Public Document Pack

WMCA Board

Date: Friday 21 July 2017

Time: 11.00 am **Public meeting** Yes

Venue: Mosedale Suite, West Midlands Fire Service, 99 Vauxhall Road, Birmingham, B7 4HW

Membership

Constituent Members	**Appointing Authority**
Andy Street (Chair)	Mayor of the West Midlands Combined Authority
Councillor Bob Sleigh (Vice-Chair)	Solihull Metropolitan Borough Council
Councillor Peter Bilson	City of Wolverhampton Council
Councillor John Clancy	Birmingham City Council
Councillor Sean Coughlan	Walsall Metropolitan Borough Council
Councillor Ian Courts	Solihull Metropolitan Borough Council
Councillor George Duggins	Coventry City Council
Councillor Steve Eling	Sandwell Metropolitan Borough Council
Councillor Patrick Harley	Dudley Metropolitan Borough Council
Councillor Lee Jeavons	Walsall Metropolitan Borough Council
Councillor Abdul Khan	Coventry City Council
Councillor Roger Lawrence	City of Wolverhampton Council
Councillor Pete Lowe	Dudley Metropolitan Borough Council
Councillor Paul Moore	Sandwell Metropolitan Borough Council
Councillor Ian Ward	Birmingham City Council

Non-Constituent Members	
Councillor George Adamson	Cannock Chase District Council
Jonathan Browning	Coventry & Warwickshire Local Enterprise Partnership
Councillor Steven Claymore	Tamworth Borough Council
Councillor Shaun Davies	Telford & Wrekin Council
Councillor Bill Hartnett	Redditch Borough Council
Councillor Dennis Harvey	Nuneaton & Bedworth Borough Council
Steve Hollis	Greater Birmingham & Solihull Local Enterprise Partnership
Councillor David Humphreys	North Warwickshire Borough Council
Councillor Peter Nutting	Shropshire Council
Councillor Chris Saint	Stratford-on-Avon District Council
Councillor Izzi Seccombe	Warwickshire County Council
Councillor Michael Stokes	Rugby Borough Council
Stewart Towe	Black Country Local Enterprise Partnership

Observers Awaiting Membership

Councillor Tony Johnson	Herefordshire Council
Graham Wynn	The Marches Local Enterprise Partnership

Co-Opted Member

Lee Barron	Midlands Trades Union Congress

Observer Members

Councillor John Edwards	West Midlands Fire & Rescue Authority
David Jamieson	West Midlands Police & Crime Commissioner

Quorum for this meeting shall be at least one member from five separate Constituent councils

If you have any queries about this meeting, please contact:

Contact	Dan Essex, Governance Services Manager
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AGENDA

No.	Item	Presenting	Pages
Items of Public Business			
1.	Apologies for Absence	Chair	None
2.	Declarations of Interest	Chair	None
3.	Chair's Remarks (if any)	Chair	Verbal Report
4.	Minutes - 23 June 2017	Chair	1 - 12
Governance			
5.	The Mayor and WMCA Structures - Update	Chair	To Follow
6.	Leadership Commission	Chair	To Follow
7.	WMCA Funding for Growth Programme	Chair	13 - 24
8.	Appointment of WMCA Chief Executive	Chair	25 - 28
9.	Minutes of the Investment Board - 26 May 2017	Councillor Izzi Seccombe	29 - 34
10.	Minutes of the Audit, Risk & Assurance Committee - 16 June 2017	David Lane	35 - 42
11.	Forward Plan	Chair	43 - 44
Economic Growth			
12.	WMCA Performance Management Framework	Councillor John Clancy	45 - 60
Finance & Investments			
13.	Annual Accounts 2016/17 for the West Midlands Combined Authority and the West Midlands Integrated Transport Authority Pension Fund	Councillor Izzi Seccombe	61 - 242
14.	Financial Monitoring 2017/18	Councillor Izzi Seccombe	243 - 250
15.	Establishing West Midlands Development Capital Limited	Councillor Izzi Seccombe	251 - 256
Transport			
16.	Child Ticketing on Swift	Councillor Roger Lawrence	257 - 260

17.	Solihull Town Centre Advanced Quality Bus Partnership	Councillor Roger Lawrence	261 - 314
Date of Next Meeting			
18.	Friday 8 September 2017 at 11.00am	Chair	None
Items of Private Business			
19.	Exclusion of the Public and Press To resolve that, in accordance with s100(A) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business as they involved the likely disclosure of exempt information.	Chair	None
20.	Midland Metro - In House Operations	Councillor Roger Lawrence	315 - 352
21.	Appointment of WMCA Chief Executive	Chair	353 - 356

WMCA Board

Friday 23 June 2017 at 11.00 am

Minutes

Constituent Members

Andy Street (Chair)	Mayor of the West Midlands Combined Authority
Councillor Bob Sleigh (Vice-Chair)	Solihull Metropolitan Borough Council
Councillor John Clancy	Birmingham City Council
Councillor Sean Coughlan	Walsall Metropolitan Borough Council
Councillor George Duggins	Coventry City Council
Councillor Patrick Harley	Dudley Metropolitan Borough Council
Councillor Robert Hulland	Solihull Metropolitan Borough Council
Councillor Abdul Khan	Coventry City Council
Councillor Roger Lawrence	City of Wolverhampton Council
Councillor Paul Moore	Sandwell Metropolitan Borough Council

Non-Constituent Members

Nick Abell	Coventry & Warwickshire LEP
Councillor George Adamson	Cannock Chase District Council
Councillor Steven Claymore	Tamworth Borough Council
Councillor Shaun Davies	Telford & Wrekin Council
Councillor Bill Hartnett	Redditch Borough Council
Councillor Dennis Harvey	Nuneaton & Bedworth Borough Council
Councillor David Humphreys	North Warwickshire Borough Council
Ninder Johal	Black Country LEP
Councillor Chris Saint	Stratford-on-Avon District Council
Councillor Michael Stokes	Rugby Borough Council

Co-Opted Member

Lee Barron	Midlands Trades Union Congress

Observer Members

Councillor John Edwards	West Midlands Fire & Rescue Authority
David Jamieson	West Midlands Police & Crime Commissioner

In Attendance

Jan Britton	Sandwell Metropolitan Borough Council
Paula Deas	Coventry & Warwickshire LEP
Paul Dransfield	Birmingham City Council
Monica Fogarty	Warwickshire County Council
Alan Franks	Nuneaton & Bedworth Borough Council
Sue Hanley	Redditch Borough Council

Councillor Peter Hughes	Overview & Scrutiny Committee
Jerry Hutchinson	North Warwickshire Borough Council
Keith Ireland	WMCA / City of Wolverhampton Council
Jonathan Jardine	Office of Police & Crime Commissioner
Nick Johnson	Solihull Metropolitan Borough Council
Stella Manzie	Birmingham City Council
Tony McGovern	Cannock Chase District Council
Sarah Middleton	Black Country Consortium
Adam Norburn	Rugby Borough Council
Sarah Norman	Dudley Metropolitan Borough Council
Richard Partington	Telford & Wrekin Council
Martin Reeves	WMCA / Coventry City Council
Paul Sheehan	Walsall Metropolitan Borough Council
Laura Shoaf	Transport for West Midlands
Tony Smith	Birmingham City Council
Mark Taylor	West Midlands Combined Authority
Katie Trout	Greater Birmingham & Solihull LEP
Councillor Richard Worrall	Transport Delivery Committee
Clive Wright	Shropshire Council

Item No. **Title**

1. Apologies for Absence

Apologies for absence were received from Jonathan Browning, Councillor Ian Courts, Councillor Steve Eling, Steve Hollis, Councillor Peter Nutting, Councillor Izzi Seccombe and Graham Wynn.

2. Minutes

The minutes of the meeting held on 12 May 2017 were agreed, and signed by the Chair, as a correct record.

3. Chair's Remarks

The Chair congratulated Councillor Patrick Harley on his recent election as Leader of Dudley Metropolitan Borough Council, and looked forward to welcoming Councillor Peter Nutting to the next meeting of the board as the new representative from Shropshire Council.

4. Delivering Our Priorities: The Mayor and WMCA Structures

The Chair presented a report on his proposed approach to the WMCA structures in order to deliver the priorities of the Mayoral West Midlands Combined Authority.

Following the election of the Mayor on 4 May, work has been undertaken to ensure that the WMCA's policy priorities and the Mayor's policy priorities were aligned so as to ensure the effective delivery of these shared objectives. As part of this work, the Mayor had made some minor changes to the policy portfolios, and he would now meet with the Portfolio Leads to agree their detailed roles, responsibilities and operational model.

The Mayor also proposed to establish a Business Advisory Group, chaired by an independent business leader appointed by the Mayor, to advise him on the concerns of business, to identify the ways that the business sector could support the WMCA, and to draw in the resources and expertise of business representative organisations.

Following the successful recruitment of a permanent Chief Executive and five director-level posts, a new Executive Board, chaired by the Mayor, would be established to drive the delivery of the WMCA's priority policy areas.

The Chair confirmed that Jean Templeton from St Basil's had been appointed to lead the homelessness task force that was being established.

Resolved:

The proposed development of West Midlands Combined Authority structures to deliver the priorities of the Mayoral West Midlands Combined Authority be endorsed.

5. Performance Reporting

The Chair presented a report on the approach being developed for performance reporting and management for the West Midlands Combined Authority.

The Mayor's Renewal Plan for the West Midlands committed to publish a report card on how the West Midlands was doing every three months, with the latest information on the economy, jobs, skills, unemployment, transport and housing. A performance management framework had been developed by the Black Country Consortium's Economic Intelligence Unit, which comprised a suite of strategic indicators that would be used to measure the headline impact of WMCA programmes and investment, and would develop an appropriate target for each indicator to be monitored against a 2013 baseline.

The Chair indicated that the development of the performance monitoring framework was still being refined and would be subject to further reports to this board. He would welcome any suggestions as to how the dashboard reporting process could be further improved.

Resolved:

The proposed approach to performance reporting for the West Midlands Combined Authority be noted.

6. Appointment of WMCA Boards and Committees etc 2017 - 2018

The Chair presented a report on the appointments made by Constituent, Non-Constituent and observer member authorities to the WMCA Board and its committees/sub-boards for 2017/18.

In addition to the WMCA Board meeting itself, there were a number of other committees and boards that met throughout the year to discharge the authority that had been delegated to them by the West Midlands Combined Authority. Each Constituent, Non-Constituent and observer member authority had made appointments for its representatives to sit on these meetings. The WMCA Board would appoint the chairs of these meetings itself. The WMCA Board was also required to approve its representation on outside bodies and the timetable for its meetings for the forthcoming year.

The Clerk confirmed that in addition to the specific appointments made by the Constituent and Non-Constituent authorities, the West Midlands Police & Crime Commissioner and West Midlands Fire & Rescue Authority continued to be observer members, and the West Midlands Trades Union Congress remained a co-opted member, of this board.

Councillor Bill Harnett noted that the Non-Constituent member authorities had not been involved in the selection of the portfolio lead chosen from amongst their membership, which he understood had been the intention. The Chair indicated that he had sought to give continuity to the position of portfolio leads, and hoped that the Non-Constituent members would be supportive of this intention as the governance of the combined authority evolved.

Councillor Chris Saint noted that a representative from Stratford-on-Avon District Council had been omitted from the membership of the Investment Board, and the Clerk undertook to correct this oversight.

Resolved:

(1) The members nominated by Constituent, Non-constituent and observer member authorities to sit on the WMCA Board and its committees/sub-boards be noted, subject to the addition of Councillor Peter Richards (Stratford-on-Avon District Council) as a non-voting member of the Investment Board.

(2) The appointment of the chairs of the West Midlands Combined Authorities committees and boards be as follows:

- Audit, Risk & Governance Committee - David Lane
- Investment Board - Councillor Izzi Seccombe
- Overview & Scrutiny Committee - Councillor Peter Hughes
- Transport Delivery Committee - Councillor Richard Worrall
- Wellbeing Board - Councillor Bob Sleigh

(3) Councillor Roger Lawrence be appointed to represent the West Midlands Combined Authority on the West Coast 250 campaign group.

(4) The timetable of meetings for 2017 - 2018 be agreed.

(5) The Clerk be given delegated authority to approve any subsequent changes to the membership of any committee/board notified to him by a Constituent or Non-Constituent member authority.

7. Appointment of WMCA Officers

The Chair presented a report on the appointment of staff to a number of key statutory and other posts within the WMCA.

At the WMCA Board AGM on 29 June 2016, the appointment of a number of key statutory and officer posts within the WMCA were made, subject to these being reviewed after a year. In addition, following the appointment of Tim Martin as WMCA Head of Governance, it was proposed that he take over responsibility for providing legal advice to meetings of the WMCA Board.

Resolved:

(1) The appointment of the statutory and other officer posts set out below be approved:

- Head of Paid Service - Martin Reeves
- s.151 Officer - Mark Taylor
- Monitoring Officer - Keith Ireland
- Clerk to the Combined Authority - Keith Ireland
- Legal Advisor - Tim Martin

(2) Further reports on changes to these appointments be submitted to future meetings of the WMCA Board as the permanent leadership team joined the West Midlands Combined Authority later this year.

8. Devolution Update

The Chief Executive provided an update to the board on recent devolution-related developments. Following the General Election on 8 June, meetings were being held with officials, although the impact the results of the election would have on the devolution agenda was still too early to tell and officers from the combined authority were seeking to be in a position to maximise the outcome of any changes in policy that emerged.

Resolved:

The update on the latest position regarding devolution discussions with the Government be noted.

9. Policy Research Plan 2017

The Chair presented a report seeking the approval of the WMCA Policy Research Plan.

The development of the WMCA provided an opportunity to increase the impact of research and intelligence in providing outcomes for residents in the region. The report identified the priorities for research and intelligence for the WMCA over the next three years, and the proposed Policy Research Plan set out how these priorities would be delivered, including agreeing and initiating a series of 'quick win' pilots to test the value of improved information sharing. It was intended that these quick wins would be focussed on air quality, housing/homelessness and procurement.

The Police & Crime Commissioner noted that a number of public bodies were undertaking work related to criminal pathways, and it was important that this work was complementary and sought to avoid possible duplication. The Chair supportive this view. He also indicated that he wished to see the researched produced to be made available as widely as possible.

Resolved:

The Policy Research Plan be endorsed.

10. Minutes of the Overview & Scrutiny Committee - 21 March 2017

The board received the minutes of the Overview & Scrutiny Committee held on 21 March 2017.

Councillor Peter Hughes drew the board's attention the importance of properly resourcing the work of the Overview & Scrutiny Committee so that it could contribute to the governance of the WMCA. He also noted that the Greater Birmingham & Solihull Local Enterprise Partnership had not yet made an appointment to the committee. Katie Trout indicated that the LEP Board would consider making its appointment when it next met.

Resolved:

The minutes of the meeting held on 21 March 2017 be noted.

11. Minutes of the Investment Board - 24 April 2017

The Board received the minutes of the Investment Board held on 24 April 2017.

Councillor Robert Hulland welcomed the recent revision of the Investment Board's terms of reference, which he considered had strengthened the role of the board.

Resolved:

The minutes of the meeting held on 24 April 2017 be noted.

12. Minutes of the Audit, Risk & Assurance Committee - 28 April 2017

The Board received the minutes of the Audit, Risk & Assurance Committee held on 28 April 2017.

Resolved:

The minutes of the meeting held on 28 April 2017 be noted.

13. Minutes of the Transport Delivery Committee - 8 May and 12 June 2017

The Board received the minutes of the Transport Delivery Committee held on 8 May and 12 June 2017.

Councillor Richard Worrall drew the board's attention to the poor interchange between rail and metro services at Birmingham Snow Hill station and he called on the rail industry to be more responsive the frustrations this was causing passengers. He also reported that the proposal put forward by the committee to amend its special responsibility allowances would help ensure a more inclusive approach to undertaking its business.

Resolved:

(1) The minutes of the meetings held on 8 May and 12 June 2017 be noted.

(2) In respect of minute no. 129/16 ('Motion - Special Responsibility Allowances'):

(a) The proposed proportional model of working be approved.

(b) The mechanism whereby the additional Special Responsibility Allowances for the second Vice-Chair would be funded from within the existing Transport Delivery Committee budget for special responsibility allowances be approved.

(c) Appointments be made as follows:

- Chair - Councillor Richard Worrall
- Vice-Chairs - Councillors Philip Davis and Timothy Huxtable

14. Minutes of the Wellbeing Board - 19 May 2017

The Board received the minutes of the Wellbeing Board held on 19 May 2017.

Sarah Norman indicated that the board was taking a particular interest in matters relating to air quality across the region, and this would form a key part of its work programme for the forthcoming year.

Resolved:

The minutes of the meeting held on 19 May 2017 be noted.

15. Forward Plan

The plan of items to be reported to future meetings of the WMCA Board was noted.

16. Responding to the Government's Consultation on Increasing the Regional Impact of Channel 4 Corporation

Councillor John Clancy presented a report on the progress in developing a West Midlands response to the consultation document that the Government had launched on the future of Channel 4.

The Government was seeking responses to a series of questions set out in its consultation document by 5 July. The WMCA had agreed to submit a regional response on behalf of the West Midlands and to commission the West Midlands Growth Company to lead on the preparation of the response. A working group, chaired by the Chief Executive of the Growth Company and including representatives from across the three LEP geography, had been convened to lead on the development of the submission.

Work was on-going to complete the evidence base required to underpin the consultation submission and to draft the response itself. To support this development, a detailed engagement plan was being delivered, including key influencers across Government, local MPs, the creative, cultural and media sectors, universities, colleges and Channel 4 itself.

Councillor John Clancy confirmed that delegated authority was being sought in respect of the submission of the consultation response, and that subsequent reports on this matter would come before future meetings of the WMCA Board.

Resolved:

(1) The update on developing a West Midlands response to the Government’s consultation on ‘Increasing the Regional Impact of Channel 4 Corporation’ be noted.

(2) Authority be delegated to the Mayor, the Leaders of Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council and Solihull Metropolitan Borough Council and the three Local Enterprise Partnership chairs to agree the final response to the consultation, to be submitted to Government by 5 July 2017.

17. West Midlands HS2 Growth Board Future Governance and Programme Support

Councillor John Clancy presented a report on changes to the management of the HS2 Growth Delivery Board.

Birmingham City Council was in the process of finalising its future operating model and in doing so was significantly reducing its management structure. In order to make sure the HS2 Growth Implementation Plan continued to be given a high priority, it was proposed to place the leadership of the programme with the WMCA itself and that the Director of Finance would take the lead as Programme Director for HS2 Growth. In addition, it was intended to second the existing programme manager and members of the co-ordination team to the WMCA for an initial period of two years.

The Chair noted that this was the last meeting that Paul Dransfield would be attending before he left Birmingham City Council. He expressed his thanks to the work he had done to support the WMCA through his oversight of the HS2 Growth Delivery Board, and wish him the very best for the future.

Resolved:

(1) It be agreed that the Director of Finance would act as Programme Director for HS2 Growth.

(2) The existing HS2 Growth Co-ordination Team be seconded to the West Midlands Combined Authority for an initial period of two years from 1 August 2017.

(3) The Monitoring Officer of the West Midlands Combined Authority be authorised to make all necessary arrangements to enact the resolutions set out above.

18. Land Commission Update - Progress Report

Councillor Sean Coughlan presented a report that set out the next steps to be taken to bring forward the programme of work required to respond to the Land Commission.

The commission was established to identify the means by which the stock of developable land could be increased so that the level of housing completions and stock of developable employment sites could be raised to accommodate the levels of growth outlined in the Strategic Economic Plan. It was intended that PwC would support the Portfolio Lead for Housing & Land to work with the constituent and non-constituent members of the WMCA to develop a collective response to the Land Commission's report and to build consensus on the areas within the report which could be implemented at pace and in the medium term, as well as identifying areas where more work would be required to define the activity required.

It was intended to provide a further update to the WMCA Board meeting on 8 September.

The Police & Crime Commissioner noted that the issue of unauthorised encampments remained of significant concern across the region and hoped that there would be a co-ordinated response amongst authorities. Councillor Chris Saint reported that Warwickshire's local planning authorities were undertaking a joint review of Green Belt land, and he stressed the importance of ensuring that conclusions of this, and other, reviews were respected. Councillor Sean Coughlan assured the board that this would be the case and that the WMCA was not seeking to take over planning powers exercised by local planning authorities.

Resolved:

The West Midlands Combined Authority Land Commission update report be noted.

19. Canal & River Trust - Agreement of a Memorandum of Understanding

Councillor Roger Lawrence submitted a report on the need to develop a collaborative way of working between the WMCA, Constituent and Non-constituent member authorities and the Canal & River Trust due to increased levels of funding now available to deliver transport improvements over the next 10 years.

Over the last four years, Birmingham City Council and the Black Country LEP had invested heavily to upgrade the canal tow paths to increase the level of cycling and walking across the metropolitan area. These projects had helped to enhance the assets of the Canal & River Trust, and it was considered beneficial to streamline the process to enable future schemes to be delivered without incurring unnecessary delays. The proposed Memorandum of Understanding would seek to prevent the Canal & River Trust from submitting objections to planning applications or Compulsory Purchase Orders where they stood to benefit from the improvements proposed, either through an enhancement in the value of their assets or an increase in use on the network.

The Memorandum of Understanding would also allow schemes contained within the HS2 Connectivity package and the West Midlands 2026 Delivery Plan for Transport to be developed and delivered more efficiently.

Resolved:

The contents of the Memorandum of Understanding between the West Midlands Combined Authority's Constituent and Non-Constituent member authorities and the Canal & River Trust be approved.

20. Swift Vending Machines Wider Roll Out

Councillor Roger Lawrence presented a report highlighting the success to date of the Swift vending machine pilot at Wolverhampton bus station and on the potential to roll out vending machines at other key locations.

In order to deliver greater access to the Swift card, Transport for West Midlands had piloted a Swift vending machine at Wolverhampton bus station that enabled customers to purchase Swift cards or to buy any ticket within the Swift range. Within the first six weeks of operating, ticket purchases had grown to almost 100 per week. Usage had been highest outside of the opening times of the Wolverhampton Travel Information Centre.

Transport for West Midlands had now identified 12 future key bus stations and interchanges that would benefit from the introduction of a Swift vending machine.

Resolved:

The wider rollout of Swift vending machines across all Transport for West Midlands' bus stations and a key interchanges be approved, subject to a satisfactory business case.

21. Swift on Rail at Non-Constituent Member Stations

Councillor Roger Lawrence presented a report seeking approval to migrate the nNetwork and nTrain 'add-on' tickets on to the Swift platform and on an update on the progress towards delivering the Swift pilot in Redditch.

The Swift team had successfully tested the 'add on' ticket that provided access to the West Midlands rail network to those living in the wider journey to work area on the Swift platform, including at smart-enabled rail gates. Agreement had also been gained from Train Operating Companies that operated in the wider area. It was therefore expected that the roll out to customers could begin in July.

Transport for West Midlands was keen to roll out the benefits of Swift into the wider Non-Constituent areas and provide access to Swift to direct debit customers at 37 rail stations across the Non-Constituent area. In addition, the location for three Swift collectors within the Redditch area had been agreed, and these would allow customers to download tickets or pay-as-you-go credit on to their Swift card. It was expected that the ticket collectors would be available for use from September.

Councillor Bill Hartnett welcomed the additional customer benefits that would be provided by the installation of Swift collectors in Redditch.

Resolved:

(1) The migration of the nNetwork and nTrain 'add-on' tickets on to the Swift platform to bring the Swift card experience to Non-Constituent member authorities' residents travelling on the rail network into the West Midlands from July 2017 be approved.

(2) The progress made on the delivery of the pilot project to install three Swift collectors within the Redditch area be noted.

22. Date of Next Meeting

Friday 21 July 2017 at 11.00am

23. Exclusion of the Public and Press

Resolved:

That, in accordance with s100(A) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business as it was likely to involve the disclosure of exempt information specified in paragraphs 1 and 3 of the Act.

24. Commonwealth Games 2022 Bid

The Chair presented a report on the latest developments regarding the proposal for Birmingham to bid to become host city for the Commonwealth Games 2022. The report provided further details on the key issues that were currently being considered as part of the submission of a bid to host the Games, including the financial implication of any bid and the compelling case that would form the basis of Birmingham's bid submission.

Councillor John Clancy stressed the benefit of the region working collaboratively to support this bid, recognising the wider economic benefits that could be achieved if the bid were to be successful. The Police & Crime Commissioner indicated his support for the bid, stressing the need to reflect the importance of providing assurance as to the security of the athletes and spectators participating in the games.

Resolved:

(1) The developments in relation to the proposed bid for the Commonwealth Games, including the outcome of the feasibility study, be noted.

(2) A contribution of £250,000 from West Midlands Combined Authority funds towards a regional consortium of funding in order to prepare a bid for the 2022 Commonwealth Games be approved.

(3) It be noted that a substantial part of the local funding required to deliver the Commonwealth Games was to be raised by Birmingham City Council in collaboration with its partners.

(4) Any capital resources provided by the West Midlands Combined Authority to support the delivery of the Commonwealth Games would be limited to those already included within the Investment Programme where the delivery needed to be accelerated.

(5) It be noted that the West Midlands Combined Authority had no revenue resources available to contribute towards the delivery of the Commonwealth Games.

25. Staffing Matters

The Chair presented a report seeking approval for the reimbursement to Coventry City Council for 50% of the Interim Chief Executive's costs between 5 May - 30 September 2017. This would ensure the smooth and effective handover to the permanent Chief Executive when they were expected to take up the post during September.

Resolved:

The reimbursement to Coventry City Council between 5 May and 30 September 2017 for 50% of the interim Chief Executive costs be approved.

Agenda Item 7

WMCA Board Meeting

Date	21 July 2017
Report title	WMCA Funding for Growth Programme
Portfolio Lead	Andy Street, Mayor
Accountable Chief Executive	Martin Reeves, Interim Chief Executive, WMCA email: martin.reeves@coventry.gov.uk tel: (024) 7683 3232
Accountable Employee	Nick Taylor, Advisor to the Mayor Email: nick.taylor@wmca.org.uk Tel: (0121) 214 7313
Report to be/has been considered by	

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

1. Approve the establishment of the Funding for Growth Programme ("FGP"), focused on driving additional funding for the Midlands, both in terms of both devolved fiscal power from Government and seeking new funding mechanisms in the region to maximize investment.

2. Agree initial funding requirements of the programme for the first phase of work up to September 2017 for the initial set-up and resourcing of a project team supporting the programme, which will be responsible for the research, analysis, recommendations and implementation plans of such mechanisms. Discussions have been held with PwC who have been asked to provide support to the project team, and whilst these are ongoing, the cost of such support in this phase is not expected to exceed £50,000.

1.0 Purpose

1.1 To share the Mayor's proposed approach to examining funding mechanisms available to the WMCA, and potential mechanisms to implement, in order to maximise investment in the West Midlands region, through the establishment of the Funding for Growth Programme.

2.0 Background

2.1 The West Midlands Mayor was appointed in early May 2017, with a commitment in his manifesto to "get the best financial deal for the West Midlands" – and in particular, "launch a Finance Commission to further understand the options to improve the tax and public spending arrangements for the West Midlands. This mirrors existing and ongoing work on fiscal devolution by the WMCA.

2.2 This document and the attached paper (Appendix 1) summarise the key aspects of the proposed FGP, its aims, proposed structure and timeline of its work. Now that the Mayor is in office, rapid progress is essential to develop funding mechanisms that will enable policy objectives to be met and improvements to the West Midlands economy, housing, transport and social environment to be embedded. The programme is central to these.

2.3 London has embraced the drive for greater devolution, with a Finance Commission having originally been set up by Boris Johnson in 2013, and re-formed in 2016 following the Mayoral election in that year. Its report "Devolution: A Capital Idea" was launched in early 2017, and provides evidence-based recommendations for further fiscal devolution across a number of areas.

2.4 The programme in the West Midlands will not simply replicate the work of the London Finance Commission. Whilst certain themes and goals may be similar, the programme will focus on generating and implementing ideas that will drive additional funding for the region, rather than simply seeking further devolution of powers to the region. In particular, the programme will:

2.4.1 Consider existing financing/funding powers and sources that are available to the WMCA, recent evolution of these, and comparison of these powers/sources to those devolved to London and selected other cities.

2.4.2 Analyse the West Midlands region, in terms of levels of public expenditure and tax revenue, and assess the size of the funding gap.

2.4.3 Consider the potential options available to the West Midlands, in terms of additional powers (i.e. tax revenues and control over spending) that could be devolved from Government, and incremental funding sources that could be used locally.

2.4.4 Make recommendations as to how the West Midlands could increase control over local spending and, importantly, create new funding opportunities (or enhance existing mechanisms), based on the options assessed. The external experts in the programme will be key to generating new funding ideas, which may include innovative mechanisms to drive incremental property and infrastructure investment, e.g. new funding structures to increase the viability of funding brownfield site regeneration for property development.

2.4.5 Consider further objectives and areas that should be considered for ongoing focus following the completion of initial evaluation and reporting, and how such further objectives can be delivered.

2.5 The programme will comprise a network of 15-20 experts with a blend of experience across public and private sector, including representation of the WMCA, broader local government experience, relevant think-tanks, funding and finance professionals, and others from the private sector. For the avoidance of doubt these people will be on the team in an individual capacity, rather than representing the businesses/organisations they work for on a day-to-day basis. A list of members is set out in the appended briefing paper. Given the range of areas to be covered flexibility will be given to the programme board to utilise additional expertise in specific areas, such as in the areas of housing and transport, as necessary.

2.6 Supporting the programme will be a project team of policy support, largely comprising local WMCA support, academics and think-tanks. A degree of external support will be required to set this up.

3.0 Wider WMCA Implications

3.1 The WMCA will be represented by the interim Chief Executive and Finance Director of WMCA, who have both been invited to join. This will ensure the implications of the programme’s work are fully understand by the WMCA, as well as ensuring that local authority finance directors are fully consulted on plans being proposed.

3.2 The programme will also leverage off existing groups, structures and taskforces within the WMCA, to avoid duplication of work. In particular, where existing structures are in place the programme will focus less on those specific areas.

4.0 Progress, options, discussion, etc.

4.1 The programme is to be convened during July 2017, with initial recommendations targeted to be delivered by the end of 2017, to inform 2018 budgeting. Once the project team is in place and an initial gathering of the programme has been held, a formal structure of interactions will be agreed. The project team will drive delivery of the outputs, with regular interactions with the programme members. An outline of the structure and timeline is included in the attached paper.

5.0 Financial implications

5.1 As part of the approval to launch the programme and support the project team, a budget requirement to fund initial support from PwC to the project team is required. Discussions are ongoing with PwC around the scoping of this support, however the associated costs are not expected to exceed £50,000 (excluding VAT and expenses). This budget will support the set-up and work of the project team in the first phase of the programme to September 2017.

5.2 The ongoing cost of the project team will be managed through utilising, where possible, local think-tank and academic resource in specific areas of research, as well as WMCA resource.

6.0 Legal implications

6.1 There are no immediate legal implications arising from this report particularly as no specific proposals or funding vehicles have yet been identified. It will be necessary to keep any subsequent proposals under review to ensure that they are within the legal powers available to the Combined Authority now or in the future. No specific delegations are being requested from the Board at this stage so proposals in the future may also require Board approval to implement but this can be considered as and when necessary through liaison with the Legal/Governance team within the Combined Authority.

7.0 Equalities implications

7.1 There are no immediate equalities implications arising from this report.

8.0 Schedule of background papers

8.1 None

9.0 Appendices

9.1 Appendix 1 – Funding for Growth Programme Briefing Pack

West Midlands Funding for Growth Programme

Briefing Paper

WEST MIDLANDS COMBINED AUTHORITY

Context to the West Midlands Funding for Growth Programme ("FGP")

- With a total budget of £8 billion over a 30 year period, additional resources are required in order to fill the funding gap and allow the aims of the WMCA across Housing, Transport, the Economy, Skills, and other areas to be delivered.
- To drive additional funding for the Midlands, both in terms of both devolved fiscal power from Government and, more importantly, seeking new funding mechanisms in the region, a programme is to be established to map out the options available for additional funding and the key actions/measures to be implemented in order to crystallise this funding and ultimately deliver on the WMCA's targets.
- The programme will benefit from a diverse range of skills and expertise from its members, who will comprise private sector, funding/financing, public sector and West Midlands local government backgrounds. Given the range of areas to be covered by the programme flexibility will be given to the programme board to utilise additional expertise in specific areas, such as housing or skills, as necessary.
- The programme will be led by a programme board, with a Chairperson appointed to lead the group's work.
- The programme's output will be a formal report (or series of smaller reports) summarising the funding streams to be prioritised and the key actions required to deliver such funding.
- It is hoped that the programme will be in a position to report its initial findings by the end of 2017.
- The initial priority for the programme will be to assess existing funding mechanisms available to the WMCA and to prioritise investigation into new measures that may be introduced to drive incremental funding for the region.
- This paper summarises the key objectives of the programme, the proposed structure, operations and and timeline for its work. These are subject to final agreement.

WEST MIDLANDS
COMBINED AUTHORITY

Key objectives of the FGP

The following sets out the core objectives of the programme; these will be focused on by different groups within the programme, as set out later in this document.

1. Consider existing financing/funding powers and sources that are available to the WMCA, recent evolution of these, and comparison of these powers/sources to those devolved to London and selected other cities.
2. Analyse the West Midlands region, in terms of levels of public expenditure and tax revenue, and how this compares to the UK as a whole, to consider the extent to which we get our 'fair share' as well as the size of the funding gap in the region.
3. Consider the potential options available to the West Midlands, in terms of additional powers (i.e. tax revenues and control over spending) that could be devolved from Government, and **incremental** funding sources that could be used locally. In particular focus will be on:
    - Potential size of the funding that could be achieved and the benefits this could bring;
    - Control over the use of the funds;
    - The likely timeline to achieve access to the funding; and
    - Additional steps required in order to access the funding stream considered.
4. Make recommendations as to how the West Midlands could increase control over local spending and create new funding opportunities, based on the options assessed.
5. Consider further objectives and areas that should be considered for ongoing focus following the completion of initial evaluation and reporting, and how such further objectives can be delivered.
6. Input into West Midlands Devolution Deal II workplans, to ensure a joined-up and consistent approach
7. Engage with HM Government on an ongoing basis to discuss plans and measures considered

Fill the funding gap to drive investment in key policy areas

WEST MIDLANDS
COMBINED AUTHORITY

Proposed approach – evaluating the potential funding options

The programme will assess a broad horizon of funding sources and initiatives. This will include active funding streams in use by WMCA now, and other potential areas, both in development or at early stage of implementation.

New funding ideas → **Existing mechanisms**

New funding ideas	Theory	Practical application and benchmarking	Localisation, planning/ implementation	Active/in use
Brainstorm innovative funding ideas across key policy areas (likely focus of external experts)	Assess theoretical application of ideas generated and high level £ impact	Development and refinement of ideas, as well as robust business case	Develop detailed implementation plans, tailored to the Midlands	Assess success and effectiveness of initiatives in place, and value of funding generated
• [e.g. mechanisms to drive incremental funding for brownfield development and wider housing/ infrastructure investment]	• Apprenticeship Levy • Public Service Reform Gain Share Fund • Replacement of EU structural funds • Grant bid effectiveness	• WMCA Investment Fund • “City Bond” • Public Sector Pension Fund Investment • Social investment • Land value capture	• Devolved 19+ adult skills funding • Land Remediation Fund • Borrowing Powers • Business Rates 100% retention pilot • Precept • Business Rates Levy	• £36.5m p.a. devolution deal funding allocation • Local Growth Fund

Existing proposals for consideration

WEST MIDLANDS COMBINED AUTHORITY

Proposed timeline of the programme

Jul-17 | Sep-17 | Nov-17 | Jan-18

- **External experts confirmed and initial meetings held.**
- **Brainstorming of new innovative funding ideas undertaken by external experts**

Ongoing focus/evaluation of new funding ideas, as necessary

- **Set out the region's financing needs and priorities across key policy areas, including assessment of size of funding gap**
- **Assess existing financing initiatives in place to fund WMCA, and their ability to deliver incremental funding**
- **Prioritise initiatives for core focus**

Consider key policy priorities/forward plan, and extent of funding requirements for key policy areas

Ongoing refinement/re-evaluation as necessary

Development of funding opportunities, with regular interaction with FGC

Project team undertakes core research, analysis and coordination across the programme

Dedicated resource within project team, to ensure initiatives are considered, developed, prioritised and implemented efficiently

Monthly programme meetings

Input into Devolution Deal II

Ongoing Treasury/Government engagement

Reporting of initial FGC recommendations and mechanisms for funding – could be part of one report, or individual reports covering key recommendations

Later phase planning – as necessary

WMCA budgeting process

Key dates:

- External experts convened – wk of 17 July 2017
- Project team assembled and starts work – late July 2017
- Formal project team interactions with programme team on a monthly basis, with less formal interactions on an ongoing basis.
- Completion of initial phase of work – September 2017 – early stage assessment and prioritisation

WEST MIDLANDS
COMBINED AUTHORITY

Proposed structure of the programme team

Role

- Oversight and steering of the programme
- Periodic liaison and engagement with HM Treasury/Government
- Mayoral briefings, as necessary

Programme board (members and chair to be confirmed)

Expert commission
including private sector, funders, think-tank and academic representation

Role:

- Generation and proposed prioritisation of new funding ideas
- Input into and review/challenge of project team activities
- Involvement in delivery/implementation of plans for those with the relevant expertise

West Midlands local government/finance representation

Role:

- Input into assessing current funding gap
- Assessment of current funding structures and prioritisation
- Consideration of new funding ideas generated by experts, incl steps required to implement
- Input into and review/challenge of project team activities

Ongoing engagement with HMT/ Gov't throughout

Government representatives including DCLG and Treasury, and other Government advisers

Project team
WMCA resource + academic/think-tank input
May draw on other specialist and advisory input, as needed

Role

- Assessment of size of funding gap
- Detailed research and analysis on prioritised funding mechanisms
- Ongoing liaison with programme board and experts/WM local government stakeholders
- Preparing reports on selected initiatives

WEST MIDLANDS
COMBINED AUTHORITY

Remit of members

- Members of the FGP will be required to provide their expertise and input into the programme over the initial core timetable of delivery, being July to December 2017.
- Time requirements are not expected to be extensive over this period, however we would envisage the following:
  - Availability for initial brainstorming meeting during July 2017, during which:
    - plans for the programme will be discussed; and
    - Initial thoughts/observations/ideas on funding in the West Midlands are to be discussed.
  - A full programme meeting will be held in early September 2017
  - Formal consultation with the project team and other members periodically, during 'challenge sessions' to be held as individual stages of the project team's work are completed. This is likely to comprise monthly round table discussion with all members of the FGP, any may be supplemented by smaller group sessions/calls focused on specific areas, as necessary.
  - Support in refining conclusions, positioning and testing proposals with key stakeholders, including providing input in FGP outputs, as necessary.
- During this period there will likely be requirement to provide ad-hoc advice and consultation to the project team and wider Mayoral team, in order to ensure efficiency of the overall plan and delivery of programme outputs within the timeframes set out.
- Members will also be expected to link into existing WMCA bodies with relevant expertise around specific policy areas (e.g. transport, housing, skills) on a regular basis. In particular, the programme may seek experts to provide input in specific policy areas, where such expertise is considered value-adding to the programme members' own experience.

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BIRMINGHAM · COVENTRY · DUDLEY · SANDWELL · SOLIHULL · WALSALL · WOLVERHAMPTON

WMCA Board Meeting

Date	21 July 2017
Report title	Appointment of WMCA Chief Executive
Portfolio Lead	Andy Street, Mayor
Accountable Chief Executive	Keith Ireland, Clerk and Monitoring Officer to the West Midlands Combined Authority email: keith.ireland@wolverhampton.gov.uk tel: (01902) 554500
Accountable employee(s)	Keith Ireland, Clerk and Monitoring Officer to the West Midlands Combined Authority email: keith.ireland@wolverhampton.gov.uk tel: (01902) 554500
Report to be/has been considered by	Metropolitan Leaders WMCA Chief Executive Appointment Panel

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

1. Approve the appointment of Deborah Cadman as the Chief Executive of the West Midlands Combined Authority.

2. Approve the Chief Executive’s remuneration package at a fixed point of £187,500 per annum.

1.0 Purpose

1.1 To approve the final salary package of the WMCA Chief Executive.

2.0 Background

2.1 Following the advertisement of the Chief Executive role at a pay scale of between £160,000 to £180,000 an extensive search and selection process was undertaken.

2.2 On Friday 23 June 2017, the Mayor of the West Midlands and the seven Constituent Council Leaders interviewed two candidates.

2.3 The Panel unanimously agreed that Deborah Cadman, currently Chief Executive of Suffolk County Council, should be offered the role.

2.4 Following negotiations the final package agreed (with the discretion provided by the interview panel) is as follows:

Salary £187,500

Proposals in respect of relocation expenses, annual leave and other matters are dealt with in a report contained within the private part of the agenda for this meeting.

2.5 Target start date 1 September 2017 (subject to confirmation, latest start date will be 1 October 2017 if Deborah Cadman has to work her full notice period).

2.6 The Board is asked to note that the original salary ie. the substantive pay range is £160,000 to £180,000.

2.7 As the negotiated pay is higher than the substantive pay range there will be no automatic increase in base pay other than any JNC for Chief Officer nationally or regionally agreed pay increases. It should also be noted that there is no performance related pay approved for the post. Any change to either of these in the future will be the subject of a report to the Board of the West Midlands Combined Authority.

3.0 Financial implications

3.1 The £7,500 above budget can be accommodated within the overall budget of the Combined Authority.

4.0 Legal implications

4.1 There are no other roles affected by the change to the overall salary for the role of Chief Executive. Therefore any equal pay challenge is negated.

5.0 Equalities implications

5.1 A proper and appropriate recruitment process was undertaken.

6.0 Other implications

6.1 None identified.

7.0 Schedule of background papers

7.1 West Midlands Combined Authority Board paper 3 March 2017 re Appointment of WMCA Chief Executive.

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Investment Board

Date 26 May 2017

Minutes

Voting Members

Councillor Izzie Seccombe (Vice Chair – In the Chair)	Warwickshire County Council
Councillor Robert Hulland	Solihull Metropolitan Borough Council
Paul Brown	Black Country Local Enterprise Partnership
Nick Abell	Coventry and Warwickshire Local Enterprise Partnership
Gary Taylor	Greater Birmingham and Solihull Local Enterprise Partnership

Non-Voting Member

Councillor Robert Vaudry (substitute for Councillor Peter Richards)	Stratford on Avon District Council
Sue Summers	Finance Birmingham

In Attendance

David Cockroft	Coventry City Council
Carl Craney	West Midlands Combined Authority
Gerald Gannaway	Finance Birmingham
Phil Hewitt	Transport for West Midlands
Angela Hosford	Transport for West Midlands
Nick Oakley	Finance Birmingham
Mark Taylor	West Midlands Combined Authority

30/16 Apologies for absence

Apologies for absence had been received from Councillor Sean Coughlan (Walsall Metropolitan Borough Council), Councillor Majid Mahmood (Birmingham City Council), Councillor Jim O'Boyle (Coventry City Council) and Councillor Peter Richards (Stratford on Avon District Council) (Substitute Member – Councillor Robert Vaudry – Stratford on Avon District Council).

Apologies for absence had also been received from Sarah Middleton (Black Country Local Enterprise Partnership) and Katie Trout (Greater Birmingham and Solihull Local Enterprise Partnership).

31/16 Declarations of Interest

Nick Abell declared an interest in Agenda Item No. 8 9Collective Investment Fund – investment Case – Expert Holdings Limited) and advised that he would withdraw from the meeting during the consideration of that item.

32/16 Chair's Announcement

The Chair welcomed Councillor Robert Vaudry, Stratford on Avon District Council to the meeting.

33/16 Minutes

Resolved:

That the minutes of the meeting held on 24 April 2017 be confirmed as a correct record and signed by the Chair.

34/16 Matters Arising

With reference to Minute No. 29/16 (Amber REI Holdings Limited, Snowhill Birmingham), the Chair enquired as to the current position with this case.

Nick Oakley reappraised the Board that this project was on hold pending an assessment of the overall portfolio to ensure there was a balance of economic return, financial risk and commercial return within the portfolio.

Nick Oakley advised that a matrix was being prepared for consideration by the Investments Advisory Group reviewing each investment from an economic output, financial risk and commercial return perspective, with economic return being the key driver in line with the fund objectives. This matrix would further inform the decision making process.

The Company was aware of the position with the application being on hold the project was not proceeding at this point.

Councillor Robert Hulland commented that this was the reason for the questions relating to the role of the Board which had been raised at the last meeting. The Chair queried the reasons as to why this particular case did not have support from the Bank. Nick Oakley undertook to look into this matter but suggested that it resulted from the Bank funding policy direct bank funding would not be readily available.

35/16 Metro – Wednesbury to Brierley Hill Extension

Phil Hewitt presented a report which updated the Board on the on-going Wednesbury to Brierley Hill extension development and which sought financial cover for the local element of funding from the WMCA to enable submission of a business case to Government. The report sought also to note approval to submit an Initial Outline Business Case for the Wednesbury to Brierley Hill extension to Government by the WMCA.

Councillor Robert Hulland commented that the overall costs of the scheme had increased and enquired as to the likelihood of them increasing further. He questioned whether the additional sums added to the project cost were sufficient. Phil Hewitt acknowledged that a possibility existed that costs could continue to rise and explained that this was one of the reasons independent auditors had been appointed to review all costs associated with the scheme. He was optimistic that the 'Optimism Bias' would be reduced.

Councillor Robert Hulland enquired whether it would be possible for the construction and procurement contracts would be sourced locally. Phil Hewitt explained that this would not be possible with the purchase of the trams but that the producers might establish local assembly plants were the order be sufficient to justify such a step. With the infrastructure it was likely to be sources locally.

Councillor Robert Vaudry asked a series of questions relating to the economic case, the absence of an EVA analysis, the cost ratio benefits, the interest rates payable on the funding and the position in the event of an overspend on the contract. Phil Hewitt explained that benchmarking on the EVA could be provided and that the cost benefit ratio was 1.6 : 1 whereas a ratio of 1.5 – 2.0 : 1 was normally considered to be good for business cases for tam schemes. He reported that the scheme was Webtag compliant and that work was continuing with the relevant local authorities to identify the benefit from the scheme from access to new development and residential sites. He reminded the Board that £1.4m had been drawn down in 2016/17 for the scheme. Mark Taylor advised that this sum had not been released from the Collective Investment Fund but that the £4m was a loan to fund capital expenditure. Furthermore, no rate of interest was payable on the loan as the WMCA would borrow money from the Public Works Loans Board or through internal borrowing as detailed in the Treasury Strategy. Councillor Robert Vaudry enquired whether the loan would be repaid. Mark Taylor confirmed that it would not but the scheme would be included as a capital asset of the WMCA.

The Chair reminded the Board that this particular scheme had been an integral part of the Agreement to establish the WMCA. Phil Hewitt commented that the risks had been identified in the Devolution Deal and that it was intended that the Business Case would be submitted to Government during May 2017. It was hoped that the scheme would be referenced in the Chancellor of the Exchequer's Autumn Statement. Nick Abell commented that the scheme had been a project included in the Devolution Deal and that this Board's primary role in this particular case was to monitor progress from a financial perspective. He questioned as to whom would own the asset. Phil Hewitt explained that the capital asset would be owned by the WMCA and that from October 2018, when operation of the Metro service was taken in-house, all revenue would be returned to the WMCA.

The Chair queried whether a structural survey of the proposed route was required. Phil Hewitt reported that a structural survey was currently underway and that the budget included a conservative element for refurbishment. A further report on this element of the scheme would be available in due course.

Resolved:

(1) That the progress being made on delivering the Wednesbury to Brierley Hill Extension be noted:

(a) For the period up to 31 March 2017 be noted (Section 5.0 of the report refers);

(b) The delivery of an Outline Business Case submission to the WMCA Assurance process (Section 6.0 of the report refers);

(c) That planned for the period up to March 2018 (Section 7.0 refers)

(2) That the increase in estimated outturn cost for the project of £343.6 million and the principle of WMCA providing financial cover for the local element of this cost to enable the submission of a business case to Government (section 8.0 of the report refers) as agreed by the WMCA Board on 21 April 2017 be noted;

(3) That funding of up to £4 million for the 2017/18 financial year in order to progress the scheme be approved (Section 8.0 of the report refers);

(4) That, subject to the outcome of on-going WMCA Governance processes (Section 6.0 of the report refers) the submission of the Outline Business o Government, for the Wednesbury to Brierley Hill extension, seeking confirmation of project funding in the 2017 Autumn Statement, as approved by the WMCA Board on 21 April 2017 be noted.

36/16 Sprint – Hagley Road

Angela Hosford presented a report which detailed the revised funding profile for the Hagley Road Sprint scheme as agreed with the Greater Birmingham and Solihull Local Enterprise Partnership and which informed the Board of the continued political and Birmingham City Council support for the scheme. She report also advised on the opportunity to implement further public transport priority measures on the corridor as a second phase through the HS2 Connectivity Package.

Councillor Robert Hulland enquired whether the costs now quoted were realistic or whether they were likely to increase incrementally. He also enquired as to the position with the derogation with regard to the use of the 24 metre vehicle. Angela Hosford advised that the costs were as realistic as they could be at this stage but that they would be considered as part of the benefits review. With regard to the 24 metre vehicle she advised that a decision from the Department of Transport was still awaited. She reported that whilst this particular scheme did allow for the use of a 24 metre vehicle this would not necessarily be the case for future Sprint schemes. She confirmed that suitable 18 and 24 metre vehicles would be considered. Councillor Robert Hulland welcomed the two tier approach now described as 24 metre vehicles would not be suitable on all schemes. The Chair commented on the need to 'future proof' the scheme.

Paul Brown questioned the timescale for the scheme. Angela Hosford advised that it was anticipated that this particular scheme would be operational in 2021/22. Paul Brown enquired whether the Mayor would wish for the scheme to be operational at an earlier date. Angela Hosford explained that some infrastructure works would be carried out at an earlier date in order to deliver benefits to the transport network.

Nick Abell enquired how much of the funding had still to be identified and to the position if a potential operator was not willing to make a financial contribution. Angela Hosford advised that these discussions would be undertaken with potential operators, Nick Abell questioned whether the WMCA would retain control of the scheme once operational. Angela Hosford confirmed this to be the case.

The Chair questioned the position with land availability. Angela Hosford reported on the on-going discussions and negotiations with the land owners and lease holders. She explained that the land, once acquired, would be used as 'Bus Lanes' and was identified as such in the Highway Improvement Plan.

Resolved:

(1) That the WMCA Board be recommended to accept the offer of £7.29 million from the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) towards the Hagley Road Sprint Scheme;

(2) That the WMCA Board be recommended to approve, in principle, the funding of a further £3.15 million for delivery of the Hagley Road Sprint Scheme comprising £0.75 million of Integrated Transport Block (ITB) funding approved previously and £2.4 million of HS2 Connectivity Package funding;

(3) That the offer from the GBSLEP of £7.29 million which is the balance of its contribution towards the Hagley Road Sprint Scheme, development funding having already been received (total GBSLEP contribution of £8.1 million) be noted;

(4) That the requested addendum sent to GBSLEP to re-profile expenditure within the Hagley Road Sprint Scheme submitted business case be noted;

(5) That following submission of the Hagley Road Sprint Scheme business case to GBSLEP, the agreement of the WMCA Board to the HS2 Connectivity Package be noted (this package includes additional investment for the Hagley Road Sprint Scheme (Phase 2) with an estimated value of £50 million);

(6) That it be noted that following approval of the Strategic Outline Business Case (SOBC) for the Hagley Road Sprint Scheme (Phase 2) a paper recommending the delivery approach for both the promoted scheme and Phase 2 would be submitted to the WMCA management Board to ensure both schemes dovetail;

(7) That it be noted that the Birmingham City Council Cabinet Lead for Transport would like to see early delivery of benefits from the Hagley Road Sprint Scheme;

(8) That it be noted that no physical works on the promoted scheme would be undertaken until the WMCA Management Board had agreed the delivery approach for the scheme(s).

37/16 Exclusion of Public and Press

Resolved:
That in accordance with Section 100(A) of the Local Government Act, 1972 the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information relating to the business or financial affairs of any particular person (including the authority holding that information).

38/16 West Midlands Combined Authority CIF / LRF Dashboard
Nick Oakley presented the WMCA CIF / LRF Dashboard as at 18 May 2017 which detailed:

- Investments committed;
- Geographical allocation; and
- Pipeline – WIP.

Resolved:

(1) That the Dashboard be received and noted;

(2) That a report on project management including details of numbers of jobs created, scale of inward investment generated, monitoring of construction etc. be submitted to future meetings.

39/16 Collective Investment Fund – Investment Case – Expert Holdings Limited

Gerald Gannaway presented a report on a Collective Investment Fund (CIF) Senior Debt Loan with a bridging facility for a maximum of two years with repayment from the sale of old premises and refinance of the remaining loan by a commercial mortgage provider and responded to questions posed by those present.

Resolved:

That the senior debt loan as now reported be approved.

Meeting: Audit, Risk & Assurance Committee

Subject: Minutes

Date: Friday 16 June 2017

Present:

David Lane (Independent Chair)	
Councillor Craig Collingswood (Vice-Chair)	City of Wolverhampton Council
Councillor Sucha Bains	Coventry City Council
Councillor Kerrie Carmichael	Sandwell Metropolitan Borough Council
Councillor Bob Copland (Substitute for Councillor John Haynes)	Nuneaton & Bedworth Borough Council
Councillor Rachel Harris	Dudley Metropolitan Borough Council
Tom Westley	Black Country Local Enterprise Partnership

In Attendance:

Paul Beckley	West Midlands Combined Authority
Nicola Coombe	Grant Thornton
Linda Downes	Nuneaton & Bedworth Borough Council
Peter Farrow	City of Wolverhampton Council
Linda Horne	West Midlands Combined Authority
Sandra Kaylin	City of Wolverhampton Council
Tim Martin	West Midlands Combined Authority
Grant Patterson	Grant Thornton
Councillor Jackie Taylor	Sandwell Metropolitan Borough Council

Please note that in accordance to the WMCA Constitution, this meeting was inquorate. However, the recommendations contained within the minutes were submitted to the WMCA Board on 21 July 2017 for formal approval and adoption.

61/16 Apologies for Absence

Apologies for absence were received from Councillor Keith Chambers, Councillor Tristan Chatfield, Sean Farnell, Councillor John Fisher, Councillor Maureen Freeman, Councillor John Haynes, Councillor Angela Sandison and Councillor Rob Sloan.

62/16 Declarations of Interest

David Lane declared an interest in respect of his recent co-option as a councillor on Rowington Parish Council in Warwickshire. Tom Westley declared an interest as a Director of the West Midlands Growth Company Ltd.

63/16 Chair's Remarks

(a) Member Pre-Meetings
The Chair explained that in future Audit, Risk & Assurance Committee meetings would be preceded by a pre-meeting to enable members of the committee to discuss the agenda, reports and any issues without officers present. He asked that all members make attendance at these a priority.

(b) Progress made on Cyber Security
The Chair apologised that a report on cyber security had not been circulated in advance and that as an exception a presentation on the progress being made on cyber security would be made to this meeting because much of the work was continuing up to the day of the meeting. The Chair made it clear that the expectation would remain that written reports, circulated in advance would be the norm.

(c) Audit Findings and Annual Accounts - Late Reports
The Chair enquired about the late circulation of the Audit Findings Report and Annual Accounts 2016/17 for the West Midlands Combined Authority. Councillor Craig Collingswood highlighted the importance of receiving reports in advance of the meeting to enable members to make an informed decision. The Head of Finance explained that on 19 May 2017, the Annual Accounts were emailed to all members of the committee to review and comment on prior to them being submitted to Audit, Risk & Assurance Committee on 16 June.

Due to the cycle of meetings and timescales, the accounts had been circulated electronically to all members of the committee for review and comments, and members were given approximately four weeks to review and comment on the accounts. A review of the cycle of meetings for 2017/18 had been undertaken to avoid the late circulation of these papers in future.

64/16 Minutes of the Last Meeting
The minutes of the meeting held on 28 April 2017 were agreed and signed by the Chair as a correct record.

65/16 Matters Arising

(a) Environment - Air Quality (minute no. 57/16 refers)
At the last meeting of the committee Councillor Rachel Harris agreed to raise the issue of air quality at the Wellbeing Board and would also seek its guidance as to the role of the Audit, Risk & Assurance Committee and the Authority in monitoring this area of concern.

Councillor Rachel Harris reported that at Dudley Metropolitan Borough Council's AGM she was not re-appointed as a cabinet member and therefore was unable to attend the Wellbeing Board to raise this issue of air quality.

(b) Health & Safety Issues and Whistleblowing
The Head of Governance reported that there were no issues in respect of health & safety or whistleblowing to report.

66/16 The Scope and Responsibilities of Audit, Risk & Assurance Committee in Relation to Additional WMCA Bodies and Connected Companies

The committee considered a report from the Head of Governance on the scope and responsibilities of Audit, Risk & Assurance Committee in relation to additional WMCA bodies and connected companies.

A question had been posed by the Chair concerning the scope of the committee in light of the number of arm's length and connected bodies to the West Midlands Combined Authority, such as the West Midlands Growth Company. The Head of Governance assured the committee that it would remain as the single audit, risk and assurance body for the West Midlands Combined Authority.

As the dormant companies identified within the report become active, the Chair would expect the Head of Governance to propose the role of Audit, Risk & Assurance Committee in a report to be approved by the committee. The Chair would be consulted on any proposals before Audit, Risk & Assurance Committee were asked to approve any proposal. Councillor Craig Collingswood welcomed clarification on the role of this committee and asked that the Chair was sensitive to the workload placed on its members needing to remain manageable. The Chair requested that the list of arm's length companies be presented to all future meetings of the committee and the document should also note the any other names that the companies were known as or referenced elsewhere.

In response to a question raised by the Chair with regard to pension liabilities, Grant Thornton explained that the City of Wolverhampton Council was the administrating authority for the West Midlands Pension Fund and the West Midlands Combined Authority was responsible for the ITA Pension Fund. The committee noted the process in which the accounts were approved and the role of Audit, Risk & Assurance Committee.

The Chair proposed that members of the committee should receive a summary on how pension accountability flowed.

It be recommended to the WMCA Board that:

(1) The information within the report be noted and the creation of a number of additional boards, companies and structures that potentially added to the risk profile of the West Midlands Combined Authority be also noted.

(2) Appropriate entries should be made to the audit plan and strategic risk assessments to reflect the varying nature of the exposure to risk that these developments posed, and that this position be under review.

(3) A list of the arm's length or connected bodies to the West Midlands Combined Authority would be presented to all meetings of Audit, Risk & Assurance Committee as a standard item of business.

[Tom Westley declared an interest in this item as a Director of the West Midlands Growth Company Ltd]

67/16 The West Midlands Combined Authority's bid for the Commonwealth Games 2022

The committee received a verbal update from the Head of Governance on the bid to host the Commonwealth Games 2022 with an acknowledgement that some of the detail was commercially sensitive.

The bid was being led by Birmingham City Council and was supported by the West Midlands Combined Authority Board and other metropolitan authorities. An independent feasibility study was currently being undertaken which would look at the cost to fund the preparation of the bid and the wider benefits that could be achieved. A report on the developments in relation to the proposed bid would be presented to the West Midlands Combined Authority Board on 23 June 2017.

The Chair requested that a report on the role of the Audit, Risk & Assurance Committee with regard to the bid and the WMCA's funding for the Commonwealth Games 2022 was to be presented to the next meeting.

It be recommended to the WMCA Board that:

(1) The verbal report be noted.

(2) A report on the role and expectations of the Audit, Risk & Assurance Committee with regard to the bid and the WMCA's funding for the Commonwealth Games 2022 proposal be presented to the next meeting.

68/16 Audit Findings for the West Midlands Combined Authority

The committee considered a report from Grant Thornton on the key issues affecting the results of the West Midlands Combined Authority and the preparation of the Authority's financial statements for the year ended 31 March 2017.

With regard to the valuation of pension fund liability, Grant Thornton was still in the process of liaising with the actuary and hoped to be in a position to provide appropriate assurance in the near future. Grant Thornton agreed to circulate an updated page 12 of the Audit Findings report to all members of the committee following the conclusion of their work within this area.

The Chair requested assurance from the Head of Finance that as the metropolitan authorities had taken the benefit of the three year pension valuation liability decrease from the 2017/18 to 2019/20 transport levy, and that there was also agreement to increase the funding should there be an increase in the liability in future valuations. The Head of Finance stated that it was unlikely that such an explicit commitment would have been formally made, given the pressures on local authority finances. However, she undertook to give an update to the next meeting of the committee.

With regard to rights as a council elector in terms of inspecting the accounts, Grant Thornton agreed to forward a copy of the document that was produced by the National Audit Office to Councillor Jackie Taylor for her information.

As the draft letter of representation was not circulated with the agenda and reports, the letter was to be circulated to all members of the committee for review, comment and agreement by 20 June, and authority was to be delegated to the Chair to approve for onward consideration by the West Midlands Combined Authority Board.

It be recommended to the WMCA Board that the Draft Letter of Representation be agreed to be circulated separately to committee members for review, comment and agreement by 20 June 2017, and if content with the content, authority be delegated to the Chair to approve for onward consideration by the WMCA Board on 21 July 2017.

69/16 Annual Accounts 2016/17 for West Midlands Combined Authority

The committee considered a report from the Director of Finance on the Annual Accounts of the West Midlands Combined Authority for the financial year ended 31 March 2017. This had been circulated in draft form to members on 19 May 2017 and no comments had been received. It was agreed that in future when a final report was subsequently submitted for approval following the circulation of a draft that a facing sheet would be included in the final version identifying changes from the pre-circulated draft.

The Head of Finance noted that the audit had been completed without any issues and only minor presentational adjustments identified during the audit.

It be recommended to the WMCA Board that:

(1) The contents of the Audit Findings report for the West Midlands Combined Authority, presented by Grant Thornton, be noted.

(2) Grant Thornton's proposal to issue an unqualified audit opinion on the annual accounts be noted.

(3) It was confirmed that all related party transactions had been included in note 34 in the financial report.

(4) The financial report be presented to the WMCA Board for onward approval.

(5) Subject to there being no further issues raised by Grant Thornton, the Mayor and the Director of Finance be authorised to sign the accounts on behalf of the West Midlands Combined Authority.

70/16 Annual Internal Audit Report

The committee considered a report of the Chief Audit Executive that provided the committee with an annual internal audit opinion on the adequacy and effectiveness of the Combined Authority's governance, risk management and internal control processes.

It was recognised that the timing of this submission was out of sync with the Annual Governance Statement which had been considered and approved at the 28 April 2017 meeting of Audit, Risk & Assurance Committee. It was agreed that in future years these reports would be considered together.

It be recommended to the WMCA Board that the report be noted.

71/16 Independent Audit Review of Assurance, Programme Management and Internal Audit

The committee considered a report of the Corporate Assurance Manager on the proposal for an independent audit review of the end to end lifecycle for assurance, programme management, risk management and internal audit.

With regard to the selection process to appoint an independent auditor to undertake the governance review, the committee agreed that authority be delegated to the Chair and Councillor Craig Collingswood to meet with the appropriate officers concerning the selection process and terms of reference. It was agreed that a verbal update on the progress being made would be provided at the next meeting of the committee.

It be recommended to the WMCA Board that:

(1) An independent audit of the full end to end lifecycle for assurance, programme management, risk management and internal audit be undertaken to verify sufficient controls and assurance arrangements were in place for the West Midlands Combined Authority.

(2) The independent review should take place in early calendar 2018 to help inform any amendments that were required or recommended to the WMCA Assurance Framework. It should be noted that this Assurance Framework was reviewed and re-endorsed by the Department for Communities and Local Government on an annual basis.

72/16 Any Other Business

(a) Environment - Air Quality

The Chair requested a report from the Head of Governance on the Combined Authority's responsibility in respect of Air Quality.

73/16 Date of Next Meeting

Friday 15 September 2017 at 10:00am

74/16 Exclusion of the Public and Press

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business as it involved the likely disclosure of exempt information relating to an action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

75/16 Progress Made on Internal Audit - Review of Cyber Security

The committee received a presentation from the Head of ICT on the progress made on the recommendations in the City of Wolverhampton Council's Internal Audit report dated 25 May 2016 regarding cyber security.

In the context of previous discussions regarding the progress reports on cyber security, the committee welcomed the presentation and were reassured on the progress now reported as being made. The committee discussed the identification of lead officers within the organisation and the recent security issues within the NHS.

It be recommended to the WMCA Board that a further report on cyber security be presented to the Audit, Risk & Assurance Committee on 17 November 2017.

[The meeting ended at 3.05pm]

Chair

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This report is PUBLIC
[NOT PROTECTIVELY MARKED]

Forward Plan of the West Midlands Combined Authority Board

Date	Title	Lead Member	Lead Officer	Aim
11 August 2017	***Provisional Board meeting, if required - hold***			
8 September 2017	**Governance**			
	Devolution			
	Devolution update	Andy Street	Martin Reeves	
	Finance			
	2017/18 Financial Monitoring	Cllr Izzi Seccombe	Mark Taylor	
	Investment Propositions	Cllr Izzi Seccombe	Mark Taylor	
	Commissions			
	Land Commission	Cllr Sean Coughlan	PwC	
	Productivity & Skills Commission	Cllr George Duggins	Nick Page	
	Strategic Framework			
	Chair of the WMCA	Andy Street	Martin Reeves	
	Economic Growth	Cllr John Clancy	Martin Reeves	
	Finance & Investments	Cllr Izzi Seccombe	Mark Taylor	
	Health & Wellbeing	Cllr Bob Sleigh	Sarah Norman	
	Housing & Land	Cllr Sean Coughlan	Jan Britton	
	Public Service Reform	Cllr Steve Eling	Phil Loach	
	Skills & Productivity	Cllr George Duggins	Nick Page	
	Delivery			
	'Thrive West Midlands' Mental Health Implementation Plan	Cllr Bob Sleigh	Sarah Norman	
	Transport	Cllr Roger Lawrence	Keith Ireland	
13 October 2017	**Governance**			
	Devolution			
	Devolution update	Andy Street	Martin Reeves	
	Finance			
	Commissions			
	Land Commission update	Cllr Sean Coughlan	PwC	
	Productivity & Skills Commission update	Cllr George Duggins	Nick Page	
	Strategic Framework			
	Chair of WMCA	Andy Street	Martin Reeves	

Date	Title	Lead Member	Lead Officer	Aim
	Economic Growth	Cllr John Clancy	Martin Reeves	
	Finance & Investments	Cllr Izzi Seccombe	Mark Taylor	
	Health & Wellbeing	Cllr Bob Sleigh	Sarah Norman	
	Housing & Land	Cllr Sean Coughlan	Jan Britton	
	Public Service Reform	Cllr Steve Eling	Phil Loach	
	Skills & Productivity	Cllr George Duggins	Nick Page	
	Delivery			
	Transport	Cllr Roger Lawrence	Keith Ireland	
10 November 2017	**Governance**			
	Devolution			
	Devolution update	Andy Street	Martin Reeves	
	Finance			
	2017/18 Financial Monitoring	Cllr Izzi Seccombe	Mark Taylor	
	Commissions			
	Land Commission update	Cllr Sean Coughlan	PwC	
	Productivity & Skills Commission update • Adult Education Budget	Cllr George Duggins	Nick Page	
	Gangs & Violence Commission final report	PCC David Jamieson	Jonathan Jardine	
	Strategic Framework			
	Chair of the WMCA	Andy Street	Martin Reeves	
	Economic Growth	Cllr John Clancy	Martin Reeves	
	Finance & Investments	Cllr Izzi Seccombe	Mark Taylor	
	Health & Wellbeing	Cllr Bob Sleigh	Sarah Norman	
	Housing & Land	Cllr Sean Coughlan	Jan Britton	
	Public Service Reform	Cllr Steve Eling	Phil Loach	
	Skills & Productivity	Cllr George Duggins	Nick Page	
	Delivery			
	Transport	Cllr Roger Lawrence	Keith Ireland	
	'Thrive West Midlands' Mental Health Implementation Plan	Cllr Bob Sleigh	Sarah Norman	

WMCA Board Meeting

Date	21 July 2017
Report title	WMCA Performance Management Framework
Portfolio Lead	Economic Growth - Councillor John Clancy
Accountable Chief Executive	Martin Reeves, Interim Chief Executive, WMCA email: martin.reeves@coventry.gov.uk tel: (024) 7683 3232
Accountable Employee	Sarah Middleton, Chief Executive, Black Country Consortium email: sarah_middleton@blackcountryconsortium.co.uk tel: (01384) 471102
Report has been considered by	WMCA SEP Board

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

Note the update of the WMCA Performance Management Framework, reported through an executive summary and a full analysis report.

1.0 Purpose

1.1 For the Board to consider the update of the WMCA Performance Management Framework via the WMCA 'Annual Economic Review' Report.

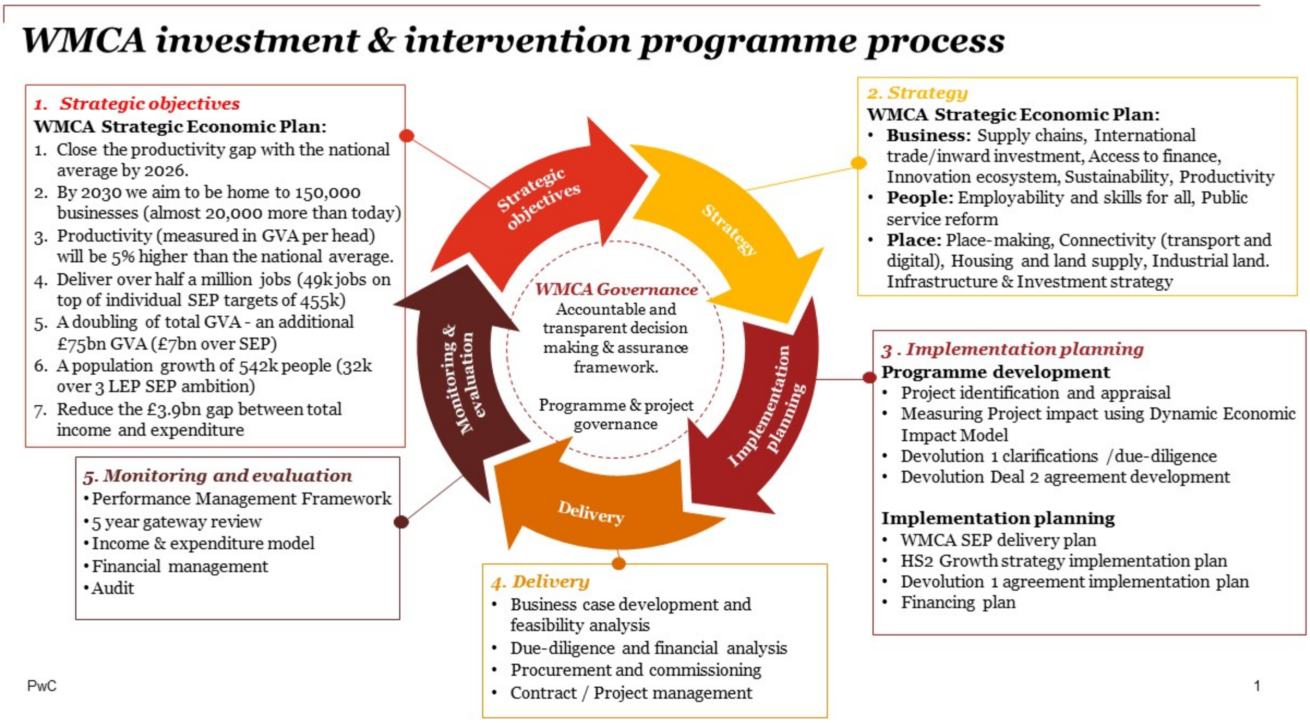
2.0 Background

2.1 On the 18 November 2016 the WMCA Board endorsed the WMCA SEP Performance Management Framework (PMF) which provides a clear framework against which success can be measured. The Vision for the area has a number of smart objectives, based on the principles of balance, with clear targets. The PMF is composed of a selection of strategic headline indicators, which measure the impact of the various programme areas of the West Midlands Strategic Economic Plan (SEP). These indicators span a wide range of themes including productivity, employment and skills, infrastructure, competitiveness, sustainability and public service reform and measure the economic, social, fiscal and environmental impact.

2.2 The PMF is maintained and updated by the Economic Intelligence Unit (EIU) of Black Country Consortium Ltd who provide in depth cross-thematic spatial analysis on behalf of the WMCA. The EIU will annually monitor WMCA's progress in relation to the targets in the PMF so that we can be clear on the impact of our delivery plan in achieving our ambitions.

2.3 The indicators in the PMF will also be the basis upon which we appraise and prioritise our programme of interventions to deliver the WMCA SEP. These carefully targeted set of interventions will ensure delivery of the greatest economic benefits to the area and allow us to create opportunities across the WMCA.

2.4 The attached report provides the first full update of the WMCA Performance Management Framework and the first annual 'state of the region' report – the WMCA Annual Economic Review executive summary and main report. The executive summary is attached today and the full report will be available from the website. The report updates on progress since the 2013 baseline data which was used in the production of the WMCA SEP as set out in the framework utilised in developing the WMCA Strategic Economic Plan:



2.5 The main report will be updated on an annual basis with regular quarterly updates provided to the WMCA Board throughout the year as key datasets are realised. The data is based on national datasets via the Office of National Statistics etc. The detailed metadata is available from the BC EIU.

2.6 In general there is a movement in a positive director for a number of indicators and progress is being made toward achievement of our ambitions as set out in the WMCA SEP. Some of the Key findings include:

- GVA continues to increase (up by £7bn since 2013) – largest contributor to UK GVA - £87.5bn- based on combined three LEP figures. (Please note WMCA refers to the three LEP geography – Black Country, Coventry and Warwickshire LEP and Greater Birmingham and Solihull LEP)

- Wages are up – now £27,151, however average wage in the WMCA is £1,062 lower than the UK average.

- WMCA is home to 2m jobs, an increase of 95,000 since 2013.

- In the WMCA there are 14,805 youth claimants increasing on the previous year. The WMCA needs to reduce youth claimants by 4,781 by 2030 to reach UK average. There is a similar trend for overall claimant count. (was previously 5,000)

- WMCA has a growing business base with 145,410 businesses, 13,500 more since 2013 and 22,430 business births.

- Number of people with no qualifications has declined at a faster rate compared to England but the WMCA still has a higher proportion of people with no qualifications than across England.

- In the WMCA 774,300 people are qualified to degree level or equivalent (30.4%). This is an increase of 7,700 people on the year before.
- The fiscal gap has widened since last year by £0.6bn increasing from £3.9bn to £4.5bn - deficit increase is primarily due to faster growth of expenditure than income in particular Health and Social Protection expenditure.
- 4.1m people living in WMCA + 60,000 people since 2013.
- Over 12,000 new homes were built last year - currently 1.7m houses in the WMCA.

3.0 Financial implications

3.1 None directly arising from this report.

4.0 Legal implications

4.1 None directly arising from this report.

5.0 Equalities implications

5.1 None directly arising from this report.

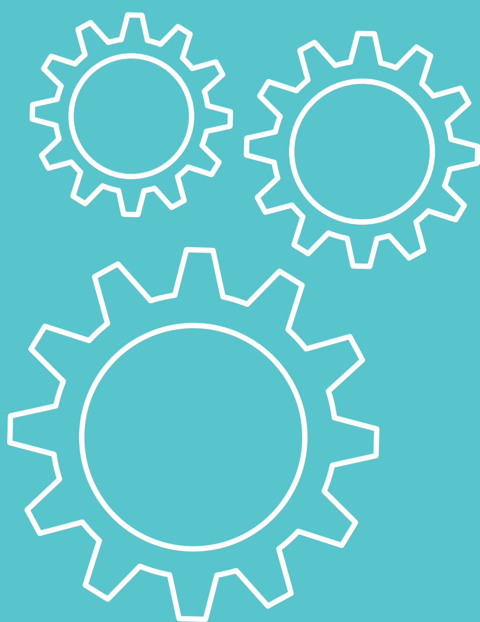
6.0 Schedule of background papers

None

The West Midlands Combined Authority

Executive Summary of Annual Economic Review

JUNE 2017



WEST MIDLANDS
COMBINED AUTHORITY

DRAFT

This report is produced by the Economic Intelligence Unit of Black Country Consortium Ltd

If you would like to contact the EIU please ring 01384 471115
or email **intelligence@blackcountryconsortium.co.uk**

Black Country Consortium

Economic Intelligence Unit

Introduction

Andy Street CBE
Mayor of West Midlands

Bob Sleigh OBE
Deputy Mayor of West Midlands

Martin Reeves
WMCA Chief Executive

The West Midlands Combined Authority (WMCA) Annual Review is produced annually by the Black Country Consortium's Economic Intelligence Unit (EIU) to provide an overview of the WMCA's economic performance during the year.

The report measures success as set out in our Performance Management Framework (PMF) and enables us to monitor real progress towards delivery of the WMCA Strategic Economic Plan (SEP).

2016 has seen many significant developments including the formation of the West Midlands Combined Authority (WMCA) and the production of a Strategic Economic Plan for the WMCA.

The Black Country Economic Intelligence Unit played a fundamental role in the development of the WMCA SEP and plan to utilise its diverse and experienced skill set to provide a flexible intelligence resource to the WMCA. The EIU have developed a Performance Management Framework (PMF) for the WMCA and will continue to measure the success of our collective activity as set out in the WMCA SEP.

Section 1:

How we measure success

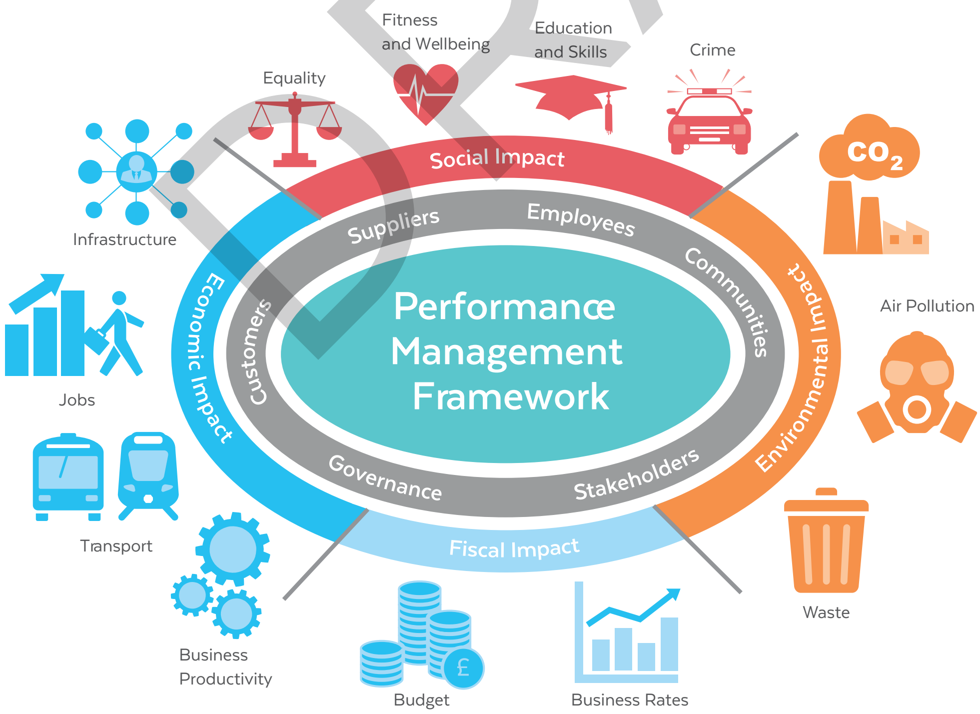
How we measure success

The WMCA Performance Management Framework

The WMCA Performance Management Framework (PMF) provides a clear framework against which success can be measured. The Vision for the area has a number of smart objectives with clear targets. The PMF is composed of a selection of strategic headline indicators, which measure the impact of the various programme areas of the WMCA Strategic Economic Plan (SEP). These indicators span a wide range of themes including productivity, employment and skills, infrastructure, competitiveness, sustainability and public service reform and measure the economic, social, fiscal and environmental impact. The PMF is maintained and updated by the Economic Intelligence Unit (EIU) of Black Country Consortium Ltd who provide in depth cross-thematic spatial analysis on behalf of the WMCA.

Understanding the economic impact of current and planned activity in the context of the WMCA SEP is fundamental to the work of the EIU. They continue to be at the forefront of new techniques including leading on the operation of the WMCA Dynamic Economic Impact Model which provides a clear mechanism to measure the economic impact of programmes in a spatial context.

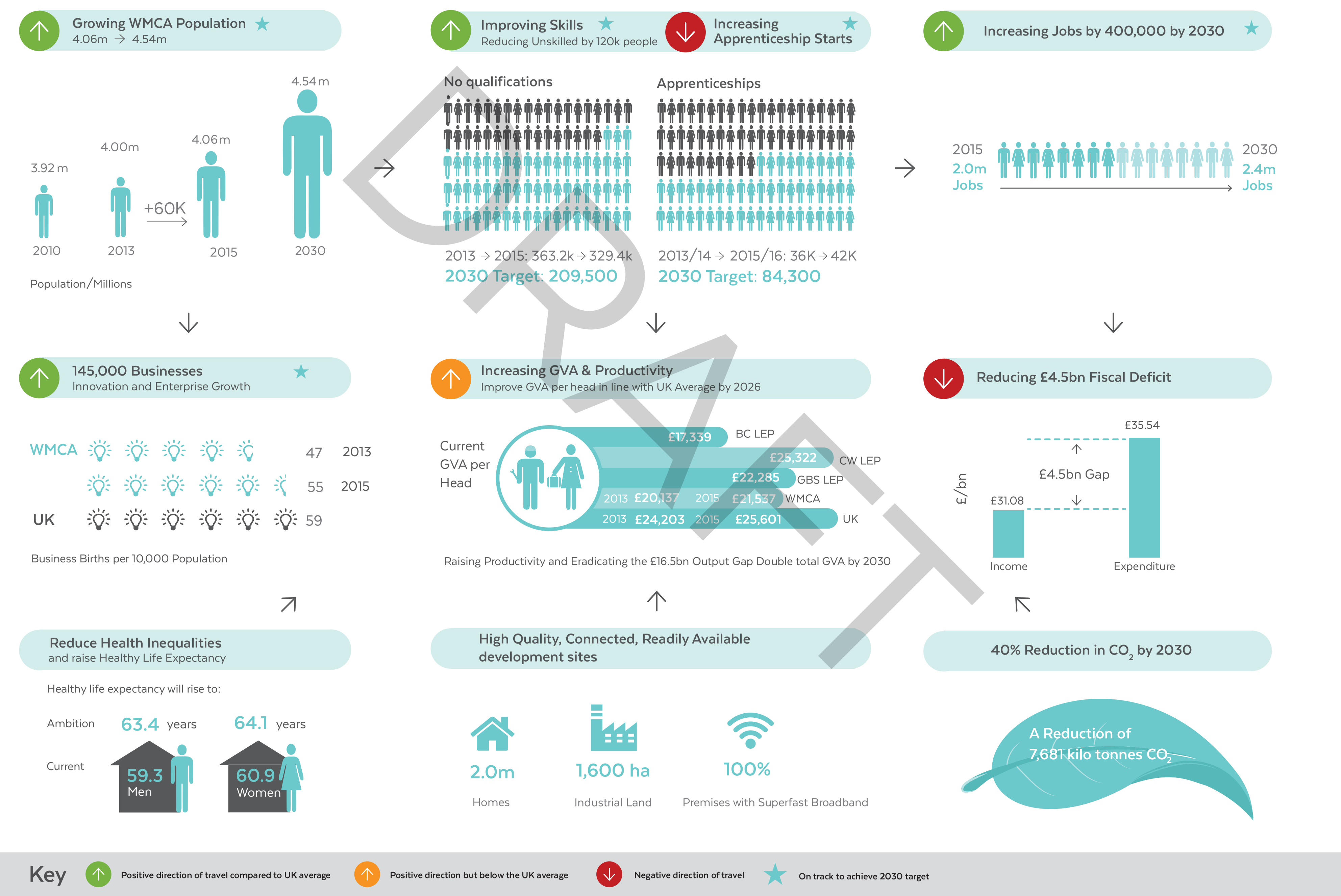
The EIU will annually monitor WMCA's progress in relation to the targets in the PMF so that we can be clear on the impact of our delivery plan in achieving our ambitions. The indicators in the PMF will also be the basis upon which we appraise and prioritise our programme of interventions to deliver the WMCA SEP. These carefully targeted set of interventions will ensure delivery of the greatest economic benefits to the area and allow us to create opportunities across the WMCA.



Section 2:
West Midlands successes 2016

Theme	Direction of Travel	Scale of the Challenge	WMCA Actions to Address
Economic Impact	**+£7bn** Since 2013 GVA continues to rise - currently £87.5bn +£7bn since 2013	WMCA GVA per head **£4,000** lower than UK WMCA GVA per head still £4,000 lower than UK resulting in a £16.5bn GVA output gap	£8bn investment package from first devolution deal HS2 and the Midlands Growth Strategy – a catalyst for economic growth
	22,430 businesses births WMCA has a growing business base with 145,410 businesses and 22,430 business births (nearly double UK growth rate)	**1,468** businesses births To be in line with UK the WMCA needs to create an additional 1,468 business births per annum to reach 59 births per 10,000 population.	Maximising opportunities for inward investment by improving connectivity to HS2 and UK Central and attract foreign and direct investment via the WMCA new Growth Company
	2m jobs WMCA is home to 2m jobs, an increase of 95,000 since 2013.	**400k** jobs An additional 400,000 jobs to achieve our WMCA SEP Ambitions	Enterprise Zones
	£27,151 current wage Wages are increasing at a faster rate than UK	**£1,062** more per head To reach UK average wage - £28,213	Public Service Reform
	12,000 new homes built in 2015 Over 12,000 new homes were built last year - currently 1.7m houses in the WMCA	**1.9m** homes by 2030 Home to over 1.9m homes by 2030	Land Commission and Garden City Principles
Social Impact	Number of people with no qualifications has declined at a faster rate compared to England	**13% vs 8%** Higher proportion of people with no qualifications than across England – 13% vs 8%	Productivity and Skills Commission Launched
	The number of NEETs has declined more than threefold compared to England[2]	**11.4%** 11.4% more youth claimants (14,805) compared to last year increase of 1.6% across England. Need to reduce youth claimants by 5,000 by 2030 to reach England average, similar trend for overall claimant count.	Employment Support Pilot
	24.8% 24.8% of adults are physically inactive across the WMCA	**90,524** Required 90,524 additional adults to become active to reach national average	West Midlands on the Move Strategic Framework 2017-30
	Healthy Life Expectancy has improved for females greater than the national average whilst for males it has declined	**4.1 years** Male healthy life expectancy 4.1 years lower than national average and 3.2 for females	Mental Health Commission -> Thrive WM Action plan in place
Fiscal Impact	Income receipts to WMCA is on the rise	**£4.5bn** gap Gap between income and expenditure has increased from £3.9bn to £4.5bn	Public Service Reform
Environmental Impact	CO_2 emissions reduced on last year by 167kt CO_2 (0.8%)	**7,681** $ktCO_2$ CO_2 emissions need to reduce by 36% by 2030	Support development of low carbon and zero carbon homes

WMCA Performance Management Framework



The WMCA Performance Management Framework[1]

Outcomes	Measures of Success	Where we are now	Change over the last year	Direction of Travel Relative to UK average since 2013	Scale of the Challenge
ECONOMIC GROWTH - Improve GVA for the region in line with the UK average	O1. GVA per Head	£21,537	+£442	+£1,400 +7.0% WMCA[2] +5.8% UK	+£4,064 GVA per head
BUSINESS - Improve the productivity of our businesses focusing on our growth sectors	B1. GVA per employee	£43,706	+£28	+£2,781 +6.8% WMCA +2.4% UK	+£19,832 GVA per employee
	B2. GVA in transformational sectors	£71.3bn	+£2.4bn	+£6.2bn +9.6% WMCA +7.4% UK	+£40.7bn GVA
	B3. No. of Business Births	22,430 business births 55 per 10,000 population	+3,485 business births +18.4% WMCA +9.3% UK	+3,625 business births +19.3% WMCA +10.6% UK	59 per 10,000 population +1,468 births per annum
	B4. Jobs in Transformational Sectors	1.27m	+55,000 jobs	+82,000 jobs +6.9% WMCA +5.9% UK	+194,400 jobs
	B5. Total Jobs	2m	+54,200 jobs	+95,000 Jobs +5.0% WMCA +4.9% UK	+400,000 Jobs
	B6. Employment Rate	68.8%	+0.4pp	+1.5pp WMCA +2.7pp UK	73.9% +5.1pp
FISCAL - Secure better for less from our public services	F1. Income & Exp. Balance	-£4.5bn	+£0.6bn	+£0.6bn[3] +15.4%	No fiscal gap +£4.5bn
PEOPLE - Improve Life Chances for all	P1 – Reduce % of people in top 10% most deprived areas	20%	+0.02pp	+0.09pp WMCA + 0.05pp Eng.	10% of people
	P2. – Better employment, health and wider outcomes for people with complex needs	To be developed			
	P3. (i) Annual average earnings	£27,151	+5.1%	+4.9% WMCA +4.5% UK	+£1,062
	(ii) % of employees earning above UK living wage	To be developed			

[1] The green shading illustrates indicators which have moved in a positive direction compared to the UK average or national (England) where UK averages are not available. The red shading indicates the reverse and orange indicates a growth rate in the right direction but less than the UK or national average.

[2] The 2013 baseline figure was revised by the ONS from £19,423 to £20,137

[3] Baseline data is 2015.

Outcomes	Measures of Success	Where we are now	Change over the last year	Direction of Travel Relative to UK average since 2013	Scale of the Challenge
SKILLS - Improve skill levels at all ages so that people have the skills and qualifications to access jobs	P4. % of Working Age Population (WAP) with No Qualifications	13% 329,400 people	-1.5 pp -36,200 people	-33,800 people -1.6 pp WMCA -1.3pp UK	- 4.7 pp - 119,867 people
	P5. % of WAP with NVQ 1	12 % 302,600 people	+0.1 pp + 3,700 people	-9,200 people -0.5 pp WMCA -0.9pp UK	Ahead of UK + 1 pp + 24,905 people
	P6. % of WAP with NVQ 2	16.8% 423,300 people	+ 0.2 pp + 5,200 people	- 7,300 people - 0.5 pp WMCA +0.9pp UK	Ahead of UK + 0.9 pp +21,905 people
	P7. % of WAP with NVQ 3	16.3% 410,400 people	- 0.3pp - 8,700 people	- 25,600 people -1.2 pp WMCA +0.1pp UK	+ 0.8 pp +21,290 people
	P8. % of WAP with NVQ 4+	30.4% 774,300 people	+ 0.03pp + 7,700 people	+86,500 people +2.8 pp WMCA +3.1 pp UK	+7.6 pp +185,010 people
	P9. No. of Apprenticeships starts	42,040	- 1,190 - 2.8%	+ 6,030 +16.7% WMCA +15.9% Eng.	+42,219 per annum
	P10. % of schools with an above national average GCSE pass rate A*–C including Maths and English	46%	48.5% -2.5pp WM Met	52.6% -6.6pp WM Met -4.1pp Eng.[4]	+ 7.5% schools
	P11. NEETs aged 16 - 18	4,420 4.4%	-1,450 -24.7%	-1,950 -30.5% WMCA -19.9% Eng.	4.2% -228 NEETs
HEALTH - Better quality of life for all: improve health (inc. Mental health) and well being	P12. Healthy Life Expectancy (HLE) at Births – Males & Females	Males (M) = 59.3 years	-0.03 years	-0.6 WM Met +0.2 Eng.	63.4 years
		Females (F) = 60.9 years	+0.5 years	-0.3 years WM Met +0.2 years Eng.	64.1 years
	P13. Reduced Inequality in HLE for Males & Females	To be developed			
	P14. Health inequality gap by years between best and worse areas in LEP and SEP areas	M = 7.4 years F = 9 years (WM Met)	M = + 1.2 F = - 0.9	M = + 1.3 F = - 1.3	No gap Reduce gap by 7.4 years for males and 9 years for females
	P15. Gap in employment rate for those in contact with secondary mental health services and the overall employment rate	58.9 %	-0.6pp	+1.5pp WMCA +5pp Eng.	Ahead of England + 8.3pp (67.2%)
	P16 – Rates of suicide (per 100,000)	10.1	+0.4	+1.8 WMCA +0.3 Eng.	No suicides - 410 suicides
	P17 - % of physically inactive adults	24.8%			22% + 90,524 participants[5]
	P18 - Offending rates	32,008 7.9 offenders per 1,000 population (2014)	-1,364 - 4.1%	-7,170 - 7.6%[6]	Below the national average

[4] Relative to Schools with GCSE pass rates above the national average (England).

[5] No previous data available as first Active Lives Survey was issued in 2017.

[6] Baseline is 2011.

Outcomes	Measures of Success	Where we are now	Change over the last year	Direction of Travel Relative to UK average since 2013	Scale of the Challenge
CRIME - Reduce offending and re-offending	P19 - Re-offending rates (per 100,000)	24.9% (2014)	+0.3pp	-0.1pp WMCA -1.2pp Eng.[7]	Ahead of England + 0.5pp
	P20 – No. of first time entrants to Youth Justice System aged 10 - 17	454	+3.3%	-8.2% WM Met -17.6% Eng.	-85 first-time entrants
	P21. Youth claimants aged 18 - 24	14,805	+1,515 +11.4%	-11,240 -43.2% WMCA -46.4% UK	-32% -4,781 youth claimants
	P22. Claimant Count aged 18 - 64	67,705	+5,085 +8.1%	-35,755 -34.6% WMCA -37.5% UK	- 27% - 16,957 claimants
PLACE ACCESSIBILITY- Improve the connectivity of people to businesses to jobs and markets	PL1. Broadband Connectivity	93.7% 1.13m premises	+2.3pp	+2.4pp WM Met +14pp UK[8]	100% +75,793 premises
	PL2. % of residents able to access 3 or more strategic centres including Birmingham City Centre, accessible by public transport within 45 mins travel time in the am peak	41% (WM Met)	-1.3pp	-3.2pp	75% +34pp
	PL3. Journey time reliability	To be developed			
	PL4. Mode Share of all Journeys: i). Mode Share of all journeys by car, public transport, cycling & walking ii). Percentage of car journeys non-single occupancy	i) Car (64%) Public Transport (11%) Walk (22%) Cycle (1%) Taxi (2%) ii) 82%		i) Car +1% Public Transport -2% Walk No change Cycle No change Taxi +1% i) No change	45% car mode share Car (- 19%)
INFRASTRUCTURE - Improve the quantity of high quality readily available development sites	PL5. No./ha available for housing developments	To be developed			
	PL6. No./ha available for employment development sites	To be developed			
	PL7. Land Uplift value	To be developed			
SUSTAINABILITY - Resource efficient economy to stimulate new technology and business	E1. CO_2 emitted within SEP area by transport, businesses and homes	21,564ktCO_2 (2014)	- 167 ktCO_2 - 0.8%	+ 1.6% WMCA[9] -6.3% UK	- 7,681 ktCO_2
	E2. No. of days poor air quality per year (rated 4 or higher on the Daily Air Quality Index)	40 days	+ 12 days	- 16 days WMCA -11 days UK	-40 days

[7] Baseline is 2011.
[8] Baseline is 2011.
[9] Transport for West Midlands is in the process of developing an effective monitoring approach for journey time reliability.

WMCA Board Meeting

Date	21 July 2017
Report title	Annual Accounts 2016/17 for the West Midlands Combined Authority and the West Midlands Integrated Transport Authority Pension Fund
Portfolio Lead	Finance & Investments - Councillor Izzi Seccombe
Accountable Chief Executive	Martin Reeves, Interim Chief Executive, WMCA email: martin.reeves@coventry.gov.uk tel: (024) 7683 3232
Accountable Employee	Mark Taylor, Director of Finance, WMCA email: mark.taylor@wmca.org.uk tel: (0121) 214 7600
Report to be/has been considered by	WMCA Audit, Risk & Assurance Committee - 16 June 2017 WMCA Programme Board 7 July 2017

Recommendation(s) for action or decision:

The Combined Authority Board is recommended to:

1. Approve the signing of the letter of representation for WMCA and the West Midlands Integrated Transport Authority Pension Fund by the Director of Finance.

2. Approve the annual accounts of WMCA and the West Midlands Integrated Transport Authority Pension Fund.

3. Note the Audit Findings Reports presented by Grant Thornton.

4. Note that Grant Thornton propose to issue an unqualified audit opinion on these accounts.

1.0 Purpose

1.1 This report has been produced for the Board to approve the annual accounts of the West Midlands Combined Authority (WMCA) and the West Midlands Integrated Transport Authority Pension Fund for the financial year ended 31 March 2017.

1.2 The audit has been completed without any issues and only minor presentational adjustments identified during the audit.

2.0 Background

2.1 The accounts for WMCA were submitted to the auditors on 15 May 2017.

2.2 The accounts for West Midlands Integrated Transport Authority Pension Fund were submitted to the auditors on 30 May 2017.

2.3 The following are attached for review and approval:

i) West Midlands Combined Authority financial report 2016/17
ii) West Midlands Integrated Transport Authority Pension Fund financial report 2016/17
iii) Grant Thornton Audit Findings Report for WMCA and the West Midlands Integrated Transport Authority Pension Fund
iv) Letters of Representation for WMCA and West Midlands Integrated Transport Authority Pension Fund

3.0 Annual Accounts

3.1 WMCA position

The West Midlands Combined Authority Board has received regular financial monitoring information throughout 2016/17.

The final outturn position was reported to the West Midlands Combined Authority Board on 12 May 2017.

A reconciliation between the return for 2016/17 reported to the West Midlands Combined Authority Board and the final return is shown below:

Reconciliation of outturn to statutory accounts	**£'000**
Return reported to West Midlands Combined Authority Board on 12 May 2017	(697)
Post-management accounts adjustments:	
Minor roundings	(11)
2016/17 final return	**(708)**
As per WMCA accounts	**(708)**

3.2 The audit for WMCA and the West Midlands Integrated Transport Authority Pension Fund has completed and the auditors will present their findings to the meeting with the proposal being to issue an unqualified audit opinion on these accounts.

3.3 **West Midlands Integrated Pension Fund**

The accounts for the West Midlands Integrated Transport Authority Pension Fund were submitted to Wolverhampton on 26 May 2017 and the audit work completed on 16 June 2017.

The fund account on page 13 shows a net increase in the year of £42.019m, with net assets as at 31 March 2017 of £502.884m.

4.0 Financial implications

4.1 The financial implications are covered within the body of this report and the attached annual accounts reflect the results for the year ended 31 March 2017.

5.0 Legal implications

5.1 Production of these accounts is a statutory requirement.

6.0 Equalities implications

6.1 Alternative formats for these accounts are available upon request.

7.0 Other implications

7.1 There are no other implications arising from this report.

8.0 Schedule of background papers

8.1 West Midlands Combined Authority financial report 2016/17

8.2 West Midlands Integrated Transport Authority Pension Fund financial report 2016/17

Statement of Accounts

For the year ended 31 March 2017

Contents

The West Midlands Combined Authority present their report and financial report for the twelve months ended 31 March 2017.

1. Activities

The financial year ended 31 March 2017 has been a very significant year for the West Midlands. The local Democracy, Economic Development and Construction Act 2009 permits combined authorities to be established and to undertake functions related to economic development, regeneration and transport. The Cities and Local Government Devolution Act 2016 gives combined authorities powers to enable growth and public service reform in their areas and the permission to have a directly-elected Mayor.

As a result, in June 2016 the West Midlands Combined Authority (WMCA) was established and all activities and functions relating to the existing West Midlands Integrated Transport Authority (ITA) and West Midlands Passenger Transport Executive (PTE) were transitioned to the new body.

The WMCA launched its ambition and strategic economic plan and the seven Metropolitan leaders signed our first Devolution deal with the government and we are now deep in discussions to develop a radical, long-term and strategic approach, negotiating for powers and functions that can be locally devolved and energetically lobbying for further future deals including significant fiscal devolution.

Leadership of WMCA comes from the seven Constituent local authority leaders and Chief Executives, plus the Chairs and Directors of the Local Enterprise Partnerships (LEPs). Non-Constituent authorities also play a crucial role at board level, helping to inform policy and drive forward the WMCA agenda. Elected members and officers lead on key portfolio areas, working in partnership with LEP colleagues. The Councillors formed the Mayor’s cabinet following the Mayoral election in May 2017.

2. Review of the Year

The WMCA and within that, Transport for West Midlands, was established in June 2016. It saw the organisation previously responsible for the delivery of transport superseded by a body with far more wide-ranging powers across all sectors and the remit to transform the region socially and economically.

This will be achieved principally through the Strategic Economic Plan, the driver for economic growth across the West Midlands. It will help close the productivity gap by 2020 through a series of high-profile ‘Power Projects’ including significant advances to the region’s infrastructure, environment and economy.

The WMCA consists of the seven existing Metropolitan councils, as well as six adjoining local authorities and four Local Enterprise Partnerships (LEPs), which together make up the largest combined authority in the UK.

Devolution is key to the future of the WMCA, especially with the powers and financial responsibilities conferred on the new Metropolitan Mayor in May 2017. Strategic areas the WMCA now covers include:

- Skills and Productivity
- Economic Growth
- Mental Health
- Housing and Land
- Finance and Investment
- Public Service Reform

As part of the Devolution Deal, where powers are transferred from Westminster to the politicians and decision-makers who know this region best, in August 2016 the WMCA received an initial £36.5million, the first of payments totalling £1.1 billion over the next 30 years.

This, and subsequent funding packages, will power the Midlands Engine, the mechanism that will help unlock growth, jobs and prosperity and ultimately provide a better quality of life for the four million people of the West Midlands.

Strategic Economic Plan
The WMCA Strategic Economic Plan (SEP) was launched in June 2016 and is the blueprint for the region making its mark regionally, nationally and internationally.

The SEP highlights how the area’s economy will be transformed over the next 20 years, creating 500,000 new jobs, increasing life expectancy, making 1.9 million new homes available and driving up productivity and skills to transform the region’s prosperity and well-being.

The SEP was developed and agreed by a wide partnership of people, organisations and businesses and forms a major strand of the devolution agenda which will help increase productivity, reform public services, widen access to education and training and improve housing stock.

The aim of the SEP is for the West Midlands to become the centre of the largest concentration of advanced manufacturing in Europe, while leading the world in low carbon technology and life sciences.

High Speed 2 (HS2)
The Midlands HS2 Growth Strategy was adopted by the WMCA, with support from central Government and HS2 Ltd. It is set to be the catalyst to deliver 104,000 jobs, 2,000 apprenticeships, an increase in skills, additional support for local businesses, and improved accessibility with over two million people connected to the two HS2 station sites in central Birmingham and Solihull.

The key proposals of the Strategy will be funded by the Devolution Deal and unlock the unprecedented opportunities that the construction of the largest infrastructure project in Europe will bring to the region.

Elected Mayor
Having negotiated and accepted the Devolution Agreement with Government, WMCA approved the creation of a mayoral combined authority.

Six candidates put themselves forward for the election on May 4th, 2017, representing the Conservative, Labour, Liberal Democrat, Green, UKIP and Communist parties. Following the election, Andy Street, the Conservative candidate, was appointed the new Mayor and has since assumed responsibilities at the WMCA for three years. There will be a new election in 2020 when the term of office is increased to four years.

Commissions
There are three commissions within the WMCA: Mental Health, Land and Productivity and Skills.

Mental Health
When the WMCA was formed, poor mental health and well-being was highlighted as a significant driver of demand for public services and has a negative impact on the economy.

The WMCA Mental Health Commission was established to address these issues, with Norman Lamb MP, the former Minister of State for Care and Support, as chair.

A panel of eminent experts in the mental health field examined the specific contribution that public sector reform and devolved responsibility could make to the mental health and well-being of the population of the WMCA area, focusing on the scale of poor mental health and well-being and its cost and impact on public sector services, the economy and communities.

In January 2016, the Commission launched 'Thrive West Midlands' – its action plan for the region. Thrive West Midlands set out a series of ambitious actions and pledges the Commission produced with the aim of changing lives.

The plan is a priority project for WMCA and is the result of considerable work not only by the commission, but also a Citizens Jury of people with personal experience of mental ill health.

The plan highlighted several priority actions, including:

- Early intervention
- Decent housing
- Helping people into work and off benefits
- Keeping people out of the criminal justice system

WMCA has identified improvements to mental health treatment where it can deliver significant public sector reform and an implementation director from West Midlands Police has been seconded to manage delivery of the action plan going forward.

Land Commission
An independent panel of prominent UK property and infrastructure experts was launched in September 2016 to help the WMCA utilise hundreds of hectares of undeveloped land.

The West Midlands Land Commission was set up to provide independent advice and recommendations to the authority as it seeks to secure an improved and balanced supply of land to meet economic growth, new jobs and housing targets.

Identifying land is crucial for the WMCA to meet future housing demand and deliver its SEP. WMCA is seeking to develop an extra 1,600 hectares of former industrial sites (brownfield land) for commercial use over the coming decade.

Allied to this, in February 2017, a blueprint to accelerate the building of more than 5,000 new homes in Birmingham and the Black Country was launched by WMCA, developed in conjunction with Birmingham City Council and Sandwell Metropolitan Borough Council.

The Greater Icknield and Smethwick Housing Growth Prospectus will drive a £400 million development of 5,160 new homes on five brownfield sites in the adjoining areas of Greater Icknield, in Birmingham, and Smethwick, in Sandwell.

The scheme has already attracted investment and commitments from public and private sector partners, including a further £400 million in infrastructure improvements. The £353 million Midland Metropolitan Hospital is at the heart of Grove Lane scheme in Smethwick and will see approximately 900 new houses and apartments being built, while the Icknield Port Loop scheme will provide 1,800 homes.

In March 2017, WMCA awarded £53 million to a programme to help landowners and developers reclaim former industrial land in the Black Country. The funding formed part of the first wave of works in a 364 hectare brownfield remediation programme worth £1.4 billion which will create more than 12,000 jobs and 13,500 new homes.

The investment to the Black Country LEP will increase by a further £97 million once the initial development works are successfully completed, bringing the total investment to £150 million.

Productivity and Skills
In April 2017, an independent commission to harness the expertise of prominent business people, technical specialists and academics was launched in order to assist the WMCA in its aim to increase the region's productivity and skills levels.

Chaired by Dr Andy Palmer, President and Chief Executive of Aston Martin Lagonda, the Productivity and Skills Commission provides impartial support and advice to the Authority as it seeks to reduce unemployment, improve workforce skills and secure better productivity.

A 'Call for Evidence' was issued so that the region's business, education and public sectors could contribute, sharing their views and showcase their world-leading expertise. The Commission's overarching goal is to grow the West Midlands' economy beyond current projections and address the skills and productivity gap.

A WMCA Productivity Leadership Group has brought together business leaders from the region's three LEPs to ensure plans to drive productivity are designed by and for local businesses. The group is being advised by experts from across the West Midlands and central government, including senior figures in the productivity and skills system and leading academics from the region's universities.

The Commission's findings will form the basis for a clear vision for productivity and skills in the West Midlands and an integrated plan, linked to the Government's emerging Industrial Strategy.

It will also build on the evidence base developed for the WMCA's Strategic Economic Plan - Making Our Mark - which sets out a series of ambitious goals to transform the regional economy with 500,000 new jobs, 20,000 additional businesses and at least 156,000 more people with level 4 qualifications or above.

Collective Investment Fund
The Collective Investment Fund (CIF) is a £60 million commercial development resource set up by the WMCA in 2016 to stimulate jobs, opportunity and growth. It is aimed at securing an additional £1 billion in private sector investment over the next decade. Managed by Finance Birmingham, it provides short-term loans to private sector developers.

In December 2016, WMCA invested in its first project since its creation when it contributed £7 million to a Staffordshire development which will create an estimated 425 jobs. Two industrial units costing £21.6 million and covering 14 acres will be built at Kingswood Lakeside, near Cannock, the site of a former open-cast colliery.

The same month also saw WMCA approve funding of almost £100 million for a city centre development in Coventry, its largest amount of devolution investment so far.

Plans for the City Centre South project include a major retail, residential and leisure scheme, new homes and a cinema. The development is due to be completed in 2022.

In another investment, the CIF is contributing £2.9 million of loan funding to the £5.5 million regeneration of the 2.5 acre former Tuckers Fastenings factory site in Walsall Road, Perry Barr, Birmingham.

The funding will assist with the speculative development of the 46,000 sq ft industrial unit on the brownfield site. Construction is expected to be completed later this year, with the creation of 75 new jobs.

The seven West Midlands Metropolitan Councils of the WMCA also became one of six pilot areas in the UK to introduce new business rate procedures which will see them retain all business rates generated locally from April 2017.

Under the new scheme, the councils will no longer receive any Revenue Support Grant from Government, although they will keep all business rates generated, instead of only half, which was the applied retention during 2016/17. By benefitting from growth in business rates, some of this funding will be put into the CIF.

Dudley Enterprise Zone
As part of the Midlands Engine initiative, a multi-million pound business and innovation Enterprise Zone in Brierley Hill will be developed and bring thousands of new jobs to the region.

The 'DY5 - Dudley's Business and Innovation Enterprise Zone' will be operated by Dudley Council in partnership with the Black Country LEP and WMCA and will aim to become the high-tech office hub of the Black Country's industry, connecting advanced manufacturing to industrial sites via a new Metro tram link to Birmingham.

It will look at how the manufacturing and technology in the region can help deliver new business, as well as broaden the region's digital and professional base into existing manufacturing technology.

The zone was created because of the significant amount of vacant office space in the location - 18,000 m^2 of low-cost, high-quality accommodation with incentives including business rate relief of up to £55,000 for five years.

It will also help to rejuvenate the Waterfront office complex at Merry Hill and create additional office, technology and industrial space in the surrounding areas of Brierley Hill, Harts Hill and Pensnett. It is expected to deliver up to 7,000 new jobs and provide Gross Value Added uplift to the economy of £589 million each year.

West Midlands Growth Company
On 26 April 2017, WMCA established a growth company to promote the region around the world. The new entity will help create new jobs, expand existing businesses and promote the region's considerable business and tourism assets to secure investments from around the world. It will also support delivery of the WMCA's SEP.

The growth company has been created in association with LEPs, local authorities, growth hubs, universities and the private sector across the West Midlands.

Since July 2016, Marketing Birmingham and WMCA partners have worked together to present plans for the growth company which will be wholly owned by the WMCA and its constituent members.

The initial focus will be across the WMCA three-LEP geography of Greater Birmingham and Solihull, Coventry and Warwickshire and the Black Country.

National Infrastructure Commission
In January 2016, the region became one of the first areas in the UK to be visited by the National Infrastructure Commission (NIC) when it held a conference at the headquarters of the WMCA in Birmingham.

At the conference, WMCA leaders highlighted the importance of HS2 and an expanded Birmingham Airport as part of the Midlands' infrastructure priorities as the NIC assesses the nation's infrastructure needs. The NIC will produce a National Infrastructure Assessment in 2018, the UK's first comprehensive assessment of the short, medium and long-term infrastructure needs and policies of the country's regions.

Transport for West Midlands
Integrated transport is crucial to addressing congestion and creating a dynamic, prosperous and connected region. Transport for West Midlands (TfWM) is the transport arm of the WMCA, tasked with investing to improve the regional transport structure and developing an integrated public transport system that's safe and secure.

2016 saw the extension of the Midland Metro in Birmingham City Centre, the opening of the Grand Central retail centre - part of the iconic New Street Station redevelopment - and the construction of a new rail station in Bromsgrove.

The innovative West Midlands Bus Alliance was also created. The first of its kind in the UK, it brought together bus operators, councils, and other partners to work together to drive up standards in vehicles, performance and pollution levels, with all partners committed to improving facilities for passengers.

Customer satisfaction rates reached unprecedented levels, helping make using public transport in the West Midlands safer than ever with crime down 70% in the last eight years.

Passenger numbers using the Midland Metro grew to record levels after the extension into Birmingham City Centre. Figures increased from 5 million in 2015 to 6.6 million in 2016 after trams returned to the city centre for the first time in more than 50 years.

Following this rise in popularity, millions of pounds of inward investment will now be made available for the light rail network when TfWM assumes the operation of Midland Metro in October 2018, following the expiry of National Express' concession.

A number of extensions will see the network triple in size over the next decade, with passenger numbers forecast to increase to more than 30 million. This is expected to generate profits of around £50 million during the first 11 years, which the WMCA will be able to channel back into the network for the benefit of passengers and the local economy.

Working jointly with the Police and Crime Commissioner and business leaders, TfWM put in place plans to help cope with the anticipated congestion caused by a series of major road, rail and infrastructure projects.

Schemes include major maintenance works at the M5 Oldbury Viaduct, HS2 Phase 1, Network Rail upgrades, WMCA's own investment in HS2 Connectivity, Metro and local transport, essential maintenance and utilities works and major development in Birmingham City Centre and other locations such as Cannock.

A co-ordinated, strategic approach is the only way to create viable resilience plans to tackle the impact of major construction projects like HS2 and motorway improvement works which have already commenced.

The latest ticketing technology saw the Swift smartcard rolled out across the bus, rail and Metro network and the product receive a complete redesign. This forward-thinking approach also saw TfWM recognised nationally and internationally through a series of high-level awards conferred by industry peers, including being named City-Region Transport Authority of the Year.

Construction began on the High Speed Rail College in Birmingham as the West Midlands leads the way as a centre of excellence for the building, operation and future of the HS2 network which will rejuvenate the region and open up new markets in the UK and Europe.

3. Achieving Value for Money

Local government continues to undergo significant change, much of which has been driven by austerity measures. In order to cope with this continuing climate of austerity, WMCA has continued to develop the way in which we operate, increasing collaboration and continuing to make difficult decisions. The transition of the WMCA transport function from Centro to the new Transport for West Midlands activity has continued to drive efficiencies and to deliver the maximum value with the available funding. The transport levy has seen 12.4% reductions since 2011/12 to 2015/16 plus a further 5% in 2016/17, and 2.6% in 2017/18. The Government Gainshare Devolution grant of £36.5m per annum is fully committed to fund £1 billion of the £8 billion Investment Programme and WMCA operating costs and non-capital work programmes have been undertaken utilising restricted local authority member contributions. The WMCA has been in existence for less than a year but has already undertaken a review of structures to minimise funding requirement resulting in the loss of several senior staff and the ongoing re-modelling of management and assurance processes.

We have put in place and continue to develop a robust monitoring framework that measures our performance and gauges how we are doing against the Strategic Economic Plan and Strategic Transport Plan. Measures include benefits analysis, successful scheme delivery on time and to budget, key results indicators relating to operational performance, impacts, customer satisfactions, sustainability and environment.

The WMCA Governance framework ensures regular and robust monitoring and reporting of expenditure, delivery, risks, opportunity and assurance.

4. Explanation of the Statements

The Statement of Accounts have been prepared under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and are for the full year from 1 April 2016 to 31 March 2017.

The Authority reviewed the accounting options for the transition of the previous West Midlands Integrated Transport Authority and West Midlands Passenger Transport Executive on 16 June 2016 to the newly formed WMCA and are happy to apply a merger accounting approach to the transition, being considered the best option to provide a reported true and fair view of activity expenditure and income for the year. As at 16 June 2016, all assets and liabilities were transferred to the WMCA with a summary audited statement reported in note 36.

The Statement of Accounts 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. The loss for the year charged to the General Fund is £0.708m (2016: £1.023m surplus).

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

Cashflow Statement
The Cashflow Statement shows the changes in cash and cash equivalents during the year. The statement shows how the WMCA generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities.

5. Financial Results

The financial results for the year are presented in the financial report on pages 25 to 67 of this report. These show a withdrawal from reserves of £0.7m reflecting the transport budget originally being set anticipating a planned use of reserves of £0.9m. Total usable reserves stand at £50.1m of which £35.6m are earmarked for one ongoing SEP investment programme project and £10.8m is available for ongoing services. This represents only 1.1% of the 2016/17 annual operating income from the local authority members and Government Gainshare Devolution grant which is considered to be low but not unexpected given the public sector funding envelope.

The WMCA's net worth in the Balance Sheet is now £45.4m (2016: £27.3m net deficit). This increase of £72.7m is mainly due to unapplied Gainshare contribution of £35.6m and decrease in pension liability of £33.0m as a result from the 2016 actuarial valuation. A detailed analysis of the results is shown in the Comprehensive Income and Expenditure Statement, with further analysis and explanations given in the notes to the financial report.

The Balance Sheet includes employee benefits liability of £57.2m relating to the deferred benefit pension scheme. This recognises the actuarial valuation of the scheme assets and liabilities under IAS 19 as at 31 March 2017.

Various WMCA Boards and Committees monitor the actual results compared to budget on a regular basis during the year. Full details of this income and expenditure can be found in the West Midlands Combined Authority Financial Monitoring reports which are available on the WMCA's website (https://westmidlandscombinedauthority.org.uk).

6. Financial Risk Management

Given the financial outlook in the public sector, financial risks have been reviewed and where necessary mitigations put in place. The WMCA believes that the reserves set aside for risks and to provide funding to back capital investments are sufficient with the general fund available to meet unexpected short-term requirements. Details of financial risk management are shown in note 29 to the financial report.

7. Borrowing facilities and sources of funds available to meet capital expenditure plans

The WMCA receives various Government, LEP and local authority grants to fund its capital expenditure plans. The most significant development this year has been the approval of the Devolution agreement for the region and the £8 billion Investment Programme. As part of this agreement, the Government has agreed to pay an annual Gainshare grant of £36.5m to leverage borrowing for the £1 billion of the planned capital investment in the region.

Currently legislation only allows WMCA to borrow for its transport investment programme. However, discussions with HM Treasury are continuing and it is hoped the required legislation can be progressed following the formation of the new Government post General Election in June 2017. Additional legislation requirements regarding business rates retention also required to fund the programme are awaiting progression by the newly formed Government.

8. Corporate Governance

The Annual Governance Statement can be found on pages 14 to 20.

9. Directors and Senior Officers

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

Pre-WMCA
Chris Perry (Director of Integrated Mobility, PTE)
James Aspinall (Treasurer, ITA and Interim Managing Director, PTE)
Keith Ireland (Clerk to the ITA)
Laura Shoaf (Strategic Director for Transport, PTE)

Post-WMCA
James Aspinall (Director of Corporate Services)
Jan Britton (Chief Operating Officer)
Keith Ireland (Clerk to the WMCA and Monitoring Officer)
Laura Shoaf (Managing Director, Transport for West Midlands)
Martin Reeves (Chief Executive)
Paul Dransfield (Investment Director)

James Aspinall left on 30 April 2017 as Director of Corporate Services and Responsible Finance Officer and Mark Taylor was appointed on 3 April 2017 as interim Director of Finance and Responsible Finance Officer.

10. Employees

The WMCA is an equal opportunity employer. The aim of our policy is to ensure that no job applicant or employee receives less favourable treatment on the grounds of their sex, marital status, disability, race, colour, nationality, ethnic or national origins or is disadvantaged by conditions or requirements which cannot be shown to be justifiable.

Through regular monitoring, reporting and team meetings, directors make employees aware of the financial and economic factors affecting them and the performance of the Authority.

The WMCA continues to give special attention to the health and wellbeing of our employees.

During the year, the WMCA was successful in retaining in the Sunday Times' top 100 Best Not-for-Profit Organisations to work for and retained Gold Investors in People accreditation.

The directors and senior officers would like to thank everyone in the organisation for their commitment and professionalism during the year, and especially in relation to the re-organisation and the work to transition to the WMCA and its transformational agenda.

11. Post Balance Sheet Event

West Midlands Mayor
A central condition of the Devolution deal was the election of a West Midlands Mayor. On 4 May 2017, regional elections took place and the elected West Midlands Mayor has now taken office. The mayoral powers and functions agreed in the first Devolution deal are implemented in legislation approved by Parliament. The Mayor is elected for an initial three-year term and chairs the WMCA. As an advocate and global ambassador for the West Midlands region, the Mayor will work with the

Constituent Council leaders and LEP chairs to deliver the West Midlands Devolution programme. This role includes specific areas of responsibility focussed on local transport, control of the ‘more and better homes’ agenda and from 2018/19 the ability to raise a precept and business rate supplement. As the Devolution agenda develops, so the role of the Mayor is expected to develop, working with WMCA colleagues to deliver the best outcomes for the residents and businesses of the West Midlands.

Management

As the fledgling WMCA develops, it is vital that the appropriate management structure is put in place to continue to drive and deliver the ambitious agenda. During summer 2017, new appointments will be made to the following posts as the current interim Directors stand aside: Chief Executive, Director of Public Service Reform, Director of Strategy and Director of Finance. In addition, the WMCA will continue to review and evolve its structure and resources to ensure efficient delivery through collaborative working.

Growth Company

In April 2017, a new growth company was established working as part of the WMCA who will work to promote the region around the world; attracting investment from overseas as well as promoting the region’s business and tourism offering, and supporting the delivery of the Strategic Economic Plan.

Also to be established during summer 2017 will be a new fund management company to provide investment advice and fund management for the WMCA in relation to the Collective Investment Fund and Land Reclamation Fund, as well as any Constituent and non-Constituent members.

Transport

West Midlands Rail

West Midlands Rail (WMR) is a partnership of 14 Metropolitan Districts, Shires and unitary local transport authorities as well as the WMCA, seeking to gain greater local influence over the region’s rail services. It is a limited company but does not seek to make a profit and is democratically accountable through the Board of Directors who are all senior local politicians. WMR is working collaboratively with the Department for Transport (DfT) to specify and procure the new West Midlands local rail service franchise and once the new franchise has commenced during late 2017, WMR will be overseeing the operators’ delivery and performance.

Metro Operations

On 17 March 2017, the WMCA approved plans for Transport for West Midlands (TfWM), the transport arm of the WMCA to take the day-to-day operation of the Midland Metro light rail service in-house through a wholly-owned subsidiary of the WMCA. Significant work will be undertaken during the forthcoming year to ensure effective transfer of operation when the current concession expires in October 2018.

12. Auditors

Grant Thornton (UK) LLP are the auditors of the West Midlands Combined Authority for 2016/17. Their appointment was made under Section 3 of the Audit Commission Act 1998, saved under provisions of the Local Audit and Accountability Act 2014.

On behalf of the West Midlands Combined Authority Board

Martin Reeves
Chief Executive
Date:

1. The Combined Authority Board's Responsibilities

The Board 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 (RFO) which during 2016/17 were:

Body	**Period**	**Individual**	**Role**
West Midlands Integrated Transport Authority	1 April 2016 - 16 June 2016	James Aspinall	Director of Corporate Services
West Midlands Passenger Transport Executive	1 April 2016 - 16 June 2016	Linda Horne	Head of Finance
West Midlands Combined Authority	17 June 2016 - 31 March 2017	James Aspinall	Director of Corporate Services

(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 RFO's Responsibilities

The RFO is responsible for the preparation of the WMCA'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 RFO 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 RFO 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 West Midlands Combined Authority at the reporting date and of its income and expenditure for the year ended 31 March 2017.

Mark Taylor
Director of Finance and Responsible Finance Officer
Date:

4. Approval of the Accounts

I certify that the Statement of Accounts covering the period 1 April 2016 to 31 March 2017 were approved by a resolution of the West Midlands Combined Authority Board Committee on 21 July 2017.

Andy Street
Mayor and Chair of the West Midlands Combined Authority
Date:

Scope of Responsibility

This Annual Governance Statement reflects the activities of West Midlands Integrated Transport Authority/West Midlands Passenger Transport Executive (Centro) up until 17 June 2016. From 17 June 2016 Centro ceased to exist and by virtue of the West Midlands Combined Authority Order 2016 all of its functions, rights property and liabilities transitioned to WMCA.

The WMCA is made up of seven district councils, constituent and non-constituent members and three Local Enterprise Partnerships (LEPs).

The constituent authorities for the WMCA are:

- 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 authorities for the WMCA are:

- Cannock Chase District Council
- Nuneaton and Bedworth Borough Council
- Redditch Borough Council
- Tamworth Borough Council
- Telford and Wrekin Council
- North Warwickshire Borough Council (joined 8 May 2017)
- Rugby Borough Council (joined 8 May 2017)
- Stratford-upon-Avon District Council (joined 8 May 2017)
- Shropshire Council (joined 8 May 2017)
- Warwickshire County Council (joined 8 May 2017)

The WMCA covers a three LEP geography and each of the LEPs has joined the WMCA as a non-constituent member. They are:

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

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

The Purpose of the Governance Framework

WMCA 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.

The WMCA Governance framework forms part of the Constitution and details the Boards and Committees which provide oversight and assurance.

To demonstrate good corporate governance, WMCA carries out its functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity; enabling

WMCA to pursue its vision and secure its agreed objectives in the most effective and efficient manner.

In discharging this overall responsibility, WMCA Leadership Board and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) which comprises the legislative requirements, systems and processes, cultures and values and that enables WMCA to:

1. Govern affairs
2. Exercise leadership
3. Facilitate the effective exercise of functions, including arrangements for the management of risk
4. To be held accountable for its decisions and activities.

In relation to (3) WMCA 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:

a) Identify and prioritise the risks to the achievement of our policies, aims and objectives; and
b) Evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

WMCA has developed a Risk Management Strategy and strategic risk register, which is reported to regular meetings of the Authority's Audit, Risk and Assurance Committee and provides visibility of risk at operational, program and strategic levels.

Annual Governance Statement

This Annual Governance Statement has been produced in line with the guidance outlined in the framework document published by the Chartered Institute of Public Finance Accountancy (CIPFA) 'Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)', which applies to annual governance statements prepared for the financial year 2016/17 onwards.

These seven principles are:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Governance Framework

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

The code of conduct is laid out in the Constitution; this defines standards of behaviour for Members and officers working on behalf of the Authority. The Head of Organisation Development deals with issues of conduct and generally promotes high standards among officers and members, reporting annually to WMCA Board.

WMCA embeds standards of conduct and behaviour through promoting a culture with values:

Be collaborative
- We work with others to reach common goals
- We are respectful and act with integrity
- We communicate clearly, openly and encourage feedback

Be innovative
- We encourage creativity, originality and curiosity from everyone
- We embrace change, are open to new possibilities and exploring new ideas
- We adopt best practices and keep up to date with new developments to enhance our work

Be driven
- We have a positive, proactive and a solution oriented attitude
- We are performance driven and deliver to a high standard
- We deliver on expectations and raise the game through clear goals
- We take ownership for our performance and outcomes

Be inclusive
- We care about and treat each other with dignity and respect
- We create a positive working environment to work in
- We value diversity and consider other people’s viewpoints

The business of WMCA is 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. This is underpinned with member inductions and Code of Conduct, meeting protocols and processes and policies and procedures that ensure transparency as well as a route for concerns to be raised.

2. Ensuring openness and comprehensive stakeholder engagement

- Communications and engagement strategies ensure engagement.
- Freedom of Information Act is published and a process in place to respond.
- Meeting reports show details of business cases and discussions between members. Records of decision making and supporting materials are retained.
- Dates for submitting, publishing and distributing timely reports is adhered to.

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

WMCA is focused on delivering value for money and success in this respect is reviewed by independent auditors in line with the NAO's auditor's guidance note (AGN03). The results of the Value for Money audit work and key messages arising will be reported in both the Audit Findings Report and the Annual Audit Letter.

WMCA look to embed a requirement for social value in procurement and other activities.

WMCA works to ISO14001 and the Environmental Management Strategy puts forward specific environmental initiatives.

An annual report communicates WMCA activities and achievements.

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

During the creation of WMCA a Shadow Board was in place. The WMCA Board came into being on 29 June 2016.

WMCA's purpose and vision are detailed in the Strategic Economic Plan (SEP). This presents a clear view of strategic priorities and financial planning to meet these needs.

WMCA ensure the purpose and vision is clear and well communicated.

A scheme of delegation is laid out in the Constitution.

Business planning and objectives setting ensures we are focussed on delivering the outcomes of the Strategic Economic Plan; creating the best possible conditions for growth in jobs, investment and living standards, enabling residents to develop high-level skills so they can benefit long into the future.

WMCA have a Clear Financial Strategy that includes short, medium and long term financial plans. Budget guidance and protocols are followed.

WMCA ensure the vision and the implications for governance arrangements are reviewed through the budget and performance management frameworks.

WMCA inclusivity work ensures engagement from all members of society.

The collective and individual roles and responsibilities of the Leadership Board, Members and officers have been agreed by WMCA Board.

The roles and responsibilities of the Board, Scrutiny and officer functions have been defined and documented in the Constitution, with clear delegation arrangements and protocols for effective communication.

WMCA ensures compliance with relevant laws and regulations, internal policies and procedures.

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

An interim senior management team has been established to ensure continuity and focus during the formation of WMCA.

WMCA People and Change Strategy provides a framework for the development of the organisations capability and policies ensure appropriate processes are followed.

Induction programs and development plans are in place for Members and Officers.

Roles and responsibilities are specified in job descriptions.

The Constitution outlines accountabilities.

Personal objectives are set and there are regular performance appraisals and development planning.

WMCA has attained IIP Gold and uses the Best Companies framework to benchmark people matters.

A leadership development program is being developed.

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.

Audit, Risk and Assurance Committee (ARAC) members have received finance training to allow them to understand financial accounts and reporting.

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

The transition from Centro to WMCA was managed through a structured program of activity that ensured existing services continued as normal and the emerging activities of WMCA were absorbed in a controlled manner. During this time, all risks associated with transition were identified and managed.

On the formation of WMCA a new governance structure was introduced, to ensure activities were conducted in line with the requirements of the Constitution. Risk management, audit and assurance processes were adjusted to ensure the wider concerns of WMCA are robustly monitored and reported.

The Audit, Risk and Assurance Committee (ARAC) is independent of the executive and scrutiny function. They monitor and review risk and governance processes, and results, in order to provide assurance to WMCA board on their effectiveness.

A robust assurance framework ensures governance and process are independently reviewed and reported and the risks have been identified and are being adequately managed. 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. Professional advice and good quality information is provided to ensure those making decisions are provided with relevant information that is fit for purpose.

Compliance with Public Sector Internal Audit Standards.

Risk management is embedded in the culture; accountabilities and responsibilities defined within roles, and with processes determining ways of working, managing and reporting risk.

Arrangements are in place for “Whistle-blowing” and for receiving and investigating complaints from the public.

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

The WMCA website is used as a channel to share general information as well as published reports.

The communications team support the production of key documents to ensure key information is presented in a way that is clear to the intended audience.

The formal annual report includes key points raised by external scrutineers and service users.

WMCA have established channels of communication with the community and other stakeholders, ensuring accountability and encouraging open consultation. Meetings are held in public unless there are good reasons for confidentiality.

WMCA incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements. We assess the effectiveness of relationship frameworks in order to identify any changes required.

Report recommendations are allocated to owners and they have informed positive improvements.

WMCA is rigorous and transparent about decision making and the recording of decisions. The Overview & Scrutiny Committee reviews and challenges the work and decisions of WMCA and makes policy suggestions.

Annual Review of Effectiveness of Governance Framework

The Opinion of the Head of Governance 2016/17

The Head of Governance is content that the system of internal assurance is robust and providing visibility of risk to the senior management teams.

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

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

During the period 2016/2017, the ‘key financial systems’ and Procurement audits were given ‘Substantial’ rating by internal audit and Metro Alliance a satisfactory level of assurance. This demonstrates that the systems and processes around audit, risk and governance are effective.

A new assurance framework was agreed by the Audit & Risk Committee in March 2016 and approved by DCLG in July 2016; as an integral part of agreeing devolution of powers to WMCA. The framework reviews internal delivery and the work of WMCA delivery partners, to ensure work delivered adheres to policy and legislative requirements and management processes identify risks to delivery.

Project & Programme Assurance Arrangements for Transport for West Midlands (Minor Projects) were strengthened in 2016 with a clear separation of assurance and approvals. The corporate assurance team undertake independent project assurance reviews and present the findings to the Delivery Boards to assist in the decision making process.

Project & Programme Assurance Arrangements for WMCA Major Projects (Investment Programme) is given by the technical Appraisal Panel prior to the approval and release of funding. The arrangements will be subject to independent review as part of the 2017/18 audit plan.

Risks are monitored and managed locally and reported upwards to a corporate risk register. Corporate risks are analysed and reported to WMCA Management Board and ARAC. The assurance framework aligns with a new risk management which is to be introduced from April 2017. The new framework will align risks across WMCA delivery portfolios to provide visibility of key strategic risks. WMCA Programme Board confirmed the risk categories and tolerance levels and the Assurance team will monitor these on an on-going basis.

Conclusion

In undertaking the review of internal control and governance framework, WMCA 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 action taken.

Since the formation of WMCA, many arrangements have been adjusted to incorporate the wider activities specified in the Devolution deal and delivered collaboratively; these include adjustments to meeting structures, audit and assurance, risk management and investment scheme protocols.

As WMCA continues to form, strategies, policies and procedures will be reviewed to ensure they remain fit for purpose and the requirements of CIPFA 2016 guidance are met in full. The appointment of the Mayor and senior roles will enable consolidation of approach, and in conjunction with these appointments, re-alignment of accountabilities and responsibilities will be addressed.

On behalf of the West Midlands Combined Authority

Andy Street
Mayor and Chair of the West Midlands Combined Authority
Date:

Martin Reeves
Chief Executive
Date:

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of West Midlands Combined Authority (the "Authority") for the period ended 31 March 2017 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the period then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (the "Act") and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Director of Finance and Responsible Finance Officer's (the "Director of Finance") use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Director of Finance is responsible for the other information. The other information comprises the information included in the Narrative Report, and the Annual Governance Statement set out on pages 2 to 21, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Act
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources the information given in the Narrative Report, and the Annual Governance Statement set out on pages 2 to 21 is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Act requires us to report to you if:

- in our opinion the Annual Governance Statement does not reflect compliance with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 12 to 13, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The West Midlands Combined Authority Board is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion
On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2017.

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2017. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code of Audit Practice.

And,

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the period ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2017.

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
Colmore Row
Birmingham
West Midlands
B4 6AT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing WMCA's services in accordance with generally accepted accounting practices, rather than the amount to be funded from resources. The reconciliation from the accounting cost to the funding position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The 2015/16 comparatives have been restated in line with the Code with further details in note 37 Prior period adjustments.

2015/2016 Gross Expenditure £'000	2015/2016 Gross Income £'000	2015/2016 Net Expenditure £'000		Notes	2016/2017 Gross Expenditure £'000	2016/2017 Gross Income £'000	2016/2017 Net Expenditure £'000
179,258	(51,904)	127,354	Transport services	5	188,444	(44,744)	143,700
-	-	-	Combined Authority other services	6	2,235	(62)	2,173
-	-	-	Economic development	7	2,518	-	2,518
179,258	**(51,904)**	**127,354**	**Cost of services**		**193,197**	**(44,806)**	**148,391**
12,336	-	12,336	Other operating expenditure	8	405	-	405
12,139	(386)	11,753	Financing and investment income and expenditure	9	12,151	(224)	11,927
43,695	(202,617)	(158,922)	Taxation and non-specific grant income and expenditure	10	45,759	(234,081)	(188,322)
247,428	**(254,907)**	**(7,479)**	**(Surplus) or deficit on provision of services**		**251,512**	**(279,111)**	**(27,599)**
		-	(Surplus) or deficit on revaluation of property, plant and equipment	26			(7,065)
		19,823	Remeasurement of the net defined benefit liability	28			(37,980)
		19,823	**Other Comprehensive Income and Expenditure**				**(45,045)**
		12,344	**Total Comprehensive Income and Expenditure**				**(72,644)**
		6,601	Adjustments between funding and accounting basis under regulations	4			28,604
		(19,823)	Transfer to Pensions Reserve	28			37,980
		-	Transfer to Capital Adjustment Account	26			7,065
		(145)	Transfers to/from Earmarked Reserves	25			(297)
		(1,023)	**(Surplus) or deficit for the year under funding basis**				**708**

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the WMCA, 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 £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Total reserves £'000
Balance at 31 March 2015	**4,359**	**10,498**	**191**	**7,589**	**42,728**	**(80,314)**	**(14,949)**
Movements in reserves during 2015/16							
Total comprehensive income and expenditure	7,479	-	-	-	-	(19,823)	(12,344)
Adjustments between accounting basis and funding basis under regulations (note 4b)	(6,601)	5,171	56	(212)	(1,622)	3,208	-
Increase or (decrease) in 2015/16 before transfer to earmarked reserves	**878**	**5,171**	**56**	**(212)**	**(1,622)**	**(16,615)**	**(12,344)**
Transfers to/from earmarked reserves	(2,715)	2,715	-	-	-	-	-
Balance at 31 March 2016 carried forward	**2,522**	**18,384**	**247**	**7,377**	**41,106**	**(96,929)**	**(27,293)**
Movements in reserves during 2016/17							
Total comprehensive income and expenditure	27,599	-	-	7,065	-	37,980	72,644
Adjustments between accounting basis and funding basis under regulations (note 4b)	(28,604)	29,952	-	(213)	(2,918)	1,783	-
Increase or (decrease) in 2016/17 before transfer to earmarked reserves	**(1,005)**	**29,952**	**-**	**6,852**	**(2,918)**	**39,763**	**72,644**
Transfers to/from reserves	297	(297)	-	(7,065)	7,065	**-**	-
Balance at 31 March 2017 carried forward	**1,814**	**48,039**	**247**	**7,164**	**45,253**	**(57,166)**	**45,351**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the WMCA. The net assets (assets less liabilities) are matched by the reserves held by the WMCA. 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 WMCA is not able to use for the provision of services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences in capital investment (the Capital Adjustment Account).

	Notes	2017 £'000	2016 £'000
Intangible assets	15	-	-
Property, plant and equipment	16	259,802	245,895
Long-term investments	17	22,000	-
Long-term assets		**281,802**	**245,895**
Short-term debtors	18	25,634	25,803
Cash and cash equivalents	19	28,303	29,347
Current assets		**53,937**	**55,150**
Short-term borrowing	20	(7,663)	(7,781)
Finance lease liabilities	21	(1,684)	(1,647)
Short-term creditors	22	(47,086)	(36,843)
Provisions	23	(5,803)	(6,297)
Grants receipts in advance - revenue	11	(1,226)	(1,227)
Transferred debt	24	(626)	(569)
Current liabilities		**(64,088)**	**(54,364)**
Net current assets/(liabilities)		**(10,151)**	**786**
Long-term borrowing	20	(152,416)	(157,719)
Finance lease liabilities	21	(991)	(2,677)
Provisions	23	(1,000)	(1,000)
Grants receipts in advance - capital	11	(6,854)	(13,450)
Transferred debt	24	(7,873)	(8,499)
Net pension liability	28	(57,166)	(90,629)
Long-term liabilities		**(226,300)**	**(273,974)**
Net assets/(liabilities)		**45,351**	**(27,293)**
General Fund Balance	25	1,814	2,522
Earmarked Reserves	25	48,039	18,384
Capital Receipts Reserve	25	247	247
Usable reserves		**50,100**	**21,153**
Revaluation Reserve	26	7,164	7,377
Capital Adjustment Account	26	45,253	41,106
Pensions Reserve	26	(57,166)	(96,929)
Unusable reserves		**(4,749)**	**(48,446)**
Total reserves		**45,351**	**(27,293)**

This financial report replaces the unaudited financial report certified by Mark Taylor on 15 May 2017. They were approved for issue by the West Midlands Combined Authority Board Committee on 21 July 2017. Events after the Balance Sheet date have been considered up to the date of approval.

The Cashflow Statement shows the changes in cash and cash equivalents of the WMCA during the reporting period. The statement shows how the WMCA generates and uses 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 WMCA. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the WMCA's future service delivery.

	2017 £'000	2016 £'000
Net (deficit)/surplus on the provision of services	27,599	7,479
Adjustments to net surplus or deficit on the provision of services for non-cash movements		
Depreciation and impairment of non-current assets	15,508	14,529
Amortisation of intangible assets	-	62
Net amounts of non-current assets written off on disposal	1,017	12,336
Change in pensions liability	4,517	(9,508)
Decrease in short-term debtors	169	7,177
Increase in short-term creditors	10,242	2,589
Increase/(decrease) in provisions	(494)	990
Net interest payable	9,472	9,568
Interest paid	(9,826)	(9,878)
Interest received	224	303
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital grants received	(68,584)	(71,217)
Capital grants paid	45,759	43,695
Net cash flows from operating activities	**35,603**	**8,125**
Investing activities		
Purchase of property, plant and equipment	(23,367)	(41,518)
Proceeds from disposal of property, plant and equipment	-	247
Capital grants received for the purchase of property, plant and equipment	22,825	27,522
Decrease/(increase) in long-term investments	(22,000)	-
Decrease/(increase) in short-term investments	-	10,000
Net cash flows from investing activities	**(22,542)**	**(3,749)**
Financing activities		
Payment of finance lease liabilities	(1,649)	(1,610)
Decrease in capital grants receipts in advance	(6,596)	(15)
Repayment of loans	(5,291)	(280)
Transferred debt - repayment of principal	(569)	(517)
Net cash flows from financing activities	**(14,105)**	**(2,422)**
Net increase or decrease in cash and cash equivalents	**(1,044)**	**1,954**
Cash and cash equivalents at 1 April	29,347	27,393
Cash and cash equivalents at 31 March (note 19)	**28,303**	**29,347**

Notes Index

1. Basis of preparation

a) General principles

The Statement of Accounts summarises WMCA's transactions for the 2016/17 financial year and its position as at 31 March 2017. The WMCA 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 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS).

b) Basis of preparation

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 is accounted for on an accruals basis (recognised in the period to which they relate) rather than when cash payments are made or received.

c) Merger accounting

The West Midlands Combined Authority came into existence on 17 June 2016 by virtue of the West Midlands Combined Authority Order 653/2016 (the Order). At the same time the West Midlands Integrated Transport Authority (ITA) and the West Midlands Passenger Transport Executive (PTE) ceased to exist and all of their functions, property, rights or liabilities transferred to the WMCA under the provisions of the Order.

The transfer to the WMCA has been accounted as a 'Transfer by Merger' under the Code so the WMCA's accounts for the 2016/17 financial year have been prepared as if the functions transferred from the ITA and PTE had always been included within it. The Board believe that preparing 12 months accounts for 2016/17, together with prior year comparatives represents the true and fair presentation of the financial position for the 2016/17 year as the management and operation of the organisation has not changed.

A statement of the carrying amount of the net assets transferred at the merger date (17 June 2016) is disclosed in note 36 together with an analysis of the principle components of the Surplus or Deficit on the Provision of Services and of Other Income and Expenditure pre- and post-merger.

d) Going concern

The accounts of the WMCA have been prepared on a going concern basis. The transfer under the Order was deemed to be a transfer of services under combinations of public sector bodies and therefore the presumption of going concern continues in accordance with the Code.

2. Significant accounting policies

a) Consolidation

The accounts of Centro Properties Limited, Midland Metro Limited, Network West Midlands Limited and West Midlands Rail Limited which are subsidiaries of the WMCA have not been consolidated with those of the WMCA because the companies have never traded and do not hold any assets or liabilities.

b) Taxation

Corporation, income and capital gains tax

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

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 income 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 WMCA 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 where the WMCA is acting as a principal is included within transport services in the Comprehensive Income and Expenditure Statement.

Income other than grant and ticketing income, which all arises within the United Kingdom and is stated net of VAT, represents income arising from bus station departure charges, the provision of timetable information, rental income and advertising revenues. Income is recognised to the extent that reliably measured economic benefits will flow to the WMCA and includes estimates in respect of services provided and rental income which have not been invoiced at the period end.

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 WMCA 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 WMCA meets the cost of up-grading transport facilities within the West Midlands. These costs are attributed to tangible assets where possible with the remainder written off to Cost of Services in the year as REFCUS.
- The WMCA makes payments of capital grants and contributions to District Councils and other organisations carrying out economic development and regeneration functions on behalf of the WMCA. These are included within REFCUS.

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

f) Pensions scheme

Employees of the WMCA 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 WMCA. The fund is valued every three years by a professionally qualified independent actuary.

Pension costs have been charged to the Comprehensive Income and Expenditure Statement and the WMCA's share of the fund's assets and liabilities are recognised in the Balance Sheet in accordance with IAS 19. The Comprehensive Income and Expenditure Statement has therefore been charged with the full cost of providing for future pension liabilities arising from in-year service.

In the Movement in Reserves Statement an appropriation equal to the difference between this amount and the actual employer's pension contribution is made to the Pensions Reserve, so that any additional costs arising from applying IAS 19 do not impact on the amount to be levied on the Local Authorities, and therefore ensuring no additional impact on local taxation. This appropriation is made under the general application of the Code. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

g) Financial assets

The WMCA's financial assets include trade debtors, short-term investments and cash and cash equivalents. Such financial assets are recognised initially at cost.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Deposits with original maturities of over three months are classified as short-term investments. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. For the purpose of the Cashflow Statement, bank overdrafts that are repayable on demand and form an integral part of the WMCA'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.

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 cost. Subsequent to initial recognition loans and borrowings are measured at amortised cost using the effective interest method. 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(j).

Financial assets and liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the WMCA 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) 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. As all bus stations and park and ride sites were valued as at 31 December 2008 by Lambert Smith Hampton, for the conversion to accounting under the Code, historical cost is deemed to be the carrying amount of the asset at 31 March 2009 or at the date of acquisition (if later) adjusted for subsequent depreciation.

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The WMCA does not have a de minimis level for capitalisation. Each capital project is reviewed on an individual basis and the costs considered for capitalisation. Non-enhancing expenditure is written off to the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

- Buildings 40 years
- Equipment 5 – 40 years
- Midland Metro
    - Infrastructure 10 - 30 years
    - Trams 30 years

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

Midland Metro – future routes
Expenditure, other than land purchase, on other areas of the network will be capitalised once approval for a particular line is received and the development is likely to proceed. Development costs are written off in the year. Land acquired for the expansion of the network is capitalised and included in land, measured at fair value.

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

j) Leases
Leases in terms of which the WMCA 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.

k) Impairment

Financial assets (including receivables)
Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

l) Provisions and contingent liabilities
Provisions are recognised when the WMCA 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 WMCA 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 WMCA. 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.

m) Minimum Revenue Provision
Capital Finance Regulations require the WMCA 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 WMCA prior to the start of the financial year. The approved MRP statement for the current year is:

- For capital expenditure incurred before 1 April 2009 or which in future will be financed by supported borrowing, MRP will be broadly based as being 2% of the underlying Capital Financing Requirement. For 2016/17 MRP was calculated at 2% (2016: 4%).
- From 1 April 2009 for all capital expenditure met from unsupported or prudential borrowing, MRP will be based on the estimated life of the asset or a depreciation calculation.
- MRP will commence in the financial year after the asset has become operational.

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

n) 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.

o) Prior Period Adjustments
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 WMCA'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 WMCA to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Judgements
In applying the accounting policies set out in note 2, the WMCA has had to make certain judgements about complex transactions or those involving uncertainty about future events. The WMCA does not consider that there are any complex transactions that are not covered by the accounting policies outlined in note 2, that required any judgements and hence disclosure.

The accounting treatment for the transfer to the WMCA as a “Transfer by Merger” as set out in note 1 (c) is a critical judgement made by the WMCA Board in relation to the preparation of these 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 items in the Balance Sheet at 31 March 2017 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- Property revaluation:
  The WMCA carries its land and buildings and land held for future expansion at fair value. Periodically, external surveyors are used, and the last full independent survey was carried out as at 31 March 2014. Between independent surveys desktop reviews are carried out by the external valuers at the Balance Sheet date. Such valuations and any attached estimates are subject to some sensitivity.

- 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 funds actuaries in their 2017 IAS 19 valuation report:

  - A 0.1% p.a. increase in the discount rate will reduce the pension fund liability by £4.383m.
  - A 0.1% p.a. decrease in the discount rate will increase the pension fund liability by £4.448m.
  - An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £12.966m.
  - A decrease of life expectancy at retirement by 1 year will decrease the pension fund liability by £12.446m.
  - 0.1% p.a. increase in inflation will increase the pension fund liability by £3.921m.
  - 0.1% p.a. decrease in inflation will decrease the pension fund liability by £3.870m.

4. Expenditure and Funding Analysis

(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 WMCA 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 WMCA’s services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/2016 Net expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis (Note 4b) £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000		2016/2017 Net expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis (Note 4b) £'000	Net expenditure in the Comprehensive Income and Expenditure Statement £'000
121,037	6,317	127,354	Transport services	116,731	26,969	143,700
-	-	-	Combined Authority other services	2,173	-	2,173
-	-	-	Economic development	2,518	-	2,518
121,037	**6,317**	**127,354**	**Cost of services**	**121,422**	**26,969**	**148,391**
-	12,336	12,336	Other operating expenditure	-	405	405
9,485	2,268	11,753	Financing and investment income and expenditure	9,472	2,455	11,927
(131,400)	(27,522)	(158,922)	Taxation and non-specific grant income and expenditure	(129,889)	(58,433)	(188,322)
(878)	**(6,601)**	**(7,479)**	**(Surplus) or deficit on provision of services**	**1,005**	**(28,604)**	**(27,599)**
(4,359)			Opening General Fund balance	(2,522)		
2,715			Transfers to/from Earmarked Reserves	(297)		
(2,522)			**Closing General Fund balance**	**(1,814)**		

(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 2016/17

	Adjustments for capital purposes				Pensions	Total
	Depreciation/ loss on disposal £'000	REFCUS £'000	Grants/ contributions £'000	Financing £'000	adjustments £'000	adjustments £'000
Transport services	15,508	15,353	5,827	(5,481)	(4,238)	26,969
Combined Authority other services	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Net cost of services	**15,508**	**15,353**	**5,827**	**(5,481)**	**(4,238)**	**26,969**
Other operating expenditure	405	-	-	-	-	405
Financing and investment income and expenditure	-	-	-	-	2,455	2,455
Taxation and non-specific grant income and expenditure	-	-	(58,433)	-	-	(58,433)
(Surplus) or deficit on provision of services	**15,913**	**15,353**	**(52,606)**	**(5,481)**	**(1,783)**	**(28,604)**

Prior year comparatives

	Adjustments for capital purposes				Pensions	Total
	Depreciation/ loss on disposal	REFCUS	Grants/ contributions	Financing	adjustments	adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	14,589	9,223	(3,889)	(8,130)	(5,476)	6,317
Combined Authority other services	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Net cost of services	**14,589**	**9,223**	**(3,889)**	**(8,130)**	**(5,476)**	**6,317**
Other operating expenditure	12,336	-	-	-	-	12,336
Financing and investment income and expenditure	-	-	-	-	2,268	2,268
Taxation and non-specific grant income and expenditure	-	-	(27,522)	-	-	(27,522)
(Surplus) or deficit on provision of services	**26,925**	**9,223**	**(31,411)**	**(8,130)**	**(3,208)**	**(6,601)**

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

REFCUS - revenue expenditure funded from capital under statute is added to the transport services line as these are chargeable to Cost of Services under proper accounting practices. Also included within REFCUS are amounts written off to Cost of services in respect of capital development schemes.

Grants/contributions - revenue grants within transport services and the Gainshare contribution within non-specific grant income and expenditure are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is also credited with capital grants receivable and payable in the year without conditions or for which conditions were satisfied in the year.

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

Pensions adjustments - the adjustment to transport services represents the removal of the employer contributions made by the WMCA 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.

5. Transport services

An analysis of income and expenditure by activity for the year is as follows:

Analysis for 2016/17	**Gross Expenditure** £'000	**Grants Received** £'000	**Other Income** £'000	**Net Expenditure** £'000
Concessions	68,496	-	(469)	68,027
Bus services	28,684	(1,793)	(6,857)	20,034
Rail services	4,007	-	(1,145)	2,862
Fares and ticketing*	30,627	-	(30,627)	-
Integration	8,491	(363)	(1,588)	6,540
Business support costs	4,249	(100)	(286)	3,863
Policy and strategy and elected member services	1,785	-	(45)	1,740
LSTF/Midlands Connect/BBAF programmes	7,298	(7,298)	-	-
Finance charges	6,811	-		6,811
Deregulation pension costs	6,854	-	-	6,854
Net expenditure chargeable to the General Fund	167,302	(9,554)	(41,017)	116,731
Adjustments between funding and accounting basis (note 4)	21,142	5,827	-	26,969
Per Comprehensive Income and Expenditure Statement	**188,444**	**(3,727)**	**(41,017)**	**143,700**

Comparatives for 2015/16	**Gross Expenditure** £'000	**Grants Received** £'000	**Other Income** £'000	**Net Expenditure** £'000
Concessions	72,603	-	(449)	72,154
Bus services	28,751	(1,276)	(8,509)	18,966
Rail services	3,118	-	(105)	3,013
Fares and ticketing *	29,475	-	(29,475)	-
Integration	6,619	-	(908)	5,711
Business support costs	4,001	-	(545)	3,456
Policy and strategy and elected member services	1,693	-	(105)	1,588
LSTF/Midlands Connect/BBAF programmes	6,631	(6,631)	-	-
Finance charges	8,974	-	-	8,974
Deregulation pension costs	7,187	-	(12)	7,175
Net expenditure chargeable to the General Fund	169,052	(7,907)	(40,108)	121,037
Adjustments between funding and accounting basis (note 4)	10,206	(3,889)	-	6,317
Per Comprehensive Income and Expenditure Statement	**179,258**	**(11,796)**	**(40,108)**	**127,354**

***Fares and ticketing**

The WMCA 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 system which allows holders of period tickets to travel on bus, rail and Metro services within the West Midlands. The nBus and Bus/Metro schemes are ticketing systems covering the majority of bus services within the West Midlands and also Midland Metro. The net revenue of these schemes is paid out to public transport operators on an agreed basis.

6. Combined Authority other services

	2016/17 £'000	2015/16 £'000
Land Commission	323	-
Mental Health Commission	294	-
Productivity and Skills Commission	30	-
Public Service Reform	247	-
Collective Investment Fund	292	-
Communications	152	-
Culture and Tourism	16	-
Programme, Policy and Governance	764	-
Transport	117	-
Gross expenditure	2,235	-
Income:		
Grant - DWP	(62)	-
Gross income	(62)	-
Per Comprehensive Income and Expenditure Statement	**2,173**	**-**

7. Economic development

	2016/17 £'000	2015/16 £'000
Revenue costs of project and programme delivery	2,493	-
Programme resource	25	-
Gross expenditure	2,518	-
Per Comprehensive Income and Expenditure Statement	**2,518**	**-**

8. Other operating expenditure

	2016/17 £'000	2015/16 £'000
Loss on disposal of property, plant and equipment	405	285
Capital development schemes	-	12,051
Total	**405**	**12,336**

The prior year comparative for capital development schemes expenditure consists of costs for Bromsgrove Rail Station previously included within assets under construction but now written off as the asset is owned by Network Rail and leased back to the WMCA via a finance lease. The effect of this is explained in note 16 Property, plant and equipment.

9. Financing and investment income and expenditure

	2016/17 £'000	2015/16 £'000
Interest payable and similar charges on borrowings:		
PWLB	8,730	8,861
Other	404	403
Interest payable on the former transferred debt	562	607
Net interest on the net defined benefit liability (note 28)	2,455	2,268
	12,151	12,139
Interest receivable and similar income	(224)	(386)
Total	**11,927**	**11,753**

10. Taxation and non-specific grant income and expenditure

	2016/17 £'000	2015/16 £'000
Transport levy from the West Midlands districts*	124,830	131,400
Gainshare contribution - DCLG	36,500	-
Business rates growth - DCLG	1,500	-
Constituent, non-constituent and observers contributions*	2,667	-
Capital grants and contributions (note 11)	68,584	71,217
Gross income	234,081	202,617
Capital grants paid	(45,759)	(43,695)
Total	**188,322**	**158,922**

*An analysis of the transport levy and constituent and non-constituent member contributions by district is shown in note 34 Related party disclosures.

The WMCA receives grants from the DfT which it administers and passes onto district partners. This expenditure does not form part of the WMCA's capital programme but is included within taxation and non-specific grant income and expenditure.

11. Government and other grant income

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

	2016/17	2015/16
	£'000	£'000
Revenue grants credited to cost of services		
Bus Service Operator Grant - DfT	1,793	1,276
Health-led Employment Trials - DWP	62	-
Local Sustainable Transport Fund - DfT	549	5,467
Midlands Connect Programme - DfT	545	5,000
Smart Ticketing	780	-
Other	60	53
Total	**3,789**	**11,796**
Analysed between the following segments:		
Transport	3,727	11,796
Combined Authority other services	62	-
Total	**3,789**	**11,796**

	2016/17	2015/16
	£'000	£'000
Capital grants and contributions credited to taxation and non-specific grant income		
Integrated Transport Block - DfT	23,008	21,722
Highways Maintenance Incentive Fund - DfT	913	913
Highways Capital Maintenance - DfT	14,939	15,383
Highways Maintenance Challenge Fund - DfT	13,642	12,300
Better Bus Area Fund - DfT	-	1,231
Clean Vehicle Fund - DfT	486	-
Local Sustainability Transport Fund - DfT	201	117
ITSO Smartcard - DfT	41	208
Enterprize Zone - BCC	6,263	2,271
Local Growth Fund - BC LEP	5,615	3,820
Local Growth Fund - GBS LEP	3,111	11,874
3rd Party Contributions	108	859
Ring and Ride vehicles	215	519
Other	42	-
Total	**68,584**	**71,217**

The WMCA 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. The balances at the year end are as follows:

	2017 £'000	2016 £'000
Grants received in advance - capital		
Integrated Transport Block - DfT	1,657	7,082
Local Growth Fund - GBS LEP	1,044	4,525
Sundry - DfT	591	280
Highways Maintenance Challenge Fund - DfT	3,203	841
Better Bus Area Fund - DfT	-	-
Local Sustainability Transport Fund - DfT	277	478
Enterprize Zone - BCC	-	171
3rd Party Contributions	82	73
	6,854	**13,450**
Grants received in advance - revenue		
Bus Service Operator Grant - DfT	1,226	1,227
	1,226	**1,227**

12. Officers' remuneration

The remuneration paid to senior employees during 2016/17 was as follows:

		Salary, fees and allowances £'000	Compensa-tion for loss of office £'000	Pension contrib-utions £'000	Total £'000
For the period from 17th June 2016					
Chief Executive [1]	2016/17	-	-	-	-
Chief Operating Officer [1]	2016/17	-	-	-	-
Clerk to the WMCA and Monitoring Officer [2]	2016/17	-	-	-	-
Investment Director [1]	2016/17	-	-	-	-
Director of Corporate Services [3]	2016/17 (pro-rata)	97	99	12	208
Managing Director, Transport for West Midlands [4]	2016/17 (pro-rata)	92	-	11	103
For the period to 16th June 2016					
Interim Managing Director [3]	2016/17 (pro-rata)	26	-	3	29
	2015/16	122	-	14	136
Director of Integrated Mobility [5]	2016/17 (pro-rata)	20	-	2	22
	2015/16	84	-	10	94
Strategic Director for Transport [4]	2016/17 (pro-rata)	24	-	3	27
	2015/16	34	-	4	38

[1] Chief Executive, Chief Operating Officer and Investment Director joined in June 2016 when WMCA came into existence. They did not receive any remuneration from the WMCA and no amounts were re-charged from other District Authorities for their services during the period.

[2] Clerk to the WMCA and Monitoring Officer was Clerk to the ITA from 1 April to 16 June 2016. He did not receive any remuneration from the WMCA and no amounts were re-charged from other District Authorities for his service during the year.

[3] Director of Corporate Services was Interim Managing Director (PTE) and Treasurer (ITA) from 1 April to 16 June 2016. His full remuneration for 2015/16 is shown against the Interim Managing Director post and has not been split into the two roles held in 2015/16.

[4] Managing Director, Transport for West Midlands was Strategic Director for Transport from 1 April to 16 June 2016. The Strategic Director for Transport post was redesignated as Managing Director, Transport for West Midlands with effect from 1 August 2016.

[5] Director of Integrated Mobility post was deleted in July 2016 as part of the restructure when the WMCA came into existence. Remuneration for the remainder of the year is included in the bandings table below.

Other employees receiving more than £50,000 remuneration which includes exit packages for the year from all entities (excluding pension contributions) were paid the following amounts:

	2017 £'000	**2016** £'000
£50,000 - £54,999	18	9
£55,000 - £59,999	6	5
£60,000 - £64,999	6	4
£65,000 - £69,999	3	5
£70,000 - £74,999	5	3
£75,000 - £79,999	2	2
£80,000 - £84,999	1	-
£85,000 - £89,999	1	-
£90,000 - £94,999	1	-
£95,000 - £99,999	1	-
£100,000 - £104,999	1	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	1	-

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

	Compulsory redundancies		**Total exit packages**		**Total cost of packages in each band**	
Cost band (including special payments)	**2017** No.	**2016** No.	**2017** No.	**2016** No.	**2017** £'000	**2016** £'000
£0 - £20,000	12	3	12	3	**75**	**30**
£20,001 - £40,000	3	1	3	1	**109**	**21**
£40,001 - £60,000	3	-	3	-	**140**	**-**
£60,001 - £80,000	1	1	1	1	**70**	**80**
£80,001 - £100,000	1	-	1	-	**99**	**-**
£100,001 +	5	2	5	2	**718**	**414**
	25	**7**	**25**	**7**	**1,211**	**545**

13. Members' allowances

	2017 £'000	2016 £'000
Allowances	128	151
Expenses	10	19
Total	**138**	**170**

14. External audit costs

Charges relating to work undertaken by the external auditors:

	2017 £'000	2016 £'000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	47	53
Fees payable in respect of other services provided by Grant Thornton LLP during the year	19	17
Total	**66**	**70**

15. Intangible assets

Intangible assets consist of costs incurred in the development and implementation of equipment, systems and services for introducing ITSO-compliant smartcard ticketing in the West Midlands. The costs are fully funded by capital grants.

	2017 £'000	2016 £'000
Cost		
At 31 March	**13,327**	**13,327**
Amortisation		
At 1 April	13,327	13,265
Charge for the year	-	62
At 31 March	**13,327**	**13,327**
Net book value		
At 31 March	-	-

16. 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. Vehicles, plant and equipment include Ring and Ride vehicles with a carrying value of £1.416m (2016: £1.715m), which are included in the Balance Sheet in accordance with IFRIC 4. Additions during the year for Ring and Ride were £0.216m (2016: £0.519m) and are included within additions - other.

Leased assets

Assets with a value of £7.065m were acquired under a finance lease during the year in respect of Bromsgrove rail station and carpark. As the lease is at peppercorn rent, the assets were initially recognised at £nil, being the lower of the fair value of the assets acquired and the present value of the minimum lease payments. After initial recognition, the assets were valued at depreciated replacement cost (DRC) in accordance with WMCA's accounting policy on infrastructure assets. This valuation has been prepared by Bruton Knowles, an accredited independent valuer.

Revaluations

Land and buildings are revalued at least every five years at current value and a full valuation was last carried out as at 31 March 2014. 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. The desktop review at 31 March 2017 carried out by Bruton Knowles confirmed that there were no adjustments to be made.

Movements in 2016/17	**Land and buildings**	**Vehicles, plant and equipment**	**Infra-structure assets**	**Assets under construction**	**Total**
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2016	3,576	38,697	306,277	44,100	392,650
Additions - capital programme	-	1,179	395	21,577	23,151
Additions - other	-	216	-	-	216
Revaluations	-	2,105	4,960	-	7,065
Transfers	-	508	31,822	(32,330)	-
Transfers to provision of services	-	-	-	(612)	(612)
Disposals	-	(976)	(3,098)	-	(4,074)
At 31 March 2017	**3,576**	**41,729**	**340,356**	**32,735**	**418,396**
Accumulated depreciation					
At 1 April 2016	195	25,740	120,820	-	146,755
Charge for the year	98	2,585	12,825	-	15,508
Disposals	-	(971)	(2,698)	-	(3,669)
At 31 March 2017	**293**	**27,354**	**130,947**	**-**	**158,594**
Net book value					
At 31 March 2017	3,283	14,375	209,409	32,735	259,802
At 31 March 2016	3,381	12,957	185,457	44,100	245,895

Comparative movements in 2015/16	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2015	3,906	36,373	281,640	62,602	384,521
Additions - capital programme	-	1,081	2,521	37,397	40,999
Additions - other	-	519	-	-	519
Transfers	-	724	42,933	(43,657)	-
Transfers to provision of services	-	-	-	(191)	(191)
Disposals	(330)	-	(20,817)	(12,051)	(33,198)
At 31 March 2016	**3,576**	**38,697**	**306,277**	**44,100**	**392,650**
Accumulated depreciation					
At 1 April 2015	97	23,059	129,876	-	153,032
Charge for the year	98	2,681	11,750	-	14,529
Disposals	-	-	(20,806)	-	(20,806)
At 31 March 2016	**195**	**25,740**	**120,820**	**-**	**146,755**
Net book value					
At 31 March 2016	3,381	12,957	185,457	44,100	245,895
At 31 March 2015	3,809	13,314	151,764	62,602	231,489

17. Investments

	Long-term		Current		Total	
	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Investments in subsidiaries	-	-	-	-	-	-
Long-term deposits	22,000	-	-	-	22,000	-
Total	**22,000**	**-**	**-**	**-**	**22,000**	**-**

The WMCA has interests in the following subsidiaries which were incorporated in England. The investments were held at 31 March 2016 and 31 March 2017.

	Ownership	Share capital	Nature of business
Centro Properties Ltd	100%	£100	Non - trading
Midland Metro Limited	100%	£100	Non - trading
Network West Midlands Limited	100%	£100	Non - trading
West Midlands Rail Limited	50%	n/a - limited by guarantee	Non - trading

Centro Properties Ltd was incorporated under the Companies Act 2006 as a private limited company on 01 December 2009.

Midland Metro Ltd was incorporated under the Companies Act 1985 as a private limited company on 16 March 1988.

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

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

18. Short-term debtors

	2017 £'000	2016 £'000
Trade debtors and accrued income	13,670	12,362
Other debtors	1,321	2,101
Prepayments	10,643	11,340
Total	**25,634**	**25,803**
Analysed between the following classes of debtors:		
Central government bodies	1,329	4,831
Other local authorities	6,367	5,822
Other entities and individuals	17,938	15,150
Total	**25,634**	**25,803**

Included within trade debtors and accrued income are monies owed in respect of grant funding claims and also monies owed from operators for ticketing. Prepayments consist of prepayments for concessions to operators, lease payments for Metro and capital prepayments for Bromsgrove Rail Station and Metro Centenary Square. Other debtors consist of amounts recoverable for VAT.

19. Cash and cash equivalents

	Carrying amount	
	2017 £'000	2016 £'000
Cash at bank and in hand	103	1,197
Short-term deposits	28,200	28,150
Altram refundable deposit	2,750	2,750
	31,053	**32,097**
Amount to be repaid to Altram	(2,750)	(2,750)
Total	**28,303**	**29,347**

Daily cash balances are invested overnight. The balance at 31 March 2017 represents monies held on deposit as at 31 March 2017 to be repaid on the next available banking day. Interest is earned at the respective short-term deposit rates.

The WMCA holds £2.750m (2016: £2.750m) on behalf of Altram, its private sector partner in the Midland Metro project, as a deposit against unforeseen circumstances. This sum is invested with the Debt Management Account Facility (DMADF) with any interest received repaid to Altram.

20. Borrowing

	2017 £'000	2016 £'000
Lender		
Public Works Loan Board (PWLB)	147,719	153,010
Barclays	10,000	10,000
Accrued interest payable	2,360	2,490
Total	**160,079**	**165,500**
Maturity		
Principle and accrued interest due within one year	7,663	7,781
1 - 2 years	23,317	5,303
2 - 5 years	11,021	33,985
5 - 10 years	1,991	1,915
Over 10 years	116,087	116,516
Principle due after more than one year	152,416	157,719
Total	**160,079**	**165,500**

The WMCA adopts a low risk treasury management approach seeking to maximise low interest loans when the opportunity arises. During the year, the WMCA did not undertake any short-term borrowing (2016: nil). The amount of fixed rate debt is 100% (2016: 100%) with no variable rate debt (2016: nil).

In November 2012 the Public Works Loans Board (PWLB) introduced the certainty new loan rate (CNLR), allowing authorities to borrow at a reduction of 20 base points (bps) on the standard PWLB rate. The former West Midlands Integrated Transport Authority (ITA) applied for the certainty rate and was acknowledged by PWLB as being on their approved list of authorities who could access the preferential rates.

During 2005/06 the ITA 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. No other terms or conditions of the loan were amended and the loan will still mature in June 2055.

21. Finance lease liabilities

In 1998 the former West Midlands Passenger Transport Executive entered into two finance leases with Royal Bank Leasing in connection with the trams for Metro line 1. The initial cost of all 15 vehicles was £20.747m. The leases are repayable by equal instalments over 20 years based on LIBOR interest rates and are due to terminate in 2018/19. Any monetary fluctuations due to interest rate changes are settled on an annual basis.

These vehicles are no longer operational and have been written off as they have been replaced by new trams. Finance lease liabilities are repayable as follows:

	Minimum lease payments		Finance lease liabilities	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Within 1 year	1,732	1,712	1,684	1,647
Within 2 - 5 years	1,032	2,766	991	2,677
	2,764	4,478	2,675	4,324
Finance costs payable in future years	(89)	(154)	-	-
Total	**2,675**	**4,324**	**2,675**	**4,324**

22. Short-term creditors

	2017	2016
	£'000	£'000
Trade creditors and accruals	42,037	33,665
Taxes and social security	392	352
Payments received on account	4,657	2,826
	47,086	**36,843**
Analysed between the following classes of creditors:		
Central government bodies	941	559
Other local authorities	13,528	11,258
Other entities and individuals	32,617	25,026
Total	**47,086**	**36,843**

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.

23. Provisions

Current year movements	Transport development	Buildings maintenance	Rail services/ insurance	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2016	4,911	1,272	1,114	7,297
Additional provision	1,429	135	181	1,745
Amounts used	(2,138)	(96)	(5)	(2,239)
Balance at 31 March 2017	**4,202**	**1,311**	**1,290**	**6,803**
Current	4,202	311	1,290	5,803
Long-term	-	1,000	-	1,000
Total	**4,202**	**1,311**	**1,290**	**6,803**

Prior year comparatives	Transport development £'000	Buildings maintenance £'000	Rail services/ insurance £'000	Total £'000
Balance at 1 April 2015	4,015	1,330	962	6,307
Additional provision	1,840	85	216	2,141
Amounts used	(944)	(143)	(64)	(1,151)
Balance at 31 March 2016	**4,911**	**1,272**	**1,114**	**7,297**
Current	4,911	272	1,114	6,297
Long-term	-	1,000	-	1,000
Total	**4,911**	**1,272**	**1,114**	**7,297**

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

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

24. 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.

	2017 £'000	2016 £'000
Balance at 1 April	9,068	9,585
Repayment in the year	(569)	(517)
Balance at 31 March	**8,499**	**9,068**
Due within one year	626	569
Due over one year	7,873	8,499
Total	**8,499**	**9,068**

25. 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 WMCA to meet unexpected short term requirements. Movements in the General Fund are detailed in the Movement in Reserves Statement.

Earmarked Reserves

Current year movements	Earmarked general fund £'000	Gainshare contribution £'000	Unapplied revenue grants £'000	Total £'000
Balance at 1 April 2016	9,093	-	9,291	18,384
Received in year	171	36,500	1,934	38,605
Utilised in year	-	(892)	(7,761)	(8,653)
Net unapplied in year	171	35,608	(5,827)	29,952
Released in year to general reserves	(816)	-	-	(816)
Transfers in year from general reserves	519	-	-	519
Net transfer (to)/from general reserves	(297)	-	-	(297)
Balance at 31 March 2017	**8,967**	**35,608**	**3,464**	**48,039**

Prior year comparatives	Earmarked general fund £'000	Gainshare contribution £'000	Unapplied revenue grants £'000	Total £'000
Balance at 1 April 2015	4,951	-	5,547	10,498
Received in year	1,516	-	10,520	12,036
Utilised in year	(234)	-	(6,631)	(6,865)
Net unapplied in year	1,282	-	3,889	5,171
Released in year to general reserves	(945)	-	(145)	(1,090)
Transfers in year from general reserves	3,805	-	-	3,805
Net transfer (to)/from general reserves	2,860	-	(145)	2,715
Balance at 31 March 2016	**9,093**	**-**	**9,291**	**18,384**

Earmarked general fund
This reserve contain additions in the year to provide funding to back transport capital programme commitments.

Gainshare contribution
This reserve contains the Gainshare contribution received from the DCLG where the expenditure has not been incurred at the Balance Sheet date. The funding will be transferred to the General Fund via the Movements in Reserves Statement as the expenditure is incurred.

Unapplied revenue grants
This reserve contains revenue grants that the WMCA has received from the DfT in respect of the Local Sustainable Transport Fund and the Midlands Connect Programme where the expenditure has not been incurred at the Balance Sheet date. These grants are transferred to the General Fund via the Movements in Reserves Statement as the expenditure is incurred.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

	2017	**2016**
	£'000	£'000
Opening balance at 1 April	247	191
Capital grants applied to financing	-	(191)
Transfer of sales proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	-	247
Closing balance at 31 March	**247**	**247**

26. 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.

	2017	**2016**
	£'000	£'000
Opening balance at 1 April	7,377	7,589
Difference between current value depreciation and historical cost	(213)	(212)
Surplus on revaluation of property, plant and equipment (note 16)	7,065	-
Transfer to Capital Adjustment Account	(7,065)	-
Closing balance at 31 March	**7,164**	**7,377**

The surplus for the year is in respect of assets acquired under a finance lease for Bromsgrove railway station and carpark at a peppercorn rent (note 16). A transfer has been made from the Revaluation Reserve to the Capital Adjustment Account to offset against the expenditure incurred in the previous year relating to the project which was written off to other operating expenditure (note 8) and subsequently transferred to the Capital Adjustment Account.

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).

	2017 £'000	2016 £'000
Opening balance at 1 April	41,106	42,728
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	(15,508)	(14,589)
Adjusting amount written out of the Revaluation Reserve	213	212
Loss on disposal of property, plant and equipment	(1,017)	(12,336)
Transfer of sales proceeds credited as part of the loss on disposal	-	(247)
Revenue expenditure funded from capital under statute (note 27)	(14,741)	(9,223)
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	22,654	26,006
Application of grants to capital financing from the Capital Grants Unapplied Reserve	-	191
Application of Earmarked Reserves to finance capital expenditure	-	234
Statutory provision for the financing of capital investment charged against the General Fund (MRP - note 27)	4,590	7,156
Debt repayment charged against the General Fund (note 24)	569	517
Capital expenditure charged against the General Fund (note 27)	322	457
Transfer from revaluation reserve	7,065	-
Closing balance at 31 March	**45,253**	**41,106**

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 WMCA 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.

	2017 £'000	2016 £'000
Opening balance at 1 April	96,929	80,314
Remeasurements (liabilities and assets)	(37,980)	19,823
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	6,175	4,862
Employer's pension contributions payable in the year:		
Current year	(7,958)	(8,070)
Closing balance at 31 March	**57,166**	**96,929**

27. Capital expenditure and capital financing

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

	2017 £'000	2016 £'000
Bus infrastructure	2,651	3,843
Rail infrastructure	1,849	7,018
Midland Metro	28,117	36,515
Sustainability	4,552	2,054
Other	723	792
Total capital expenditure	**37,892**	**50,222**
Property, plant and equipment (note 16)	23,151	40,999
Written off to cost of services - capital development/district schemes	14,741	9,223
	37,892	**50,222**
Funded by:		
Central Government grants	11,754	8,179
District/Local Enterprise Partnership (LEP) grants and contributions	4,575	16,449
3rd party contributions	6,109	859
Use of reserves	-	425
Borrowing	15,454	24,310
	37,892	**50,222**

The WMCA 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 WMCA's underlying Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the WMCA that has yet to be financed. The CFR is analysed below:

	2017 £'000	2016 £'000
Opening Capital Financing Requirement	197,412	181,232
Capital investment		
Capital programme costs funded by borrowing	15,454	24,310
Sources of finance		
Minimum Revenue Provision (MRP)	(4,590)	(7,156)
Transferred debt repayment (note 24)	(569)	(517)
Capital expenditure charged to the General Fund	(322)	(457)
Closing Capital Financing Requirement	**207,385**	**197,412**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	9,973	16,180
Increase in Capital Financing Requirement	**9,973**	**16,180**

28. Defined benefit pension scheme

Employees of the WMCA participate in the West Midlands Pension Fund, a defined benefit career average salary statutory scheme administered by the City of Wolverhampton Council in accordance with the Local Government Pension Scheme Regulations 2013.

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 2016. Based on the results of this valuation the actuaries advise that the cost of pensions to be charged to the Comprehensive Income and Expenditure Statement from 1 April 2016 should be 13.1% of the current employees' pensionable pay plus £0.8m per annum 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 WMCA over the average remaining service lives of the current members of the fund.

Calculation method

The figures as at 31 March 2017 are based on the 31 March 2016 formal valuation of the fund. Membership data as at 31 March 2016 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 2016. This valuation was carried out by Barnett Waddingham LLP.

Net liability and pension reserve

The net amount recognised on the Balance Sheet at 31 March 2017 is a deficit of £57.166m compared to a deficit of £90.629m at 31 March 2016. The main driver of the decrease is the result of the change in valuation assumptions following the 2016 triennial valuation.

Movement in pension fund liability during the year

	2017 £'000	**2016** £'000
Opening balance at 1 April	90,629	80,314
Employer's pension contributions payable in the year:		
Current year	(7,958)	(8,070)
Prepayment for 2016/17	6,300	(6,300)
Post employment benefit charged to the surplus or deficit on provision of services:		
Current service cost	3,610	2,497
Administration expenses	110	97
Net interest cost	2,455	2,268
Remeasurements (liabilities and assets)	(37,980)	19,823
Closing balance at 31 March	**57,166**	**90,629**

Employer's pension contributions expected to be paid in 2017/18 are estimated at £4.183m. This includes a pension deficit lump sum prepayment of £2.4m (£0.8m per annum) covering three years to 2019/20.

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:

	2017 £'000	2016 £'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	3,610	2,497
Administration expenses	110	97
Financing and investment income and expenditure		
Net interest cost	2,455	2,268
Total post employment benefit charged to the surplus or deficit on provision of services	**6,175**	**4,862**
Remeasurements (liabilities and assets)	(37,980)	19,823
Total post employment benefit charged/(credited) to the Comprehensive Income and Expenditure Statement	**(31,805)**	**24,685**
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	(6,175)	(4,862)
Actual amount charged against the General Fund Balance for pensions in the year	7,958	8,070
	1,783	**3,208**

Assets and liabilities in relation to post-employment benefits

	2017 £'000	2016 £'000
Present value of scheme liabilities	(318,749)	(316,284)
Present value of scheme assets	261,583	225,655
Amounts recognised as liabilities	**(57,166)**	**(90,629)**

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

	2017 £'000	2016 £'000
Opening balance at 1 April	316,284	306,754
Current service cost	3,425	2,497
Interest cost	7,650	9,289
Change in demographic assumptions	(9,272)	-
Experience loss/(gain) on defined benefit obligation	(14,997)	-
Contributions by scheme participants	882	818
Remeasurements (liabilities)	28,991	12,058
Benefits paid	(14,399)	(15,132)
Past service costs/curtailments	185	-
Closing balance at 31 March	**318,749**	**316,284**

Reconciliation of fair value of the scheme assets

	2017 £'000	2016 £'000
Opening balance at 1 April	225,655	226,440
Interest on plan assets	5,195	7,021
Administration expenses	(110)	(97)
Remeasurements (assets)	32,795	(7,765)
Other actuarial gains/(losses)	9,907	-
Employer contributions paid - current year	1,658	8,070
Employer contributions paid - prepayment for 2016/17	-	6,300
Contributions by scheme participants	882	818
Benefits paid	(14,399)	(15,132)
Closing balance at 31 March	**261,583**	**225,655**

The plan assets at the year end were as follows:

	2017 %	2017 £'000	2016 %	2016 £'000
Asset				
Equities	64.4	168,485	60.5	136,572
Gilts	8.1	21,232	7.8	17,583
Other bonds	4.1	10,839	4.7	10,508
Property	7.7	20,151	8.2	18,609
Cash/liquidity	2.9	7,466	4.6	10,307
Other	12.8	33,410	14.2	32,076
Total	**100.0**	**261,583**	**100.0**	**225,655**

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.

	2017	2016
Valuation assumptions		
Discount rate	2.4%	2.7%
Rate of salary increase	4.0%	3.8%
Rate of pension	2.5%	2.0%
Inflation assumption	2.5%	2.0%
Future life expectancies from age 65		
Retiring today:		
Males	21.8	23.0
Females	24.2	25.7
Retiring in 20 years:		
Males	23.9	25.3
Females	26.5	28.0

It is assumed that 50% of retiring members will take the maximum tax-free lump sum available and 50% will take the standard 3/80ths cash sum.

Five year history	**2013**	**2014**	**2015**	**2016**	**2017**
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(317,471)	(284,687)	(306,754)	(316,284)	(318,749)
Fair value of assets in the pension scheme	208,581	202,762	226,440	225,655	261,583
(Deficit)/surplus in the scheme	(108,890)	(81,925)	(80,314)	(90,629)	(57,166)
Difference between the expected and actual return on scheme assets	13,622	(7,523)	22,069	(7,765)	32,795
Percentage of scheme assets	6.5%	-3.7%	9.7%	-3.4%	12.5%
Experience gains and (losses) on scheme liabilities	-	4,315	(22,941)	(12,058)	(28,991)
Percentage of scheme liabilities	-	1.5%	-7.5%	-3.8%	-9.1%
Changes in actuarial assumptions	(27,574)	29,430	-	-	9,272
Percentage of scheme liabilities	-8.7%	10.3%	0.0%	0.0%	2.9%
Net actuarial gain/(loss) recognised	(13,952)	26,222	(872)	(19,823)	13,076
Percentage of scheme liabilities	-4.4%	9.2%	-0.3%	-6.3%	4.1%
Cumulative actuarial loss recognised	(99,428)	(73,206)	(74,078)	(93,901)	(80,825)

29. Financial risk management

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

The WMCA is exposed to credit risk, liquidity risk and market risk. Currency risk is not a significant factor for the WMCA since it ensures that substantially all financial assets and liabilities are contracted for in Sterling.

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 WMCA 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 WMCA 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 WMCA’s treasury management advisors. The criteria for these lending lists are set out in the Treasury Management Strategy report and credit ratings monitored constantly through the receipt of credit rating bulletins from its treasury management advisors. If a financial institution fails to meet the criteria they are removed from the official lending list. The lending list contains financial as well as duration limits to reduce risk. Minimal balances are held for daily cashflow management and any surplus funds are invested on the overnight money market with HSBC Bank plc.

Customer credit risk: customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the WMCA.

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

	2017 £'000	2016 £'000
Trade debtors and accrued income	13,670	12,362
Cash and short-term deposits	31,053	32,097
Total	**44,723**	**44,459**

Liquidity risk
Liquidity risk covers the ease of access to finance. The WMCA has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The WMCA 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 WMCA 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 WMCA will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates, but effective cash management ensures any borrowing is undertaken at favourable rates.

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

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

EU Referendum
Following the triggering of Article 50 on 29 March 2017, WMCA continues to closely assess and manage the direct effects of the UK leaving the European Union, in relation to market reaction (i.e. returns on investments), financial stability of counter parties, likelihood of future funding opportunities and options for raising finance. The WMCA are assisted in this regard by professional Treasury Management advisors, Arlingclose Limited.

Maturity analysis of financial liabilities
All trade and other payables are due to be paid in less than one year. The maturity profile of finance lease liabilities is shown in note 21.

30. Financial Instruments

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

	Long-term		Current		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets - loans and receivables						
Investments	22,000	-	-	-	22,000	-
Short-term debtors	-	-	13,670	12,362	13,670	12,362
Cash and cash equivalents	-	-	28,303	29,347	28,303	29,347
Total financial assets	**22,000**	**-**	**41,973**	**41,709**	**63,973**	**41,709**
Financial liabilities at amortised cost						
Borrowings	152,416	157,719	7,663	7,781	160,079	165,500
Finance lease liabilities	991	2,677	1,684	1,647	2,675	4,324
Short-term creditors	-	-	42,037	33,665	42,037	33,665
Transferred debt	7,873	8,499	626	569	8,499	9,068
Total financial liabilities	**161,280**	**168,895**	**52,010**	**43,662**	**213,290**	**212,557**

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

			2016-17			**2015-16**
	Financial assets: loans and receivables	**Financial liabilities at amortised cost**	**Total**	**Financial assets: loans and receivables**	**Financial liabilities at amortised cost**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Interest income (note 9)	(224)	-	(224)	(386)	-	(386)
Interest expense (note 9)	-	12,151	12,151	-	12,139	12,139
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(224)**	**12,151**	**11,927**	**(386)**	**12,139**	**11,753**

Fair value of financial assets and liabilities
The table below compares the carrying value of financial assets and liabilities to their fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	31 March 2017 Carrying amount £'000	31 March 2017 Fair value £'000	31 March 2016 Carrying amount £'000	31 March 2016 Fair value £'000
Financial assets - loans and receivables				
Investments	22,000	22,000	-	-
Short-term debtors	13,670	13,670	12,362	12,362
Cash and cash equivalents	28,303	28,303	29,347	29,347
Total financial assets	**63,973**	**63,973**	**41,709**	**41,709**
Financial liabilities at amortised cost				
Public Works Loan Board (PWLB)	149,971	221,188	155,391	208,246
Barclays	10,108	14,896	10,109	14,550
Total borrowings	**160,079**	**236,084**	**165,500**	**222,796**
Finance lease liabilities	2,675	2,675	4,324	4,324
Short-term creditors	42,037	42,037	33,665	33,665
Transferred debt	8,499	10,473	9,068	10,961
Total financial liabilities	**213,290**	**291,269**	**212,557**	**271,746**

Short-term debtors and creditors, cash and cash equivalents and finance lease liabilities approximate to their carrying amounts largely due to the short-term nature of these instruments.

Barclays: the valuation method used is to discount contractual (or expected) cash flows at the market rate for local authority loans of the same remaining term, which is an income approach.

PWLB: the valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using lending rates for new loans based on PWLB rates at the measurement date, which is an income approach. The fair value is adjusted to reflect the premium or discount charged for early repayment.

The key inputs for Barclays and PWLB valuation model are contractual future cash flows which are then discounted using a discount rate. The discount rate ranges from 0.68% to 2.26% depending on the remaining term.

Transferred debt: this consist mainly of PWLB and LOBOs. The valuation technique for PWLB is to discount contractual cash flows at the market rate for local authority loans of the same remaining term. The valuation technique for LOBOs is to discount contractual cash flows at the market rate for local authority loans of the same remaining term and add the value of the lenders’ option from a market option pricing model. The key inputs for these valuation models are contractual future cash flows which are then discounted using a discount rate. The discount rates used for PWLB and LOBOs ranges from 0.50% to 1.41% and 0.60% to 1.30% respectively.

The fair valuation methodology for borrowings are at level 2 – significant observable inputs. There have been no changes in valuation methodology during the year.

31. Operating leases

Leases as lessee

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

Supported bus services - the WMCA has determined that the tendered service contracts of four (2016: four) bus operators take the form of operating leases under IFRIC 4.

The future minimum lease payments payable under non-cancellable operating leases at 31 March 2017 are as follows:

	2017	2016
	£'000	£'000
Land and buildings		
Less than one year	237	232
Between two and five years	676	701
More than five years	3,115	3,266
	4,028	**4,199**
Supported bus services		
Total contract spend:		
Less than one year	735	157
Between two and five years	659	94
	1,394	**251**

Leases as lessor

The WMCA 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 2017 are as follows:

	2017	2016
	£'000	£'000
Land and buildings		
Less than one year	198	214
Between two and five years	564	389
More than five years	2,024	2,007
	2,786	**2,610**

32. Capital commitments

The WMCA has major committed capital contracts amounting to £8.390m (2016: £14.591m) reflecting outstanding contracts in relation to the Metro extension.

33. Contingent liabilities and guarantees

The West Midlands Integrated Transport Authority Pension Fund is guaranteed by National Express PLC. In the event of the pension fund becoming insolvent and National Express PLC not meeting their guarantee, then the WMCA would be liable to meet any excess liabilities.

The pension fund was established by Government Regulation on 29 November 1991 and became active on 4 December 1991. The date of the last triennial actuarial valuation was 31 March 2016, the actuarial value was £569m. The valuation resulted in a deficit of £105m against the market value of £464m. As at 31 March 2017 the market value of the pension fund was £502m (2016: £461m).

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

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

34. Related party disclosures

The WMCA is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the WMCA or to be controlled or influenced by the WMCA. Disclosure of these transactions allows readers to assess the extent to which the WMCA 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 WMCA. These include:

Central Government
Central Government has significant influence over the general operations of the WMCA. It is responsible for providing the statutory framework within which the WMCA operates and provides funding in the form of grants. Grants received from Government Departments are set out in note 11 together with grant receipts not yet recognised due to conditions attached to them at 31 March 2017.

Members
Members of the WMCA have direct control over the WMCA's financial and operating policies. The total of members allowances paid in 2016-17 is shown in note 13. 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 WMCA or co-opted to one of its committees.

During the year there were income transactions of £113k and expenditure of £105k with companies in which three members had an interest.

Officers
During the year there were income transactions of £45k and expenditure of £31k with companies in which two officers had an interest.

Other Public Bodies (subject to common control by central government)
The WMCA received the following levy payments and funding from the constituent District Councils:

	Transport Levy		Contributions		LGF LEP funding	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities						
Birmingham City Council	48,955	51,563	405	-	-	19,175
City of Wolverhampton Council	11,245	11,878	305	-	-	-
Coventry City Council	14,999	15,569	305	-	-	-
Dudley MBC	14,037	14,842	305	-	-	-
Sandwell MBC	14,078	14,837	305	-	-	-
Solihull MBC	9,330	9,861	305	-	-	-
Walsall Council	12,186	12,850	305	-	4,814	2,823
Non-constituent authorities						
Cannock Chase District Council	-	-	25	-	-	-
Nuneaton and Bedworth Borough Council	-	-	25	-	-	-
Redditch Borough Council	-	-	25	-	-	-
Tamworth Borough Council	-	-	25	-	-	-
Telford and Wrekin Council	-	-	25	-	-	-
Total	**124,830**	**131,400**	**2,360**	**-**	**4,814**	**21,998**

Contributions for 2017/18 of £1.636m were also received during the year.

Funding paid by the WMCA to the District Councils:

	Devolved Transport Funding		Economic Regeneration	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Constituent authorities				
Birmingham City Council	7,687	5,224	108	-
City of Wolverhampton Council	6,509	4,375	-	-
Coventry City Council	5,747	6,587	-	-
Dudley MBC	7,400	8,823	-	-
Sandwell MBC	7,747	7,195	-	-
Solihull MBC	7,595	7,220	1,257	-
Walsall MBC	5,620	6,386	-	-
Total	**48,305**	**45,810**	**1,365**	**-**

35. Events after the Balance Sheet date

The Statement of Accounts were authorised for issue by the West Midlands Combined Authority Board on 21 July 2017. There have been no adjustments to the financial statements after the Balance Sheet date.

36. Merger accounting

The West Midlands Combined Authority came into existence on 17 June 2016 by virtue of the West Midlands Combined Authority Order 653/2016 (the Order). At the same time the West Midlands Integrated Transport Authority (ITA) and the West Midlands Passenger Transport Executive (PTE) ceased to exist and all of their functions, property, rights or liabilities transferred to the WMCA under the provisions of the Order.

The transfer to the WM
CA has been accounted as a 'Transfer by Merger' under the Code.

The carrying amount of the net liabilities transferred at the merger date was £41.982m. This compares to a carrying amount of £27.293m at 31 March 2016. The majority of the increase in net liabilities is due to the actuarial remeasurement of the net defined pension benefit liability under IAS 19 of £16.138m.

An analysis of the principle components of the Surplus or deficit on the provision of services and of Other Comprehensive Income and Expenditure pre- and post-merger is as follows:

	Pre merger			Post merger			Total
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
Transport services	38,103	(9,564)	28,539	150,341	(35,180)	115,161	143,700
Combined Authority other services	-	-	-	2,235	(62)	2,173	2,173
Economic development	-	-	-	2,518	-	2,518	2,518
Cost of services	**38,103**	**(9,564)**	**28,539**	**155,094**	**(35,242)**	**119,852**	**148,391**
Other operating expenditure	242	-	242	163	-	163	405
Financing and investment income and expenditure	3,664	(19)	3,645	8,487	(205)	8,282	11,927
Taxation and non-specific grant income and expenditure	28,998	(61,979)	(32,981)	16,761	(172,102)	(155,341)	(188,322)
(Surplus) or deficit on provision of services	**71,007**	**(71,562)**	**(555)**	**180,505**	**(207,549)**	**(27,044)**	**(27,599)**
(Surplus) or deficit on revaluation of property, plant and equipment			**-**			(7,065)	(7,065)
Remeasurement of the net defined benefit liability			16,138			(54,118)	(37,980)
Other Comprehensive Income and Expenditure			**16,138**			**(61,183)**	**(45,045)**
Total Comprehensive Income and Expenditure			**15,583**			**(88,227)**	**(72,644)**
Adjustments between accounting and funding basis			476			28,128	28,604
Transfer to Pension Reserve			(16,138)			54,118	37,980
Transfer to Capital Adjustment Account			-			7,065	7,065
Transfers to/from Earmarked Reserves			(40)			(257)	(297)
Net expenditure chargeable to the General Fund			**(119)**			**827**	**708**
Opening General Fund Balance			(2,522)			(2,641)	(2,522)
Closing General Fund Balance			**(2,641)**			**(1,814)**	**(1,814)**

37. Prior Period Adjustments

Amendments to section 3.4 of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 reflect the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and introduce a new Expenditure and Funding Analysis as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

As a result, the 2015/16 comparatives in the Comprehensive Income and Expenditure Statement have been restated as follows, there is no impact on the Balance Sheet.

	Comprehensive Income and Expenditure Statement	
	Cost of services	Taxation and non-specific income and expenditure
	£'000	£'000
Expenditure		
Per 2015/16 Group Accounts	149,783	1,952
DfT grant income and expenditure	-	41,743
Adjustments		
Fares and ticketing	29,475	-
Per restated comparative	**179,258**	**43,695**
Income		
Per 2015/16 Group Accounts	(19,937)	(163,366)
DfT grant income and expenditure	-	(41,743)
Adjustments		
Fares and ticketing	(29,475)	-
Revenue grants	(10,520)	10,520
Capital grants	8,028	(8,028)
Per restated comparative	**(51,904)**	**(202,617)**

All individual lines previously disclosed within 'Highways and transport services' are now included within 'Transport services'.

Ticket sales and payments to transport operators for the nBus and nNetwork administered schemes are now recognised as income and expenditure within 'Transport services'. In previous years these were treated as an agency transaction with only commission income earned recognised in the Comprehensive Income and Expenditure Statement. The WMCA has reassessed the position and considers that it is acting as principal for these schemes.

The WMCA has reassessed the treatment of all of its grants during the year:

Revenue grants received from the DfT for the Local Sustainable Transport Fund (LSTF) and Midlands Connect programme had previously been included within non-specific grants as they did not relate to a specific project. As the spend is limited to transport services and the WMCA now provides other services, these grants are included within the 'Transport services' line in Cost of services.

Capital grants that are spent on revenue support costs for development projects in the capital programme treated as revenue expenditure funded from capital under statute (REFCUS) have been moved to taxation and non-specific grant income in line with the Code requirements.

WEST MIDLANDS INTEGRATED TRANSPORT AUTHORITY PENSION FUND

Financial Report

For the year ended 31 March 2017

Pension Scheme Registry (Pensions Regulator) 10175688

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Explanatory foreword

The following statements comprise the Financial Report for the West Midlands Integrated Transport Authority ('ITA') Pension Fund ('the Fund'). The accounts cover the financial year from 1 April 2016 to 31 March 2017.

This report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 published by the Chartered Institute of Public Finance and Accountancy.

The report is set out in the following order:

- **The Treasurer's Report** which provides general information on the background of the Fund, management and advisors and officers of the Fund, and actuarial position.

- **Statement of Responsibilities for the Fund Accounts** which sets out the respective responsibilities of the Authority and the Treasurer for the Fund Accounts.

- **The Investment Report** which provides details of the investment managers, investment principles and custodial arrangements plus a review of investment performance at the year end.

- **Fund Account** which discloses the size and character of financial additions to, withdrawals from and changes to the value of the Fund during the accounting period, analysed between contributions and benefits, and returns on investments.

- **Net Assets Statement** which discloses the size and disposition of the net assets of the scheme at the end of the year.

- **Notes to the Fund Accounts** which gives supporting details and analysis concerning the contents of the financial statements.

- **The Compliance Statement** which gives the tax status of the scheme and pension increases during the year.

- **Statement by the Consulting Actuary –** This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme.

The Treasurer's Report

1. Description of the Fund

The West Midlands Passenger Transport Authority Pension Fund was established on 29 November 1991 under the Local Government Superannuation (Miscellaneous Provisions) Regulations 1991. The Local Transport Act 2008 changed the names of all English Passenger Transport Authorities to Integrated Transport Authorities. This was effective from the 9 February 2009 under Statutory Instrument 2009 No. 107 (C.08), and the West Midlands Passenger Transport Authority Pension Fund was changed to the West Midlands Integrated Transport Pension Fund ('the Fund').

The West Midlands Integrated Transport Authority (ITA) was responsible for the administration of the Fund until 16 June 2016 when the responsibility passed to the West Midlands Combined Authority (WMCA) when it was established on 17 June 2016 under Statutory Instrument 2016 No 653 in exercise of the Local Democracy, Economic Development and Construction Act 2009. The effect of the order was that the WMCA was substituted for the ITA as administrator of the Fund. City of Wolverhampton Council was appointed by the then ITA as agent to administer the Fund on its behalf. The name of the Fund remain unchanged. The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

(i) The Local Government Pension Scheme Regulations 2013 (as amended)
(ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
(iii) The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016.

Following the transfer of ownership of West Midlands Travel Limited from local authority to employees' ownership, the West Midlands Passenger Transport Authority entered into an admission agreement with West Midlands Travel Limited whereby 5,556 existing employees of West Midlands Travel Limited transferred on 4 December 1991 from the West Midlands Metropolitan Authorities Pension Fund to the new Fund. The West Midlands Passenger Transport Authority also entered into an admission agreement with Preston Bus Limited, following their change from local authority to employee ownership. On 31 March 1993, 162 employees of the company were transferred from the Lancashire County Council Pension Fund to the West Midlands Passenger Transport Authority Fund. Preston Bus Limited decided during 2005/06 that it wished to terminate its active membership of the Fund and the Passenger Transport Authority agreed to this request.

Agreement was reached between Preston Bus Limited and 52 of their 56 existing members to terminate their active membership during 2005/2006 in return for a cash lump-sum payment. The 4 active members remaining at 31 March 2006 subsequently agreed to the same offer. There is no provision in the admission agreement for new employees of West Midlands Travel Limited to be admitted to the Fund.

2. Management of the Fund

The West Midlands Pension Fund (WMPF) Pensions Committee is responsible for the strategic management of the assets of the Fund. The role of the Committee is to:

- Discharge functions of the administering authority (WMCA);
- Put in place and monitor administration of contributions and payment of benefits; and
- Determine and review the provision of resources to discharge the function of the administering authority.

3. Advisors and Officers

Investments and pensions administration are complex areas and the Fund recognises the need for its Committee to receive appropriate and timely advice. The day-to-day oversight of the Fund is delegated to senior pension officers from the WMPF at the City of Wolverhampton Council.

Against this background its principal advisors are as follows:

HSBC Bank plc	Performance measurement and unitisation
Barnett Waddingham LLP	Actuarial matters
Hymans Robertson LLP	Policy and investment matters relative to liabilities
City of Wolverhampton Council Officers	Investment implementation and administration, oversight of cash flows and pensions administration.
Grant Thornton UK LLP	Scheme auditors

4. Membership

Membership of the Fund at the year end was as follows:

31 March 2016 No		31 March 2017 No
470	Active members	402
3,845	Pensioner members	3,891
814	Deferred members	779
5,129	**Total members**	**5,072**

5. Funding Strategy Statement (FSS)

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2017 depending on the level of pay.

Employee contributions are matched by employers' contributions. The Fund is required to carry out an actuarial valuation every three years and review and set the funding strategy and employer contribution rates for the following three years. The latest actuarial valuation was carried out in March 2016 with the Funding Strategy review playing an integral role in it. The current version of the Funding Strategy Statement was approved by the Pensions Committee in March 2017 and can be found on the Fund's website (*http://www.wmpfonline.com/wmita).*

6. Benefits

With effect from 1 April 2008, new rules were introduced replacing the 1997 scheme. The principal changes were the replacement of 1/80th of pensionable pay for each year of pensionable service plus an automatic lump-sum of three times this amount by one based on 1/60th of pensionable pay for each year of pensionable service with no automatic lump-sum. Part of the annual pension can be commutated for a one-off tax-free lump-sum at a rate of £12 cash for each £1 per annum of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

Major changes were introduced to the LGPS from 1 April 2014, in particular the move from basing pensions on final salaries to career-average revalued earnings (CARE), with an accrual rate of 1/49th, and pensions uprated annually in line with the consumer price index. Pension entitlements accrued prior to this date continue to be based on final salary.

7. Bulk annuity insurance arrangement

As an integral part of its risk management and reduction strategy the ITA, in 2011, approved a bulk annuity insurance buy-in and, following a comprehensive procurement process, the policy was put in place on 18 April 2012 with Prudential Retirement Income Limited (Prudential). The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for current pensioners whilst they or their dependants are entitled to a pension. The initial arrangements do not cover the Preston Bus Company liabilities or future West Midlands Travel Limited pension payments arising from new pensioners or inflation uplifts or pre-October 1986 service.

The financial effect of the buy-in is explained in note 14 to the accounts.

8. Investment strategy

As a result of the buy-in impacting the liabilities of only one of the underlying employers, each employer has their own investment strategy. In 2015, the assets attributable to the Fund's two employers were unitised to improve reporting and monitoring of the different investment strategies as well as to enable performance information for both employers to be reported separately. Concurrently, HSBC was commissioned to provide the fund accounting platform for these funds.

From July 2015, the Fund elected to receive notional dividend income payment (NDIP) from Legal & General in respect of their UK investments. This decision was made to help maintain a positive cash flow position.

In accordance with regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, a new investment strategy for the Fund was issued in March 2017 and is available on the Fund's website (*http://www.wmpfonline.com/wmita)*.

On behalf of the Combined Authority Board

Mark Taylor
Director of Finance

Date:

The West Midlands Combined Authority's responsibilities

The West Midlands Combined Authority is required:

(i) To make arrangements for the proper administration of the financial affairs of the ITA Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.

(ii) To manage the affairs of the ITA Pension Fund to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's responsibilities

The Treasurer to the Authority is responsible for the preparation of the ITA Pension Fund Statement of Accounts which is required to present fairly the financial position of the ITA Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2017.

In preparing this Statement of Accounts, the Treasurer has confirmed that:

- suitable accounting policies have been adopted and then applied consistently;
- judgements and accounting estimates have been made which were reasonable and prudent;
- they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code);
- proper accounting records have been kept and are up to date;
- reasonable steps were taken for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I certify that the Statement of Accounts presents fairly the position of the West Midlands Integrated Transport Authority Pension Fund at 31 March 2017 and the financial transactions for the year ended 31 March 2017.

Mark Taylor
Director of Finance
Date:

Approval of the Accounts

I certify that the Statement of Accounts has been approved by a resolution of the West Midlands Combined Authority Board Committee on 21 July 2017.

Andy Street
Mayor and Chair of the West Midlands Combined Authority
Date:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MIDLANDS INTEGRATED TRANSPORT AUTHORITY PENSION FUND

We have audited the pension fund financial statements of West Midlands Integrated Transport Authority Pension Fund (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities, and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Grant B Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

1. Investment managers

At 31 March 2017, the market value of the ITA Pension Fund was £502.9m. The largest component of this was an insurance policy valued at £255.0m, and a further £247.2m was invested with three fund managers. £152.6m was invested with Legal & General Investment Management, £47.3m with Baillie Gifford and £47.3m with Newton. The balance of the Fund was held in liquid investments. Legal & General managed equities, gilts and corporate bonds whilst Baillie Gifford and Newton managed diversified growth funds.

As at the year end the values of the funds under management were as follows:

Total market value 31 March 2016 £'m	%		Total market value 31 March 2017 £'m	%
128.4	62%	Legal & General Investment Management	152.6	62%
38.8	19%	Baillie Gifford	47.3	19%
40.5	19%	Newton	47.3	19%
207.7	100%		**247.2**	100%

2. Investment Strategy Statement (ISS)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, in force from 1 November 2016, require Administering Authorities to publish their first Investment Strategy Statement (ISS) by 1 April 2017. The ISS replaces the current Statement of Investment Principles (SIP) and under the new Regulations must be prepared in accordance with the statutory guidance issued by DCLG in September 2016. The current version was approved by Pensions Committee in March 2017.

A copy of the previous Statement of Investment Principles and a copy of the current Investment Strategy Statement can be found on the Fund's website *(http://www.wmpfonline.com/wmita).*

3. Review of investment performance

With the exception of corporate bonds, Legal & General manages their investments on a passive basis with the expectation of making market returns. Corporate bonds are managed on an active basis with the expectation of producing returns above the market using the manager's skills to outperform. In respect of Newton and Baillie Gifford, unlike traditional portfolios, diversified growth funds do not measure their performance against market indices. Instead they aim to earn a consistent return above cash.

Over the last five years the Fund's returns, relative to the bespoke benchmark*, are as follows:

	Year ending 31 March				
	2013	2014	2015	2016	2017
Fund	+12.6%	+3.0%	+12.7%	-0.7%	+18.2%
Benchmark	+12.3%	+3.8%	+11.5%	+0.9%	+17.2%
Relative	+0.3%	-0.8%	+1.2%	-1.6%	+1.0%

* The bespoke benchmark is a pro-rated combination of the different indices used by the above mentioned managers.

The annualised performances of the Fund over 1, 3, 5 and 10 years are detailed below:

	1 Year	3 Years	5 Years	10 Years
Fund	+18.2%	+9.8%	+9.0%	+7.3%
Benchmark	+17.2%	+9.6%	+9.0%	+7.3%
Relative	+1.0%	+0.2%	+0.0%	+0.0%

During the year to 31 March 2017, the Fund outperformed the benchmark by 1.0%. Most of this outperformance was attributable to the diversified growth funds which returned 6.6% against a target of 4.1% for the 12-month period. The equity portfolio matched its benchmark returning 32.4%. The fixed income sector produced a positive return of 14.5% also matching the benchmark.

The performance of the Fund is reviewed by an independent measurer, HSBC Securities Services. Investment returns are based on bid-point valuations.

4. Custodial and accounting arrangements

The ITA Pension Fund is composed of two employers that have different member profiles and funding levels, each has its own tailored investment strategy. A unitisation approach is taken to facilitate the requirements of both employers. HSBC provide the fund accounting services.

As the membership profile of the Fund advances towards maturity, its cashflow profile has changed due to falling receipts of pension contributions and rising pension payments. To mitigate this reduction in cash, three of the Legal & General funds (UK equities, index-linked gilts and corporate bonds) are distributing funds from which income is received on a monthly basis.

The ITA Pension Fund currently holds all of its investments in pooled investment vehicles managed by FCA regulated fund managers with administrative and custody arrangements in place to support them. The Fund owns units in investment vehicles (rather than the underlying assets) and obtains and reviews reporting accountants' reports on internal controls from the relevant investment managers to ensure control arrangements are suitable and risks are effectively managed.

Where direct investments are held by the ITA Pension Fund these will be held by our Custodian, HSBC.

Custodian: HSBC Bank plc
HSBC Securities Services, 8 Canada Square, London, E14 5HQ

Assets will be held in the name of: HSBC Global Custody Nominee (UK) Ltd.

The Custodian is authorised and regulated by the Financial Conduct Authority (FCA) and the Custodian shall take all reasonable steps to ensure the protection of the Client's assets in accordance with the FCA rules.

FUND ACCOUNT

2015/16 £'000		Notes	2016/17 £'000
	Dealings with members, employers and others directly involved in the fund		
(10,482)	Contributions	5	(9,504)
(65)	Transfers in from other pension funds	6	(59)
(2,766)	Other employer contributions	7	(2,654)
(13,313)			(12,217)
28,829	Benefits	8	28,769
457	Payments to and on account of leavers	9	147
6	Other payments	10	8
29,292			28,924
15,979	**Net withdrawals from dealing with members**		**16,707**
917	Management expenses	11	866
16,896	**Net withdrawals including fund management expenses**		**17,573**
	Returns on investments		
(18,161)	Investment income	12	(18,326)
2,440	(Profits) and losses on disposal of investments and changes in the market value of investments	13	(37,118)
12,846	(Increase)/decrease in value of bulk annuity insurance buy-in	14	(4,148)
(2,875)	**Net return on investments**		**(59,592)**
14,021	**Net (increase)/decrease in the net assets available for benefits during the year**		**(42,019)**
474,886	Net assets of the fund brought forward		460,865
460,865	**Net assets of the fund carried forward**		**502,884**

NET ASSETS STATEMENT

2016 £'000		Notes	2017 £'000
207,731	Investment assets	13	247,173
250,874	Bulk annuity insurance buy-in	14	255,022
2,746	Current assets	15	1,190
(486)	Current liabilities	16	(501)
460,865	**Net assets of the fund available to fund benefits at the period end**		**502,884**

These financial statements replaced the unaudited financial statements certified by Mark Taylor on 30 May 2017. They were approved for issue by the West Midlands Combined Authority Board Committee on 21 July 2017. Events after the Balance Sheet have been considered up to the date of approval.

1. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis is disclosed in note 22 of these accounts.

2. Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid.

c) Investment income

(i) Interest income
Interest income is recognised in the Fund Account as it accrues, using the effective rate of the financial instrument as at the date of acquisition or origination.

(ii) Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

(iii) Movement in the net market value of investments
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

(iv) Benefits underwritten
The annuity purchased (see note 14) is treated in the accounts as an investment. Any income arising from this insurance contract to cover benefits underwritten is recognised in the fund as investment income on an accruals basis.

(v) Dividend income
Dividend income is recognised on the date of the cancellation of units at the mid-price in the pooled UK investments held with investment fund managers.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

(i) Value Added Tax
The Fund pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

(ii) Income Tax
The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted.

f) Administration expenses

All administration expenses are accounted for on an accruals basis.

The pension administration recharge from the City of Wolverhampton Council is calculated on a historical cost basis based on the proportion of time spent by the council's in-house pensions administration team on the Fund's activities.

g) Investment management expenses

All investment management expenses are accounted for gross on an accruals basis.

Fees of the external investment managers are agreed in the respective mandates governing their appointments. Each investment manager receives a fee for their service based on the market value of the assets they manage on the Fund's behalf. All managers have a specific target return against a benchmark.

The costs of the in-house fund management team are recharged to the Fund by the City of Wolverhampton Council on the same basis as the administration expenses recharge.

h) Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. The costs include actuarial fees and professional fees relating to the unitisation exercise.

Net assets statement

i) Financial assets

The Fund's financial assets include debtors (mainly contributions due from members and employers), cash and cash equivalents, investment assets and bulk annuity insurance buy-in. Such financial assets are recognised initially at cost.

Cash and cash equivalents comprise cash balances and call deposits. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

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 fund account in the period in which it is recognised.

Investment assets are recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Subsequent to initial recognition investment assets and the insurance buy-in are measured at fair value with any gains or losses arising from changes in the fair value of the asset recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 18). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

j) Financial liabilities

Financial liabilities include amounts due for benefits and management expenses. These creditors are recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the fund account in the period in which it is recognised.

k) Foreign currency transactions

The Fund has no financial assets denominated in foreign currencies. Equities held overseas are valued in sterling at source.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (note 22).

m) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance Company and Equitable Life as its AVC providers (new AVCs only with Prudential Assurance Company). AVCs collected are paid to the AVC providers by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 17).

3. Critical judgements in applying accounting policies

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 21. This estimate is subject to significant variances based on changes to the underlying assumptions.

4. Assumptions made about the future and other major sources of estimation and uncertainty

The financial statements contain estimated figures that are based on assumptions made 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 items in the Net Assets Statement for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension fund liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial valuation and will require a subsequent contribution adjustment to bring the funding back into line with target.

The effects on the net pension liability and funding level of changes in individual assumptions have been measured by the Fund's actuaries. The assumptions used are as follows:

31 March 2016	Assumptions used	31 March 2017
3.1%	Discount rate	2.4%
2.0%	Salary increases	2.5%
2.0%	Pensions increases	2.5%

31 March 2016	Life expectancy from age 65 (years)	31 March 2017
	Retiring today:	
21.5	Males	21.8
24.4	Females	23.8
	Retiring in 20 years:	
23.4	Males	23.9
26.4	Females	26.1

The effect on the pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions – year ended 31 March 2017	Increase/(decrease) in pension liability	
Adjustment to discount rate	+0.5%	-0.5%
Present value of total obligation	(£44.2m)	£47.7m
Adjustment to long term salary increase	+0.5%	-0.5%
Present value of total obligation	£3.7m	(£3.5m)
Adjustment to pension increases and deferred revaluation	+0.5%	-0.5%
Present value of total obligation	£43.8m	(£40.9m)
Adjustment to life expectancy assumptions	+1 Year	-1 Year
Present value of total obligation	£27.0m	(£25.9m)

5. Contributions receivable

2015/16 £'000		**2016/17 £'000**
	Employers	
3,057	Normal contributions	2,767
5,850	Deficit funding	5,850
624	Early retirement costs	26
9,531		8,643
	Members	
947	Normal contributions	859
4	Additional contributions	2
951		861
10,482	**Total by category**	**9,504**
	Analysed by member body:	
10,482	Admitted bodies	9,504
10,482	**Total by authority**	**9,504**

Employers' contribution rates following the 31 March 2016 valuation for the period 1 April 2017 to 31 March 2020 are detailed in note 21.

6. Transfer in from other pension funds

2015/16 £'000		**2016/17 £'000**
	Transfers in	
65	Individual transfers	59
65	**Total**	**59**

7. Other employer contributions

Pre-October 1986 pension increase liabilities are the responsibility of the West Midlands Combined Authority. The West Midlands Combined Authority makes monthly payments to the West Midlands Pension Fund who then transfers the payments into the Fund. During the year, payments of £2.654m (2016: £2.766m) were made.

8. Benefits payable

2015/16 £'000		2016/17 £'000
	Pensions	
22,833	Retirement pensions	22,946
1,865	Widows' pensions	2,005
13	Children's pensions	12
18	Widowers' pensions	22
24,729		24,985
3,922	Commutation and lump-sum retirement benefits	3,167
213	Lump-sum death benefits	617
(35)	Benefits recharged	-
28,829	**Total by category**	**28,769**
	Analysed by member body:	
28,829	Admitted bodies	28,769
28,829	**Total by authority**	**28,769**

9. Payments to and on account of leavers

2015/16 £'000		2016/17 £'000
	Transfers out	
457	Individual transfers out to other schemes and personal pensions	147
457	**Total**	**147**

10. Other payments

2015/16 £'000		2016/17 £'000
6	Interest on late payments	8
6	**Total**	**8**

11. Management expenses

2015/16 £'000		2016/17 £'000
	Administration expenses	
120	Administration - City of Wolverhampton Council	120
120		120
	Investment management expenses	
615	Management fees - external	615
30	Management fees - internal	30
645		645
	Oversight and governance costs	
41	Administration and accountancy - ITA	22
9	Subscriptions	8
1	Actuarial fees	3
21	Audit fees	21
15	Performance monitoring service	25
12	Legal fees	-
51	Professional advisors' fees	20
2	Bank charges and interest	2
152		101
917	**Total**	**866**

12. Investment income

2015/16 £'000		2016/17 £'000
4	Interest on cash deposits	7
17,076	Benefits underwritten	16,865
1,081	Dividend income	1,454
18,161	**Total**	**18,326**

Benefits underwritten relates to income received from the insurance contract with Prudential meeting the liabilities relating to West Midlands Travel Limited pensioners.

Dividend income relates to the notional dividend income payment (NDIP) which enables a policyholder to draw a regular income from the investment funds. The NDIP is based on the underlying yields from UK investments held by the relevant investment funds and is made available through cancellation of units of the investment funds at the mid-price.

13. Investment assets

Reconciliation of movements in investments:

Movements during 2016/17	Market value 1 April 2016 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2017 £'000
Pooled investment vehicles						
Quoted:						
UK - unitised insurance policies	54,410	3,900	(400)	-	7,118	65,028
Overseas - unitised insurance policies	74,033	-	(10,800)	-	24,353	87,586
Unquoted:						
Diversified growth funds	79,288	9,900	-	(276)	5,647	94,559
Total investments	**207,731**	**13,800**	**(11,200)**	**(276)**	**37,118**	**247,173**

Prior year comparatives:

Movements during 2015/16	Market value 1 April 2015 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2016 £'000
Pooled investment vehicles						
Quoted:						
UK - unitised insurance policies	56,244	-	(990)	-	(844)	54,410
Overseas - unitised insurance policies	75,789	-	-	-	(1,756)	74,033
Unquoted:						
Diversified growth funds	79,385	38,216	(38,216)	(257)	160	79,288
Total investments	**211,418**	**38,216**	**(39,206)**	**(257)**	**(2,440)**	**207,731**

Purchases include transfers in of investments, corporate actions, increases in cash deposits and increases in net settlements due. Sales proceeds include all receipts from sales of investments, transfers out of investments, corporate actions, reductions in cash deposits and reductions in net settlements due. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held including profits and losses realised on sales of investments during the year.

Investments analysed by fund manager:

31 March 2016			**31 March 2017**	
Market value £'000	% of total fund		Market value £'000	% of total fund
128,442	62%	Legal & General Investment Management	152,614	62%
38,838	19%	Baillie Gifford	47,281	19%
40,451	19%	Newton	47,278	19%
207,731	100%		**247,173**	100%

Investments analysed by security:

31 March 2016			31 March 2017	
Market value £'000	% of total fund		Market value £'000	% of total fund
		UK equities		
7,635	4%	UK Equity Index	9,697	4%
7,635	4%		9,697	4%
		Overseas equities		
20,257	10%	Europe (ex UK) Equity Index	24,584	10%
26,326	13%	North America Equity Index	29,002	12%
8,825	4%	Japan Equity Index	9,323	4%
10,943	5%	World Emerging Markets Equity Index	14,870	6%
7,682	4%	Asia Pacific (ex Japan) Dev Equity Index	9,807	4%
74,033	36%		87,586	36%
		Gilts and bonds		
23,663	11%	All Stocks Index-Linked Gilts	28,122	11%
23,111	11%	Active Corporate Bond - All Stocks	27,209	11%
46,774	22%		55,331	22%
		Diversified growth funds*		
38,838	19%	Baillie Gifford	47,281	19%
40,451	19%	Newton	47,278	19%
79,289	38%		94,559	38%
207,731	**100%**	**Total market value**	**247,173**	**100%**

*Diversified growth funds are multi-asset portfolios that are designed to provide equity type returns but with less volatility than an equity fund. All tactical asset allocation decisions are undertaken by the manager to suit the prevailing market conditions.

As part of its risk management arrangements, the Fund uses pooled investment vehicles and has no direct shareholding in companies.

14. Bulk annuity insurance buy-in

As an integral part of the Fund's risk management and reduction strategy, a bulk annuity insurance buy-in was put in place during 2012/13. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midland Travel Limited pensioners on the pension payroll at 11 August 2011 in return for the payment of a one-off premium.

Benefits recharged to Prudential during the year have been credited to the Fund account and the value of the buy-in recalculated at each year end by the consulting actuary (see note 18 for methodology) and recognised in the Net Assets Statement as follows:

31 March 2016 £'000		31 March 2017 £'000
263,720	**Opening market value**	**250,874**
	Movements in the year:	
4,977	Interest on buy-in	4,801
(17,093)	Level pensions paid	(16,854)
-	Experience - actuarial loss	(2,064)
(730)	Change in actuarial assumptions	18,265
(12,846)		**4,148**
250,874	**Closing market value**	**255,022**

The main contributing factor to the increase is due to the 2016 triennial valuation where actuarial assumptions have changed (see note 21) resulting in a gain of £18.3m offset by an actuarial loss of £2.1m.

15. Current assets

31 March 2016 £'000		31 March 2017 £'000
	Debtors	
232	Contributions due - employers	247
73	Contributions due - members	65
93	Sundry debtors	2
398		314
2,348	Cash balances	876
2,746	**Total**	**1,190**
	Analysis of debtors:	
63	Other local authorities and pension funds	29
335	Other entities and individuals	285
398	**Total**	**314**

Included within cash balances is £0.815m placed in West Midlands Pension Fund's STIC Global STG Portfolio (2016: £2.07m RBS Corporate Cash Manager account).

16. Current liabilities

31 March 2016 £'000		31 March 2017 £'000
65	Benefits payable	91
421	Sundry creditors	410
486	**Total**	**501**
	Analysis of creditors:	
246	Central government bodies	242
64	Other local authorities and pension funds	-
176	Other entities and individuals	259
486	**Total**	**501**

17. Additional voluntary contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by two AVC providers. Contributions are paid directly from scheme members to the AVC providers.

The contributions and the investments are not included within the Fund accounts, in line with regulation 4 (1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016. The table below shows the activity for each AVC provider in the year.

2015/16			2016/17	
Equitable Life £'000	**Prudential £'000**		**Equitable Life £'000**	**Prudential £'000**
165	719	**Opening value of the fund**	157	696
1	109	Income	1	119
(11)	(135)	Expenditure	-	(141)
2	3	Change in market value	14	45
157	**696**	**Closing value of the fund**	**172**	**719**

18. Fair value – basis of valuation

The basis of the valuation of each class of investment is set out below. There has not been any change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Asset Type	Valuation level	Basis of valuation	Observable and Unobservable inputs	Key sensitivities
Pooled investment vehicles - quoted unitised insurance policies	1	Closing bid price if both bid and offer prices are published.	N/A	N/A
Pooled investment vehicles - diversified growth funds	2	Diversified growth funds invest in a variety of liquid assets. Values are derived from several sources including the use of quoted market prices and valuation techniques used by external managers based on significantly observable market data.	NAV based pricing set on a forward pricing basis.	N/A
Bulk annuity insurance buy-in	3	Provided by the Fund's actuary based on a roll-forward of the value placed on the buy-in as part of the 2016 triennial actuarial valuation, allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 1.45% with reference to the 13-year point of the Bank of England nominal gilt yield curve, consistent with the 2016 valuation of the Fund.	Adjustments to discount rate and life expectancy

Sensitivity of assets valued at level 3

The key underlying inputs for the buy-in valuation are the discount rate and life expectancy. The impact of changes as calculated by the Fund's actuary is shown below:

Change in assumptions - year ended 31 March 2017	Increase/(decrease) in value of buy-in	
Adjustment to discount rate	+0.5%	-0.5%
Value of buy-in	(£12.9m)	£13.6m
Adjustment to life expectancy assumptions	+1 Year	-1 Year
Value of buy-in	£11.7m	(£11.2m)

Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1
Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2
Assets and liabilities at level 2 are those where quoted 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.

Level 3
Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable. There have been no transfers between levels during the year.

Values at 31 March 2017	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	152,614	94,559	255,022	502,195
Net investment assets	**152,614**	**94,559**	**255,022**	**502,195**

Values at 31 March 2016	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	128,442	79,289	250,874	458,605
Net investment assets	**128,442**	**79,289**	**250,874**	**458,605**

A reconciliation of fair value measurements within level 3 is shown in note 14.

19. Financial instruments

The following table analyses the carrying amounts of financial instruments by category and Net Assets Statement heading. No financial instruments were reclassified during the accounting period.

31 March 2016				31 March 2017		
Fair value through profit and loss £'000	Loans and receiv-ables £'000	Financial liabilities at amortised cost £'000		Fair value through profit and loss £'000	Loans and receiv-ables £'000	Financial liabilities at amortised cost £'000
			Financial assets			
207,731			Investment assets	247,173		
250,874			Bulk annuity insurance buy-in	255,022		
	2,348		Cash balances		876	
	398		Debtors		314	
458,605	**2,746**	**-**		**502,195**	**1,190**	**-**
			Financial liabilities			
		(240)	Creditors			(259)
458,605	**2,746**	**(240)**		**502,195**	**1,190**	**(259)**

Net (gains) and losses on financial instruments

31 March 2016 £'000		31 March 2017 £'000
	Financial assets	
15,286	Designated at fair value through profit and loss	(41,266)
(4)	Loans and receivables	(7)
15,282		**(41,273)**
	Financial assets	
-	Financial liabilities at amortised cost	-
15,282	**Total**	**(41,273)**

20. Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme which focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Responsibility for the Fund's risk management strategy rests with the West Midlands Pension Fund Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's activities. Policies are reviewed regularly to reflect changes in activity and in market conditions. Policies covering specific areas relating to the Fund are as follows:

Investment risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by matching assets to liabilities through the triennial actuarial valuation and an appropriate asset allocation.

During the year, excluding the bulk annuity buy-in, the Fund targeted a 73-79% exposure to equities as 'growth' assets and 21-27% to 'matching' assets, such as UK bonds or gilts which provide the best match for liabilities, i.e. payments of benefits to members in future years. Risks in growth assets include market risk (the greatest risk), issuer risk and volatility, which are mitigated by diversification across asset classes, markets and sectors. Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of 'growth' assets may increase the costs of funding. 'Matching assets' backed by the UK Government are considered low risk, with corporate bonds carrying some additional issuer risk.

Counterparty risk

In deciding to effect any transaction for the Fund, considerable steps are taken to ensure that the counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Legal agreements are implemented and continuous monitoring of counterparties is undertaken by fund officers in relation to suitability and performance, in addition to compliance with regulatory and Fund-specific requirements.

Credit risk

The Fund's deposits with financial institutions as at 1 April 2016 or the 31 March 2017 are disclosed in note 15. The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Liquidity risk

The Fund has a comprehensive daily cash flow management procedure which seeks to ensure that cash is available as needed. When additional deposits are required to meet future pension payrolls, cash is provided by one of the investment managers (in accordance with the asset allocation) who will liquidate a small proportion of assets under management as instructed by the Fund. Due to the cash flow management procedures and the liquidity of the assets held, there is no significant risk that the Fund will be unable to raise cash in order to meet its liabilities.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Even though the Fund has no financial assets denominated in foreign currencies, it is exposed to currency risk on its overseas equity portfolio as the movement in value takes account of changes in exchange rates of the underlying investments.

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

Price risk sensitivity analysis

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the Fund's asset allocations. In consultation with the Fund's performance advisors, the Fund has determined that the following future movements in market price risk are reasonably possible based on 2016/17 closing values:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	9,697	15.8%	11,229	8,165
Overseas equities	87,586	18.4%	103,702	71,470
Total bonds	27,209	10.9%	30,175	24,243
Index linked	28,122	23.0%	34,590	21,654
Diversified growth funds	94,559	12.5%	106,379	82,739
Cash	876	0.0%	876	876
Total assets	**248,049**		**286,951**	**209,147**

The potential price changes on the 2015/2016 closing values are shown below for comparison purposes:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	7,635	17.1%	8,941	6,329
Overseas equities	74,033	19.6%	88,543	59,523
Total bonds	23,111	8.0%	24,960	21,262
Index linked	23,663	8.0%	25,556	21,770
Diversified growth funds	79,289	12.0%	88,803	69,773
Cash	2,348	0.0%	2,349	2,349
Total assets	**210,079**		**239,152**	**181,006**

Interest rate risk and sensitivity analysis

The Fund's investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Carrying amount as at 31 March 2016 £'000	Change in year in the net assets available to pay benefits £'000	£'000	Asset type	Carrying amount as at 31 March 2017 £'000	Change in year in the net assets available to pay benefits £'000	£'000
	+100BPS*	-100BPS*			+100BPS*	-100BPS*
2,348	23	(23)	Cash and cash equivalents	876	9	(9)
46,774	468	(468)	Fixed interest securities	55,331	553	(553)
49,122	**491**	**(491)**	**Total change in assets**	**56,207**	**562**	**(562)**

*BPS – basis points

Regulatory risk

These include any changes to pension regulations e.g. more favourable benefits packages and/or HMRC rules. In order to manage this risk, changes to regulations are continuously monitored.

21. Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. As a result, employers' contributions have been adjusted from 1 April 2017.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and, ultimately, to the council tax payer from an employer defaulting on its pension obligations.

The results of the valuation as at 31 March 2013 and 31 March 2016 and the actuarial assumptions used are shown below.

Valuation results	31 March 2016 Valuation	31 March 2013 Valuation
Funding target as % of existing and prospective liabilities	100%	100%
Common rate of employer's contributions (calculated using the attained age method)	25.1%	21.5%
Market value of the fund	£464m	£449m
Actuarial value of the fund	£569m	£563m
Funding level in relation to past service liabilities	82%	84%
Offset to allow for market changes after the valuation date*	n/a	(£28m)
Deficit in relation to past service	(£105m)	(£86m)

*allows for impact on assets and liabilities

Valuation assumptions	2016 valuation	2013 valuation
Discount rate - West Midlands Travel Limited		
Pre-retirement (non-retired members)	4.5% p.a.	5.5% p.a.
Post-retirement (non-retired members)	As above	3.5% p.a.
Post retirement (retired members - non buy-in)	As above	3.5% p.a.
Post retirement (retired members - buy-in)	1.9% p.a.	3.0% p.a.
Buy-in asset valuation	1.9% p.a.	2.5% p.a.
Discount rate - Preston Bus Limited		
Pre-retirement	2.8% p.a.	5.0% p.a.
Post-retirement	As above	3.0% p.a.
Salary increases	2.3% p.a.	2.6% p.a.
Pension increases in payment	2.3% p.a.	2.6% p.a.
Retired members' mortality - base tables	S2PA tables with a multiplier of 110% for current pensioners (both normal and ill-health) and future dependants	CMI self administered pensions schemes (SAPS) tables with scheme and member category specific adjustments
Retired members' mortality - future improvements	CMI 2015 model methodology with 1.5%p.a. long-term trend	CMI 2013 model methodology with 1.25%p.a. long-term trend
Commutation assumption	Members will commute pension to provide a lump sum of 50% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	50% of retiring members will take the maximum tax-free lump available and 50% will take the standard 3/80ths cash sum for pre April 2008 service

Key:
CMI – The Continuous Mortality Investigation
S2PA – Post retirement mortability tables

Following the 31 March 2016 valuation, employers' contribution rates for the period from 1 April 2017 to 31 March 2020 have been set at 25.1% per annum plus £7,300,000 (2017/18), £7,467,900 (2018/19) and £7,639,700 (2019/20) for West Midlands Travel Limited. The contributions have taken into consideration the support of the Group guarantee which has been extended following discussions as part of the valuation process. The contributions certified are conditional on the guarantee remaining in place for the employer relating to its participation in the Fund.

A rate of 0% plus £325,000 per annum was determined as the appropriate rate for Preston Bus Limited following the 31 March 2016 valuation. This followed the decision by Preston Bus Limited to opt out of the scheme in February 2006. The annual lump-sum only payment will continue to be paid in order to cover the past service default that has accrued.

If non ill-health retirements exceed those provided for in the valuation, it may be necessary to review the employers' contribution rate. The funding method adopted is known as the ‘attained age method’ which is consistent with the funding objective and appropriate as the Fund is closed to new members and has an ageing membership profile.

The Fund’s assets at 31 March 2016 valuation was £464m, of this £256m was in respect of the buy-in asset value with the remaining representing the Fund’s invested assets.

22. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 21). The actuary has also used valued ill health and death benefits in line with IAS 19. Demographic assumptions are the same as those used for funding purposes.

The actuarial present value of promised retirement benefits at 31 March 2017 was £650.6m (2016: £560.6m). The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

31 March 2016	Assumptions used	31 March 2017
3.1%	Discount rate	2.4%
2.0%	Salary increases	2.5%
2.0%	Pensions increases	2.5%

23. Related party transactions

The West Midlands Combined Authority recharges administrative costs incurred to the Fund. The recharges for the year ended 31 March 2017 are £22,000 (2016: £41,000), as detailed in note 11. There are no other related party disclosures, as none of the members of the West Midlands Pension Fund Pensions Committee or the employees of the Fund's advisors and officers who hold key positions are members of the Fund.

24. Events after the Reporting Date

The Fund worked with eight other LGPS funds across the Midlands to set up LGPS Central Limited, an FCA-authorised investment manager which will manage the investment assets of the nine funds. The company was incorporated in October 2016, although it will not begin trading until April 2018. On incorporation and at 31 March 2017, West Midlands Pension Fund was the only shareholder.

In 2017/18, shares will be issued to the other seven pension funds and the Fund will not be a shareholder in the company.

1. Tax status of the scheme

The scheme is a registered scheme and, to the trustee's knowledge, there is no reason why such registration should be prejudiced or withdrawn.

2. Pension increases

There was no increase in pensions during the year in line with legislative requirements and no further discretionary increases were applied.

3. Calculation of transfers

Transfer values quoted and subsequently paid by the Fund includes monetary amounts where relevant, to represent any discretionary benefits awarded by an employer or otherwise.

Where awarded, discretionary benefits are in the form of service which is included within the total service used to calculate a cash equivalent transfer value which represent the monetary value of the member's pension rights.

Introduction

The last full triennial valuation of the West Midlands Integrated Transport Authority Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2017.

Asset value and funding level

The smoothed market value of the Fund's assets as at 31 March 2016 including the value of the insurance policy held with Prudential in relation to certain pension payments from the Fund was £463.9m. The value of the Fund's accrued liabilities was £568.6m at that date, allowing for future increases in pay and pensions in payment, resulting in a deficit of £104.7m. This corresponded to a funding level of 82%.

The deficit of £104.7m was taken into account when considering the deficit contribution requirements for employers.

The valuation also showed that a primary rate of contribution of 25.1% of pensionable pay p.a. was required from employers. The primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

In addition, further "secondary" contributions were required in order to pay off the Fund's deficit. The total secondary contributions payable by the employers over the three years to 31 March 2020 was estimated to be as follows:

Secondary contributions	2017/18	2018/19	2019/20
Total monetary amounts	£7,625,000	£7,792,900	£7,639,700

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2017.

In addition to the certified contributions, payments to cover additional liabilities arising from early retirements (both ill health and non-ill health retirements) will be made to the Fund by the employers.

Contribution rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

Assumptions

- The assumptions used to value the benefits at 31 March 2016 are summarised below (split between the two employers):

Assumption	31 March 2016
Discount rate (West Midlands Travel Ltd)	Non-buy-in-pensioners – 4.5% p.a. Buy-in pensioners – 1.9% p.a. Buy-in asset valuation – 1.9% p.a.
Discount rate (Preston Bus Ltd)	2.8% p.a.
Consumer Price Inflation (CPI)	2.3% p.a.
Salary increases	2.3% p.a. in addition to a promotional scale set with reference to tables published by the Government Actuary's Department (GAD)
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Pre-retirement mortality	Set with reference to GAD tables
Post-retirement mortality	S2PA tables with a multiplier of 110% for current pensioners and future dependents 140% of the S2PMA tables for current male dependents and 120% of the S2DFA tables for current female dependents

Retirement	Each member retires at their weighted average "tranche retirement age" i.e. for each tranche of benefit, the earliest age they could retire with unreduced benefits plus 3 years for active members of WMTL and plus 2 years for deferred members of WMTL. The future service rate has been calculated using the retirement assumption above plus 1 year rather than 3 years for active members.
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

Further details regarding the assumptions are contained in the formal report on the actuarial valuation dated March 2017.

The Fund's invested assets were assessed at market value. The buy-in asset valuation was derived based on the assumptions set out in the report which are consistent with the assumptions to calculate the liabilities allowing for the profile of payments expected from the buy-in asset.

Updated position since the 2016 valuation

Since March 2016, the financial position of the Fund is likely to have improved, mainly due to asset returns being better than assumed at the 2016 valuation.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required by the employers will take effect from 1 April 2020. We will continue to monitor the financial position of the Fund on a regular basis.

Graeme D Muir FFA
Partner
Barnett Waddingham LLP

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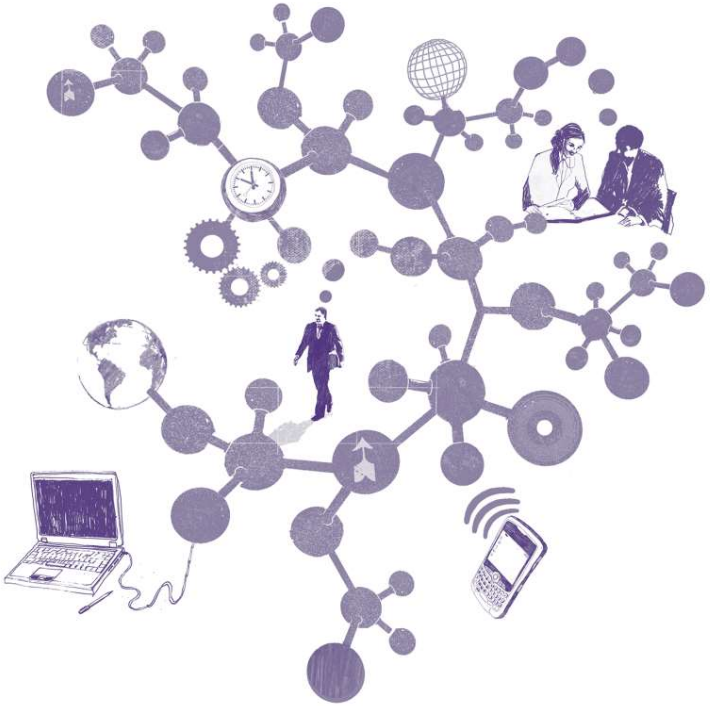
![Grant Thornton]

The Audit Findings for the West Midlands Combined Authority

Year ended 31 March 2017

2 July 2017



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16 June 2017

Dear Members of the Audit, Risk and Assurance Committee

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Audit Findings for the West Midlands Combined Authority for the year ending 31 March 2017

The Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of the West Midlands Combined Authority this is the Board but we have determined that the Audit, Risk and Assurance Committee is the sub group with whom we would communicate), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Grant Patterson
Engagement Lead

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Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of the West Midlands Combined Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Authority acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Authority or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Authority and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to significantly alter our audit approach, which was communicated to you in our you in our Audit Plan dated 27 January 2017.

While the risks as identified in the plan remain the same as the risks reported on within this document, we note that:

- the Authority is now treating certain fares and ticketing transactions on a principal rather than an agency basis as was the case in previous years which has led to additional income and expenditure being disclosed in the Comprehensive Income and Expenditure Statement. This was in addition to the changes expected as the result of merger accounting and, as a result, we have had to undertake further specific testing in addition to what was originally anticipated.

- As a result this effected our judgement of materiality and testing strategy and we extended some of our sample sizes accordingly.

The results of this work are documented in section two.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Obtaining and reviewing the management letter of representation
- Updating our post balance sheet events review, to the date of signing the opinion
- Submissions relating to the Whole of Government Accounts

Key audit and financial reporting issues

Financial statements opinion

We received draft financial statements at the commencement of our work. The majority of the working papers followed shortly thereafter.

We have identified a number of adjustments to the draft financial statements, however none of these affect the Authority's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded a deficit of £708k; the audited financial statements show the same. We have also recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Authority's financial statements are:

- **Amendments** - we have made a number of adjustments to the financial statements and disclosure notes. For further detail see pages, 19, 25 and 26.
- **Comprehensive Income and Expenditure Statement (CIES)** – due to changes in the presentation of particular items of income and expenditure for this year there are differences between the comparative figures showing in this year's accounts and those from the prior year audited accounts. These are explained further at page 15.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Authority's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further details of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

The way forward

Matters arising from the financial statements audit and our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
June 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £2,835k (being 1.8% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and revised our overall materiality to £3,976k (being 1.8% of gross revenue expenditure). This is because our original materiality level was based on the 2016/17 budget and on receipt of the draft financial statements it was noted that the outturn expenditure was significantly higher. The difference was due predominantly due to differences in internal reporting, which is often on a net basis, and the required gross accounting for the same items in the financial statements.

It was also noted that the Comprehensive Income and Expenditure Statement (CIES) had been restated from the previous year. In order to avoid under-testing, we revised our materiality to exclude the impact of this restatement. The restated issues have then been subject to separate testing.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £198k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

	Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Related Parties	Disclosure of external audit fees
Explanation	Due to public interest in these disclosures and the statutory requirement for them to be made.	Due to public interest in these disclosures and the statutory requirement for them to be made. Related party transactions have to be disclosed if they are material to the Authority or to the related party	Due to public interest in these disclosures and the statutory requirement for them to be made.
Materiality Level	£10,000	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes into account what is material to both the Authority and the related party.	£5,000

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including West Midlands Combined Authority, mean that all forms of fraud are seen as unacceptable.	Capital grants made to other local authorities, totalling £45,759k in 2016/17, had been included in expenditure on transport services within the Cost of Services. We did not agree with this treatment, as described on pages 15 and 16 regarding the changes in presentation from the prior year. The Authority has therefore amended the financial statements accordingly. Revenue and expenditure relating to administration of ticketing schemes have been disclosed on a gross basis, in the financial statements for the first time. This change is also described in more detail on pages 15 and 16. Our audit work has not identified any other issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have undertaken a: • review of accounting estimates, judgments and decisions made by management • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of unusual or significant transactions in year	Our review and testing of journal controls has identified four instances of users posting self-authorised journals during the 2016/17 financial year. The remainder of this testing, and testing of individual journal entries has not identified any other significant issues or instances of management override of controls. We have raised a recommendation in the Action Plan at Appendix A to ensure that journals are not posted and authorised by the same individual. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The expenditure cycle includes fraudulent transactions Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets. For your Authority, we have concluded that the greatest risk of material misstatement relates to the completeness of operating expenses and creditor balances.	We have undertaken: • a review of management's processes and assumptions for the calculation of accounting estimates and judgments and other decisions made by management • testing of unusual journal entries back to supporting documentation • a review of any unusual or significant transactions in year	As described on page 10, revenue and expenditure relating to administration of ticketing schemes have been included in the financial statements on a gross, rather than net basis, for the first time this year. Testing performed on these balances has not highlighted any issues. This change is described in more detail on pages 15 and 16. Our audit work has not identified any other issues in respect of expenditure recognition.
Transfer of assets and services to a newly formed local government entity On 16 June the West Midlands PTE and ITA (together, Centro) ceased to exist, and the West Midlands Combined Authority was formed. The Authority have confirmed that this will be accounted for as a transfer by merger, which requires disclosure to be made of the positions of Centro and the WMCA before and after the transition. These disclosures will require accurate cut-off arrangements at 16 June 2016.	We have: • documented and evaluated the process in place at transition to ensure that the recorded position of Centro at 16 June 2016 was accurate. • performed detailed testing on any significant or unusual transactions occurring before the cessation of the Centro bodies. • incorporated checks into our revenue and expenditure testing to determine which body transactions have been recorded against. • performed detailed tests of cut-off for both revenue and expenditure at 16 June 2016. • performed analytical procedures on the revenue and expenditure recorded in year to check for any indication of inconsistency. • ensured that the disclosure meets the requirements of the CIPFA Code of Practice.	Our audit work has identified the following issues in respect of the disclosure of the transfer by merger: • The carrying value of the net liabilities at 16 June 2016 was misstated at £43,770k when it should have been £41,982k. This has been corrected. • The pre-merger gross income and gross expenditure were both stated net of ticketing costs. In order to be consistent with the CIES, an additional £6,290k of both income and expenditure has been included in pre-merger and excluded from the post-merger figures. • This disclosure also required adjustment for the issue relating to the classification of capital grants made to other authorities described on pages 10, 15 and 16. In addition, the financial statements have been amended to include the decision to prepare accounts on the basis of a transfer by merger as a critical judgement, as it is fundamental to their preparation.

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of pension fund liability The Authority’s pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	We have: • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made. • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	PwC were engaged by the Audit Commission (and subsequently the NAO) as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS). They produce a report to designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2017. We use this report to inform our assessment of the valuation of the pension fund liability in the authority’s accounts. We have compared the assumptions used by the Authority’s actuary against industry benchmarks. We note that the assumptions used in relation to the rate of inflation (CPI), the rate of increase in pensions and the discount rate are outside the range of those expected of a typical employer. The assumptions applied are: • CPI inflation: 2.50% (average of rate used by other actuaries: 2.26% • Rate of increase in pensions: 2.50% (average rate used by other actuaries: 2.26%) • Discount rate: 2.40% (average rate used by other actuaries: 2.54%) We have discussed with our technical experts and liaised with the Authority’s actuary, as to whether the individual variations, when taken together, enable us to conclude that management’s assumptions overall are reasonable. We have received satisfactory responses from the actuary to our challenges and on this basis we conclude that management’s estimation basis is reasonable and therefore that the valuation of the pension fund liability is not materially misstated.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Payroll expenditure represents a significant percentage of the Authority's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: • Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • detailed testing on a sample of payroll expenditure for the year • trend analysis of employee costs throughout the year to identify any unexpected fluctuations	Our detailed testing of payroll transactions has not identified any issues in respect of employee remuneration costs incurred by the Authority. However, our audit work has highlighted the following items which were omitted from in the remuneration disclosures and the exit packages disclosure: • Four exit packages totalling £409k which were agreed before the end of the 2016/17 year. • Of the above, one should have been included in the senior officers' remuneration table in accordance with Schedule 1 of the Accounts and Audit Regulations 2015 • Five exit packages totalling £22k that were paid to employees at the end of their fixed-term contracts. These amendments have been made to the updated financial statements.
Operating expenses	Non-pay expenditure represents a significant percentage of the Authority's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention: • Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls • detailed testing on a sample of operating expenses incurred during the year • detailed testing on a sample of creditors, including after date payments, to ensure cut-off was appropriately applied	Our detailed testing of operating expenditure transactions has not identified any issues to bring to your attention.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Changes to the presentation of local authority financial statements Page 182	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have undertaken the following work in relation to this risk: • documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice	As mentioned earlier in this report we noted that as part of the changes to the presentation of the Authority's financial statements, a number of amendments were made to the prior year comparatives. These are discussed in more detail on the next 2 pages. Our review of the restatement of the CIES for the purposes of 'Telling the Story' has not raised any issues. The three segments disclosed, being Transport Services, Combined Authority Services, and Economic Development, are in line with our understanding of the management of the Authority. We have reconciled the CIES to the general ledger with no issues, and have confirmed the consistency of the MIRS and the EFA with testing performed on other areas of the financial statements. We have also confirmed the consistency of the CIES and the EFA with management's internal reporting and decision making. Our testing has not identified any issues in respect of the new presentation.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that the going concern basis is appropriate for the 2016/17 financial statements.

Prior period adjustments

The Authority had revised its treatment of certain grant income and expenditure as well as its fares and ticketing income and expenditure. This has led to differences between the prior year comparatives shown in the current year accounts and the audited financial statements of the Centro group as at 31 March 2016. The differences are outlined in the table below and show a net impact on expenditure of £29,475k and a net impact on income of £29,475k. There is a net nil impact on the general fund.

Our consideration of this revised treatment is documented on page 16.

The draft financial statements did not include any disclosure of the details of these PPAs. Disclosure of the nature of, and reason for, any PPA is required by the Code, and so disclosures have been added to the financial statements as a result of our audit at Note 37 to the financial statements.

Expenditure	Cost of Services £'000	Taxation & Non-specific Grant £'000
Per the Centro group accounts as at 31 March 2016	**149,783**	**43,695**
DfT Grant Expenditure	43,695	(43,695)
Fares and Ticketing	29,475	-
Per the draft WMCA Accounts	**222,953**	**-**

Income	Cost of Services £'000	Taxation & Non-specific Grant £'000
Per the Centro group accounts as at 31 March 2016	**19,937**	**205,109**
Fares and Ticketing	29,475	-
District Schemes	(8,028)	8,028
Revenue Grants	10,520	(10,520)
Per the draft WMCA Accounts	**51,904**	**202,617**

Prior period adjustments (continued)

Issue	Commentary
DfT Grant Expenditure	The WMCA receive capital funding from the Department for Transport in year, for distribution among the other authorities in the Midlands. These grants are distributed at the discretion of the Authority, and are therefore considered to be capital grants made. The Code requires that taxation and non-specific grant income and expenditure includes all capital grants and contributions. Therefore the Authority has moved these transactions to be shown below the Cost of Services line. This has led to an adjustment of £43,695k within the CIES. There is no impact on the general fund.
Fares and Ticketing	Where an authority is acting as a principal, transactions should be included in their financial statements, following the relevant section of the Code. In contrast, where an authority is acting as an agent, transactions should not be reflected in their financial statements. Historically, the Centro group treated fares and ticketing as an agency transaction, only recognising commission income earned, and a debtor or creditor for amounts owed from or owing to operators at year end. The Authority has reassessed this position in 2016/17, and consider that there are two schemes for which they are actually acting as principal. Income and Expenditure for Transport Services in the financial statements have therefore been grossed up to include transactions for these schemes, which are nBus and nNetwork.
District Schemes Income	This £8,028k is made up of capital grants that are spent on revenue support costs for development projects in the capital programme (treated as Revenue Expenditure Funded from Capital under Statute [REFCUS]). The Authority reassessed the treatment of all of its grants during the financial year, and determined that they be moved to taxation and non-specific grant income, in line with the Code requirements mentioned above. We are satisfied that this reallocation is reasonable.
Revenue Grant Income	This £10,520k is revenue grants received by the Authority for transport provision. Historically these items had been included as non-specific grants, but they have now been moved into Cost of Services. We acknowledge that the Authority has evolved significantly over the last 12 months, and while merger accounting has been employed (which therefore presents the accounts as if the entity has always existed), the activity being undertaken by the Authority has changed and will continue to change as the devolution agenda progresses. For instance, the Centro group carried out activity solely with regard to Transport, but since the creation of the Combined Authority, activities are now broadening (ie through their three commissions: Mental Health, Land, and Productivity and Skills). Therefore grants that were previously considered to be non-specific, as they did not relate to a specified project, are now limited to spend on transport when the Authority provides other services. We are therefore satisfied that this reallocation is reasonable.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• 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 other than grant income, which all arises within the United Kingdom and is stated net of VAT, represents income arising from bus station departure charges, the provision of timetable information, rental income and advertising revenues. Income is recognised to the extent that reliably measured economic benefits will flow to the Combined Authority and includes estimated in respect of services provided and rental income which have not been invoice at the period end.	We have considered the following: • Appropriateness of policy under relevant accounting framework • Extent of judgement involved, including range of possible outcomes and potential financial statement impact of different accounting policy choices • Adequacy of disclosure of accounting policy • Benchmark against industry practice We have nothing to bring to the Committee's attention in this regard	● (Green)
Judgements and estimates	• Key estimates and judgements include: – Useful life of PPE – Revaluations – Impairments – Accruals – Valuation of pension fund net liability – Other provisions	We have considered the following: • Appropriateness of policy under relevant accounting framework • Extent of judgement involved • Potential financial statement impact of different assumptions • Range of possible outcomes – including where the Authority sits within that range • Adequacy of disclosure of accounting policy • Benchmark against peers/industry practice We have covered the assumptions in relation to the pension fund liability on page 12. In respect of the other estimates and judgements we have nothing else to bring to the Committee's attention.	● (Green)

Assessment
- ● Red - Marginal accounting policy which could potentially attract attention from regulators
- ● Amber - Accounting policy appropriate but scope for improved disclosure
- ● Green - Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Director of Finance, s151 officer has a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. Members concur with this view. For this reason, the Authority continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Authority's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● (Green)
Other accounting policies		We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years where relevant.	● (Green)

Assessment
- ● Red - Marginal accounting policy which could potentially attract attention from regulators
- ● Amber - Accounting policy appropriate but scope for improved disclosure
- ● Green - Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	We have previously discussed the risk of fraud with the Audit, Risk and Assurance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	A standard letter of representation has been requested from the Authority, which is included in the Committee papers.
5.	**Confirmation requests from third parties**	We requested from management permission to send a confirmation requests to all of the Authorities banks and investment counterparties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6.	**Disclosures**	Our review of the draft financial statements found the following disclosure issues: • No disclosure was included to explain the reason for, and impact of, the prior period adjustment in the CIES. • Exit packages in relation to senior officers were omitted from the senior officers' remuneration table. Exit packages in relation to other employees were omitted from the remuneration bandings. These exit packages were also all omitted from the exit packages disclosure. • The valuation of Bromsgrove Station was included in the Property, Plant and Equipment disclosure as an addition of £7,065k, rather than an upwards revaluation. • Additional narrative disclosure has been added to Notes 20 and 30 to ensure clarity around the nature of the Authority's borrowings, and that adequate detail regarding the methodology for calculating the fair values is presented in accordance with the Code and IFRS13. These disclosures have now been included. See pages 25 and 26 for all misclassifications and disclosures identified.

Other communication requirements (continued)

	Issue	Commentary
7.	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a number of areas. We have not identified any issues we would be required to report by exception in the following areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Authority acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Authority does not exceed the specified group reporting threshold we will not be required to perform any additional procedures for the purposes of the WGA consolidation.

Internal controls

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● (Amber)	**Proactive Reviews of Logical Access** During the audit of the design effectiveness of IT general controls, we identified that User accounts and associated permissions on all application systems are not formally and proactively reviewed for appropriateness. This condition poses the following risks to the Authority: • Gaps in user administration processes and controls may not be identified and dealt with in a timely manner • Access to information resources and system functionality may not be restricted on the basis of legitimate business need • Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls • No-longer-needed permissions granted to end-users may lead to segregation of duties conflicts • Access privileges may become disproportionate with respect to end users' job duties.	There is a need for management to perform periodic, formal reviews of the user accounts and permissions on all application systems. These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties). **Management response:** Management have agreed to establish a process of reviewing access across the system at least once per annum.

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Assessment
- ● Red - Significant deficiency – risk of significant misstatement
- ● Amber - Deficiency – risk of inconsequential misstatement

"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
2	● (Amber)	**Logging and investigation of unauthorised access attempts** During the audit of the design effectiveness of IT general controls, we identified that there is no process of logging and investigation of unauthorised access attempts on Agresso application system. This condition poses the following risks to the organisation: • If key security incidents or events are not logged, it is much harder for the organisation to become aware of attempted or unauthorised access to data. • If security logs are not reviewed regularly on a timely basis, important security incidents may be overlooked. If appropriate follow up actions are not taken, security incidents might recur and/or it may be difficult to take legal action against the perpetrators.	We recommend management to establish a process of logging unsuccessful attempts to logon and unsuccessful attempts to access files, by users and/or programs. The log should be subjected to regular reviews by management and any unusual activity identified have to be investigated. **Management response:** Logging is enabled, however the review was not being performed. Management have agreed that a process of reviewing access across the systems at least once per annum will be established.
3	● (Amber)	**No requirement for existing to formally acknowledge any IT Security documentation following periodic updates** During the audit of the design effectiveness of IT general controls, we identified that Information Security policies are updated in line with changes to IT environment, however, there was no formally established process and requirements for existing employees to acknowledge the IT security policy following the periodic updates. This condition poses the following risk(s) to the organisation: • Information security processes, requirements and controls may be inconsistently defined, understood and implemented throughout the organisation • The lack of formal acknowledgement of IT Security documentation updates may make sanctioning employees for inappropriate use of information resources more difficult as they may claim unawareness.	Management should establish a formal process for existing employees to formally acknowledge updates or changes to the IT security documentation. This process could be done in the form of mandatory reading/acknowledgement of updates prior to logon to the network and access to resources. Alternatively, this can be delivered in the form of refresher user IT security training courses. **Management response:** This is currently in pipeline. A process will be established for existing employees to formally acknowledge any security related policy updates.

Assessment

- ● Red - Significant deficiency – risk of significant misstatement
- ● Amber - Deficiency – risk of inconsequential misstatement

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail of adjustment in 2016/17	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
As detailed on page 16 of this report, the Authority changed the presentation of their Comprehensive Income and Expenditure Statement for the 2016/17 year. We disagreed with the new presentation of capital grants made to other authorities, as all capital grants should be shown below the Cost of Services line. This has been adjusted as follows:			
Reduce transport services gross expenditure	(45,759)	-	-
Increase taxation and non-specific grant expenditure	45,759	-	-
Overall impact	**£nil**	**£nil**	**£nil**

Detail of adjustment to 2015/16 comparatives	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
The adjustment above has also been required in the prior period comparatives as follows:			
Reduce transport services gross expenditure	(43,695)	-	-
Increase taxation and non-specific grant expenditure	43,695	-	-
Overall impact	**£nil**	**£nil**	**£nil**

Unadjusted misstatements

The Audit, Risk and Assurance Committee would be required to approve management's proposed treatment of any items found during our audit that were not adjusted for in the final set of financial statements. There were no such adjustments identified.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	**Disclosure**	29,475	Prior period adjustment: fares and ticketing income and expenditure	The draft financial statements did not include any disclosure of the prior period adjustment for fares and ticketing income and expenditure being included gross in the Authority's accounts, rather than the net basis that was shown in the Centro group accounts for the 2015/16 year. Further detail is included in pages 15 and 16 of this report.
2	**Disclosure**	8,028 and 10,520	Prior period adjustment: disclosure of specific and non-specific grant income	The draft financial statements did not include any disclosure of the prior period adjustment for the reallocation of grants between non-specific (taxation and non-specific grant income) and specific (within cost of services). Further detail is included in pages 15 and 16 of this report.
3	**Disclosure**	n/a	Basis of accounts preparation	The financial statements have been amended to include the decision to prepare accounts on the basis of a transfer by merger as a critical judgement, as it is fundamental to their preparation.
4	**Disclosure**	431	Exit packages	Nine additional exit packages have been included in both the remuneration disclosures and the exit packages disclosure, totalling £431k. One of these related to a Senior Officer. Further detail is included in page 13 of this report.
5	**Disclosure**	7,065	Property, plant and equipment revaluations	Note 16 has been amended to more clearly disclose that Bromsgrove Station was brought on to the balance sheet at £nil value, and a valuation performed to ensure that the financial statements fairly reflect the Authority's investment in this asset.
6	**Disclosure**	n/a	Fair value of borrowings	Additional narrative disclosure has been added to Notes 20 and 30 to ensure clarity around the nature of the Authority's borrowings, and that adequate detail regarding the methodology for calculating the fair values is presented in accordance with the Code and IFRS13.

Misclassifications and disclosure changes (continued)

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
7	**Disclosure**	2,750	Financial instruments: cash and cash equivalents	The draft financial statements included cash held on behalf of Altram as a financial asset in the disclosures in Note 30. As this is not the Authority's asset, it has been removed.
8	**Disclosure**	n/a	Components of income and expenditure pre- and post-merger	A number of changes have been made to the figures presented in Note 36, in order to correct the following: • Net liabilities at the merger date were overstated by £1,788k • Gross income and expenditure for transport services pre- and post-merger have been adjusted to allocate gross fares and ticketing amounts to the pre-merger period • Gross expenditure pre- and post-merger has been adjusted for the effects of the adjusted misstatement on the previous page.
9	**Disclosure**	n/a	Various	A number of other minor amendments have been made to improve the presentation and clarity of the financial statements.

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Section 3: Value for Money

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Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN 03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Progress Report and Update dated 28 April 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- 2016/17 capital outturn compared to budget
- Progress since the formation of the Combined Authority with regard to its governance structure

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 30 and 31.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report will be confirmed at a later date.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Governance The governance arrangements at the Authority are continuing to develop as the Authority itself evolves. There is a risk that arrangements may not appropriately reflect the changing responsibilities of the Authority and heighten the risk of actual or perceived instances of inadequate governance.	Continue reviewing relevant Board and Combined Authority papers and holding regular discussions with management and key officers about any changes to the governance structure, including the plans in place for governance following the mayoral election in May 2017	During the 2016/17 financial year the Authority has made a number of changes to its governance structure to as it has developed from the Centro group. Key elements include: • revising the Constitution including the Scheme of Delegation • setting up a Committee to oversee audit, risk and assurance • Establishing a new Assurance Framework • Developing a Risk Management Strategy and risk register We are satisfied that new governance arrangements are evolving, and the process has been appropriately shared with responsible committees and individuals. Now that the Mayor has been appointed, the Authority is in the process of appointing senior staff. This will pave the way for further evolution of governance arrangements. The Authority, including ARAC, as those charged with governance, are aware of the need to ensure that governance is fit for purpose as well as being future-proofed for the expansion of activities that will occur. **On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements.**
Project management, programme delivery and monitoring Capital expenditure was behind budget by £6m as at October 2016 (total budget for 2016/17 was £40m). This indicates a risk of ineffective project management and potentially inefficient use of resources. There is a risk that effective controls and arrangements are not established.	Continue monitoring the capital performance through to year end outturn position. Discuss with management and key officers the monitoring processes in place around the devolution grants being made, to confirm that these are separate processes to the contract monitoring process.	The capital outturn for the year was £3,453k behind budget, however we are satisfied that this was the result of unforeseeable circumstances that have been managed appropriately by staff at the Authority. We have reviewed the approvals process for applications for devolution funding, and are satisfied that it is appropriate, and has been appropriately shared with responsible committees and individuals, as well as other local authorities. We are satisfied that project monitoring during the 2016/17 has been sufficiently detailed and sufficiently regular for the Authority to have a good understanding of the projects that it is funding. We have also reviewed the progress made on designing and implementing a new project monitoring system, which will come into use in the 2017/18 financial year. **On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements.**

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Looking to the future

As the Authority evolves over the coming months and years and broadens its activity further, this is likely to have an impact on the number of risk areas we consider as part of our Value for Money conclusion. We will continue to have on-going dialogue with management and internal audit to identify these areas as and when they arise.

Section 4: Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Public interest report**	• We have not identified any matters that would require a public interest report to be issued
2.	**Written recommendations**	• We have not made any written recommendations that the Authority is required to respond to publicly
3.	**Application to the court for a declaration that an item of account is contrary to law**	• We have not used this duty
4.	**Issue of an advisory notice**	• We have not used this duty
5.	**Application for judicial review**	• We have not used this duty

Section 5: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Authority audit	46,500	46,500
Total audit fees (excluding VAT)	**46,500**	**46,500**

Our appointment as external auditors was approved by the PSAA (Public Sector Audit Appointments) Board on 1 September 2016. The appointment was made under section 3 of the Audit Commission Act 1998, saved under provisions of the Local Audit and Accountability Act 2014 and delegated to PSAA by the Secretary of State for Communities and Local Government.

In line with the 2016/17 Work Programme agreed by PSAA for local government audits the fee reflects our assessment of audit risk and complexity. The fees cover the work we do in discharging our statutory responsibilities which, in accordance with the Local Audit and Accountability Act 2014 are:

- To be satisfied that the accounts comply with the requirements of the enactments that apply to them
- To be satisfied that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view
- To be satisfied that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Fees to cover the costs of considering objections are charged, as a variation to the scale fee, from the point at which we accept an objection as valid. The fees for the year are in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Fees for other services

Service	Fees £
Audit related services:	
• Tax advice to the West Midlands ITA in respect of the winding up of the authority and the transfer of services and assets on the establishment of the Wes Midlands Combined Authority.	**18,000**
• Tax advice to the West Midlands Combined Authority	**1,000**
Non-audit services	**19,000**

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The table on the next page summarises all non-audit services which were identified.

Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the Authority's auditor and have ensured that appropriate safeguards are put in place

Service provided	Fees	Threat?	Safeguard
Tax Advice to West Midlands ITA as predecessor to West Midlands Combined Authority	£18,000	No	• We do not hold a financial nor other interest in the outcome of the work/service undertaken. • The audit appointment has been made independently from the Authority under the PSAA contractual arrangements • The work was completed by an independent team which is arms-length from the audit team
Tax advice to the West Midlands Combined Authority	£1,000	No	
TOTAL	**£19,000**		

The above non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.

Section 6: Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

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Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Action plan

Priority

- Red - High – Significant effect on control system
- Amber - Medium – Effect on control system
- Green - Low – Best practice

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	There is a need for management to perform periodic, formal reviews of the user accounts and permissions on all application systems. These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties).	Medium	Management have agreed to establish a process of reviewing access across the system at least once per annum.	Paul Bleckley Head of ICT September 2017
2	We recommend management to establish a process of logging unsuccessful attempts to logon and unsuccessful attempts to access files, by users and/or programs. The log should be subjected to regular reviews by management and any unusual activity identified have to be investigated.	Medium	Logging is enabled, however the review was not being performed. Management have agreed that a process of reviewing access across the systems at least once per annum will be established	Paul Bleckley Head of ICT September 2017
3	Management should establish a formal process for existing employees to formally acknowledge updates or changes to the IT security documentation. This process could be done in the form of mandatory reading/acknowledgement of updates prior to logon to the network and access to resources. Alternatively, this can be delivered in the form of refresher user IT security training courses.	Medium	This is currently in pipeline. A process will be established for existing employees to formally acknowledge any security related policy updates.	Paul Bleckley Head of ICT June 2017
4	Journals should not be posted and authorised by the same individual.	Low	This was raised by the audit team earlier in the year and an action plan was put in place immediately as of December 2016 to ensure that the system does not allow journals to be posted and authorised by the same individual.	Linda Horne. Done.

B. Audit opinion

We anticipate we will provide the Authority with an unmodified audit report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West Midlands Combined Authority (the "Authority") for the period ended 31 March 2017 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

In our opinion the financial statements:

- **give a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the period then ended;**
- **have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17; and**
- **have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.**

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (the "Act") and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Director of Finance and Responsible Finance Officer's (the "Director of Finance") use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Narrative Report, and the Annual Governance Statement set out on pages 2 to 21, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Act

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources the information given in the Narrative Report, and the Annual Governance Statement set out on pages 2 to 21 is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Act requires us to report to you if:

- in our opinion the Annual Governance Statement does not reflect compliance with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 12 to 14, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The West Midlands Combined Authority Board is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2017.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2017. As the Authority has not published the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code of Audit Practice.

And,

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the period ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2017.

[Signature]

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building, Colmore Row, Birmingham
West Midlands, B4 6AT

[Date]

grant-thornton.co.uk

The Audit Findings for the West Midlands ITA Pension Fund

Year ended 31 March 2017

June 2017

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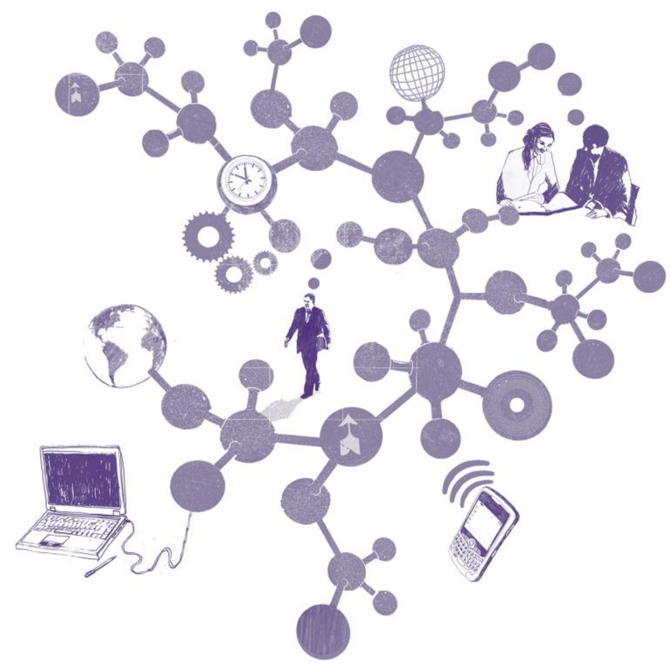

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June 2017

Dear Members

Audit Findings for West Midlands ITA Pension Fund for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of the West Midlands ITA Pension Fund, for the ITA Pension Fund this is the West Midlands Combined Authority but we have determined that the Audit, Risk and Assurance and West Midlands Pension Fund Committees are the sub-groups with whom we shall communicate throughout the year and ensure the Authority sees our Audit Plan and Audit Findings Report), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Grant Patterson

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Section

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Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of the West Midlands ITA Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

Introduction

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2017

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt and review of the latest service auditor report for the Fund Manager Baillie Gifford and a few other sundry items,
- obtaining and reviewing the final management letter of representation,
- review of the final version of the financial statements and annual report, and
- updating our post balance sheet events review, to the date of signing the opinion.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the Fund's reported financial position. We have recommended some adjustments to improve the presentation of the financial statements.

We have independently estimated the value of the insurance buy-in to be £255,586,000 compared to your actuarial valuation of £255,022,000. The valuation of this estimate is complex and the difference is within 0.2% of the actuary's result and within the expected range we set. From this we have concluded that the valuation is reasonable and not materially misstated.

The other key messages arising from our audit of the Fund's financial statements are:

- We have no unadjusted misstatements to report,
- The draft accounts were presented for audit in accordance with the agreed timetable and were of a good quality,
- Our work at year end demonstrated that access to documents and the quality of working papers was of a high standard.

Further details are set out in section two of this report.

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix A).

Controls

Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit of the Fund have been discussed with the Director of Finance.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
June 2017

Section 2: Audit findings

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This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £4,759k (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and have revised our overall materiality level upwards to reflect an increase in the value of assets as at 31 March 2017. Materiality is now £5,029,000 (still 1% of net assets)

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £251,450. This has increased slightly upwards from that reported in our audit plan which was £230,450.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Benefits payable and Contribution income	Transactions with members are a key audit area and a focus of users of the financial statements.	0.5% of net assets (£2,514,000)
Management expenses	Due to public interest in these disclosures.	5% of management expenses (£32.3k)
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	We have set a materiality level of £20k to inform our audit approach and our reporting to the pension fund. We recognise that in compiling the disclosure, the pension fund will apply its own assessment of materiality and (as required by IAS24) also have regard to materiality from the perspective of the other party.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the City of Wolverhampton Council as the administering body, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	• review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions. • review of entity controls	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.
Level 3 Investments Valuation is incorrect	The Prudential buy-in is the only material, directly held, 'hard to value' investment held by WM ITA Pension Fund and this will be valued by the Fund's actuary (Barnett Waddingham). We gained assurance over this by: • reviewing the basis of the valuation and assumptions made; • using our own experts, Grant Thornton's in-house valuation team, to review the assumptions and calculations and to provide assurance that the valuation is reasonable – this work covered the nature and the basis of the estimated values	We have independently estimated the value of the insurance buy-in to be £255,586,000 compared to your actuarial valuation of £255,022,000. The valuation of this estimate is complex and is within 0.2% of the actuary's result and within our expected range. From this we have concluded that the valuation is reasonable and not materially misstated

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	The only material investment income comes from the Prudential Insurance Buy-In arrangement to cover benefits underwritten. We obtained a breakdown of the income received, agreed this to source documentation and that the receipt have been received as expected.	Our audit work has not identified any significant issues.
Investment purchases and sales	Investment activity not valid. Investment valuation not correct	• We reviewed the reconciliation of information provided by the fund managers and the Pension Fund 's own records and seek explanations for variances. • Tested a sample of purchase and sales to ensure they are appropriate	Our audit work has not identified any significant issues.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	• We reviewed the reconciliation of information provided by the fund managers and the Pension Fund 's own records and seek explanations for variances. • Tested a sample of level 2 investments to independent information from investment managers on units and on unit prices.	Our audit work has not identified any significant issues.
Member Data	Member data not correct. (Rights and Obligations)	• Complete walkthrough tests in relation to the rights and obligations assertion which we consider to present a risk of material misstatement to the financial statements. • We relied on controls testing over annual/monthly reconciliations and verifications with individual members completed in prior year by confirming there have been no changes in the controls and processes for the system • Sample tested of changes to member data made during the year to source documentation	Our audit work has not identified any significant issues.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct. (Occurrence)	• Completed walkthrough tests in relation to the occurrence assertion which we consider to present a risk of material misstatement to the financial statements. • We relied on controls testing over occurrence, completeness and accuracy of contributions completed in prior year by confirming there have been no changes in the controls and processes for the system • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.	Our audit work has not identified any significant issues.
Benefits payable	Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)	• Completed walkthrough tests in relation to completeness, accuracy and occurrence assertions which we consider to present a risk of material misstatement to the financial statements. • We relied on controls testing over occurrence, completeness and accuracy of benefit payments completed in prior year by confirming there have been no changes in the controls and processes for the system • Tested a sample of individual pensions in payment by reference to member files. • We rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.	Our audit work has not identified any significant issues.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	a) Contribution Income • Normal contributions are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary • Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. • Employer deficit funding contributions are accounted for on the due dates on which they are payable as set by the scheme actuary or on receipt. b) Investment Income • Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. • Benefits underwritten – The annuity purchased is treated as an investment with income recognised on an accruals basis.	• The revenue recognition policies are appropriate for the accounting framework used by the Pension Fund. • The accounting policy choices have been complied with in the preparation of the accounts. • We have no concerns in relation to the adequacy of the disclosure of accounting policies in place	(Green)

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Assessment
- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates Page 223	• Key estimates and judgements include: – Pension fund liability relating to the discount rate, salary projected increases, changes in retirement ages, mortality rates and expected returns assets, and – Bulk annuity insurance buy-in discount rate underlying the asset valuation based on gilt yield	The results from our review and testing of the valuation of investments is covered on page 9 of this report above. The fair value of the insurance buy-in has been reviewed and is considered a reasonable estimate. The pension liability is based on your actuary's Barnett Waddingham valuation. We have been provided with assurance that Barnett Waddingham can be relied upon for the purpose of valuing the liability and have reviewed the assumptions. The Pension Fund has reflected the valuation as given to them by the Actuary in their accounts. The accounts have disclosed the nature of the valuation and the fact that the estimate is subject to significant variances based on changes to the underlying assumptions The bulk annuity insurance buy-in is ultimately derived by the actuary's valuation. We have had our own valuation experts review the information and assumptions used by the actuary and based on this work consider the estimates and judgements used to be reasonable.	(Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	(Green)
Going concern	The Director of Finance has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Fund's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	(Green)

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Fund, which is included with papers.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to your bank and fund managers. This permission was granted and the requests were sent. These requests were returned with positive confirmation……
6.	**Disclosures**	• Our review found no material omissions in the financial statements.
7.	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2017 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Internal controls

There are no significant internal control weaknesses to report

"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There are no adjusted misstatements we are required to report to you.

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. There are no adjusted misstatements we are required to report to you.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Presentation and disclosure	Various	Various	Our review of the accounts highlighted some minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit. Examples include: • Including details of the life expectancy assumptions used by the actuary in note 4 • Ensuring the correct debtors balance was used in the financial instruments note (£314k not £302k) • Ensuring gross (and not netted–off) figures were used for Legal and General investment switches in note 13 investments. This is in addition to the need to tidy up formatting, spelling and explanation of complex terms used prior to publication.

Section 3: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Pension fund audit	21,000	21,000
Total audit fees (excluding VAT)	**21,000**	**21,000**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence.
- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund. No non-audit services which were identified.
- No non-audit or audit-related services have been undertaken for the Fund.

Section 4: Communication of audit matters

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Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Fund's key risks when reaching our conclusions under the Code.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MIDLANDS INTEGRATED TRANSPORT AUTHORITY PENSION FUND

We have audited the pension fund financial statements of West Midlands Integrated Transport Authority Pension Fund (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities, and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building, 20 Colmore Circus, Birmingham B4 6AT

July 2017

WEST MIDLANDS
COMBINED AUTHORITY

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Date

Dear Sirs

West Midlands Combined Authority
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of the West Midlands Combined Authority for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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WEST MIDLANDS
COMBINED AUTHORITY

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:
- a there are no unrecorded liabilities, actual or contingent
- b none of the assets of the Authority has been assigned, pledged or mortgaged
- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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xiv We believe that the Authority’s financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority’s needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv We have provided you with:
a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b additional information that you have requested from us for the purpose of your audit; and
c unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Authority involving:
a management;
b employees who have significant roles in internal control; or
c others where the fraud could have a material effect on the financial statements.

xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Authority’s financial statements communicated by employees, former employees, regulators or others.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the identity of all the Authority's related parties and all the related party relationships and transactions of which we are aware.

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xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the West Midlands Combined Authority Board Committee at its meeting on 21 July 2017.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Authority

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COMBINED AUTHORITY

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Date

Dear Sirs

West Midlands Integrated Transport Authority Pension Fund
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with your audit of the financial statements of West Midlands Integrated Transport Authority Pension Fund ('the Fund') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017, and of the amount and disposition at that date of its assets and liabilities in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code') and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.

2. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

3. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect error and fraud.

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5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

6. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

7. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

8. Except as disclosed in the financial statements:
   a) there are no unrecorded liabilities, actual or contingent
   b) none of the assets of the Fund have been assigned, pledged or mortgaged
   c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

10. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

11. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

12. We have considered the disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.

13. We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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Information Provided

15. We have provided you with:
    a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    b) additional information that you have requested from us for the purpose of your audit; and
    c) unrestricted access to persons from whom you determined it necessary to obtain audit evidence.

16. We have communicated to you all deficiencies in internal control of which management is aware.

17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

18. All transactions have been recorded in the accounting records and are reflected in the financial statements.

19. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
    a) management;
    b) employees who have significant roles in internal control; or
    c) others where the fraud could have a material effect on the financial statements.

20. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

21. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

22. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

23. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

24. We have disclosed to you the identity of all of the Fund's related parties and all the related party relationships and transactions of which we are aware.

25. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

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Approval

The approval of this letter of representation was minuted by the West Midlands Combined Authority Board Committee at its meeting on 21 July 2017.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of **West Midlands Combined Authority** as administering body of the **Pension Fund**

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WMCA Board Meeting

Date	21 July 2017
Report title	Financial Monitoring 2017/18
Portfolio Lead	Finance & Investments - Councillor Izzi Seccombe
Accountable Chief Executive	Martin Reeves, Interim Chief Executive, WMCA email: martin.reeves@coventry.gov.uk tel: (024) 7683 3232
Accountable Employee	Mark Taylor, Director of Finance, WMCA email: mark.taylor@wmca.org.uk tel: (0121) 214 7600
Report to be/has been considered by	

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

Note the financial position for May 2017.

1.0 Purpose

1.1 To provide an update of the WMCA finances as at the end of May 2017.

2.0 Financial Monitoring

2.1 A summary of the revenue and capital financial outturn against the reported budget are attached at appendices 1 and 2. A summary of the Investment Programme along with current commitments is included in appendices 3 and 4.

2.2 Within the Transport budget there is a favourable variance of £194,000 year to date with the only notable variances being a one off rates refund of £50,000 received in relation to Wednesbury Parkway, additional ticketing commission as a result of an agreement being reached with NX during April and an underspend against recruitment costs due to the timing of recruitment.

Specific commentary is included in appendix 1.

2.3 Also shown in appendix 1 is the position of the WMCA operational budget at the end of May which shows a favourable variance of £303,000. This is largely due to budgeted posts currently being vacant and the fact that planned activity across a number of areas is yet to commence. Also membership of the Growth company commenced in May rather than April as budgeted.

2.4 A first review of forecast variances for the year is due to be undertaken following June quarter end and will be included in the July position.

2.5 In Appendix 2 transport schemes are largely on track at the end of the month with no significant variances to report.

2.6 Please note a balance sheet has not been produced during May, an update will be provided in the June financial report for the first quarter end.

2.7 The WMCA Investment Programme is reported as a consolidated picture, by collating both WMCA direct spend and Local Authority returns. As such, the reporting of Investment Programme financial is one month behind as this enables Districts two weeks post month end to supply their latest claim and forecast figures. The initial budget for the Investment Programme for 2017/18 is shown under Appendix 3.

2.8 Projects with a WMCA funding value of £211m have received approval via the WMCA Assurance Framework, most notable of which is the £98.7m towards the Coventry City Centre Regeneration project.

2.9 A report summarising financial commitments to date, future expected commitments against secure funding along with funding risks is to be reported to the next Management Board.

3.0 Legal implications

3.1 There are no legal implications.

4.0 Equalities implications

4.1 There are no equalities implications

5.0 Appendices

- Appendix 1 – WMCA Revenue Summary – May 2017
- Appendix 2 – WMCA Capital Transport Delivery Programme – May 2017
- Appendix 3 – WMCA Investment Programme Financial Summary 2017 / 2018
- Appendix 4 – WMCA Investment Programme Commitments to date

Appendix 1

	May 2017 Year to Date			Full Year 2017/18			
	Actual £'000	Budget £'000	Variance £'000	Forecast £'000	Budget £'000	Variance £'000	Commentary
INCOME							
Transport Levy	20,257	20,257		121,542	121,542		
Total Income	**20,257**	**20,257**		**121,542**	**121,542**		
EXPENDITURE							
Concessions							
National Bus Concession	8,763	8,763	()	52,519	52,519		
Metro / Rail	735	735	()	4,409	4,409		
Child Concession	1,685	1,685	()	9,609	9,609		
Passes and Permits	45	39	(6)	()	()		
	11,228	11,222	(6)	66,537	66,537		
Bus Services							
Bus Stations / Infrastructure	782	729	(52)	4,103	4,103		
Subsidised Network	1,282	1,295	12	7,772	7,772		
Tendering / Monitoring	88	107	19	819	819		
Accessible Transport	1,228	1,228		7,369	7,369		
	3,380	3,359	(21)	20,064	20,064		
Rail and Metro Services							
Metro	212	216	5	1,421	1,421		
Rail Operations	33	33	(1)	193	193		There is a favourable variance within car park and ride of £0.099m this is largely due to an unexpected rates refund in relation to Wednesbury Parkway Metro site £0.050m.
Car Park and Ride	138	237	99	1,570	1,570		
West Midlands Rail	42	82	40	316	316		
Bromsgrove Rail Station	38	54	16	326	326		
	463	622	159	3,827	3,827		Other than this there are no specific material variations to report at this early stage of the year.
Integration							
Safety and Security	220	154	(66)	926	926		
Passenger Information	913	985	72	5,572	5,572		
Sustainable Travel	6	9	3	60	60		
	1,139	1,148	9	6,558	6,558		
Business Support Costs	624	648	24	3,938	3,938		
Policy and Strategy and Elected Member Services	295	312	17	2,090	2,090		
Finance Charges							
Finance Costs	2,621	2,626	5	15,673	15,673		
Deregulation Pension Costs	220	226	6	1,356	1,356		
Transport Development	250	250		1,500	1,500		
	3,091	3,102	11	18,529	18,529		
Total Expenditure	**20,219**	**20,413**	**194**	**121,542**	**121,542**		
Net	**38**	**(156)**	**194**	**()**	**()**		

West Midlands Combined Authority Governance Budget - May 2017

FINANCIAL SUMMARY AS AT MAY 2017	MAY 2017 YEAR TO DATE			FULL YEAR 2017/18		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
2015/16 Contributions	0	0	0	0	0	0
Contribution - 7 Met Council's	248	248	0	1,488	1,488	0
Non-Constituent Members	53	53	0	319	319	0
Associate Members / Official Observers	7	7	0	43	43	0
Contribution to / from Gain Share	323	323	0	1,936	1,936	0
Investment Income	82	82	0	494	494	0
Total Income	**713**	**713**	**0**	**4,280**	**4,280**	**0**
Collective Investment Fund	(58)	(58)	0	(350)	(350)	0
Communications	(10)	(63)	53	(375)	(375)	0
Culture and Tourism	0	(41)	41	(246)	(246)	0
DEIM and Economic Impact Unit	(35)	(40)	5	(240)	(240)	0
Housing & Land Commission	(9)	(17)	8	(100)	(100)	0
Growth Company	(63)	(117)	54	(700)	(700)	0
Mental Health Commission	2	(38)	40	(230)	(230)	0
Productivity & Skills Commission	(7)	(74)	67	(544)	(544)	0
Programme/Policy/Governance	(175)	(162)	(13)	(934)	(934)	0
Public Sector Reform	(32)	(80)	48	(480)	(480)	0
Skills	0	0	0	0	0	0
Transport	(14)	(14)	0	(81)	(81)	0
Total Expenditure	**(401)**	**(704)**	**303**	**(4,280)**	**(4,280)**	**0**
TOTAL RETURN	**312**	**9**	**303**	**0**	**0**	**0**

OVERALL WMCA GOVERNANCE BUDGET STATUS

At the end of May there is a favourable variance of £0.303m within the WMCA Operational budget.

Growth Company: there is a favourable variance due to membership commencing in May rather than April as budgeted.

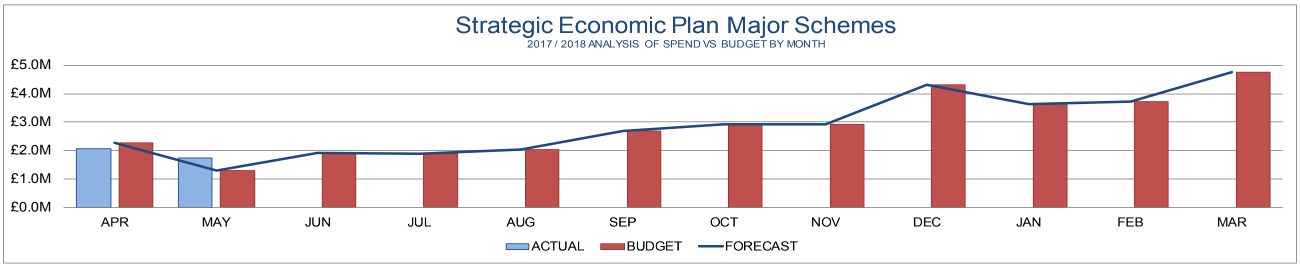
Programme, Policy and Governance: there is an adverse variance due to recruitment fees relating to Senior WMCA posts partly offset due to the posts currently being vacant.

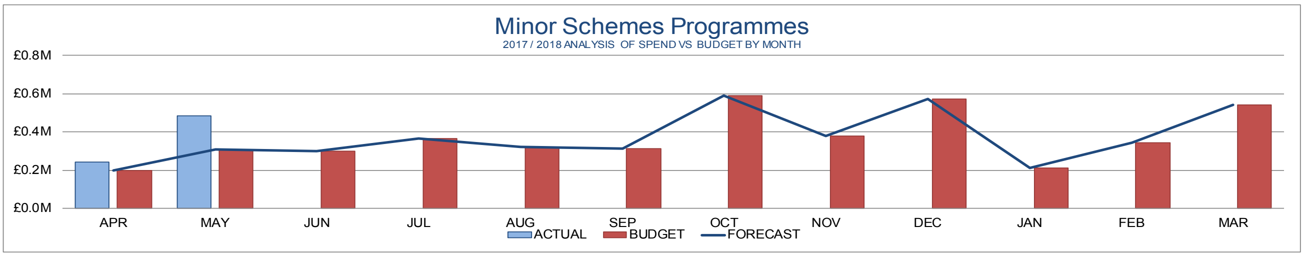
In addition there are favourable variances across a number of other areas largely due to vacant posts, some of which are currently being recruited to and the timing of planned activity.

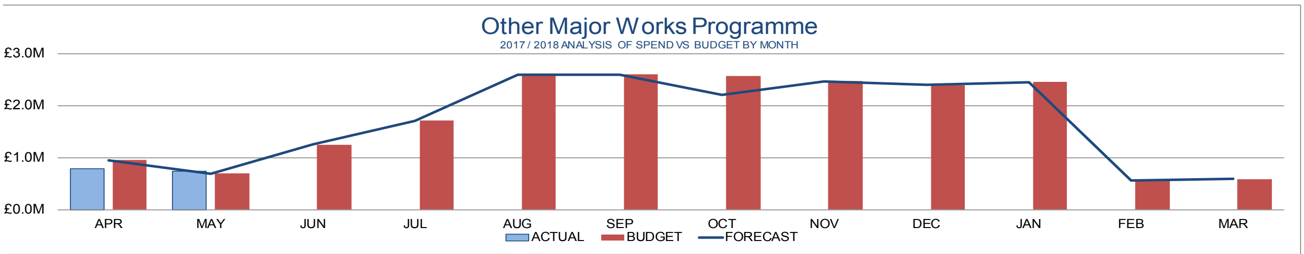
Appendix 2

West Midlands Combined Authority Transport Delivery Capital Programme - May 2017

FINANCIAL SUMMARY AS AT MAY 2017	MAY YEAR TO DATE				FULL YEAR 2016/17				OVERALL PROGRAMME STATUS
	ACTUAL £000	BUDGET £000	VARIANCE £000		FORECAST £000	BUDGET £000	VARIANCE £000		GREEN
STRATEGIC ECONOMIC PLAN MAJOR SCHEMES									
Birmingham City Centre One Station	0	0	0	0%	(250)	(250)	0	0%	The majority of the programme is in line with budget to the end of May with the exeption of the Edgbaston Metro Extension which is reporting £0.779m of works ahead of the original schedule. This is contained within the budget for the scheme.
Longbridge Connectivity Package	(4)	(4)	0	0%	(2,000)	(2,000)	0	0%	
SPRINT - Hagley Road	(21)	(46)	25	54%	(2,162)	(2,162)	0	0%	
A45 Sprint	(16)	(58)	42	72%	(700)	(700)	0	0%	
Metro Centenary Square Extension	(696)	(957)	261	27%	(11,423)	(11,423)	0	0%	
Metro Birmingham Eastside Extension	(224)	(266)	42	16%	(1,678)	(1,678)	0	0%	
Metro Wolverhampton City Centre Extension	(1,139)	(1,331)	192	14%	(8,500)	(8,500)	0	0%	
Metro Edgbaston Extension	(1,703)	(924)	(779)	84%	(7,647)	(7,647)	0	0%	
SUB TOTAL - SEP SCHEMES	**(3,810)**	**(3,586)**	**(224)**	**6%**	**(34,360)**	**(34,360)**	**0**	**0%**	
OTHER MAJOR PROGRAMMES									
Birmingham City Centre Metro Extension	(332)	(166)	(166)	100%	(800)	(800)	0	0%	There are no specific financial variances to note as at April 2017.
Metro Wednesbury to Brierley Hill Extension	(334)	(383)	49	13%	(2,133)	(2,133)	0	0%	
Metro East Birmingham to Solihull Extension	(274)	(349)	75	21%	(2,024)	(2,024)	0	0%	
Bilston Road Track Replacement	(573)	(739)	166	22%	(15,903)	(15,903)	0	0%	
Metro Catenary Free	(9)	(15)	6	40%	4	4	0	0%	
SUB TOTAL - OTHER MAJOR SCHEMES	**(1,527)**	**(1,652)**	**125**	**8%**	**(20,856)**	**(20,856)**	**0**	**0%**	
GRAND TOTAL MAJOR SCHEMES	(5,337)	(5,238)	(99)	2%	(55,216)	(55,216)	0	0%	
MINOR PROGRAMMES									
Minor Works Programme Total	(724)	(509)	(215)	42%	(4,444)	(4,444)	0	0%	There are no specific financial variances to note as at April 2017.
FULL PROGRAMME GRAND TOTAL	(6,061)	(5,747)	(314)	5%	(59,660)	(59,660)	0	0%	







Appendix 3

Investment Programme Financial Summary

Period Ending 31st April 2017

	PROJECT RAG	2017 / 2018 TO DATE ACTUAL £000	2017 / 2018 TO DATE BUDGET £000	2017 / 2018 TO DATE VARIANCE £000		2017 / 2018 FULL YEAR BUDGET £000	2017 / 2018 FULL YEAR FORECAST £000	2017 / 2018 FULL YEAR VARIANCE £000		COST TO COMPLETION PRIOR YEAR ACTUAL £000	COST TO COMPLETION 2017/18 FORECAST £000	COST TO COMPLETION FUTURE YEARS FORECAST £000	COST TO COMPLETION TOTAL FORECAST OUTTURN £000	COST TO COMPLETION TOTAL BUDGET £000	COST TO COMPLETION VARIANCE £000	
UK CENTRAL INTERCHANGE & INFRASTRUCTURE		197	197	0		6,403	6,403	0		2,732	6,403	1,659,450	1,668,585	1,621,737	(46,848)	
CURZON STREET STATION MASTERPLAN		0	0	0		1,000	1,000	0		0	1,000	555,000	556,000	556,000	0	
METRO BIRMINGHAM EASTSIDE		108	144	36		1,678	1,678	0		4,457	1,678	131,065	137,200	137,200	0	
METRO BIRMINGHAM INTERCHANGE		133	116	(17)		2,026	2,026	0		1,041	2,026	731,933	735,000	675,000	(60,000)	
HS2 WIDER CONNECTIVITY PACKAGE *		3,901	4,304	170		70,571	70,571	0		30,661	70,571	969,543	1,070,775	1,073,350	2,576	
BRIERLEY HILL METRO EXTENSION		251	221	(30)		2,133	2,133	0		2,021	2,133	339,486	343,640	310,000	(33,640)	
NATIONAL COLLEGE FOR HIGH SPEED RAIL		1,493	1,493	0		8,687	8,687	0		16,013	8,687	0	24,700	24,700	0	
HS2 GROWTH STRATEGY PROGRAMME MANAGEMENT		50	50	0		598	598	0		304	598	3,498	4,400	4,400	0	
NATIONAL HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT **		0	0	0		0	0	0		0	0	350,000	350,000	350,000	0	
HS2 Growth Strategy Total		**6,132**	**6,525**	**160**		**93,097**	**93,097**	**0**		**57,229**	**93,097**	**4,739,975**	**4,890,300**	**4,752,387**	**(137,913)**	
COVENTRY UK CENTRAL PLUS CONNECTIVITY*		2	526	525		6,783	6,783	0		454	6,783	465,113	472,350	467,824	(4,526)	
COVENTRY CITY CENTRE REGENERATION		4	72	68		7,842	7,842	0		464	7,842	351,005	359,311	359,311	0	
COLLECTIVE INVESTMENT VEHICLE		0	0	0		20,000	20,000	0		3,589	20,000	976,411	1,000,000	1,000,000	0	
LAND RECLAMATION		0	0	0		20,000	20,000	0		0	20,000	180,000	200,000	200,000	0	
DEVOLVED TRANSPORT INVESTMENT		0	0	0		0	0	0		0	0	1,299,000	1,299,000	1,299,000	0	
EZ EXPANSION EXCLUDING CURZON		0	0	0		0	0	0		0	0	20,000	20,000	20,000	0	
BUSINESS INNOVATION		0	0	0		25	25	0		0	25	4,975	5,000	5,000	0	
OTHER INVESTMENT PROGRAMME SCHEMES		**6**	**598**	**593**		**54,650**	**54,650**	**0**		**4,507**	**54,650**	**3,296,504**	**3,355,661**	**3,351,135**	**(4,526)**	
GRAND TOTAL		**6,138**	**7,123**	**752**	11%	**147,747**	**147,747**	**0**	0%	**61,736**	**147,747**	**8,036,478**	**8,245,961**	**8,103,522**	**(142,439)**	2%

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* NOTE : An element of the HS2 Connectivity Package is included within the UK Central Hub Growth and Infrastructure Plan.

** NOTE : The High Speed Supply Chain work stream is not a WMCA funded programme and included for information only. The Investment Programme baseline of £350m includes substantial sums as leveraged investment from business.

*** NOTE : Excludes Projects and programmes featuring in HS2 Wider Connectivity Programme

FUNDING SUMMARY (APRIL ACTUALS)	£000
LGF	1,407
DFT	1,034
WMCA DEBT	503
LOCAL	2,497
EZ	496
BIS	202
TOTAL	**6,138**

Spend to the end of April 2017 is broadly in line with budget, with minor variances against Birmingham Eastside, Centenary Square, Edgbaston and Brierley Hill Metro Extensions.

The forecast out-turn for the programme continues to exceed the original budget with variances against Birmingham Interchange and Brierley Hill Metro Extensions as a result of the inclusion of optimism bias into the initial business case estimates. No new funding has been identified to cover these variances as it is expected the over-spends will be managed out as the project detail matures.

In addition, there is a £47m projected increase in the costs of the UK Central Hub Growth and Infrastructure Plan, the costs of which align with the current forecasts for Strategic Outline Business Cases. The increase is expected to be funded from additional revenue streams and as such, the call on WMCA funding for the G&I Plan remains unchanged.

APPENDIX 4 - WMCA Investment Programme Commitments

Scheme	Total Expected WMCA Funding Into Programme £	WMCA Funding Approved to be Released £	Technical Appraisal Panel	Investment Appaisal Group	WMCA Mgt Board	SEP Board	Investment Board	WMCA Full Board	Notes
			ASSURANCE FRAMEWORK STAGES						
Approved Investment WMCA Management Board & Assurance Framework:									
Coventry City Centre South	98,753,985	98,753,985	✓	✓	✓	✓	✓	✓	FBC Approved. Legal Agreement being prepeared for funding draw down.
Innovation CDIS	50,000,000	25,000	✓	✓	✓	✓	N/A	N/A	
Land Remediation Fund	200,000,000	53,000,000	✓	✓	✓	✓	✓	✓	SOC Only at WMCA Full Board. Specific Projects will require individual approvals
Solihull MBC Growth & Infrastructure Plan : UKC Utilities Investigations	100,000	100,000	✓	✓	✓	N/A	N/A	N/A	
Sprint Birmingham to Sutton (HS2 CP)	27,100,000	300,000	✓	✓	✓				Approval being sought under delegated authority (under £0.5m)
Coventry Friargate	51,200,000	500,000	✓	✓	✓				Approval being sought under delegated authority (under £0.5m)
Solihull MBC Growth & Infrastructure Plan – UKC Land Valuations	685,900,000	50,000	✓	✓	N/A	N/A	N/A	N/A	Approval being sought under delegated authority (under £0.5m)
Solihull MBC Growth & Infrastructure Plan – UKC Cap Park Strategy		30,000	✓	✓	N/A	N/A	N/A	N/A	Approval being sought under delegated authority (under £0.5m)
Edgbaston Metro Extension (HS2 CP)	58,900,000	58,900,000	✓	✓	✓	✓	✓	✓	FBC Approved
Sub Total - Firm Funding Commitments	**1,171,953,985**	**211,658,985**							

Scheme	Total Expected WMCA Funding Into Programme £	WMCA Funding Requested (Pending Approval) £	Technical Appraisal Panel	Investment Appaisal Group	WMCA Mgt Board	SEP Board	Investment Board	WMCA Full Board	Notes
			ASSURANCE FRAMEWORK STAGES						
Projects Progressing through the Approval Process:									
Coventry City Centre First	284,200,000	-	✓	✓	✓				Next Stage SEP Board 24/05/2017
Coventry South		800,000	✓						Next Stage Investment Appraisal Group 05/06/2017
Metro East Birmingham *	12,000,000	2,000,000	✓	✓		✓			
Wednesbury Brierley Hill Metro	103,000,000	4,000,000	✓	✓	✓	✓	✓	✓	£4m Devt Approval to be Sought 26 May Inv Board. Independent audit requested by TAP
Hagley Road Sprint (HS2 CP)	2,400,000	2,400,000	✓	✓	✓	N/A			Next Stage Investment Board 26/05/2017
Sub Total - Commitments Pending Approval	**401,600,000**	**9,200,000**							
Projects Yet to Enter Assurance Process:									
Wolverhampton Interchange	12,400,000	-							
HS2 Connectivity - Sprint Programme (Routes not Detailed above)	179,200,000	-							
HS2 Connectivity - Rail Programme	186,100,000	-							
HS2 Connectivity Package	15,700,000	-							
Employment Education & Skills	20,000,000	-							
HS2 Programme Governance	*4,000,000*	-							*Not subject to Assurance Procss - Included for completeness*
	417,400,000	**-**							
Total Potential Commitment Against Devoloution Grant	**1,990,953,985**	**220,858,985**							

*** WMCA Resources to be used in advance of DfT Approval. Cashflow item only as finance to be repaid upon receipt of DfT funding.**

NOTE: Gainshare Grant = £182.5m (5yrs) £1,095m (£30yrs)

WMCA Board Meeting

Date	21 July 2017
Report title	Establishing West Midlands Development Capital Limited
Portfolio Lead	Finance & Investment - Councillor Izzi Seccombe
Accountable Chief Executive	Keith Ireland, Managing Director, City of Wolverhampton Council email: keith.ireland@wolverhampton.gov.uk tel: (01902) 554500
Accountable Employee	Mark Taylor, Director of Finance, WMCA email: mark.taylor@wmca.org.uk tel: (0121) 214 7600
Report to be/has been considered by	WMCA Management Board 27 April 2017 WMCA Programme Board 2 June 2017

Recommendations for decision:

The WMCA Board is recommended to:

1. Approve the creation of a company to be called 'West Midlands Development Capital Ltd' as fund manager for the combined authority to be owned by WMCA.

2. Invite Constituent Councils and non-constituent members of the WMCA to join West Midlands Development Capital Ltd.

3. Invite other authorities to join West Midlands Development Capital at its discretion.

4. Delegate authority to the Cabinet Portfolio lead for Finance and Investments, in consultation with the Director of Finance and the Monitoring Officer, the progression of legal structures and branding and to take all necessary actions and decisions on behalf of the West Midlands Combined Authority to ensure that West Midlands Development Capital Ltd goes live in summer 2017.

Recommendations for noting:

The WMCA Board is recommended to:

1. Note that West Midlands Development Capital Ltd will replace Finance Birmingham Ltd as the fund manager of the Combined Authority's Collective Investment Fund and the £50 million element of the Land Remediation Fund.

2. Note that when establishing the CA's Investment Board it was reported that future contractual relationships, and any necessary group structural changes, in respect of Finance Birmingham were being worked on.

3. Note that West Midlands Development Capital Ltd will be established in such a way that the Constituent and Non-Constituent Members of the Combined Authority will be able to become shareholders enabling each to use West Midlands Development Capital Ltd as their own fund managers should they wish. Further legal advice is being sought regarding the appropriate shareholding arrangements should other Authorities wish to become members in the future.

1.0 Purpose

1.1 To establish West Midlands Development Capital Limited as the vehicle to advise and arrange in investments on behalf of the Combined Authority.

2.0 Background

2.1 The WMCA devolution deal established two investment funds being the Collective Investment fund and the Land Remediation Fund.

2.2 The Collective Investment Fund is an evergreen fund of £60m representing 6 metropolitan councils (excluding Sandwell) that will be used to stimulate economic growth by providing senior debt and mezzanine loans for commercial estate development.

2.3 The Land Remediation fund is a £200m fund and will be used to finance individual projects for housing and environment growth.

2.4 CIF and LRF are up and running and making investments across the region in accordance with WMCA assurance and governance processes.

2.5 Currently as an interim solution, Finance Birmingham, (a 100% Birmingham CC owned company) is providing this fund manager service for these funds to the Combined Authority.

2.6 West Midlands Development Capital (WMDC) will be developed to takeover and provide this fund manager service to the Combined Authority.

2.7 Views regarding company name options have been sought through consultation with Leaders and the recommended name, West Midlands Development Capital Ltd, has been agreed for approval as the most suitable reflecting the region wide scope and the nature of the business.

2.8 WMDC will be incorporated as a public authority controlled subsidiary of the Combined Authority with the 7 Metropolitan Councils and non-constituent members having the option to buy in should they so wish.

2.9 On 8 April 2017 West Midlands Development Capital Limited was incorporated with 100 shares and 1 establishing Director by the Combined Authority. In addition the relevant domain names have also been acquired.

2.10 WMDC will be set up as a Teckal company and will act similarly to a 'framework' where any member of the WMCA will have the right to use WMDC for fund management services without the need for a procurement process. Furthermore, and very positively, WMDC will benefit from the established infrastructure and best practises already in place through Finance Birmingham.

2.11 Importantly, all interest flows straight to WMCA and in addition, so will any profits after tax from income into WMDC.

2.12 WMDC will be part of an existing group relationship with Finance Birmingham and the separate non-Teckal company, Frontier Development Capital FDC).

2.13 FDC addresses the deployment of funds across a national geography under a neutral brand rather than Finance Birmingham and when attracting private capital/leverage.

2.14 The proposed legal relationship is set out in Appendix 1 of this report.

3.0 Next Steps

3.1 Legal structures, membership and director appointments, branding and operational service agreements now need establishing and this work will be undertaken over the next 2 months.

3.2 The intention is for WMDC to act as fund manager in its own right, however it will take some time to obtain appropriate Financial Conduct Authority (FCA) authorisations. Therefore WMDC will acquire the services of an entity that has in place the appropriate FCA regulatory permissions, being Finance Birmingham.

3.3 As a subsidiary of WMCA individual constituent authorities and non-constituent members will have the option of buying in should they so wish and subject to their own cabinet approvals being obtained in due course.

3.4 A progress update report will be brought to a future meeting.

4.0 Financial Implications

4.1 The two funds will be managed by WMDC on the same terms as those previously approved when Finance Birmingham were appointed Fund Manager, i.e. a management fee of ½% of the CIF fund amount and the marginal cost to Finance Birmingham of operating the LRF.

4.2 These costs are provided for within the approved WMCA Operational Budget.

4.3 Over time returns on CIF investments are expected to be sufficient to cover MDC's management fee and the surplus over and above that will be reinvested in new CIF initiatives across the region.

4.4 Investments made are subject to the Combined Authority assurance and governance delegations set out in the constitution.

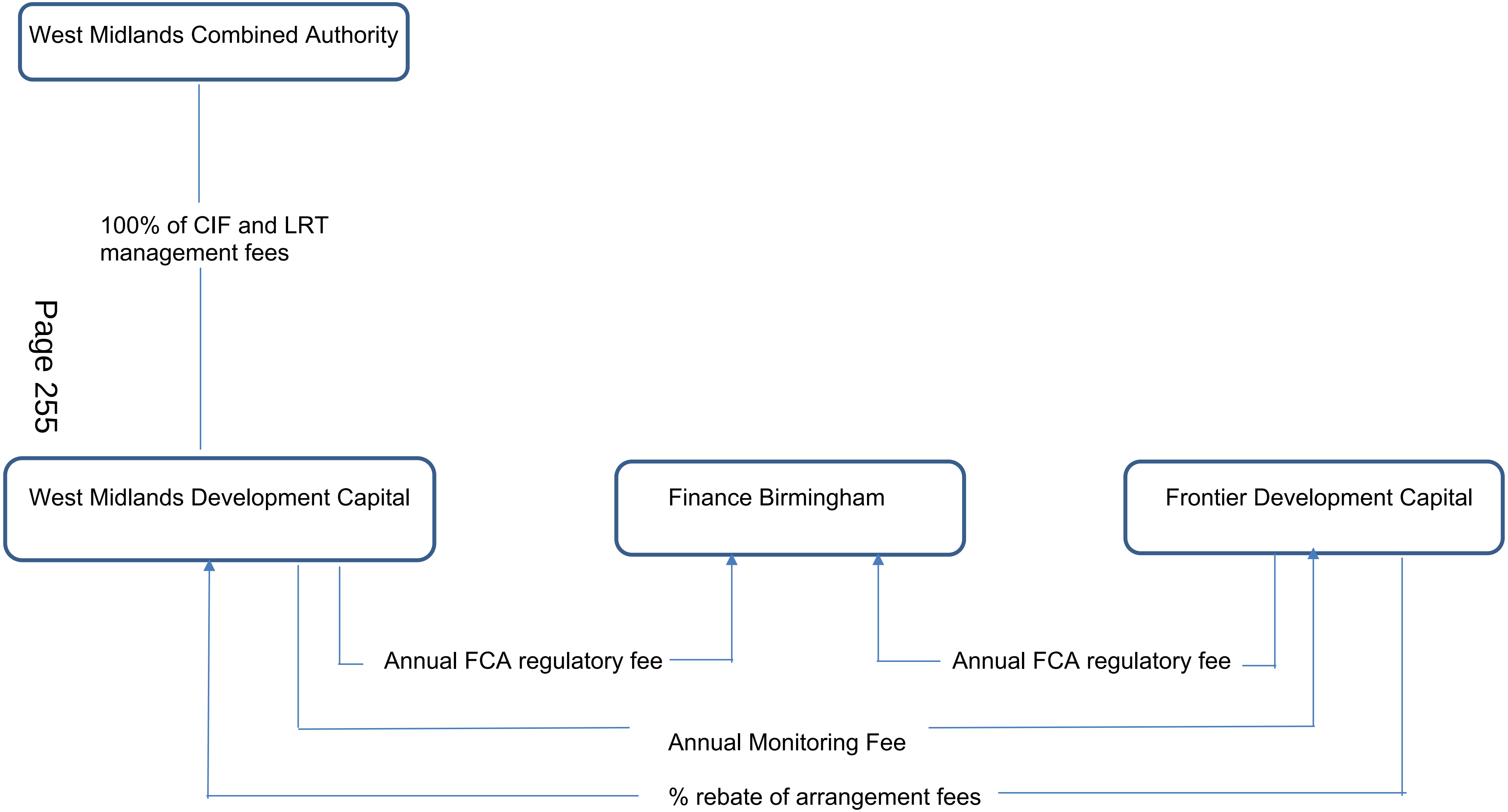
5.0 Legal Implications

5.1 External Solicitors Pinsent Masons have provided effective legal advice as required to inform both the legal structure and procurement options which may be adopted by the Authority to facilitate delivery of the desired outputs for the LRF and the CIF respectively. The advice has been reviewed collectively by the Constituent Authority Legal Heads and confirms that the proposed arrangements as outlined provide a robust mechanism to deliver this objective whilst minimising the risk of procurement challenge.

5.2 There are no further legal implications flowing from the contents of this report.

6.0 Equalities Implications

6.1 There are no implications arising from this report.


West Midlands Combined Authority
100% of CIF and LRT management fees
West Midlands Development Capital
Finance Birmingham
Frontier Development Capital
Annual FCA regulatory fee
Annual FCA regulatory fee
Annual Monitoring Fee
% rebate of arrangement fees

WMCA Board Meeting

Date	21 July 2017
Report title	Child Ticketing on Swift
Portfolio Lead	Transport - Councillor Roger Lawrence
Accountable Chief Executive	Keith Ireland, Managing Director, City of Wolverhampton Council & Monitoring Officer for West Midlands Combined Authority email: keith.ireland@wolverhampton.gov.uk tel: (01902) 554500
Accountable Employee	Matt Lewis, Head of Swift, Transport for West Midlands email: matthew.lewis@tfwm.org.uk Tel: (0121) 214 7025
Report to be/has been considered by	Smart Programme Board - 26 June 2017

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

Agree to the rollout and migration of child ticketing onto the Swift platform from August 2017.

1.0 Purpose

1.1 The purpose of this report is to gain agreement from the West Midlands Combined Authority Board for the rollout and migration of child ticketing onto the Swift smartcard platform through the approach set out below.

2.0 Background

2.1 Swift is the largest smart ticketing scheme in the UK outside of London with a comprehensive offer for adults, available for use on buses, trains and the tram. However, to date, other than Swift Pay-as-you-go, there are no Swift ticket types available for children and as such Transport for West Midlands (TfWM) has been working hard to develop a solution that will enable children to access Swift.

2.2 Swift will deliver great benefits for child customers including the ability to replace cards and tickets that are lost; and access to a wider retail network, making it easier than ever before to get a transport ticket. The available ticket types, prices and retail channels are listed below.

3.0 Available ticket types

3.1 From the 27 August 2017, children will be able to purchase the following ticket types through the Swift platform:

- National Express (NX) 1 week, 4 week, term and direct debit. These tickets are valid on all NX buses throughout the region.
- Metro 1 week, 4 week, term and direct debit. These tickets are valid for use on the tram.
- nBus 1 week, 4 week, term and direct debit. These tickets are valid on all bus operators' services throughout the region.
- nBus plus Metro 1 week, 4 week, term and direct debit. These tickets are valid on all bus operators' services throughout the region and on the tram.
- nTrain direct debit. Valid for direct debit customers travelling within the five rail zones of the West Midlands.
- nNetwork direct debit. Valid for direct debit customers travelling within the five rail zones of the West Midlands and the add-on stations covering the wider area, including those of non-constituent members; and also all bus operators' services within the West Midlands.

4.0 Child ticket prices

4.1 The West Midlands Combined Authority provide a half fare concession to support children as they travel to and from school. The current price of these tickets and their adult equivalent is set out in the table below:

Ticket type	Child Price	Adult Equivalent	Discount
NX 1 week	£8.75	£17.50	50%
NX 4 weeks	£31.25	£62.50	50%
NX Direct Debit	£27.50	£56.50	51%
NX Term	£96.00	No equivalent	n/a
nBus 1 week	£9.50	£19.00	50%
nBus 4 weeks	£34.00	£68.00	50%
nBus Direct Debit	£30.00	£61.50	51%
nBus Term	£104.00	No equivalent	n/a
nBus plus Metro 1 week	£13.75	£27.50	50%
nBus plus Metro 4 weeks	£47.25	£94.50	50%
nBus plus Metro Direct Debit	£38.00	£81.00	53%
nBus plus Metro Term	£131.00	No equivalent	n/a
nTrain Direct Debit	£32.40	£68.70	53%
nNetwork Direct Debit	£39.50	£95.50	59%

5.0 Retail Channels

5.1 From the 27 August 2017, customers will be able to access a child Swift card through the TfWM and NX direct debit schemes. This will see the migration of c.6k child customers. Swift cards will also be available through the seven Travel Information Centres managed by TfWM and NX.

5.2 Once a child has obtained a Swift card, they will be able to purchase their next ticket through one of c. 300 Payzone retail outlets or again through the 8 Travel Information Centres. This is a significant improvement on the retail channels currently available to children purchasing paper tickets, where they only have the choice of c.160 newsagents.

5.3 TfWM will also deliver an enhancement to the Swift web-portal in the autumn that will enable children to purchase their tickets and obtain a Swift card on-line. These tickets can then be downloaded to the child's Swift card through the Swift App or from one of the 100 Swift collectors located on across the network.

6.0 Marketing

6.1 Significant marketing is planned to support the launch of child tickets on Swift. The campaign will focus on the core benefits such as the ease of replacement, the security of the card, the ease of access through train stations and the availability of the on-line functionality.

6.2 The campaign will be widespread, covering conventional media channels such as posters on buses and at stops, as well as a range of leaflets at the Travel Information Centres. The Marketing and Swift teams will also be attending numerous school and community events to promote this enhancement.

6.3 There will also be a full digital campaign focusing on social media and using the digital screens at bus stations and the 1750 real time information displays located at bus stops across the West Midlands.

7.0 Children's Services and School Travel

7.1 TfWM will be working with the Children's Service Departments within each of the 7 districts of the West Midlands to review how Swift can be utilised to improve the delivery of their requirement to offer school travel. Further information and an update on progress will be provided to a future meeting of the West Midlands Combined Authority Board.

8.0 Financial implications

8.1 The rollout and migration of child ticketing onto the Swift platform was included within the initial system requirements specified in the 2015 Swift procurement and, as such, is fully funded from existing budgets.

9.0 Legal implications

9.1 There are no known legal implications associated with the content of this report.

10.0 Equalities implications

10.1 There are no equalities implications associated with this report

11.0 Other implications

11.1 There are no other implications associated with this report.

12.0 Schedule of background papers

12.1 "Swift Programme 2017" presented to the WMCA Board on the 17 February 2017.

This report is PUBLIC

WMCA Board Meeting

Date	21 July 2017
Report title	Solihull Town Centre Advanced Quality Bus Partnership
Portfolio Lead	Transport - Councillor Roger Lawrence
Accountable Chief Executive	Keith Ireland, Managing Director, City of Wolverhampton Council email: keith.ireland@wolverhampton.gov.uk tel: (01902) 554500
Accountable Employee	Guy Craddock, Alliance & Statutory Delivery Specialist, Transport for West Midlands email: guy.craddock@tfwm.org.uk tel: (0121) 214 7109
Report to be/has been considered by	Transport Delivery Committee WMCA Programme Board Strategic Transport Officers Group Solihull MBC full council

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

Make the Solihull Town Centre Advanced Quality Bus Partnership Scheme (AQBPS) jointly with Solihull Metropolitan Borough Council (MBC) by Friday 18th August 2017.

This is subject to final approval by Solihull MBC at their meeting on Thursday 10 August 2017 (who will then require a five working day call-in period). This follows endorsement by the Transport Delivery Committee (at their meeting on 10 July) that the scheme is made.

1.0 Purpose

1.1 Report on progress with the implementation of the Solihull Advanced Quality Bus Partnership Scheme and the actions that need to be taken so the scheme can be made in August 2017 and implemented in November 2017.

2.0 Background

2.1 As part of the powers within the Transport Act 2000 that were further amended by the Local Transport Act 2008 and most recently amended by the Bus Services Act 2017, transport authorities such as the West Midlands Combined Authority (WMCA) have powers to create Statutory Quality Bus Partnership Schemes (SQBPS). The Bus Services Act 2017 provides that a Statutory Quality Partnership Scheme has to be treated as an Advanced Quality Bus Partnership Scheme (AQBPS) after 27th June 2017. These partnership schemes can be created following public investment in bus initiatives within a defined area or on a bus route/corridor. The transport authority can then impose minimum standards on the bus operator(s) for service delivery.

2.2 To further strengthen the Bus Alliance delivery TfWM are keen to review and expand the Birmingham City Centre SQBPS (now AQBPS) and implement further AQBPS schemes at key strategic centres across the West Midlands in partnership with the Local Authorities.

2.3 In July 2012 the transport authority jointly created a SQBPS (now AQBPS) for Birmingham City Centre in partnership with Birmingham City Council. This has proved to be an effective way of managing the use of bus stops within the City Centre and has, through setting minimum standards for buses, helped to drive up the quality and most notably improving emission standards for buses entering the scheme area.

2.4 With the recent improvements to the public realm, passenger facilities and bus only infrastructure, delivered as part of the Gateway scheme in Solihull Town Centre, both TfWM and Solihull Metropolitan Borough Council (MBC) are keen to establish a set of principles, through a new AQBPS, to manage the ‘on street’ operation of buses in Solihull Town Centre. These principles will lock in the benefit of the scheme, further improve pedestrian and passenger safety, drive up vehicle quality and improve air quality through setting minimum emission standards for buses.

3.0 The Scheme

3.1 The proposed scheme will be applied to 33 bus stops and stands within Solihull Town Centre covering those stops in Station Approach, Poplar Road, Station Road, the section of Warwick Road within the town centre, Homer Road, New Road, Lode Lane as far as Solihull Hospital, Blossomfield Road, Monkspath Hall Road, Church Hill Road and Dury Lane.

3.2 A key output of the scheme will be that bus operators running within the scheme area will have to take any layover at the rail station bus stands which is designed to ensure that traffic in the town centre keeps moving on Station Road and Poplar Road.

3.3 The Solihull scheme will impose minimum engine emission standards for all buses. The scheme proposes a minimum standard from day one of Euro III engine emissions increasing to Euro IV from the middle of 2018; Euro V from the start of 2020 and Euro VI by the start of 2021. This is the most ambitious scheme in terms of emissions to date and takes into account that an AQBPS must be implemented being mindful of competition law and must not be responsible for threatening the sustainability or viability of a business.

3.4 The phasing of the minimum emission standards for Solihull are in-line with the West Midlands Bus Alliance current commitment for all buses to be of Euro V standard by 1st January 2020.

3.5 All main bus stops at the rail station will have a slot booking system which is similar to the type of operation undertaken across TfWM's bus stations. This process looks to maximise safety at stops, prevent double parking of buses and make a more effective environment for customers. In addition to the slot booking system and bus engine emission standards the scheme will help with the following :

- Protect improved bus facilities in Solihull.
- Introduce enforceable bus stops and stands within the AQBPS area.
- Require Solihull Council to enforce bus stands and other Traffic Regulation Orders
- Require operators to provide Real Time Information data feed to improve passenger information.
- Improve driving standards and driver training.

4.0 Procedure to Implementation of the Scheme

4.1 The Local Transport Act 2008 outlines a specific procedure that has to be followed to implement an Advanced Quality Bus Partnership. We undertook formal consultation with:

- The bus operators who currently operate within the proposed scheme area:
    - National Express West Midlands (West Midlands Travel Ltd)
    - Diamond Bus
    - Claribel Coaches
    - Igo Buses
    - Johnson Coach and Bus
    - Sunny Travel
    - Discount Travel Solutions
    - Landflight (formally known as Silverline Landflight)
    - A&M Group
- The public transport teams at Warwickshire and Worcestershire County Councils
- Chairman and Vice Chairman of the Transport Delivery Committee
- Chairman and Vice Chairman of the West Midlands Combined Authority
- Elected members in Solihull
- Board members of the West Midlands Bus Alliance
- Birmingham & Solihull LEP
- West Midlands Traffic Commissioner
- West Midlands Chief Constable and West Midlands Police Commissioner

4.2 WMCA were not required to undertake a full public consultation on the scheme though anyone could have made representation if they had wished to. Notification of the start of consultation was made via an advert in the Birmingham Mail newspaper and on the Transport for West Midlands' website.

4.3 To comply with the legal procedure we are working to the following timescales:

- Formal Consultation started on **Monday 13 February 2017** and was open for a 13 week period (the legal minimum requirement) and ended on **Monday 15 May 2017.**
- Where applicable scheme amended to reflect comments.
- Subject to approval scheme will be made in **August 2017**.
- We will then give the legal minimum of 13 weeks' notice of the scheme start date.
- All bus operators who wish to operate any bus service in the scheme area once it has started will have to sign a declaration to both the WMCA and the West Midlands Traffic Commissioner that they will fully comply with the AQBPS requirements.
- The scheme will start in **November 2017.**

5.0 Responses to the Consultation

5.1 We received responses to the consultation from three organisations, National Express West Midlands, Diamond Bus and the Black Country Councils. These are outlined below.

5.2 Both National Express West Midlands and Diamond Bus raised the same two key concerns over vehicle emission standards and the length of time a bus would be permitted to wait on the bus stands at Solihull Rail Station.

5.3 With regards to the vehicle emission standard milestone dates, the implementation of the minimum vehicle emission standards have been slightly adjusted. This will make compliance more manageable for all bus operators whilst still meeting the WMCA objectives.

5.4 With regards to the permitted bus waiting time at the rail station, WMCA have agreed with Solihull MBC to introduce revised traffic regulation orders that will amend how long a bus can be stationary on bus stands. In conjunction with the adjusted bus stand allocation all operators should now be able to comply with the requirements of the scheme.

5.5 The Black Country Councils raised concerns that operators will meet the requirements of both the Birmingham and Solihull AQBPSs by moving their more environmentally friendly buses from the Black Country and replacing them with older more polluting vehicles. WMCA is committed to the implementation of similar Partnerships based on other strategic centres such as Merry Hill shopping centre, West Bromwich and Walsall town centres. WMCA is already actively working towards a similar scheme for Wolverhampton city centre to be implemented in early 2018 and the scheme will directly help to mitigate air quality issues in the city centre.

5.6 It should also be noted that TfWM are now driving up the quality of vehicles and emission standards by specifying revised minimum standards for vehicles used on our tendered contracts. All new contracts specify a minimum Euro V rating.

6.0 Monitoring and enforcement of the Scheme

6.1 With the decriminalised parking enforcement powers in Solihull the enforcement of stationary parking offences including buses either parked where they should not be, or for too long a period, on bus stops and stands, will continue to be the responsibility of the parking enforcement officers employed by Solihull MBC. Moving offences will continue to be the responsibility of West Midlands Police.

6.2 TfWM staff will undertake monitoring of service performance and adherence to the scheme requirements. The scheme provides procedures to be followed in the case where operators do not comply with the scheme. Ultimately this could result in action being taken by the Traffic Commissioner for the West Midlands.

6.3 The implementation of an AQBPS will strengthen the working relationship between TfWM and the Traffic Commissioner for the West Midlands (TC). The TC takes the role of ultimate enforcer of the AQBPS very seriously and has committed to ensuring that all bus operators meet the required standards set out in the AQBPS for both the Birmingham and Solihull schemes.

6.4 To date the Traffic Commissioner has taken disciplinary action against two bus operators who have not complied with the scheme requirements in Birmingham City Centre. In both cases the operators had underlying issues with the standards of their vehicle maintenance which would have attracted the attention of the TC without the AQBPS being in place.

6.5 Having the Birmingham City Centre AQBPS in place strengthened the ability of the TC to take action against the two operators, because the scheme requires enhanced service delivery standards. All operators have to sign an undertaking that they will abide by the scheme requirements. This requirement allowed the TC to take specific action. In one case this resulted in a reduction in the number of vehicles that the Operator could operate being reduced whilst the other operator was banned from running any services at all for a number of weeks. In both cases the TC banned both operators from running specific vehicles that did not meet the AQBPS requirements.

7.0 Financial Comments

The implementation and infrastructure capital costs in relation to the Solihull Town Centre AQBPS were funded through the ‘Solihull Gateway’ scheme. On-going operational maintenance costs associated with the updated infrastructure are being funded through existing agreed on-street infrastructure budgets. Any monitoring activity undertaken will be funded by prioritising within existing monitoring budgets.

8.0 Appendices

- A copy of the proposed scheme

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West Midlands

BUS ALLIANCE

Solihull town centre

Statutory Quality Partnership Scheme

WEST MIDLANDS
COMBINED AUTHORITY

SOLIHULL TOWN CENTRE ADVANCED QUALITY PARTNERSHIP SCHEME IS MADE IN ACCORDANCE WITH SECTIONS 114 – 123 OF THE TRANSPORT ACT 2000, AS AMENDED BY THE LOCAL TRANSPORT ACT 2008 AND BUS SERVICES ACT 2017 (the Scheme), BY:

(1) THE WEST MIDLANDS COMBINED AUTHORITY of 16 Summer Lane, Birmingham, B19 3SD; ("WMCA") and

(2) SOLIHULL METROPOLITIAN BOROUGH COUNCIL of Council House, Manor Square, Solihull, West Midlands, B91 3QB ("the Council", "SMBC")

1. DEFINITIONS AND INTERPRETATION

Articulated Bus Stand	means a Bus Stand that can be used by local buses over 15m in length;
Solihull Quality Partnership meeting	means the quarterly meeting held in February, May, August and November each year;
Bus Stand	means a bus stopping location within the Scheme Area associated to a Bus Stand Clearway, allowing a local bus of no more than 15m in length to stand period of either 5 or 10 minutes as determined by specific TRO for the facility and the on street signing at the facility;
Bus Stand Clearway	shall mean a bus stop clearway as defined in accordance with paragraph 1(a) of Part 1 to Schedule 19 of The Traffic Signs Regulations and General Directions 2002 but which will permit a local bus to stand within the clearway for as long as maybe necessary up to a maximum period of 10 minutes;
Bus Stop	means a bus stop within the Scheme Area with a bus stop clearway;
Bus Stop Clearway	shall have the meaning given to it as detailed in paragraph 1(a) of Part 1 to Schedule 19 of the Traffic Signs Regulations and General Directions 2002 (SI3113/2002);
Bus Stop Clearway (regulated)	shall mean a bus stop clearway as defined in Schedule D to the Scheme;
Bus Stop Clearway (non-regulated)	shall mean any bus stop clearway other than a bus stop clearway (regulated);
Commencement Date	means the date of commencement of the Scheme pursuant to clause 2.1, or such later date as the Scheme may commence following any postponement of the Scheme under section 117 of the Transport Act 2000 (as amended by Section 16 of the Local Transport Act 2008;
Equality Legislation	means The Equality Act 2010 and the Disability Equality Duty under the Disability Discrimination Act 2005 (as amended);
Excluded Services	shall mean the category of Local Services listed in Schedule B;
Facilities	means those facilities listed in Schedule C;

Incident Planning Group	means a WMCA co-ordinated group that responds to external issues on the public transport network, working with operators and other agencies to ensure the best possible service is delivered to the passenger during any major disruption.
Information Recharging Scheme	means the scheme between WMCA and bus operators covering standards of information for passengers, the quality of data passed from bus operators to WMCA and WMCA's charges for maintaining information provision to passengers, as established under the provisions of the Transport Act 2000;
Local Service	has the meaning set out in Section 2 of the Transport Act 1985, (but excluding any Excluded Services);
Low Floor Bus	means a vehicle whether double or single deck that fully meets the functional requirements of the Public Service Vehicle Accessibility Regulations 2000.
Metro or Midland Metro	means the Midland Metro system;
Non-Regulated stop	shall mean a Non-Regulated bus stop as defined in Schedule D;
PSVAR	means current Public Service Vehicle Accessibility Regulations;
Regulated Stop	shall mean a Regulated bus stop as defined in Schedule D;
Scheme Area	means the area marked as shown on the map at Schedule A;
Scheduled Coach Service	means a service that has more than five departures per week which operates outside the requirements to register as a local bus service as defined in the Transport Act 1985
Scheduled Coach Stand	means a coach stopping location in the Scheme Area associated with a Bus Stand Clearway, allowing a Scheduled Coach Service (that operates outside of the requirements of the Transport Act 1985) to stand for as long as necessary up to a maximum period of 10 minutes
Service Change Dates	means dates each year agreed between WMCA and bus operators on which network changes are preferably concentrated unless agreed in advance with WMCA;
Slot Booking	means the Slot Booking System with which operators pursuant to the Scheme are required to comply, as detailed in Schedule D to the Scheme;
AQPS	means an Advanced Quality Partnership Scheme made pursuant to section 114(1) of the Transport Act 2000 [as amended by the Local Transport Act 2008 and the Bus Services Act 2017];
Standards of Service	means the standards of service set out in Schedule B (*Standards*);
Traffic Commissioner	has the meaning set out in Section 82(1) of the Public Passenger Vehicles Act 1981;
TRO	means a Traffic Regulation Order, made under the Road Traffic Regulation Act 1984 or any other enactment regulating the use of roads or other places;

- Words importing the singular include the plural and vice versa and words implying any one gender include all genders;
- Headings and references to headings shall be disregarded in construing this Scheme;
- A reference to a statute, a statutory instrument, code of practice or statutory guidance is a reference to it as amended, extended, re-enacted or replaced from time to time.

2. DATE AND PERIOD OF OPERATION

2.1 It is proposed the Scheme will be made no later than **Friday 18th August 2017** and will come into operation on **Sunday 26th November 2017** (giving more than the legally required 13 weeks' notice of implementation).

2.2 The Scheme will operate for a period of 10 years from the Commencement Date and will end at 23:59hrs on **Saturday 20th November 2027** notwithstanding any postponement of the Scheme under section 117 of the Transport Act 2000 (Postponement of provision of particular facilities or standards of service) and subject to variation or revocation in accordance with Section 120 of the Transport Act 2000 (Variation or revocation of schemes).

3. SCHEME AREA

3.1 The Scheme Area covers **33 bus stops/stands and shelters** within Solihull town centre, as shown in Schedule A.

3.2 The Scheme shall apply to ALL operators of Local Bus Services running within the Scheme Area.

3.3 The WMCA will maintain a summary of affected services when required for every service change date and the WMCA will make copies available to the Traffic Commissioner and all operators of affected Local Services. For the avoidance of doubt, such list of Scheduled Services will be an indicative list only of those Local Services which WMCA believes to fall within the terms of the Scheme. An omission from the list of Affected Services shall not exempt a service from the Scheme, which would otherwise fall within the terms of the Scheme.

4. FACILITIES

4.1 Subject to clause 6 (Conditions of Use), the WMCA and the Council will make the Facilities available (as detailed in Schedule C) to Local Services from the Commencement Date, until the date the Scheme ceases to have effect.

4.2 Clause 4.1 shall not apply in relation to any Local Service using a Facility for any period during which the WMCA or the Council is temporarily unable to fulfil its obligations, in respect of that Facility, due to circumstances beyond its control.

In such circumstances the WMCA shall notify any operator affected by the non-provision of such Facility, confirming the reason for such non provision and the anticipated period during that the Facility will not be available.

4.3 The Facilities are to be maintained for the duration of the Scheme in accordance with Appendix C3 (Maintenance of Facilities).

4.4 The WMCA and the Council will provide bus stop infrastructure at all Bus Stops and Stands within the Scheme area.

4.5 **STANDARDS OF SERVICES TO BE PROVIDED BY BUS OPERATORS**

4.1 The operators of Local Services who wish to use the Facilities will undertake to provide such Services in accordance with the Standards (listed in Schedule B) from the Effective Date until the Scheme ceases to have effect.

4.2 The Scheme shall not restrict any Operator from providing any services in excess of the specified Standards.

5. CONDITIONS OF USE

5.1 An operator may only use the Facilities in the Scheme Area if:

a) a written undertaking from the operator (under the specific Operator Licence or Community Bus Permit the service is or will be registered under) using the template form attached at Appendix B1 is provided to PSV Operator Licensing at their office in Leeds and a copy delivered to the WMCA; and

b) each Local Bus Service will at all times be provided to the Standards in accordance with that undertaking except for any period during which such operator is temporarily unable to do so owing to circumstances beyond their control, provided that the WMCA is notified in writing (as outlined in Section E – Communications Protocol) as soon as practicably possible as to the reasons and period of such non-compliance.

5.2 Any operator of a Service who fails to comply with paragraph 5.1 above may be subject to action by the Traffic Commissioner in accordance with section 17 (Revocation, suspension etc. of licences) The Public Passenger Vehicles Act 1981, section 26 (Conditions attached to PSV operator's licence) Transport Act 1985 and section 155 (Penalties) Transport Act 2000.

6. REVIEW AND MONITORING

6.1 The WMCA, the Council and bus operators will review the operation of the Scheme at each Solihull Bus Quality Partnership Meeting, which will include an assessment of the Scheme's benefits in order to determine if any action is required to maintain the Facilities and/or Standards of Service.

6.2 The WMCA and/or the Council reserves the right to monitor compliance with the Standards of Services in respect of a Local Service which is using any of the Facilities and operators of such services will allow the WMCA and the Council (including its officers and employees) reasonable access to any such Local Service for this purpose and provide any reasonable assistance required for this purpose.

6.3 From time to time, the scheme document will be updated and refreshed as deemed appropriate by the scheme makers. Changes to the AQPS document can be proposed by the scheme makers and bus operators and all parties will be consulted on proposed amendments to the AQPS document. After agreement is reached on any changes, the alterations will be published in a revised document showing the tracked changes. At most the document will be revised once a year, or if otherwise agreed by all parties through the quarterly meetings.

7. ENFORCEMENT AND APPEALS PROCESS

For matters relating to The Scheme and day to day management of the Scheme

7.1 In the event that any Bus operator, the WMCA and/or the Council considers that any other party under this Scheme are not meeting their obligations there under then the issues shall be put in writing to the party not meeting their obligations. This will give that party the right of explanation within ten working days why the issues are happening and or any actions being implemented to allow that party to comply with the scheme.

7.2 If necessary, following the actions in 7.1 meeting(s) will take place within ten working days with the parties involved to resolve the issues.

7.3 As a result of the any actions taken under 7.1 and 7.2 the WMCA reserves the right to advise the Office of the Traffic Commissioner of any operational issues with scheme.

7.4 If the matter regarding the operation of the scheme cannot be resolved through the meeting process, the matter will be determined if appropriate by the appointment of an independent arbiter (as agreed between the two parties) to investigate the issue(s) to report on their findings and to propose remedial measures. The arbiter may be a Director at a local authority with an AQPS in operation.

7.5 As part of the process outlined in 7.1, 7.2 and 7.4 the actions of a bus operator (s) may be referred to the Traffic Commissioner for the West Midlands so that if considered necessary action can be taken against the operator in accordance with section 17 (Revocation, suspension etc of licenses) The Public Passenger Vehicles Act 1981, section 26 (Conditions attached to PSV Operator's Licence) Transport Act 1981, section 26 (Conditions attached to PSV Operator's Licence) Transport Act 1985 and section 155 (Penalties) Transport Act 2000.

For matters relating to the Slot Booking System

7.6 In the event that any bus operator, the WMCA and/or the Council considers that any other party under this Scheme are not meeting their obligations there under, or that an issue has been identified with the allocation of slots, the matter shall firstly be put into writing within five working days to the party not complying giving them the right of explanation within five working days why the issues are happening and or any actions that are or could be implemented to allow compliance with the scheme.

7.7 If necessary following the actions in 7.5 meeting(s) will take place within five working days with the parties involved to resolve the issues

7.8 If the matter regarding slot booking cannot be resolved through the meeting process, in the first instance the matter will be determined by a WMCA Director not directly involved with the operation of the Scheme.

7.9 As part of the process outlined 7.5 to 7.7 the actions of a bus operator(s) may be referred to the Traffic Commissioner for the West Midlands so that if considered necessary action can be taken against the operator in accordance with section 17 (Revocation, suspension etc. Of licences) The Public Passenger Vehicles Act 1981, section 26 (Conditions attached to PSV operator's licence) Transport Act 1985 and section 155 (Penalties) Transport Act.

8. CONTACT ADDRESSES

8.1 Any notification required to be sent to WMCA should be addressed to:

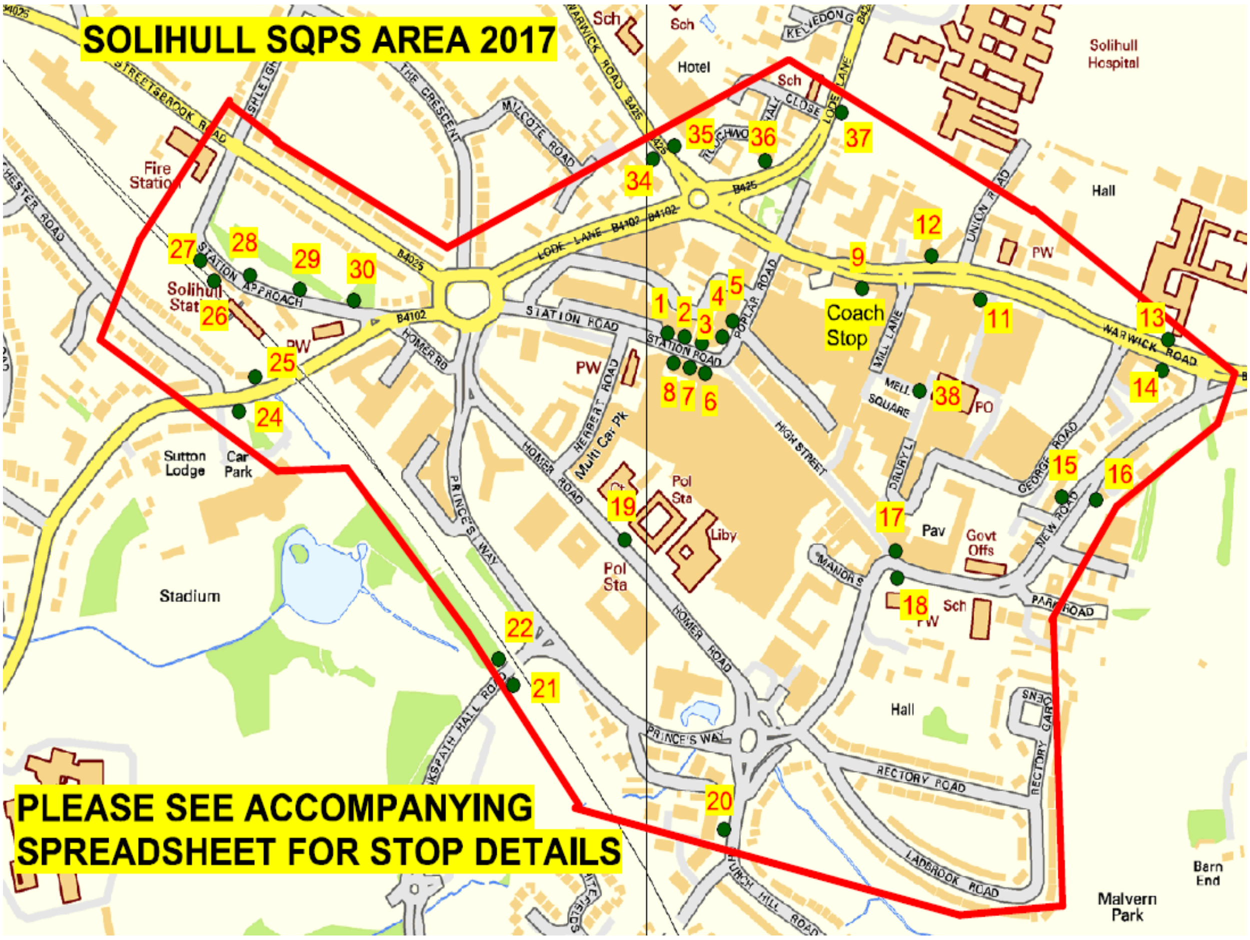
Network Delivery Team (Solihull Town Centre QPS), Transport for West Midlands, 16 Summer Lane, Birmingham, B19 3SD. *Email* QPS@TfWM.org.uk

Any notification required to be sent to Solihull Metropolitan Borough Council may be addressed to:

Solihull Metropolitan Borough Council of Council House, Manor Square, Solihull, West Midlands, B91 3QB

Map of Scheme Area

& Bus Stop Infrastructure



Solihull Rail Station						
Plan Number	**Location**	**Naptan Code**	**Shelter Number**	**Infrastructure**	**Date Installed**	**Stop Designation**
26	Station Approach - Solihull Station Interchange	43000156402	156402	Enclosed 4.5m Sliver Principle	2009	Bus Stand Maximum layover 5 minutes
27	Station Approach - Solihull Station Interchange	43000156401	156402	Enclosed 4.5m Sliver Principle	2009	Bus Stand Maximum layover 5 minutes
28	Station Approach - Solihull Station Interchange	43000156404	810830	Enclosed 4.5m Sliver Principle	2009	Bus Stand Maximum layover 10 minutes

Solihull Rail Station						
Plan Number	**Location**	**Naptan Code**	**Shelter Number**	**Infrastructure**	**Date Installed**	**Stop Designation**
29	Station Approach - Solihull Station Interchange	43000156406	810833	Enclosed 4.5m Sliver Principle	2009	Bus Stand Maximum layover 5 minutes
32	Station Approach - Solihull Station Interchange	43000156408	810835	Enclosed 4.5m Sliver Principle	2009	Bus Stand Maximum layover 5 minutes
Solihull Town Centre						
1	Solihull Town Centre – Station Road (SA)	43000158106	0158106	8m Silver Motis	July 2015	Bus Stop no layover
2	Solihull Town Centre – Station Road (SB)	43000158101	0158101	8m Silver Motis	July 2015	Bus Stop no layover
3	Solihull Town Centre – Station Road (SC)	43000158102	0158102	8m Silver Motis	July 2015	Bus Stop no layover
4	Solihull Town Centre – Station Road (SD)	43000158401	0158401	8m Silver Motis	August 2015	Bus Stop no layover
5	Solihull Town Centre – Station Road (SE)	43000158402	0158402	8m Silver Motis	August 2015	Bus Stop no layover
6	Solihull Town Centre – Station Road (SK)	43000158104	0158104	8m Silver Motis	September 2015	Bus Stop no layover
7	Solihull Town Centre – Station Road (SL)	43000158103	0158103	8m Silver Motis	September 2015	Bus Stop no layover
8	Solihull Town Centre – Station Road (SL)	43000158105	N/A	Stop Pole	November 2015	Bus Stop no layover
Warwick Road						
9	Warwick Road - Poplar Road	43000159601	N/A	Holiday, Tour and Excursion Coaches only	2008	Bus Stop no layover
11	Warwick Road - House of Fraser	43000159301	810926	Cantilever 4.5m Sliver Principle	2014	Bus Stop no layover
12	Warwick Road - House of Fraser	43000159302	810925	Enclosed 4.5m Sliver Principle	2013	Bus Stop no layover

Warwick Road						
Plan Number	**Location**	**Naptan Code**	**Shelter Number**	**Infrastructure**	**Date Installed**	**Stop Designation**
13	Warwick Road - Solihull School	43000157101	810914	Enclosed 4.5m Sliver Principle	2013	Bus Stop no layover
14	Warwick Road - Solihull School	43000157102	810913	Cantilever 4.5m Sliver Principle	2013	Bus Stop no layover
34	Warwick Road - Lode Lane Sg	43000158403	810912	Stop Pole	2007	Bus Stop no layover
35	Warwick Road - Lode Lane Sf	43000158402	8158402	Cantilever 4.5m Sliver Principle	2013	Bus Stop no layover
Homer Road						
Plan Number	**Location**	**Naptan Code**	**Shelter Number**	**Infrastructure**	**Date Installed**	**Stop Designation**
19	Homer Road – Police Station	43000158301	0158301	Cantilever 4.5m Blue Timeline	2009	Bus Stop no layover
New Road						
15	New Road - Malvern Park Avenue	43000157702	0157702	Stop Pole	2013	Bus Stop no layover
16	New Road - Malvern Park Avenue	43000157701	0157701	Stop Pole	2013	Bus Stop no layover
17	New Road - St Alphege Church	43000158202	0158202	Stop Pole	2007	Bus Stop no layover
18	New Road - St Alphege Church	43000158201	0158201	Stop Pole	2007	Bus Stop no layover
Lode Lane						
36	Lode Lane – Solihull Hospital	43000159101	810911	Cantilever 3m Blue Timeline	2006	Bus Stop no layover
37	Lode Lane – Solihull Hospital	43000159102	810910	Cantilever 3m Blue Timeline	2006	Bus Stop no layover
Blossomfield Road						
24	Blossomfield Road - Solihull Swimming Pool	43000156202	810827	4.5M Blue Timeline Enclosed	2006	Bus Stop no layover
25	Blossomfield Road - Solihull Swimming Pool	4300016201	0156201	Stop Pole	2014	Bus Stop no layover

Monkspath Hall Road						
21	Monkspath Hall Road	43000124402	N/A	Stop Pole	2010	Bus Stop no layover
22	Monkspath Hall Road	43000124401	N/A	Stop Pole	2010	Bus Stop no layover
Church Hill Road						
20	Church Hill Road	4300013401	N/A	Stop Pole	2007	Bus Stop no layover
Dury Lane						
38	Dury Lane – Mell Square	4300015525	810924	Cantilever 4.5m Blue Timeline	2009	Bus Stop no layover

Schedule B

Service standards

1. SERVICE STANDARDS

1.1 **ALL** registered local bus services operating within the Scheme Area are required to participate in the scheme, unless excluded due to being:

i) services which operate for the primary purpose of carrying schoolchildren or students between their home and a school or Further Education College at the start or finish of the day; or

ii) Community Transport or Ring and Ride services which are restricted to use by pre-registered passengers only; or

iii) an excursion, tour service, inter-urban or other agreed non-scheduled service with the exception of any Scheduled Coach Service which operates outside the requirements to register as a local bus service under the requirements contained in the Transport Act 1985; or

iv) any National Rail (whether procured directly by them or via a Train Operating Company) which are not registered as a Local Service in accordance with Section 6 of the Transport Act 1985. However any operator of such a service **MUST** gain the permission from the WMCA to use any of facilities specifically provided for this agreement; or

v) any Local Services operating within the Scheme Area but which do not stop at any bus stop within the Scheme Area; or

vi) exempt from the requirements of Part II, Regulation 3 of the Public Service Vehicle Accessibility Regulations 2000 (SI 1970 of 2000), by virtue of according with Part II, Regulation 4(1)(f) of those Regulations (vehicle being over 20 years old and not used to provide a local service or a scheduled service for more than 20 days in any calendar year, hereafter referred to as a "heritage vehicle"). However any operator of such a service **MUST** gain the permission from WMCA to use any of facilities specifically provided for this agreement;

vii) any service that has an allocated stop within the scheme area but also does not have any registered stops within a two Kilometre straight line distance outside of the scheme boundary and is operated using a vehicle that meets the legal requirements of a coach.

1.2. Heritage vehicles will be exempt from the requirements of sections 1.5; 1.6; 1.7; 2.1; 2.3; 2.4; 2.6; 2.7; 2.4 and 2.5.2 of this Schedule B.

1.3. Any operators providing services that would be excluded from the scheme (as specified in above in Section 1.1) but wish to use the facilities provided by the Scheme may only use a bus stop (not a terminal stand, as specified in Schedule A) and would also be required to comply with the Slot Booking System in accordance with Schedule D.

1.4. Any other scheduled service using one or more bus stops within the Scheme Area will be required to participate in the Scheme and will be subject to the Slot Booking System, in accordance with Schedule D of the Scheme. Bus operators will not be able to register services with the Traffic Commissioner where the Traffic Commissioner Registration documentation for a service has a 'Hail and Ride' stopping arrangement within the Solihull Town Centre Scheme Area.

1.5. All operators in the Scheme Area shall offer ticketing product(s) that permit passengers travelling into the Scheme Area to interchange between services interchanging within the Scheme Area to reach a final destination within the Scheme Area without the payment of a separate fare.

1.6. In line with the WMCA's Integrated Passenger Information Strategy [2011][1], by the first anniversary of the Scheme all vehicles operating within the Scheme Area must be fitted with equipment to provide locational data to WMCA's Real Time Information system; such equipment must be maintained in working order and correctly configured at the start of each journey by the vehicle.

1.7. Each bus operator providing services in the Solihull scheme area shall put in place a facility with the WMCA for sharing data, in the form of a Data Sharing Agreement.

1.8. In the event of an emergency or serious disruption in the scheme area, which results in Police intervention to temporarily close roads, all operators agree to provide services to revised terminal points as guided by the Emergency Planning Group. The WMCA will communicate such decisions and actions in accordance with the Communication Protocol (Schedule E) and coordinate the communication of any revised arrangements to passengers via appropriate media outlets, where possible including the Real Time Information displays.

2. VEHICLE STANDARDS

2.1 From the Commencement date, Local Services shall use fully accessible low floor buses with wheelchair ramps (fixed or portable), meeting the functional requirements of the Public Service Vehicle Accessibility Regulations 2000.

2.2 National monitoring of air quality that includes the wider West Midlands shows that diesel powered vehicles are currently one of the greatest contributors of nitrogen dioxide emissions. The European Union have imposed a duty on Member States under the EU Ambient Air Quality Directive to comply with limit values for various pollutants including nitrogen dioxide (NO2). The introduction of cleaner engined vehicles will provide a positive contribution towards efforts to improve air quality in the scheme area and also along the corridors along which the services operate and will provide an evidence base for the UK Government to demonstrate longer term, sustained compliance.

2.3 The following vehicle standards will therefore apply:

Date	All Local Bus Vehicles
Sunday 12th November 2017	**Euro III**
Sunday 22nd July 2018	**Euro IV**
Sunday 5th January 2020	**Euro V**
Sunday 3rd January 2021	**Euro VI**

2.4 All services operating within the Scheme must comply with full Equality legislation and PSVAR accessibility as a minimum, unless mandated or exempted earlier by legislation. For vehicles operating on services defined in paragraph 1.1 (iii) these will not be required to meet requirements for fully accessible vehicles until 1st January 2020, but are subject to the Vehicle Emission Standards as defined in paragraph 2.3.

2.5 All vehicles operating within the Scheme Area must use daytime running lights at all times.

2.6 Route and Destination Displays

2.6.1 In line with the requirements of The Public Service Vehicles (Conduct of Drivers, Inspectors, Conductors and Passengers) (Amendment) Regulations 2002 (SI 2002, 1724), as amended, all Local Services must display an accurate route number and/or route name and ultimate destination indicators at all times.

2.6.2 All displays must comply with the legal standards set out in Schedule 2, Section 8 of the PSV Accessibility Regulations 2000, unless using temporary destination equipment, as set out in Section 2.6.3 below. By 1st January 2016, all vehicles are to be fitted with electronic number and destination displays.

2.6.3 All temporary destination and number displays to comply with Sections 8(3)(a) and (b) of Schedule 2 of the PSV Accessibility Regulations 2000 and only be used as substitute for normal destination equipment in the event of an emergency.

2.7 Presentation

2.7.1 Vehicles must be well presented in good order, clean externally and internally without unpleasant odours, in appropriate finished livery, which clearly identifies either the bus operator or branded route. Internally, the operator must also provide their own contact details for bus users.

2.7.2 No vehicles are to be used which remain in a livery belonging to a previous operator under any circumstances or bear any previous operator's branding or other information.

2.8 Parked vehicles

2.8.1 No vehicle may be left at a bus stop within the Scheme Area unattended at any time other than at the designated stands at Solihull Railway Station Approach where this is limited by TRO. Unattended vehicles will be defined as illegally parked and may be subject to a Penalty Charge Notice.

2.8.2 Vehicle engines must be switched off at bus stands, where waiting time exceeds 2 minutes, unless there is an operational requirement for the vehicle to remain switched on.

2.9 All operators must provide the WMCA and the Council, in an approved Excel spreadsheet format clearly identifying the operator, with a quarterly statement listing each bus by registration plate, fleet number, Euro emission standard, accessibility status (low floor to functional Equality legislation compliance), and real-time enabled. This is primarily to assist with the enforcement of bus priority facilities and the Scheme. Where a vehicle has had an engine or exhaust modification system fitted to achieve an improved emission standard then WMCA will also require copies of the annual test certification that proves the vehicle is continuing to achieve the up rated emission standard.

2.10 **DRIVER STANDARDS**

2.1 Operators shall ensure bus drivers at all times drive in a safe, courteous and professional manner undertaking a duty of care to all bus passengers and other road users.

2.2 To ensure safety of passengers, drivers must not use hand-held mobile phones, consume food or drink or otherwise be distracted whilst driving.

2.3 All drivers must be provided with an appropriate uniform and operators shall use reasonable endeavours to ensure that this is worn on duty and maintained in a clean and tidy condition to promote a professional appearance.

2.4 Driver Training

2.4.1 Drivers operating Local Services within the Scheme Area should be fully briefed on the terms and objectives of the Scheme, be route trained and conversant and proficient in the use of ticketing equipment and all fares options when operating Local Services in the Scheme Area.

2.4.2 Operators shall ensure that at least 60% of drivers at each of their operating centres that serve the Scheme Area on Local Services have, or are working towards NVQ Level 2 training to include the mandatory units of Transporting Passengers by Road – Short Itineraries (currently TP1 to TP7 inclusive) plus the optional units "Provide Local Bus Services" (currently TP11) and "Operate Payment Systems" (currently TP8), or an agreed equivalent inclusive of diversity/disability awareness training, unless otherwise superseded or agreed by the West Midlands Bus Operator's Panel and WMCA.

2.4.3 To provide the WMCA with an annual statement of the number and proportion of drivers qualified or receiving training (as specified in 2.4.2 above) operating on Local Services covered by the Scheme.

2.5 Passenger Assistance

2.5.1 Operators shall ensure drivers provide assistance to elderly or mobility impaired passengers when requested, for boarding or alighting and if so requested for them to remain stationary until such passengers are seated.

2.5.2 Drivers to assist passengers in wheelchairs by lifting or deploying ramp and if requested offer assistance in accordance with the PSV (Conduct of Drivers, Inspectors, Conductors and Passengers) (Amendment) Regulations 2002.

2.5.3 If requested, drivers should enable sitting passengers who require assistance to remain seated until the bus has come to a stop before alighting.

2.6 Operators must ensure drivers do not smoke at any time on board a bus and to use reasonable endeavours to enforce a smoking prohibition for all passengers on Local Services.

3. CUSTOMER CARE STANDARDS

3.1 Customer Care

3.1.1 Operators shall ensure that passengers on a bus which has become immobilised are transferred safely on to a replacement vehicle or alternative local service within 60 minutes of breakdown occurrence.

3.1.2 Operators shall be in attendance of broken down buses and use reasonable endeavours to remove any obstacle from the highway within 60 minutes of any breakdown occurrence.

3.1.3 All operators operating Local Services within the Scheme Area to have an established complaints procedure and to respond to customer correspondence within 10 working days of receipt.

4. NETWORK PERFORMANCE

4.1 With the exception of Scheduled Coach Services, changes to routes and timetables shall only be made on the agreed Service Change Dates, in order to maintain network stability, unless there are exceptional circumstances which have been agreed in advance with the WMCA. Reference should be made to Appendix D1 of the Slot Booking System.

4.2 All Local Bus Service Registrations, whether new or variations, must be undertaken in line with the process set out in Schedule D, Slot Booking System.

4.3 The WMCA and the Council will continue to work with operators to improve punctuality and reliability through voluntary multi-lateral agreements outside the town centre.

5. INFORMATION STANDARDS

5.1 No temporary notices of any description are to be fixed to any bus stop or information pole, without the prior approval of the WMCA. The real-time displays can be used to display service disruption details if required.

6. ENFORCEMENT

6.1 Any complaints and enforcement will follow the protocol as set out in Section 8 of The Scheme.

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Appendix B1

Bus Operators Undertaking

SOLIHULL TOWN CENTRE
ADVANCED QUALITY PARTNERSHIP SCHEME

UNDERTAKING IN ACCORDANCE WITH SECTION 118(4) OF THE TRANSPORT ACT 2000

TO: **PRIVATE & CONFIDENTIAL**

Senior Team Leader, PSV Operator Licensing

Hillcrest House
386 Harehills Lane
Leeds
LS9 6NF

FROM: **{Operator Legal Name}**

PD **{Operator Licence Number}**

{Address}

The above named operator hereby undertakes to provide Local Services to the standards and requirements specified in the Scheme when using the Facilities. The traffic commissioner can impose a penalty or sanction for any failure to meet the standards. Currently the penalty can be up to £550 for every vehicle the operator has licenced and/or the traffic commissioner can place a condition on the licence prohibiting the operator from running certain local services or local services of any description.

All terms used in this undertaking have the same meaning as those set out in the Solihull Advanced Quality Partnership Scheme as made on **Friday 11th August 2017** and that will come into operation on **Sunday 12th November 2017.**

SIGNED

{Company Officer Signature}

{Company Officer Name}

{Date Signed}

COPY OF COMPLETED FORM MUST AT THE SAME TIME BE SUBMITTED TO:

Network Delivery Team (Solihull Town Centre AQPS)

West Midlands Combined Authority, 16 Summer Lane, Birmingham, B19 3SD

Appendix B2

Ticketing Schemes

Appendix B2 – Ticketing schemes

The WMCA is working in partnership with operators to develop and introduce Smartcard multi operator ticketing products to create an integrated public transport offer between the bus, rail and metro modes. The WMCA will work with operators to create where possible such ticketing products that do not create a financial penalty to the user who has to change buses within the AQPS area to access their final destination.

Schedule C

Facilities provided by WMCA and Solihull Metropolitan Council

1. Bus Priority

1.1 Slot Booking System

The WMCA will manage the Slot Booking System in accordance with Schedule D to the scheme.

1.2 Solihull Metropolitan Council will maintain the relevant Traffic Regulation Orders and Bus Lanes within the scheme area. This will both facilitate the operation and enforcement of the scheme.

1.3 Bus Stands and Bus Stop Clearways

1.3.1 At the Commencement Date, within the Scheme Area there will be **33 bus stops, including 5 bus stands** at Solihull Rail Station (marked as stops 26,27,28,29 and 32 in Schedule A Map of Scheme Area & Bus Stop Infrastructure which can be used for time limited layover. (up to 5 minutes on stands 26,27,29 and 30 and 10 minutes on stand 28). As part of the Slot Booking System (pursuant to Schedule D of the Scheme), all bus stops within the Scheme Area will be designated into an appropriate category and will be defined as either:-

(a) "Bus Stand Clearway"

(b) "Bus Stop Clearway"

(c) "Bus Stop Clearway (Non-Regulated)"

on the basis set out in the Slot Booking System.

1.3.2 Bus Stop Clearways and Bus Stand Clearways will be provided at all stops, save to the extent that this is not possible due to loading and unloading requirements for local businesses, as specified in Schedule A (Infrastructure) to this Schedule C.

1.3.3 Where a Bus Stop Clearway or Bus Stand Clearway has been provided these will only permit use by Local Services, unless otherwise authorised by the Council.

1.3.4 In accordance with Schedule 19 of the Traffic Signs Regulations and General Directions 2002 (SI 2002/3113) including any relevant subsequent updates to these Regulations, all Bus Stand Clearways and Bus Stop Clearways will be defined on the following basis:-

(a) all "Bus Stand Clearways" will be designated with a maximum layover of either 5 or 10 minutes, as specified in Schedule A to this Schedule C.

(b) all "Bus Stop Clearways" will be designated with a maximum layover of 2 minutes, as specified in Appendix

Schedule A to this Schedule C in accordance with regulation 3 (a) of The Traffic Signs Regulations and General Directions 2002/3113.

2. INFRASTRUCTURE

2.1 Bus Shelters, Shelter cases and Seating

2.1.1 Appendix C1 sets out the specification for bus stops in the Scheme Area. Subject to site and usage limitations, a bus shelter will be provided at bus stops within the Scheme Area, as detailed in Schedule A.

3. PASSENGER INFORMATION

3.1 The specification for the provision of passenger information at each stop is set out in Appendix C2, covering items such as the display of service numbers, provision of timetable information and display of other public transport-related information.

3.2 Real-Time Electronic Displays

3.2.1 The electronic display will show either “real time” or chronological scheduled information for all Local Services using the relevant bus stand or bus stop.

3.2.2 The WMCA can add messages to the electronic displays within the Scheme Area, which can provide useful travel information relating to various one-off network changes – stops, services, fares, roadworks, delays etc. The facility for bus operators to contact the WMCA to add planned messages is available.

4. OTHER FACILITIES

4.1 The WMCA will continue to provide a Travel Information Centre in the town centre, providing impartial all operator information and details on ticketing and concessionary travel.

4.2 Bus Passenger Surveys

4.2.1 The WMCA will undertake regular studies to monitor customer satisfaction with bus services in Solihull.

4.2.2 The information will also be presented to operators at the Solihull Bus Quality Partnership meetings.

5. MONITORING, ENFORCEMENT AND MAINTENANCE

5.1 Enforcement of Bus Stands and Bus Stop Clearways

5.1.1 The Council is responsible for civil parking enforcement and the enforcement of bus lane contraventions. With effect from the Commencement Date, all of the bus stands and bus stop clearways will be enforced by the Civil Enforcement Officers, who are deployed on behalf of the Council.

5.1.2 The Civil Enforcement Officers may issue a Penalty Charge Notice if the restrictions detailed in 1.3.4 above are contravened. The Penalty Charge Notice is £50.00, which is discounted to £25.00 if it is paid within 14 days from the date of issue of the Penalty Charge Notice.

5.1.3 The WMCA will liaise with the Council regarding persistent problems with contraventions by other vehicles of bus stand and bus stop clearways. Any problems experienced by operators can be notified to the WMCA for monitoring.

5.2 The WMCA will monitor the operation of bus services the Solihull scheme area, which will include monitoring vehicles and services operating within scheme area for their compliance with the terms of the AQPS. Non-compliance will be dealt with as set out in section 7 of The Scheme.

Appendix C1

Bus stop specification

Appendix C1 - Bus Stop Specification

Information pole	As detailed in Schedule A: ▪ Alighting-only bus stops will be provided with a bus stop pole and flag, with wording indicating that services cannot be boarded at that location. ▪ Boarding bus stops will be provided with a bus stop flag incorporating service numbers, timetable information and, if applicable, real-time information and mapping.
Shelter	▪ Provided at Bus Stops and Bus Stands as detailed in Schedule A. ▪ Size and orientation of shelter provided dependent on site conditions. ▪ All shelters will be illuminated. ▪ All shelters will include seating provision (subject to site conditions).
Real-time	▪ Electronic Display provided at Bus Stops and Bus Stands as specified in Schedule A, incorporated within the bus stop totem. ▪ Real-time or scheduled information displayed
Raised kerbs	▪ Minimum standard kerb height provided at Bus Stops and Bus Stands within the Scheme Area will be 120mm, with an acceptable height of 140mm, and a maximum height of 160mm
Maintenance	▪ As detailed in Appendix C3.
Bus Stand Clearway/Bus Stop Clearway	▪ Provided at Bus Stops and Bus Stands as detailed in Schedule A. ▪ If provided, will be in accordance with The Traffic Signs Regulations and General Directions 2002.

* - The "Bus Stop" plate legend will be varied to "Bus Stand", where the stop is designated a bus stand in accordance with paragraph 2.6 above.

Appendix C2

Passenger information specification

Appendix C2 – Passenger information specification

Bus Stop Plate	The WMCA shall display at any bus stand or bus stop a service name/number for each Local Service that uses such bus stand or bus stop, and this will be maintained under WMCA's Information Recharging Scheme.
Timetable Information	The WMCA shall display their "service information" in the timetable cases, with the services shown displayed in the format "times departing from that stop" together with a route summary which details the main areas served by the service.
Real Time Information (RTI)	Where an RTI display is provided, this will display either "real time" or chronological scheduled information for all Local Services using the relevant bus stand or bus stop.

Appendix C3

Maintenance of Facilities

Appendix C3 – Maintenance of facilities

1. Bus Shelters, Information Panels and Seating, Bus Stop Totems and Poles/flags

Responsibility: WMCA's Shelter Maintenance Contractor

1.1 All shelters and totems within the Scheme Area will be inspected and cleaned at least once a week. Totems are additionally inspected whenever a service needs to be added, removed or amended.

1.2 Graffiti and flyposters are removed within three working days of notification to WMCA.

1.3 Routine repairs, including the replacement of lamps and fluorescent tubes are conducted within 2 working days following notification to WMCA. Non routine repairs are conducted within 5 working days of notification.

1.4 Where damage has occurred that requires urgent attention due to a danger to traffic, pedestrians or property the WMCA will respond within 4 working hours for faults reported to and received between 0730 and 1800 hours on working days and by noon on the next working day for faults reported to and received by the company between 1800 and 0730 hours on non-working days.

2. Real Time Information Electronic Displays

Responsibility: The WMCA's Real Time Information team

2.1 Electronic real-time displays will be visually checked and cleaned at least once a week, as part of the shelter and totem cleaning regime

2.2 Routine repairs are conducted within 5 working days following notification to the WMCA. Non routine repairs are conducted within 5 working days of notification.

2.3 Where the display maintenance contractor cannot identify a fault, the display will be replaced.

2.4 Where damage has occurred that requires urgent attention due to a danger to traffic, pedestrians or property, the WMCA will respond within 4 working hours for faults reported to and received between 0730 and 1800 hours on working days and by noon on the next working day for faults reported to and received between 1800 and 0730 hours on non-working days.

3. CCTV Equipment in Shelters

Responsibility: The West Midlands Combined Authority

CCTV cameras will be visually checked at least once a week and will be cleaned at least once a month. Each camera will be given a maintenance inspection every three months, with a full service twice a year to coincide with the changing of clocks between winter and summer times.

3.1 All repairs are conducted within five working days following notification to WMCA.

4. Electrical Supplies to Infrastructure

Responsibility: **Nominated Electricity Supplier**

4.1 If for any reason a fault lies with the electricity supply to any of the infrastructure, then the fault will be reported to the nominated electricity supplier. The responsibility in these circumstances is therefore out of the control of the WMCA.

5. Bus Stands and Bus Stop Clearways

5.1 The maintenance of highway markings is covered in Appendix C4.

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Schedule D

Slot booking system

Schedule D - Slot Booking System

DEFINITION OF THE SLOT BOOKING SYSTEM FOR BUS STOPS IN SOLIHULL TOWN CENTRE

1. DEFINITIONS & INTERPRETATION

These provisions relate to Regulated Bus Stops within Solihull Town Centre, as covered by the AQPS. For the purposes of this schedule the following words shall have the following meanings (words previously defined retain those meanings but may have further specific additional meanings below):-

"Bus Stand Clearway"	means a Regulated Bus Stop used for terminating services as detailed in Schedule D;
"Bus Stop"	means each bus stopping point within the AQPS area that is marked by a bus stop flag sign and listed in Schedule A;
"Bus Stop (Not Clearway)"	means a Bus Stop that is not regulated and is intended for bus services operating through the stop rather than terminating at it, as specified in Schedule A.
"Bus Stop Cage"	means the marked area on the carriageway to accommodate buses standing at a Bus Stop Clearway or Bus Stand Clearway;
"Bus Stop Clearway"	(Regulated or Non-Regulated) means a Bus Stop intended for use by services operating through the stop rather than terminating at it;
"Departure"	means either a) a scheduled in-service departure from a Bus Stop or b) any out-of service movement away from a bus stop in those instances where there is no scheduled in-service departure but there has been a scheduled in-service arrival at the bus stop and that journey has terminated there;
"Departure Slot"	means an allotted period of time in which a bus operator can occupy a bus stand in order to take up a scheduled departure, as more specifically set out in paragraphs 3 and 4;
"Non-Regulated Bus Stops"	normally function as stops on the final inbound approach to the city centre, at which the overwhelming majority of passengers will be alighting from rather than boarding the

buses serving the stop. Any other Bus Stop that is not specifically defined as a Regulated Bus Stop or as a Bus Stand is defined as a "Non-Regulated Bus Stop" in Schedule A and has no limit on the number of departures permitted from that stop in any operating period. Layover is not permitted at any Non-Regulated Bus Stop.

"Regulated Bus Stop"	means any Bus Stop within the AQPS area specified as a Regulated Stop in Schedule A at which the number of departures in each hour is limited. Layover is not permitted at any Regulated Bus Stop.
"Service"	means a service provided along the same route by one operator and denoted by a single service number or service name. This will include any minor variations of the same service as denoted by a prefix or suffix attached to the basic service number or service name.
"Slot Booking Area"	Is the specific area within the wider scheme area where WMCA allocate departure slots
"Stop Code"	means the alpha-numeric reference code applied to each bus stop within Solihull Town Centre.
"Stop Group"	means a group of bus stands or bus stops, usually along the same side of the same street that share the same alphabetic character of their stop code.
"Terminus Stand"	means a bus stand designated or recognised as the main timing point in the Scheme area for a service or group of services.

2. GENERAL PRINCIPLES

2.1 There will be 3 basic types of stop within the Scheme Area:

2.1.1 Bus Stands for terminating services;

2.1.2 Regulated Bus Stops for through services (with a maximum 60 departures in each hour);

2.1.3 Non-regulated Bus Stops for through services, where operators must comply with the terms of any Bus Stop Clearway and shall, in any event, not layover at a Non-Regulated Bus Stop for longer than 2 minutes.

2.2 All departures on the same service, provided by the same operator, must observe the same Bus Stop for all departures and cannot be split over 2 or more stops within the same Stop Group.

2.3 Each service, provided by the same operator, must observe only one Bus Stand within the AQPS area.

2.4 Each service, provided by the same operator, may observe only one Regulated Bus Stop per direction on any road.

3. DEFINITION OF A DEPARTURE SLOT AT A REGULATED BUS STOP

3.1 At Regulated Bus Stops there will be no specifically defined start and end time for a departure slot but the number of departures in any hour should be kept at or below the stated limit of 60 departures.

3.2 Operators should recognise it as in their operational interest to distribute departures evenly with buses leaving the stop at no less than a one-minute scheduled interval.

4. DEFINITION OF A DEPARTURE SLOT AT A BUS STAND

4.1 Each single Bus Stand has up to 15 Departure Slots available in any hour and a double Bus Stand up to 30 Departure Slots per hour. WMCA may consider requests from one or more operators to provide a higher number of departures per hour from a Bus Stand if it is deemed by WMCA to be in the passengers' interest; such requests will only be considered on the basis that the group of stands (as set out in Schedule A) would not exceed its total capacity and WMCA reserves the right to reject the request (subject to the prescribed appeals process).

4.2 Operators should recognise it as in their operational interest to distribute departures evenly with buses leaving the stop at no less than a 3-minute scheduled interval for a single terminal stop or a 2-minute scheduled interval for a double terminal stop but within the overall limit on the number of departures per stop per hour.

4.3 Buses may leave the Bus Stand at any time within a Departure Slot, so long as the waiting time prior to that departure does not overlap into a preceding booked Departure Slot (where it was booked by another service).

4.4 If the preceding Departure Slot is not booked then a bus may wait on the Bus Stand for up to 5 minutes within its slot.

4.5 Engines should be switched off (within reason) where waiting time exceeds 2 minutes.

4.6 Vehicles should not be left unattended on a bus stand without a driver at any time.

5. ALTERNATIVES

5.1 It may not always be possible to accommodate a new service at the operator's preferred stop and other stopping points may need to be considered in such a situation.

5.2 As well as Bus Stands, Bus Stops may be available for new services to use (within the stated departure criteria that apply there)

5.3 **REGISTRATION WITH TRAFFIC COMMISSIONER AND MAKING A SLOT BOOKING WITH WMCA**

5.4 Operators are required to register changes to bus services with the Traffic Commissioner with 56 days notice, as defined by the Transport Act 1985.

5.5 Before submitting an Application to Register a Bus Service (PSV350) or an Application to Change a Local Service Registration (PSV355) or by way of the electronic alternative, for a service change effective within the Scheme area, with the Traffic Commissioner, the bus operator **must provide the WMCA with a draft timetable,** including which Bus Stops or Bus Stands (using the stop reference code as detailed in Schedule A) are wished to be used, **a minimum of 10 working days in advance of submitting such an application to the Traffic Commissioner**. Appendix D1 provides details of Service Change Dates

5.6 For any Scheduled Coach Service, operators will need to provide WMCA with a draft timetable which will include the required stopping points, giving a minimum of 28 working days notice to WMCA, in advance of the introduction or change to service.

5.7 The WMCA will then confirm if, in accordance with the Slot Booking System, the proposed slots are available for the operator to use and, if not, which alternative slots are available for the operator to register.

5.8 All applications to register or change a Local Service Registration which are submitted to WMCA must include a full working timetable, showing the times of all departures from each particular stop for the proposed service, even if the service is operated at frequent intervals of 10 minutes or better.

5.9 For Regulated Bus Stops, the WMCA will ensure that each new service will not exceed the departure limit of that stop.

5.10 Where an incumbent service is present at a Bus Stand or Regulated Bus Stop it will take precedent over a new service that is seeking to take up a slot at the Bus Stand or regulated Bus Stop.

5.11 To determine, for the purposes of paragraph 6.6, incumbency at a Bus Stand or Regulated Bus Stop, services will be ranked in terms of the first date of registration for that service with the Traffic Commissioner at its current headway (with earlier registrations taking priority over more recent registrations). Temporary registrations for minor amendments of durations of eight weeks or less shall not count towards the incumbency consideration.

5.12 If a service is to introduce more departures from a Bus Stand or Regulated Bus Stop then it can do this until all available slots on that Bus Stand are taken. Once no vacant slots remain, it is up to the service that is being increased to either: - (a) locate to an alternative bus stand where the required slots are available for use; or (b) for another service from the existing stand to be located to an alternative stand (this could only be done with the agreement of any other operator using the same Stand). Written evidence of agreement to relocate the other service will be required before this option can be considered by the WMCA.

5.13 Where prior to the commencement of the Scheme two or more services have registered the same scheduled Departure Slot from a Bus Stand within the Scheme Area, all operators other than the first operator to have registered their service at such Bus Stand with such departure time shall, as soon as reasonably practicable, re-register their service either with an alternative Departure time or at an alternative Bus Stop in accordance with this paragraph 6.

5.14 Information supplied in applying for departure slots will be treated as confidential and will not be made available to third parties unless required to do so by law.

6. SLOT BOOKING MONITORING

6.1 The WMCA and the Council will monitor adherence by operators to their booked slots at all stops. Systematic contraventions will be raised with the operator in line with the agreed enforcement process, and subject to the stated Appeals Process.

6.2 Monitoring may take from the form of personal observations, surveys commissioned by the WMCA and/or the Council, or through the use of CCTV or Real Time Information systems.

7. APPEALS PROCESS

7.1 An appeal may be made against any decision regarding the Slot Booking System, in accordance with the Appeals Process as set out in The Scheme.

Appendix D1

Service Change and Slot Booking Dates

Appendix D1 – Service Change and Slot Booking Dates

Service change dates for 2017 & 2018, with associated cut-off dates for requests for amended departure slots.

NSP No.	MONTH	REGISTRATION DATE	DATABASE CUT-OFF	DATE OF IMPLEMENTATION	TARGET POSITION DATE	COMMENTS
NSP 102	Jan-17	06-Nov-16	09-Dec-16	01-Jan-17	08-Jan-17	School term starts
NSP 103	Feb-17	01-Jan-17	03-Feb-17	26-Feb-17	05-Mar-17	End of half term holiday
NSP 104	Apr-17	26-Feb-17	31-Mar-17	23-Apr-17	30-Apr-17	TfWM contract change date
NSP 105	May-17	02-Apr-17	05-May-17	28-May-17	04-Jun-17	Rail Timetable Change Weekend
NSP 106	Jul-17	28-May-17	30-Jun-17	23-Jul-17	30-Jul-17	School term finishes
NSP 107	Sep-17	09-Jul-17	11-Aug-17	03-Sep-17	10-Sep-17	School term starts
NSP 108	Sep-17	30-Jul-17	01-Sep-17	24-Sep-17	01-Oct-17	University term starts (Coventry)
NSP 109	Oct-17	27-Aug-17	29-Sep-17	22-Oct-17	29-Oct-17	TfWM contract change date
NSP 110	Jan-18	13-Nov-17	16-Dec-17	08-Jan-18	15-Jan-18	School term starts
NSP 111	Feb-18	31-Dec-17	02-Feb-18	25-Feb-18	04-Mar-18	End of half term holiday
NSP 112	Apr-18	25-Feb-18	30-Mar-18	22-Apr-18	29-Apr-18	TfWM contract change date
NSP 113	May-18	25-Mar-18	27-Apr-18	20-May-18	27-May-18	Rail Timetable Change Weekend
NSP 114	Jun-18	15-Apr-18	18-May-18	10-Jun-18	17-Jun-18	Signature Bus Network

						Review
NSP 115	Jul-18	27-May-18	29-Jun-18	22-Jul-18	29-Jul-18	School term finishes
NSP 116	Sep-18	08-Jul-18	10-Aug-18	02-Sep-18	09-Sep-18	School term starts
NSP 117	Sep-18	29-Jul-18	31-Aug-18	23-Sep-18	30-Sep-18	University term starts (Coventry)
NSP 118	Oct-18	02-Sep-18	05-Oct-18	28-Oct-18	04-Nov-18	TfWM contract change date
NSP 119	Jan-19	11-Nov-18	14-Dec-18	06-Jan-19	13-Jan-19	School term starts
NSP 120	Feb-19	30-Dec-18	01-Feb-19	24-Feb-19	03-Mar-19	End of half term holiday
NSP 121	Apr-19	03-Mar-19	05-Apr-19	28-Apr-19	05-May-19	TfWM contract change date
NSP 122	May-19	24-Mar-19	26-Apr-19	19-May-19	26-May-19	Rail Timetable Change Weekend
NSP 123	Jul-19	26-May-19	28-Jun-19	21-Jul-19	28-Jul-19	School term finishes
NSP 124	Sep-19	07-Jul-19	09-Aug-19	01-Sep-19	08-Sep-19	School term starts
NSP 125	Sep-19	28-Jul-19	30-Aug-19	22-Sep-19	29-Sep-19	University term starts (Coventry)
NSP 126	Oct-19	01-Sep-19	04-Oct-19	27-Oct-19	03-Nov-19	TfWM contract change date
NSP 127	Jan-20	10-Nov-19	13-Dec-19	05-Jan-20	12-Jan-20	School term starts
NSP 128	Feb-20	29-Dec-19	31-Jan-20	23-Feb-20	01-Mar-20	End of half term holiday

Service Change Dates for subsequent years have yet to be agreed.

Any request for revised departure slots must be made at least two weeks before submission of registrations to Traffic Commissioner. Registrations without signed-off slot requests are likely to be refused.

Schedule E

Communications protocol

Schedule E – Communications protocol

DEFINITION OF A PROTOCOL FOR THE DISSEMINATION TO OPERATORS OF CRITICAL INFORMATION RELATING TO SOLIHULL

1. Aim

1.1 This protocol aims to clearly set out the preferred method of communication between WMCA, SMBC and bus operators covered by the Scheme, in relation to incidents in the Solihull Scheme Area that may impact on the operation of bus services.

It does not replace or overrule any other established communication plans, but sets out the communication methods used for specific events.

2. Events covered

2.1 The protocol is anticipated to be used in cases of events such as:

- emergency road closures
- unavailability of bus stops
- need for service diversions
- future planned unavailability of facilities

3. Methods of communication

3.1 If it is necessary to pass information quickly to all operators, the WMCA will co-ordinate the dissemination of notices by email. Notifications provided by SMBC will also be channelled through the WMCA, to ensure that all parties are aware of the communication and that a co-ordinated response and support can be provided.

3.2 It is therefore imperative that all operators provide the WMCA with an email address that is regularly checked by the operator.

3.3 Emails can be sent to the WMCA at QPS@TfWM.org.uk. This inbox is regularly checked and any emails will be dealt with as appropriate. Emails relating to the Scheme or town centre issues should not be sent to a specific individual, the use of the address above will allow the most appropriate member of the team to deal with the query, regardless of individual staff availability.

3.4 Written communications to the WMCA or Solihull Metropolitan Borough Council should be sent to the addresses stated in Section 8 of The Scheme.

West Midlands Combined Authority
16 Summer Lane
Birmingham
B19 3SD

Solihull Metropolitan Borough Council
Civic Centre
St. Peter's Square
Solihull
WV1 1SH

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 20

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By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
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Agenda Item 21

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