West Midlands Combined Authority

Statement of Accounts

For the year ended 31 March 2022

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Contents

Review of Operations and Statutory Reports

Welcome to the West Midlands Combined Authority's Statement of Accounts for the financial year ended 31 March 2022. These accounts provide the reader with a view of West Midlands Combined Authority's financial performance and its effectiveness in its use of resources during the year and are therefore a key element in demonstrating sound financial stewardship of taxpayers' money as well as ensuring that key stakeholders understand the financial position of the West Midlands Combined Authority ('the Authority').

The Statement of Accounts for the year ended 31 March 2022 has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards.

The Authority operates through several undertakings, either exercising full control of an entity (subsidiary undertakings) or in partnership with other organisations (associate and joint venture undertakings). To provide a complete representation of the activities of the Authority, Group Accounts are also prepared to include the subsidiaries of Midland Metro Limited and WM5G Limited, where the interest and the level of activity is considered material to the group as a whole.

The Narrative Report has been prepared to outline the activities for the year 2021/22, providing both a guide to the Authority's accounts and to its achievements in delivering inclusive economic growth through transport and economic development as well as setting out the economy, efficiency and effectiveness in its use of resources in doing so.

1. COVID-19 impact

The COVID-19 pandemic has had a significant impact on the Authority's finances and the way it has provided its services over the last two financial years. However, following the Government's easing of restrictions on the 21 February 2022, under their COVID-19 Response: Living with COVID-19 guidelines, we are now in the recovery phase of the pandemic. Some of the main areas affected by COVID-19 during 2021/2022 are detailed below.

Impact on priorities and portfolios

We came together as a region, continuing to deliver vital frontline services despite extraordinary pressures, setting up new programmes in response to the unfolding situation, addressing gaps in support, lobbying government and allocating funds to support our communities.

In terms of the wider economic recovery of the West Midlands region, WMCA's response to the pandemic has evolved over the past year as we've understood more clearly its impact on every aspect of our lives. Almost all the Authority's workforce have had to adapt their work programmes in response to changing circumstances, and senior leaders have played a central role in both the emergency response and in subsequent 'recovery' activities. The Authority has collaborated and engaged with key regional stakeholders, and the following overview details our response to date, progress achieved, and identifies the issues we need to focus on in the next phases of our journey towards recovery.

- Existing plans were adapted (LEP Sector Action Plans, Local Council Plans) and new recovery plans and priorities created (LEP and Local Authority Recovery Plans, 10 Leaders Recovery Priorities, Community Recovery Prospectus, WM Young Combined Authority Priorities)
- New, collaborative governance structures were set up to guide our response (Recovery Forum, Economic Impact Group, Regional Economic Implementation Group, SteerCo, LEP and Local Authority Covid Recovery Taskforces, Jobs and Skills Delivery Board)
- Programme delivery was tailored (Pivot and Prosper, Thrive at Work, Local Authority, LEP and University led Business Recovery Webinars, Digital Skills support and Employment support)
- We researched and understood our citizens' experiences, engaging with people across the region (Community Recovery Prospectus, WM Faith Forum Roundtable, Business Surveys, Community Outreach)

- Evidence was developed and guided our decision making (WM Regional Economic Development Institute (WMREDI) Economic Monitor, Health of the Region Report, Citizens Panel, Growth Hubs and Chambers of Commerce Business Surveys)
- We articulated our asks and our regional opportunities to government, coming together as a collective regional voice (31 Recharge priorities, 3 Calls to Action, campaigns including #BackOurBusinesses led by Chambers of Commerce)

Looking ahead, one of WMCA's corporate Aims & Objectives in 2022/2023 is to ensure everyone has the opportunity to benefit as the region recovers from COVID-19, improves resilience and tackles long-standing challenges. To achieve this, we will work with local authorities, Jobcentres, colleges and training providers to ensure our communities are given training and employment support to access and succeed in new opportunities. We will work with partners to identify and address the different barriers faced by our diverse communities. We will support social innovation to tackle complex and longstanding challenges facing our communities, where mutually agreed with partners.

Impact on the Authority's workforce

WMCA has complied with and implemented regulations and requirements throughout the COVID-19 pandemic in response to UK Government legislation.

In preparation for the Governments easing of restrictions in England in July 2021, WMCA surveyed its workforce, with results showing that 9 out of 10 staff would like to continue to work from home for at least some of the working week. With these results in mind, WMCA developed a flexible approach to the workplace, led by our business needs as an organisation, whilst retaining some of the benefits of working from home. During the summer, we re-imagined the space at our Summer Lane head office to accommodate hybrid working and COVID-19 safety measures, with staff returning to the office in the first of the team zones in September 2021, though subsequently adhering to temporary lockdown measures in December 2021 in respect of the Omicron variant. Following the easing of these restrictions, attendance in the office continues to increase with the majority of the workforce now actively participating in the hybrid working arrangements.

During the period of enforced remote working, the Authority kept records of COVID-19 related sickness absence as part of monitoring the impact of the pandemic, though COVID-19 absence did not count towards the sickness absence triggers for staff. It was found that due to the implementation of hybrid working and people being able to work fully from home, levels of sickness did not spike. It was shown that staff were able to carry on working if they had tested positive for COVID-19 but did not have symptoms that prevented them from doing so.

It is also important to highlight that during the period of enforced remote working, business as usual across all directorates was successfully achieved by staff adapting to home working, and our critical staff kept the regions transport system operational throughout the pandemic.

Going forwards, WMCA supports the UK Government's Living with COVID-19 strategy (published in February 2022 with further updates in March, April and May) and recognises the importance of having a cohesive, organisation-wide plan and continuing to promote conversations between managers and employees as part of protecting the physical and mental health of our workforce.

The plan, operational in June 2022, will take an approach that is led by the principles of what is fair and reasonable to ask, respecting that many people (especially the 3% of our workforce who have been identified as Clinically Extremely Vulnerable) may still be concerned about coming into places of work. Our priority is to continue to review and maintain existing practices which keep all of our workplaces as safe as is reasonably practicable and which support WMCA in meeting our fundamental duty of care to protect the physical and mental health of employees.

WMCA will communicate our approach and operational procedures to partners, stakeholders and industry bodies - sharing our experiences to assist them with their own adoption of the latest COVID-19 strategy.

Impact on the Authority's supply chain

In respect of supply chain risk, the Authority continues to follow guidance issued by the Cabinet Office in June 2020: 'Procurement Policy Note – Recovery and Transition from COVID-19'. This Procurement Policy Note (PPN) sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during the current coronavirus, COVID-19, outbreak. It updates and builds on the provisions contained in PPN 02/20.

Actions taken include:

- a review of the Authority's contract portfolio, including the provision of any contractual relief due to COVID-19.
- the development of transition plans, in partnership with suppliers, to exit from any relief as soon as reasonably possible. This includes agreeing contract variations if operational requirements have changed significantly.
- working openly and pragmatically in partnership with our suppliers during this transition, ensuring contracts are still relevant and sustainable and deliver value for money over the medium to long term; and
- continuing to pay suppliers as quickly as possible, on receipt of invoices or in accordance with pre-agreed milestone dates, to maintain cash flow and protect jobs.

Impact on reserves, financial performance and financial position

The Authority has a general fund balance of £1.6m at the end of 2021/22 (2020/21: £2.3m), representing 0.43% of net cost of services in the year. In addition, the Authority had balances of £56.6m in general fund earmarked reserves at the end of 2021/22 (see note 29 to the accounts on page 92) (2020/21: £41.0m). This balance includes amounts earmarked for specific risks which will remain present in the Authority's planning environment independent of the COVID-19 crisis.

Whilst there is a significant gap in funding for future years in the Medium-Term Financial Plan, this is being addressed corporately through consultation with Mayor and Local Authority Member Leaders to determine a long-term funding solution for WMCA.

The Authority continued to include consideration for the impact of COVID-19 in its provision for anticipated credit losses and there was no significant change from the previous year in relation to COVID-19. The movement on the credit losses can be found in note 34 on page 105.

The impact of the crisis on the Authority has been most profound in terms of the loss of major income streams for a prolonged period, through reduced patronage for light rail for example, a loss of approximately £4.5m in the year which was supported by the Department of Transport in the form of Light Rail Restart Grant and a drop in other transport related income of around £0.9m which was also partially offset by Government grant. Capital project delivery timescales have been impacted as programmes were rescheduled with a delayed effect on the realisation of the project benefits for the West Midlands region.

This impact is more significant on the Authority's subsidiaries, especially Midland Metro Limited, where passenger revenues make up the majority of its income, although the DfT made good those losses in the form of Light Rail Revenue Restart Grant throughout the financial year 2021/22.

In 2020/21, the support given by the Authority to Bus operators through subsidised services and the concessionary fares schemes was directed by the Cabinet Office guidance. In 2021/22, the Government strongly recommended that Authorities' support to Bus operators remained the same, given the continued impact of COVID-19 and the fact that patronage remained at relatively low levels. The change which had been made to the Concessions legislation in 2020 from "No better, no worse off" to just "no worse off" was extended to March 2022. This has allowed Authorities to continue to pay operators on pre-COVID levels. Subsidised services provision returned to pre-COVID levels part-way through 2020/21 so operators have been reimbursed as normal for these and no further provision has had to be made.

Grants and reliefs administered on behalf of Central Government

Since the start of the pandemic, the Authority has received various grants from the Department for Transport (DfT) and the Department for Education (DfE) to recompense the Authority, its bus operators and constituent authorities for the prolonged loss of major income streams due to the pandemic.

On 9 April 2020, the DfT announced extra funding for bus operators and local authorities, to support bus services during the COVID-19 pandemic.

- The local transport authority element of COVID-19 Bus Services Support Grant (CBSSG) was allocated to support local bus services for lost fares revenue. This included tendered bus services that were experiencing revenue shortfalls. The aim was to ensure that local bus services continued to operate appropriately during the COVID-19 pandemic. Most of the grant claimed by the Authority was passed to the bus operators based on service provision. Some of the grant was retained by the Authority to cover direct costs experienced by the Authority as a result of the pandemic, such as enhanced cleaning and increased information requirements.
- CBSSG was replaced by the Bus Recovery Grant (BRG) from 1 September 2021. BRG is paid to local transport authorities (LTAs) and operators to provide support for lost fares revenue on both commercial and tendered services. BRG for commercial services was paid directly to operators, whilst for tendered services it was paid to LTAs to distribute to operators. Unlike CBSSG, BRG was not designed to “plug the gap” between revenue and costs. It was a contribution towards the impact of lower sales revenue and, unlike CBSSG, operators were allowed to make a profit whilst claiming it.
- In August 2021 the DfT also provided support to LTAs to help them develop their own travel demand management (TDM) programme to manage the effects of the COVID-19 pandemic on the transport system.

Additionally, the sales, fees and charges grant from the DfT has compensated the Authority for lost transactional income from customer receipts generated from parking and public transport up to 30 June 2021.

The grant from the DfE supported additional Bus services to ensure that students were able to travel safely to and from schools and colleges. Some of this funding was spent on additional network services procured directly by the Authority, with the remainder passed to the region’s local authorities, enabling them to procure additional home to school transport. This grant covered services provided up to the end of the 2020/21 Academic Year.

Following the ‘A Plan for Jobs’ announcement on 8 July 2021, the DfE also made available additional funding to scale up Apprenticeships, Traineeships and to support people looking for a job. This additional Adult Education Board (AEB) funding was part of the DfE’s COVID-19 Skills Recovery Package and wider Government plans to protect, support and create jobs and in turn, to boost the economy.

Further details relating to the above grants can be found in note 15 on page 78.

Acting as an agent, the Authority has also received Light Rail Grant funding of £4.5m from the DfT, supporting the Metro services during the prolonged period of reduced patronage on the tram system. The aim of this funding was to help protect services, allowing people travelling to hospitals, supermarkets or their place of work to get to their destination safely and quickly, while helping ensure there is enough space for them to observe social distancing guidelines.

Debt Management

All of the Authority's historic borrowing is at fixed rates so there is no significant impact as a result of the pandemic. In 2021/22 capital programme works that had been delayed during the initial phase of the pandemic, restarted. To unwind a proportion of its historic under-borrowed capital financing position and to mitigate against interest rate rises, the Authority accessed £200m of Public Works Loan Board (PWLB) borrowing that it had previously successfully bid for at the Government's Local Infrastructure Rate (Gilts + 60 basis points) and a further £10m of borrowing from the UK Infrastructure Bank at an equivalent rate. £125m of PWLB borrowing at the Certainty Rate (Gilts + 80 basis points) was also secured.

At 31 March 2022, the Authority had debt outstanding of £457m, well within the authorised limit for external debt of £697m. Debt outstanding is made up of the following figures:

	As at 1 April 2021	**In Year Repaid**	**In Year Raised**	**As at 31 March 2022**	**Notes**
	£m	**£m**	**£m**	**£m**	
PWLB	108.44	(1.44)	325.00	432.00	PWLB Local Infrastructure Rate Loans / UK Infrastructure Bank Loan
Barclays	10.00	0.00	0.00	10.00	No change
WM County Council (Transferred Debt)	5.59	(0.92)	0.00	4.67	Annual repayment of principal
UKIB	-		10.00	10.00	
Total Long-Term Borrowing	**124.03**	**(2.36)**	**335.00**	**456.67**	

Rates for medium to long term borrowing have risen during the year as central banks contend with the impact of rising inflation. The Authority will maintain a low risk treasury management approach seeking to maximise low interest loans when the opportunity arises.

Short Term Investments for Treasury Management Purposes

As a consequence of advanced receipt of grants and the unwinding of its historically under-borrowed position, short term deposits (investments of 365 days or less) increased during the year from £248m (2020/21) to £616m (2021/22). This is made up of the following figures:

2020/21 £m		**2021/22 £m**
112.60	Bank Deposits	189.16
135.70	Local Authorities / Housing Associations / UK Government Backed Deposits	427.00
248.30	**Total**	**616.16**

Cash flow management

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

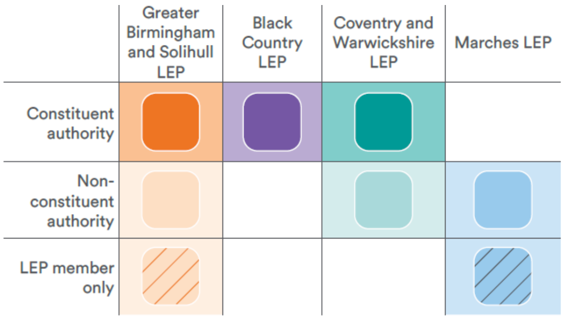
Continual cash-flow forecasting is undertaken at a short-, medium- and long-term level to ensure that the Authority can plan ahead and continually monitor the financial environment assisted by sector specialists. This will ensure that there are sufficient lenders in place to borrow from in a timely and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

2. Organisational overview and external environment

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

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

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

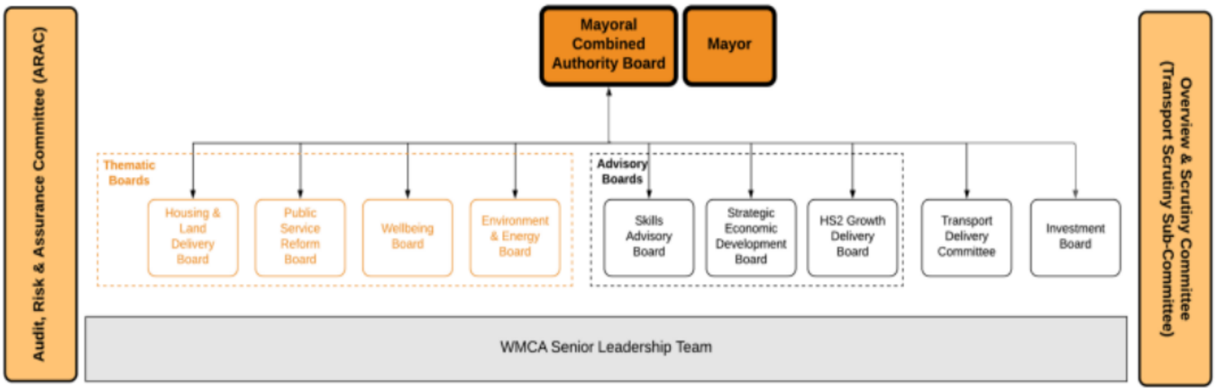


The Authority is now the Local Transport Authority for the West Midlands and has powers to exercise economic development and regeneration functions in conjunction with its seven constituent local authorities:

Leadership of the Authority comes from the Mayor and the leaders of the seven constituent local authorities, which have full voting rights. The leadership also includes the chairs of the Local Enterprise Partnerships (LEPs) which are business-led organisations that help build relationships between businesses and local authorities. Other bodies which include the LEPs and ten local councils from across the wider West Midlands region, have reduced voting rights but play a crucial role at Board level, helping to inform policy and drive forward the Authority agenda. Full details of bodies that are members of the Authority are set out in the Annual Governance Statement on pages 36 to 44.

The 2021 West Midlands Mayoral Election was held on 6 May 2021 to elect the mayor of the West Midlands. Andy Street was re-elected and will continue to serve for the next three years as chair of the Authority and its Board.

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



The Group employed 974 people and the Authority employed 699 people as at 31 March 2022. Further analysis can be found in Table 1 on page 12.

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

WMCA's report titled 'Unlocking the potential of the West Midlands' sets out our aims and objectives for achieving our vision. This document helps us to:

- Set out how we will deliver on the region's priorities
- Guide our use of powers and money secured from central government
- Measure our progress against our priorities

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

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

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

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

Our core values and the underpinning behaviours are listed on page 37.

Regional Economic Context

The end of the financial year 2021/22 marked two years since the beginning of the global pandemic and five years since the process to leave the EU formally began. The combined effect of Brexit and COVID-19 has seen output fall in the West Midlands compared with pre-pandemic levels which has led to a fall in employment in important sectors in the region. For example, the West Midlands automotive sector has seen 61,211 jobs lost in the Midlands and the region is particularly exposed to the on-going impacts of Brexit due to its heavy dependence on exports to the EU - 55% of the West Midlands' £934m exports in manufacturing services and 62% of its £177m exports in Wholesale and Motor Trades' services head for the EU.

These so-called '2020 Shocks' have now been further compounded by a further global shock. Russia's invasion of Ukraine and the economic sanctions that have been placed on Russia have put global energy supplies at risk. Russia currently accounts for around 10% of the world's energy supply, including 17% of natural gas supplies and 12% of oil supply. The primary impact of the war in Ukraine has been soaring energy prices having an impact on both businesses and consumers in the West Midlands. A further rise in the price cap on energy is expected in October 2022. Both the war and lockdowns in China are making it hard to import things which is likely to push up prices. As a result of these factors, the Bank of England expects inflation to rise to almost 11% later this year. The Bank also predicts that whilst the UK economy has been recovering from the effects of Covid, the increased cost of living is expected to lead to slower economic growth overall.

In the West Midlands, the number of people on Universal Credit (UC) has soared from pre-pandemic levels, with some areas of Birmingham seeing claims more than double. The West Midlands also has one of the highest rates of fuel poverty in England. The rising cost of electricity and gas will further push families into poverty. In September 2021 around 18% of homes could not affordably heat their homes compared with the England average of 13%.

Despite these shocks, business confidence in the region has remained high. The West Midlands Business Confidence Index produced by the Institute of Chartered Accountants in England and Wales (ICAEW) has improved, making it the joint most confident region in the UK, alongside London. Domestic sales growth was faster than in any other UK nation or region in the 12 months to Q1 2022, with even stronger growth expected for the year ahead.

Labour market statistics also show more positive indicators. For the three months ending January 2022, the West Midlands Region employment rate (aged 16 – 64 years) was 75.7% - a record high. Since the three months ending October 2021, the employment rate saw an increase of 1.1 percentage points (pp); while there is an increase of 2.7pp when compared to the same period in the previous year – with the latter the largest increase across all regions. Furthermore, for the three months ending in January 2022, the West Midlands Region economic inactivity rate (aged 16 – 64 years) was a record low of 20.3% - a decrease of 1.3pp from previous quarter and a decrease of 1.6pp when compared to the previous year - both time comparisons were the largest decreases across all regions.

3. Governance

Governance arrangements during the year are set out in the Annual Governance Statement that can be found on pages 36 to 44.

4. Operational model

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

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

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

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

Table 1 below sets out the headcount (March 2022) and established full time equivalent (FTE) posts.

Table 1: WMCA, MML & WM5G Staffing Analysis — March 2022

No.	Headcount	FTEs
TfWM	357	329.7
Enabling Services	193	189.6
Other Services	139	136.9
Mayor's Office	10	9.6
WMCA Total	699	665.8
Midland Metro Limited	255	242.5
WM5G Limited	20	19.2
Group Total	974	927.5

With regard to Equal Pay requirements contained within the Equality Act, the Authority ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality-proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role. This policy has been the subject of a review by the Authority's Audit, Risk and Assurance Committee.

5. Operational performance

Performance summary of the 2021/22 High Level Deliverables

The WMCA is committed to delivering positive change across the West Midlands region and this is evidenced through our High Level Deliverables (HLDs), which demonstrate to our stakeholders how we are progressing and what is being delivered.

In February 2021 the WMCA Board approved the HLDs for the 2021/22 financial year. HLDs are the output measures of the work that is being undertaken over the year and this section shows how we have performed and our key achievements.

There were 105 HLDs in total and 50 HLDs have been successfully completed in the 2021/22 financial year. A further 55 HLDs have completion dates post-March 2022. These have been absorbed into 2022/23 HLDs and will then be monitored over the following year.

Out of 105 HLDs, 95% have remained within acceptable tolerance levels (completed and on track).

2021/22 key achievements:

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

Strategy, Culture & Digital

- Led the organisation in the development and approval of the WMCA Aims and Objectives at WMCA Board in November 2021. Engaged in the delivery of the £5.3m Community Renewal Fund (CRF) programme, an integral part of the Government's plans to level up communities and support people most in need within our region. The CRF programme seeks to tackle local challenges – whether through building skills, supporting local businesses, supporting communities and places and providing employment support throughout the West Midlands.

- Eight locally led projects have been designed to offer people new skills and opportunities. These include skills training for those impacted by the economic fallout from the COVID-19 pandemic and projects to close gaps in support for key groups such as the over 50s and those with a history of offending.

  The projects awarded funding are:
  - £757k to Sandwell Council for the Black Country 50 plus partnership to plug gaps in support for residents aged 50 and over
  - £448k to the Greater Birmingham and Solihull Local Enterprise Partnership to set up the 'No Code' digital skills project aimed at 16-19-year-olds to create the tech entrepreneurs of the future
  - £903k to the 'Good Things Foundation for the Digital Future' project to get marginalised communities online, helping them to access jobs and opportunities
  - £509k to Walsall Council for the 'Works+' project to help get back into work those whose jobs were lost or put at risk through the pandemic
  - £586k to the Chance Heritage Trust to explore opportunities to regenerate the Chance Brothers Glassworks and Soho Foundry and Mint as economic and community hubs
  - £496k to the Wolverhampton Voluntary Sector Council for its Black Country Talent Match to provide mentoring, advice, skills training and support for local young people with a background of offending
  - £694k for Coventry City Council's Creative Growth and Cultural Tourism Recovery Programme
  - £706k for the Wolverhampton Voluntary Sector Council's project with 16 local organisations to provide support to people who face barriers to achieving full citizenship.

- Initiated the WM Cultural Sector Research which has provided a robust evidence base, a first for the local arts and cultural sector. Launched the Cultural Infrastructure Map which will strengthen the sectors potential in securing more investment and to reach more communities throughout our region. Led the Cultural & Creative Social Enterprise Pilot programme which has now come to an end: the programme was created to address challenges raised by the COVID-19 pandemic, particularly for smaller, diverse organisations operating within their home communities. The two selected participants received funding to develop their business ideas and operations, as well as training and mentoring support throughout their journey For more information on our achievements please visit: .https://beta.wmca.org.uk/what-we-do/culture-and-digital/culture/cultural-and-creative-social-enterprise-development-programme/

Economy & Innovation

- The 'Made Smarter West Midlands' programme was commissioned, supporting over 100 firms to digitise their processes and services, with a consequent increase in firm-level productivity.

- Collaborated with Create Central to support the growth of the Creative Services industries within the West Midlands. This resulted in securing a new partnership with the BBC and the relocation of the MasterChef production from London to Birmingham from 2024. It will be the first time one of the BBC's prominent shows will be produced outside of London in over 20 years. This partnership also resulted in the production of a new serial drama filmed within Birmingham.

- Led the development of the West Midlands Plan for Growth which pinpoints the potential for the region's economy to secure above average growth in clusters which will deliver more good jobs for local people.

Environment

- WMCA was recognised by the government backed, Climate Emergency UK as having the top scoring climate change plans in the country amongst combined authorities and the second best overall out of all local and combined authorities. The Climate Emergency UK exists to support all local and combined authorities by providing accessible information about best practice, and providing a network where local authorities, activists, non-government organisations (NGOs), business and local communities can work together.

- The Environment Team launched the Community Green Grants in January 2022, offering community groups a share of £725k to improve people’s access to quality green space across the West Midlands.

- Through our work on supporting and encouraging the region's tree planting efforts, there have now been over 88,000 new trees registered on the West Midlands Virtual Forest since January 2020.

Energy Capital

- Establishment of the SMART (Sustainable Market for Affordable Retrofit Technologies) Hub to channel retrofit funding and activity. The team have already led the region to attract funding in excess of £10m and supported partners in additional bids of more than £14m. This investment will be spent on the homes of vulnerable people; directly saving carbon and improving the living conditions of people in the region.

- Energy Capital have delivered several innovation projects spanning heat networks, retrofit and local energy system planning and operation. These have enabled the WMCA to identify the genuine opportunities and barriers to net zero in the region and places us in a strong position to overcome these with the support of Government and investors.

- The Energy Capital team are working on a Trailblazer Devolution Deal following the publication of the Levelling Up White Paper. On net zero, we are prioritising Local Area Energy Planning and Zoning and the establishment of a Retrofit Commissioning Framework to consolidate the funding streams that come from government.

Housing & Land

- In 2021, the Directorate oversaw the deployment of £100m+ to invest in housing, commercial and regeneration schemes in the region, heavily prioritising brownfield sites.

- Built new and strengthened existing relationships as the West Midlands’ first Public Land Taskforce was launched. The Directorate progressed a programme of industry-led taskforces on town centres, zero carbon, modular construction and commercial development, signed a strategic partnership with a major developer and progressed innovative partnership working with regional housing associations

- Led the transformation of 16 Summer Lane to support hybrid working and our wider WMCA property and estate management goals.

Inclusive communities

- Commenced delivery of the new West Midlands Race Equalities Taskforce, that will take action to improve equality of opportunity for all our communities, including appointing the Taskforce’s membership and developing an evidence base and forward plan for 2022/23 activity.

- Developed and published the WMCA Equality Scheme 2022-24 which sets out our vision, ambitions and proposed objectives for promoting equality, diversity and inclusion across the organisation and our work over the next three years.

- Delivered a varied portfolio of activity to embed equality, diversity and inclusion and citizen voice throughout the WMCA. This included establishing staff networks, delivering internal positive action initiatives, consulting with a wide range of community groups and supporting our Young Combined Authority.

Productivity and Skills

- This year saw an investment of over £150m of adult skills funding which resulted in training opportunities for 41,000 local people.

- The team responded quickly in combating the changing economic context, investing in new training to support key regional sectors, including construction, manufacturing, digital and business and professional services – with a 20% increase in job outcomes across our offer. We were pivotal in developing and delivering HGV driver training in response to emerging sector pressures – providing a blueprint for subsequent national programmes.

- We have delivered ground-breaking digital bootcamps to 2,000 local people, double what was achieved in the previous year, with 50% female and 50% from black and ethnic minority communities – helping over two-thirds of participants into employment.

PSR & Social Economy

- The WMCA Housing First pilot was the first in the country to meet its target, supporting over 500 people into accommodation with intensive wrap-around support.

- WMCA launched 'Growing the social economy in the WMCA area', the region's plan for doubling the size of the social economy in 10 years, as promised to the Social Economy Taskforce in 2020. We are now working to deliver this plan as part of a cross-sector virtual team.

- Agreed, published and began delivery against a 13-point joint action plan with the Police and Crime Commissioner to collaboratively take action to make the West Midlands a safer place to live, work, learn and visit.

Transport for West Midlands

- There were successful bids for delivery programmes including £1.05bn City Region Sustainable Transport Settlement (CRSTS), £86.9m Bus Service Improvement Plan (BSIP), £30m for Zero Emission Bus Regional Area (ZEBRA) hydrogen bus and £17.5m for active travel to continue the authorities' aspirations for a better connected and greener transport network which supports the aims and objectives of the WMCA.

- Delivery of existing projects including; phase 1 of the Sprint Network from Walsall to Solihull via Birmingham City Centre; the roll out of the Cycle Hire scheme and delivery of the new cycle infrastructure with Local Authorities; continued delivery of the Birmingham University and Perry Barr rail stations to improve connectivity to meet passenger demand and support wider regeneration; upgrade of Pool Meadow Bus Station to support the City of Culture in Coventry; continued delivery of the Metro extensions in Birmingham and Wolverhampton and many other smaller projects. Also, successful completion of the Commonwealth Games Statutory Transport Plan and agreement for the Local Transport Plan core strategy with a good response achieved from the consultation.

- Continued to support passengers across the public transport network through the fluctuations of COVID-19 restrictions by; managing our bus stations and maintaining services; trialling new customer services for pilot schemes such as e-scooters and Cycle Hire; implementing the Demand Responsive Travel trial in Coventry; extending the Future Transport Zone test bed and testing of innovative technologies; and opening a local road Highways 'desk' at National Highways Regional Operation Centre, thereby extending the reach and collaboration of the Road Traffic Control Centre (RTCC).

Wellness

- The 'Thrive into Work' programme has been recognised within the sector for achievements made in the Individual Placement Support (IPS) practice and has received funding to extend the programme to March 2023. A Coalition Panel of regional health and employment leads has been established to guide the programme and services, which continues to deliver excellent results. This year we have achieved:
    - 1,332 programme starts
    - 345 people achieved employment outcomes
    - Generated a further £2.84m of funding into the region to continue to deliver IPS services

- ‘Thrive at Work’ continues to drive forward the agenda for improved health and wellbeing options for employees at their place of work. This year we had:
    - 150 new organisations registered to ‘Thrive at Work’
    - 38 organisations used our Health Needs Assessment tool
    - 35 organisation achieved Foundation level accreditation
    - 15 organisations achieved Bronze accreditation
    - Celebrated the first organisation to achieve Silver accreditation

- Establishment of a Mental Health Commission, from the findings of the 2021/22 Health of the Region report, focusing on health inequalities in the wake of the pandemic. Expanded the WMCA’s influence in health inequalities and prevention space by working with the region’s Integrated Care System and local public health teams. This work has led to the coordination of remote diagnostic centres in the region, improved digital inclusion and, benefitting from their expertise, enabled us to take a ‘health in all policies’ approach to our devolved responsibilities. This has also paved the way for our trailblazing devolution asks around health to be negotiated with the Government.

Enabling Services
Our specialist and professional Enabling Services play a critical role in supporting the delivery of the WMCA Aims & Objectives, and work in a collaborative and integrated way across the business.

During 2021/22 the Business Transformation programme led to structural changes within Enabling Services to ensure the most effective and efficient ways of working were being implemented, thereby forming the Finance and Business Hub. A key outcome of this work was to build a business partner model, ensuring there was a strategic and specialist resource in all teams and that outcomes and requirements are agreed and updated on a regular basis. This inward look will continue throughout 2022/23.

The Enabling Services team comprises of 189.6 FTE across the following areas:

- **Communication –** Communications supports all of the directorates to engage with their audiences to help them achieve their objectives and celebrate success. We are proud to work on projects that have helped the people of the West Midlands feel more connected through our transport network; see their region come alive with vibrant new housing and regeneration projects; learn valuable skills that help them succeed; plant trees that add to the region’s virtual forest and put urban communities back in touch with nature; and support a healthier and happier workforce by sharing best practice on mental health. Throughout the year we have delivered projects with local, regional and national impact - hosting the region’s first international climate change conference alongside UK100; launching a strategy for tackling violence against women and girls on our transport network which was covered in national and broadcast media; and running two jobs fairs that saw nearly 2,500 people attend.

- **Digital & Data** – Processes have been re-analysed to enhance and create a closer working relationship with directorates and services across the business. The Technical Governance Panel was introduced to consider technical specification. This has enabled better planning and design work that has underpinned deliveries which include new back office systems such as Finance and HR, as well as modernisation of legacy systems and infrastructure.

- **Equalities and Inclusion** - Developed and published the WMCA Equality and Inclusion Scheme 2022-24, which sets out the WMCA’s vision, ambitions and proposed objectives for promoting equality, diversity and inclusion across the organisation and our work over the next three years. The team have also delivered a varied portfolio of activities to embed equality, diversity and wellbeing internally including establishing staff networks, delivering internal positive action development initiatives, embedding wellbeing and inclusion in key internal processes and introducing equality objectives in performance reviews. As a result, we have seen a positive shift in our workforce statistics.

- **Finance and Business Hub**

  - **Assurance and Appraisal** - The Programme Assurance & Appraisal team have led the implementation of the Single Assurance Framework (SAF) across WMCA Project Portfolios/Directorates which will enable WMCA to increase its project/programme management capability. The team leads key processes for ensuring accountability, probity, transparency and legal compliance, and for ensuring value for money is achieved across its investments.

  - **Business Planning –** Developed an Annual Business Plan for 2022/23, directly aligned with the corporate aims and objectives, creating a clear 'golden thread' from strategic vision to Individual Performance Management (IPM) goals and identification of both financial and workforce resources. A collaborative approach was taken with directorates to develop SMART High-Level Deliverables (HLDs) for the next financial year (2022/23).

  - **Commercial and Investment –** As well as overseeing £121m of Investment programme spend and £24m of commitments, the team supported Directorates delivering innovative new projects e.g., the Help 2 Own affordable housing initiative delivering its' first homes under a LLP Joint Venture structure. Two further Joint Venture structures were researched, structured and presented for approval in the year; Electric Vehicle Charging Area Transit station (EV CATS) and the West Midlands Co-Invest.

  - **Finance -** Helped lead and influence funding bids into Government resulting in over £1bn of new funding being secured for WMCA to deliver against its Aims and Objectives.

  - **HR –** There has been a full review of the HR team structure which gained approval from the Strategic Leadership Team (SLT), resulting in an approved strategy to re-design the service provided by the HR team to the organisation. This included the creation and implementation of a HR Service Centre, aimed at first line employee support and response to queries, and a dedicated team of strategic HR Business Partners working closely with Directorates to fully embed themselves within the teams they support.

  - **Performance –** To improve our reporting capability, the team worked with colleagues from Digital & Data to develop a new 'single source of truth' reporting platform to support data driven decision-making and the journey to a performance management culture.

  - **Procurement –** Achieved SLT approval in January 2022 to strengthen the team, including newly created positions of Procurement Business Partners. The roles will provide increased in-house capacity and capability to meet the Authority's growing demands, and further develop our service offer to the organisation.

  - **Risk –** During 2021/22 a Strategic Risk Management Framework was developed and approved by Audit, Risk and Assurance Committee (ARAC), together with all associated tools and templates. A series of training sessions then provided support for teams and risk owners to use the framework and to identify, monitor, manage and review risks.

- **Learning and Organisational development –** Led the organisation in the introduction of the Clearview platform, helping staff to understand how their work links with and supports the delivery of the strategic aims and objectives of the organisation through Individual Performance Management goals.

- **Legal and Governance** – During 2021/22, the team strengthened its in-house capability and capacity to enable substantially more legal work to be carried out internally, achieving better value for money.

- **Strategic Facilities Management and Assets** – Led the business continuity during the pandemic through the delivery of a working environment that is COVID-19 compliant and supports the re-imagined hybrid ways of working at our Summer Lane Headquarters.

6. Financial performance

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

Revenue Performance

Table 2 set out below shows the overall consolidated revenue position for the Authority compared with the budget approved by the Authority Board in February 2021, and is set out in the same way as the regular financial reports that are considered by the Authority Board. This means that the table excludes statutory accounting and funding adjustments required by the Code of Practice on Local Authority Accounting, setting out the outturn position in the same way that the Authority's finances are planned and managed throughout the year.

Table 2: West Midlands Combined Authority Revenue Outturn 2021/22

£000's	Year to Date			Reconciliation to Expenditure and Funding Analysis (note 6)							
	Actual	**Budget**	**Variance**	Transport Services	Other Services	Invest. Prog.	Mayor's Office	Mayoral Elections	Finan-cing	Grant income	Total
Transport Levy	114,720	114,720	0							114,720	114,720
Commonwealth Games	5,279	5,423	(144)	5,279							5,279
Revenue Grants & Other Income	20,197	9,348	10,849		19,437		760				20,197
Adult Education Funding	125,169	142,698	(17,529)		125,169						125,169
Share of Business Rates	9,000	9,000	0							9,000	9,000
Constituent Membership	4,644	4,644	0							4,644	4,644
Non Constituent Members	425	425	0							425	425
Investment Programme	36,500	36,500	0							36,500	36,500
Investment Income	976	898	78						976		976
Use of Reserves	9,947	9,495	452	5,630	1,199			3,118			9,947
Total Funding	**326,857**	**333,151**	**(6,294)**	**10,909**	**145,805**	**0**	**760**	**3,118**	**976**	**165,289**	**326,857**
Transport for West Midlands	110,400	119,415	9,015	110,400							110,400
Commonwealth Games	5,279	5,423	144	5,279							5,279
Economy & Innovation	7,082	3,381	(3,701)		7,082						7,082
Environment, Energy & HS2	1,116	598	(518)		1,116						1,116
Housing and Land	1,242	1,400	158		1,242						1,242
Wellbeing	1,357	1,502	145		1,357						1,357
PSR & Social Economy	1,566	1,563	(3)		1,566						1,566
Culture and Digital	5,803	174	(5,629)		5,803						5,803
Productivity & Skills	131,446	147,598	16,152		131,446						131,446
Inclusive Communities	67	68	1		67						67
Business Support	2,729	2,064	(665)		2,729						2,729
Investment Programme	45,683	45,605	(78)			45,683					45,683
Mayoral Office	760	760	0				760				760
Mayoral Election	3,118	3,600	482					3,118			3,118
Total Expenditure	**317,648**	**333,151**	**15,503**	**115,679**	**152,408**	**45,683**	**760**	**3,118**	**0**	**0**	**317,648**
Net Income (before reserves)	**9,209**	**0**	**9,209**	**(104,770)**	**(6,603)**	**(45,683)**	**0**	**0**	**976**	**165,289**	**9,209**
Earmarked reserve (Support for Bus Network)	**6,350**	**0**	**(6,350)**	6,350							6,350
Earmarked reserve (2022/23 Transport Budget Support)	**3,600**	**0**	**(3,600)**	3,600							3,600
Net Expenditure (after reserves)	**(741)**	**0**	**741**	**(114,720)**	**(6,603)**	**(45,683)**	**0**	**0**	**976**	**165,289**	**(741)**

Transport	0	0	0
Wider Services	(741)	0	(741)
Mayoral Office	0	0	0
Total Surplus / (Deficit)	**(741)**	**0**	**(741)**

The table 2 on page 18 shows the overall consolidated revenue position for the WMCA. Total expenditure of £317.6m, compares favourably with the budgeted expenditure of £333.1m and is funded by the Transport Levy, government grants, investment programme, business rates growth, contributions from members, reserves and other income streams.

This provides a net income position at the end of March of £9.2m. To support the 2022/23 budget, £9.9m has been transferred to reserves, an increase of £6.3m from the final forecast out-turn for the year. The resulting net expenditure of £741k for the financial year is within the Wider Services budget.

Transport represents a total favourable position of £9.950m compared with budget, comprising £9.015m as shown above and £0.935m planned use of reserves. This is largely due to Concession savings during the pandemic as a result of reduced service provision by operators, lower patronage and no fare increases. Further savings have been achieved due to the revision of the Accessible Transport contract, which included bringing the Customer Service team in-house. Additionally, increased Digital Advertising revenue, current savings within the Subsidised Bus budget and ongoing staffing variations across various areas have also contributed towards the overall favourable variance. The total favourable position of £9.950m has been transferred to earmarked reserves.

The net savings have been utilised to create two reserves, one supporting the Bus Network and the second mitigating against potential risks relating to the Metro and Rail programmes in future years.

Within the Wider Services budget, the adverse variance of £0.741m is due to timing of the planned use of reserves, partly offset by additional grant income within the Wellbeing and Productivity & Skills Portfolios, savings relating to staffing variations and the re-profiling of activity across several Portfolios.

The adverse variance of £17.5m on Adult Education Budget reflects lower learner numbers compared with the original budget, owing to the knock on effect of the pandemic and lower take up on Level 3 skills than anticipated in the budget. The adverse variance on Culture and Digital of £5.6m reflects expenditure on the Business and Tourism Programme for the Commonwealth Games which was funded from Government grant. The budget and funding for the programme was agreed after the original budget was set in February 2021.

Capital Programme Performance

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

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

The Authority spent £387.6m on capital projects in 2021/22 (see note 31) which was £206.9m less than the budget of £594.5m and primarily reflects the re-phasing of activities in relation to the various Metro extension schemes. Furthermore, grants allocated to Local Authorities through the Investment Programme and Commonwealth Games schemes are taking place later than originally planned. The variances at the end of March 2022 were spread across all programmes, but primarily within the WMCA Investment Programme (£88.6m), the Investment Programme Grants to Local Authorities (£35m) and the Commonwealth Games (£32.7m). The impact of the COVID-19 pandemic has had a prolonged and significant impact on progression of schemes across the year due to resource shortage in construction and within the Local Authorities. In the main, delivery schedules are not anticipated to be impacted by the rephasing of expenditure plans into 2022/23.

Major items of capital spend in the year were:

- Metro Wednesbury to Brierley Hill Extension £58.0m
- Metro Birmingham Eastside Extension £46.6m
- University Station £30.1m
- SPRINT A45 Birmingham-Airport-Solihull £29.6m
- Alexander Stadium Redevelopment £25.0m
- Coventry Station Masterplan £16.7m
- SPRINT A34 Walsall to Birmingham £16.1m
- Perry Barr Rail Station £15.6m
- Coventry Friargate Business District Regeneration £14.5m
- Metro Edgbaston Extension £12.9m
- Coventry Electric Bus City £11.4m

The capital programme spending of £387.6m was financed in the following way:

Table 3: Financing of Capital Expenditure 2021/22

	£ million
Government grants	231.3
Borrowing	111.2
District/Local Enterprise Partnership (LEP) grants and contributions	9.4
Third party contributions	25.8
Gainshare contribution	9.9
Total	**387.6**

7. Strategy and resource allocation

Revenue Budget 2022/2023

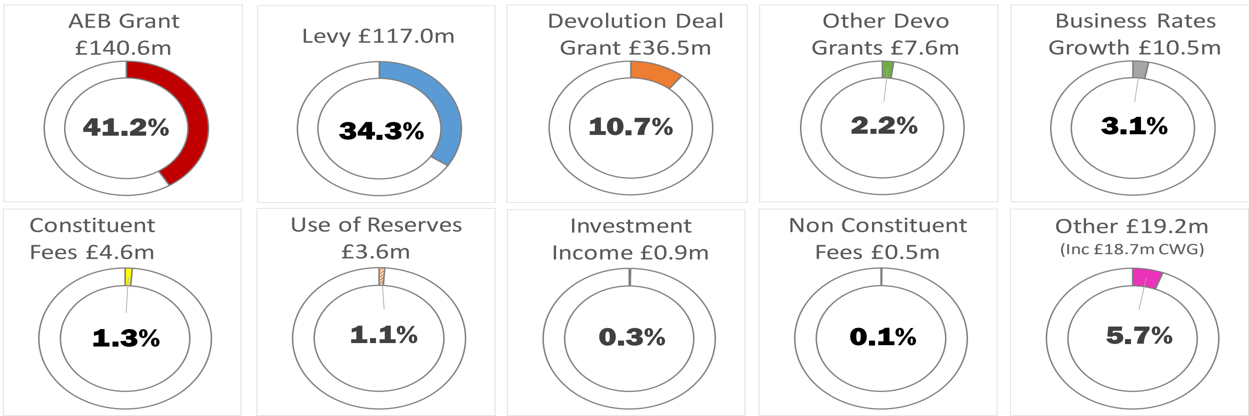
The tables on page 21 show how the £341m revenue income is sourced and where it gets allocated for expenditure. 2022/23 Transport expenditure is to be funded by £117.0m of Transport Levy, which WMCA receives from its constituent members, £4.5m of Business Rates and £3.6m of WMCA's existing Reserves. The Transport Levy has been increased by 2% (£2.3m) from 2021/22, having previously remained flat for five years. Also, within Transport, WMCA will receive a grant of £18.7m from the 2022 Commonwealth Games Organising Committee to support the delivery of the Games.

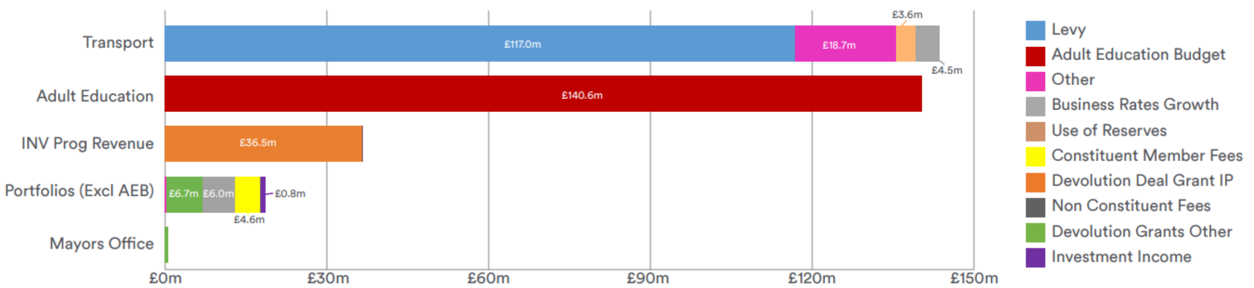
2022/23 Non-Transport expenditure includes WMCA's devolved funding in order to deliver Adult Education throughout the region, as part of our Productivity & Skills portfolio. The remaining expenditure in the area includes WMCA's Economy & Innovation, Culture & Digital, Wellbeing, PSR & Social Economy, Environment and Inclusive Communities portfolios, as well as revenue costs of delivering our Housing & Land Capital Programme.

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

WMCA has committed to working with Constituent Authorities throughout 2022 to develop a longer-term, sustainable budget and plan, building on the work to develop the 2022/23 Aims and Objectives.

Financial Position
2022 / 2023 Revenue Budget Analysis

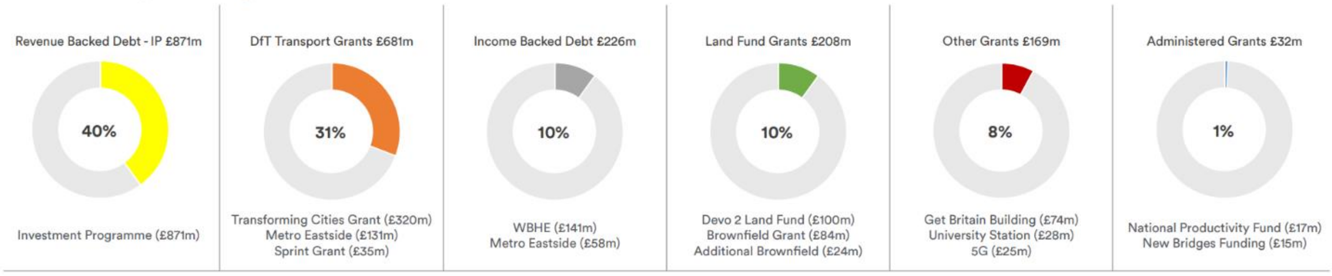


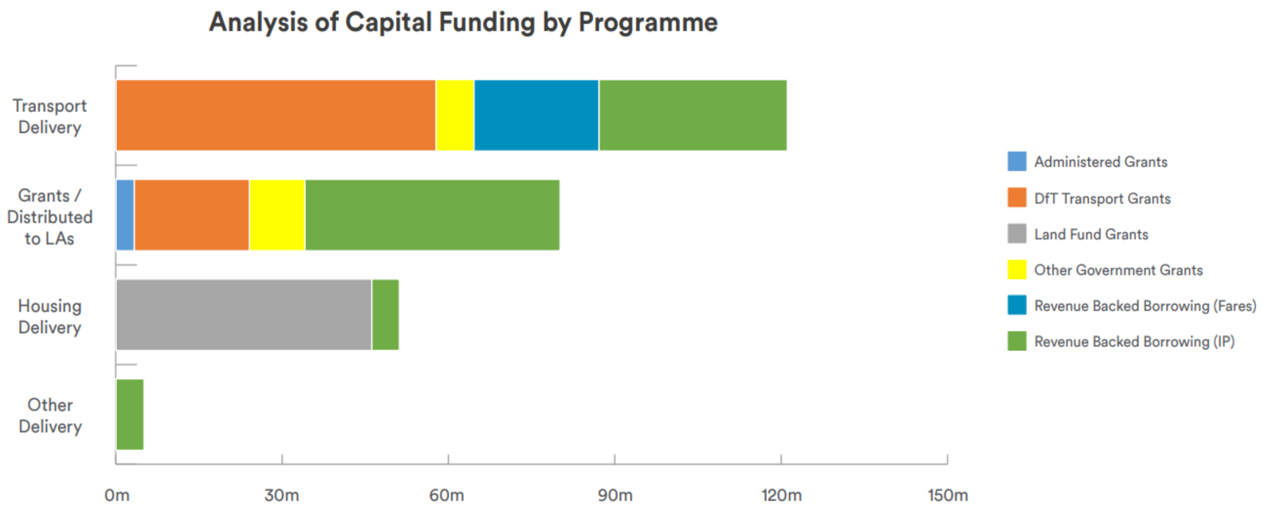


Capital Budget 2022/2023

The WMCA Capital Programme is summarised in the tables below highlighting the current planned capital investment between 2021/22 and 2025/26. This position represents the latest 2021/22 reforecast. The final 2022/23 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2022/23 following confirmation of the 2021/22 outturn position. It should also be noted that this view does not include any allocation of the recently awarded City Regional Sustainable Transport Settlement (CRSTS) funding of £1.05bn.

Financial Position
2022/23 Capital Programme





Medium-Term Financial Plan (MTFP)

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

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

- Demographic growth and demand pressures, specifically where transport payments and services are directly affected by patronage demands;
- Ongoing impact of COVID-19 and associated recovery of the region;
- Inflationary rises;
- Business Rates Retention Scheme and the achievement of growth targets.

The current MTFP assumes a cash flat funding requirement from WMCA's Constituent Authorities, both in terms of the Transport for West Midlands levy and their contributions to the Authority's Wider Services Budget up to and including 2026/27. Whilst this currently represents the planning assumption, it is acknowledged that this creates a potential financial risk, specifically regarding inflationary increases, pay and legislative changes and demand in terms of patronage. The impact of these risks is kept under continuous review and discussion with WMCA's Constituent Authorities.

Assumptions have been made around pay and price rises and the Consumer Prices Index, along with changes in patronage and fares. Any variation on this for 2022/23 will need to be managed within the available resources. These clearly may change significantly over the period covered by the MTFP, meaning a cash flat funding requirement may not be achievable without changes to policy.

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

Table 4: Medium-Term Financial Plan 2022/23 to 2026/27

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Transport Levy	117.0	117.0	117.0	117.0	117.0
Revenue Grants & Other Income	185.1	182.3	180.9	180.0	180.1
Business Rates Share	10.5	12.0	13.5	15.0	16.5
Constituent Membership	4.6	4.6	4.6	4.6	4.6
Non-Constituent Members	0.5	0.4	0.4	0.4	0.4
Investment Income	0.9	0.9	0.9	0.9	0.9
Mayoral Precept	-	-	-	7.9	7.9
Commonwealth Games	18.7	-	-	-	-
Use of Reserves	3.6	-	-	-	-
Total Funding	**340.9**	**317.3**	**317.4**	**325.9**	**327.5**
Transport for West Midlands	125.1	131.1	135.8	145.0	147.6
Commonwealth Games	18.7	-	-	-	-
Portfolio and Enabling Services Budgets	159.7	160.7	160.6	164.6	162.4
Investment Programme	36.6	48.6	50.1	58.6	60.1
Mayoral Office	0.8	-	0.1	0.9	0.9
Mayoral Election	-	-	4.5	1.5	1.5
Total Expenditure	**340.9**	**340.4**	**351.1**	**370.6**	**372.5**
Net Expenditure	**-**	**(23.1)**	**(33.7)**	**(44.7)**	**(45.0)**

The MTFP set out in the table above was noted by the Authority Board in January 2022. A balanced budget position for 2022/23 was approved. However, there currently remains a gap in available funding to support expenditure plans ranging from £23.1m in 2023/24 rising to £45.0m in 2026/27.

It is increasingly acknowledged that Mayoral Combined Authorities do not have an adequate sustainable funding base and therefore need to bid for many of their resources. This makes longer term financial planning more difficult, whilst the continued delay to Her Majesty's Government's Comprehensive Spending Review (CSR) has added to the uncertainty and means it is harder for WMCA to respond to changing priorities. The Constituent Authorities that make up Mayoral Combined Authorities also have a financial model that is subject to ongoing review. It is therefore clear that more stable and long-term funding is needed to enable Mayoral Combined Authorities to deliver their priorities.

WMCA will continue to review existing established expenditure budgets to drive efficiency savings in the medium term and is continuing to lobby Her Majesty's Government alongside other Mayoral Combined Authorities for sustainable funding to be included in the Government's spending plans, including funding future Mayoral Elections.

The process to refresh the MTFP for the period 2023/24 to 2026/27 has already commenced, to include the latest position on additional spending requirements and changes in income.

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

- **Current Economic Climate** – the Consumer Prices Index rose by 7.9% in the 12 months to May 2022 and is currently expected to rise to almost 11% in October 2022. WMCA's revenue and capital budgets are anticipated to be impacted by inflation and global supply chain pressures. These risks are being actively managed as part of the Strategic Risk Management Framework. As a result of recent increases to the Bank Rate, interest rates are expected to increase throughout 2022/23 reflecting current inflation levels. This poses a risk to WMCA on the cost of any borrowing required to support delivery of Capital Infrastructure, but also should allow WMCA to generate better returns on its investments.

- **Levelling Up Agenda** – The Department for Levelling Up, Housing and Communities published its Levelling Up White Paper in February 2022. As part of this, WMCA and Greater Manchester Combined Authority were invited to apply for 'Trailblazer Devolution Deals' which would see both regions given far greater political powers and financial freedoms. Detailed negotiations will take place between WMCA and Her Majesty's Government over the coming months.

- **COVID-19** – the impact of the COVID-19 crisis on WMCA's financial position is being assessed, both in terms of the negative impact on revenue income and the increased risk of cost escalation in delivering its approved Capital Programme and Investment Programme.

- **Capital Financing Costs** – WMCA opted to change the way it calculates Minimum Revenue Provision (MRP) in the 2017/18 financial year. The change was approved by WMCA Board in November 2017 and enabled a MRP 'holiday' to be taken. This 'holiday' period will end during the 2023/24 financial year, at which point MRP charges will be re-introduced. Any changes in Capital Financing requirements and timings will impact the MRP charge incurred in each financial year.

- **Pensions costs** – WMCA received its triennial actuarial valuation which sets the contributions for the three years beginning 2019/20. It agreed to prepay these in order to benefit from a discount, however an updated actuarial valuation is expected, and may require WMCA to make increased annual contributions, or a lump sum contribution to offset any funding shortfall in the pension scheme.

- **Commonwealth Games** – the 2022 Commonwealth Games in Birmingham will be the biggest sporting event to happen in England since the London Olympics in 2012. Between 500,000 and one million people are expected to visit Birmingham over the 11-day sporting event in July-August 2022, and the Games are anticipated to generate a boost of more than half a billion pounds to the West Midlands region. WMCA will play a key role in delivering a robust public transport network during the Games, as well as supporting West Midlands Growth Company who are delivering a Business and Tourism programme in order to leverage economic benefits across the region.

- **Mayor's budget and precept** – All Metropolitan Mayors have powers to raise a Mayoral Precept; effectively an incremental charge on top of existing Council Tax bills. Prior to his re-election in May 2021, the Mayor made a commitment in his manifesto not to set a Mayoral council tax precept for the whole of his 2021-24 term as Mayor.

- **WMCA's Investment Programme** – The Investment Programme aims to deliver an ambitious programme of infrastructure and other measures that are aimed at driving inclusive economic growth in the West Midlands region. Funding for the programme to date is predominantly though Gainshare Grant and Share of Business Rates, with other options for raising the required funding under continual review. Until such time that those additional revenues are realised, the programme will remain within the affordable limit as agreed by WMCA Board.

- **Borrowing Powers** – the amendment to statutory regulations that extended WMCA's ability to borrow for non-transport capital schemes was confirmed in May 2018, subject to the Authority agreeing to operate within an agreed borrowing cap set by HM Treasury. The final year of the three-year cap was 2020/21 (£1,042.0m), however this was rolled forward for 2021/22. WMCA is currently in dialogue with HM Treasury about the value of the borrowing cap which will be effective from 2022/23 onwards.

- **Business Rates Supplement** – WMCA has the same legal powers as Local Authorities to raise a business rate supplement, subject to it gaining consent from businesses affected by the charge. Recognising the regional impacts such a charge may have on local businesses, the prospect to implement a Business Rates Supplement was placed on hold by WMCA Board in July 2019.

- **Midland Metro Limited** – MML is expected to generate profits in the longer term, which will be channelled back into the network for the benefit of passengers and the local economy. Patronage falls during the COVID-19 outbreak and two service shutdowns in June 2021 and March 2022 have significantly increased the risk of this investment. This risk is under constant review, both in respect of ongoing operational costs, but also the ability of MML to generate the required revenues in order to secure borrowing for future investment in the network.

- **Commercial & Residential Investment Funds** – WMCA's Investment Funds support the acceleration of commercial / residential property developments within the West Midlands area where traditional lending is not readily available.

  These are revolving loan funds that aim to underpin the region's long-term growth and stability and are open to developers seeking finance of £1m to £20m. The fund commits repayable loan capital to eligible commercial, light industrial and residential regeneration opportunities at commercial rates of interest. The maximum value of commitments WMCA will allow against the total fund is £210m.

  WMCA is obliged under the Accounting Standards to make a suitable financial provision for credit losses which, in the event of a default, would be used to negate the in-year impact of the event.

- **General Fund balances –** although the appropriate level of general fund reserves is a matter of judgement by the Finance Director (Section 151 Officer), the generally accepted practice is for general fund reserves to be between 3% and 5% of expenditure. The proposed balance is below this recommended level and consideration should be given to increase the level of General Balances to ensure risk can be managed within WMCA without creating volatility on Constituent Authority contributions. It is noted however that the Authority does hold Earmarked Reserves, which gives the Finance Director (Section 151 Officer) comfort that the General Fund balance is sufficient in the short term.

8. Risks and opportunities

Risks

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

The Authority's Strategic Risk Register (SRR) supports the identification and management of the risks faced by the organisation in achieving its organisational or strategic objectives. The SRR captures only those high-level risks which are of such significance as to require oversight and assurance by the Strategic Leadership Team (SLT). Operational Risk Registers are in place within directorates, and review meetings take place across all the Authority's activities enabling full visibility of key risks with the potential to impact on the organisation. The Risk Management Framework includes a process that allows for risks to be escalated from the Operational Risk Registers, ultimately to the SRR.

Regular meetings are in place with the management team of each business area to monitor the status of risks and to ascertain the level of risk exposure in each of these areas to determine the assurance conclusions. Additionally, the SRR is reviewed by SLT on a quarterly basis to ensure key risks are captured on the SRR and effective mitigation measures are in place to reduce or eliminate the resulting effects. Risk Management, Performance Management and Business Planning activity is being brought together to provide a strong evidence base to substantiate the risk assumptions and improve decision making.

Progress of the 2021/22 Annual Business Plan was monitored on a monthly basis by internal management teams with key risks impacting on its delivery being escalated to the directorate operational risk registers. In addition, delivery against performance of the High-Level Deliverables within the Annual Plan was reported monthly to SLT and quarterly to the Authority Board.

We have reviewed and assessed the economic, financial, commercial and contractual risks associated with the conflict in Ukraine. Any emerging financial pressures, particularly in relation to capital delivery, and operational costs relating to pay, prices and utilities will be closely monitored and reported through the Authority financial monitoring report. We can confirm that the Authority has no investments or contractual ties to any Russian based companies or direct supply chain connections. Likewise, our pension fund administrators, Hymans Robertson LLP, have confirmed that some Local Government Pension Scheme (LGPS) Funds had direct Russian investment exposure which may have been written down, but these are typically very small proportions (<0.2%) of a Fund's overall assets.

In addition, following the National Cyber-Security Centre's announcement of a heightened cyber threat to the UK, and encouragement to organisations to bolster their online defences, we are revising the SRR to reflect both this advice and our response.

There are currently nine risks rated Very High even after mitigants have been applied, though seven of these risks have remained static for some time, as follows:

- Financial assumptions for Investment Programme
- External factors
- Data protection and protective security
- Stakeholder and political relations
- Capacity and capability
- Project / Programme Appraisal and Assurance – ensuring compliance to national devolution commitments
- Longer term economic impact of COVID-19 on public transport provision
- Commerciality
- Financial resilience of WMCA to absorb fiscal shocks

Those risks with a residual high-risk score are explained in further detail below.

Financial assumptions for Investment Programme	• If the Authority is not able to realise the supplementary (or alternative, equivalent) income streams envisaged in the 2016 Devolution deal the Investment programme may not be delivered as originally intended.
External factors	• External challenges or changes in policy from global or government / political or financial change are not factored into the Authority plans, which could make delivery ambitions more difficult to achieve.
Data protection and protective security	• Cyber Crime, which includes social engineering (phishing, vishing and smishing), malware attack, direct 'hacking', theft of data and/or denial of service of ICT systems and services, is an increasing threat and public sector bodies are regular targets. • Human error or the failure of an individual/team to follow data protection legislative requirements, resulting in the loss of data and/or access to data by unauthorised persons. • A data breach event from outsourced services occurring at a partner organisation with whom we have contracted to process data on our behalf.

Stakeholder and political relations	• As the Authority continues to expand and absorb new remits and accountabilities that WMCA's stakeholder and political relations become more pressured. Positive stakeholder and political relations are needed to deliver the ambitions of the organisation. • The potential devolution of new powers and budgets from the government to WMCA under the Government's 'levelling up' proposals and continued uncertainty on when and how this will be achieved will increase pressures on financial, operational governance and scrutiny functions. There may be challenges in maintaining the relationships across the region which helped to deliver the WMCA.
Capacity and capability	• Capacity and skills amongst managers and officers may not be sufficient or fully aligned to meet the continuing focus for delivery of new and challenging initiatives within WMCA, particularly there are current known capacity issues in Procurement due to resourcing gaps. • The organisation has moved to a predominantly home working environment. There is a risk that operational efficiency and staff morale and wellbeing could be affected in the long term.
Longer term economic impact of COVID-19 on bus service provision	• The budget for the provision of subsidised bus services within the current policy framework is forecast to be under significant pressure. Commercial bus operators are currently being supported by time limited funding enabling operators to maintain their pre-Covid service levels despite the loss of revenue from reduced patronage. It is unlikely, on the majority of routes, that patronage will recover to pre-Covid levels and may therefore affect the commercial viability of some services.
Commerciality	• Having chosen to use commercial company delivery models in some areas, challenging economic conditions and/or material loss of revenue from investments may result in: a) commercial models not being able to deliver expected benefits and commercial revenue targets and/or b) the structure exposing the Authority to greater financial risk if the delivery model is unsuccessful.
Project/Programme Appraisal and Assurance – ensuring compliance to national devolution commitments	• New project and programme proposals are not effectively appraised or assured in line with the Devolution Deal commitments made to Central Government. Business Transformation has resulted in changes in support for Single Assurance Framework (SAF) implementation. In the short term this may have an impact on the capacity to implement and embed the SAF across all WMCA project portfolios. The risk may be exacerbated by new funding streams in response to the Covid pandemic.
Financial resilience of WMCA to absorb fiscal shocks	• The revenue budget in recent years has been supported by reserves and other one-off resources. The nature of this funding limits the degree to which WMCA can quickly direct funding towards specific priorities (or changing priorities) and also reduces the extent to which WMCA has the financial capacity to effectively deal with fiscal shocks; examples being the recent pandemic and related / unrelated escalations in revenue and capital initiatives.

Opportunities

The Levelling Up White Paper, published by Government in February 2022, establishes the West Midlands as a national trailblazer for the transfer of ‘London-style’ powers to the regions and into the hands of the people who know their areas best. This represents the commitment from Government to negotiate a third, trailblazing, devolution deal with the West Midlands and enables WMCA to apply for more powers and funding, ensuring devolution goes hand-in-hand with levelling up. This will include WMCA given control over its allocation of the new UK Shared Prosperity Fund to improve education and training opportunities, launched in April 2022.

As part of the Spending review in October 2021, the Government confirmed funding of £560m for the new ‘Multiply’ scheme aimed at improving half a million adults’ numeracy. All mayoral combined authorities are to be allocated funding for providers to run the free courses from the UK Shared Prosperity Fund, with this new initiative to complement existing Adult Education Board (AEB) programmes.

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

WMCA is working with the Department for Levelling Up, Housing and Communities (DLUCH) to achieve a Simplified Funding Landscape. This would enable WMCA to have access to long-term, single cross-departmental funding pots which are free of onerous conditions, where investment decisions are ultimately taken by local leaders. Organisational effort and resource could then be directed towards delivery (rather than competitive bidding) and for WMCA to be held to account by Government through single points of contact, consistent Monitoring & Evaluation / reporting arrangements; all to be supplemented by adequately robust oversight and scrutiny frameworks.

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

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

During 2021/22 a programme of Business Transformation led to structural changes within Enabling Services to ensure the most effective and efficient ways of working were being implemented. A key outcome of this work was to build a business partner model, ensuring there was strategic and specialist resource in all teams and that outcomes and requirements are agreed and updated on a regular basis. This inward look will continue throughout 2022/23.

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

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

The second largest subsidiary, WM5G Limited, came into operation in 2019/20 in order to channel the investment from the European Regional Development Fund (ERDF) and from central government through the Department for Digital, Culture, Media & Sport (DCMS) into the development of new 5G technology at its testbed in the West Midlands.

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

9. Midland Metro Limited

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

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

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

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

10. WM5G Limited

West Midlands 5G Limited (WM5G) is a private limited company wholly owned by the Authority and was incorporated in February 2019. The main business of WM5G is to be the UK's first region-wide 5G test bed and thus accelerate 5G deployment across the region to achieve citizen, public and private sector benefits from 5G.

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

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

11. Basis of preparation

The Authority's Statement of Accounts have been prepared under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and are for the full year from 1 April 2021 to 31 March 2022.
The Group Accounts comprise of:

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

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

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

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

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

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

12. Directors and Senior Officers

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

Directors/Senior Officers	Title	Appointment/Resignation
Deborah Cadman	Chief Executive	Resigned – 13 June 2021
Laura Shoaf	Chief Executive	Appointed – 14 June 2021
Ed Cox	Executive Director of Strategy, Integration and Net Zero	
Gareth Bradford	Executive Director of Housing, Property and Regeneration	
Julia Goldsworthy	Director of Strategy	Resigned – 31 October 2021
Julie Nugent	Executive Director of Economic Delivery, Skills and Communities	
Laura Shoaf	Managing Director, Transport for West Midlands	Resigned – 14 June 2021
Anne Shaw	Executive Director, Transport for West Midlands	Appointed – 12 July 2021
Linda Horne	Executive Director of Finance & Business Hub	
Siobhan Bassford	Operational Director of Strategic Communications	Appointed – 27 April 2021
Tim Martin	Director of Law and Governance, Clerk and Monitoring Officer	Resigned – 31 May 2021
Satish Mistry	Interim Director of Law and Governance	Appointed – 27 April 2021

Laura Shoaf was appointed as the interim Chief Executive in June 2021, following the departure of Deborah Cadman, and subsequently appointed as the permanent Chief Executive in November 2021.

Anne Shaw was appointed as the interim Managing Director for Transport for West Midlands in July 2021, followed by her permanent appointment in January 2022.

During 2021/2022, we reviewed the structure of the organisation to position the WMCA to best achieve our ambitions. This has resulted in a reorganisation of the Directorates and some changes in job titles at the Strategic Leadership Team level. The new roles are effective from 1 May 2022 and the new job titles are also reflected in the list of directors and senior officers on page 80.

Our Executive Team

13. Auditors

Grant Thornton (UK) LLP are the auditors of the Authority for 2021/22. Their appointment was made by the Public Sector Audit Appointments (PSAA) under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015.

On behalf of the West Midlands Combined Authority Board

Laura Shoaf
Chief Executive
Date:

1. The Authority's Responsibilities

The Authority is required to:

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

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

(iii) Approve the Statement of Accounts.

2. The Responsible Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Responsible Finance Officer has:
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Responsible Finance Officer has also:
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. Certification of the accounts

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2022.

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

4. Approval of the Accounts

I certify that the audited Statement of Accounts covering the period 1 April 2021 to 31 March 2022 were approved by a resolution of the Audit, Risk and Assurance Committee on 24 January 2023.

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

Scope of Responsibility

This Annual Governance Statement (AGS) reflects the activities of the Authority for the year ending 31 March 2022 and up to the date of approval of this Statement and the Statement of Accounts.

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

The Mayor is the Chair of the WMCA and having been re-elected on 6 May 2021, will remain in office until May 2024. The Authority's Constituent member authorities consist of the seven district councils across the region:

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

The non-Constituent members of the Authority are comprised of non-constituent authorities and LEP members:

<u>Non-constituent authorities</u>

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

<u>LEP members</u>

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

There are four Observers of the Authority. These are:

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

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

- Trade Union Congress (TUC)

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

No.	Company Name	Stake	Accounting Treatment
a.	West Midlands Rail Limited	50%	Associate
b.	West Midlands Development Capital Limited	100%	Subsidiary
c.	Midland Metro Limited	100%	Subsidiary
d.	West Midlands Growth Company Limited	5.3%	Investment
e.	WM5G Limited	100%	Subsidiary
f.	HTO1 LLP	44%	Joint venture
g.	HTO2 LLP	44%*	Joint venture

* through ownership in HTO1 LLP

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

The Purpose of the Governance Framework

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

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

In discharging this overall responsibility, the Strategic Leadership Team and Statutory officers are responsible for putting in place proper arrangements (known as a Governance Framework) which comprises the legislative requirements, systems and processes, cultures and values. This enables the Authority to govern its affairs, facilitate the effective exercise of its functions, which includes arrangements for the management of risk, in addition to exercising leadership and being held accountable for its decisions and activities.

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

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

The Authority has a Strategic Risk Register, which is regularly reported to and reviewed by Audit, Risk and Assurance Committee (ARAC) and the Senior Leadership Team. A revised Strategic Risk Framework has been developed to provide visibility of risk at strategic, operational, and programme levels and to ensure consistency across Directorates in how risks are identified, managed, monitored and escalated. The aim is for an integrated approach to risk management and processes to be developed alongside the organisation's performance management framework along with training and support to embed this new approach.

Annual Governance Statement

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

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

Following the formal adoption of the CIPFA Financial Management (FM) Code in 2021/22, WMCA has undertaken a detailed self-assessment of its performance compared with the requirements of the FM Code and can confirm its compliance with the Code. There are some areas of further improvement that we have identified from this self-assessment and as recommended by our external auditors, Grant Thornton, in their latest Auditor's Annual report. Our self-assessment and identified improvement points can be found on our website.

The Authority demonstrates compliance with the seven core principles of good governance as set out in the 2016 CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

These seven principles are:

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

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

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

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

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

The WMCA has undertaken to review the governance of its formal decision-making bodies to ensure that these arrangements reflect the evolving role and remit of the WMCA as it develops from the organisation that was established in 2016. The first review to be undertaken has revised and refreshed the decision making in regard to its responsibilities relating to economic growth, culminating in the establishment of a new Economic Growth Board. This was approved by the

WMCA Board at its meeting in November 2021. Further governance reviews are due to be undertaken in respect of transport, wellbeing and public service reform responsibilities.

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

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

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

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

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

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

2. Ensuring openness and comprehensive stakeholder engagement

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

All Committee meetings are held in public (other than in limited circumstances where consideration of confidential information requires the public to be excluded) with agenda and reports being accessible on the WMCA's external website. Following the restrictions imposed by Covid 19, all public meetings are now live streamed with recordings accessible through YouTube on-demand.

The Authority has in place a Publication Scheme proactively publishing information and is designed to make information readily available to the public without the need for specific written requests. Any information not published is available, subject to assessment, under the provisions of the Freedom of Information Act 2000. Details of how to make a request for information are available on our website.

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

Where consultation is required, we adhere to the principles of good consultation of "the Gunning Principles" and a variety of measures are used to seek the views of the public. For example, public consultation will be incorporated into any plans where a change to public transport policy is being considered.

Overview & Scrutiny Committee has responsibility to ensure that the decisions of the WMCA have taken into account all relevant information, are proportionate to the outcomes desired, and have been made in the best interests of the region. It is able to ‘call in’ any decision for further scrutiny that it considers may not meet these standards. It also conducts Q&A sessions with the Mayor twice a year, focusing on policy delivery and budget setting. All of its meetings are held in public and streamed online.

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

The Authority ensures the vision and implications for governance arrangement are regularly reviewed including the monitoring of its achievement of intended outcomes from social, economic, environmental and organisational health perspectives through the budget, performance framework, and project delivery process.

The Authority is focussed on delivering value for money and success, and in this respect reviewed by independent auditors in line with the National Audit Office's Code of Audit Practice and Auditor’s Guidance Note AGN03. The results of the Value for Money audit work and the key messages arising will be reported in the Audit Findings Report and, in the Auditor’s, Annual Report.

Each of these benefit categories are assessed in major project business case submissions. The Authority wants to ensure strategically important projects with high benefits for the region are progressed.

To ensure the purpose and vision of the Authority is clear and well communicated, an Annual Business Plan (ABP) is produced, falling from the WMCA Aims & Objectives, as agreed by WMCA Board in November 2021. The ABP outlines all activity to be undertaken in 2022/23 to deliver against the objectives, and progress is monitored through a number of outcome measures (both High Level Deliverables and profiled milestones) and reported monthly to the Strategic Leadership Team and bi-annually to WMCA Board. The 2022/23 outcome measures were agreed by WMCA Board in February 2022 as part of the Budget report.

The Aims & Objectives were approved by WMCA Board in November 2021 and are outlined below:

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

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

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

The Strategic Leadership Team oversees the corporate decision-making process and reports are considered at an appropriate level of the organisation in accordance with the provisions of the Constitution.

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

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

We have defined and documented in our Constitution the roles and responsibilities of the Board, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. As the Authority develops, we are reviewing our governance arrangements and the Constitution to ensure they remain fit for purpose in a growing organisation. A scheme of delegation is laid out in the Constitution. In July 2020 the WMCA Board approved the revised Single Assurance Framework which has also been signed off by MHCLG.

The collective and individual roles and responsibilities of the Strategic Leadership Team has been reviewed following the recent appointment of the Chief Executive to support our ambition to become an agile, and high performing workforce. Our approach to performance has been refreshed in line with our Re-set and Re-build programme.

Our new Performance Management and Monitoring & Evaluation Frameworks, together with a new performance reporting solution using Power Bi dashboards, provide a foundation for the journey towards data-driven and evidence-based decision making. This improves the visibility and transparency of reporting as a 'single version of the truth' and together with the introduction of a more dynamic business planning process enables regular conversations about the activity to be delivered and the resources, both financial and people required to achieve this. Our behavioural framework will be fundamental to our performance framework and will align to our goals – ensuring a 'golden thread' between the aims and objectives down to individual performance management goals enabling every one of our people to see their contribution to the vision. This will facilitate how we develop a culture that supports us all to be diverse, inclusive, innovative and proud to be part of the Authority.

We identify and aim to address the development needs of Members and officers in relation to their roles and support with appropriate induction and training. In addition, statutory training requirements are in place for all officers to ensure our duties under Equalities, Safeguarding and GDPR are met. In 2020/21 a considerable portion of the training budget was spent on the leadership of the organisation. Specifically in 2021/22, ARAC members received Risk Management and Finance training to allow them to understand the newly developed Risk Management Framework, financial accounts, financial reporting arrangements and the Authority's Treasury Management Strategy and practices.

Each year, after the local elections have been held, the WMCA provides an ‘induction day’ for newly elected members to provide an introduction to the WMCA, its role and remit, how it operates, and the role of elected members who are attending its boards and committees. This induction also provides further details on the key corporate strategies of the WMCA, along with its current Annual Business Plan.

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

The Strategic Risk Management Framework (SRMF) was approved by the WMCA Strategic Leadership Team in November 2021. The Framework provides clear standards of risk management, including the governance of risk within the organisation; specifying risk management accountabilities; and documenting the key responsibilities of different groups of employees (the Lines of Defence). All of which we are now using to embed risk management into the culture of the organisation. The aim being that clear and consistent risk management across the lines of defence, will improve the WMCA’s ability to operate within the risk appetite set by the Strategic Leadership Team for the six recognised risk categories.

The Authority ensures compliance with relevant laws and regulations, internal policies and procedures. We are rigorous and transparent about decision making and the recording of decisions. The Overview and Scrutiny Committee reviews and challenges the work and decisions of the Authority with policy review and development.

ARAC is independent of the executive and scrutiny function; it has an independent, external Chair. It monitors and reviews risk and governance processes, in order to provide assurance to the WMCA Board on the effectiveness of these arrangements. Appropriate controls are in place for arms-length companies and as good practice, external auditors have been appointed for West Midlands Rail Limited, Midland Metro Limited, WM5G Limited, West Midlands Development Capital Limited, HT01 LLP and HT02 LLP.

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

The Single Assurance Framework was approved by WMCA Board in July 2020. This enhanced the previous document ensuring a consistent and proportionate approach to initiation, development and approval of projects and programmes with robust processes. This supports good governance with enhanced assurance tools and appraisal of projects, including identification of risks and issues of the project and the investment and how they are managed, reviewed, and escalated. The new assurance framework has been expanded to include assurance requirements for the new and proposed devolution deals, was approved by DfT, Department for Education (DfE) and MHCLG and is aligned to the National Single Pot Assurance Guidance.

Implementation of the Single Assurance Framework has been supplemented by the introduction of the reviewed governance arrangements to support Investment Programme decision making in the form of an Investment Panel and Investment Board. There are clear Terms of Reference for these groups and training has been provided to the members of these groups to support the undertaking of their roles and to understand the risks around these proposals. The introduction of the Assurance Toolkit and Risk & Investment Appraisal process review of project business cases through the Single Assurance Framework systematically seeks confidence and evidence for potential risks.

In 2021 the majority of the Authority’s audits of its Key Financial Systems received a ‘substantial’ internal audit rating. Further details regarding the work of the internal audit are set out on page 40.

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

The Authority has begun implementation of the WMCA Assurance Framework which was approved by MHCLG (previously Department of Communities and Local Government (DCLG)) in July 2020.

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

The Authority has a monitoring officer who sits on both the Senior Leadership Team and attends the WMCA Board meetings to ensure all of our activity is legal. Our high level of Governance standards includes the publishing of agendas, minutes and reports in the public domain and only limited use of confidential reporting.

The 2021/22 internal audit plan was approved at ARAC's March 2021 meeting.

A checklist has been implemented for the arm's length companies of the Authority to ascertain confidence in governance and assurance arrangements. This action came out of the ARAC, to develop a checklist of questions that would provide a consistent mechanism of assurance to the Committee that could provide overall assurance on all the Authority's activities. All relationships are reviewed at least once per year.

A Whistleblowing Policy and procedure is in place, last reviewed in May 2021. The Policy is intended to encourage and enable employees and stakeholders to raise serious concerns about any wrongdoing considered to be in the public interest, with the ability for confidential and anonymous reporting of claims to be made through the WMCA website.
Any issues raised are considered by the Monitoring Officer in conjunction with Internal Audit, the Finance Director and Chair of ARAC to determine the progression of claims.

Annual Review of Effectiveness of Governance Framework

The Opinion of the Interim Director of Law and Governance 2021/2022

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

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

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

The Interim Director of Law and Governance is satisfied that the system of internal assurance is robust and provides visibility of risk and reasonable assurance to the Strategic Leadership Team.

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

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

A wide range of audits have been undertaken by the Internal Audit service (provided by City of Wolverhampton Council) throughout the year with the outcome of each being awarded either Substantial or Satisfactory audit ratings, with only one exception of a limited assurance report regarding the Longbridge Park and Ride income management and charging arrangements, and all audit recommendations being accepted by users.

During 2021/22, the outcome of the audit of Key Financial systems resulted in Substantial ratings for all systems aside from Accounts Payable which was rated Satisfactory. All audit recommendations for Accounts Payable have been accepted and will be resolved by June 2022.

The monitoring of progress on delivery of audit actions has been introduced by ARAC in 21/22 to support delivery within the expected timeframe. This demonstrates the continued effectiveness of systems and processes supporting Audit, Risk and Governance.

Since March 2021, the scope of the Single Assurance Framework (SAF) Implementation Project was expanded to ensure all WMCA Project Portfolios were aligned to SAF. This objective has substantially been met achieving the directive from the WMCA Statutory Officers. There has been a considerable increase in the number of business cases and change requests developed from Investment Programme and other Project Portfolios demonstrating increased project controls and standard processes are being deployed across WMCA. Regular updates on progress with an evidence base insight information has been shared with the Strategic Leadership Team and ARAC throughout 2021/22.

Progress of the 2021/22 High Level Deliverables was monitored on a monthly basis by the Strategic Leadership Team by exception reporting and against identification of key risks that could impact on delivery. In addition, performance was reported to WMCA Board mid-year and an outturn report.

Operational Risk Registers are in place within directorates and review meetings take place across all the Authority's activities enabling full visibility of key risks with the potential to impact on the organisation. The Strategic Risk Management Framework includes an escalation process that allows for risks to be escalated, ultimately to the WMCA Strategic Risk Register. Regular meetings are in place with the management team of each business area to monitor the status of risks and to ascertain the level of risk exposure in each of these areas to determine the assurance conclusions. Additionally, the Strategic Risk Register is reviewed by Strategic Leadership Team on a quarterly basis. Risk Management, Performance Management and Business Planning activity is being brought together to provide a strong evidence base to substantiate the risk assumptions and improve decision making.

In accordance with the recently ratified Digital and Data Strategy, the organisation has adopted cabinet office levels of protective security. These mandated standards will allow for increasing maturity across the business by adherence to articulated mandates and best practice advise and guidance. Any non-conformity constitutes risk and can then be managed appropriately.

The last two years has seen an unprecedented challenge in the shape of the COVID-19 pandemic. This has affected every area of life in the UK and clearly these issues have affected the Authority as with others. Through agile working and the implementation of our corporate resilience arrangements we have been able to continue to manage workloads and delivery. We have worked with public transport providers to ensure that appropriate measures are in place to safeguard the public. We have taken a key role in regional response and recovery arrangements and are leading work to ensure that the economic recovery of the West Midlands is put on a secure footing. Through the use of remote meeting technology, we were able to ensure the continuation of political meetings and decision-making and controls have remained robust.

The Authority has set itself a demanding programme of work and is ambitious for itself and the benefits that it hopes to bring to the region. It has been successful in negotiations for a second Devolution Deal and has recruited an able team of experienced professionals to form the leadership team. There is significant pressure on resources however, particularly in matching staff resources to the tasks in hand and this is being carefully monitored by the Authority and a plan is in place to mitigate these pressures accordingly.

This Annual Governance Statement identifies that WMCA has effective arrangements in place; however, the organisation realises the need to monitor its governance arrangements on an ongoing basis given the ever-changing environment within which it operates, and due to the organisation continuing to evolve. Whilst the organisation has not identified any significant Governance issues, a number of areas for development have been outlined within the table below and appropriate action is being taken to ensure these do not develop into anything of significance.

Area	**Action to be taken**
Governance arrangements between Midland Metro and WMCA	An independent review of the governance arrangements between both parties is currently in progress with the outcome and recommendations to be considered and implemented as appropriate.
Safeguarding arrangements	WMCA's safeguarding policy to be reviewed to ensure it continues to meet our obligations and ensures the safety of all young persons engaged with the organisation.
Single Assurance Framework (SAF)	A periodic re-assessment and update of the Single Assurance Framework to be undertaken ensuring it continues to meet all legislative requirements including the introduction of Assurance arrangements for Adult Education services.
Corporate Aims and Objectives	Continued embedding of the performance management arrangements, providing management with reporting arrangements to demonstrate its achievement in delivering the Corporate Aims and Annual Business Plan.
Governance review	Recommendations arising from the Governance review undertaken in 21/22 will be implemented as set out in the associated report including the; • Rationalisation of decision-making and advisory bodies within service areas • Refinement of reporting and engagement processes • Engagement with Constituent and non-Constituent members • Review of arrangements for Member Allowances
Freedom of Information / GDPR	Review to be undertaken of our data protection and security policies.

Conclusion

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

On behalf of the West Midlands Combined Authority

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

Laura Shoaf
Chief Executive
Date:

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

Report on the Audit of the Financial Statements

Opinion on financial statements

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The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing the Authority's services in accordance with generally accepted accounting practices, rather than the amount to be funded from resources. The reconciliation from the accounting cost to the funding position is shown in both the Expenditure and Funding Analysis (note 6) and the Movement in Reserves Statement.

The 2020/21 comparatives have been restated in line with the Code with further details in note 40 Prior period adjustments. This is a presentational adjustment with no impact on the General Fund balance.

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

2020/2021 (restated)					2021/2022		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
194,761	(69,951)	124,810	Transport services	8	291,746	(154,691)	137,055
155,983	(153,953)	2,030	Combined Authority wider services	9	181,801	(172,047)	9,754
96,444	-	96,444	Investment Programme	10	95,613	-	95,613
796	(807)	(11)	Mayor's office	11	782	(760)	22
-	-	-	Mayoral elections	12	3,118	-	3,118
447,984	**(224,711)**	**223,273**	**Cost of services**		**573,060**	**(327,498)**	**245,562**
(1,584)	-	(1,584)	Other operating expenditure	13	6,226	-	6,226
6,550	(1,975)	4,575	Financing and investment income and expenditure	14	8,124	(2,680)	5,444
77,139	(306,092)	(228,953)	Taxation and non-specific grant income and expenditure	15	63,645	(370,180)	(306,535)
530,089	**(532,778)**	**(2,689)**	**(Surplus) or deficit on provision of services**		**651,055**	**(700,358)**	**(49,303)**
		20,118	Remeasurement of the net defined benefit liability	32			(35,194)
		-	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	30			877
		20,118	**Other Comprehensive Income and Expenditure**				**(34,317)**
		17,429	**Total Comprehensive Income and Expenditure**				**(83,620)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

The 2020/21 comparatives have been restated in line with the Code with further details in note 40 Prior period adjustments. This is a presentational adjustment with no impact on the General Fund balance.

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

2020/2021 (restated)					2021/2022		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		Notes	£'000	£'000	£'000
206,111	(38,353)	167,758	Transport services		301,547	(164,517)	137,030
164,815	(152,532)	12,283	Combined Authority wider services		192,559	(181,709)	10,850
96,173	-	96,173	Investment Programme		95,488	-	95,488
796	(807)	(11)	Mayor's office		782	(760)	22
-	-	-	Mayoral elections		3,118	-	3,118
467,895	**(191,692)**	**276,203**	**Cost of services**		**593,494**	**(346,986)**	**246,508**
(1,584)	-	(1,584)	Other operating expenditure	13	6,226	-	6,226
6,988	(1,938)	5,050	Financing and investment income and expenditure	14	8,970	(2,639)	6,331
76,879	(358,431)	(281,552)	Taxation and non-specific grant income and expenditure		62,905	(370,180)	(307,275)
550,178	**(552,061)**	**(1,883)**	**(Surplus) or deficit on provision of services**		**671,595**	**(719,805)**	**(48,210)**
		-	Tax expenses of subsidiary				-
		(1,883)	**Group (surplus) or deficit**				**(48,210)**
		20,118	Remeasurement of the net defined benefit liability	32			(35,194)
		-	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income				877
		20,118	**Other Comprehensive Income and Expenditure**				**(34,317)**
		18,235	**Total Comprehensive Income and Expenditure**				**(82,527)**

AUTHORITY MOVEMENT IN RESERVES

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

	Usable reserves					Unusable reserves							
	General Fund Balance £'000	Earmarked Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Reval-uation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Revaluation Reserve £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Accumulated Absences Account £'000	Total Unusable Reserves £'000	Total reserves £'000
Balance at 31 March 2020	**2,302**	**146,557**	**148,859**	**247**	**149,106**	**6,531**	**83,928**	**-**	**-**	**(39,902)**	**(496)**	**50,061**	**199,167**
Movements in reserves during 2020/21													
Total comprehensive income and expenditure	2,689	-	2,689	-	2,689	-	-	-	-	(20,118)	-	(20,118)	(17,429)
Adjustments between accounting basis and funding basis under regulations (note 6b)	34,496	-	34,496	1,594	36,090	(212)	(26,706)	-	(2,388)	(6,250)	(534)	(36,090)	-
Increase or (decrease) in 2020/21 before transfer to earmarked reserves	**37,185**	**-**	**37,185**	**1,594**	**38,779**	**(212)**	**(26,706)**	**-**	**(2,388)**	**(26,368)**	**(534)**	**(56,208)**	**(17,429)**
Transfers to/(from) earmarked reserves	(37,139)	37,139	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2021 carried forward	**2,348**	**183,696**	**186,044**	**1,841**	**187,885**	**6,319**	**57,222**	**-**	**(2,388)**	**(66,270)**	**(1,030)**	**(6,147)**	**181,738**
Movements in reserves during 2021/22													
Total comprehensive income and expenditure	49,303	-	49,303	-	49,303	-	-	(877)	-	35,194	-	34,317	83,620
Adjustments between accounting basis and funding basis under regulations (note 6b)	(14,084)	-	(14,084)	-	(14,084)	(193)	27,044	230	311	(13,200)	(108)	14,084	-
Increase or (decrease) in 2021/22 before transfer to earmarked reserves	**35,219**	**-**	**35,219**	**-**	**35,219**	**(193)**	**27,044**	**(647)**	**311**	**21,994**	**(108)**	**48,401**	**83,620**
Transfers to/(from) earmarked reserves	(35,960)	35,960	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2022 carried forward	**1,607**	**219,656**	**221,263**	**1,841**	**223,104**	**6,126**	**84,266**	**(647)**	**(2,077)**	**(44,276)**	**(1,138)**	**42,254**	**265,358**

GROUP MOVEMENT IN RESERVES

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000	Reserves of the Subsidiary £'000	Total reserves £'000
Balance at 31 March 2020	**2,302**	**146,557**	**148,859**	**247**	**149,106**	**50,061**	**199,167**	**3,335**	**202,502**
Movements in reserves during 2020/21									
Total comprehensive income and expenditure	1,883	-	1,883	-	1,883	(20,118)	(18,235)	-	(18,235)
Adjustments between group accounts and authority accounts	806	-	806	-	806	-	806	(806)	-
Net increase/decrease before transfers	**2,689**	**-**	**2,689**	**-**	**2,689**	**(20,118)**	**(17,429)**	**(806)**	**(18,235)**
Adjustments between accounting basis and funding basis under regulations (note 6b)	34,496	-	34,496	1,594	36,090	(36,090)	-	-	-
Increase or (decrease) in 2020/21 before transfer to earmarked reserves	**37,185**	**-**	**37,185**	**1,594**	**38,779**	**(56,208)**	**(17,429)**	**(806)**	**(18,235)**
Transfers to/(from) earmarked reserves	(37,139)	37,139	-	-	-	-	-	-	-
Balance at 31 March 2021 carried forward	**2,348**	**183,696**	**186,044**	**1,841**	**187,885**	**(6,147)**	**181,738**	**2,529**	**184,267**
Movements in reserves during 2021/22									
Total comprehensive income and expenditure	48,224	-	48,224	-	48,224	34,317	82,541	(14)	82,527
Adjustments between group accounts and authority accounts	1,079	-	1,079	-	1,079	-	1,079	(1,079)	-
Net increase/decrease before transfers	**49,303**	**-**	**49,303**	**-**	**49,303**	**34,317**	**83,620**	**(1,093)**	**82,527**
Adjustments between accounting basis and funding basis under regulations (note 6b)	(14,084)	-	(14,084)	-	(14,084)	14,084	-	-	-
Increase or (decrease) in 2021/22 before transfer to earmarked reserves	**35,219**	**-**	**35,219**	**-**	**35,219**	**48,401**	**83,620**	**(1,093)**	**82,527**
Transfers to/(from) earmarked reserves	(35,960)	35,960	-	-	-	-	-	-	-
Balance at 31 March 2022 carried forward	**1,607**	**219,656**	**221,263**	**1,841**	**223,104**	**42,254**	**265,358**	**1,436**	**266,794**

BALANCE SHEETS

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

		31 March 2022		**31 March 2021**	
		Authority	**Group**	**Authority**	**Group**
	Notes	£'000	£'000	£'000	£'000
Property, plant and equipment	19	599,895	600,242	483,792	484,044
Intangible assets	20	1,911	1,911	1,594	1,594
Long-term investments	21	22,346	22,346	6,641	6,641
Long-term debtors	34	16,159	16,159	15,951	15,951
Long-term assets		**640,311**	**640,658**	**507,978**	**508,230**
Short-term investments	21	252,219	252,219	118,098	118,098
Inventories	22	8,467	9,418	13,082	13,904
Short-term debtors	23	66,748	70,885	49,714	52,001
Cash and cash equivalents	24	369,503	371,089	144,413	148,702
Current assets		**696,937**	**703,611**	**325,307**	**332,705**
Short-term borrowing	25	(15,319)	(15,319)	(1,925)	(1,925)
Short-term creditors	26	(121,552)	(127,137)	(111,860)	(116,149)
Provisions	27	(2,011)	(2,011)	(2,071)	(2,071)
Grants receipts in advance - revenue	15	(20,936)	(20,936)	(12,976)	(13,808)
Transferred debt	28	(1,074)	(1,074)	(982)	(982)
Current liabilities		**(160,892)**	**(166,477)**	**(129,814)**	**(134,935)**
Net current assets/(liabilities)		**536,045**	**537,134**	**195,493**	**197,770**
Long-term borrowing	25	(439,232)	(439,232)	(118,078)	(118,078)
Provisions	27	(2,837)	(2,837)	(2,234)	(2,234)
Grants receipts in advance - capital	15	(424,109)	(424,109)	(337,140)	(337,140)
Transferred debt	28	(3,670)	(3,670)	(4,678)	(4,678)
Net pension liability	32	(41,150)	(41,150)	(59,603)	(59,603)
Long-term liabilities		**(910,998)**	**(910,998)**	**(521,733)**	**(521,733)**
Net assets/(liabilities)		**265,358**	**266,794**	**181,738**	**184,267**
General Fund Balance	29	1,607	1,607	2,348	2,348
Earmarked Reserves	29	219,656	221,106	183,696	186,225
Capital Receipts Reserve	29	1,841	1,841	1,841	1,841
Profit and Loss Reserve	29	-	(14)	-	-
Usable reserves		**223,104**	**224,540**	**187,885**	**190,414**
Revaluation Reserve	30	6,126	6,126	6,319	6,319
Capital Adjustment Account	30	84,266	84,266	57,222	57,222
Financial Instruments Revaluation Reserve	30	(647)	(647)	-	-
Financial Instruments Adjustment Account	30	(2,077)	(2,077)	(2,388)	(2,388)
Pensions Reserve	30	(44,276)	(44,276)	(66,270)	(66,270)
Accumulated Absences Account	30	(1,138)	(1,138)	(1,030)	(1,030)
Unusable reserves		**42,254**	**42,254**	**(6,147)**	**(6,147)**
Total reserves		**265,358**	**266,794**	**181,738**	**184,267**

This financial report replaces the unaudited financial report certified by Linda Horne on 23 June 2022. They were approved for issue by the Audit, Risk and Assurance Committee on 24 January 2023. Events after the Balance Sheet date have been considered up to the date of approval.

CASH FLOW STATEMENT

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

	2022		2021	
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Net (deficit)/surplus on the provision of services	49,303	48,210	2,689	1,883
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation and amortisation of non-current assets	21,801	21,907	19,919	20,054
Net amounts of non-current assets written off on disposal	6,226	6,226	10	10
Non-current assets transferred to provision of services	817	817	517	517
Other non-cash items charged to the net (deficit)/surplus on the provision of services	(230)	(230)	-	-
Change in pensions liability (note 32)	16,741	16,741	(417)	(417)
(Increase)/decrease in long-term debtors	(208)	(208)	(15,710)	(15,710)
(Increase)/decrease in short-term debtors	(17,034)	(18,884)	(6,611)	(4,935)
(Increase)/decrease in inventories	4,615	4,486	(658)	(651)
(Decrease)/increase in short-term creditors	9,692	10,988	38,475	40,196
(Decrease)/increase in provisions	543	543	1,562	1,562
Net interest payable	4,583	4,624	4,455	4,492
Interest paid	(6,275)	(6,275)	(6,471)	(6,471)
Interest received	2,680	2,639	1,975	1,938
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Capital grants received	(204,891)	(204,891)	(142,303)	(142,303)
Capital grants paid	63,645	63,645	77,139	77,139
Any other items for which the cash effects are investing or financing cash flows	-	-	(1,594)	(1,594)
Net cash flows from operating activities	**(47,992)**	**(49,662)**	**(27,023)**	**(24,290)**
Investing activities				
Purchase of property, plant and equipment and intangible asset	(145,264)	(145,465)	(94,946)	(94,975)
Purchase of short-term and long-term investments	(529,958)	(529,958)	(217,582)	(217,582)
Proceeds from short-term and long-term investments	379,485	379,485	105,931	105,931
Capital grants received for the purchase of property, plant and equipment, intangible asset and inventories	141,246	141,246	65,164	65,164
Increase/(decrease) in grants receipts in advance	94,929	94,097	238,662	239,494
Other receipts from investing activities	-	-	1,594	1,594
Net cash flows from investing activities	**(59,562)**	**(60,595)**	**98,823**	**99,626**
Financing activities				
Cash receipts of short- and long-term borrowing	382,000	382,000	-	-
Repayment of loans	(48,440)	(48,440)	(5,347)	(5,347)
Transferred debt - repayment of principal	(916)	(916)	(833)	(833)
Net cash flows from financing activities	**332,644**	**332,644**	**(6,180)**	**(6,180)**
Net increase or decrease in cash and cash equivalents	**225,090**	**222,387**	**65,620**	**69,156**
Cash and cash equivalents at 1 April	144,413	148,702	78,793	79,546
Cash and cash equivalents at 31 March (note 24)	**369,503**	**371,089**	**144,413**	**148,702**

Notes Index

1. Basis of preparation

a) General principles

The Statement of Accounts summarises the Authority and the Group's transactions for the 2021/22 financial year and the position as at 31 March 2022. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

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

b) Basis of preparation

i) Authority Accounts

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

ii) Group Accounts

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

The Group's financial statements have been prepared using uniform accounting policies and on a historical cost basis modified by the revaluation of certain categories of non-current assets in accordance with the Code and incorporate the financial statements of the Authority and its material subsidiaries as at 31 March 2022.

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

c) Going concern

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

2. Significant accounting policies

a) Consolidation

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

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

An assessment of all the Authority's interests has been carried out during the year to determine the relationships that exist and whether they should be included within the Authority's group accounts. As such, the accounts of Midlands Development Capital Limited, Network West Midlands Limited and West Midlands Development Capital Limited which are subsidiaries of the Authority; its associates, West Midlands Rail Limited, and joint ventures in HTO1 LLP and HTO2 LLP have not been consolidated with those of the Authority because the companies are either dormant and do not hold any assets or liabilities or are not material (see note 21 on investments).

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

b) Taxation

Corporation, income and capital gains tax

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

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

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

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

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

Value added tax (VAT)
Revenues, expenses and assets are recognised net of the amount of VAT except:

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

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

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

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

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

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

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

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

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

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

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

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

f) Pensions scheme

Defined Benefit Pension Scheme

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

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

- Service cost comprising:
  - i) current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - ii) past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
  - iii) net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into

account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - i) the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
  - ii) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure
  - iii) contribution paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

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

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

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

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

Cash and cash equivalents comprise cash 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 Cash Flow Statement, bank overdrafts that are repayable on demand and form an integral part of the Authority and the Group's cash management are included as a component of cash and cash equivalents.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

h) Financial liabilities
Financial liabilities include loans and borrowings and trade creditors. Loans and borrowings consist of bank overdrafts and finance leases.

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movements in Reserves Statement. In 2021/22, no such transactions have occurred.

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

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

i) Intangible assets

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

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

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

j) Property, plant and equipment

Recognition and measurement

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

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

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 Authority 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 charged to the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

- Buildings 40 years
- Equipment 5 – 40 years

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

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

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

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

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

Midland Metro Limited
Inventories are included in the Balance Sheet at the lower of cost and net realisable value, on a “first in, first out” basis.

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

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

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

n) Impairment

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

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

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

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

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

p) Minimum Revenue Provision

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

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

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

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

q) Events After the Reporting Period

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

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

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

r) Prior Period Adjustments and changes in accounting policies

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

3. Critical accounting judgements, estimates and assumptions

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

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

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

Group Boundaries
The Authority has a number of interests in other entities which fall within the group boundary (see note 21). Midland Metro Limited and WM5G Limited are deemed to be material and are therefore consolidated into the group accounts.

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

The item in the Balance Sheet at 31 March 2022 for which there is a risk of material adjustment in the forthcoming financial year is as follows:

- Defined pension benefits:
  The cost of defined benefit pension plans is determined using independent actuarial valuation involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next full actuarial valuation and will require a subsequent contribution adjustment to bring the funding back into line with target.

  The effects of changes in individual assumptions have been measured by the fund's actuaries in their 2022 IAS 19 valuation report:

  - A 0.1% p.a. decrease in the Real Discount Rate will increase the pension fund liability by £4.629m.
  - An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £14.229m.
  - 0.1% p.a. increase in the Salary Increase Rate will increase the pension fund liability by £0.404m.
  - 0.1% p.a. increase in the Pension Increase Rate (CPI) will increase the pension fund liability by £4.184m.

4. Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

The Code requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard under the International Financial Reporting Standard (IFRS) that has been issued but not yet adopted by the Code. The accounting standards that are to be introduced in the 2022/23 CIPFA Code of Practice are:

- Annual Improvements to IFRS Standards 2018 – 2020 – amendments to IFRS 1 (First-time adoption), clarification on IAS 37 (Onerous contracts), amendment to IFRS 16 (Leases) and IAS 41 (Agriculture)
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

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

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

	Notes	2021/2022 Authority Net Expenditure £'000	2021/2022 Group Net Expenditure £'000	2020/2021 Authority Net Expenditure £'000	2020/2021 Group Net Expenditure £'000
Total Comprehensive Income and Expenditure		**(83,620)**	**(82,527)**	**17,429**	**18,235**
Adjustments between funding and accounting basis under regulations	6	14,084	14,084	(34,496)	(34,496)
Transfer to Pensions Reserve	32	35,194	35,194	(20,118)	(20,118)
Transfer to Financial Instruments Revaluation Reserve	30	(877)	(877)	-	-
Transfers to/from Earmarked Reserves					
- General fund	29	15,558	14,712	14,382	13,944
- Unapplied revenue grants	29	16,181	16,181	9,307	9,307
- Investment programme funding	29	4,221	3,988	13,450	13,082
(Surplus) or deficit for the year under funding basis		**741**	**755**	**(46)**	**(46)**

6. Expenditure and Funding Analysis - Authority

(a) Expenditure and Funding Analysis

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

Analysis for 2021/22

	As reported for resource management (notes 7 - 10)	Adjustments to arrive at amounts chargeable to the General Fund		Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis (note 5b)	Net expenditure in the Comprehensive Income and Expenditure Statement
		Reserves Transfer	Financing			
	£'000	£'000	£'000	£'000	£'000	£'000
Transport services (note 8)	114,720	515	(6,243)	108,992	28,063	137,055
Combined Authority wider services (note 9)	6,603	(15,326)	2,245	(6,478)	16,232	9,754
Investment Programme (note 10)	45,683	(24,289)	(1,619)	19,775	75,838	95,613
Mayor's office (note 11)	-	22	-	22	-	22
Mayoral elections (note 12)	-	3,118	-	3,118	-	3,118
Cost of services	**167,006**	**(35,960)**	**(5,617)**	**125,429**	**120,133**	**245,562**
Other operating expenditure	-	-	-	-	6,226	6,226
Financing and investment income and expenditure	(976)	-	5,617	4,641	803	5,444
Taxation and non-specific grant income and expenditure	(165,289)	-	-	(165,289)	(141,246)	(306,535)
(Surplus) or deficit on provision of services	**741**	**(35,960)**	-	**(35,219)**	**(14,084)**	**(49,303)**
Opening General Fund Balance (ncluding Earmarked Reserves)				(186,044)		
Closing General Fund Balance (including Earmarked Reserves)				**(221,263)**		

Comparatives for 2020/21 (restated)

	As reported for resource management (notes 7 - 10)	Adjustments to arrive at amounts chargeable to the General Fund		Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis (note 5b)	Net expenditure in the Comprehensive Income and Expenditure Statement
		Reserves Transfer	Financing			
	£'000	£'000	£'000	£'000	£'000	£'000
Transport services (note 8)	114,531	(7,539)	(6,306)	100,686	24,124	124,810
Combined Authority wider services (note 9)	6,107	(7,760)	-	(1,653)	3,683	2,030
Investment Programme (note 10)	44,106	(21,829)	1,347	23,624	72,820	96,444
Mayor's office (note 11)	-	(11)	-	(11)	-	(11)
Cost of services	**164,744**	**(37,139)**	**(4,959)**	**122,646**	**100,627**	**223,273**
Other operating expenditure	-	-	-	-	(1,584)	(1,584)
Financing and investment income and expenditure	(1,001)	-	4,959	3,958	617	4,575
Taxation and non-specific grant income and expenditure	(163,789)	-	-	(163,789)	(65,164)	(228,953)
(Surplus) or deficit on provision of services	**(46)**	**(37,139)**	-	**(37,185)**	**34,496**	**(2,689)**
Opening General Fund Balance (ncluding Earmarked Reserves)				(148,859)		
Closing General Fund Balance (including Earmarked Reserves)				**(186,044)**		

(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 2021/22

	Adjustments for capital purposes				Financial Instruments Adjustments Account	Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/ revaluation/ loss on disposal	REFCUS	Grants/ contributions	Financing				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	21,801	127,661	(122,405)	(8,355)	-	9,253	108	28,063
Combined Authority wider services	5,905	20,771	(13,047)	-	-	2,603	-	16,232
Investment Programme	-	88,869	-	(13,031)	-	-	-	75,838
Mayor's office	-	-	-	-	-	-	-	-
Mayoral elections	-	-						-
Net cost of services	**27,706**	**237,301**	**(135,452)**	**(21,386)**	**-**	**11,856**	**108**	**120,133**
Other operating expenditure	6,226	-	-	-	-	-	-	6,226
Financing and investment income and expenditure	-	-	-	-	(541)	1,344	-	803
Taxation and non-specific grant income and expenditure	-	-	(141,246)	-	-	-	-	(141,246)
(Surplus) or deficit on provision of services	**33,932**	**237,301**	**(276,698)**	**(21,386)**	**(541)**	**13,200**	**108**	**(14,084)**

Comparatives for 2020/21 (restated)

	Adjustments for capital purposes				Financial Instruments Adjustments Account	Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/ revaluation/ loss on disposal	REFCUS	Grants/ contributions	Financing				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	19,919	44,404	(42,985)	(2,086)	-	4,338	534	24,124
Combined Authority wider services	-	9,354	(9,354)	-	2,595	1,088	-	3,683
Investment Programme	-	89,295	-	(16,475)	-	-	-	72,820
Mayor's office	-	-	-	-	-	-	-	-
Net cost of services	**19,919**	**143,053**	**(52,339)**	**(18,561)**	**2,595**	**5,426**	**534**	**100,627**
Other operating expenditure	10	-	-	(1,594)	-	-	-	(1,584)
Financing and investment income and expenditure	-	-	-	-	(207)	824	-	617
Taxation and non-specific grant income and expenditure	-	-	(65,164)	-	-	-	-	(65,164)
(Surplus) or deficit on provision of services	**19,929**	**143,053**	**(117,503)**	**(20,155)**	**2,388**	**6,250**	**534**	**34,496**

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

REFCUS - revenue expenditure funded from capital under statute is added to services lines as it is chargeable to Cost of Services. Also included within REFCUS are amounts charged to Cost of Services in respect of capital development schemes.

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

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

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

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

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

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

7. Expenditure and income analysed by nature

The Authority's expenditure and income is analysed as follows:

	Authority	
		(restated)
	2021/22	**2020/21**
	£'000	£'000
Expenditure		
Employee benefits expenses	39,513	33,733
Other service expenses	257,501	246,370
IAS 19 pension adjustment	13,200	6,250
Depreciation, amortisation and impairment	27,706	19,919
REFCUS	236,484	142,536
Other operating expenditure	6,226	(1,584)
Interest payments	6,780	5,726
	587,410	452,950
Income		
Fees and charges and other service income	(151,895)	(64,608)
Government revenue grants and contributions	(212,103)	(196,603)
Local Authority business rates growth and contributions	(14,069)	(12,569)
Levies	(114,720)	(114,720)
Capital grants and contributions (net of payments)	(141,246)	(65,164)
Interest and investment income	(2,680)	(1,975)
	(636,713)	(455,639)
Surplus on provision of services	**(49,303)**	**(2,689)**

8. Transport services

Analysis for 2021/22

	Authority Gross Expenditure £'000	Authority Gross Income £'000	Authority Net Expenditure £'000
Concessions	56,229	(176)	56,053
Bus Services	33,598	(13,920)	19,678
Rail and Metro Services	8,721	(1,666)	7,055
Integration	12,078	(3,492)	8,586
Network Resilience	2,546	(130)	2,416
Commonwealth Games	5,279	(5,279)	-
Business Support Costs	4,905	(1,236)	3,669
Strategic Development	5,561	(1,620)	3,941
Transport Governance	128	-	128
LSTF/Midlands Connect Programmes	5,225	(5,225)	-
Finance Charges	8,874	-	8,874
Reserves transfer - approved contribution to 2022-23 budget	3,600	-	3,600
Reserves transfer - transport risks	6,350	-	6,350
Use of Reserves	(5,630)	-	(5,630)
As reported to management (note 6)	**147,464**	**(32,744)**	**114,720**
Adjustments to arrive at amounts chargeable to the General Fund	(6,186)	458	(5,728)
Adjustments between funding and accounting basis (note 6b)	150,468	(122,405)	28,063
Per Comprehensive Income and Expenditure Statement	**291,746**	**(154,691)**	**137,055**

Comparatives for 2020/21 (restated)

	Authority Gross Expenditure £'000	Authority Gross Income £'000	Authority Net Expenditure £'000
Concessions	58,155	(94)	58,061
Bus Services	33,988	(11,796)	22,192
Rail and Metro Services	10,348	(2,822)	7,526
Integration	9,285	(3,596)	5,689
Network Resilience	2,198	(444)	1,754
Commonwealth Games	1,503	(1,503)	-
Business Support Costs	3,581	-	3,581
Strategic Development	4,378	(1,204)	3,174
Transport Governance	127	-	127
LSTF/Midlands Connect Programmes	5,004	(5,004)	-
Finance Charges	12,160	-	12,160
Reserves transfer - approved contribution to 2020-21 budget	3,900	-	3,900
Use of Reserves	(3,633)	-	(3,633)
As reported to management (note 6)	**140,994**	**(26,463)**	**114,531**
Adjustments to arrive at amounts chargeable to the General Fund	(13,342)	(503)	(13,845)
Adjustments between funding and accounting basis (note 6b)	67,109	(42,985)	24,124
Per Comprehensive Income and Expenditure Statement	**194,761**	**(69,951)**	**124,810**

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

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

The Authority receives revenues from ticket sales which are then pooled and distributed to operators net of commission based on passenger journeys. Net amounts to operators during the year amounted to £17.6m (2021: £9.6m). The lower amount experienced in 2021 was due to the decline in patronage resulting from the lockdown measures throughout 2020/21.

9. Combined Authority wider services

Analysis for 2021/22

		Authority	
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000
Economy and Innovation	7,082	(5,488)	1,594
Environment & Energy, HS2	1,116	(773)	343
Culture and Digital	5,803	(5,593)	210
Public Service Reform and Social Economy	1,566	(671)	895
Wellbeing	1,357	(940)	417
Housing and Land	1,242	(1,242)	-
Inclusive Communities	67	-	67
Productivity and Skills	131,446	(129,665)	1,781
Business Support	2,729	(234)	2,495
Use of Reserves	(1,199)	-	(1,199)
As reported to management (note 6)	**151,209**	**(144,606)**	**6,603**
Adjustments to arrive at amounts chargeable to the General Fund	1,313	(14,394)	(13,081)
Adjustments between funding and accounting basis (note 6b)	29,279	(13,047)	16,232
Per Comprehensive Income and Expenditure Statement	**181,801**	**(172,047)**	**9,754**

Comparatives for 2020/21 (restated)

		Authority	
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£'000	£'000	£'000
Economy and Innovation	3,134	(1,671)	1,463
Environment & Energy, HS2	1,147	(649)	498
Culture and Digital	1,693	(1,531)	162
Public Service Reform and Social Economy	1,258	(628)	630
Wellbeing	1,179	(629)	550
Housing and Land	1,386	(1,386)	-
Inclusive Communities	84	-	84
Productivity and Skills	129,727	(129,108)	619
Business Support	2,714	(193)	2,521
Use of Reserves	(420)	-	(420)
As reported to management (note 6)	**141,902**	**(135,795)**	**6,107**
Adjustments to arrive at amounts chargeable to the General Fund	1,044	(8,804)	(7,760)
Adjustments between funding and accounting basis (note 6b)	13,037	(9,354)	3,683
Per Comprehensive Income and Expenditure Statement	**155,983**	**(153,953)**	**2,030**

Amounts for the Adult Education Budget included in Skills and Productivity are as follows:

		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adult Education Budget	**2021/22**	125,169	(125,169)	-
	2020/21	120,440	(120,440)	-

10. Investment Programme

Analysis for 2021/22

	Authority Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Revenue costs of project and programme delivery	5,195		5,195
Programme resource	2,951		2,951
Investment programme financing costs	39,106		39,106
Interest income	-	(1,569)	(1,569)
As reported to management (note 6)	**47,252**	**(1,569)**	**45,683**
Adjustments to arrive at amounts chargeable to the General Fund	(27,477)	1,569	(25,908)
Adjustments between funding and accounting basis (note 6b)	75,838	-	75,838
Per Comprehensive Income and Expenditure Statement	**95,613**	**-**	**95,613**

Comparatives for 2020/21

	Authority Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Revenue costs of project and programme delivery	4,858	-	4,858
Programme resource	2,291	-	2,291
Investment programme financing costs	38,260	-	38,260
Interest income	-	(1,303)	(1,303)
As reported to management (note 6)	**45,409**	**(1,303)**	**44,106**
Adjustments to arrive at amounts chargeable to the General Fund	(21,785)	1,303	(20,482)
Adjustments between funding and accounting basis (note 6b)	72,820	-	72,820
Per Comprehensive Income and Expenditure Statement	**96,444**	**-**	**96,444**

11. Mayor's office

Analysis for 2021/22	Authority		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Staff	719	-	719
Premises and services	37	-	37
Promotions, information and initiatives	1	-	1
Travel and subsistence	3	-	3
Grants and other contributions	-	(760)	(760)
As reported to management (note 6)	**760**	**(760)**	**-**
Adjustments to arrive at amounts chargeable to the General Fund	22	-	22
Adjustments between funding and accounting basis (note 6b)	-	-	-
Per Comprehensive Income and Expenditure Statement	**782**	**(760)**	**22**

Comparatives for 2020/21	Authority		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Staff	752	-	752
Premises and services	52	-	52
Promotions, information and initiatives	-	-	-
Travel and subsistence	3	-	3
Grants and other contributions	-	(807)	(807)
As reported to management (note 6)	**807**	**(807)**	**-**
Adjustments to arrive at amounts chargeable to the General Fund	(11)	-	(11)
Adjustments between funding and accounting basis (note 6b)	-	-	-
Per Comprehensive Income and Expenditure Statement	**796**	**(807)**	**(11)**

12. Mayoral elections

Analysis for 2021/22	Authority		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Postage, Printing and Office Supplies	757	-	757
Promotions, Information and Initiatives	98	-	98
Election Costs	2,263	-	2,263
Use of reserves	(3,118)	-	(3,118)
As reported to management (note 6)	-	-	-
Adjustments to arrive at amounts chargeable to the General Fund	3,118	-	3,118
Adjustments between funding and accounting basis (note 6b)	-	-	-
Per Comprehensive Income and Expenditure	**3,118**	**-**	**3,118**

13. Other operating expenditure

	Authority 2021/22 £'000	Group 2021/22 £'000	Authority 2020/21 £'000	Group 2020/21 £'000
Loss on disposal of property, plant and equipment	6,226	6,226	10	10
Share of disposal proceeds on asset funded from grant	-	-	(1,594)	(1,594)
Total	**6,226**	**6,226**	**(1,584)**	**(1,584)**

The loss on disposal of property, plant and equipment relates to the replacement of track between Bull Street and Corporation Street, the removal of historic signalling equipment and bus stops/shelters; and the replacement of Longbridge car park.

14. Financing and investment income and expenditure

	Authority 2021/22 £'000	Group 2021/22 £'000	Authority 2020/21 £'000	Group 2020/21 £'000
Interest payable and similar charges on borrowings:				
PWLB	6,610	6,610	5,596	5,596
Barclays	403	403	403	403
Other	12	12	-	-
Interest payable on the former transferred debt	304	304	431	431
Impairment loss allowance (notes 21, 23 and 34)	(319)	527	(704)	(266)
Net interest on the net defined benefit liability (note 32)	1,344	1,344	824	824
(Gains)/losses on financial assets at fair value through profit and loss	(230)	(230)	-	-
	8,124	8,970	6,550	6,988
Interest receivable and similar income	(1,111)	(1,070)	(672)	(635)
Other investment income	(1,569)	(1,569)	(1,303)	(1,303)
Total	**5,444**	**6,331**	**4,575**	**5,050**

Impairment loss allowance relates to potential losses recognised on the Collective Investment Fund and the loan to Midland Metro Limited, in accordance with the requirement of IFRS 9 Financial Instruments. The loss allowance includes consideration for the impact of COVID-19 (see notes 21 and 23).

Other investment income relates to the loan interest income from the Collective Investment Fund (see note 21).

15. Government and other grant income

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

	Authority 2021/22 £'000	Authority 2020/21 £'000
Revenue grants and contributions credited to cost of services		
Active Travel Fund	1,027	-
Adult Education Budget	142,699	131,871
Bus Service Operator Grant	1,792	1,792
Bus Services Support Grant	793	4,280
Business and Tourism Programme	5,240	1,508
Commonwealth Games	5,279	1,503
Construction Skills	945	1,044
Digital Bootcamp	1,492	1,545
Employment Support Pilot	967	1,489
Housing Package	1,133	1,218
Local Transport Authority Bus Recovery	1,132	-
Made Smarter West Midlands	1,519	-
Mayoral Capacity Fund	1,000	1,000
Midlands Connect Programme	5,129	4,884
Sales, Fees & Charges Support Grant	391	1,606
UK Community Renewal Fund	1,744	-
Other grants and contributions less than £1m	3,321	6,363
Total	**175,603**	**160,103**
Capital grants funding Revenue Expenditure Funded from Capital under Statute credited to cost of services		
A45 Sprint	21,969	12,026
All-Electric Bus Town or City	11,111	10
Brownfield Housing	5,038	193
Bus Priority	5,617	-
Commonwealth Games	9,060	5,011
Future Mobility Zones	3,929	2,141
Getting Building	7,802	3,381
Land Fund	8,009	9,161
Local Growth Fund	144	8,666
Local Transport Fund	898	395
Transforming Cities Fund	29,555	4,373
Contributions from third parties	25,526	189
Other grants and contributions	6,794	6,793
Total	**135,452**	**52,339**

	Authority 2021/22 £'000	Authority 2020/21 £'000
Grants and contributions credited to taxation and non-specific grant income		
Transport levy from the West Midlands districts*	114,720	114,720
Gainshare contribution - MHCLG	36,500	36,500
Business rates growth	9,000	7,500
Constituent, non-constituent and observers membership fees and contributions*	5,069	5,069
Capital grants and contributions	204,891	142,303
Gross income	370,180	306,092
Capital grants paid	(63,645)	(77,139)
Total	**306,535**	**228,953**

*An analysis of the transport levy and constituent and non-constituent member membership fees and contributions by district is shown in note 38 Related party disclosures.

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

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. These are recognised in the Balance Sheet as grants receipts in advance until such time as the conditions are met. The balances at the year-end are shown below:

	Authority	
	2021/22	**2020/21**
	£'000	£'000
Grants received in advance - capital		
Active Travel Fund	24,402	8,187
All-Electric Bus Town or City	38,880	49,990
Brownfield Housing	99,665	39,553
Bus Priority	18,348	23,965
Clean Bus Technology	247	786
Commonwealth Games	-	3,100
Future Mobility Zones	9,527	14,912
Getting Building	-	3,984
Joint Air Quality	162	412
Land Fund	63,478	77,316
Local Authority Major Project	55,873	36,689
Local Growth Fund	269	530
Local Transport Fund	7,415	7,378
Midlands Connect	2,000	2,000
Social Housing Decarbonisation	7,511	-
Transforming Cities Fund	57,221	60,003
Zero Emission Bus Regional Area	30,383	-
Contributions from third parties	7,292	6,000
Other grants less than £2m	1,436	2,335
	424,109	**337,140**
Grants received in advance - revenue		
Active Travel Fund	1,040	2,167
Bus Service Operator Grant	627	627
Cycle for Everyone	1,972	-
Employment Support Pilot	555	1,523
Housing Package	3,621	4,754
Intra-City Transport Settlements	3,862	-
Local Authority Capability Fund	1,841	-
Midlands Connect	4,047	1,785
UK Community Renewal Fund	1,625	-
Other	1,746	2,120
	20,936	**12,976**

16. Officers' remuneration

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

		Salary, fees and allowances £'000	Pension contributions £'000	Total Authority £'000
WMCA Staff				
Chief Executive [1]	**2021/22**	233	26	259
	2020/21	200	25	225
Director of Law and Governance [2]	**2021/22**	22	2	24
	2020/21	96	12	108
Interim Director of Law and Governance [3]	**2021/22**	215	-	215
	2020/21	-	-	-
Executive Director of Housing, Property and Regeneration [4]	**2021/22**	119	15	134
	2020/21	118	15	133
Executive Director of Strategy, Integration and Net Zero [5]	**2021/22**	123	15	138
	2020/21	115	14	129
Executive Director of Economic Delivery, Skills and Communities [6]	**2021/22**	136	17	153
	2020/21	127	16	143
Operational Director of Strategic Communications [7]	**2021/22**	79	10	89
	2020/21	68	8	76
Director of Strategy [8]	**2021/22**	138	9	147
	2020/21	125	16	141
Executive Director of Finance & Business Hub [9]	**2021/22**	126	16	142
	2020/21	113	14	127
Executive Director, Transport for West Midlands [10]	**2021/22**	145	18	163
	2020/21	136	17	153
Mayoral Team				
Mayor	**2021/22**	79	-	79
	2020/21	79	-	79
Deputy Mayor [11]	**2021/22**	-	-	-
	2020/21	-	-	-
Chief of Staff [12]	**2021/22**	31	3	34
	2020/21	53	7	60
Head of Mayoral Operations [12]	**2021/22**	47	6	53
	2020/21	-	-	-
Head of Mayoral Policy & Delivery [12]	**2021/22**	64	8	72
	2020/21	-	-	-

[1] The role was held by two individuals during 2021/22. The current post holder, with an annualised salary of £169k for 2021/22, was appointed from the Executive Director, Transport for West Midlands role from June 2021.

[2] Director of Law and Governance resigned in May 2021. Therefore, the pay does not reflect a full year's salary.

[3] The Interim Director of Law and Governance was employed in April 2021 through a third party. The amount disclosed is the amount that has been received by the postholder.

[4] The title of Director of Housing & Regeneration was renamed to Executive Director of Housing, Property and Regeneration with effect from 1 May 2022.

[5] The title of Director of Inclusive Growth & Public Service Reform was renamed to Executive Director of Strategy, Integration and Net Zero with effect from 1 May 2022.

[6] The title of Director of Productivity and Skills was renamed to Executive Director of Economy, Skills and Communities with effect from 1 May 2022.

[7] Director of Strategic Communications and Public Affairs resigned in October 2020. Therefore, the pay does not reflect a full year's salary. This post was appointed in April 2021 and the title was renamed to Operational Director of Strategic Communications with effect from 1 May 2022.

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

[9] The title of Finance Director was renamed to Executive Director of Finance & Business Hub with effect from 1 May 2022.

[10] The role was held by two individuals during 2021/22. The current post holder, with an annualised salary of £86k for 2021/22 was appointed from Director of Network Resilience, Transport for West Midlands role from July 2021. The title of Managing Director, Transport for West Midlands was renamed to Executive Director, Transport for West Midlands with effect from 1 May 2022.

[11] Deputy Mayor did not receive any remuneration from the Authority and no amount was re-charged from other District Authorities for his service during the period.

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

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

	Authority	
	2022	2021
£50,000 - £54,999	35	31
£55,000 - £59,999	41	32
£60,000 - £64,999	27	15
£65,000 - £69,999	22	23
£70,000 - £74,999	7	3
£75,000 - £79,999	11	7
£80,000 - £84,999	9	4
£85,000 - £89,999	1	2
£90,000 - £94,999	3	-
£95,000 - £99,999	1	-
£100,000 - £104,999	5	5
£105,000 - £109,999	1	-
£110,000 - £114,999	1	4
£115,000 - £119,999	1	-
£120,000 - £124,999	-	1
£125,000 - £129,999	2	-
£130,000 - £139,999*	-	-
£140,000 - £144,999	-	1

* there were no employees within these bands

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	
	2022	2021	2022	2021	2022	2021
Cost band (including special payments)	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	16	9	16	9	**69**	**47**
£20,001 - £40,000	1	1	1	1	**27**	**33**
£40,001 - £60,000	1	-	1	-	**57**	**-**
£60,001 - £80,000	-	-	-	-	**-**	**-**
£80,001 - £100,000	-	1	-	1	**-**	**99**
	18	**11**	**18**	**11**	**153**	**179**

17. Members' allowances

	Authority and Group	
	2022	**2021**
	£'000	£'000
Allowances	125	127
Expenses	-	-
Total	**125**	**127**

18. External audit costs

Charges relating to work undertaken by the external auditors:

	Authority	**Group**	**Authority**	**Group**
	2022	**2022**	**2021**	**2021**
	£'000	£'000	£'000	£'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	68	99	67	98
Fees payable in respect of other services provided by external auditors during the year	-	-	-	-
Total	**68**	**99**	**67**	**98**

19. 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.

In light of the recent issues with the trams, a full review of the asset lives and impairment was undertaken with the manufacturer. There are no indications of impairment and there is no change to their useful lives.

Movements in 2021/22 Authority	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Authority £'000
Cost or valuation					
At 1 April 2021	3,559	44,880	439,722	206,417	694,578
Additions - capital programme (note 31)	-	3,320	7,083	134,162	144,565
Transfers	361	8,420	25,634	(34,415)	-
Transfers to intangible assets (note 20)	-	-	-	(255)	(255)
Transfers to provision of services	-	-	-	(817)	(817)
Disposals	-	(3,994)	(17,256)	-	(21,250)
At 31 March 2022	**3,920**	**52,626**	**455,183**	**305,092**	**816,821**
Accumulated depreciation					
At 1 April 2021	174	29,333	181,279	-	210,786
Charge for the year	87	3,764	17,313	-	21,164
Disposals	-	(3,940)	(11,084)	-	(15,024)
At 31 March 2022	**261**	**29,157**	**187,508**	-	**216,926**
Net book value					
At 31 March 2022	3,659	23,469	267,675	305,092	599,895
At 31 March 2021	3,385	15,547	258,443	206,417	483,792

Group	Land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure assets £'000	Assets under construction £'000	Total Group £'000
Cost or valuation					
At 1 April 2021	3,559	45,507	439,722	206,417	695,205
Additions - capital programme (note 31)	-	3,320	7,083	134,162	144,565
Additions - other	-	201	-	-	201
Transfers	361	8,420	25,634	(34,415)	-
Transfers to intangible assets (note 20)	-	-	-	(255)	(255)
Transfers to provision of services	-	-	-	(817)	(817)
Disposals	-	(3,994)	(17,256)	-	(21,250)
At 31 March 2022	**3,920**	**53,454**	**455,183**	**305,092**	**817,649**
Accumulated depreciation					
At 1 April 2021	174	29,708	181,279	-	211,161
Charge for the year	87	3,870	17,313	-	21,270
Disposals	-	(3,940)	(11,084)	-	(15,024)
At 31 March 2022	**261**	**29,638**	**187,508**	-	**217,407**
Net book value					
At 31 March 2022	3,659	23,816	267,675	305,092	600,242
At 31 March 2021	3,385	15,799	258,443	206,417	484,044

Comparative movements in 2020/21 Authority	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Assets under construction	Total Authority
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2020	3,559	39,465	432,602	126,849	602,475
Additions - capital programme (note 31)	-	3,637	5,263	84,638	93,538
Transfers	-	1,778	2,191	(3,969)	-
Transfers to intangible assets (note 20)	-	-	-	(584)	(584)
Transfers to provision of services	-	-	-	(517)	(517)
Disposals	-	-	(334)	-	(334)
At 31 March 2021	**3,559**	**44,880**	**439,722**	**206,417**	**694,578**
Accumulated depreciation					
At 1 April 2020	87	26,793	164,709	-	191,589
Charge for the year	87	2,540	16,894	-	19,521
Disposals	-	-	(324)	-	(324)
At 31 March 2021	**174**	**29,333**	**181,279**	**-**	**210,786**
Net book value					
At 31 March 2021	3,385	15,547	258,443	206,417	483,792
At 31 March 2020	3,472	12,672	267,893	126,849	410,886

Group	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Assets under construction	Total Group
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2020	3,559	40,063	432,602	126,849	603,073
Additions - capital programme (note 31)	-	3,637	5,263	84,638	93,538
Additions - other	-	29	-	-	29
Transfers	-	1,778	2,191	(3,969)	-
Transfers to intangible assets (note 20)	-	-	-	(584)	(584)
Transfers to provision of services	-	-	-	(517)	(517)
Disposals	-	-	(334)	-	(334)
At 31 March 2021	**3,559**	**45,507**	**439,722**	**206,417**	**695,205**
Accumulated depreciation					
At 1 April 2020	87	27,033	164,709	-	191,829
Charge for the year	87	2,675	16,894	-	19,656
Disposals	-	-	(324)	-	(324)
At 31 March 2021	**174**	**29,708**	**181,279**	**-**	**211,161**
Net book value					
At 31 March 2021	3,385	15,799	258,443	206,417	484,044
At 31 March 2020	3,472	13,030	267,893	126,849	411,244

Revaluations

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

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

Authority	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Assets under construction	Total Authority
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	-	305,092	305,092
Carried at depreciated historical cost	-	52,626	455,183	-	507,809
Valued at current value as at:					
31 March 2022					-
31 March 2021	-	-	-	-	-
31 March 2020	-	-	-	-	-
31 March 2019	3,920	-	-	-	3,920
31 March 2018	-	-	-	-	-
31 March 2017	-	-	-	-	-
Total cost or valuation	**3,920**	**52,626**	**455,183**	**305,092**	**816,821**

Capital commitments

At 31 March 2022, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment and future years budgeted to cost £37.8m (2021: £53.8m). The major commitments are listed in the table below:

	2022	2021
	£'000	£'000
Metro Third Generation Trams	31,494	42,474
Metro extension schemes	6,338	8,220
West Midlands Cycle Hire scheme	-	3,128
	37,832	**53,822**

20. Intangible assets

	Authority and Group 2022 £'000	Authority and Group 2021 £'000
Cost		
At 1 April	1,992	-
Additions - capital programme (note 31)	699	1,408
Transfers from assets under construction (note 19)	255	584
At 31 March	**2,946**	**1,992**
Amortisation		
At 1 April	398	-
Amortisation for the year	637	398
At 31 March	**1,035**	**398**
Net carrying amount		
At 31 March	1,911	1,594

The intangible assets are internally generated assets. The carrying amount of the intangible assets is amortised over 5 years on a straight-line basis. The amortisation is charged to the transport service in the Comprehensive Income and Expenditure Statement.

21. Investments

	Long-term		Current		Authority and Group Total	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Loans investments - Collective Investment Fund	16,157	8,074	5,334	13,390	21,491	21,464
Loss allowance	(2,714)	(1,433)	(238)	(992)	(2,952)	(2,425)
Loans investments - Collective Investment Fund	13,443	6,641	5,096	12,398	18,539	19,039
Investments in subsidiaries and joint ventures	3,673	-	-	-	3,673	-
Pooled investment funds	5,230	-	-	-	5,230	-
Short-term deposits	-	-	247,123	105,700	247,123	105,700
Total	**22,346**	**6,641**	**252,219**	**118,098**	**274,565**	**124,739**

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

The loss allowance is assessed on an individual basis (see accounting policy - note 2 (g)) and recognised in the Comprehensive Income and Expenditure (see note 14).

Investments in subsidiaries and joint ventures mainly consist of the equity investments in HTO1 LLP and HTO2 LLP. Further details on these investments are set out on page 88 and in note 34 on page 106.

The pooled investment funds consisted of CCLA Local Authority Property Fund and Fundamentum Social Housing REIT.

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

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

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

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

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

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

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

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

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

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

22. Inventories

		2022		2021
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Balance at 1 April	13,082	13,904	12,424	13,253
Purchases	1,290	1,821	658	1,221
Recognised as an expense in the year	(5,905)	(6,307)	-	(570)
Balance at 31 March	**8,467**	**9,418**	**13,082**	**13,904**

23. Short-term debtors

		2022		2021
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Loans to group undertakings	346	-	1,192	-
Loss allowance	(346)	-	(1,192)	-
Loans to group undertakings	-	-	-	-
Trade debtors and accrued income	42,119	46,000	36,441	38,177
Other debtors	10,561	10,586	4,521	4,636
Prepayments	14,068	14,299	8,752	9,188
Total	**66,748**	**70,885**	**49,714**	**52,001**

Included within trade debtors and accrued income are monies owed in respect of grant funding claims, business rates growth and also monies owed from operators for ticketing. Prepayments consist of prepayments for concessions to operators and capital prepayments for the Midland Metro extension. Other debtors consist of amounts recoverable for VAT.

The loss allowance relates to potential losses recognised in the Comprehensive Income and Expenditure (see note 14) for the impact of COVID-19.

24. Cash and cash equivalents

			Carrying amount	
		2022		2021
	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000
Cash at bank and in hand	465	701	1,813	2,102
Short-term deposits	369,038	370,388	142,600	146,600
Total	**369,503**	**371,089**	**144,413**	**148,702**

25. Borrowing

	Authority and Group	
	2022	2021
	£'000	£'000
Lender		
Public Works Loan Board (PWLB)	431,991	108,431
Barclays	10,000	10,000
UK Infrastructure Bank	10,000	-
Accrued interest payable	2,561	1,572
Total	**454,552**	**120,003**
Maturity		
Principal and accrued interest due within one year	15,319	1,925
1 - 2 years	25,563	368
2 - 5 years	38,464	1,193
5 - 10 years	111,537	12,326
Over 10 years	263,668	104,191
Principle due after more than one year	439,232	118,078
Total	**454,551**	**120,003**

The Group adopts a low risk treasury management approach seeking to maximise low interest loans when the opportunity arises. During the year, the Group undertook £47m of short-term borrowing which was repaid in year (2021: nil). The amount of fixed rate debt is 100% (2021: 100%) with no variable rate debt (2021: nil).

Historically, the majority of Group borrowing has been undertaken through HM Treasury's lending facility (i.e. Public Works Loan Board (PWLB)). In November 2020, PWLB reduced the margin on its standard loans by 1% reversing a policy decision made a year earlier aimed at slowing the pace of borrowing by Local Authorities. As such, the Authority continues to review all options to obtain competitively priced debt to fund its Capital programme.

Following the rate reduction, the Group is able to access PWLB debt at 80 basis points above the UK Gilt rate. Loans totalling £125m were secured from this source in 2021/22 to unwind the Group's previously under borrowed position and provide low interest rate funding prior to bank rate rises during the year. In addition, through a competitive bidding process, the Group also accessed £200m of PWLB borrowing during 2021/22 at the Governments Local Infrastructure Rate (Gilts + 60 basis points) and a further £10m of borrowing from the UK Infrastructure Bank at an equivalent rate.

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

During 2005/06 WMITA entered into a £10.0m LOBO ("Lenders Option Borrowers Option") loan with Barclays Bank Plc at 4.03% repayable in 2055/56. In June 2016, Barclays decided to waive its right permanently under the lenders option of the LOBO feature to change interest rates in the future and converted it into a fixed rate loan. No other terms or conditions of the loan were amended, and the loan will still mature in June 2055.

26. Short-term creditors

	2022 Authority	2022 Group	2021 Authority	2021 Group
	£'000	£'000	£'000	£'000
Trade creditors and accruals	115,065	119,687	106,054	110,031
Taxes and social security	1,102	1,925	845	1,057
Payments received on account	5,385	5,525	4,961	5,061
	121,552	**127,137**	**111,860**	**116,149**

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.

27. Provisions

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

Prior year comparatives	Transport development	Buildings maintenance	Rail services/ insurance	Total Authority and Group
	£'000	£'000	£'000	£'000
Balance at 1 April 2020	933	1,000	810	2,743
Additional provision	1,182	224	200	1,606
Amounts used	(44)	-	-	(44)
Balance at 31 March 2021	**2,071**	**1,224**	**1,010**	**4,305**
Current	2,071	-	-	2,071
Long-term	-	1,224	1,010	2,234
Total	**2,071**	**1,224**	**1,010**	**4,305**

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

Buildings maintenance
This has been provided to meet contractual obligations in respect of the Authority’s properties.

Rail services/insurance
This has been provided in order to meet estimated liabilities and risks in relation to local rail services and the net expected costs of claims outstanding, and their administration, relating to the activities of the former West Midlands Passenger Transport Executive as a bus operator prior to 26 October 1986.

28. Transferred debt

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

	Authority and Group	
	2022	**2021**
	£'000	£'000
Balance at 1 April	5,660	6,428
Accrued interest payable - brought forward	(65)	-
Repayment in the year - principal	(916)	(833)
Accrued interest payable - carried forward	65	65
Balance at 31 March	**4,744**	**5,660**
Due within one year	1,074	982
Due over one year	3,670	4,678
Total	**4,744**	**5,660**

29. Usable reserves

The purpose of the individual reserves are as follows:

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

Earmarked Reserves

Current year movements
Authority

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

Group

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

Prior year comparatives
Authority

	Earmarked general fund	Investment programme funding reserve	Unapplied revenue grants	Total Authority
	£'000	£'000	£'000	£'000
Balance at 1 April 2020	26,637	101,125	18,795	146,557
Receivable in year	-	-	137,075	137,075
Utilised in year	-	-	(127,768)	(127,768)
Net unapplied in year	-	-	9,307	9,307
Released in year to general reserves	(7,411)	(32,226)	-	(39,637)
Transfers in year from general reserves	21,793	45,676	-	67,469
Net transfer (to)/from general reserves	14,382	13,450	-	27,832
Total transfer (to)/from general reserves	**14,382**	**13,450**	**9,307**	**37,139**
Balance at 31 March 2021	**41,019**	**114,575**	**28,102**	**183,696**

Group	Earmarked general fund	Investment programme funding reserve	Unapplied revenue grants	Total Group
	£'000	£'000	£'000	£'000
Balance at 1 April 2020	28,267	102,830	18,795	149,892
Receivable in year	-	-	137,075	137,075
Utilised in year	-	-	(127,768)	(127,768)
Net unapplied in year	-	-	9,307	9,307
Released in year to general reserves	(7,849)	(32,226)	-	(40,075)
Transfers in year from general reserves	21,793	45,308	-	67,101
Net transfer (to)/from general reserves	13,944	13,082	-	27,026
Total transfer (to)/from general reserves	**13,944**	**13,082**	**9,307**	**36,333**
Balance at 31 March 2021	**42,211**	**115,912**	**28,102**	**186,225**

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

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

Unapplied revenue grants
This reserve contains revenue grants that the Authority 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.

	Authority and Group	
	2022	2021
	£'000	£'000
Opening balance at 1 April	1,841	247
Share of disposal proceeds of asset funded from the Brownfield Land & Property Development Fund	-	1,594
Transfer to the Capital Receipts Reserve upon receipt of cash from loan repayments under Collective Investment Fund	27,971	11,931
Use of the Capital Receipts Reserve to finance capital expenditure	(27,971)	(11,931)
Closing balance at 31 March	**1,841**	**1,841**

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

	Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	-	-
In-year profit/(loss) results for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	(14)	-
Closing balance at 31 March	**(14)**	**-**

30. Unusable reserves

The purpose of the individual reserves are as follows:

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

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

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	6,319	6,531
Difference between current value depreciation and historical cost	(193)	(212)
Closing balance at 31 March	**6,126**	**6,319**

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

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

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	57,222	83,928
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and amortisation of non-current assets (notes 19 and 20)	(21,801)	(19,919)
Adjusting amount written out of the Revaluation Reserve (note 30)	193	212
Loss on disposal of property, plant and equipment (note 13)	(6,226)	(10)
Non-current assets transferred to provision of services (note 19)	(817)	(517)
Inventory recognised as an expense (note 22)	(5,905)	-
Revenue expenditure funded from capital under statute (note 31)	(236,484)	(142,536)
Capital financing applied in the year		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing (note 31)	266,496	116,258
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing in prior years	10,202	1,245
Statutory provision for the financing of capital investment charged against the General Fund (MRP - note 31)	2,336	400
Debt repayment charged against the General Fund (note 28)	916	833
Capital expenditure charged against the General Fund (note 31)	8,239	1,715
Capital expenditure funded by the Gainshare contribution (note 31)	9,895	15,613
Closing balance at 31 March	**84,266**	**57,222**

Financial Instruments Revaluation Reserve

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

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	-	-
Upward revaluation of investments	230	-
Accumulated gains or losses on equity investments designated at fair value through other comprehensive income	(877)	-
Closing balance at 31 March	**(647)**	**-**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. This account is used by the Authority for recognised losses on loans advanced at less than commercial interest rate. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out from the General Fund balance to this account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on account at 31 March 2022 will be charged to the General Fund over the next 11 years.

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	2,388	-
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(311)	2,388
Closing balance at 31 March	**2,077**	**2,388**

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

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	66,270	39,902
Remeasurements (liabilities and assets) (note 32)	(35,194)	20,118
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement (note 32)	16,788	9,334
Employer's pension contributions payable in the year:		
Current year (note 32)	(3,588)	(3,084)
Closing balance at 31 March	**44,276**	**66,270**

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

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	1,030	496
Movement in the year	108	534
Closing balance at 31 March	**1,138**	**1,030**

31. Capital expenditure and capital financing

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

		Authority
	2022	**2021**
	£'000	£'000
WMCA delivered capital schemes		
Midland Metro	131,077	86,207
Rail infrastructure	54,952	21,960
Key Routes network	46,721	18,927
Bus infrastructure	13,500	2,641
Land Fund	22,061	18,767
Future Transport Zone	2,624	3,024
Connected vehicles	613	6,972
Regional Transport Coordination Centre	4,440	2,601
Sustainable Transport	3,837	2,611
Other	14,345	4,487
	294,170	168,197
Grants to local authorities	88,869	69,943
Investments in equity instruments	4,550	-
Total capital expenditure	**387,589**	**238,140**
Property, plant and equipment (note 19)	144,566	93,538
Intangible asset (note 20)	699	1,408
Inventories (note 22)	1,290	658
Investments in equity instruments (note 21)	4,550	-
REFCUS	236,484	142,536
	387,589	**238,140**
Funded by:		
Central Government grants	231,252	107,168
District/Local Enterprise Partnership (LEP) grants and contributions	9,413	9,004
3rd party contributions	25,831	86
Total grants and contributions	266,496	116,258
Gainshare contribution	9,895	15,613
Borrowing	111,198	106,269
	387,589	**238,140**

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

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening Capital Financing Requirement	472,555	347,731
Capital investment		
Capital programme costs funded by borrowing (note 31)	111,198	106,269
Other capital expenditure funded by borrowing - Collective Investment Fund	26,484	16,679
Other capital expenditure funded by borrowing - soft loan	-	18,000
Sources of finance		
Minimum Revenue Provision (MRP)	(2,336)	(400)
Use of the Capital Receipts Reserve to finance capital expenditure (note 29)	(27,971)	(11,931)
Transferred debt repayment (note 28)	(916)	(833)
Capital expenditure charged to the General Fund	(8,239)	(1,715)
Capital grants received previously funded through borrowings	(10,202)	(1,245)
Closing Capital Financing Requirement	**560,573**	**472,555**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	88,018	124,824
Increase in Capital Financing Requirement	**88,018**	**124,824**

32. Pension schemes

Defined benefit pension scheme

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

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

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

An actuarial valuation of this fund was carried out by Barnett Waddingham LLP, an independent firm of actuaries in accordance with the Regulations as at 31 March 2019. Based on the results of this valuation, the actuaries set the Authority's employer contributions for the three years from 1 April 2020 at a net primary rate of 12.4% of the current employees' pensionable pay to meet 100% of the overall fund liabilities. This pension cost has been determined after allowing for the amortisation of the difference between the assets and the accrued liabilities relating to the Authority over the average remaining service lives of the current members of the fund.

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

Hymans Robertson LLP was appointed as the new actuary on 1 January 2022, replacing Barnett Waddingham LLP. Disclosures in this note are taken from the actuarial report provided by Hymans Robertson LLP.

Following the recent McCloud and Sargeant judgement which relate to age discrimination within the Judicial and Fire Pension Schemes respectively, an allowance was made in 2018/19 for the estimated potential impact on the employer's defined benefit obligation based on analysis carried out by the Government Actuary's Department (GAD) and the employer's liability profile. Following government confirmation in a statement by the Chief Secretary to the Treasury on 15 July 2019 that the principles of the outcome would be accepted as applying to all public service schemes, this allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities. No explicit additional adjustment for McCloud has been added to the current service cost for 2021/22.

On the High Court's recent ruling on the equalisation of Guaranteed Minimum Pension (GMP) between genders, the impact of the full GMP indexation has been allowed for in the calculation of the latest funding valuation. WMCA's funding valuation results are used as a starting point for the accounting roll forward calculations and therefore an allowance for full GMP indexation has already been included in the accounting disclosure.

The further ruling on historical transfers is unlikely to have a significant impact on pension obligations and therefore no allowance has been made for this within calculations as at 31 March 2022.

Calculation method
The figures as at 31 March 2022 are based on the 31 March 2019 formal valuation of the fund. Membership data as at 31 March 2019 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 2022. This valuation was carried out by Hymans Robertson LLP.

Net liability and pension reserve
The net amount recognised on the Balance Sheet at 31 March 2022 is a deficit of £41.150m compared to a deficit of £59.603m at 31 March 2021. The deficit has been reduced by the prepayment of £3.126m for 2022/23. As a result, the pension liability does not agree to the pension reserve by that amount.

Movement in pension fund liability during the year

	Authority and Group 2022 £'000	2021 £'000
Opening balance at 1 April	59,603	39,902
Employer's pension contributions payable in the year:		
Current year	(3,588)	(3,084)
Prepayment for 2020/21 and 2021/22	3,541	(6,667)
Post employment benefit charged to the surplus or deficit on provision of services:		
Current service cost*	15,414	8,503
Past service cost	30	7
Net interest cost	1,344	824
Total cost	16,741	(417)
Remeasurements (liabilities and assets)	(35,194)	20,118
Closing balance at 31 March	**41,150**	**59,603**

Transactions relating to post-employment benefits

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

	Authority and Group 2022 £'000	2021 £'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost*	15,414	8,503
Past service cost	30	7
Financing and investment income and expenditure		
Net interest cost	1,344	824
Total post employment benefit charged to the surplus or deficit on provision of services	**16,788**	**9,334**
Remeasurements (liabilities and assets)	(35,194)	20,118
Total post employment benefit charged/(credited) to the Comprehensive Income and Expenditure Statement	**(18,406)**	**29,452**
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	(16,788)	(9,334)
Actual amount charged against the General Fund Balance for pensions in the year	3,588	3,084
	(13,200)	**(6,250)**

* Administration expenses are now included in 'Current service cost', previously they were disclosed separately. The prior year comparative has been amended to reflect this change.

Assets and liabilities in relation to post-employment benefits

	Authority and Group	
	2022	**2021**
	£'000	£'000
Present value of scheme liabilities	(355,735)	(355,122)
Present value of scheme assets	314,585	295,519
Amounts recognised as liabilities	**(41,150)**	**(59,603)**

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

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	355,122	289,789
Current service cost	15,414	8,325
Interest cost	7,169	6,671
Change in demographic assumptions*	(2,517)	(4,119)
Change in financial assumptions	(12,031)	70,720
Experience (gain)/loss on defined benefit obligations	815	(4,380)
Contributions by scheme participants	2,134	1,843
Benefits paid	(10,401)	(13,734)
Past service costs/curtailments	30	7
Closing balance at 31 March	**355,735**	**355,122**

***** the change in demographic assumptions can be found in the valuation assumptions on page 103

Reconciliation of fair value of the scheme assets

	Authority and Group	
	2022	**2021**
	£'000	£'000
Opening balance at 1 April	295,519	249,887
Interest on plan assets	5,825	5,847
Administration expenses*	-	(178)
Return on assets less interest	21,461	42,103
Employer contributions - current year	3,588	3,084
Employer contributions - prepayment for 2020/21 and 2021/22	(3,541)	6,667
Contributions by scheme participants	2,134	1,843
Benefits paid	(10,401)	(13,734)
Closing balance at 31 March	**314,585**	**295,519**

***** Administration expenses for 2021/22 are included in 'Current service cost' within 'Reconciliation of present value of the scheme liabilities (defined benefit obligation)'

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

Authority	**2022**	**2022**	**2021**	**2021**
	%	£'000	%	£'000
Asset				
Equities	60.6	190,779	60.2	177,994
Gilts	6.2	19,471	8.3	24,597
Other bonds	5.8	18,300	6.3	18,744
Property	7.2	22,563	7.5	22,175
Cash/liquidity	3.9	12,354	4.9	14,448
Other*	16.3	51,118	12.8	37,561
Total	**100.0**	**314,585**	**100.0**	**295,519**

***** mainly consists of infrastructure, other debt securities and derivatives

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

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

		Authority
	2022	**2021**
Valuation assumptions		
Discount rate	2.7%	2.0%
Rate of salary increase	4.3%	3.9%
Rate of pension increase	3.3%	2.9%
Future life expectancies from age 65		
Retiring today:		
Males	21.2	21.6
Females	23.6	23.9
Retiring in 20 years:		
Males	22.9	23.4
Females	25.4	25.8

It is assumed that:

- members will elect to take 50% of both the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and for post-April 2008 service;
- members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- the proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Defined Contribution Pension Scheme – Midland Metro Limited and WM5G Limited

Income Statement
The amounts recognised in Midland Metro's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £182k (2021: £164k).

The amounts recognised in WM5G Limited's Income Statement and consolidated into the Group Comprehensive Income and Expenditure Statement are £57k (2021: £50k).

33. Financial risk management

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

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

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

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

The Authority manages the credit risk from its financing activities by restricting its exposure with financial institutions to those that are on the official lending list as compiled by the Authority's treasury management advisors. The criteria for these lending lists are set out in the Treasury Management Strategy report 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 cash flow management and any surplus funds are invested on the overnight money market with HSBC Bank plc.

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

	Authority	Group	Authority	Group
	2021/22	**2021/22**	**2020/21**	**2020/21**
	£'000	£'000	£'000	£'000
12-month expected credit losses:				
Investments (note 21)	265,662	274,565	124,739	124,739
Cash and short-term deposits (note 24)	369,503	371,089	144,413	148,702
Pooled investment funds (note 21)	5,230	5,230	-	-
	640,395	650,884	269,152	273,441
Simplified approach:				
Trade debtors and accrued income (note 23)	42,119	46,000	36,441	38,177
Total	**682,514**	**696,884**	**305,593**	**311,618**

The loss allowance recognised during the year are as follows:

Authority	**12-month expected credit losses**		**Lifetime expected credit losses - simplified**		**Total**	
Asset class (amortised cost)	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance as at 1 April	3,617	4,321	-	-	3,617	4,321
Individual financial assets transferred to 12-month expected credit loss	(319)	(704)	-	-	(319)	(704)
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**3,298**	**3,617**	**-**	**-**	**3,298**	**3,617**

Group	**12-month expected credit losses**		**Lifetime expected credit losses - simplified**		**Total**	
Asset class (amortised cost)	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance as at 1 April	2,425	2,691	-	-	2,425	2,691
Individual financial assets transferred to 12-month expected credit loss	527	(266)	-	-	527	(266)
Individual financial assets transferred to lifetime expected credit losses	-	-	-	-	-	-
Closing balance at 31 March	**2,952**	**2,425**	**-**	**-**	**2,952**	**2,425**

Liquidity risk

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

Market risk

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

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

Coronavirus

The Authority will continue to monitor closely the ongoing impact of COVID-19 pandemic including the effect on financial markets and the stability of the financial institutions the Authority has dealings with to ensure that security and liquidity of Group investments are not adversely affected. The Authority is assisted in this regard by professional Treasury Management advisors, Link Treasury Services.

With respect to the commercial loans, the Authority is continually reviewing the impacts on the construction sector and the potential impact on its loan portfolio. Provision has been made in the 2021/22 accounts for potential defaults and the Authority will continue to maintain a close dialogue with borrowers through its sector specialist fund manager. In the event that any of the investments encounter difficulty, each will be managed on a case by case basis and if necessary, the Authority's rights over control of the development or assets will be exercised.

Maturity analysis of financial liabilities
All trade and other payables are due to be paid in less than one year.

34. Financial Instruments

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

Analysis for 2021/22	**Long-term**		**Current**		**Total**	
	Authority	**Group**	**Authority**	**Group**	**Authority**	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 21)	13,443	13,443	252,219	252,219	265,662	265,662
Long-term debtors	16,159	16,159	-	-	16,159	16,159
Short-term debtors (note 23)	-	-	42,119	46,000	42,119	46,000
Cash and cash equivalents (note 24)	-	-	369,503	371,089	369,503	371,089
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and joint ventures (note 21)	3,673	3,673	-	-	3,673	3,673
Financial assets at fair value through profit or loss						
Pooled investment funds (note 21)	5,230	5,230	-	-	5,230	5,230
Total financial assets	**38,505**	**38,505**	**663,841**	**669,308**	**702,346**	**707,813**
Financial liabilities at amortised cost						
Borrowings (note 25)	439,232	439,232	15,319	15,319	454,551	454,551
Short-term creditors (note 26)	-	-	115,065	119,687	115,065	119,687
Transferred debt (note 28)	3,670	3,670	1,074	1,074	4,744	4,744
Total financial liabilities	**442,902**	**442,902**	**131,458**	**136,080**	**574,360**	**578,982**

Comparatives for 2020/21	Long-term		Current		Total	
	Authority	Group	Authority	Group	Authority	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at amortised cost						
Investments (note 21)	6,641	6,641	118,098	118,098	124,739	124,739
Long-term debtors	15,951	15,951	-	-	15,951	15,951
Short-term debtors (note 23)	-	-	36,441	38,177	36,441	38,177
Cash and cash equivalents (note 24)	-	-	144,413	148,702	144,413	148,702
Total financial assets	**22,592**	**22,592**	**298,952**	**304,977**	**321,544**	**327,569**
Financial liabilities at amortised cost						
Borrowings (note 25)	118,078	118,078	1,925	1,925	120,003	120,003
Short-term creditors (note 26)	-	-	106,054	110,031	106,054	110,031
Transferred debt (note 28)	4,678	4,678	982	982	5,660	5,660
Total financial liabilities	**122,756**	**122,756**	**108,961**	**112,938**	**231,717**	**235,694**

Material soft loans made by the Authority

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

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

	Authority	
	2021/22	2020/21
	£'000	£'000
Opening balance as at 1 April	15,612	-
Nominal value of new loans granted in the year	-	18,000
Fair value adjustment of new loan	-	(2,595)
Interest credited to Financing and Investment Income and Expenditure	311	207
Closing balance at 31 March	**15,923**	**15,612**
Nominal value at 31 March	18,000	18,000

Valuation assumptions

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

Income, Expense, Gains and Losses

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

Authority					2021-22					2020-21
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total Authority	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total Authority
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net (gains)/losses on financial instruments	-	877	(230)	-	647	-	-	-	-	-
Interest income (note 14)	(2,680)	-	-	-	(2,680)	(1,975)	-	-	-	(1,975)
Interest expense (note 14)	-	-	-	8,124	8,124	-	-	-	6,550	6,550
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(2,680)**	**877**	**(230)**	**8,124**	**6,091**	**(1,975)**	**-**	**-**	**6,550**	**4,575**

Group					2021-22					2020-21
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total Group	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net (gains)/losses on financial instruments	-		(230)	-	(230)	-	-	-	-	-
Interest income (note 14)	(2,639)		-	-	(2,639)	(1,938)	-	-	-	(1,938)
Interest expense (note 14)	-		-	8,970	8,970	-	-	-	6,988	6,988
Net loss/(gain) for the year in the surplus or deficit on the provision of services	**(2,639)**	**-**	**(230)**	**8,970**	**6,101**	**(1,938)**	**-**	**-**	**6,988**	**5,050**

Fair value of financial assets and liabilities

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

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

Analysis for 2021/22	Input level in fair value hierarchy	Valuation technique used to measure fair value	Authority Carrying amount £'000	Authority Fair value £'000	Group Carrying amount £'000	Group Fair value £'000
Financial assets at amortised cost						
Investments	N/A	Fair value is approximated at their carrying amount	265,662	265,662	269,335	269,335
Long-term debtors	N/A		236	236	236	236
Long-term debtors - soft loan	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	15,923	15,640	15,923	15,640
Short-term debtors	N/A	Fair value is approximated at their carrying amount	42,119	42,119	46,000	46,000
Cash and cash equivalents	N/A		369,503	369,503	371,089	371,089
Financial assets at fair value through other comprehensive income						
Investments in subsidiaries and joint ventures	Level 3	Earnings based valuation	3,673	3,673	3,673	3,673
Financial assets at fair value through profit or loss						
Pooled investment funds	Level 1	Unadjusted quoted prices in active markets for identical shares	5,230	5,230	5,230	5,230
Total financial assets			**702,346**	**702,063**	**711,486**	**711,203**
Financial liabilities at amortised cost						
Public Works Loan Board (PWLB)	Level 2	PWLB redemption and new PWLB certain rate loan discount rates	434,552	464,059	434,552	464,059
Barclays	Level 2		10,000	13,446	10,000	13,446
UK Infrastructure Bank	Level 2		10,000	9,032	10,000	9,032
Total borrowings			**454,552**	**486,537**	**454,552**	**486,537**
Short-term creditors	N/A	Fair value is approximated at their carrying amount	115,065	115,065	119,687	119,687
Transferred debt *	Level 2	PWLB new loan rates	4,744	4,987	4,744	4,987
Total financial liabilities			**574,361**	**606,589**	**578,983**	**611,211**

Comparatives for 2020/21	Input level in fair value hierarchy	Valuation technique used to measure fair value	Authority Carrying amount £'000	Authority Fair value £'000	Group Carrying amount £'000	Group Fair value £'000
Financial assets at amortised cost						
Investments	N/A	Fair value is approximated at their	124,739	124,739	124,739	124,739
Long-term debtors	N/A	carrying amount	339	339	339	339
Long-term debtors - soft loan	Level 2	Discounted contractual (or expect) cash flows at PWLB's new annuity rate	15,612	16,284	15,612	16,284
Short-term debtors	N/A	Fair value is approximated at their	36,441	36,441	38,177	38,177
Cash and cash equivalents	N/A	carrying amount	144,413	144,413	148,702	148,702
Total financial assets			**321,544**	**322,216**	**327,569**	**328,241**
Financial liabilities at amortised cost						
Public Works Loan Board (PWLB)	Level 2	PWLB redemption and new PWLB	109,896	172,705	109,896	172,705
Barclays	Level 2	certain rate loan discount rates	10,107	14,831	10,107	14,831
Total borrowings			**120,003**	**187,536**	**120,003**	**187,536**
Short-term creditors	N/A	Fair value is approximated at their carrying amount	106,054	106,054	110,031	110,031
Transferred debt *	Level 2	PWLB new loan rates	5,660	6,248	5,660	6,248
Total financial liabilities			**231,717**	**299,838**	**235,694**	**303,815**

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

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

Transfers between levels of the fair value hierarchy
There were no transfers between input levels during the year.

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

35. Operating leases

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

The future minimum lease payments payable under non-cancellable operating leases at 31 March 2022 are shown overleaf:

	2022 £'000	2021 £'000
Land and buildings		
Less than one year	480	632
Between two and five years	943	843
More than five years	3,234	3,375
	4,657	**4,850**

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

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2022 are as follows:

	2022 £'000	2021 £'000
Land and buildings		
Less than one year	274	357
Between two and five years	474	687
More than five years	1,797	1,840
	2,545	**2,884**

36. Reconciliation of liabilities arising from financing activities

	Long-term borrowings £'000	Short-term borrowings £'000	Grants receipts in advance £'000	Total Authority and Group £'000
Opening balance at 1 April	122,756	1,270	350,116	474,142
Financing cash flows	380,913	(48,204)	-	332,709
Non-cash changes	(13,767)	13,767	94,929	94,929
Closing balance at 31 March	**489,902**	**(33,167)**	**445,045**	**901,780**

37. Contingent liabilities and guarantees

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

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

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

The market value for WMTL is only available at each triennial valuation and was valued at a deficit of £92.5m at the last triennial valuation as at 31 March 2019.

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

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

38. Related party disclosures

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

Central Government
Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates and provides funding in the form of grants. Grants received from Government Departments together with grant receipts not yet recognised due to conditions attached to them at 31 March 2022 are set out in note 15.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2021/22 is shown in note 17. All members have at least two roles under the Local Government Act 1985 in that they are members of one of the seven constituent levying District Councils and are appointed to the Authority or co-opted to one of its committees.

During the year, there were expenditure and grant payments to the following entities:

- Black Country Consortium Limited totalling £311k (2021: £591k) in which three members have an interest
- West Midlands Growth Company Limited totalling £7m (2021: £3.4m) in which three members (2021: one officer representation on the board as WMCA stakeholder) have an interest.

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

In 2020/21, there were income transactions of £20k relating to rental income and recharges, and professional consultancy fees and miscellaneous expenses with the following companies in which two officers had their representation on the board as WMCA stakeholder:

West Midlands Growth Company Limited	£3.4m
University of Birmingham	£361k
Urban Transport Group	£82k

Transactions with these companies were conducted at arm's length. The amounts as at 31 March 2021 due to and due from these companies are shown below:

Name	Due to £'000	Due from £'000
West Midlands Growth Company Limited	625	-
University of Birmingham	64	2
Urban Transport Group	-	-

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

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

	Transport Levy		Membership fees and contributions		LGF LEP funding	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities						
Birmingham City Council	44,728	44,895	1,087	1,088	197	9,080
City of Wolverhampton Council	10,316	10,306	573	573	-	-
Coventry City Council	14,553	14,428	636	634	-	-
Dudley MBC	12,598	12,612	607	607	-	-
Sandwell MBC	12,866	12,878	611	611	-	-
Solihull MBC	8,476	8,454	545	545	-	-
Walsall Council	11,183	11,147	585	585	-	-
Non-constituent authorities	-	-	325	375	-	-
Total	**114,720**	**114,720**	**4,969**	**5,018**	**197**	**9,080**

Funding paid by the Authority to the constituent District Councils:

	Devolved Transport Funding		Economic Regeneration		Adult Education Budget	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Constituent authorities						
Birmingham City Council	5,165	7,257	31,926	7,917	10,220	10,202
City of Wolverhampton Council	4,002	7,610	-	-	3,289	3,283
Coventry City Council	5,566	6,995	61,958	31,967	5,297	5,288
Dudley MBC	5,246	8,912	-	-	1,509	1,506
Sandwell MBC	6,026	7,247	-	-	1,408	1,531
Solihull MBC	4,251	5,894	11,075	11,992	-	-
Walsall MBC	4,306	7,589	18,079	9,947	-	-
Total	**34,562**	**51,504**	**123,038**	**61,823**	**21,723**	**21,810**

Entities controlled or significantly influenced by the Authority

During the year, the Authority paid management fees of £100k (2021: £150k) and £600k (2021: £600k) to West Midlands Development Capital Limited, a wholly-owned subsidiary, for the management of the Brownfield Land and Property Development Fund and the Collective Investment Fund respectively.

West Midlands Rail Limited, a company limited by guarantee where the Authority has 50% interest, received funding contributions of £41k (2021: £41k) from the Authority. In addition, the Authority recharged expenses of £201k (2021: £380k) which the Authority paid on behalf of West Midlands Rail Limited. The Authority has also charged corporate support and professional services of £55k (2021: £46k).

Other than as disclosed in note 23, Midland Metro Limited, a wholly-owned subsidiary which is consolidated in the group accounts, received a subsidy of £3.6m (2021: £407k) from the Authority under the terms of the Public Service Agreement. The Authority has charged corporate support and professional services of £529k (2021: £502k). The Authority has also recharged expenses of £98k (2021: £72k). Additionally, Midland Metro Limited has recharged £3.7m (2021: £1.7m) in respect of Metro network developments and enhancements to the Authority.

During the year, the Authority provided grants and services of £982k (2021: £647k) to WM5G Limited, a wholly-owned subsidiary which is consolidated in the group accounts, in respect of funding of initiatives and competitions to acceleration 5G infrastructure and applications. The Authority has also recharged expenses of £10k (2021: £27k).

Transactions with West Midlands Development Capital Limited, West Midlands Rail Limited, Midland Metro Limited and WM5G Limited were conducted at arm's length. The outstanding balances as at 31 March 2022 are as follows:

Due from

Midland Metro Limited	£408k
West Midlands Rail Limited	£63k

39. Events after the Reporting Period

The unaudited Statement of Accounts were authorised for issue by the Authority's Section 151 officer on 23 June 2022. Events taking place after this date are not reflected in the financial statements or notes to the accounts. Where events taking place before this date provided information about conditions existing as at 31 March 2022, the amounts in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

40. Prior period adjustments

Capital grants funding revenue expenditure funded from capital under statute (REFCUS) were previously credited to taxation and non-specific grant income. These are now credited to the services that the qualifying expenditure is charged to which provides a better representation of the net costs of the individual service line to be funded from resources.

As this is a change in accounting policy, the 2020/21 comparatives in the Comprehensive Income and Expenditure Statement have been restated with no impact to the General Fund balance.

The effect on the restatement is detailed overleaf:

Effect on Comprehensive Income and Expenditure Statement

Authority	As previously reported			Reclassification			As restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Transport services	194,761	(26,966)	167,795	-	(42,985)	(42,985)	194,761	(69,951)	124,810
Combined Authority other services	155,983	(144,599)	11,384	-	(9,354)	(9,354)	155,983	(153,953)	2,030
Investment Programme	96,444	-	96,444	-	-	-	96,444	-	96,444
Mayor's office	796	(807)	(11)	-	-	-	796	(807)	(11)
Cost of services	**447,984**	**(172,372)**	**275,612**	**-**	**(52,339)**	**(52,339)**	**447,984**	**(224,711)**	**223,273**
Other operating expenditure	(1,584)	-	(1,584)	-	-	-	(1,584)	-	(1,584)
Financing and investment income and expenditure	6,550	(1,975)	4,575	-	-	-	6,550	(1,975)	4,575
Taxation and non-specific grant income and expenditure	77,139	(358,431)	(281,292)	-	52,339	52,339	77,139	(306,092)	(228,953)
(Surplus) or deficit on provision of services	**530,089**	**(532,778)**	**(2,689)**	**-**	**-**	**-**	**530,089**	**(532,778)**	**(2,689)**

Group	As previously reported			Reclassification			As restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Transport services	206,111	(38,353)	167,758	-	(42,985)	(42,985)	206,111	(81,338)	124,773
Combined Authority other services	164,815	(152,532)	12,283	-	(9,354)	(9,354)	164,815	(161,886)	2,929
Investment Programme	96,173	-	96,173	-	-	-	96,173	-	96,173
Mayor's office	796	(807)	(11)	-	-	-	796	(807)	(11)
Cost of services	**467,895**	**(191,692)**	**276,203**	**-**	**(52,339)**	**(52,339)**	**467,895**	**(244,031)**	**223,864**
Other operating expenditure	(1,584)	-	(1,584)	-	-	-	(1,584)	-	(1,584)
Financing and investment income and expenditure	6,988	(1,938)	5,050	-	-	-	6,988	(1,938)	5,050
Taxation and non-specific grant income and expenditure	76,879	(358,431)	(281,552)	-	52,339	52,339	76,879	(306,092)	(229,213)
(Surplus) or deficit on provision of services	**550,178**	**(552,061)**	**(1,883)**	**-**	**-**	**-**	**550,178**	**(552,061)**	**(1,883)**

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

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

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

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

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

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

Capital Programme
The plan of approved spending on non-current assets.

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

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

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

Deficit
This occurs when spending exceeds income.

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

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

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

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

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

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

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

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

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

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

Public Works Loan Board (PWLB)
A government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Spending on assets that have a lasting value but are not owned by the Authority.