	**Group**
	Notes	£'000	£'000	£'000	£'000
Property, plant and equipment	14	701,027	701,391	599,895	600,242
Intangible assets	15	1,781	1,781	1,911	1,911
Long-term investments	16	33,774	33,774	22,346	22,346
Long-term debtors	29	16,392	16,392	16,159	16,159
Net pension asset	27	59,030	59,030	-	-
Long-term assets		**812,004**	**812,368**	**640,311**	**640,658**
Short-term investments	16	694,141	694,141	501,257	501,257
Inventories	17	7,770	9,059	8,467	9,418
Short-term debtors	18	107,147	108,899	66,748	70,885
Cash and cash equivalents	19	28,788	30,472	120,465	122,051
Current assets		**837,846**	**842,571**	**696,937**	**703,611**
Short-term borrowing	20	(15,956)	(15,956)	(15,319)	(15,319)
Short-term creditors	21	(142,863)	(146,276)	(121,552)	(127,137)
Provisions	22	(2,232)	(2,232)	(2,011)	(2,011)
Grants receipts in advance - revenue	10	(35,235)	(35,235)	(20,936)	(20,936)
Transferred debt	23	(1,175)	(1,175)	(1,074)	(1,074)
Current liabilities		**(197,461)**	**(200,874)**	**(160,892)**	**(166,477)**
Net current assets/(liabilities)		**640,385**	**641,697**	**536,045**	**537,134**
Long-term borrowing	20	(491,457)	(491,457)	(439,232)	(439,232)
Provisions	22	(3,110)	(3,110)	(2,837)	(2,837)
Grants receipts in advance - capital	10	(478,536)	(478,536)	(424,109)	(424,109)
Transferred debt	23	(2,561)	(2,561)	(3,670)	(3,670)
Net pension liability	27	-	-	(8,433)	(8,433)
Long-term liabilities		**(975,664)**	**(975,664)**	**(878,281)**	**(878,281)**
Net assets		**476,725**	**478,401**	**298,075**	**299,511**
General Fund Balance	24	4,411	4,411	1,607	1,607
Earmarked Reserves	24	267,049	268,604	219,656	221,106
Capital Receipts Reserve	24	2,259	2,259	1,841	1,841
Profit and Loss Reserve	24	-	121	-	(14)
Usable reserves		**273,719**	**275,395**	**223,104**	**224,540**
Revaluation Reserve	25	5,933	5,933	6,126	6,126
Capital Adjustment Account	25	141,863	141,863	84,266	84,266
Financial Instruments Revaluation Reserve	25	(1,070)	(1,070)	(647)	(647)
Financial Instruments Adjustment Account	25	(1,760)	(1,760)	(2,077)	(2,077)
Pensions Reserve	25	59,030	59,030	(11,559)	(11,559)
Accumulated Absences Account	25	(990)	(990)	(1,138)	(1,138)
Unusable reserves		**203,006**	**203,006**	**74,971**	**74,971**
Total reserves		**476,725**	**478,401**	**298,075**	**299,511**

This unaudited Statement of Accounts was certified by Linda Horne on 30 June 2023.

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.

	2023		2022	
	Authority £'000	Group £'000	Authority £'000	Group £'000
Net surplus/(deficit) on the provision of services	95,939	96,179	49,303	48,210
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation and amortisation of non-current assets	26,790	26,954	21,801	21,907
Revaluation increase	(1,409)	(1,409)	-	-
Net amounts of non-current assets written off on disposal	57	57	6,226	6,226
Non-current assets transferred to provision of services	1,677	1,677	817	817
Other non-cash items charged to the net (deficit)/surplus on the provision of services	513	513	(230)	(230)
Change in pensions liability (note 27)	15,158	15,158	16,741	16,741
(Increase)/decrease in long-term debtors	(233)	(233)	(208)	(208)
(Increase)/decrease in short-term debtors	(40,399)	(38,014)	(17,034)	(18,884)
Decrease/(increase) in inventories	697	359	4,615	4,486
Increase/(decrease) in short-term creditors	21,311	19,139	9,692	10,988
Increase/(decrease) in provisions	494	494	543	543
Net interest payable	1,534	1,585	4,583	4,624
Interest paid	(13,258)	(13,258)	(6,275)	(6,275)
Interest received	12,346	12,295	2,680	2,639
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Capital grants received	(143,537)	(143,537)	(204,891)	(204,891)
Capital grants paid	1,116	1,116	63,645	63,645
Any other items for which the cash effects are investing or financing cash flows	(418)	(418)	-	-
Net cash flows from operating activities	**(21,622)**	**(21,343)**	**(47,992)**	**(49,662)**
Investing activities				
Purchase of property, plant and equipment and intangible asset	(128,117)	(128,298)	(145,264)	(145,465)
Purchase of short-term and long-term investments	(1,637,949)	(1,637,949)	(778,996)	(778,996)
Proceeds from short-term and long-term investments	1,433,214	1,433,214	379,485	379,485
Capital grants received for the purchase of property, plant and equipment, intangible asset and inventories	142,421	142,421	141,246	141,246
Increase/(decrease) in grants receipts in advance	68,726	68,726	94,929	94,097
Other receipts from investing activities	418	418	-	-
Net cash flows from investing activities	**(121,287)**	**(121,468)**	**(308,600)**	**(309,633)**
Financing activities				
Cash receipts of short- and long-term borrowing	115,000	115,000	382,000	382,000
Repayment of loans	(62,760)	(62,760)	(48,440)	(48,440)
Transferred debt - repayment of principal	(1,008)	(1,008)	(916)	(916)
Net cash flows from financing activities	**51,232**	**51,232**	**332,644**	**332,644**
Net increase or decrease in cash and cash equivalents	**(91,677)**	**(91,579)**	**(23,948)**	**(26,651)**
Cash and cash equivalents at 1 April	120,465	122,051	144,413	148,702
Cash and cash equivalents at 31 March (note 19)	**28,788**	**30,472**	**120,465**	**122,051**

Notes Index

1. Basis of preparation

a) General principles

The Statement of Accounts summarises the Authority and the Group's transactions for the 2022/23 financial year and the position as at 31 March 2023. 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 2022/23 (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 2023.

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

c) Going concern

The accounts of the Authority and the Group have been prepared on a going concern basis as it is considered by the Mayor that their activities will continue in operational existence for the foreseeable future by meeting their liabilities as they fall due for payment.

2. Significant accounting policies

a) Consolidation

The 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 associate, West Midlands Rail Limited, 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 arising from ticket sales is recognised when the services are transferred to the service recipient in accordance with the performance obligations in the contract.

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

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

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

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

- As part of its policy of improving and co-ordinating public transport within the area, the Authority meets the cost of upgrading transport facilities within the West Midlands. These costs are attributed to tangible assets where possible with the remainder 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 on behalf of the Authority. These are included within REFCUS.

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

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 as 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.

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. Loans and borrowings consist of bank overdrafts and finance leases.

Financial liabilities are recognised initially at fair value. Subsequent to initial recognition loans and borrowings are measured at amortised cost using the effective interest method. Annual charges for interest payable are made to the Comprehensive Income and Expenditure Statement based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Comprehensive Income and Expenditure Statement in the year they occur. Any premium or discount arising on restructuring of the loan portfolio is respectively deducted from or added to the amortised cost of the new or modified loan and charged to the Comprehensive Income and Expenditure Statement over the life of the loan.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movements in Reserves Statement. In 2022/23, no such transactions have occurred.

Trade creditors are recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Comprehensive Income and Expenditure Statement in the period in which it is recognised. For finance leases see note 2(m).

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

i) Intangible assets

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

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

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

j) Property, plant and equipment

Recognition and measurement

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

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

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

Leases in terms of which the Authority and the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Comprehensive Income and Expenditure Statement.

Operating leases are not recognised in the Balance Sheet but charged as an expense in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease term.

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 detailed within the Treasury Management Strategy and agreed by the Authority prior to the start of the financial year. The approved MRP statement for the current year is:

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

In relation to the Authority wider Devolution Investment Programme, MRP 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:

<u>Group Boundaries</u>
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 2023 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 2023 IAS 19 valuation report:

  - A 0.1% p.a. decrease in the Real Discount Rate will increase the pension fund liability by £3.652m.
  - An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £9.739m.
  - 0.1% p.a. increase in the Salary Increase Rate will increase the pension fund liability by £0.394m.
  - 0.1% p.a. increase in the Pension Increase Rate (CPI) will increase the pension fund liability by £3.308m.

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 2023/24 CIPFA Code of Practice are:

- IFRS 16 Leases (unless adopted voluntarily) – CIPFA/LASAAC has deferred the implementation of IFRS 16 Leases for the public sector until 2024/25, with an effective date of 1 April 2024
- Amendments to IAS 8 (definition of accounting estimates) – a new definition on accounting estimates, replacing the definition of accounting of a change in accounting estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 (disclosure of accounting policies) – material accounting policy information is now required to be disclosed instead of its significant accounting policies and clarity provided on the definition of material
- Amendments to IAS 12 (deferred tax related to assets and liabilities arising from a single transaction) – clarified on the recognition of deferred tax in relation to leases (when a lessee recognises an asset and a liability at the lease commencement) and decommissioning obligations (when an entity recognises a liability and includes the decommissioning costs in the cost of the item of property, plant and equipment)
- Amendments to IFRS 3 (reference to the Conceptual Framework) – updated reference to the 2018 Conceptual Framework and included a requirement for the application of IAS 37 or IFRIC 21 for transactions and other events within the scope of these standards

These amendments will either not be applicable and have no impact or will not have a material impact on the Authority or the Group's financial performance or position.

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

		2022/2023		2021/2022	
		Authority Net Expenditure	Group Net Expenditure	Authority Net Expenditure	Group Net Expenditure
	Notes	£'000	£'000	£'000	£'000
Total Comprehensive Income and Expenditure		**(178,650)**	**(178,890)**	**(116,337)**	**(115,244)**
Adjustments between funding and accounting basis under regulations	6	45,742	45,742	14,084	14,084
Transfer to Pensions Reserve	27	82,621	82,621	67,911	67,911
Transfer to Financial Instruments Revaluation Reserve	25	90	90	(877)	(877)
Transfers to/from Earmarked Reserves					
- General fund	24	17,057	16,930	15,558	14,712
- Unapplied revenue grants	24	26,097	26,097	16,181	16,181
- Investment programme funding	24	4,239	4,471	4,221	3,988
(Surplus) or deficit for the year under funding basis		**(2,804)**	**(2,939)**	**741**	**755**

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.

Analysis for 2022/23

	As reported for resource management	Adjustments to arrive at amounts chargeable to the General Fund		Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis (note 5b)	Net expenditure in the Comprehensive Income and Expenditure Statement
		Reserves Transfer	Financing			
	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	115,318	(16,503)	(7,145)	91,670	967	92,637
Combined Authority wider services	4,945	(16,066)	4,323	(6,798)	1,171	(5,627)
Investment Programme	49,137	(14,740)	(4,039)	30,358	94,281	124,639
Mayor's office	-	(49)	-	(49)	-	(49)
Mayoral elections	-	(35)	-	(35)	-	(35)
Cost of services	**169,400**	**(47,393)**	**(6,861)**	**115,146**	**96,419**	**211,565**
Other operating expenditure	-	-	-	-	(361)	(361)
Financing and investment income and expenditure	(3,035)	-	6,861	3,826	621	4,447
Taxation and non-specific grant income and expenditure	(169,169)	-	-	(169,169)	(142,421)	(311,590)
(Surplus) or deficit on provision of services	**(2,804)**	**(47,393)**	-	**(50,197)**	**(45,742)**	**(95,939)**
Opening General Fund Balance (including Earmarked Reserves)				(221,263)		
Closing General Fund Balance (including Earmarked Reserves)				**(271,460)**		

Comparatives for 2021/22	As reported for resource management	Adjustments to arrive at amounts chargeable to the General Fund		Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis (note 5b)	Net expenditure in the Comprehensive Income and Expenditure Statement
		Reserves Transfer	Financing			
	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	114,720	515	(6,243)	108,992	28,063	137,055
Combined Authority wider services	6,603	(15,326)	2,245	(6,478)	16,232	9,754
Investment Programme	45,683	(24,289)	(1,619)	19,775	75,838	95,613
Mayor's office	-	22	-	22	-	22
Mayoral elections	-	3,118	-	3,118	-	3,118
Cost of services	**167,006**	**(35,960)**	**(5,617)**	**125,429**	**120,133**	**245,562**
Other operating expenditure	-	-	-	-	6,226	6,226
Financing and investment income and expenditure	(976)	-	5,617	4,641	803	5,444
Taxation and non-specific grant income and expenditure	(165,289)	-	-	(165,289)	(141,246)	(306,535)
(Surplus) or deficit on provision of services	**741**	**(35,960)**	-	**(35,219)**	**(14,084)**	**(49,303)**
Opening General Fund Balance (including Earmarked Reserves)				(186,044)		
Closing General Fund Balance (including Earmarked Reserves)				**(221,263)**		

(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 2022/23

	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	25,381	99,909	(129,970)	(3,026)	-	8,821	(148)	967
Combined Authority wider services	1,862	7,197	(10,674)	-	-	2,786	-	1,171
Investment Programme	-	112,304	-	(18,023)	-	-	-	94,281
Mayor's office	-	-	-	-	-	-	-	-
Mayoral elections	-	-	-	-	-	-	-	-
Net cost of services	**27,243**	**219,410**	**(140,644)**	**(21,049)**	**-**	**11,607**	**(148)**	**96,419**
Other operating expenditure	57	-	-	(418)	-	-	-	(361)
Financing and investment income and expenditure	-	-	-	-	196	425	-	621
Taxation and non-specific grant income and expenditure	-	-	(142,421)	-	-	-	-	(142,421)
(Surplus) or deficit on provision of services	**27,300**	**219,410**	**(283,065)**	**(21,467)**	**196**	**12,032**	**(148)**	**(45,742)**

Comparatives for 2021/22

	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	21,801	127,661	(122,405)	(8,355)	-	9,253	108	28,063
Combined Authority wider services	5,905	20,771	(13,047)	-	-	2,603	-	16,232
Investment Programme	-	88,869	-	(13,031)	-	-	-	75,838
Mayor's office	-	-	-	-	-	-	-	-
Mayoral elections	-	-	-	-	-	-	-	-
Net cost of services	**27,706**	**237,301**	**(135,452)**	**(21,386)**	**-**	**11,856**	**108**	**120,133**
Other operating expenditure	6,226	-	-	-	-	-	-	6,226
Financing and investment income and expenditure	-	-	-	-	(541)	1,344	-	803
Taxation and non-specific grant income and expenditure	-	-	(141,246)	-	-	-	-	(141,246)
(Surplus) or deficit on provision of services	**33,932**	**237,301**	**(276,698)**	**(21,386)**	**(541)**	**13,200**	**108**	**(14,084)**

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

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 Authority's expenditure and income is analysed as follows:

	Authority	
	2022/23	**2021/22**
	£'000	£'000
Expenditure		
Employee benefits expenses	45,151	39,513
Other service expenses	342,966	257,501
IAS 19 pension adjustment	12,032	13,200
Depreciation, amortisation and revaluation	27,243	27,706
REFCUS	217,733	236,484
Other operating expenditure	57	6,226
Interest payments	16,368	6,780
Capital grants paid	1,116	63,645
	662,666	651,055
Income		
Fees and charges and other service income	(15,904)	(16,443)
Other operating income	(418)	-
Government revenue grants and contributions	(313,087)	(212,103)
Capital grants funding REFCUS credited to cost of services	(140,644)	(135,452)
Local Authority business rates growth and contributions	(15,654)	(14,069)
Levies	(117,015)	(114,720)
Capital grants and contributions	(143,537)	(204,891)
Interest and investment income	(12,346)	(2,680)
	(758,605)	(700,358)
Surplus on provision of services	**(95,939)**	**(49,303)**

8. Other operating expenditure

	Authority 2022/23	**Group 2022/23**	**Authority 2021/22**	**Group 2021/22**
	£'000	£'000	£'000	£'000
Loss on disposal of property, plant and equipment	57	57	6,226	6,226
Share of disposal proceeds on asset funded from grant	(418)	(418)	-	-
Total	**(361)**	**(361)**	**6,226**	**6,226**

The loss on disposal of property, plant and equipment relates to the removal of historic RTI, minor Metro assets and bus stops/shelters.

9. Financing and investment income and expenditure

	Authority 2022/23 £'000	Group 2022/23 £'000	Authority 2021/22 £'000	Group 2021/22 £'000
Interest payable and similar charges on borrowings:				
PWLB	12,987	12,987	6,610	6,610
Barclays	403	403	403	403
Other	307	307	12	12
Interest payable on the former transferred debt	248	248	304	304
Impairment loss allowance (notes 16 and 18)	1,910	2,037	(319)	527
Net interest on the net defined benefit liability (note 27)	425	425	1,344	1,344
(Gains)/losses on financial assets at fair value through profit and loss (note 25)	513	513	(230)	(230)
	16,793	16,920	8,124	8,970
Interest receivable and similar income	(9,882)	(9,831)	(1,111)	(1,070)
Other investment income	(2,464)	(2,464)	(1,569)	(1,569)
Total	**4,447**	**4,625**	**5,444**	**6,331**

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.

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	
	2022/23	**2021/22**
	£'000	£'000
Revenue grants and contributions credited to cost of services		
Active Travel Fund	21	1,027
Active Travel Capability Fund	3,456	-
Adult Education Budget	145,862	142,699
Bus Service Improvement Plan	7,371	-
Bus Service Operator Grant	1,792	1,792
Bus Services Support Grant	-	793
Business and Tourism Programme	6,556	5,240
City Region Sustainable Transport Settlements	10,752	-
Commonwealth Games	32,946	5,279
Construction Skills	-	945
Digital Bootcamp	7,122	1,492
Employment Support Pilot	48	967
European Social Fund	1,289	-
Housing Package	1,635	1,133
Local Authority Capability Fund	1,566	-
Local Transport Authority Bus Recovery	16	1,132
Local Transport Fund	33,385	-
Made Smarter West Midlands	2,094	1,519
Mayoral Capacity Fund	1,000	1,000
Midlands Connect Programme	4,446	5,129
Multiply Local Allocations	3,052	-
Sales, Fees & Charges Support Grant	-	391
UK Community Renewal Fund	3,271	1,744
UK Shared Prosperity Fund	2,101	-
Other grants and contributions less than £1m	6,806	3,321
Total	**276,587**	**175,603**
Capital grants funding Revenue Expenditure Funded from Capital under Statute credited to cost of services		
A45 Sprint	-	21,969
All-Electric Bus Town or City	9,632	11,111
Brownfield Housing	3,177	5,038
Bus Priority	182	5,617
City Region Sustainable Transport Settlements	55,654	-
Commonwealth Games	-	9,060
Digital Devices	5,945	-
Future Mobility Zones	2,449	3,929
Getting Building	-	7,802
Land Fund	3,752	8,009
Local Growth Fund	53	144
Local Transport Fund	1,980	898
Transforming Cities Fund	21,376	29,555
UK Shared Prosperity Fund	2,874	-
Contributions from third parties	21,321	25,526
Other grants and contributions	12,249	6,794
Total	**140,644**	**135,452**

	Authority	
	2022/23	2021/22
	£'000	£'000
Grants and contributions credited to taxation and non-specific grant income		
Transport levy from the West Midlands districts*	117,015	114,720
Gainshare contribution - MHCLG	36,500	36,500
Business rates growth	10,500	9,000
Constituent, non-constituent and observers membership fees and contributions*	5,154	5,069
Capital grants and contributions	143,537	204,891
Gross income	312,706	370,180
Capital grants paid	(1,116)	(63,645)
Total	**311,590**	**306,535**

*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. These are recognised in the Balance Sheet as grants receipts in advance until such time as the conditions are met. The balances at the year-end are shown overleaf:

	Authority	
	2022/23	2021/22
	£'000	£'000
Grants received in advance - capital		
Active Travel Fund	34,812	24,402
All-Electric Bus Town or City	29,248	38,880
Brownfield Housing	128,973	99,665
Bus Priority	18,166	18,348
City Region Sustainable Transport Settlements	102,249	-
Future Mobility Zones	6,283	9,527
Land Fund	58,623	63,478
Local Authority Major Project	15,229	55,873
Local Electric Vehicle Infrastructure	3,017	-
Local Transport Fund	2,900	7,415
Midlands Connect	2,158	2,000
Social Housing Decarbonisation	5,394	7,511
Transforming Cities Fund	28,001	57,221
Zero Emission Bus Regional Area	30,384	30,383
Contributions from third parties	8,109	7,292
Other grants less than £2m	4,990	2,114
	478,536	**424,109**
Grants received in advance - revenue		
Active Travel Fund	1,437	1,040
Air Quality	1,000	-
Bus Service Improvement Plan	10,982	-
Bus Service Operator Grant	627	627
Cycle for Everyone	1,119	1,972
Housing Package	1,986	3,621
Intra-City Transport Settlements	3,627	3,862
Local Authority Capability Fund	275	1,841
Made Smarter	1,195	-
Midlands Connect	2,077	4,047
Multiply Local Allocations	2,017	-
UK Community Renewal Fund	130	1,625
UK Shared Prosperity Fund	5,075	-
Other	3,688	2,301
	35,235	**20,936**

11. Officers' remuneration

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

		Salary, fees and allowances £'000	Pension contributions £'000	Total Authority £'000
WMCA Staff				
Chief Executive [1]	**2022/23**	195	24	219
	2021/22	233	26	259
Director of Law and Governance [2]	**2022/23**	28	3	31
	2021/22	22	2	24
Interim Director of Law and Governance [3]	**2022/23**	169	-	169
	2021/22	215	-	215
Executive Director of Housing, Property and Regeneration	**2022/23**	129	16	145
	2021/22	119	15	134
Executive Director of Strategy, Integration and Net Zero	**2022/23**	129	16	145
	2021/22	123	15	138
Executive Director of Economic Delivery, Skills and Communities	**2022/23**	140	17	157
	2021/22	136	17	153
Director of Communications [4]	**2022/23**	87	11	98
	2021/22	79	10	89
Director of Strategy [5]	**2022/23**	-	-	-
	2021/22	138	9	147
Executive Director of Finance & Business Hub	**2022/23**	134	17	151
	2021/22	126	16	142
Executive Director, Transport for West Midlands [6]	**2022/23**	139	17	156
	2021/22	145	18	163
Mayoral Team				
Mayor	**2022/23**	79	-	79
	2021/22	79	-	79
Deputy Mayor [7]	**2022/23**	4	-	4
	2021/22	-	-	-
Chief of Staff [8]	**2022/23**	-	-	-
	2021/22	31	3	34
Head of Mayoral Operations [8]	**2022/23**	73	9	82
	2021/22	47	6	53
Head of Mayoral Policy & Delivery [8]	**2022/23**	98	12	110
	2021/22	64	8	72

[1] The role was held by two individuals during 2021/22. The current post holder was appointed from the Executive Director, Transport for West Midlands role from June 2021.

[2] Director of Law and Governance was appointed in January 2023 following resignation of the previous post holder in May 2021. Therefore, the pay does not reflect a full year's salary.

[3] The Interim Director of Law and Governance was employed in April 2021 through a third party and resigned in January 2023 following the appointment of the Director of Law and Governance. The amount disclosed is the amount that has been received by the postholder and does not reflect a full year's fees.

[4] The title was renamed from Operational Director of Strategic Communications to Director of Communications during 2022/23.

[5] Director of Strategy resigned in October 2021. Therefore, the pay does not reflect a full year's salary. The amount disclosed includes compensation for loss of office of £25k.

[6] The role was held by two individuals during 2021/22. The current post holder was appointed from Director of Network Resilience, Transport for West Midlands role from July 2021.

[7] Deputy Mayor received allowances from the Authority effective November 2022. Therefore, the amount does not reflect a full year's allowance.

[8] Chief of Staff resigned in July 2021 and the role was divided between Head of Mayoral Operations and Head of Mayoral Policy & Delivery effective August 2021. Therefore, the pay does not reflect a full year's salary for 2021/22.

The Head of Mayoral Policy & Delivery resigned in April 2023. Following the restructure in the Mayoral team effective 24 May 2023, the role of Head of Mayoral Policy & Delivery and Head of Mayoral Operations has been deleted and replaced with Chief of Staff. The post holder for Head of Mayoral Operations has been appointed the Chief of Staff.

The Authority's other employees receiving more than £50,000 remuneration which includes exit packages for the year (excluding pension contributions) were paid the following amounts:

		Authority
	2023	**2022**
£50,000 - £54,999	48	35
£55,000 - £59,999	29	41
£60,000 - £64,999	50	27
£65,000 - £69,999	12	22
£70,000 - £74,999	17	7
£75,000 - £79,999	9	11
£80,000 - £84,999	13	9
£85,000 - £89,999	4	1
£90,000 - £94,999	3	3
£95,000 - £99,999	1	1
£100,000 - £104,999	1	5
£105,000 - £109,999	5	1
£110,000 - £114,999	1	1
£115,000 - £119,999	1	1
£120,000 - £124,999	-	-
£125,000 - £129,999	2	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.

Cost band (including special payments)	Compulsory redundancies 2023 No.	Compulsory redundancies 2022 No.	Total exit packages 2023 No.	Total exit packages 2022 No.	Total cost of packages in each band 2023 £'000	Total cost of packages in each band 2022 £'000
£0 - £20,000	5	16	5	16	**35**	**69**
£20,001 - £40,000	2	1	2	1	**62**	**27**
£40,001 - £60,000	-	1	-	1	**-**	**57**
£60,001 - £80,000	-	-	-	-	**-**	**-**
£80,001 - £100,000	1	-	1	-	**93**	**-**
	8	**18**	**8**	**18**	**190**	**153**

12. Members' allowances

	Authority and Group 2023 £'000	Authority and Group 2022 £'000
Allowances	139	125
Total	**139**	**125**

13. External audit costs

Charges relating to work undertaken by the external auditors:

	Authority 2023 £'000	Group 2023 £'000	Authority 2022 £'000	Group 2022 £'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	79	111	68	99
Total	**79**	**111**	**68**	**99**

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 acquired for the future expansion of park and ride sites and the Midland Metro.

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

Transfers predominantly consist of movements from Assets Under Construction to other asset groups. Included in Transfers for 2022/23 are reclassifications of assets relating to resurfacing, kerbs and pavement (NBV £2.034m, Cost £3.020m, Accumulated Depreciation £0.986m) that have been transferred from 'Vehicles, plant and equipment' to 'Infrastructure'. This transfer was made as it was determined to be the most appropriate asset grouping.

Movements in 2022/23 Authority	**Land and buildings**	**Vehicles, plant and equipment**	**Infra-structure assets**	**Assets under construction**	**Total Authority**
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2022	3,920	52,626	455,183	305,092	816,821
Additions - capital programme (note 26)	10	719	925	126,463	128,117
Transfers	-	(245)	99,907	(99,662)	-
Revaluation increase recognised in the provision of services	1,409	-	-	-	1,409
Depreciation reversed on revaluation	(348)	-	-	-	(348)
Transfers to intangible assets (note 15)	-	-	-	(1,014)	(1,014)
Transfers to provision of services	-	-	-	(1,677)	(1,677)
Disposals	-	(4,716)	(1,156)	-	(5,872)
At 31 March 2023	**4,991**	**48,384**	**554,859**	**329,202**	**937,436**
Accumulated depreciation					
At 1 April 2022	261	29,157	187,508	-	216,926
Transfers	-	(986)	986	-	-
Charge for the year	87	3,604	21,955	-	25,646
Depreciation reversed on revaluation	(348)	-	-	-	(348)
Disposals	-	(4,697)	(1,118)	-	(5,815)
At 31 March 2023	**-**	**27,078**	**209,331**	**-**	**236,409**
Net book value					
At 31 March 2023	4,991	21,306	345,528	329,202	701,027
At 31 March 2022	3,659	23,469	267,675	305,092	599,895

Group	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Group £'000
Cost or valuation					
At 1 April 2022	3,920	53,454	455,183	305,092	817,649
Additions - capital programme (note 26)	10	719	925	126,463	128,117
Additions - other	-	181	-	-	181
Transfers	-	(245)	99,907	(99,662)	-
Revaluation increase recognised in the provision of services	1,409	-	-	-	1,409
Depreciation reversed on revaluation	(348)	-	-	-	(348)
Transfers to intangible assets (note 15)	-	-	-	(1,014)	(1,014)
Transfers to provision of services	-	-	-	(1,677)	(1,677)
Disposals	-	(4,716)	(1,156)	-	(5,872)
At 31 March 2023	**4,991**	**49,393**	**554,859**	**329,202**	**938,445**
Accumulated depreciation					
At 1 April 2022	261	29,638	187,508	-	217,407
Transfers	-	(986)	986	-	-
Charge for the year	87	3,768	21,955	-	25,810
Depreciation reversed on revaluation	(348)	-	-	-	(348)
Disposals	-	(4,697)	(1,118)	-	(5,815)
At 31 March 2023	**-**	**27,723**	**209,331**	-	**237,054**
Net book value					
At 31 March 2023	4,991	21,670	345,528	329,202	701,391
At 31 March 2022	3,659	23,816	267,675	305,092	600,242

Comparative movements in 2021/22 Authority	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Authority £'000
Cost or valuation					
At 1 April 2021	3,559	44,880	439,722	206,417	694,578
Additions - capital programme (note 26)	-	3,320	7,083	134,162	144,565
Transfers	361	8,420	25,634	(34,415)	-
Transfers to intangible assets (note 15)	-	-	-	(255)	(255)
Transfers to provision of services	-	-	-	(817)	(817)
Disposals	-	(3,994)	(17,256)	-	(21,250)
At 31 March 2022	**3,920**	**52,626**	**455,183**	**305,092**	**816,821**
Accumulated depreciation					
At 1 April 2021	174	29,333	181,279	-	210,786
Charge for the year	87	3,764	17,313	-	21,164
Disposals	-	(3,940)	(11,084)	-	(15,024)
At 31 March 2022	**261**	**29,157**	**187,508**	-	**216,926**
Net book value					
At 31 March 2022	3,659	23,469	267,675	305,092	599,895
At 31 March 2021	3,385	15,547	258,443	206,417	483,792

Group	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Group £'000
Cost or valuation					
At 1 April 2021	3,559	45,507	439,722	206,417	695,205
Additions - capital programme (note 26)	-	3,320	7,083	134,162	144,565
Additions - other	-	201	-	-	201
Transfers	361	8,420	25,634	(34,415)	-
Transfers to intangible assets (note 15)	-	-	-	(255)	(255)
Transfers to provision of services	-	-	-	(817)	(817)
Disposals	-	(3,994)	(17,256)	-	(21,250)
At 31 March 2022	**3,920**	**53,454**	**455,183**	**305,092**	**817,649**
Accumulated depreciation					
At 1 April 2021	174	29,708	181,279	-	211,161
Charge for the year	87	3,870	17,313	-	21,270
Disposals	-	(3,940)	(11,084)	-	(15,024)
At 31 March 2022	**261**	**29,638**	**187,508**	**-**	**217,407**
Net book value					
At 31 March 2022	3,659	23,816	267,675	305,092	600,242
At 31 March 2021	3,385	15,799	258,443	206,417	484,044

Revaluations

Land and buildings are revalued at least every five years at current value and a full valuation was carried out as at 31 March 2019. This valuation was carried out by Bruton Knowles in accordance with the Practice Statements in the Valuation Standards (The Red Book) published by The Royal Institution of Chartered Surveyors. Current value is determined by reference to market-based evidence. This means that valuations performed by the valuer are based on active market prices adjusted for any difference in the nature, location or condition of the asset.

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

Authority	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Authority £'000
Carried at historical cost	-	-	-	329,202	329,202
Carried at depreciated historical cost	-	48,384	554,859	-	603,243
Valued at current value as at:					
31 March 2023	1,071	-	-	-	1,071
31 March 2022	-	-	-	-	-
31 March 2021	-	-	-	-	-
31 March 2020	-	-	-	-	-
31 March 2019	3,920	-	-	-	3,920
Total cost or valuation	**4,991**	**48,384**	**554,859**	**329,202**	**937,436**

Capital commitments

At 31 March 2023, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years budgeted to cost £38.9m (2022: £37.8m). The major commitments are listed in the table below:

	2023	2022
	£'000	£'000
Metro Third Generation Trams	22,753	31,494
Metro extension schemes	12,937	6,338
Rail carpark	3,200	-
	38,890	**37,832**

15. Intangible assets

	Authority and Group	
	2023	**2022**
	£'000	£'000
Cost		
At 1 April	2,946	1,992
Additions - capital programme (note 26)	-	699
Transfers from assets under construction (note 14)	1,014	255
At 31 March	**3,960**	**2,946**
Amortisation		
At 1 April	1,035	398
Amortisation for the year	1,144	637
At 31 March	**2,179**	**1,035**
Net carrying amount		
At 31 March	1,781	1,911

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.

16. Investments

	Long-term		Current		Authority and Group Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	£'000	£'000	£'000	£'000	£'000	£'000
Loans investments - Collective Investment Fund	29,457	16,157	11,520	5,334	40,977	21,491
Loss allowance	(4,164)	(2,714)	(825)	(238)	(4,989)	(2,952)
Loans investments - Collective Investment Fund	25,293	13,443	10,695	5,096	35,988	18,539
Investments in subsidiaries and joint ventures	3,764	3,673	-	-	3,764	3,673
Pooled investment funds	4,717	5,230	-	-	4,717	5,230
Deposits with financial institutions and local authorities	-	-	683,446	496,161	683,446	496,161
Total	**33,774**	**22,346**	**694,141**	**501,257**	**727,915**	**523,603**

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 on page 83 and in note 29 on page 104.

The pooled investment funds consisted of CCLA Local Authority Property Fund 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	Dormant
West Midlands Growth Company Limited	5%	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

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.

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

		2023		2022
	Authority	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000
Balance at 1 April	8,467	9,418	13,082	13,904
Purchases	1,165	1,846	1,290	1,821
Recognised as an expense in the year	(1,862)	(2,205)	(5,905)	(6,307)
Balance at 31 March	**7,770**	**9,059**	**8,467**	**9,418**

18. Short-term debtors

		2023		2022
	Authority	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000
Loans to group undertakings	219	-	346	-
Loss allowance	(219)	-	(346)	-
Loans to group undertakings	-	-	-	-
Trade debtors and accrued income	93,493	94,174	42,119	46,000
Other debtors	877	905	10,561	10,586
Prepayments	12,777	13,820	14,068	14,299
Total	**107,147**	**108,899**	**66,748**	**70,885**

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 and capital prepayments for the Midland Metro extensions and other capital schemes. 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

			Carrying amount	
		2023		2022
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Cash at bank and in hand	238	622	465	701
Deposits with financial institutions	28,550	29,850	120,000	121,350
Total	**28,788**	**30,472**	**120,465**	**122,051**

20. Borrowing

	Authority and Group	
	2023	2022
	£'000	£'000
Lender		
Public Works Loan Board (PWLB)	484,666	431,991
Barclays	10,000	10,000
UK Infrastructure Bank	9,565	10,000
Accrued interest payable	3,182	2,561
Total	**507,413**	**454,552**
Maturity		
Principal and accrued interest due within one year	15,956	15,319
1 - 2 years	25,594	25,563
2 - 5 years	38,515	38,464
5 - 10 years	111,614	111,537
Over 10 years	315,734	263,668
Principle due after more than one year	491,457	439,232
Total	**507,413**	**454,551**

The Group adopts a low risk treasury management approach seeking to maximise low interest loans when the opportunity arises. During the year, the Group undertook £50m of short-term borrowing which was repaid in year (2022: £47m). The amount of fixed rate debt is 100% (2022: 100%) with no variable rate debt (2022: 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 UK Gilt rate. Loans totalling £65m were secured from this source in 2022/23 to unwind the Group's previously under borrowed position and provide low interest rate funding prior to multiple bank rate rises during the year.

In order to mitigate against the cost of rising interest rates, the Authority has set up a forward rate borrowing facility with Phoenix Group in 2021/22 to provide lending of £100m at a predetermined fixed rate. This is the first deal of this kind to be executed by the Authority and reduces the interest rate risk the Authority is exposed to in the delivery of the WMCA Investment Programme. The funding is expected to be called down by August 2023.

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

		2023		**2022**
	Authority	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000
Trade creditors and accruals	136,436	139,393	115,065	119,687
Taxes and social security	1,093	1,449	1,102	1,925
Payments received on account	5,334	5,434	5,385	5,525
	142,863	**146,276**	**121,552**	**127,137**

Included within trade creditors and accruals are accruals for capital expenditure relating to various projects, amounts due to operators for concessions, subsidised services and ticketing, and sundry accruals for other goods and services. Payments received on account include ticketing income received but not yet paid to operators and advertising income billed in advance.

22. Provisions

Current year movements	**Transport development**	**Buildings maintenance**	**Rail services/ insurance**	**Total Authority and Group**
	£'000	£'000	£'000	£'000
Balance at 1 April 2022	2,011	1,608	1,229	4,848
Additional provision	319	-	302	621
Amounts used	(98)	-	(29)	(127)
Balance at 31 March 2023	**2,232**	**1,608**	**1,502**	**5,342**
Current	2,232	-	-	2,232
Long-term	-	1,608	1,502	3,110
Total	**2,232**	**1,608**	**1,502**	**5,342**

Prior year comparatives	Transport development £'000	Buildings maintenance £'000	Rail services/ insurance £'000	Total Authority and Group £'000
Balance at 1 April 2021	2,071	1,224	1,010	4,305
Additional provision	-	384	219	603
Amounts used	(60)	-	-	(60)
Balance at 31 March 2022	**2,011**	**1,608**	**1,229**	**4,848**
Current	2,011	-	-	2,011
Long-term	-	1,608	1,229	2,837
Total	**2,011**	**1,608**	**1,229**	**4,848**

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.

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	
	2023 £'000	2022 £'000
Balance at 1 April	4,744	5,660
Accrued interest payable - brought forward	(65)	(65)
Repayment in the year - principal	(1,008)	(916)
Accrued interest payable - carried forward	65	65
Balance at 31 March	**3,736**	**4,744**
Due within one year	1,175	1,074
Due over one year	2,561	3,670
Total	**3,736**	**4,744**

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 general fund Authority	Investment programme funding reserve Authority	Unapplied revenue grants Authority	Total Authority
	£'000	£'000	£'000	£'000
Balance at 1 April 2022	56,577	118,796	44,283	219,656
Receivable in year	-	-	196,420	196,420
Utilised in year	-	-	(170,323)	(170,323)
Net unapplied in year	-	-	26,097	26,097
Released in year to general reserves	(17,485)	(47,361)	-	(64,846)
Transfers in year from general reserves	34,542	51,600	-	86,142
Net transfer (to)/from general reserves	17,057	4,239	-	21,296
Total transfer (to)/from general reserves	**17,057**	**4,239**	**26,097**	**47,393**
Balance at 31 March 2023	**73,634**	**123,035**	**70,380**	**267,049**

Group

	Earmarked general fund	Investment programme funding reserve	Unapplied revenue grants	Total Group
	£'000	£'000	£'000	£'000
Balance at 1 April 2022	56,923	119,900	44,283	221,106
Receivable in year	-	-	196,420	196,420
Utilised in year	-	-	(170,323)	(170,323)
Net unapplied in year	-	-	26,097	26,097
Released in year to general reserves	(17,612)	(47,361)	-	(64,973)
Transfers in year from general reserves	34,542	51,832	-	86,374
Net transfer (to)/from general reserves	16,930	4,471	-	21,401
Total transfer (to)/from general reserves	**16,930**	**4,471**	**26,097**	**47,498**
Balance at 31 March 2023	**73,853**	**124,371**	**70,380**	**268,604**

Prior year comparatives Authority	Earmarked general fund	Investment programme funding reserve	Unapplied revenue grants	Total Authority
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	41,019	114,575	28,102	183,696
Receivable in year	-	-	145,820	145,820
Utilised in year	-	-	(129,639)	(129,639)
Net unapplied in year	-	-	16,181	16,181
Released in year to general reserves	(19,877)	(41,462)	-	(61,339)
Transfers in year from general reserves	35,435	45,683	-	81,118
Net transfer (to)/from general reserves	15,558	4,221	-	19,779
Total transfer (to)/from general reserves	**15,558**	**4,221**	**16,181**	**35,960**
Balance at 31 March 2022	**56,577**	**118,796**	**44,283**	**219,656**

Group	Earmarked general fund	Investment programme funding reserve	Unapplied revenue grants	Total Group
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	42,211	115,912	28,102	186,225
Receivable in year	-	-	145,820	145,820
Utilised in year	-	-	(129,639)	(129,639)
Net unapplied in year	-	-	16,181	16,181
Released in year to general reserves	(20,723)	(41,462)	-	(62,185)
Transfers in year from general reserves	35,435	45,450	-	80,885
Net transfer (to)/from general reserves	14,712	3,988	-	18,700
Total transfer (to)/from general reserves	**14,712**	**3,988**	**16,181**	**34,881**
Balance at 31 March 2022	**56,923**	**119,900**	**44,283**	**221,106**

Earmarked general fund
This reserve contains contributions in the year to primarily provide funding to back transport capital programme commitments.

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.

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	1,841	1,841
Share of disposal proceeds of asset funded from the Brownfield Land & Property Development Fund	418	-
Transfer to the Capital Receipts Reserve upon receipt of cash from loan repayments under Collective Investment Fund	15,657	27,971
Use of the Capital Receipts Reserve to finance capital expenditure	(15,657)	(27,971)
Closing balance at 31 March	**2,259**	**1,841**

Profit and Loss Reserve

The Profit and Loss Reserve consolidates the in-year results for subsidiaries. This is kept separate from the General Fund given the specific statutory restrictions that apply to the General Fund.

		Group
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	(14)	-
In-year profit/(loss) results for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	135	(14)
Closing balance at 31 March	**121**	**(14)**

25. Unusable reserves

The purpose of the individual reserves are as follows:

Revaluation Reserve

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

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

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	6,126	6,319
Difference between current value depreciation and historical cost	(193)	(193)
Closing balance at 31 March	**5,933**	**6,126**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with capital grants and contributions receivable and amounts set as finance for the costs of acquisition, construction and subsequent costs (MRP).

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	84,266	57,222
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and amortisation of non-current assets (notes 14 and 15)	(26,790)	(21,801)
Revaluation increase recognised in the provision of services (note 14)	1,409	-
Adjusting amount written out of the Revaluation Reserve (note 25)	193	193
Loss on disposal of property, plant and equipment (note 8)	(57)	(6,226)
Non-current assets transferred to provision of services (note 14)	(1,677)	(817)
Inventory recognised as an expense (note 17)	(1,862)	(5,905)
Revenue expenditure funded from capital under statute (note 26)	(217,733)	(236,484)
Capital financing applied in the year		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing (note 26)	265,978	266,496
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing in prior years	17,087	10,202
Statutory provision for the financing of capital investment charged against the General Fund (MRP - note 26)	5,909	2,336
Debt repayment charged against the General Fund (note 23)	1,008	916
Capital expenditure charged against the General Fund (note 26)	1,528	8,239
Capital expenditure funded by the Gainshare contribution (note 26)	12,604	9,895
Closing balance at 31 March	**141,863**	**84,266**

Financial Instruments Revaluation Reserve

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

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	647	-
(Upward)/downward revaluation of investments (note 9)	513	(230)
Accumulated gains or losses on equity investments designated at fair value through other comprehensive income	(90)	877
Closing balance at 31 March	**1,070**	**647**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. This account is used by the Authority for recognised losses on loans advanced at less than commercial interest rate. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out from the General Fund balance to this account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on account at 31 March 2023 will be charged to the General Fund over the next 10 years.

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	2,077	2,388
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	(317)	(311)
Closing balance at 31 March	**1,760**	**2,077**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the reserve shows the shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	11,559	66,270
Remeasurements (liabilities and assets) (note 27)	(82,621)	(67,911)
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)	15,199	16,788
Employer's pension contributions payable in the year:		
Current year (note 27)	(3,167)	(3,588)
Closing balance at 31 March	**(59,030)**	**11,559**

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	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	1,138	1,030
Movement in the year	(148)	108
Closing balance at 31 March	**990**	**1,138**

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
	2023	**2022**
	£'000	£'000
WMCA delivered capital schemes		
Midland Metro	120,851	131,077
Rail infrastructure	46,305	54,952
Key Routes network	26,102	46,721
Bus infrastructure	10,978	13,500
Land Fund	8,372	22,061
Future Transport Zone	2,392	2,624
Connected vehicles	-	613
Regional Transport Coordination Centre	4,744	4,440
Sustainable Transport	540	3,837
Digital Devices	3,997	-
Other	9,667	14,345
	233,948	294,170
Grants to local authorities	113,067	88,869
Investments in equity instruments	-	4,550
Total capital expenditure	**347,015**	**387,589**
Property, plant and equipment (note 14)	128,117	144,566
Intangible asset (note 15)	-	699
Inventories (note 17)	1,165	1,290
Investments in equity instruments (note 16)	-	4,550
REFCUS	217,733	236,484
	347,015	**387,589**
Funded by:		
Central Government grants	227,260	231,252
District/Local Enterprise Partnership (LEP) grants and contributions	12,042	9,413
3rd party contributions	26,676	25,831
Total grants and contributions	265,978	266,496
Gainshare contribution	12,604	9,895
Borrowing	68,433	111,198
	347,015	**387,589**

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

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening Capital Financing Requirement	560,573	472,555
Capital investment		
Capital programme costs funded by borrowing (note 26)	68,433	111,198
Other capital expenditure funded by borrowing - Collective Investment Fund	36,371	26,484
Sources of finance		
Minimum Revenue Provision (MRP)	(5,909)	(2,336)
Use of the Capital Receipts Reserve to finance capital expenditure (note 24)	(15,657)	(27,971)
Transferred debt repayment (note 23)	(1,008)	(916)
Capital expenditure charged to the General Fund	(1,528)	(8,239)
Capital grants received previously funded through borrowings	(17,087)	(10,202)
Closing Capital Financing Requirement	**624,188**	**560,573**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	63,615	88,018
Increase in Capital Financing Requirement	**63,615**	**88,018**

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 2019. Based on the results of this valuation, the actuaries set the Authority's employer contributions for the three years from 1 April 2020 at a net primary rate of 12.4% of the current employees' pensionable pay to meet 100% of the overall fund liabilities. This pension cost has been determined after allowing for the amortisation of the difference between the assets and the accrued liabilities relating to the Authority over the average remaining service lives of the current members of the fund.

In April 2020 a prepayment of employer's contributions of £9.739m was made for the three years to 2022/23 to take advantage of discounts available.

Following the latest triennial valuation as at 31 March 2022 carried out by Hymans Robertson LLP, the actuaries set the Authority's employer contributions for the three years from 1 April 2023 to 1 March 2026 at a net primary rate of 9.9% of the current employees' pensionable pay. The employer's contribution for 2023/24 is estimated by the actuaries to be approximately £3.1m.

The weighted average duration of the funded obligations as at 31 March 2023 is 17 years (2022: 18 years).

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

Calculation method
The figures as at 31 March 2023 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 2023. 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 2023, 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 for the first time. 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 calculation for the asset ceiling is expected to be received from Hymans Robertson LLP during the course of the audit (commencing on 3 July 2023) and the unaudited accounts will be adjusted for the measurement in accordance with IAS 19.

Pending the asset ceiling calculation, the net amount currently being recognised on the Balance Sheet at 31 March 2023 is a surplus of £59.030m compared to a deficit of £8.433m at 31 March 2022.

Movement in pension fund asset/liability during the year

	Authority and Group 2023 £'000	2022 £'000
Opening balance at 1 April	8,433	59,603
Employer's pension contributions payable in the year:		
Current year	(3,167)	(3,588)
Prepayment for 2022/23 and 2021/22	3,126	3,541
Post employment benefit charged to the surplus or deficit on provision of services:		
Current service cost	14,750	15,414
Past service cost	24	30
Net interest cost	425	1,344
Total cost	15,158	16,741
Remeasurements (liabilities and assets)	(82,621)	(67,911)
Closing balance at 31 March	**(59,030)**	**8,433**

Transactions relating to post-employment benefits

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

	Authority and Group 2023 £'000	2022 £'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	14,750	15,414
Past service cost	24	30
Financing and investment income and expenditure		
Net interest cost	425	1,344
Total post employment benefit charged to the surplus or deficit on provision of services	**15,199**	**16,788**
Remeasurements (liabilities and assets)	(82,621)	(67,911)
Total post employment benefit charged/(credited) to the Comprehensive Income and Expenditure Statement	**(67,422)**	**(51,123)**
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit on provision of services for post employment benefits in accordance with the Code	(15,199)	(16,788)
Actual amount charged against the General Fund Balance for pensions in the year	3,167	3,588
	(12,032)	**(13,200)**

Assets and liabilities in relation to post-employment benefits

	Authority and Group	
	2023	**2022**
	£'000	£'000
Present value of scheme liabilities	(243,110)	(322,787)
Present value of scheme assets	302,140	314,354
Amounts recognised as assets/(liabilities)	**59,030**	**(8,433)**

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

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	322,787	355,122
Current service cost	14,750	15,414
Interest cost	8,812	7,169
Change in demographic assumptions*	(2,398)	(6,868)
Change in financial assumptions	(112,997)	(13,391)
Experience (gain)/loss on defined benefit obligations	19,215	(26,422)
Contributions by scheme participants	2,409	2,134
Benefits paid	(9,492)	(10,401)
Past service costs/curtailments	24	30
Closing balance at 31 March	**243,110**	**322,787**

***** the change in demographic assumptions can be found in the valuation assumptions on page 97

Reconciliation of fair value of the scheme assets

	Authority and Group	
	2023	**2022**
	£'000	£'000
Opening balance at 1 April	314,354	295,519
Interest on plan assets	8,387	5,825
Administration expenses	-	-
Return on assets less interest	(13,559)	21,463
Employer contributions - current year	3,167	3,588
Employer contributions - prepayment for 2022/23 and 2021/22	(3,126)	(3,541)
Experience (gain)/loss on defined benefit assets	-	(233)
Contributions by scheme participants	2,409	2,134
Benefits paid	(9,492)	(10,401)
Closing balance at 31 March	**302,140**	**314,354**

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

Authority	2023 %	2023 £'000	2022 %	2022 £'000
Asset				
Equities	61.7	188,578	60.6	190,639
Gilts	4.5	13,910	6.2	19,457
Other bonds	5.3	15,903	5.8	18,287
Property	7.3	21,202	7.2	22,546
Cash/liquidity	3.5	9,427	3.9	12,345
Other*	17.7	53,120	16.3	51,080
Total	**100.0**	**302,140**	**100.0**	**314,354**

***** 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.

	2023	Authority 2022
Valuation assumptions		
Discount rate	4.8%	2.7%
Rate of salary increase	4.0%	4.3%
Rate of pension increase	3.0%	3.3%
Future life expectancies from age 65		
Retiring today:		
Males	20.3	21.1
Females	22.7	23.9
Retiring in 20 years:		
Males	22.9	22.0
Females	25.8	25.4

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 £196k (2022: £182k).

The amounts recognised in WM5G Limited's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £58k (2022: £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 on the overnight money market with HSBC Bank plc.

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

	Authority 2022/23 £'000	Group 2022/23 £'000	Authority 2021/22 £'000	Group 2021/22 £'000
12-month expected credit losses:				
Investments (note 16)	719,434	719,434	514,700	514,700
Cash and short-term deposits (note 19)	28,788	30,472	120,465	122,051
Pooled investment funds (note 16)	4,717	4,717	5,230	5,230
	752,939	754,623	640,395	641,981
Simplified approach:				
Trade debtors and accrued income (note 18)	93,493	94,174	42,119	46,000
Total	**846,432**	**848,797**	**682,514**	**687,981**

The loss allowance recognised during the year are as follows:

Authority	**12-month expected credit losses**		**Lifetime expected credit losses - simplified**		**Total**	
Asset class (amortised cost)	**2022/23** £'000	**2021/22** £'000	**2022/23** £'000	**2021/22** £'000	**2022/23** £'000	**2021/22** £'000
Opening balance as at 1 April	3,298	3,617	-	-	3,298	3,617
Individual financial assets transferred to 12-month expected credit loss (note 9)	1,910	(319)	-	-	1,910	(319)
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**5,208**	**3,298**	**-**	**-**	**5,208**	**3,298**

Group	12-month expected credit losses		Lifetime expected credit losses - simplified		Total	
Asset class (amortised cost)	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance as at 1 April	2,952	2,425	-	-	2,952	2,425
Individual financial assets transferred to 12-month expected credit loss (note 9)	2,037	527	-	-	2,037	527
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**4,989**	**2,952**	**-**	**-**	**4,989**	**2,952**

Liquidity risk
Liquidity risk covers the ease of access to finance. The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Authority maintains a sufficient level of liquidity through the use of Money Market Funds/overnight deposits and call accounts. If longer term funding is required, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates, but effective cash management 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 2022/23 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 2022/23	**Long-term**		**Current**		**Total**	
	Authority	**Group**	**Authority**	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 16)	25,293	25,293	694,141	694,141	719,434	719,434
Long-term debtors	16,392	16,392	-	-	16,392	16,392
Short-term debtors (note 18)	-	-	93,493	94,174	93,493	94,174
Cash and cash equivalents (note 19)	-	-	28,788	30,472	28,788	30,472
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and joint ventures (note 16)	3,764	3,764	-	-	3,764	3,764
Financial assets at fair value through profit or loss						
Pooled investment funds (note 16)	4,717	4,717	-	-	4,717	4,717
Total financial assets	**50,166**	**50,166**	**816,422**	**818,787**	**866,588**	**868,953**
Financial liabilities at amortised cost						
Borrowings (note 20)	491,457	491,457	15,956	15,956	507,413	507,413
Short-term creditors (note 21)	-	-	136,436	139,393	136,436	139,393
Transferred debt (note 23)	2,561	2,561	1,175	1,175	3,736	3,736
Total financial liabilities	**494,018**	**494,018**	**153,567**	**156,524**	**647,585**	**650,542**

Comparatives for 2021/22	**Long-term**		**Current**		**Total**	
	Authority	**Group**	**Authority**	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 16)	13,443	13,443	501,257	501,257	514,700	514,700
Long-term debtors	16,159	16,159	-	-	16,159	16,159
Short-term debtors (note 18)	-	-	42,119	46,000	42,119	46,000
Cash and cash equivalents (note 19)	-	-	120,465	122,051	120,465	122,051
Financial assets at fair value through						
Investments in subsidiaries and joint ventures (note 16)	3,673	3,673	-	-	3,673	3,673
Financial assets at fair value through profit or loss						
Pooled investment funds (note 16)	5,230	5,230	-	-	5,230	5,230
Total financial assets	**38,505**	**38,505**	**663,841**	**669,308**	**702,346**	**707,813**
Financial liabilities at amortised cost						
Borrowings (note 20)	439,232	439,232	15,319	15,319	454,551	454,551
Short-term creditors (note 21)	-	-	115,065	119,687	115,065	119,687
Transferred debt (note 23)	3,670	3,670	1,074	1,074	4,744	4,744
Total financial liabilities	**442,902**	**442,902**	**131,458**	**136,080**	**574,360**	**578,982**

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	
	2022/23	**2021/22**
	£'000	£'000
Opening balance as at 1 April	15,923	15,612
Interest credited to Financing and Investment Income and Expenditure	317	311
Closing balance at 31 March	**16,240**	**15,923**
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					2022-23					2021-22
	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	-	(90)	513	-	423	-	877	(230)	-	647
Interest income (note 9)	(12,346)	-	-	-	(12,346)	(2,680)	-	-	-	(2,680)
Interest expense (note 9)	-	-	-	16,280	16,280	-	-	-	8,354	8,354
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(12,346)**	**(90)**	**513**	**16,280**	**4,357**	**(2,680)**	**877**	**(230)**	**8,354**	**6,321**

Group	2022-23					2021-22				
	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Financial assets at fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Total Group £'000	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Financial assets at fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Total Group £'000
Net (gains)/losses on financial instruments	-	(90)	513	-	423	-	877	(230)	-	647
Interest income (note 9)	(12,295)	-	-	-	(12,295)	(2,639)	-	-	-	(2,639)
Interest expense (note 9)	-	-	-	16,407	16,407	-	-	-	9,200	9,200
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(12,295)**	**(90)**	**513**	**16,407**	**4,535**	**(2,639)**	**877**	**(230)**	**9,200**	**7,208**

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.

Analysis for 2022/23	Input level in fair value hierarchy	Valuation technique used to measure fair value	Authority Carrying amount £'000	Authority Fair value £'000	Group Carrying amount £'000	Group Fair value £'000
Financial assets at amortised cost						
Investments	N/A	Fair value is approximated at their carrying amount	719,434	719,434	719,434	719,434
Long-term debtors	N/A		152	152	152	152
Long-term debtors - soft loan	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	16,240	14,555	16,240	14,555
Short-term debtors	N/A	Fair value is approximated at their carrying amount	93,493	93,493	94,174	94,174
Cash and cash equivalents	N/A		28,788	28,788	30,472	30,472
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and joint ventures	Level 3	Earnings based valuation	3,764	3,764	3,764	3,764
Financial assets at fair value through profit or loss						
Pooled investment funds	Level 1	Unadjusted quoted prices in active markets for identical shares	4,717	4,717	4,717	4,717
Total financial assets			**866,588**	**864,903**	**868,953**	**867,268**
Financial liabilities at amortised cost						
Public Works Loan Board (PWLB)	Level 2	PWLB redemption and new PWLB certain rate loan discount rates	487,848	420,291	487,848	420,291
Barclays	Level 2		10,000	9,001	10,000	9,001
UK Infrastructure Bank	Level 2		9,565	7,713	9,565	7,713
Total borrowings			**507,413**	**437,005**	**507,413**	**437,005**
Short-term creditors	N/A	Fair value is approximated at their carrying amount	136,436	136,436	139,393	139,393
Transferred debt *	Level 2	PWLB new loan rates	3,736	3,695	3,736	3,695
Total financial liabilities			**647,585**	**577,136**	**650,542**	**580,093**

Comparatives for 2021/22	Input level in fair value hierarchy	Valuation technique used to measure fair value	Authority Carrying amount £'000	Authority Fair value £'000	Group Carrying amount £'000	Group Fair value £'000
Financial assets at amortised cost						
Investments	N/A	Fair value is approximated at their	514,700	514,700	514,700	514,700
Long-term debtors	N/A	carrying amount	236	236	236	236
Long-term debtors - soft loan	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	15,923	15,640	15,923	15,640
Short-term debtors	N/A	Fair value is approximated at their	42,119	42,119	46,000	46,000
Cash and cash equivalents	N/A	carrying amount	120,465	120,465	122,051	122,051
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and	Level 3	Earnings based valuation	3,673	3,673	3,673	3,673
Financial assets at fair value through profit or loss						
Pooled investment funds	Level 1	Unadjusted quoted prices in active	5,230	5,230	5,230	5,230
Total financial assets			**702,346**	**702,063**	**707,813**	**707,530**
Financial liabilities at amortised cost						
Public Works Loan Board (PWLB)	Level 2	PWLB redemption and new PWLB	434,551	464,059	434,552	464,059
Barclays	Level 2	certain rate loan discount rates	10,000	13,446	10,000	13,446
UK Infrastructure Bank	Level 2		10,000	9,032	10,000	9,032
Total borrowings			**454,551**	**486,537**	**454,552**	**486,537**
Short-term creditors	N/A	Fair value is approximated at their carrying amount	115,065	115,065	119,687	119,687
Transferred debt *	Level 2	PWLB new loan rates	4,744	4,987	4,744	4,987
Total financial liabilities			**574,360**	**606,589**	**578,983**	**611,211**

* 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. Operating leases

Authority as lessee
Land and buildings - land is acquired for park and ride sites and bus stations by entering into operating leases. Some of these leases are non-cancellable with typical lives of 25 years.

The future minimum lease payments payable under non-cancellable operating leases as at 31 March 2023 are shown below:

	2023	2022
	£'000	£'000
Land and buildings		
Less than one year	374	480
Between two and five years	786	943
More than five years	3,255	3,234
	4,415	**4,657**

Authority as lessor
The Authority leases out parts of the Head Office at Summer Lane, various units at bus stations and land and buildings acquired for the future expansion of park and ride sites whilst they are awaiting development. These are a mixture of cancellable and non-cancellable operating leases.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2023 are as follows:

	2023	2022
	£'000	£'000
Land and buildings		
Less than one year	222	274
Between two and five years	183	474
More than five years	1,763	1,797
	2,168	**2,545**

31. Reconciliation of liabilities arising from financing activities

	Long-term borrowings	Short-term borrowings	Grants receipts in advance	Total Authority and Group
	£'000	£'000	£'000	£'000
Opening balance at 1 April	442,903	13,767	445,045	901,715
Financing cash flows	115,000	(63,768)	-	51,232
Non-cash changes	(13,885)	13,885	68,726	68,726
Closing balance at 31 March	**544,018**	**(36,116)**	**513,771**	**1,021,673**

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 2023 are set out in note 15.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2022/23 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, there were expenditure and grant payments to the following entities:

- Black Country Consortium Limited totalling £165k (2022: £311k) in which three members have an interest
- West Midlands Growth Company Limited totalling £10.5m (2022: £7m) in which three members and one officer representation on the board as WMCA stakeholder (2022: 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		LGF LEP funding	
	2022/23	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities						
Birmingham City Council	45,395	44,728	1,083	1,087	-	197
City of Wolverhampton Council	10,524	10,316	573	573	-	-
Coventry City Council	15,100	14,553	640	636	-	-
Dudley MBC	12,831	12,598	607	607	-	-
Sandwell MBC	13,097	12,866	611	611	-	-
Solihull MBC	8,656	8,476	545	545	-	-
Walsall Council	11,412	11,183	585	585	-	-
Non-constituent authorities	-	-	390	325	-	-
Total	**117,015**	**114,720**	**5,034**	**4,969**	**-**	**197**

Funding paid by the Authority to the constituent District Councils:

	Devolved Transport Funding		Economic Regeneration		Adult Education Budget	
	2022/23	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities						
Birmingham City Council	6,254	5,165	-	31,926	10,202	10,220
City of Wolverhampton Council	4,767	4,002	-	-	3,283	3,289
Coventry City Council	6,120	5,566	40,656	61,958	5,288	5,297
Dudley MBC	6,754	5,246	-	-	1,507	1,509
Sandwell MBC	6,539	6,026	-	-	1,330	1,408
Solihull MBC	5,098	4,251	12,994	11,075	-	-
Walsall MBC	5,904	4,306	7,881	18,079	-	-
Total	**41,436**	**34,562**	**61,531**	**123,038**	**21,610**	**21,723**

Entities controlled or significantly influenced by the Authority
During the year, the Authority paid management fees of £75k (2022: £100k) and £629k (2022: £600k) 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 (2022: £41k) from the Authority. In addition, the Authority recharged expenses of £222k (2022: £201k) which the Authority paid on behalf of West Midlands Rail Limited. The Authority has also charged corporate support and professional services of £46k (2022: £55k).

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 £7.6m (2022: £3.6m) from the Authority under the terms of the Public Service Agreement. The Authority has charged corporate support and professional services of £748k (2022: £529k). The Authority has also recharged expenses of £487k (2022: £98k). Additionally, Midland Metro Limited has recharged £2.4m (2022: £3.7m) in respect of Metro network developments and enhancements to the Authority.

During the year, the Authority provided grants and services of £1.8m (2022: £982k) to WM5G Limited, a wholly-owned subsidiary which is consolidated in the group accounts, in respect of funding of initiatives and competitions to acceleration 5G infrastructure and applications. The Authority has also recharged expenses of £nil (2022: £10k).

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 2023 are as follows:

Due from

Midland Metro Limited	£142k
West Midlands Rail Limited	£88k

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 £26.5m (2022: £17.6m).

34. Events after the Reporting Period

The unaudited Statement of Accounts were authorised for issue by the Authority’s Section 151 officer on DD MM 2023. 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 2023, 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.