



**LIVERPOOL
CITY REGION**
COMBINED AUTHORITY



METRO MAYOR
LIVERPOOL CITY REGION

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NARRATIVE REPORT BY THE DIRECTOR OF CORPORATE SERVICES

Merseytravel is a body corporate under the Transport Act 1968. Merseytravel is the transport delivery body for the Liverpool City Region Combined Authority (LCRCA), providing transport services across Liverpool, Knowsley, St Helens, Sefton and the Wirral. Merseytravel also provides strategic transport advice to Halton. It also provides professional, strategic and operational advice on transport to LCRCA. Merseytravel receives its funding from LCRCA in the form of revenue and capital grants to fund its expenditure in order to carry out the functions as directed by the LCRCA.

The Statement of Accounts that follow demonstrates Merseytravel's financial performance for the financial year ending 31 March 2019. The purpose of this report is to provide a guide to Merseytravel's accounts and to summarise its financial and non-financial performance for the year. These accounts are completed in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The following provides a brief overview of the various sections of the Annual Statement of Accounts.

Narrative Statement

Provides a summary of Merseytravel's financial and non-financial performance for the year.

Statement of Responsibility for the Statement of Accounts

This outlines the responsibilities of both Merseytravel and the Director of Corporate Services for the production and content of the Annual Statement of Accounts.

Annual Governance Statement

This explains the effectiveness of the governance framework in operation during the financial year.

Movement in Reserves Statement

This statement shows the movement in reserves held by Merseytravel during the financial year, splitting them into usable and unusable reserves. The Deficit/ (Surplus) on the Provision of Services shows the cost of providing Merseytravel's services under proper accounting practice which is different from the statutory amounts required to be charged to the General Fund Balance for levy setting purposes. The Net Increase/ (Decrease) before Transfer to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers (to)/ from earmarked reserves.

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the cost of providing services in accordance with generally accepted accounting practices as opposed to the amounts to be funded from the levy. Merseytravel raises a levy to cover expenditure in accordance with regulation which is not necessarily the same as the accounting cost. Whilst the position detailed in the CIES will differ from that shown in Merseytravel's management reporting, the levy position is detailed through the Movement in Reserves and Expenditure and Funding Analysis.

Balance Sheet

This shows the value of Merseytravel's assets and liabilities at the Balance Sheet date. Net assets of Merseytravel are matched by the reserves (both usable and unusable) held by Merseytravel.

Cash Flow Statement

This statement summarises the actual flows of cash arising from Merseytravel's transactions during the financial year. This shows the changes in cash and cash equivalents during the year.

Notes to the Financial Statements

These include additional information on items included within the core financial statements and details on the organisation's main accounting policies.

Group Accounts

These reflect the full extent of Merseytravel's economic activities by reflecting Merseytravel's involvement with its group companies and organisations.

Financial Performance

Revenue Expenditure 2018/19

Merseytravel's budget was approved in February 2018 and a levy of £95.4m was agreed for 2018/19. The grant to Merseytravel to support its provision of transport functions was set at £92.0m and a separate grant of £28.4m approved to support the operation of the Mersey Tunnels. The table below compares the actual spend against budget for 2018/19.

	Allowed Budget 2018/19 £'000	Outturn 2018/19 £'000	Variance to Budget 2018/19 £'000
Bus Services	16,654	15,455	1,199
Rail Services	1,546	4,319	(2,773)
Rolling Stock	11,959	5,806	6,153
Customer Delivery	6,710	5,961	749
Concessionary Travel	53,865	53,263	602
Corporate Management	2,607	2,012	595
Policy	2,019	1,895	124
People and Customer Development	3,667	3,122	545
Mersey Ferries Group	1,546	1,411	135
Corporate Costs	5,281	3,756	1,525
Mersey Tunnels	28,467	22,387	6,080
Net Spend	134,321	119,387	14,934
Funded by:			
Merseytravel Grant from CA	(92,020)	(92,020)	0
Mersey Tunnels Grant	(28,467)	(22,387)	(6,080)
Application of Reserves	(13,834)	(5,806)	(8,028)
Total Income	(134,321)	(120,213)	(14,108)
Net Transfer (to)/ from Reserves	0	(826)	826

The position detailed in the table above is based on actual cost against budget not proper accounting practice and to this end will differ from those costs detailed in the Comprehensive Income and Expenditure Account. Within the main body of the Statement of Accounts, the levy position is detailed in the Movement in Reserves and Expenditure and Funding Statement.

Reserves and Balances

Based on the outturn position detailed above the resultant position in respect of the Revenue Reserve Balances is detailed below.

	2017/18	In Year Movement	2018/19
	£'000	£'000	£'000
Capital Reserves	5,749	(5,749)	0
Working Balances	1,739	0	1,739
Earmarked Usable Reserves	55,290	(2,341)	52,949
Total	62,778	(8,090)	54,688

A detailed list of balances and reserves are detailed in the Notes to the Core Financial Statements.

Capital Expenditure 2018/19

Merseytravel spent £141.4m on capital during 2018/19. This expenditure is summarised below.

	2017/18	2018/19
	£'000	£'000
Revenue Expenditure funded from Capital under Statute	14,232	51,644
Non-Current Assets (Property Plant and Equipment)	318	6,826
Assets under Construction	65,013	82,383
Intangible Assets	369	116
Non-Current Assets (Infrastructure)	509	439
Total	80,441	141,408

The table below details the funding of the capital programme.

	2017/18	2018/19
	£'000	£'000
Capital Grants	77,014	132,934
Application of Reserves	3,427	8,474
Total	80,441	141,408

As detailed above a significant proportion of the capital investment made by Merseytravel relates to Revenue Expenditure funded from Capital under Statute (REFCUS). REFCUS relates to capital expenditure incurred on assets that are not in the ownership of Merseytravel. The table below details the major schemes funded through the capital programme in 2018/19.

	2018/19 £m
Rolling Stock	116.6
Newton le Willows	8.1
Maghull North	2.5
Halton Curve	2.4
Key Route Network	3.0

2018/19 Performance and Delivery of Objectives

Principal Activities

Merseytravel is the executive body responsible for providing professional, strategic and operational advice on transport to the LCRCA. To support it in its discharge of these responsibilities, Merseytravel receives an annual revenue grant from the LCRCA. Merseytravel also receives Special Rail Grant to support the operation of the devolved local rail franchise.

Merseytravel has a significant role in the direct provision of transport services across the city region including:

- Funding additional bus services in areas and at times not served by the commercial network and where a social need has been identified;
- Resourcing, administering and advising on the Merseyside Concessionary Travel scheme and providing a pre-paid ticket scheme;
- Providing services to aid the operation of the local bus service network, including maintaining bus infrastructure and operating travel centres across the city region;
- Letting and monitoring the Merseyrail concession;
- Operation of the Mersey Ferries;
- Operating the Mersey Tunnels on behalf of the LCRCA; and
- Fostering collaborative working through strategic and operational relationships with stakeholders and partners (such as safety across the network and planning for major events) and taking forward infrastructure developments.

Merseytravel's focus is on supporting the economic growth of the Liverpool City Region by maximising connectivity across the region and beyond, improving the customer experience, and supporting the integrated transport network. We work with local and national rail and bus operators to ensure that the Liverpool City Region has the best possible transport infrastructure enabling the efficient movement of people and goods. We work in partnership with government, local authorities, the Local Enterprise Partnership, public transport operators, Transport for the North, the business community, community groups and members of the public.

The Corporate Plan 2018/19 outlines our vision and mission for transport in the LCR and the Transport Priorities for the region. Three priorities, which are set out below, were agreed (Advise, Develop and Deliver) to deliver the activities of the organisation and, going forward, the role of the first LCR Mayor and further development of the CA delivery model will continue to shape our focus with our core activity.

Our Priorities	What this will achieve
<p>ADVISE</p> <p>Provide high quality, professional advice to the Liverpool City Region Combined Authority</p>	<ul style="list-style-type: none"> • Transport at the heart of the City Region's potential for economic growth and regeneration. • Support for the Combined Authority to deliver across the City Region through a range of funding streams and with a robust governance framework. • An effective and efficient centrally managed Transport Partnership.
<p>DEVELOP</p> <p>Improving connectivity through developing and leading strategic transport initiatives</p>	<ul style="list-style-type: none"> • A safe, integrated, sustainable and efficient transport network for the Liverpool City Region that maximises the potential for economic growth and regeneration. • A City Region where people want to live, work, visit and invest. • Increased patronage across all public transport modes and a customer experience that is high quality, accessible, convenient, sustainable, clean and efficient.
<p>DELIVER</p> <p>Manage and develop a range of transport assets and services to support the efficient movement of people and goods</p>	<ul style="list-style-type: none"> • Facilitate the development and promotion of all transport modes across the City Region. • Manage directly delivered services in a safe, customer-focused, value-for-money and sustainable manner. • Manage the Merseyrail concession and working with national rail operators to deliver high-quality rail services. • Champion the City Region bus offer and work with operators to deliver high-quality bus services. • Facilitate the development of integrated, sustainable transport modes. • Provide contemporary and affordable ticketing. • Enhanced organisational and service performance and customer satisfaction.

Merseytravel has developed a performance management framework which is driven by its key priorities for 2018/19. A focused set of performance indicators have been developed to measure progress against key priorities and objectives. Where possible, targets are set which are challenging and aimed at stretching the organisation to drive improvement.

Performance and financial reporting is conducted on a quarterly basis with quarter end data being reported to Merseytravel for consideration by its directors before being reported on to Transport Committee. Consideration of performance against KPI's and priorities by Transport Committee allows for scrutiny by the Elected Members of the Committee of Merseytravel performance and provides a forum through which the organisation can be held to account for any under-performance. The ratings for performance are set out in the following table –

RED	Highly Problematic – Delivery at significant risk <u>OR</u> abandoned
AMBER / RED	Problematic – Delivery at risk but not significant
AMBER / GREEN	Manageable – Delivery at marginal risk

GREEN	Well Managed – No risk to delivery OR complete
Not Started	Not Commenced – No risk to delivery

2018/19 Outturn Performance

Corporate Priorities

Merseytravel has 8 Key Performance Indicators (KPIs) for 2018/19. Outturn performance against Merseytravel's KPIs is detailed in the section below.

Key Performance Indicator	Overall Status at Q4
KPI 1 Affordability	AMBER/ GREEN
KPI 2 Patronage	AMBER/ GREEN
KPI 3 Reliability	AMBER/ GREEN
KPI 4 Punctuality	AMBER/ RED
KPI 5 Safety	AMBER/ GREEN
KPI 6 Customer Comments	AMBER / GREEN
KPI 7 Connectivity to and within the City Region	GREEN
KPI 8 Key Strategic Projects	AMBER /GREEN

KPI 1 – Affordability

This data compares the rising costs of travel services with a 2012 baseline. Annual performance on this KPI is broadly on target however with the exception of Tunnels Fast Tag and Ferries Commuter, there has been movement upwards with the other modes which has impacted on performance.

KPI 2 – Patronage

Whilst performance against this KPI remain broadly on target, there has been a slight dip in Commercial and Supported Bus Patronage which have impacted on the outturn position. Tunnel Vehicle throughput remains relatively constant. Figures for walking and cycling were introduced for 2018/19 period so the impact of these will be seen more clearly in 2019/20.

KPI 3 – Reliability

Based on the estimated figure for Feb/Mar 2019, Supported Bus reliability now meets its target. Commercial Bus is slightly below target. Merseyrail figures continue to be on target and remains one of the most reliable and efficient operators in the country. Northern remains with a Red rating for Reliability. However, Performance has risen considerably to 80.6% in Q4. The ongoing RMT industrial dispute continues to impact Northern significantly and has resulted in a greatly reduced service level in particular hindering the provision of train

services after 1700 hours on strike days and Sundays. Ferries Performance has dropped slightly below target due to weather related cancellations. Both Tunnels remain as Green as both exceeded their targets.

KPI 4 – Punctuality

Merseytravel is working closely with bus operators to improve performance on Commercial Bus punctuality. The 2018/19 Bus Alliance Joint Business and Investment Plan oversees the delivery of a number of infrastructure schemes and studies and, in partnership with the other local authorities, the Bus Alliance intends to bid for Transforming Cities Funds to implement a package of improvements designed to transform busy commuter bus corridors. Supported Bus punctuality remains on target. Merseyrail continue to be above target and Northern operated an extremely poor and challenging period due to reasons outlined in KPI3 above. Mersey Ferries Commuter is slightly below target but Leisure is higher. Mersey Tunnels journey times are quicker than the benchmark.

KPI 5 - Safety

The 2018 Bus Passenger survey shows an increase in satisfaction with personal safety at the bus stop (up 2% from 2017), whilst personal safety on the bus remains stable. The Autumn 2018 results show no change for satisfaction with safety at the station and on the train for Merseyrail since Autumn 2017. Passengers are surveyed:

- Bus - once a year in Autumn;
- Merseyrail - twice a year in Spring and Autumn; and
- Northern (City Line) - once a year in Autumn.

This is a booster survey to collect a larger sample of passengers at stations in the Merseyside area. On Bus Incidents risen to Amber/Green during Q4.

KPI 6 - Customer Satisfaction

Overall satisfaction with the bus journey remains stable with 91% satisfied. Merseyrail shows a slight decrease (down 1% since autumn 2017) with satisfaction with the overall journey.

KPI 7 - Connectivity to and within the City Region

No substantive changes in connectivity occurred during 2018/19; some rail timetable changes planned for December 2018 were deferred following the well-publicised national issues around the introduction of a new timetable earlier in the year. There have been both negative and positive changes in bus network connectivity; hence, there is very little change in the combined connectivity figure.

KPI8 – Key Strategic Projects

Merseytravel has identified ten key strategic projects (Halton Curve, Newton-Le-Willows, Maghull North, Rail Station Devolution, Rolling Stock, Walrus Delivery Programme, Alternative Bus Delivery Model, Mersey Ferries Programme Tolls System Refresh and Kingsway Rewire). All these projects are either complete, on target for completion or are practically completed. However, with regard to Rail Station Devolution, officers have been supporting on-going discussions between LCRCA and DfT in respect to devolution of both track and infrastructure.

Transport Priorities

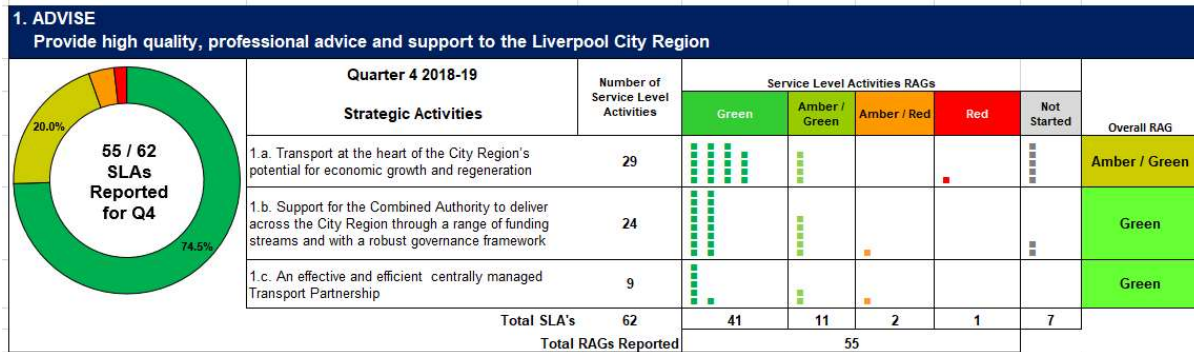
Out of the 234 Service Level Activities for the Transport Priorities proposed at the beginning of the cycle, 203 were reported, at end of year as being –

- 156 at Green
- 34 at Amber/Green
- 8 at Amber/Red
- 5 at Red

- 31 as 'Not Started'

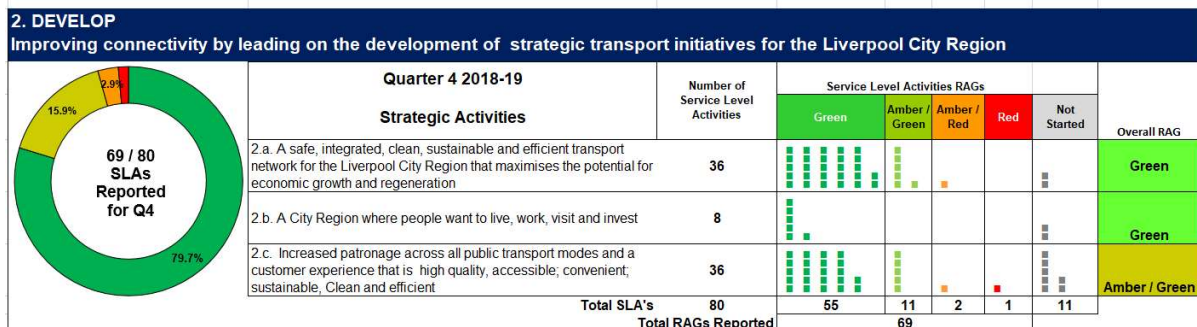
'Not Started' are support activities for projects when support was not required during the year or projects that did not receive support at the outset of the process. These were reviewed and a number of duplicate support activities identified. The 31 'Not Started' activities relate to 23 projects.

Priority 1 –Advise



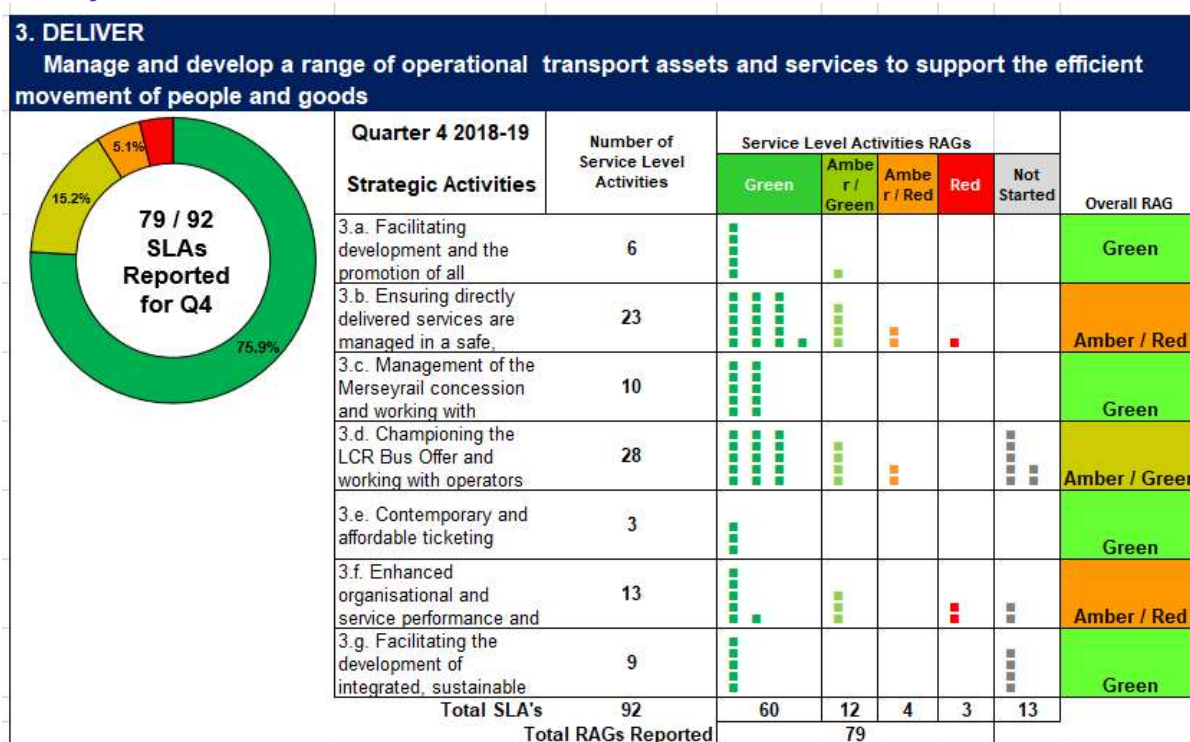
This was a well performing Priority with only 3 out of the 62 activities in the Red or Amber/Red category (LCR Bus Strategy, Transforming Cities Fund Pipeline and TAG improvement) and these are scheduled to be completed early in 2019/20.

Priority 2 - Develop



This was a high performing Priority with only 3 out of the 80 activities underperforming (Fares and Ticketing strategy and Card Payments at Tunnels with support) and these have now been delivered after a slight delay or a review commenced.

Priority 3 - Deliver



This was a good performing Priority with only 7 out of the 92 activities underperforming. Capital Programme Delivery and Restructures were delayed due to resourcing issues and organisational changes. Development of Woodside has not progressed as quickly as planned but will be progressed during 2019/20.

Risks and Uncertainties

Merseytravel has an embedded process to manage risk and assist in the achievement of its objective. The Corporate Risks recorded in the Risk Register define strategic risks associated with meeting Merseytravel's corporate objectives as set out in its corporate performance plan. The Corporate Risk Register is monitored and reviewed on a regular basis by the Primary Assurance and Risk Group (PARG). Through their terms of reference, the Audit Risk and Governance Board (ARG) are obliged to monitor the effective development and operation of risk management within Merseytravel. Consequently reports are submitted to ARG on a regular basis to allow them to consider revision to the Corporate Risk Register and monitor progress.

Key issues and risks for Merseytravel are detailed in the Annual Governance Statement (AGS) however some of the key issues can be summarised as:

- Ensuring best use is made of the powers within the Bus Services Act to maintain and enhance the economic, social and environmental benefits of bus travel for the city region;
- Maintaining capacity and capability against a background of financial risk in 2019/20;
- Effectively managing the programme of activities that are necessary for the introduction of the Rolling Stock; and
- Ensuring air quality issues are reflected in transport strategy and delivery.

Corporate Priorities (2019/20)

The Transport Priorities for Merseytravel have been set by the Combined Authority and are included in the Plan for the Combined Authority 2018-2020. Transport is Priority 4 and the Objectives are set out below along with the Headline Actions for 2018-20 -

LCRCA Corporate Plan Objectives for Transport	Headline Actions
1. Invest in public transport and improve cycling and walking opportunities	<ol style="list-style-type: none"> 1. Invest £172m from the Transforming Cities Fund over the next four year to further modernise public transport and improve cycling and walking facilities. 2. Create a Key Route Network of the city region's most important roads and develop action plans and deploy funding in a way that benefits all road users. 3. Introduce the first new trains into passenger service on the Merseyrail network in 2020
2. Tackle poor air quality across the city region.	<ol style="list-style-type: none"> 1. Produce an Air Quality Action Plan for the city region that maximises the LCRCA's funding and policy responsibilities, to reduce harmful emissions from transport. 2. Develop plans and proposals for the rollout of alternative fuels across passenger and freight transport, linked to LCRCA's Energy Strategy context. 3. Verify the reductions in energy and carbon associated with the introduction of the new Merseyrail fleet. 4. Reduce carbon emissions by delivering modal shift to rail and a reduction in car usage.
3. Make it easier to use our transport network and support a reduction in car trips in particular	<ol style="list-style-type: none"> 1. Invest in a refreshed Smart Ticketing product, supported by a comprehensive review of the LCR's pre-paid ticketing products. 2. Develop policy and funding context for Future Mobility Zone and innovative Mobility as Service principles, to improve access to, and payment for transport options, centered on and freight & logistics innovations. 3. Deliver modal shift towards rail by the introduction of additional capacity, reduced journey times and a more attractive passenger experience on Merseyrail through the introduction of the new fleet
4. Make transport more affordable, initially looking at options relating to apprentices aged 19 – 24	<ol style="list-style-type: none"> 1. Introduce a price discount for apprentices aged 19 - 24
5. Ensure new regulatory powers over buses are tested fully and maximised to create a bus network that works for all residents.	<ol style="list-style-type: none"> 1. Update and refresh the 2016 Bus Strategy in light of the current evidence base and new challenges and opportunities, (e.g. Big Bus Debate and the new funding context). 2. Support development of Outline Business Case in respect of testing of regulatory powers over buses to create a bus network that works for all residents.

LCRCA Corporate Plan Objectives for Transport	Headline Actions
6. Secure a new faster Liverpool to Manchester rail line and a new HS2/NPR station in Liverpool.	1. Through Transport for the North and its partners, transform inter-city connectivity and freight capacity across the North and support the LCR's role in supporting the rebalancing of the UK's economy.
7. Clearly articulate our vision for transport across the LCR, including recognising the importance of existing hubs and connections to effectively guide the commissioning of activities and allocation of funds.	<ol style="list-style-type: none"> 1. Produce a Mayoral Transport Plan that sets out our vision and delivery plans for transport; and supports our Local Industrial Strategy, Spatial Development Strategy and priorities for a cleaner, healthier & more inclusive LCR. 2. Ensure strategic linkages and create relevant Transport content to support development of the LCR Spatial Development Strategy. 3. Develop a long term Mersey Tunnels Strategy to secure the safe, efficient and evidence-based management of the assets. 4. Update and refresh the 2016 Bus Strategy. 5. Update and secure adoption of the LCR Freight and Logistics Strategy, building on earlier, unapproved draft.
8. Work with Transport for the North and its partners, to maximise opportunities to improve inter-city connectivity and freight capacity across the North.	<ol style="list-style-type: none"> 1. Work up the case for increased investment in cross Northern connectivity including the opportunities related to freight to deliver our long term Rail Strategy. 2. Through Transport for the North and its partners, transform inter-city connectivity and freight capacity across the North and support the LCR's role in supporting the rebalancing of the UK's economy. 3. Support the development of Liverpool JLA's Airport Master Plan and Airport Surface Access Strategy to improve access to the airport by sustainable travel modes, and support the airport's role as a domestic and international hub.

Performance against these Priorities will be reported through the Liverpool City Region Combined Authority approval process.

Key Projects

During the forthcoming financial year, Merseytravel will be engaged in the delivery of a number of key projects linked to the delivery of core priorities. For 2019/20 the projects to be delivered, and identified as such within KPI 8 Key Strategic Priorities, include:

- Delivery of the Rolling Stock programme through to delivery and implementation of the new fleet;
- Continued work to develop a business case to assess the range of options available to the LCRCA to allow it to discharge the powers available to it under the Bus Services Act;
- Work with central government into local rail devolution;
- Continued development of the Smart Ticketing agenda looking at opportunities to further enhance those tickets that are smart enabled;

- Progress the procurement of replacement Mersey Ferries and associated infrastructure works; and
- Deliver and implement the Mersey Tunnel's strategy on behalf of the LCRCA.



J Fogarty (CPFA)
Director of Corporate Services
Date 5th November 2019

STATEMENT OF RESPONSIBILITY FOR MERSEYTRAVEL'S STATEMENT OF ACCOUNTS

Merseytravel is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this instance, that Officer is the Director of Corporate Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the Director of Corporate Services

The Director of Corporate Services is responsible for the preparation of Merseytravel's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). The Statement of Accounts is required to present fairly the financial position of Merseytravel at the accounting date and its income and expenditure for the year end 31 March 2019. In preparing this statement of accounts, the Director of Corporate Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- complied with the Local Authority Code;
- assessed the ability of Merseytravel to continue as a going concern; and
- used the going concern basis of accounting on the assumption that the functions of Merseytravel will continue in operational existence for the foreseeable future.

The Director of Corporate Services has also:

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

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Merseytravel as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.



J Fogarty (CPFA)
Director of Corporate Services
Date 5th November 2019

ANNUAL GOVERNANCE STATEMENT

1 Introduction

Merseytravel is required by law to review its governance arrangements at least once a year.

Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) fulfils this requirement.

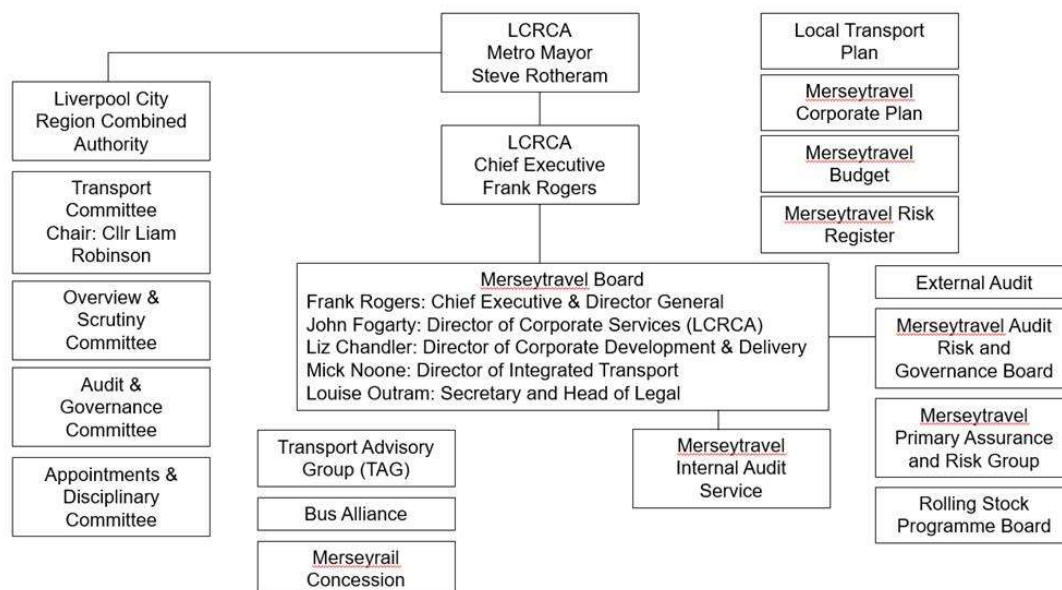
This Annual Governance Statement summarises our arrangements and provides assurance that these responsibilities are being undertaken effectively

The governance framework has been in place at Merseytravel for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

2 Overall Governance Framework

This framework summarises the key elements of the governance framework for Merseytravel in 2018/19:

Merseytravel Assurance Framework



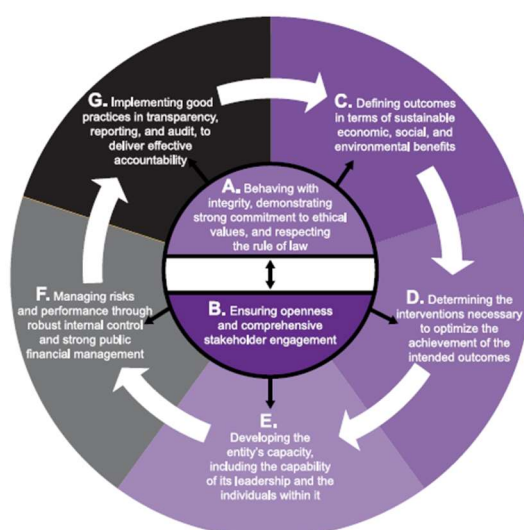
The most significant changes in governance in 2018/19 arose from the development of the relationship with the Liverpool City Region Mayoral Combined Authority (LCRCA) and in particular the Metro Mayor for the Liverpool City Region. Steve Rotheram, as the first Metro Mayor, has significant powers over transport which has meant that 2018/19 has been a year of significant change for Merseytravel.

The Mayoral Combined Authority is the overall Transport Authority within which Merseytravel operates. It sets the budget and is responsible for key transport strategy. Merseytravel is responsible for the implementation of the policies of the Combined Authority and under the Transport Act of 1968 retains its status as a distinct statutory body.

In addition, Merseytravel is at the heart of the Mayoral Combined Authority and provided an expanding range of strategic, operational and management functions for the Mayoral Combined Authority in 2018/19. All Directors of Merseytravel are also Directors of the LCRC and the statutory functions of Head of Paid Service and Director of Finance are fulfilled on a joint basis between the two organisations.

3 Compliance with the CIPFA/SoLACE framework

The CIPFA/SOLACE guidance sets out seven key principles of good governance:



Merseytravel has assessed itself against each of the CIPFA/SOLACE principles. We have highlighted areas where our arrangements changed to reflect the new governance structures and those areas where our arrangements need to improve or evolve as the organisation becomes more mature.

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

Merseytravel's constitutional arrangements and associated codes of conduct were reviewed in 2018/19 and these principles are reflected in our constitutional arrangements.

Merseytravel has a Code of Corporate Governance which was reviewed in 2018/19 and is available on the Merseytravel website.

Merseytravel's Legal, Democratic Services and Procurement teams have been providing support to the Combined Authority (LCRCA) as well as to Merseytravel and will continue to do so.

We have invested in capacity and expertise in this key area by the recruitment of additional democratic services support and a new, dedicated post of Chief Legal Officer (Monitoring Officer) for the LCRCA.

In addition there has been additional legal resource recruited with specific specialisms that the LCRCA will require to ensure that support for the LCRCA is not detrimental to that provided to Merseytravel.

There were no instances of a breach of the Code of Corporate Governance in 2018/19.

During the year, the organisation established a set of Corporate Behaviours which are intended to drive delivery and cultural development.

Ensuring openness and comprehensive stakeholder engagement

Stakeholder engagement has been a key priority of Merseytravel and is essential to our role in transport delivery and coordination across the City Region.

Merseytravel welcomes public participation in formal meetings through the facility for public petitions and questions.

The Audit, Risk and Governance Board has operated during the year with an independent chair and two other independent members taking an active role.

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

Securing the benefits of sustainable economic growth is the core purpose of the LCRCA and Merseytravel is now well-placed at the centre of this.

The LCRCA has a vision for economic growth that was revised and approved this year, through the Growth Strategy and will be built upon in the Local Investment Strategy.

Responsibility for Transport Policy is now part of the LCRCA's overall Policy and Commissioning function. This ensures that transport policy forms part of a coherent approach across the range of policy themes with the express intention of maximising sustainable economic, social and environmental benefits.

Linking transport policy explicitly with policies for employment, skills, regeneration, housing, culture and planning provides the best mechanism for defining outcomes which will be expressed within the CA's overall Local Industrial Strategy.

Key Issues

- To ensure that the Mayor's Transport Plan is consistent with the overall aims and objectives of the Local Industrial Strategy.
- To make best use of the powers within the Bus Services Act to maintain and enhance the economic, social and environmental benefits of bus transport for the City Region.
- To ensure that Air Quality issues are reflected in transport strategy and delivery.

Determining the interventions necessary to optimise the achievement of intended outcomes

2018/19 was a year of significant delivery by Merseytravel across a range of transport priorities.

2018/19 has seen the completion of the design and the launch of manufacturing of the new fleet of rolling stock for the Merseyrail Network. The modernised depot facilities linked to the new fleet programme are approaching completion. A network wide programme of improvements at platforms to deliver industry leading safety and accessibility will have been completed prior to the introduction of the new fleet. Power upgrades and works to accommodate the new, longer trains are progressing well.

On completion of the new fleet programme in 2019/20 and 2020/21 there will be significant economic, social and environmental benefits for the City Region.

2018/19 also saw completion of a new station at Maghull North – with associated benefits for housing in the immediate area; significantly expanded facilities at Newton-le-Willows station and works necessary to bring the Halton Curve direct link to North Wales back to operation.

Merseytravel has continued to progress work that will show how the City Region can use new bus powers acquired through legislation and the devolution deal to capture and retain the social and environmental value of bus.

Key Issues

- To effectively manage the Programme of activities necessary for the introduction of new rolling stock for the Merseyrail Network in 2019/20 and 2020/21.
- To make best use of the powers within the Bus Services Act to maintain and enhance the economic, social and environmental benefits of bus transport for the City Region.

Developing Capacity and Capability

Capacity at Merseytravel has been enhanced in 2018/19 through its relationship with LCRCA.

This relationship is now proving to be of significant benefit for Merseytravel as more formal integration with the CA has strengthened the overall management team and will bring additional capacity to Transport Policy, Legal Services, Democratic Services, Procurement, Finance, Programme Management, IT and other support functions.

The budget agreed for 2019/20 has provided the financial certainty for Merseytravel after a period of aggressive levy reductions however reductions in rail funding (from the Department for Transport) have led to the identification of a long-term funding gap for transport which will be a key determinant of Merseytravel's Medium and Long Term financial planning in 2019/20.

One area of development which was identified and has since been addressed was the robustness of corporate induction processes for new staff. A new corporate induction document, which doubles as a staff handbook, entitled "This is Us" has since been produced and publicised via the intranet.

So as to develop the capacity of senior leaders to engender cultural change and delivery. Work began during the year to shape the organisation's capacity in this regard, and this work will continue into 2019/20.

Key Issues

- Merseytravel will need to maintain capacity and capability against a background of financial risk in 2019/20

Managing Risks and Performance through robust internal control and strong public financial management

Merseytravel has a framework in place for the management of risk. The Risk Management Policy was refreshed during the year.

A series of workshops was undertaken with the Merseytravel Directors during the year to review and update the Merseytravel Risk Register so as to ensure that new and emerging risks were included.

The ARG Board has been instrumental in driving improvements in risk management in 2018/19. We recruited two new independent members of the ARG Board – both senior finance professionals – which greatly enhanced the capacity of the ARG Board in 2018/19.

We engaged Warrington BC to conduct a peer review of our Risk Management. Performance Management arrangements are now embedded and are publicly reported to the Transport Committee of the LCRCA and to the Board of Merseytravel.

A comprehensive Treasury Management Strategy for Merseytravel was approved by the LCRCA alongside its budget in 2019/20.

Arrangements for the prevention of fraud and corruption within Merseytravel have been put in place and their development continues.

The organisation has established arrangements for compliance with legislation and good practice in relation to data management, and the arrangements for security of the organisation's ICT systems have been assessed as satisfactory.

Key Issues

- There is a need for continued focus and development of the system of corporate risk management, so as to continue the positive work undertaken during 2018/19.

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

Merseytravel follows good practice in providing clear and accurate information and has developed its reporting profile and its online presence with transparency in mind.

Merseytravel publishes its freedom of information requests and responses on its website. Work has been undertaken to provide as much information as possible on the Merseytravel website to reduce FOI requests. All FOI requests have been responded to within statutory deadlines.

Merseytravel's ARG met at key stages within the 2018/19 reporting cycle. The composition of this Board has been reviewed and the number and proportion of independent members on that Board has increased.

4 Review of Effectiveness

Merseytravel's External Auditor provides assurance on the accuracy of the annual Statement of Accounts and the adequacy of our arrangements for securing value for money. The most recent Audit Letter was issued in September 2018 by our outgoing auditor, KPMG and gave an unqualified opinion on both the accuracy of the accounts and our arrangements in respect of value for money.

Merseytravel's Internal Audit section delivered a comprehensive Internal Audit plan and through this, was able to provide an annual opinion of "adequate" in respect of 2018/19.

5 Status of Recommendations from 2017/18 Annual Governance Statement

The following areas are key priorities for 2018/19 which were identified in the 2017/18 review of governance:

Recommendation	Status
To ensure that the Mayor's Transport Plan is consistent with the overall aims and objectives of the Local Industrial Strategy.	Complete Responsibility for Transport Policy moved into the LCRCA's integrated Policy and Commissioning Directorate
To make best use of the powers within the Bus Services Act to maintain and enhance the economic, social and environmental benefits of bus transport for the City Region.	Ongoing Work progressed to Outline Business Case in 2018/19
To ensure that Air Quality issues are reflected in transport strategy and delivery	Ongoing Transfer of Transport Policy to the LCRCA's Policy and Commissioning Director will allow greater consideration of Air Quality issues within transport strategy
To effectively manage the Programme of activities necessary for the introduction of new rolling stock for the Merseyrail Network in 2019/20	Ongoing Project for delivery of new fleet is on target for Spring 2020. Project milestones reached in 2019/20 with commencement of depot construction and fleet manufacture.
To ensure that Merseytravel's responsibilities in respect of the LCRCA - alongside vacancies in a number of key posts - do not create capacity issues that impact on the delivery of Merseytravel's core transport delivery functions.	Complete Key vacancies have been filled and capacity issues at LCRCA level have been addressed.
Merseytravel needs to ensure that it optimises the benefits of its investment in the new financial ledger system	Complete Successful implementation of version upgrade in 2018/19
Merseytravel needs to keep its risk management under continual review and implement the recommendations arising from the recent review of Risk Management arrangements.	Ongoing All recommendations arising from the review were implemented in 2018/19 although the need for continual review means that this action is continued into 2019/20.

6 Key areas for improvement in 2019/20

In summary, the following areas are key priorities for 2019/20 that have been identified in the 2018/19 review of governance:

- To ensure that the Mayor's Transport Plan is consistent with the overall aims and objectives of the Local Industrial Strategy.
- To make best use of the powers within the Bus Services Act to maintain and enhance the economic, social and environmental benefits of bus transport for the City Region.
- To ensure that Air Quality issues are reflected in transport strategy and delivery.
- To make best use of the powers within the Bus Services Act to maintain and enhance the economic, social and environmental benefits of bus transport for the City Region.
- To effectively manage the Programme of activities necessary for the introduction of new rolling stock for the Merseyrail Network in 2019/20 and 2020/21.
- Merseytravel will need to maintain capacity and capability against a background of financial risk in 2019/20.
- Merseytravel needs to keep its risk management under continual review.

7 Conclusion

Merseytravel is satisfied that appropriate governance arrangements are in place and that the governance arrangements in place in 2018/19 were appropriate to its resources and responsibilities in that year.

The change in governance to a Mayoral CA has meant that 2018/19 has been a year of some change with Merseytravel needing to adapt its operational structure and a number of its policy objectives to align with this change in governance.

The arrangements in place in 2018/19 focussed on ensuring that capacity and resources were put in place to support the wider CA functions while maintaining effective governance and delivery around Merseytravel's core activities.

There is no doubt that Merseytravel has benefited from the investment in capacity and capability associated with the CA in 2018/19 and that governance arrangements at Merseytravel are much stronger as a result.

The relationship between the new Mayoral Combined Authority has developed in 2018/19 and looks certain to increase overall capacity for transport and allows Merseytravel to look forward to a successful partnership with the Mayor and the CA.

This will be necessary to address some of the structural financial challenges and risks facing Merseytravel in future years.

Merseytravel Directors



Frank Rogers
Chief Executive and Director
General



John Fogarty
Director of Corporate Services
(Liverpool City Region
Combined Authority)



Liz Chandler
Director of Corporate
Development and Delivery



Mick Noone
Director of Integrated
Transport

A handwritten signature in black ink, appearing to read 'F. Rogers'.

Frank Rogers – Chief Executive & Director General

A handwritten signature in black ink, appearing to read 'J. Fogarty'.

John Fogarty (CPFA) – Director of Corporate Services

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYTRAVEL

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Merseytravel and its subsidiaries ('the Group') for the year ended 31 March 2019, which comprise the Merseytravel and Group Movement in Reserves Statement, the Merseytravel and Group Comprehensive Income and Expenditure Statement, the Merseytravel and Group Balance Sheet, the Merseytravel and Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Merseytravel and the Group as at 31st March 2019 and of Merseytravel's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

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

Other information

The Director of Corporate Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Corporate Services for the financial statements

As explained more fully in the Statement of the Director of Corporate Service's Responsibilities, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Corporate Services is also responsible for such internal control as the Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless Merseytravel is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Corporate Services is responsible for assessing each year whether or not it is appropriate for Merseytravel to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION UNDER THE CODE OF AUDIT PRACTICE

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

CONCLUSION ON MERSEYTRAVEL'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Merseytravel has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether Merseytravel had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether Merseytravel put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Merseytravel

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Merseytravel has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of Merseytravel's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Merseytravel, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of Merseytravel those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Merseytravel, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Merseytravel in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Gareth Hitchmough
For and on behalf of Mazars LLP

Mazars LLP
14th Floor,
The Plaza,
100 Old Hall Street,
LIVERPOOL,
L3 9QJ

7 November 2019

MERSEYTRAVEL SINGLE ENTITY ACCOUNTS

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement (MiRS) shows the movement from the start of the year to the end on the different reserves held by Merseytravel analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of Merseytravel's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to the revenue reserve for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments

	Usable Reserves (General Fund Balance)	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance as at 31 March 2017	69,563	39,678	109,241
Movement in Reserves during 2017/18			
Total Comprehensive Income and Expenditure	48,516	36,619	85,135
Adjustments between accounting basis and funding basis under regulations (note 5)	(55,301)	55,301	0
Increase/(Decrease) in 2017/18	(6,785)	91,920	85,135
Balance as at 31 March 2018 carried forward	62,778	131,598	194,376
Movement in Reserves during 2018/19			
Total Comprehensive Income and Expenditure	29,848	(11,013)	18,835
Adjustments between accounting basis and funding basis under regulations (note 5)	(37,937)	37,937	0
Increase/(Decrease) in 2018/19	(8,090)	26,924	18,835
Balance as at 31 March 2019 carried forward	54,688	158,522	213,210

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2017/18				2018/19			
Notes	Gross Expenditure £'000	Gross Income £'000	Net Spend £'000		Gross Expenditure £'000	Gross Income £'000	Net Spend £'000
	27,714	(9,199)	18,515	Bus Services	27,261	(7,155)	20,106
	110,360	(161,215)	(50,855)	Rail Services	193,234	(138,519)	54,715
	9,201	(2,056)	7,145	Customer Delivery	9,404	(2,196)	7,208
	73,397	(18,638)	54,759	Travel Concession	70,258	(16,944)	53,314
	5,043	(2,952)	2,091	Policy	6,412	(4,017)	2,395
	4,357	(874)	3,483	People and Customer Development	4,256	(645)	3,610
	4,036	(192)	3,844	Corporate Management and other Corporate Costs	3,692	(6,165)	(2,473)
	2,127	0	2,127	Net Cost of Mersey Ferries	6,260	0	6,260
				Mersey Tunnels	15,815	(15,032)	783
	236,235	(195,126)	41,109	Net Cost of Service	336,592	(190,673)	145,917
7			107	Other Operating Expenditure			110
8			2,288	Financing and Investment Income			2,065
10			(92,020)	Taxation and Non Specific Grant Income			(177,940)
			(48,516)	(Surplus) or Deficit on the Provision of Services			(29,848)
			(17,642)	Remeasurement Gains/ Losses on Pension Assets/ Liabilities			7,644
			(18,977)	(Surplus)/Deficit on Revaluation Non Current Assets			3,369
			(36,619)	Other Comprehensive Income and Expenditure			11,013
			(85,135)	Total Comprehensive Income and Expenditure			(18,835)

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet Date of the assets and liabilities recognised by Merseytravel. The net assets of Merseytravel (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2017 Restated (note 3) £'000	As at 31 March 2018 Restated (note 3) £'000		As at 31 March 2019 £'000	Note
141,178	217,797	Property, Plant and Equipment	254,437	17
326	326	Heritage Assets	326	
915	1,131	Intangible Assets	986	19
3,977	3,799	Long-term Debtors	2,926	20
146,396	223,053	Long-term Assets	258,675	
48	80	Inventories	50	
100,011	125,664	Short-term Debtors	98,715	21
79	138	Cash and Cash Equivalents	93	
100,138	125,882	Current Assets	98,858	
(25,103)	(62,532)	Short-term Creditors	(40,328)	22
(292)	(251)	Provisions	(113)	23
(4,440)	(5,591)	Grant Receipts in Advance	(5,963)	10
(29,835)	(68,374)	Current Liabilities	(46,404)	
(3,234)	(3,080)	Internal Loans	(2,918)	
(1,654)	(1,654)	Provisions	(966)	23
(102,571)	(81,451)	Pension Liability	(94,035)	9
(107,459)	(86,185)	Long-term Liabilities	(97,919)	
109,240	194,376	Net Assets	213,210	
69,562	62,778	Usable Reserves	54,688	6
39,678	131,598	Unusable Reserves	158,522	5
109,240	194,376	Total Reserves	213,210	



Frank Rogers
Chief Executive & Director General
5th November 2019



John Fogarty (CPFA)
Director of Corporate Services
5th November 2019

CASHFLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2017/18 Restated (note 3) £'000		2018/19 £'000	Note
48,516	Net surplus/(deficit) on provision of services	29,848	
(17,546)	Adjustments to net surplus on the provision of services for non-cash movements	72,047	27
(63,122)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(88,801)	27
(32,152)	Net cash inflows/(outflows) from operating Activities	13,094	
32,211	Investing activities	(13,139)	27
59	Net increase/(decrease) in cash and cash equivalents	(45)	
79	Cash and cash equivalents as at 1 April	138	
138	Cash and cash equivalents as at 31 March	93	

NOTES TO THE PRIMARY FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

General Principals

The Statement of Accounts summarises Merseytravel's transactions for the financial year 2018/19 and its position as at 31 March 2019. Merseytravel is required to prepare an Annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2015 which require the accounts to be completed in accordance with proper accounting practice. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted by the statement is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been completed on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when Merseytravel transfer the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to Merseytravel.
- Revenue from the provision of services is recognised when Merseytravel can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to Merseytravel.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of

acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of Merseytravel's cash management.

Changes in Accounting Policies, Estimations, Errors and Prior Period Adjustments

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 Merseytravel'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.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to Merseytravel. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by Merseytravel to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when Merseytravel can no longer withdraw the offer of those benefits or when Merseytravel recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by Merseytravel to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post-employment Benefits

Employees of Merseytravel are members of a Local Government Pensions Scheme, administered by Merseyside Pension Fund. This is a defined benefit pension scheme.

The liabilities of the Merseyside Pension Fund attributable to Merseytravel are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of Merseyside Pension Fund attributable to Merseytravel are included in the Balance Sheet at their fair value.

The change in the net pension liability is analysed into the following components:

- Current service costs
- Past service costs (including curtailments)
- Pension administration expenses
- Net interest expenses (interest on plan assets and liabilities)
- Remeasurement gains and losses
- Contributions paid to Merseyside Pension Fund

In relation to retirement benefits, statutory provisions require the revenue account to be charged with the amount payable by Merseytravel 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 revenue reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

Merseytravel also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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.

Financial Instruments

Financial Assets

All investments used by Merseytravel are of the type whereby they are classed as 'Loans and Receivables' and are initially recognised on the basis of Fair Value, and subsequently accounted for using the Amortised Cost basis. In doing so, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective interest rate for the instrument. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when Merseytravel becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that Merseytravel has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to Merseytravel when there is reasonable assurance that:

- Merseytravel will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to Merseytravel are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out through the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the

Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Group Accounts

The financial statements comprise the accounts of Merseytravel and its subsidiary and associated undertakings as at 31 March 2019. Merseytravel has interests in a number of entities; the principal trading ones are detailed below.

Name	Immediate parent	Holding	Nature of the business	% equity interest
Mersey Ferries Ltd	Merseytravel	Company limited by guarantee	Passenger Transport	N/A
Merseyside Passenger Transport Service Ltd	Merseytravel	25 1 Ord. Shares 375 £1 5% Non Cumulative Pref Shares	Leasing	100
Real Time Information Group Limited	Merseytravel	1 £1 Ord Share	Real Time Information Systems	100
Accrington Technologies Ltd	Merseytravel	500 £1 Ord Shares	Smartcard	50.1
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 Ord Shares	Tourism	100

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The financial performance of those subsidiaries that are considered material are fully consolidated on a line-by-line basis from the date that Merseytravel obtains control, until the date that such control ceases. Uniform accounting policies are used in the preparation of the group accounts. For those active subsidiaries for which the financial performance is not deemed to be material, further information on these is included within note 16.

All intra-group trading, balances and unrealised gains and losses as at the end of each period, are eliminated in full as part of the consolidation process.

In Merseytravel's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Goodwill

Business combinations have been accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Statement of Financial Position as goodwill and is not amortised.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at operating segment level or, if smaller, statutory company level. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Merseytravel has taken advantage of the option under the first time adoption provisions of The Code to use the brought forward value of goodwill as at 1 April 2009 as an appropriate approximation of fair value.

Heritage Assets

These assets are to be preserved in trust for future generations because of their cultural, environmental or historical associations. Merseytravel reclassified several assets that were previously included within plant and equipment. These assets are now shown separately on the face of the balance sheet. The Beatles Story owns a statue in commemoration of John Lennon, which is also shown in the Group accounts.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by Merseytravel (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to Merseytravel. Intangible assets are measured at cost and the balance is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement on a straight-line basis typically over a period of 3 years, although a longer amortisation period of 12 years has been applied to the Fab 4 Film. These amortisation charges are not permitted to have an impact on the General Fund Balance and are reversed to the Capital Adjustment Account via the Movement in Reserves Statement.

Inventories

Inventories are included in the Balance Sheet at the lower of actual cost and net realisable value determined on a first in first out basis.

Leases

Under the requirements of IAS 17 Leases, Merseytravel is required to consider/review all its lease arrangements and apply the primary and secondary tests detailed in the standard to determine the extent to which the risks and rewards incidental to ownership lie with the lessor or lessee and therefore whether leases should be classified as operating or finance leases, with the subsequent accounting treatment being in accordance with the standard.

Authority as Lessee – operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service(s) benefiting from use of the

leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

Authority as Lessor – operating leases

Where Merseytravel grants an operating lease over an item of Property, Plant or Equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

Overheads and Support Services

In line with best practice, charges for the cost of central support services are fully charged or apportioned to those that benefit from the supply of service using time recording and other appropriate methods.

Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to Merseytravel and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Merseytravel does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of Merseytravel). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by Merseytravel.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the

gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets is calculated by allocating the asset value over the period expected to benefit from their use on a straight-line basis. All assets are assessed individually in relation to their asset lives for the purpose of calculating depreciation. Conditions relative to each asset are considered in arriving at this determination.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposal and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive

Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and can then only be used for new capital investment [or set aside to reduce Merseytravel's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives Merseytravel a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Merseytravel becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if Merseytravel settles the obligation.

Contingent Liability

A contingent liability arises where an event has taken place that gives Merseytravel a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of Merseytravel. 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.

Contingent Assets

A contingent asset arises where an event has taken place that gives Merseytravel a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of Merseytravel. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

Merseytravel sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are shown in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for Merseytravel – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where Merseytravel has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Revenue Reserve Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of levy.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards Issued but not yet Adopted

As at the Balance Sheet date there are a number of accounting standards that have been published but not yet adopted by the Code.

- i. Amendments to IAS 40 Investment Properties;
- ii. IFRIC 22 Foreign Currency Transactions and Advanced Consideration;
- iii. IFRIC 23 Uncertainty over Income Tax Treatment; and
- iv. Amendments to IFRS 9 Financial Instruments.

It has been assessed that none of these changes will have a material impact on the accounts.

3. Changes in Accounting Policy and Significant Accounting Estimates and Assumptions

(a) Changes in Accounting Policy

Merseytravel Group and the LCRCA operate a shared bank account to make in year payments and to receive income. For the financial years prior to 2018/19 the accounting policy has been to recognise each entity's calculated share of year-end bank balances on the single entity Balance Sheets. This policy has resulted in significant cash surpluses and overdrafts being reported on individual balance sheets.

However, Merseytravel does not have the statutory power to invest surplus cash balances or to borrow to cover cash shortfalls. When required this activity is undertaken by the LCRCA on behalf of Merseytravel.

The accounting policy has therefore been changed to record year-end bank balances on the Balance Sheet of the LCRCA as it has the statutory power to invest and borrow to meet cashflow needs. The cash surpluses or borrowings of Merseytravel are reflected as an intercompany debtor or creditor with the LCRCA.

It is considered that this change in accounting policy provides reliable and more relevant information.

The impact of these changes may be summarised as follows:

Balance Sheet

	As at 31 March 2017			As at 31 March 2018		
	Original	Change in Accounting Policy Adjustment	Restated	Original	Change in Accounting Policy Adjustment	Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant and Equipment	141,178	0	141,178	217,797	0	217,797
Heritage Assets	326	0	326	326	0	326
Intangible Assets	915	0	915	1,131	0	1,131
Long-term Debtors	3,977	0	3,977	3,799	0	3,799
Long-term Assets	146,396	0	146,396	223,053	0	223,053
Inventories	48	0	48	80	0	80
Short-term Debtors	49,189	50,822	100,011	53,437	72,227	125,664
Cash and Cash Equivalents	50,901	(50,822)	79	72,365	(72,227)	138
Current Assets	100,138	0	100,138	125,882	0	125,882
Short-term Creditors	(25,103)	0	(25,103)	(62,532)	0	(62,532)
Provisions	(292)	0	(292)	(251)	0	(251)
Grant Receipts in Advance	(4,440)	0	(4,440)	(5,591)	0	(5,591)
Current Liabilities	(29,835)	0	(29,835)	(68,374)	0	(68,374)
Internal Loans	(3,234)	0	(3,234)	(3,080)	0	(3,080)
Provisions	(1,654)	0	(1,654)	(1,654)	0	(1,654)
Pension Liability	(102,571)	0	(102,571)	(81,451)	0	(81,451)
Long-term Liabilities	(107,459)	0	(107,459)	(86,185)	0	(86,185)
Net Assets	109,240	0	109,240	194,376	0	194,376
Usable Reserves	69,562	0	69,562	62,778	0	62,778
Unusable Reserves	39,678	0	39,678	131,598	0	131,598
Total Reserves	109,240	0	109,240	194,376	0	194,376

Cashflow Statement

	2017/18		
	Original	Change in Accounting Policy Adjustment	Restated
	£'000	£'000	£'000
Net surplus/(deficit) on provision of services	48,516	0	48,516
Adjustments to net surplus on the provision of services for non-cash movements	3,859	(21,405)	(17,546)
Adjustments to net surplus on the provision of services for items which are investing and financing activities	(63,122)	0	(63,122)
Net cash inflows/(outflows) from operating Activities	(10,747)	(21,405)	(32,152)
Investing activities	32,211	0	32,211
Net increase/(decrease) in cash and cash equivalents	21,464	(21,405)	59
Cash and cash equivalents as at 1 April	50,901	(50,822)	79
Cash and cash equivalents as at 31 March	72,365	(72,227)	138

(b) Significant Accounting Estimates and Judgements

The preparation of the Authority's accounts requires management to make judgements, estimates and assumptions that affect the amounts reported as revenues, expenses, assets and liabilities reported in the accounts. Uncertainty about these assumption and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities in future periods.

In terms of the Authority's Balance Sheet as at 31 March 2019, the items for which there is a significant risk of material adjustment are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using an 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.
- In establishing the intra group cash holding of Merseytravel within the Combined Authority's overall cash balances, a review of reserves was undertaken to establish the level of cash backed reserves held by Merseytravel which has been used as the basis on which to establish the quantum of its cash holdings. This is reflected as a debtor within Merseytravel's accounts.
- Merseytravel has examined all its significant lease agreements to establish whether these should be classed as operational or finance leases. Where the application of IAS 17 does not provide a definitive solution, judgement is applied in determining whether the lease is operating or financial. Based on this assessment all Merseytravel's leases have been assessed to be operational.
- Provisions for doubtful debts: as at 31 March 2019 the Authority has £64m short term debtors. The recoverability of debts are reviewed annually and provision is made for any debts over 12 months old or for which there is evidence of the initial debt being unrecoverable.
- Group accounts: the Authority has a number of interests in other entities which fall within the group boundary. Whilst some of these are deemed to be material and are therefore consolidated into group accounts, others are considered not sufficiently material to warrant full group account disclosures. To ensure there is sufficient visibility on these arrangements, narrative disclosures on these arrangements are included within note 16.
- Merseytravel Group and the LCRCA operate a shared bank account to make in year payments and to receive income. Merseytravel does not have the statutory power to invest surplus cash balances or to borrow to cover cash shortfalls. When required this activity is undertaken by the LCRCA on behalf of Merseytravel. Year-end bank balances are therefore recorded on the Balance Sheet of the LCRCA as it has the statutory power to invest and borrow to meet cashflow needs. The cash surpluses or borrowings of Merseytravel are reflected as an intercompany debtor or creditor with the LCRCA.

4. Adjustments Between Accounting Base and Funding Under Regulation

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2017/18 General Fund Balance £'000		2018/19 General Fund Balance £'000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue in the year in accordance with statutory requirements:		
2,559	Pensions costs (transferred to the Pensions Reserve)	1,922
0	Holiday Pay (transferred to the accumulated Absences Reserve)	0
(57,860)	Reversal of entries included in the Surplus on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(39,859)
(55,301)	Total Adjustments to Revenue Resources	(37,937)

5. Unusable Reserves

2017/18 £'000		2018/19 £'000
29,699	Revaluation Reserve	25,336
189,759	Capital Adjustment Account	230,612
(87,488)	Pension Reserve	(97,054)
(372)	Accumulated Absences Account	(372)
131,598	Total	158,522

Revaluation Reserve

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

- re-valued 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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
	11,169	Balance as at 1 April		29,699
19,275		Upward revaluation of assets	3,395	
		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(6,764)	
(299)	18,976	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(3,368)
		Difference between fair value depreciation and historical cost depreciation	(995)	
(446)	(446)	Amount written off to the Capital Adjustment Account		(995)
	29,699	Balance as at 31 March		25,336

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 charged with the cost of acquisition, construction or enhancement, as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by Merseytravel as finance for the costs of acquisition, construction and enhancement.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2017/18 £'000		2018/19 £'000
131,452	Balance as at 1 April	189,759
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(6,438)	Charges for depreciation, amortisation and impairment of non-current assets	(14,506)
(14,232)	Revenue expenditure funded from capital under statue	(51,875)
(1,910)	Amounts of non-current assets written off on disposal or sale as part of gains/ losses on disposal to the Comprehensive Income and Expenditure Statement	(41,054)
(22,580)		(107,435)
446	Adjusting amounts written out of the Revenue Reserve	994
(22,134)	Net written out amount of the costs of noncurrent assets consumed in the year	(106,441)
	Capital financing applied in the year	
77,014	Capital grants, contributions and donated assets credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	138,820
3,427	Use of the Capital Reserve to finance new capital expenditure	8,474
80,441		147,294
189,759	Balance as at 31 March	230,612

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. Merseytravel accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as Merseytravel makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore represents a substantial shortfall in the benefits earned by past and current employees and the resources Merseytravel has set aside to meet them. The Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £'000		2018/19 £'000
(102,571)	Balance as at 1 April	(87,488)
17,642	Remeasurements of the net defined benefit liability	(7,644)
(9,569)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(8,974)
7,010	Employers pension contributions and direct payments to pensioners payable in the year	4,034
	Recognition of pension deficit prepayment	3,018
(87,488)	Balance as at 31 March	(97,054)

Accumulated Absences Account

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

2017/18 £'000		2018/19 £'000
(372)	Balance as at 1 April	(372)
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	0
(372)	Balance as at 31 March	(372)

6. Revenue and Earmarked Reserves

This note sets out the amounts set aside from the Revenue Reserve balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
Capital Reserve (a)	9,176	(3,427)	0	5,749	(5,749)	0	0
Rail Franchise Agreement Reserve (b)	22,208	0	2,811	25,019	0	2,764	27,783
Rail Financing Reserve (c)	12,854	(9,650)	0	3,204	(3,204)	0	0
Restructuring Reserve (d)	4,368	0	0	4,368	0	0	4,368
Grant/Contributions Unapplied Reserve (e)	2,329	0	0	2,329	0	0	2,329
OLR Reserve (f)	2,000	0	0	2,000	0	0	2,000
Operational Reserves (g)	4,731	0	0	4,731	0	0	4,731
Sustainable Transport Reserve (h)	225	0	0	225	0	0	225
Revenue Reserve	1,739	0	0	1,739	0	824	2,563
Other Reserves	9,932	0	3,482	13,414	(2,725)	0	10,689
Total	69,562	(13,077)	6,293	62,778	(11,678)	3,588	54,688

- (a) The capital reserve is used to support the funding of the capital programme.
- (b) The rail franchise agreement (benefit share) reserve is used to support development of strategic transport initiatives.
- (c) The rail financing reserve has been created to support the delivery of a new rolling stock fleet.
- (d) The restructuring reserve is utilised to provide support to staffing cost implications of service transformation programmes.
- (e) The grants/contributions unapplied reserve represents capital grants that have been received but not yet utilised to support the delivery of the capital programme.
- (f) The OLR (Operator of Last Resort) reserve has been created to provide funding should the incumbent rail operator experience difficulties in running the MEL franchise. In this instance Merseytravel has step in rights to allow it to take over the running of the franchise until a new operator can be found.
- (g) Operational reserves are used to support the current transport network and ticketing initiatives.
- (h) The sustainable transport reserve supports the Local Growth Fund initiatives surrounding the STEP programme.

7. Other Operating Expenditure

2017/18 £'000		2018/19 £'000
107	Pension Administration Costs	110
107	Total	110

8. Financing and Investment Income

2017/18 £'000		2018/19 £'000
9,208	Interest on Pension Liabilities	9,379
(6,920)	Pension Interest on Plan Assets	(7,314)
166	Interest Payable on Intercompany Loan	159
(166)	Interest Receivable on Intercompany Loan	(159)
2,288	Total	2,065

9. Pensions

As part of the terms and conditions of employment of its officers, Merseytravel makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, Merseytravel has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement. Merseytravel participates in Merseyside Pension Fund administered locally by Wirral Council – this is a funded defined benefit final salary scheme, meaning that Merseytravel and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post Employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement within the Surplus or Deficit on the Provision of Services to comply with the reporting requirements of IAS 19 in respect of defined benefits schemes.

2017/18 £'000		2018/19 £'000
	Net Cost of Service	
7,174	Current service cost	6,799
0	Curtailments	0
	Other Operating Expenditure	
107	Administration expenses	110
	Financing and Investments Income	
2,288	Net interest expense	2,065
9,569	Total Post Employment Benefits Charged to the CIES	8,974

The following transactions are then recognised in the Movement in Reserves as adjustments between the accounting basis and funding basis under Regulation.

2017/18 £'000		2018/19 £'000
(9,569)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(8,974)
7,010	Employers contribution payable to the Scheme	4,034

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

2017/18 £'000		2018/19 £'000
366,405	Benefit obligation at end of the period	389,218
(284,954)	Fair Value of plan assets at end of the period	(295,182)
81,451	Deficit as at 31 March	94,036

Reconciliation of the movement in the Fair Value of Scheme (Plan) Assets

2017/18 £'000		2018/19 £'000
271,075	Balance brought forward 31 March	284,954
6,920	Interest on plan assets	7,314
4,661	Remeasurement	10,336
(107)	Administration expenses	(110)
13,047	Employers contributions	4,034
1,503	Members contributions	1,533
(12,145)	Benefits/ transfers paid	(12,879)
284,954	Balance carried forward 1 April	295,182

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligations)

2017/18 £'000		2018/19 £'000
373,646	Balance brought forward 31 March	366,405
7,174	Current service cost	6,800
9,208	Interest on pension liabilities	9,379
1,503	Member contribution	1,533
(12,981)	Remeasurement (liabilities)	17,980
0	Curtailments	0
(12,145)	Benefits/ transfers paid	(12,879)
366,405	Balance carried forward 1 April	389,218

As at 31 March the assets comprised:

2017/18					2018/19			
Quoted £'000	Unquoted £'000	Total £'000	% of total		Quoted £'000	Unquoted £'000	Total £'000	% of total
60,041	0	60,041	21	<u>Equities</u>				
90,188	0	90,188	32	UK	45,314	7,795	53,109	18
				Global	61,646	30,200	91,846	31
10,230	0	10,230	4	<u>Bonds</u>				
12,339	0	12,339	4	UK Government	10,700	0	10,700	4
23,110	0	23,110	8	UK Corporate	12,721	0	12,721	4
				UK Index Linked	23,395	0	23,395	8
0	16,556	16,556	6	<u>Property</u>				
541	4,303	4,844	2	UK Direct	0	18,018	18,018	6
				Property	584	5,378	5,962	2
0	3,989	3,989	1	UK Managed				
				Property	0	4,200	4,200	1
				Global Managed				
				Property				
28	9,375	9,403	3	<u>Private Equity</u>				
0	8,919	8,919	3	UK	1	9,376	9,377	3
				Global	0	10,466	10,466	4
7,608	0	7,608	3	<u>Cash</u>				
				Cash	8,601	0	8,601	3
				Instruments				
0	1,453	1,453	-	<u>Other</u>				
0	7,466	7,466	3	Private Equity	256	1,208	1,464	-
				UK	0	7,463	7,463	3
313	6,725	7,038	2	Private Equity				
0	5,614	5,614	2	Global	512	10,887	11,399	4
				Infrastructure UK	0	7,199	7,199	2
				Infrastructure				
3,818	7,238	11,056	4	Global	2,720	9,056	11,776	4
1,624	3,476	5,100	2	Opportunities UK	2,565	4,921	7,486	3
				Opportunities				
				Global				
209,840	75,114	284,954	100		169,015	126,167	295,182	100

Actuarial Assumptions

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 Local Government Pension Scheme liabilities have been assessed by Mercers, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme. The main assumptions used in their calculations are detailed in the table below.

	2017/18	2018/19
<u>Base Assumptions</u>		
Rate of CPI inflation	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%
Discount Rate	2.6%	2.4%
<u>Mortality Assumptions</u>		
Life expectancy of male future pensioner aged 65 in 20 years' time	25	25.2
Life expectancy of female future pensioner aged 65 in 20 years' time	27.8	27.9
Life expectancy of male current pensioner aged 65	22	22.2
Life expectancy of female current pensioner aged 65	24.8	25

A sensitivity analysis has been provided by Mercers which provides an illustrative impact of marginal changes to the assumptions used in respect of the long term discount rate, inflation and life expectancy. The results of this sensitivity analysis are detailed below.

	Central £'000	+0.1% p.a. discount rate £'000	+0.1% p.a. inflation £'000	+0.1% p.a. pay growth £'000	1 year increase in life expectancy £'000
Liabilities	389,218	383,130	395,403	390,188	397,158
Assets	(295,182)	(295,182)	(295,182)	(295,182)	(295,182)
(Surplus)/ Deficit	94,036	87,948	100,221	95,006	101,976
Projected service cost next year	7,410	7,203	7,626	7,410	7,566
Projected net interest cost for next year	2,210	2,150	2,366	2,241	2,408

Impact on Merseytravel's Cashflows

The objectives of the scheme are to keep employer's contributions at as constant and affordable rate as possible. Merseyside Pension Fund has agreed a strategy with the scheme's actuary which was approved by the Pensions Committee in March 2017. Funding levels are monitored on an annual basis. The next triennial valuation is due 31 March 2019 with revised rates applicable from 1 April 2020.

As at 31 March 2019 the indicative funding level for the fund (based on a roll up of the 2016 valuation) is 99%. The objective is to recover the deficit over a reasonable timeframe and as quickly as participating employers can reasonably afford given other competing cost pressures. The recovery period for the deficit is set by the Fund however employers may elect to select a shorter deficit recovery period if they wish. The average recovery period for the Fund based on the 2016 valuation was 19 years however it is proposed to reduce this to 16 years with effect from the 2019 valuation.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or services after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Merseytravel anticipates to pay £3.4m in contributions to the scheme in 2019/20 excluding deficit contributions.

10. Grant Income

The following grants and contributions have been credited to the Comprehensive Income and Expenditure Statement during the period.

2017/18 £'000	Credited to Services	2018/19 £'000
81,729	Special Rail Grant (pass ported through from LCRCA)	87,033
2,406	Bus Special Operator Grant	1,516
482	Cycling and Walking to Work	548
404	Other Grants	1,241
85,021	Total	90,338

2017/18 £'000	Credited to Taxation and Non Specific Grant Income	2018/19 £'000
92,020	Merseytravel Grant	92,020
0	Other grants	85,920
92,020	Total	177,940

Merseytravel has received a number of grants and contributions that have conditions attached to them. These have not yet been recognised as income and will only be credited to the Comprehensive Income and Expenditure Statement once all conditions are met. The balances at the year-end are as follows:

2017/18 £'000		2018/19 £'000
3,733	LCRCA	0
129	Better Bus Area	106
1,500	DfT	5,507
229	Other	350
5,591	Total	5,963

11. Rail Concession Agreement (Benefit Share)

Under the concession agreement in respect of Merseyrail Electrics (MEL), there is an agreement that surpluses above a certain threshold are shared between MEL and Merseytravel. Merseytravel's net share for 2018/19 was £2.8m (2017/18 £2.8m). For 2018/19 costs of £1.5m (2017/18 £1.5m) and income of £4.3m (2017/18 £4.3m) have been included in Merseytravel income and expenditure.

The balance as at 31 March 2019 is £27.8m (2018/19 £25.0m) and is included in useable reserves in the Balance Sheet. Agreed ongoing expenditure includes strengthening services on the Chester and Ormskirk Lines, funding the enhanced Chester-Liverpool train service and further improvements at Liverpool South Parkway.

12. Officers Remuneration

Senior Officers Remuneration

The table below details the remuneration of the directors of Merseytravel.

		Salary (incl Allowances) £'000	Employers Pension Contribution £'000	Total Remuneration £'000
Chief Executive & Director General (i)	2018/19	91	13.5	104.5
	2017/18	26	4	30
Director of Corporate Development	2018/19	111	17	128
	2017/18	109	16	125
Director of Resources (ii)	2018/19	59.5	9	68.5
	2017/18	71	11	83
Director of Integrated Transport (iii)	2018/19	113	17	130
	2017/18	8	1	9

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- (i) Chief Executive & Director General was appointed as Head of Paid Service for the Combined Authority on a fixed term contract with effect from 16 November 2018. Under the terms of this contract, the post holder continues to fulfil the role of Chief Executive for Merseytravel and consequently the salary costs are split between the two organisations.
- (ii) Director of Resources appointed as LCRCA Director of Corporate Services 17 November 2017. Under the contract the post holder is required to fulfil the role of Director of Resources for Merseytravel and consequently the salary costs are split between the two organisations.
- (iii) Director of Integrated Transport appointed 5 March 2018.

Employee Remuneration

The number of employees (excluding Merseytravel's directors) in receipt of remuneration for the year of £50,000 or more is detailed below. For the purpose of this note remuneration includes allowances, bonuses and severance pay but excludes employer' pension contributions.

Remuneration Range	2017/18	2018/19
£50,000 to £54,999	14	17
£55,000 to £59,999	7	9
£60,000 to £64,999	5	3
£65,000 to £69,999	4	3
£70,000 to £74,999	2	3
£75,000 to £79,999	0	1
£80,000 to £84,999	3	1
£85,000 to £89,999	0	2
£90,000 to £94,999	1	0
£95,000 to £99,999	0	0
£100,000 to £104,999	1	1
£105,000 to £109,999	0	0
£125,000 to £129,999	1	0
£135,000 to £139,999	0	1
Total	38	41

13. Exit Packages

Merseytravel Exit Package Cost Band	No. of Compulsory Redundancies		No. of other Departures agreed		Total No. of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	17/18	18/19	17/18	18/19	17/18	18/19	17/18 £000	18/19 £000
£0 - £20,000	1	0	3	0	4	0	32	0
£20,001 - £40,000	0	0	2	1	2	1	62	35
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	1	0	1	0	197
TOTAL	1	0	5	2	6	2	94	232

14. Expenditure and Funding Analysis

EXPENDITURE AND FUNDING ANALYSIS STATEMENT

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
17,440	1,075	18,515	Bus	14,190	5,915	20,105
12,455	(63,311)	(50,856)	Rail	14,976	39,740	54,715
10,123	(2,979)	7,145	Customer Delivery	4,011	3,197	7,208
54,759	-	54,759	Travel Concession	53,566	(252)	53,314
2,775	(684)	2,091	Policy	1,559	836	2,395
5,184	(1,701)	3,483	People & Customer Development	2,431	1,179	3,610
11,480	(5,509)	5,972	Corporate Management & Other Services	(6,429)	3,956	(2,473)
			Tunnels	0	783	783
(166)	166	-	Mersey Ferries	622	5,638	6,260
114,052	(72,943)	41,109	Net Cost of Services	84,926	60,992	145,917
(107,267)	17,642	(89,625)	Other Income & Expenditure	(76,837)	(98,929)	(175,765)
6,785	(55,301)	(48,516)	Surplus or deficit	8,090	(37,937)	(29,848)
(69,563)			Opening General Fund Balance at 1 April	(62,778)		
6,785			Less/plus Surplus or Deficit on General Fund in Year	8,090		
(62,778)			Closing General Fund Reserves at 31 March	(54,688)		

Note to the EFA 2018/19

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus	4,665	1,250	0	5,915
Rail	38,934	806	0	39,740
Customer Delivery	958	2,239	0	3,197
Travel Concessions	(252)	0	0	(252)
Policy	20	817	0	836
People & Customer Development	(50)	1,229	0	1,179
Corporate Management & Other Services	187	3,769	0	3,956
Tunnels	0	783	0	783
Mersey Ferries	3,946	1,692	0	5,638
Net Cost of Services	48,408	12,585	0	60,993
Other Income & Expenditure from the Funding Analysis	(88,267)	(7,644)	(3,019)	(98,930)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(39,859)	4,941	(3,019)	(37,937)

Note to the EFA 2017/18

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus	2,578	(1,502)	0	1,076
Rail	(62,371)	(938)	0	(63,309)
Customer Delivery	22	(3,001)	0	(2,979)
Travel Concessions	0	0	0	0
Policy	20	(704)	0	(684)
People & Customer Development	0	(1,701)	0	(1,701)
Corporate Management & Other Services	60	(5,571)	0	(5,511)
Mersey Ferries	1,831	(1,666)	0	165
Net Cost of Services	(57,860)	(15,083)	0	(72,943)
Other Income & Expenditure from the Funding Analysis	-	17,642	0	17,642
Difference between General Fund surplus or deficit and CIES surplus or deficit	(57,860)	2,559	0	(55,301)

Expenditure Analysed by Type

2017/18 £'000		2018/19 £'000
	Expenditure	
23,352	Employee benefits expenses	30,096
215,761	Other services expenses	311,218
6,437	Depreciation, amortisation, impairment	6,628
166	Interest payable	159
245,716	Total expenditure	348,101
	Income	
(39,883)	Fees, charges and other service income	(44,863)
(166)	Interest and investment income	(159)
(254,183)	Government grants and contributions	(332,926)
(294,232)	Total income	(377,948)
(48,516)	(Surplus) or deficit on the Provision of Services	(29,847)

15. Audit Fees

The table below details the fees paid to the external auditors, Mazars. As 2018/19 is the first year of appointment for Mazars, the comparator figure relates to the fees paid to the previous auditor, KPMG.

2017/18 £'000		2018/19 £'000
38	External Audit fees in respect of Merseytravel	29
38	Total	29

16. Related Party Transactions

Merseytravel is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence or to be controlled or influenced by Merseytravel. The following is an analysis of the organisations or individuals deemed to meet this criteria.

Liverpool City Region Combined Authority (LCRCA).

Merseytravel is required to implement and administer transport policies determined by the LCRCA which means that the Authority is Merseytravel's parent and ultimate controlling party. The Authority provides Merseytravel with revenue and capital grants in support of its transport activities, be that revenue or capital. The revenue grant that is received by Merseytravel is funded through the transport levy made by LCRCA on the district councils in Merseyside. In addition to the transport grant, a number of other grants from Central Government are passported through to Merseytravel, primarily the Special Rail Grant which is received to meet the costs associated with the Merseytravel rail franchise and the Bus Services Operator Grant which is used to support bus services where there is no commercial bus service operation. Details on all of these items are included in note 10.

Group banking arrangements exist for LCRCA and Merseytravel with all investments made in the name of the LCRCA. As at 31 March 2019 Merseytravel had short term deposits of £72,420k (£102,427k 2017/18 restated) with LCRCA. Balances are unsecured, interest free and settlement occurs in cash. No guarantees have been provided or received in respect of these sums.

A variety of support functions were provided by Merseytravel to the Authority, primarily Legal, Financial, Internal Audit and Project Management support. As this support was provided by Merseytravel staff a charge was made to the Authority of £625k for 2018/19.

Subsidiary Companies

Merseytravel has interests in several companies, some of which are active, some of which are dormant or in the process of being wound up. The table below details the principal undertakings.

Name	Parent	Holding	Nature of Business	% Equity Interest
Mersey Ferries Ltd	Merseytravel	Company limited by guarantee	Passenger transport	N/A
Merseyside Passenger Transport Services Ltd	Merseytravel	25 £1 ordinary shares 375 £1 5% non-cumulative preference shares	Leasing	100%
Real Time Information Group Ltd	Merseytravel	1x £1 ordinary shares	Real Time Information systems	100%
Accrington Technologies Ltd	Merseytravel	500 £1 ordinary shares	Smartcards	50.1%
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 ordinary shares	Tourism	100%

Certain directors of Merseytravel are also directors of the above companies. Whilst these individuals are paid a salary by Merseytravel as detailed in note 12, no additional remuneration is received in respect of these directorships.

Under the relevant accounting standards all of the above fall to be classed as subsidiary undertakings and as such the financial performance of each should be consolidated into the financial statements of Merseytravel on an equity basis however as the financial performance of RTIG and Accrington Technologies is not considered material the financial performance has not been consolidated into the Merseytravel group. A brief summary of the financial performance of Accrington Technologies and Real Time Information Group (RTIG) is included below.

Accrington Technologies - during the last two financial years the company has not traded and has received no income and incurred no expenditure. As at 31 March 2019 the company had net assets of £5k and reserves of £5k.

Real Time Information Group (RTIG) - the disclosed profit after taxation for 2018/19 was £6k. As at 31 March 2019 the company had net liabilities of £18k.

17. Property Plant and Equipment

Merseytravel	Infrastruct ure Assets	Freehold Property	Leasehold Property	Plant and Machinery	Vessels	Ancillary Vehicles	Surplus Assets	Assets Under Constructio n	Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
As at 1 April 2018	38,947	11,090	69,994	3,736	5,557	22	2,146	104,752	0	236,244
Additions	440	5,693	108	546	234	0	0	82,384		89,403
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	813	(6,177)	0	0	0	(565)	0	(4)	(5,933)
Revaluation inc/(dec) recognised in the Surplus/Deficit on the Provision of Services	0	(3,095)	(890)	0	(2,990)	0	(2,875)	0	0	(9,850)
Reclassification	(1,526)	1,566	(2,490)	0	0	0	2,433	0	17	0
Donations	0	0	5,890	0	0	0	0	0		5,890
Derecognition disposals	0	0	0	(153)	0	0	0	(40,839)		(40,992)
As at 31 March 2019	37,861	16,067	66,435	4,129	2,801	22	1,139	146,297	13	274,764
Depreciation and Impairment										
As at 1 April 2018	15,379	0	0	1,681	1,116	11	260	0	0	18,447
Depreciation	2,802	520	2,084	475	444	3	130	0	0	6,458
Depreciation written out to the Revaluation Reserve	0	(497)	(1,986)	0	0	0	(79)	0	0	(2,562)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(23)	0	0	(1,560)	0	(390)	0	0	(1,973)
Reclassification	0	0	(79)	0	0	0	79	0	0	0
Disposals	0	0	0	(43)	0	0	0	0	0	(43)
As at 31 March 2019	18,181	0	19	2,113	0	14	0	0	0	20,327
Net Book Value										
As at 31 March 2019	19,680	16,067	66,416	2,016	2,801	8	1,139	146,297	13	254,437
As at 31 March 2018	23,569	11,090	69,994	2,055	4,441	11	1,886	104,752	0	217,797

	Infrastructure Assets	Freehold Property	Leasehold Property	Plant and Machinery	Vessels	Ancillary Vehicles	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 st April 2017	38,438	11,107	57,268	3,582	5,450	22	2,146	41,736	159,749
Additions	509	0	109	189	21	0	0	65,013	65,841
Reclassification	0	0	0	0	86		0	(86)	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	593	12,698	0	0			0	13,292
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(608)	(81)	0	0	0	0	0	(690)
Derecognition - disposals	0	(2)	0	(35)	0	0	0	(1,911)	(1,948)
As at 31st March 2018	38,947	11,090	69,994	3,736	5,557	22	2,146	104,752	236,244
Depreciation and Impairment									
As at 1 st April 2017	12,616	835	3,055	1,201	726	8	130	0	18,571
Depreciation	2,763	455	1,597	515	390	3	130	0	5,853
Depreciation written out to the Revaluation Reserve	0	(1,063)	(4,622)	0	0	0	0	0	(5,685)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(227)	(30)	0	0	0	0	0	(257)
Derecognition - disposals	0	0	0	(35)	0	0	0	0	(35)
As at 31st March 2018	15,379	0	0	1,681	1,116	11	260	0	18,447
Net Book Value									
As at 31st March 2018	23,569	11,090	69,994	2,055	4,441	11	1,886	104,752	217,797
As at 31st March 2017	25,822	10,273	54,213	2,381	4,724	14	2,016	41,736	141,178

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Infrastructure assets 3 – 55 years
- Freehold property 8 – 37 years
- Leasehold property 8 – 55 years
- Vehicles, plant and machinery 1-16 years
- Surplus assets 8 years

Revaluations

The authority carries out a rolling programme that ensures that all property plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out externally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

- That no deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good titles can be shown.
- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.
- That inspection of those parts which have not been inspected would not cause alteration to the opinion of value.
- That the land and properties are not contaminated nor adversely affected by radon gas, hazardous substances and other adverse environmental impacts.

Infrastructure assets (gross book value £37,861k), assets under construction (gross book value £146,297k), short life plant, machinery and vehicles (gross book value £4,151k) are carried at historical cost. The remaining categories of property, plant and equipment (gross book value £86,455k) are carried at current value. A full valuation exercise was undertaken at 31 March 2019.

Capital Commitments

As at 31 March 2019, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years budgeted to cost £227,954k. Similar commitments at 31 March 2018 were £262,812k.

The major commitments are:

- Rolling Stock - £216,625k
- Prescot lifts and park and ride - £4,500k
- Rail station ticket validators - £2,085k

18. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Finance Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	(381)	(381)
Capital investment		
PPE	89,403	65,841
Intangible assets	130	369
Revenue Expenditure Funded from Capital Under Statute	51,874	14,232
Sources of Finance		
Government grants and other contributions	(132,933)	(77,015)
Use of Reserves	(8,474)	(3,427)
Closing Capital Financing Requirement	(381)	(381)
Movement in Capital Financing Requirement	0	0

19. Intangible Assets

2017/18		2018/19
£'000		£'000
	Cost or valuation:	
	Opening balance:	
1,456	Gross carrying amount	1,825
(541)	Accumulated amortisation	(694)
915	Opening net carrying amount	1,131
	Additions, amortisation, reclassification:	
369	Additions	131
(153)	Amortisation	(170)
0	Disposals	(106)
1,131	Net carrying amount at end of year	986
	Comprising:	
1,825	Gross carrying amount	1,748
(694)	Accumulated amortisation	(762)
1,131		986

Intangible assets relate to licenses acquired by Merseytravel.

20. Long Term Debtors

2017/18 £'000		2018/19 £'000
687	Rechargeable Works (i)	0
28	Loan to Restaurant (ii)	8
3,081	Other Loans (iii)	2,918
3	Other Debtors	0
3,799	Total	2,926

- (i) Rechargeable works relate to costs recoverable for the construction of the bus station at Liverpool 1. At the 2017/18 year end a provision was also held (note 23) for the possibility that the costs became unrecoverable. During the financial year a fundamental review was undertaken of this expenditure and subsequently the debtor and provision have been released.
- (ii) The loan to the restaurant is to the owners of the Pier Head's Matou Pan Asian Restaurant to assist in the fit out of the restaurant and is repayable over ten years.
- (iii) Other loans relate to a loan to Mersey Ferries Limited for the acquisition of the Beatles Story. This is repayable in equal instalments of principal and interest until 2032/33.

21. Short Term Debtors

2016/17 £'000 Restated	2017/18 £'000 Restated		2018/19 £'000
931	787	Trade Receivables	2,890
953	1,044	Prepayments	996
98,127	123,833	Other	94,289
100,011	125,664	Total	98,715

The figures above are net of bad debt provision. A provision of £9k (£9k 2017/18) has been made for bad debt. The table below provides an analysis of the movement in bad debt provision.

2017/18 £'000		2018/19 £'000
6	Balance as at 1 April	9
6	Charge for the year	0
0	Amounts written off	0
(3)	Amounts recovered	0
9	Balance as at 31 March	9

22. Short Term Creditors

2017/18 £'000		2018/19 £'000
5,287	Trade Payables	40
57,245	Other Payables	40,288
62,532	Total	40,328

23. Provisions

	As at 31 March 2018 £'000	Expenditure charged to provision in year £'000	Increase/ (decrease) in provision £'000	As at 31 March 2019 £'000
Employment Related Provision	432	0	0	432
Contractual Provisions	786	(16)	(123)	648
Contract Maintenance Provisions	687	0	(687)	0
Total	1,905	(16)	(810)	1,079

Employment related provisions relate to pension obligations and provisions arising from job evaluation/ employment harmonisation.

Contractual provisions relate to insurance claims and the Merseytram project.

Contract maintenance provisions relate to works rechargeable to a third party that are disputed by that party.

Provisions have been analysed by management between those likely to be settled in less than one year and those that have a longer duration. The table below provides an analysis of the closing balances between long and short term provisions.

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Short term provisions	251	113
Long term provisions	1,654	966
Total	1,905	1,079

24. Leases

Authority as Lessor

Merseytravel has a number of operating leases where it acts as the lessor. The table below details the minimum future lease payments receivable under non-cancellable leases in future years.

2017/18 £'000		2018/19 £'000
19	Not later than one year	34
56	Between one and five years	121
0	Over five years	71
75	Total	226

25. Financial Instruments

Categories of Financial Instruments

31 March 2017 Restated*		31 March 2018 Restated*			31 March 2019	
Current £'000	Non Current £'000	Current £'000	Non Current £'000		Current £'000	Non Current £'000
148	3,239	155	3,080	Financial Assets at Amortised Cost:		
81,022	0	102,427	0	Internal Loans	162	2,918
17,888	738	20,001	719	Amount deposited with LCRCA	72,420	0
				Debtors	25,137	8
99,058	3,977	122,583	3,799	Total Financial Assets	97,719	2,926
				Financial Liabilities at Amortised Cost:		
(148)	(3,234)	(155)	(3,080)	Internal Loans	(162)	(2,918)
(24,486)	0	(59,296)	0	Creditors	(40,167)	0
(23,634)	(3,234)	(59,451)	(3,080)	Total Financial Liabilities	(40,329)	(2,918)

Reclassification and remeasurement of financial instruments at and 1 April 2018

The table below shows the effect of reclassification of financial instruments following the adoption of IFRS 9 Financial Instruments by the CIPFA Code of Practice on Local Authority Accounting 2018/19:

		New classifications at 1 April 2018		
Previous classifications	Carrying amount brought forward at 1 April 2018 Restated* £'000	Amortised Cost £'000	Fair Value through Other Comprehensive Income £'000	Fair Value through Profit and Loss £'000
Loans & Receivables	3,235	3,235	0	0
Amounts deposited with LCRCA*	102,427	102,427	0	0
Debtors	20,720	20,720	0	0
Total Financial Assets	126,382	126,382	0	0
Borrowing	(3,235)	(3,235)	0	0
Creditors	(59,296)	(59,296)	0	0
Total Financial Liabilities	(62,531)	(62,531)	0	0

Income and Expenses through the CIES

During the year, Merseytravel paid interest of £159k (£166k in 2017/18) and received interest of £159k (£166k in 2017/18). This relates to interest payable on the loan from the LCRCA to Merseytravel and subsequently on to Mersey Ferries Group in respect of the Acquisition of the Beatles Story and is recognised in the Comprehensive Income and Expenditure Statement.

Cash and Cash Equivalents

2016/17 £'000 Restated	2017/18 £'000 Restated		2018/19 £'000
79	138	Cash and Bank Current Accounts	93
79	138	Total	93

Fair Values of Assets and Liabilities

Merseytravel's financial liabilities and financial assets are represented by loans, cash balances with LCRCA and its debtors and creditors. As Merseytravel's financial assets and liabilities are predominantly trade payables and receivables and amounts deposited with the LCRCA, fair value is taken as the amount invoiced or billed.

Nature and Extent of Risk Arising from Financial Instruments

Merseytravel's activities expose it to a variety of financial risks. The key risks are:-

- Credit risk - the possibility that other parties might fail to pay amounts due;
- Liquidity risk - the possibility that Merseytravel might not have funds available to meet its commitments to make payments; and

- Market risk - the possibility that financial loss might arise for Merseytravel as a result of changes in such measures as interest rates.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to Merseytravel's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of P1 and A3 (Moody's) and/or F1 and A (Fitch's), with weightings of the total amount deposited in the highest rated categories. Merseytravel on-lends surplus monies interest free to the LCRCA to make investments. These investments are governed by the LCRCA's Treasury Management policy.

Liquidity risk

Through LCRCA, Merseytravel has ready access to borrowings from the Public Works Loans Board, and therefore there is no significant risk that it will be unable to raise finance to meet its commitments. There is a future risk that Merseytravel will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates.

All undiscounted financial liabilities are payable within 1 year with the exception of a loan from LCRCA amounting to £3,080k payable by instalments until 2032/33

Market risk

Interest rate risk: Merseytravel is exposed to marginal risk in terms of its exposure to interest rate movements on its borrowings and investments.

Borrowings are carried at amortised cost so nominal gains and losses on fixed rate borrowings would not affect the Statement of Income and Expenditure or Movement in Reserves Statement.

Price risk: Merseytravel does not generally invest in equity shares but the Group Accounts do reflect shareholdings in a number of subsidiaries, therefore exposure to price risk is limited.

Foreign exchange risk: Merseytravel has no material financial assets or liabilities denominated in foreign currencies, and thus have no exposure to loss arising from movements in exchange rates.

Hedging Instruments: Merseytravel holds no financial instruments that would be classified as hedging instruments.

26. Contingent Liabilities

Commercial negotiations are in process relating to disputed costs. Some negotiations were concluded in 2013/14 and 2014/15 and the reserve created for this purpose has been partially utilised. Whilst the deadline for claims to be submitted has now passed, direction from the Land Tribunal and the subsequent decision remain outstanding and there is currently no defined time frame under which this matter will be conclusively completed. The information usually required under IAS 37 Provisions, Contingent Liabilities and Assets is not disclosed on the grounds that it could be expected to seriously prejudice the outcome of these negotiations.

The land assembly for the new transport interchange at Newton le Willows could not be completed by negotiation alone. It proved necessary for St Helens Council to use their compulsory purchase powers to acquire part of the site, this land then being transferred subsequently to Merseytravel for a nominal sum. Merseytravel agreed to indemnify the Council for the costs relating to the CPO including compensation payable to the land owners and businesses affected. Whilst negotiations and settlement on much of this matter has been concluded, there are still some residual costs for which agreement has yet to be reached for which it is difficult to precisely estimate the figure at this stage.

An appeal against the Concessionary Travel scheme has been submitted to the DfT by an operator which, if found in their favour, could have negative implications for the organization. Merseytravel disputes both the basis for the appeal and the quantum of the amount claimed. As there is no certainty over the outcome and for this reason, this has been assessed as failing to meet the criteria for a provision.

27. Cash Flow Statement

The surplus or deficit on provision of services has been adjusted for the following non-cash movements:

2017/18 Restated £'000		2018/19 £'000
6,005	Depreciation and amortisation	6,628
432	Revaluation losses	7,880
3,129	Increase/(decrease) in creditors	(10,414)
(25,476)	Increase in debtors	27,802
(27)	(Increase)/decrease in inventories	31
(3,478)	Movement in pension liability	4,940
(41)	Other non-cash items charged to the net surplus on the provision of services	15
0	Donated assets	(5,890)
1,910	Carrying amount of non-current assets derecognised	41,055
(17,546)		72,047

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2017/18 £'000		2018/19 £'000
(63,122)	Grants received for the financing of capital expenditure	(88,801)
(63,122)		(88,801)

Cash Flow Statement Investing Activities

2017/18 £'000		2018/19 £'000
(32,861)	Purchase of property, plant and equipment and intangible assets	(102,311)
65,072	Other receipts from investing activities	89,172
32,211		(13,139)

MERSEYTRAVEL GROUP ACCOUNTS

The Accounting Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The Group Accounts comprise the following key financial statements (with appropriate disclosures):

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement

Please refer to the explanation of statements on page 3-4 for further description of the purpose of each statement.

Consistent accounting policies are applied to both Merseytravel's group and single entity accounts. For details of the accounting policies, refer to those disclosed on pages 31-42.

For completeness, the following entities results have been consolidated into the Merseytravel group accounts:

- Mersey Ferries Group (including the Beatles Story, Spaceport and U534)
- Merseytravel Passenger Transport Services Limited

Where figures in the group accounts differ materially from the Merseytravel accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Merseytravel's accounts.

GROUP MOVEMENT IN RESERVES STATEMENT

	Usable Reserves (General Fund Balance)	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance as 31 March 2017	71,373	39,893	111,266
Movement in Reserves during 2017/18			
Total Comprehensive Income and Expenditure	47,997	36,619	84,616
Adjustments between accounting basis and funding basis under regulations	(55,299)	55,299	0
Increase/(Decrease) in 2017/18	(7,302)	91,918	84,616
Balance as at 31 March 2018 carried forward	64,071	131,811	195,882
Movement in Reserves during 2018/19			
Total Comprehensive Income and Expenditure	29,937	(11,017)	18,920
Adjustments between accounting basis and funding basis under regulations	(37,936)	37,936	0
Increase/(Decrease) in 2018/19	(7,999)	26,921	18,920
Balance as at 31 March 2019 carried forward	56,072	158,732	214,804

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18				2018/19		
Gross Expenditure Restated £'000	Gross Income Restated £'000	Net Spend Restated £'000		Gross Expenditure £'000	Gross Income £'000	Net Spend £'000
27,714	(9,199)	18,515	Bus Services	27,261	(7,155)	20,106
122,628	(173,483)	(50,855)	Rail Services	205,487	(150,770)	54,717
9,201	(2,056)	7,145	Customer Delivery	9,404	(2,196)	7,208
73,397	(18,638)	54,759	Travel Concession	70,258	(16,944)	53,314
5,043	(2,952)	2,091	Policy	6,412	(4,017)	2,395
4,357	(874)	3,483	People and Customer Development	4,256	(645)	3,610
4,036	(192)	3,844	Corporate Management and other Corporate Costs	3,692	(6,165)	(2,473)
14,064	(11,418)	2,646	Mersey Ferries Group	8,150	(2,141)	6,009
			Mersey Tunnels	15,815	(15,032)	783
260,440	(218,812)	41,628	Net Cost of Service	350,735	(205,065)	145,669
		107	Other Operating Expenditure			110
		2,288	Financing and Investment Income			2,223
		(92,020)	Taxation and Non Specific Grant Income			(177,940)
		(47,997)	(Surplus) or Deficit on the Provision of Services			(29,938)
		(17,642)	Remeasurement Gains/ Losses on Pension Assets/ Liabilities			7,644
		(18,977)	(Surplus)/ Deficit on Revaluation Non Current Assets			3,374
		(36,619)	Other Comprehensive Income and Expenditure			11,018
		(84,616)	Total Comprehensive Income and Expenditure			(18,920)

GROUP BALANCE SHEET

As at 31 March 2017 Restated (note 1)	As at 31 March 2018 Restated (note 1)		As at 31 March 2019	Note
£'000	£'000		£'000	
142,516	219,034	Property, Plant and Equipment	255,748	5
711	711	Heritage Assets	711	
2,610	2,826	Intangible Assets	2,681	6
736	719	Long-term Debtors	8	7
146,573	223,290	Long-term Assets	259,148	
449	562	Inventories	541	9
100,273	123,788	Short-term Debtors	100,162	8
188	322	Cash and Cash Equivalents	269	
100,910	124,672	Current Assets	100,972	
(23,904)	(59,659)	Short-term Creditors	(40,586)	10
(414)	(402)	Provisions	(307)	
(4,440)	(5,835)	Grant Receipts in Advance	(6,505)	
(28,758)	(65,896)	Current Liabilities	(47,398)	
(3,234)	(3,080)	Loan from group company	(2,918)	
(1,654)	(1,653)	Provisions	(966)	
(102,571)	(81,451)	Pension Liability	(94,035)	
(107,459)	(86,184)	Long-term Liabilities	(97,918)	
111,266	195,882	Net Assets	214,804	
71,373	64,071	Usable Reserves	56,072	2
39,893	131,811	Unusable Reserves	158,732	
111,266	195,882	Total Reserves	214,804	



Frank Rogers
Chief Executive & Director General
5th November 2019



John Fogarty (CPFA)
Director of Corporate Services
5th November 2019

GROUP CASHFLOW STATEMENT

2017/18 Restated (note 1)		2018/19	Note
£'000		£'000	
47,997	Net surplus/(deficit) on provision of services	29,938	14
(16,932)	Adjustments to net surplus on the provision of services for non-cash movements	71,893	14
(63,122)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(88,801)	14
(32,057)	Net cash (outflows)/inflows from operating Activities	13,030	
32,191	Investing activities	(13,083)	14
134	Net increase/(decrease) in cash and cash equivalents	(53)	
188	Cash and cash equivalents as at 1 April	322	
322	Cash and cash equivalents as at 31 March	269	

NOTES TO THE PRIMARY STATEMENTS

1. Change in Accounting Policy

Merseytravel Group and the LCRCA operate a shared bank account to make in year payments and to receive income. For the financial years prior to 2018/19 the accounting policy has been to recognise each entity's calculated share of year-end bank balances on the single entity Balance Sheets. This policy has resulted in significant cash surpluses and overdrafts being reported on individual balance sheets.

However, Merseytravel does not have the statutory power to invest surplus cash balances or to borrow to cover cash shortfalls. When required this activity is undertaken by the LCRCA on behalf of Merseytravel.

The accounting policy has therefore been changed to record year-end bank balances on the Balance Sheet of the LCRCA as it has the statutory power to invest and borrow to meet cashflow needs. The cash surpluses or borrowings of Merseytravel are reflected as an intercompany debtor or creditor with the LCRCA.

It is considered that this change in accounting policy provides reliable and more relevant information.

The impact of these changes can be summarised as follows:

Balance Sheet

	As at 31 March 2017			As at 31 March 2018		
	Original	Change in Accounting Policy Adjustment	Restated	Original	Change in Accounting Policy Adjustment	Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant and Equipment	142,516	0	142,516	219,034	0	219,034
Heritage Assets	711	0	711	711	0	711
Intangible Assets	2,610	0	2,610	2,826	0	2,826
Long-term Debtors	736	0	736	719	0	719
Long-term Assets	146,573	0	146,573	223,290	0	223,290
Inventories	449	0	449	562	0	562
Short-term Debtors	49,451	50,822	100,273	51,561	72,227	123,788
Cash and Cash Equivalents	51,010	(50,822)	188	72,549	(72,227)	322
Current Assets	100,910	0	100,910	124,672	0	124,672
Short-term Creditors	(23,904)	0	(23,904)	(59,659)	0	(59,659)
Provisions	(414)	0	(414)	(402)	0	(402)
Grant Receipts in Advance	(4,440)	0	(4,440)	(5,835)	0	(5,835)
Current Liabilities	(28,758)	0	(28,758)	(65,896)	0	(65,896)
Internal Loans	(3,234)	0	(3,234)	(3,080)	0	(3,080)
Provisions	(1,654)	0	(1,654)	(1,654)	0	(1,654)
Pension Liability	(102,571)	0	(102,571)	(81,451)	0	(81,451)
Long-term Liabilities	(107,459)	0	(107,459)	(86,185)	0	(86,185)
Net Assets	111,266	0	111,266	195,882	0	195,882
Usable Reserves	71,373	0	71,373	64,071	0	64,071
Unusable Reserves	39,893	0	39,893	131,811	0	131,811
Total Reserves	111,266	0	111,266	195,882	0	195,882

Cashflow Statement

	2017/18		
	Original	Change in Accounting Policy Adjustment	Restated
	£'000	£'000	£'000
Net surplus/(deficit) on provision of services	47,997	0	47,997
Adjustments to net surplus on the provision of services for non-cash movements	4,473	(21,405)	(16,932)
Adjustments to net surplus on the provision of services for items which are investing and financing activities	(63,122)	0	(63,122)
Net cash inflows/(outflows) from operating Activities	(10,652)	(21,405)	(32,057)
Investing activities	32,191	0	32,191
Net increase/(decrease) in cash and cash equivalents	21,539	(21,405)	134
Cash and cash equivalents as at 1 April	51,010	(50,822)	188
Cash and cash equivalents as at 31 March	72,549	(72,227)	322

2. Earmarked and Usable Reserves

This note sets out the amounts set aside from the Revenue Reserve balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Revenue Reserve expenditure in 2018/19. Details of the Merseytravel Single Entity reserves are included in note 7 of the single entity accounts

	Balance at 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
Single Entity Reserves	69,562	(13,077)	6,293	62,778	(11,678)	3,588	54,688
Subsidiary Reserves	1,811	0	(518)	1,293	0	91	1,384
Total	71,373	(13,077)	5,775	64,071	(11,678)	3,679	56,072

3. Tax

Included within the Group CIES is estimated corporation tax payable on the Beatles Story profits of £202k (£251k 2017/18).

4. Expenditure and Funding Analysis

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
17,440	1,075	18,515	Bus	14,190	5,915	20,105
12,455	(63,311)	(50,855)	Rail	14,976	39,740	54,716
10,123	(2,979)	7,145	Customer Delivery	4,011	3,197	7,208
54,759	0	54,759	Travel Concessions	53,566	(252)	53,314
2,775	(684)	2,091	Policy	1,559	836	2,395
5,184	(1,701)	3,483	People & Customer Development	2,431	1,179	3,610
9,351	(5,507)	3,844	Corporate Management & Other Corporate Costs	(6,429)	4,739	(1,690)
2,481	166	2,646	Mersey Ferries Group	371	5,638	6,009
114,569	(72,940)	41,628	Net Cost of Services	84,675	60,992	145,667
(107,267)	17,642	(89,625)	Other Income & Expenditure	(76,678)	(98,930)	(175,605)
7,302	(55,299)	(47,997)	Surplus or deficit	7,999	(37,938)	(29,938)
(71,373)			Opening General Fund Balance at 1 April	(64,071)		
7,302			Less/plus Surplus or Deficit on General Fund in Year	7,999		
(64,071)			Closing General Fund Reserves at 31 March	(56,072)		

Note to EFA 2018/19

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus	4,665	1,250	0	5,915
Rail	38,934	806	0	39,740
Customer Delivery	958	2,239	0	3,197
Travel Concessions	(252)	0	0	(252)
Policy	20	817	0	836
People & Customer Development	(50)	1,229	0	1,179
Corporate Management & Other Corporate Costs	187	4,552	0	4,739
Mersey Ferries Group	3,946	1,692	0	5,638
Net Cost of Services	48,408	12,585	0	60,992
Other Income & Expenditure from the Funding Analysis	(88,267)	(7,644)	(3,019)	(98,930)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(39,859)	4,941	(3,019)	(37,938)

Note to EFA 2017/18

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus	2,578	(1,502)	0	1,076
Rail	(62,371)	(938)	0	(63,309)
Customer Delivery	22	(3,001)	0	(2,979)
Travel Concessions	0	0	0	0
Policy	20	(704)	0	(684)
People & Customer Development	0	(1,701)	0	(1,701)
Corporate Management & Other Corporate Costs	60	(5,571)	0	(5,511)
Mersey Ferries Group	1,833	(1,666)	0	167
Net Cost of Services	(57,858)	(15,083)	0	(72,941)
Other Income & Expenditure from the Funding Analysis	0	17,642	0	17,642
Difference between General Fund surplus or deficit and CIES surplus or deficit	(57,858)	2,559	0	(55,299)

Expenditure and Income Analysed by Type

2017/18 £'000		2018/19 £'000
	Expenditure	
26,951	Employee benefits expenses	33,539
236,201	Other services expenses	330,089
6,437	Depreciation, amortisation, impairment	6,788
166	Interest payable	160
269,755	Total expenditure	370,576
	Income	
(63,568)	Fees, charges and other service income	(67,589)
0	Interest and investment income	0
(254,183)	Government grants and contributions	(332,926)
(317,752)	Total income	(400,515)
(47,997)	(Surplus) or deficit on the Provision of Services	(29,939)

5. Property Plant and Equipment

Movement on Balances 2018/19

Merseytravel	Infrastructure Assets	Freehold Property	Leasehold Property	Plant and Machinery	Vessels	Ancillary Vehicles	Surplus Assets	Assets Under Construction	Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
As at 1 April 2018	38,947	11,091	71,064	6,411	5,557	22	2,146	104,753	0	239,991
Additions	440	5,693	160	738	234	0	0	82,383		89,648
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	813	(6,177)	0	0	0	(565)	0	(4)	(5,933)
Revaluation inc/(dec) recognised in the Surplus/Deficit on the Provision of Services	0	(3,095)	(890)	0	(2,990)	0	(2,875)	0	0	(9,850)
Reclassification	(1,526)	1,566	(2,490)	0	0	0	2,433	0	17	0
Donations	0	0	5,890	0	0	0	0	0		5,890
Derecognition disposals	0	0	0	(167)	0	0	0	(40,839)		(41,006)
As at 31 March 2019	37,861	16,067	67,557	6,982	2,801	22	1,140	146,297	13	278,740
Depreciation and Impairment										
As at 1 April 2018	15,379	0	530	3,661	1,116	11	260	0	0	20,957
Depreciation	2,802	520	2,130	588	444	3	130	0	0	6,617
Depreciation written out to the Revaluation Reserve	0	(497)	(1,986)	0	0	0	(79)	0	0	(2,562)
Depreciation written out to the Surp/Def on the Provision of Services	0	(23)	0	0	(1,560)	0	(390)	0	0	(1,973)
Reclassification	0	0	(79)	0	0	0	79	0	0	0
Disposals	0	0	0	(47)	0	0	0	0	0	(47)
As at 31 March 2019	18,181	0	595	4,202	0	14	0	0	0	22,992
Net Book Value										
As at 31 March 2019	19,680	16,067	66,962	2,780	2,801	8	1,140	146,297	13	255,748
As at 31 March 2018	23,568	11,091	70,534	2,750	4,441	11	1,886	104,753	0	219,034

Movement on Balances 2017/18

	Infrastructure Assets	Freehold Property	Leasehold Property	Plant and Machinery	Vessels	Ancillary Vehicles	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 st April 2017	38,438	11,108	58,345	6,214	5,450	22	2,146	41,736	163,459
Additions	509	0	109	293	21	0	0	65,013	65,945
Reclassification	0		0	0	86		0	(86)	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	593	12,699	0	0			0	13,292
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(608)	(81)	0	0	0	0	0	(689)
Derecognition - disposals	0	(2)	(8)	(96)	0	0	0	(1,910)	(2,016)
As at 31st March 2018	38,947	11,091	71,064	6,411	5,557	22	2,146	104,753	239,991
Depreciation and Impairment									
As at 1 st April 2017	12,616	835	3,545	3,080	726	8	130	0	20,940
Depreciation	2,763	455	1,639	665	390	3	130	0	6,045
Depreciation written out to the Revaluation Reserve	0	(1,063)	(4,622)	0	0	0	0	0	(5,685)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(227)	(30)	0	0	0	0	0	(257)
Derecognition - disposals	0	0	(2)	(84)	0	0	0	0	(86)
As at 31st March 2018	15,379	0	530	3,661	1,116	11	260	0	20,957
Net Book Value									
As at 31st March 2018	23,568	11,091	70,534	2,750	4,441	11	1,886	104,753	219,034
As at 31st March 2017	25,822	10,273	54,800	3,131	4,724	14	2,016	41,736	142,516

As Merseytravel applies consistent policies for both its single entity and group accounts, please refer to note 17 in the single entity account for further information on accounting for non-current assets.

6. Intangible Assets

2017/18				2018/19		
Goodwill on Consolidation	Licences & Fab 4D Film	Total		Goodwill on Consolidation	Licences & Fab 4D Film	Total
£000s	£000s	£000s		£000s	£000s	£000s
2,803	1,456	4,259	Cost or valuation: Opening balance: Gross carrying amount Accumulated amortisation Opening net carrying amount Additions, amortisation, impairment and reclassification Additions Amortisation Disposal Net carrying amount at end of year Comprising: Gross carrying amount Accumulated amortisation	2,803	1,825	4,628
(1,108)	(541)	(1,649)		(1,108)	(694)	(1,802)
1,695	915	2,610		1,695	1,131	2,826
0	369	369		0	130	130
0	(153)	(153)		0	(169)	(169)
0	0	0		0	(106)	(106)
1,695	1,131	2,826		1,695	986	2,681
2,803	1,825	4,628		2,803	1,747	4,550
(1,108)	(694)	(1,802)		(1,108)	(761)	(1,869)
1,695	1,131	2,826		1,695	986	2,681

Goodwill of £1.7m relates to the acquisition by Mersey Ferries Limited of The Beatles Story. For impairment testing purposes, this goodwill has been allocated to the wholly owned subsidiary, which forms part of the Mersey Ferries Group. This represents the lowest level within the LCRCA at which goodwill is monitored for internal management purposes.

Merseytravel has performed its annual impairment test as at 31 March 2019. The recoverable amount of The Beatles Story is determined on a value in use basis using cash flow projections based on historical financial outturns. The discount rate applied to the cash flows is 5.0% (2017: 5%). The growth rate used to extrapolate the cash flows beyond the 2018/19 year period is 2% for expenditure and 5% for income growth based on prudent assumptions from reviewing actuals (2017/18 2% for expenditure and 5% for income).

Some sensitivity analysis was then applied to these assumptions resulting in little change to the original values. The resultant calculation showed the value of implied goodwill was consistent with that shown in the group balance sheet and no impairment was required for 2018/19.

7. Long Term Debtors

2017/18 £'000		2018/19 £'000
687	Rechargeable Works	0
28	Loan to Restaurant	8
4	Other Debtors	0
719	Total	8

8. Short Term Debtors

2016/17 Restated £'000	2017/18 Restated £'000		2018/19 £'000
1,034	996	Trade Receivables	2,988
1,150	1,369	Prepayments	1,416
98,089	121,423	Other	95,758
100,273	123,788	Total	100,162

9. Inventories

2017/18 £'000		2018/19 £'000
449	Balance as at 1 April	562
1,360	Purchases	1,661
(1,271)	Issues	(1,682)
24	Write Off's	0
562	Balance as at 31 March	541

10. Short Term Creditors

2017/18 £'000		2018/19 £'000
5,352	Trade Payables	64
54,307	Other Payables	40,522
59,659	Total	40,586

11. Leases

Merseytravel as Lessee

The future minimum lease payments due under non-cancellable leases in future years are shown in the following table:

2017/18 £'000		2018/19 £'000
9,201	Not later than one year	11,438
0	Between one and five years	0
0	Over five years	0
9,201	Total	11,438

Merseytravel's subsidiary company MPTS has an operating lease for the rental of Merseyrail rolling stock. There is a back to back lease with Merseyrail Electrics Limited (MEL) who fully reimburses the cost of this lease. The lease with Angel expired in December 2018. Negotiations have taken place to agree arrangements for 2019/20. Further discussions will be undertaken during 2019/20 for 2020/21 when the replacement rolling stock will become operational.

Merseytravel as Lessor

The table below details the future minimum lease payments in respect of Merseytravel's leases in future years

2017/18 £'000		2018/19 £'000
556	Not later than one year	312
2,203	Between one and five years	1,233
3,586	Over five years	2,092
6,345	Total	3,637

Within the group, Mersey Ferries Limited holds several operating leases with external parties, leasing out various properties under operational leases. These include interchange sites and ferry terminals.

12. Long Term Loan from Group

The long term loan on the Merseytravel group Balance Sheet relates to a loan from Liverpool City Region Combined Authority to Merseytravel to fund the acquisition of the Beatles Story. This loan is payable in equal instalments of principal and interest until 2032/33.

13. Contingent Assets and Liabilities

Contingent liabilities are disclosed in note 26 in the single entity accounts. There are no further contingent liabilities for the group.

14. Cashflow

Cash Flow Statement Operating Activities

The surplus or deficit on provision of services has been adjusted for the following non-cash movements:

2017/18 Restated £'000		2018/19 £'000
6,194	Depreciation and amortisation	6,787
1,614	Increase/(decrease) in creditors and provisions	(7,240)
432	Revaluation losses	7,875
1,929	NBV of disposals	41,064
(23,498)	(Increase)/Decrease in debtors	24,339
(113)	(Increase)/decrease in inventories	21
(3,478)	Movement in pension liability	4,940
0	Donated assets	(5,890)
(12)	Other non-cash items charged to the net surplus on the provision of services	(3)
(16,932)		71,893

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2017/18 £'000		2018/19 £'000
(63,122)	Grants received for the financing of capital expenditure	(88,801)
(63,122)		(88,801)

Cash Flow Statement Investing Activities

2017/18 £'000		2018/19 £'000
(32,882)	Purchase of property, plant and equipment and intangible assets	(102,554)
65,073	Other receipts from investing activities	88,751
32,191		(13,803)

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

Those specific principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are to be reflected in the financial statements.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Agent/Agency

Where the organisation is acting as an intermediary, as opposed to on its own behalf.

Amortisation

The accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement over a period of years rather than when the initial payment is made.

Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item.

The technique is supported by relevant accounting policies and practices.

Amortised Cost

A method of determining the Balance Sheet carrying amount and periodic charges to the Comprehensive Income and Expenditure Statement of a financial instrument based on the expected cash flows of that instrument.

Capital Expenditure

Expenditure on the acquisition or enhancement of a non-current asset or capital advances and loans to other individuals or other third parties.

Capital Financing Requirement (CFR)

Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the organisation to borrow for expenditure of a capital nature.

Capital Receipts

The proceeds from the sale of capital assets or repayment of capital advances.

Carrying Amount

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Cash Flows

Inflows and outflows of cash and cash equivalents.

Community Assets

Assets that the organisation intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and public open spaces.

Contingent Asset

An asset arising from past events where its existence can only be confirmed by one or more uncertain events not wholly within the control of the organisation.

Contingent Liability

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

Creditors

Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied.

Credit Risk

The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

Current Replacement Cost

The cost the organisation would incur to acquire the asset on the reporting date.

Current Service Cost (Pensions)

The increase in the present value of liabilities resulting from employee service in the period.

Curtailment (Pensions)

An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (i) termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and
- (ii) termination of, or amendment to the terms of, a defined benefit plan so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

Financial assets arising from the obligation to future cash receipt for goods or services or other benefits that have been delivered or provided.

Defined Benefit Plan

A pension or other retirement benefit plan other than a defined contribution plan. Usually, the plan rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the plan. The plan may be funded or un-funded (including notionally funded).

Depreciated Replacement Cost (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent less deductions for all physical deterioration and all relevant forms of obsolescence.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful life of a non-current asset over its useful economic life.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the organisation's discretionary powers.

Existing Use Value (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

Financial Instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives.

Typical financial instruments are:-

(i) Liabilities

- Trade payables
- Borrowings
- Financial Guarantees

(ii) Assets

- Bank deposits
- Trade receivables
- Loans receivable
- Investments

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee, with the asset then recognised the lessee's Balance Sheet.

Financing Activities

Activities that result in changes to the size and composition of the principal, received from or repaid to external providers of finance.

Going Concern

An assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Government Grants and Contributions

Assistance in the form of cash or transfers of resources to an Authority in return for past or future compliance with certain conditions relating to the operation of activities of the Authority.

Heritage Assets

The Heritage Assets are assets that are held by the organisation principally for their contribution to knowledge understanding and appreciation of the Borough's history and/or culture.

Historical Cost

Deemed to be the carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IAS19

This International Accounting Standard (IAS) is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

Infrastructure Assets

A class of non-current assets that are inalienable. Examples of infrastructure assets are bridges, roads and footpaths.

Intangible Fixed Asset

"Non-financial" fixed assets that do not have physical substance but are identifiable and are controlled by the organisation through custody or legal rights e.g. software licences.

Interest On Plan Assets (Pensions)

The annual investment return on the fund assets based on an average of the expected long-term return.

Interest On Plan Liabilities (Pensions)

The expected increase during the period in the present value of liabilities as the benefits move one year closer to being paid.

Inventories

The amount of unused or unconsumed stocks held in expectation of future use or resale.

Investing Activities

The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Liquidity Risk

The possibility that one party will be unable to raise funds to meet its commitments associated with financial instruments.

Market Risk

The possibility that the value of a financial instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates, etc.

Market Value

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper

marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Material/Materiality

Omissions or mis-statements are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the size of the omission or mis-statement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Current Assets

Assets that yield benefits to the organisation and the services it provides for a period of more than one year.

Non-Operational Assets

Non-current assets held by an organisation but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the organisation.

Operating Activities

Activities of the organisation that are not investing or financing activities.

Operating Leases

A lease that does not transfer substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The asset is recognised on the lessor's Balance Sheet. Expenditure financed by operating leasing does not count against capital allocations.

Past Service Cost/Gain (Pensions)

The increase or reduction in the present value of liabilities arising from decisions in the period whose effect relates to years of service earned in earlier periods.

Plan Liabilities (or plan defined benefit obligations)

The liabilities of a defined benefit plan for outgoings due after the valuation date. Plan liabilities measured using the projected unit credit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Price Risk

The risk that the value of financial instruments will fluctuate as a result of changes in market prices.

Projected Unit Credit (Actuarial Cost) Method

An accrued benefits valuation method in which the plan's liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the plan liabilities at the valuation date relate to:-

- (i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- (ii) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries. Under this method, the current service cost will increase as members of the plan approach retirement.

Provisions

A liability of uncertain timing or amount.

Refcus (Revenue Expenditure Financed From Capital Under Statute)

Expenditure that is classified as revenue in accordance with proper accounting practices, but which statute determines may be financed by Capital sources of funding.

Related Parties

Related parties are those individuals and entities that the organisation either has the potential to influence or control (or be influenced or controlled by). Related include central government, other bodies, its members and its chief officers.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related party transactions include the provision of services to a related party.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Re-Measurement (Pensions)

The changes in estimated assets and liabilities, assessed by the actuary and arising because:

- (i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (ii) the actuarial assumptions have changed.

Remuneration

The *Accounts and Audit Regulations 2015* require the disclosure of amounts paid to Officers and define remuneration as:-

‘.....all amounts paid to or receivable by a person, and includes sums due by way of expense allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.’

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:-

- (i) an employer's decision to terminate an employee's employment before the normal retirement date; or
- (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

This is money spent on the day-to-day running costs of providing services and includes salaries, goods and services.

It is usually of a constantly recurring nature and produces no permanent asset.

Senior Employees

Senior employees are defined under the Local Government and Housing Act 1989, however within Merseytravel this is deemed to be the Directors and Chief Executive.

Settlement (Pensions)

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority's scheme.

Termination Benefits

Amounts payable as a result of either:

- (i) an employer's decision to terminate an employee's employment before the normal retirement date; or
- (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits.

Useful Life

The period over which the organisation will derive benefits from the use of a non-current asset.