



bo

Merseytravel Statement of Accounts 2021/22



METROMAYOR
LIVERPOOL CITY REGION

TABLE OF CONTENTS

	Page No.
Narrative Report by the Executive Director of Corporate Services	3
Statement of Responsibilities for Merseytravel's Statement of Accounts	15
Annual Governance Statement	16
Independent Auditor's Report to the Members of Merseytravel	29
Primary Single Entity Financial Statements	
Movement in Reserves Statement	35
Comprehensive Income and Expenditure Statement	37
Balance Sheet	38
Cash Flow Statement	39
Notes to the Primary Statements	40
Group Accounts	82
Glossary of Financial Terms	98

NARRATIVE REPORT BY THE EXECUTIVE DIRECTOR OF CORPORATE SERVICES

Merseytravel is a corporate body 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 2022. 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 2021/22.

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

Narrative Report

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 2021/22

Merseytravel's budget was approved on 16 January 2021 and a levy of £97.4m was agreed for 2021/22. The grant to Merseytravel to support its provision of transport functions was set at £93.1m, together with a grant of £2.4m to support the Rolling Stock programme costs and a separate grant of £23.1m approved to support the operation of the Mersey Tunnels. A revised budget was approved in September 2021 which reduced the grants to Merseytravel to reflect reductions to spend projections for general Merseytravel services, the cost of operating the Mersey Tunnels and a revised Rolling Stock budget. The table below compares the actual spend against revised budget for 2021/22.

	Annual Budget £'000	Outturn £'000	Variance £'000
Bus Services	18,671	17,849	822
Rail Services	7,287	6,889	398
Rolling Stock	772	204	568
Mersey Ferries	2,428	1,604	824
Mersey Tunnels	16,515	13,953	2,562
Customer Delivery	3,075	3,335	-260
Concessionary Travel	48,381	47,750	631
Corporate Management	709	539	171
Policy & LTP	386	284	102
People Development	1,728	1,524	204
IT	4,734	4,224	510
Asset Management	10,044	9,986	58
Finance	1,274	1,197	77
Legal, Democratic & Procurement	1,318	1,128	190
Internal Audit	599	593	6
PMO	617	594	23
Corporate Costs	701	578	123
Total Expenditure	119,239	112,231	7,008
Funded by:			
Merseytravel Grant	(93,418)	(91,850)	(1,568)
Mersey Tunnels Grant	(22,697)	(20,042)	(2,655)
Merseytravel Reserves	(3,124)	0	(3,124)
Sales, Fees and Charges Grant	0	(1,052)	1,052
Total Income	(119,239)	(112,944)	(6,295)
Net transfer (to)/ from Reserves	0	(713)	(713)

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 Group Revenue Reserve Balances is detailed below.

	2020/21	In Year	2021/22
	£'000	Movement	£'000
		£'000	
Capital Reserves	5,746	0	5,746
Earmarked Usable Reserves	48,650	713	49,363
General Fund Balances	4,619	0	4,619
Total	59,015	713	59,728

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

Capital Expenditure 2021/22

Merseytravel spent £129.7m on capital during 2021/22. This expenditure is summarised below.

	2020/21	2021/22
	£'000	£'000
Revenue Expenditure funded from Capital under Statute	47,640	52,096
Non-Current Assets (Property Plant and Equipment)	4,577	7,385
Assets under Construction	29,374	68,981
Intangible Assets	987	709
Non-Current Assets (Infrastructure)	662	544
Total	83,240	129,715

The table below details the funding of the capital programme.

	2020/21	2021/22
	£'000	£'000
Capital Grants	83,139	129,715
Application of Reserves	101	0
Total	83,240	129,715

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 2021/22.

	£'000
Rolling Stock fleet and infrastructure works	83,916
Seacombe landing stage major refurbishment works	6,397
Headbolt Lane new rail station	19,557
Access for All station accessibility improvements	8,064

2021/22 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.

2021/22 Outturn Performance

The 2021/24 Liverpool City Region Combined Authority Corporate Business Plan is based on five priorities, with each Priority underpinned with Business Plan delivery activities and supporting Service Plans. The Priorities for 2021/22 were:



Each priority area is underpinned by a series of key strategic objectives and activities to be delivered over the period to 2024. As the delivery arm for the Combined Authority, Merseytravel plays a vital role in the achievement of the Authority's objectives, specifically Priority 3: A Cleaner City Region and Priority 4: A Connected City Region.

The LCRCA has a performance management framework driven by its key priorities for 2021/22. A set of performance measures have been developed to ascertain progress against key priorities. Where possible, targets are set which are challenging and aimed at stretching the organisation to drive improvement.

Each Priority has specific Delivery Activities and information is collected and reported on a quarterly basis to the Chief Executive with monthly updates on operational performance also being collected and submitted to the Executive Leadership Team. A RAG system is applied to facilitate managing the delivery of the activities/priorities which is shown below.

RAG Rating	Description
Red	Highly Problematic – Delivery of activity/Priority at significant risk
Amber	Problematic – Delivery of activity/Priority at risk but not significant
Green	Well Managed – No risk to the delivery of the activity/Priority or nearing completion/delivery
Blue	Delivered/Completed – the activity/Priority delivered
Purple	Abandoned or Not being progressed – project or activity abandoned, or it has been decided to not progress

For each of the five corporate priorities, progress is tracked, and a RAG status applied to demonstrate progress against each. The table below provides an overview of performance at the end of quarter 3.

Priority	RAG Status
Priority 1: A Fairer City Region	Amber
Priority 2: A Stronger City Region	Green
Priority 3: A Cleaner City Region	Amber
Priority 4: A Connected City Region	Amber
Priority 5: A Vibrant City Region	Amber

Key successes against each priority during 2021/22 are detailed in the section overleaf –

Priority 3: A Cleaner City Region

Liverpool e-scooter scheme trial extends until March 2022



The trial scheme which is delivered in partnership with the Liverpool City Region Combined Authority and Liverpool City Council has proven to be one of the most popular and successful in Europe. In recognition of this, the e-scooter trial extends until March 2022. 42% of Liverpool's rented e-scooter users have replaced a car journey as a result of having access to this shared micro mobility scheme. Since October 2020, scooter Liverpool's residents and visitors have covered nearly 2.3 million miles on over 1.4 million rides on the vehicles.

Bus passengers set for greener, faster, safer, more reliable journeys

Transformational upgrades were made to the city region's busiest bus corridors to create 'Green Bus Routes' designed to improve journeys for the better. The Combined Authority invested £1.9m from its Transforming Cities Fund into Prescott Bus Station to not only improve bus services and the passenger experience but also support the nationally significant Shakespeare North Playhouse development. This investment kick started the £32m Green Bus Routes programme, designed to transform bus journeys including improved air quality by reducing carbon emissions while boosting the local economy, punctuality and accessibility. Travelling on a 'Green Bus Route' will mean that passengers can enjoy faster, smoother, safer and more reliable journeys via a series of measures including traffic signal upgrades, remodelled junctions, priority lanes and bus stop build outs that will be initially introduced in phases on the region's busiest bus routes. The A57 St Helens to Liverpool corridor, 10A route, was the first major route to benefit from this investment which is also to be served by the region's first zero emission hydrogen buses.

Priority 4: A Connected City Region

Handover of the first new train to the Liverpool City Region

In August 2021, 53 new trains for the Liverpool City Region were handed over from manufacturer Stadler. These new battery powered trains are game-changing; it could allow the Merseyrail network to extend across all six city region boroughs. It could also allow the new fleet to operate as far afield as Skelmersdale, Wrexham, Warrington and Runcorn. The wider **'Merseyrail for All'** programme could ensure every community is well served by an integrated public transport network and new and refurbished train stations. These developments are complemented nicely by the **new station at Headbolt Lane in Kirkby**, an £80m scheme with the opening of the station planned for Spring 2023.



Liverpool City Region hydrogen bus fleet

The supplier was chosen to deliver the first vehicles of a new, zero-emission hydrogen bus fleet for the Liverpool City Region. Alexander Dennis Limited (ADL) a UK based bus manufacturer was selected following a competitive tendering process. The 20-strong, state-of-the-art fleet will be directly purchased through the Liverpool City Region's Transforming Cities Fund, and, like the new trains for the Merseyrail network, will be owned by the people of the city region. This coincides with **Bus Reform in the Liverpool City Region**, a plan to bring buses under public control.



In 2020, as part of the Metro Mayor's London-style smart ticketing scheme, the **Metrocard** replaced the Walrus Card. This gave people the ability and flexibility to buy smart tickets and manage their accounts online for the first time. **The new "T-FLOW" pre-payment system installed at Mersey Tunnels** will also make journeys under the Mersey a better and smarter experience for users.

Liverpool City Region highways earmarked for major investment

To improve the region's roads, the Combined Authority approved the indicative allocation of £232.96m from the City Region Sustainable Transport Settlement (CRSTS), for a Highways Maintenance and Non-Maintenance package with all six areas of the city region set to receive a share. Focussing on key corridors, the proposed package represents a co-ordinated series of measures all designed to support public transport services, relieve congestion, and improve air quality for local communities. The measures included carriageway resurfacing to improve the condition of the roads, drainage works to help prevent flooding, new streetlights. Work will also include the installation of more electric vehicle charging points



Merseyrail for All takes vital step forward with successful trial of new battery-powered trains

'Merseyrail for All' took a major step forward with the successful testing of new battery powered trains in the Liverpool City Region. The game-changing technology could allow the Merseyrail

network to extend across all six city region boroughs to places like Rainhill in St Helens, Woodchurch on the Wirral and Widnes in Halton. It could also allow the new fleet to operate as far afield as Skelmersdale, Wrexham, Warrington and Runcorn. The wider 'Merseyrail for All' programme could ensure every community is well served by an integrated public transport network and new and refurbished train stations.

Risks and Opportunities

As the transport delivery arm of the Liverpool City Region Combined Authority, Merseytravel plays a vital role in ensuring an effective, efficient and well run public transport network is maintained across the city region and delivering against key transport and net zero carbon priorities.

Whilst Covid restrictions have been lifted, and life has started to return to pre pandemic ways, public transport continues to be impacted by the aftereffects of the pandemic. Although patronage on major public transport modes has improved, it still remains below pre pandemic levels, albeit the position varies across different modes.

Bus

Over the last two years, the local commercial bus network has maintained its shape through significant public investment; both nationally through Bus Recovery Grant and locally through the continuation of pre Covid concessionary travel reimbursements. Whilst public investment has assisted in shoring up lost revenues, as the country moves from pandemic response to living with Covid, recovery funding is set to cease in Autumn 2022.

Given that passenger recovery has not reached 100%, it is likely that this will result in service reductions. In addition to income pressures, cost inflation is driving up the cost of bus operations. There is a risk that operators will seek to mitigate this through commercial fare increases and through increased contract prices for supported services. Notwithstanding the option for commercial operators to pass costs on, the risk remains that some operators may be unable to return to a profitable position and, with the withdrawal of government support, become unviable leading to gaps in the network needing to be addressed through additional supported services. The impact of either of these eventualities is the risk of higher costs to Merseytravel for support of the local network however Merseytravel will seek to manage this through its network review process. Specific earmarked reserves have been set aside to support inflationary pressures and bus services which will be utilised to assist in mitigating the impact of cost increases on the approved budget.

Whilst there may be challenges in the operating environment over the next twelve months, a number of opportunities do exist which will help improve the bus network to support the city region's vision for bus; the Combined Authority has secured £12.3m Bus Services Improvement (BSIP) funding to support making improvements to the bus network, as will the introduction of hydrogen buses and the work to implement green bus routes.

Mersey Ferries

Following a challenging 2020/21 in which operations were heavily impacted by Covid, 2021/22 saw a return to pre pandemic levels of patronage with leisure cruises buoyed by restrictions on overseas travel. This trend for a leisure driven rebound is projected to continue into 2022/23 which has helped income levels rebound more quickly than has been seen on bus where there has been a greater reliance on commuter generated income. Whilst the outlook for recovery remains positive, the age and condition of the ferries does present a risk to

continued delivery of services over the medium term and therefore the replacement/refurbishment of the vessels over the next couple of years is vital.

Rail

Throughout the pandemic, the Merseyrail network was the only TOC to continue to operate without an Emergency Management Arrangement and financial support from the Department for Transport (DfT). Over the past year, patronage has recovered from the low levels seen during the height of the pandemic however recovery on the network has been largely driven by leisure usage: in common with the trend seen nationally across the rail network, commuter usage has not recovered to pre pandemic levels, primarily as a result in the shift toward home and hybrid working.

The impact of Covid has continued to be felt on the network during the year with staff absences impacting on the ability of the operator to run a full timetable which has meant that consequently, for much of the year, a reduced service has been provided. Whilst the full service was restored from May 2nd, in advance of the introduction of the new fleet from 2023, a number of existing rolling stock have been removed from service due to a high level of unexpected faults. There is a risk that with fewer units to run the network, any problems with the existing fleet may exacerbate availability and place continued pressure on the ability to deliver the full timetable. Merseytravel will work closely with MEL to monitor and manage this situation during the transition to the new train fleet.

During 2022/23 key activities in respect of Rail will be around the continued acceptance of new rolling stock fleet, testing and training of staff and mitigating the global cost pressures on the rail investment programme.

Mersey Tunnels

Whilst the Mersey Tunnels are assets of the Combined Authority, Merseytravel operates the tunnels on behalf of the LCRCA, receiving a grant from the LCRCA (which is paid out of Tunnel tolls revenue generated) to cover the operation and maintenance of the assets. Tunnels income remains below pre pandemic levels, as traffic patterns and working arrangements have changed and whilst traffic flow has rebounded, they remain below previous peaks. Whilst income levels remain sufficient to cover the operational costs, the tunnels are aging assets requiring increasing maintenance and capital investment which, given the impact of inflation and the ongoing trajectory are likely to mean cost pressures on the tunnels operating budget, which may necessitate changes to operational models or new invest to save programmes.

Covid 19 Financial Support

As in 2020/21, during 2021/22 Merseytravel received funding from a number of government departments as part of their response to the Covid 19 pandemic.

Merseytravel received Sales, Fees and Charges Reimbursement from Department for Levelling Up, Communities and Housing (DLUCH) for the first quarter of 2021/22. The scheme, which was initially scheduled to run for the financial year 2020/21 only, is based on a pain share reimbursement approach: eligible organisations face a 5% deductible rate whereby they stand the first 5% of all losses and subsequently DLUCH will reimburse losses at 75p in every £1 thereafter.

Having assessed eligibility to claim against this scheme, it was determined that losses in respect of ferries and the Beatles Story fell within the remit of the scheme. Based on the process outlined by DLUCH and accruing for income the Authority believes is eligible under

the scheme, £1.05m has been recognised in the group Comprehensive Income and Expenditure Account under Taxation and Non Specific Grant Income.

Merseytravel also received Local Transport Authority Bus Recovery Grant (LTABRG) from the Department for Transport (DfT). This funding has been used to support additional capacity on the network and transition back to a pre pandemic network, as well as supporting the reduction in supported bus income revenue experienced by the Merseytravel due to reduced patronage. During 2021/22 Merseytravel received £718k funding through LTABRG.

Future Developments and Outlook

Over the next twelve months, the focus of Merseytravel's activity will be on the delivery of key aspects of the Combined Authority's Corporate Plan 2021/24. As detailed above, the key priorities against which Merseytravel will deliver are Priority 3 A Cleaner City Region and Priority 4 A Connected City Region. Key activities for Merseytravel over the next twelve months include:

- Deploying the first fleet of 20 hydrogen buses and seeking to expand the trial to 44 buses to cover a full bus corridor;
- Development and implementation of Green Bus Route corridors to improve bus journeys across the City Region;
- Working on progressing the City Region's vision for bus, including implementing the Bus Service Improvement Plan and progressing the preferred option for bus reform;
- Continued implementation of the LCR Local Cycling and Walking Infrastructure Plan;
- Upgrade the Smart Ticketing system and implement a tap in tap out, contactless ticketing with a daily cap;
- Progress the delivery of the 'Merseyrail for All' programme, including the development of new stations at Headbolt Lane and Liverpool Baltic;
- Continuing the handover of the new Rolling Stock fleet during 2022 through to 2023 and bringing them into service;
- Continuing to deliver interventions to support the long term Ferries strategy, including the refurbishment/ replacement of existing vessels to ensure that future generations can enjoy the ferries services; and
- Delivering the long term tunnels strategy to enhance connectivity across the region.

Funding to support these initiatives will come predominantly through City Region Sustainable Transport Settlement (CRSTS) funding. Release of funding to support projects will be subject to successful completion of business cases and satisfying any specific conditions required under CRSTS, depending on the size of the scheme. As CRSTS is a time limited settlement, one of the key challenges will be ensuring that schemes can be delivered within the timescale projected: cost inflation and capacity constraints within the market could impact on deliverability, however it is hoped that through close oversight by the Transport Delivery Board, these risks can be managed and action taken to mitigate.

As the transport delivery arm of the Combined Authority, Merseytravel receives funding for both revenue and capital activities from the Combined Authority. In balancing the budget for 2022/23 savings were made across both organisations and it was acknowledged that in achieving financial sustainability over the medium term, there was a need to review resource prioritisation, look at whole system efficiencies and consider the current approach to service prioritisation. Due to the quantum of spend on transport services, there will inevitably be an expectation that savings will flow from Merseytravel as part of the medium term savings and efficiency review. During 2022/23 a plan will be developed under the Executive Director of Place to consider options for savings and service modernisation.



A handwritten signature in black ink, appearing to read 'J. Fogarty', with a stylized flourish at the end.

John Fogarty (CPFA)
Executive Director Corporate Services
16 November 2023

STATEMENT OF RESPONSIBILITIES 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 Executive 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 Executive Director of Corporate Services

The Executive 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 2022. In preparing this statement of accounts, the Executive 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 Executive 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 2022 and its income and expenditure for the year ended 31 March 2022.



John Fogarty (CPFA)
Executive Director Corporate Services
16 November 2023

ANNUAL GOVERNANCE STATEMENT

i. Introduction

Merseytravel is required by law to review its governance arrangements at least once a year. Merseytravel is a Merseyside Passenger Transport Executive which also operates as a transport delivery body for Liverpool City Region Combined Authority (herein referred to as the Combined Authority).

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

The definition utilised by the CIPFA/SOLACE guidance states:

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”

The AGS is a key corporate document, intended to provide an accurate representation of the corporate governance arrangements in place during the year, which have supported delivery of organisational objectives to stakeholders; reflecting where arrangements have been effective, and where any improvements are required.

The governance framework has been in place at Merseytravel for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

ii. Scope of Responsibility

Merseytravel is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

In discharging this overall responsibility, Merseytravel is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and includes arrangements for the management of risk.

Merseytravel has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government 2016. A copy of the Merseytravel Code of Corporate Governance is available to staff for reference via the Merseytravel Constitution.

This AGS explains how Merseytravel has complied with the Code of Corporate Governance and meets the requirements of Regulation 6 (1) (b) of the Accounts and Audit (England and Wales) Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

iii. Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which Merseytravel is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

iv. Overall Governance Framework

Merseytravel was established under the 1968 Transport Act. It has a Board of Directors that are responsible for ensuring that the organisation has a robust governance framework however all key strategic and financial decisions are made by Combined Authority.

The Combined Authority is led by Metro Mayor Steve Rotheram and brings together the Combined Authority's six local authorities – Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral.

The Combined Authority was established by the Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority Order 2014, under the provisions of the Local Democracy, Economic Development and Construction Act 2009. It became a Mayoral Combined Authority in 2017.

Merseytravel as a passenger transport executive pre-dates the Combined Authority and operates across the five local authority areas that form the County of Merseyside. Halton Council, although part of the Combined Authority, retains most of its direct transport operations although there is integration at a strategic level.

The Combined Authority sets the Transport Levy and approves Tunnels Tolls and thus approves operational grants to Merseytravel to allow it to fulfil its responsibilities in providing transport services. 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.

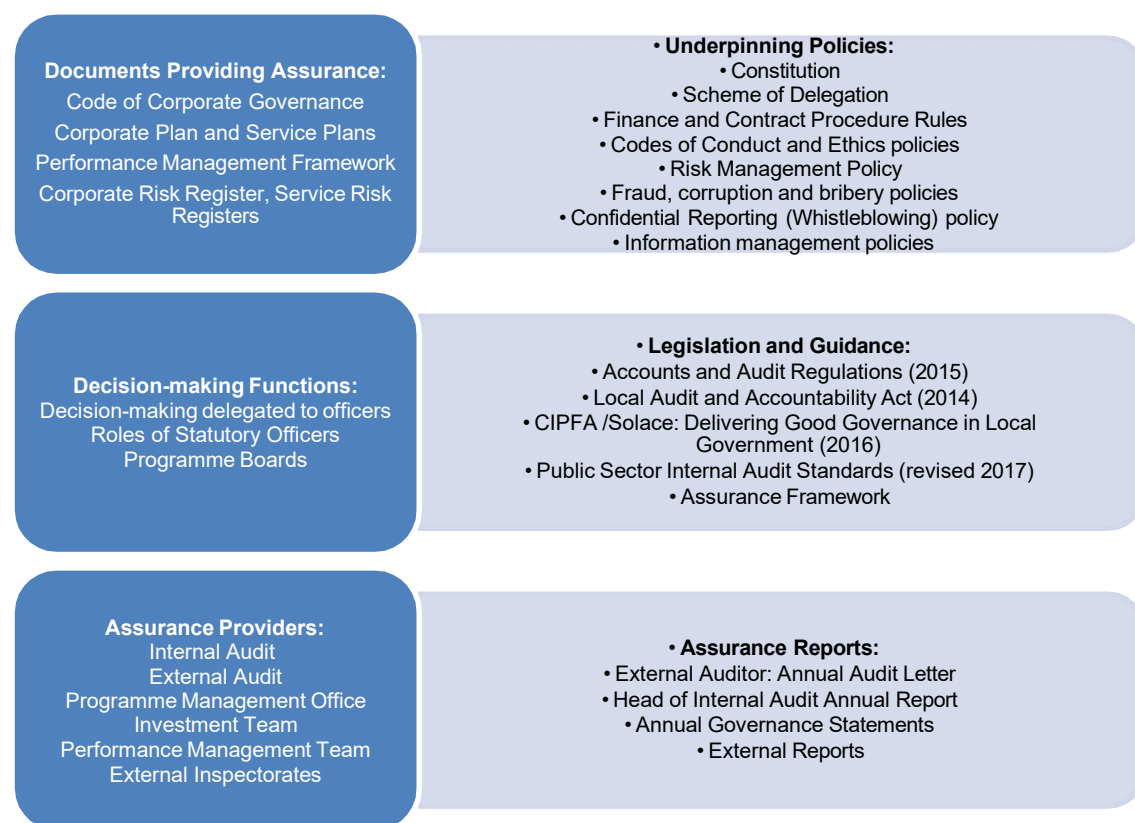
Despite its separate statutory status, for all practical purposes, the Combined Authority and Merseytravel operate in tandem.

During 2021/22 the composition of the Merseytravel Board was subject to restructuring at the Executive Directorate level as a result of retirements. During the first half of the year, the Board was comprised of the Director General, the Executive Director of Corporate Services,

the Executive Director of Corporate Development and Delivery, the Executive Director of Policy, Strategy and Government Relations and the Interim Director of Integrated Transport. On the retirement of the Director General and Interim Director of Integrated Transport, the Combined Authority approved a new Executive Leadership Team which saw the statutory role of Director General and Director of Integrated Transport combined under the remit of a new Executive Director of Place. Whilst the Executive Director of Place has a wider remit, the post holder is now a member of the Merseytravel Board (February 2022). Under the 1968 Act, members of the Merseytravel Board are appointed by the Combined Authority after consultation with the Director General.

Merseytravel Board activities are overseen and assurance is given by the Audit and Risk Board (ARG) and increasing and publicly through the Audit and Governance Committee of the Combined Authority.

Documents Providing Assurance:

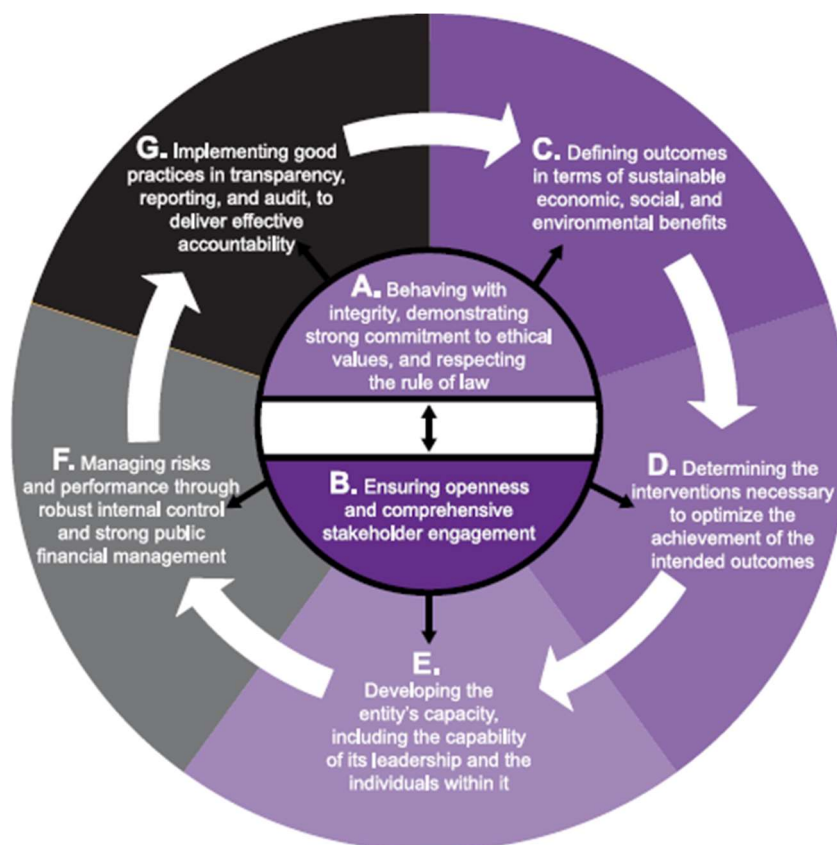


v. Review of Effectiveness

Merseytravel has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by Directors, Assistant Directors and Heads of Service within the organisation who have responsibility for the development and maintenance of the governance environment (including feedback and comments from the Annual Governance Assurance Statement process; through which all relevant officers contributed); the Head of Internal Audit's Annual Report; and also by comments made by the external auditors and other review agencies and inspectorates.

Merseytravel aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Code of Corporate Governance.

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



Merseytravel has assessed itself against each of the CIPFA/SOLACE principles – details are included below:

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

The Merseytravel constitution was approved in July 2020; and a revised Officer Code of Conduct was approved in February 2021.

A joint Code of Corporate Governance, detailing the Nolan Principles, was updated, approved and relaunched to all staff in June 2021.

Whilst understanding and awareness of the Seven Principles of Public Life (Nolan Principles) has improved since 2020/21; further enhancements will be required during 2022/23 to ensure appreciation and adoption of the principles is fully understood and enacted.

During the financial year 2021/22 there was one legal challenge with which Merseytravel was involved. The Merseytravel Board is fully apprised of the issue.

Legal sign off required for all delegated decisions and Board reports.

Legal support available at Board meetings and to officers generally.

Completion rates for e-learning across the organisation have improved since 2020-21; however, focussed attention will be required, during 2022/23, to ensure all necessary e-learning is completed and there is greater clarity as to what constitutes whether a course is mandatory.

The organisation has a database of its policies (I4P) which is accessible to staff. This is used to disseminate new and updated policies, encompassing the ability to monitor acceptance rates, and to act as a source of reference for staff.

Acceptance rates of organisational policies have improved since 2020-21; however, continued focussed attention will be required, during 2022/23, to ensure all key policies are read and accepted by staff, and there is greater clarity as to what constitutes a key corporate policy.

The Gifts, Hospitality and Declarations of Interest Procedure was reviewed in November 2020 and issued to staff via I4P.

Gifts and hospitality policy and forms are available on OnePlace; however, weaknesses and inconsistencies exist in relation to how these are being monitored and recorded.

Declarations of Interest policy and forms are available on One Place and HR re-issued the policy and sent out a reminder e-mail to all staff in January 2021; however, weaknesses and inconsistencies also exist in relation to how these are being monitored, utilised and recorded. This will also be a focus of attention in 2022/23.

Organisational behaviours: LCR First; Action Focus; Respect; remain firmly in place.

Quality of, and compliance with, Equality Impact Assessment obligations have improved during 2021/22 with a programme of training of officers and the development of an Equality Policy; however, this will continue to be an area of more focussed attention in 2022/23.

B. Ensuring openness and comprehensive stakeholder engagement

Effective mechanisms are in place for engaging with, and consulting with, relevant stakeholders, and this continues to develop.

Arrangements for consulting communities and stakeholders had to be adapted to accommodate social contact restrictions in 2021/22, nonetheless the organisation took opportunities to engage with stakeholders on a number of thematic areas and using a variety of formats. Significant engagement took place in the development of the transport pipeline schemes and in particular the successful City Region Sustainable Transport Settlement (CRSTS) bid by which the City Region was awarded £720m in transport capital funding from government. As the transport delivery arm of the Combined Authority, Merseytravel played a central role in the engagement with the Combined Authority and constituent local authorities in the development of transport pipeline schemes for inclusion in the bid. Fora such as the Transport Advisory Group and Growth Directors (both consisting of local authority officers) were utilised in the development of these schemes.

A focus for improvement during 2022/23 relates to partnership working, and the need for reporting on outcomes and documenting agreements.

Merseytravel has, during the period of COVID, been able to meet remotely and continues to meet in a hybrid fashion as it is not subject to the same legislative restrictions regarding hybrid meetings as the Combined Authority is, in this regard.

Officers are actively involved in providing briefings to Members of the Transport Committee and to the Portfolio Holder for Transport and Air Quality on transport matters.

Regular update reports on key modes of transport are taken to the Transport Committee for their information and consideration. It continues to provide oversight of key transport activity. Member queries are responded to within an appropriate timescale. Minutes of relevant meetings are made available to stakeholders; and evidence and rationale to support decisions is made available to stakeholders. Portfolio Boards are utilised to consider matters in advance of determination by the Merseytravel Board or alternatively the Delegated Decision system of Merseytravel.

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

Relevant financial, social and environmental considerations have to be included within Board reports.

The Corporate Plan was updated in 2021/22 to reflect the social and environmental commitments made within the Metro Mayor's manifesto following the Mayoral election of 2022. This is particularly the case with the commitments to zero carbon targets, social value and the broader equalities duties; and these are all matters that Merseytravel must be cognisant of.

In terms of the net-zero carbon agenda, significant progress has been made in respect of Active Travel; and also towards the City Region's ambition for sustainable Hydrogen fuel technology for buses both in terms of the investment strategy and also in direct procurement. Through funding secured via Transforming Cities Fund, Merseytravel is currently investing in innovative battery technology that will allow the new rolling stock fleet to operate trains off the third rail.

Social value aspects had not been sufficiently articulated during 2021/22; however, a new Social Value Framework 2022/23 was launched in April 2022 and specific resources have been identified to support the organisation's Social Value obligations during 2022/23. Part of this work has been reflected in a Fair Employment Charter that has been adopted by the organisation in 2021/22. The Procurement team and Merseytravel commissioners are actively engaged.

The approach to policy seeks to ensure that coherence exists across the range of policy themes with the express intention of maximising sustainable economic, social and environmental benefits.

The Metro Mayor has a clear vision and aims for how transport will contribute to the wider recovery agenda and this is communicated through regular briefings and communications.

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

The Rolling Stock project continued to be hampered by the COVID-19 pandemic; however, progress continues to be made. 2021/22 saw the arrival of further vehicles within the new fleet of trains for the Merseyrail Network. Once in service, this fleet will bring significant economic, social and environmental benefits for the City Region.

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.

At all stages the data and analytic team are capturing outputs and measuring benefits and the Combined Authority (and by inference Merseytravel) are subject to annual review by government.

2021/22 continued to be significantly disrupted due to the global situation with respect to Covid-19.

The organisation has worked very closely with Merseyrail and with Bus Operators to ensure that the public transport network was maintained throughout the year.

Merseytravel has undertaken further strengthening of evidence-based policymaking and have provided training and workshops on risk to ensure that the organisation has a greater understanding of implications and risk of decisions required.

Risk management at a corporate level has evolved; being driven by the Head of Internal Audit and the Risk Manager. A Corporate Risk Register is in place which is regularly

reviewed. The corporate Risk Group continues to support the process; and significant progress has been made in establishing Service Risk Registers across the organisation.

Work has progressed on articulating the risk appetite of the organisation.

Recovery from the impact of the pandemic continues to be a challenge and there is heightened risk in relation to the commercial viability of transport operators and the Transport Funding Model as patronage levels increase to closer to pre-pandemic levels.

The Combined Authority confirmed its intention to move towards a London style bus system and the franchise model of bus governance for the City Region was confirmed as the leading emerging option in 2021/22. Understanding the commercial and other risks involved in this will be critical and is a major priority in 2022/23. Merseytravel is working up on these matters for the Combined Authority to inform the decision-making.

Contingency planning is ongoing; particularly in relation to the potential for Operator of Last Resort (OLR) arrangements having to be invoked on the Merseyrail Network.

An area of continued focus of attention in 2022/23 will be the work supporting each Local Authority (within the Combined Authority) in its capacity to deliver.

E. Developing capacity and capability

Resources have also been made available to fund the development of a transport pipeline that will make best use of the City Region's Transforming Cities Fund and the forthcoming City Region Sustainable Transport Settlement (CRSTS).

Having a pipeline of deliverable schemes and the organisational capacity to deliver continues to be critical to Merseytravel's ability to deliver the Combined Authority's strategies its corporate plan and its obligations under its Devolution Deal. The Combined Authority was successful in its bid for CRSTS funding in 2021/22 being awarded full amount that was bid for, primarily as a result of the strength of the underpinning transport pipeline and underpinning delivery arrangements. As a key transport delivery partner Merseytravel will be instrumental in delivering key transport interventions under CRSTS. Ensuring that Merseytravel has sufficient capacity to deliver the CRSTS deal from 2022/23 onwards is a significant priority.

The way in which the organisation conducts its business has continued to adapt to Covid restrictions during the year. Some parts of the organisation have also implemented permanent flexible and hybrid working patterns to optimise technology and improve usage of office space whilst delivering improved work/life balance for staff.

Team meetings, in general, have continued and have evolved, due to the restrictions of the pandemic and the Chief Executive, Executive Director – Place, and Metro Mayor, have held several remote sessions for staff which were well attended and well received; and as restrictions associated with 'Covid-19' have relaxed, the delivery of such sessions has been tailored accordingly via 'in-person' and 'remote' sessions.

The Developing Our Organisation programme continued in 2021/22, covering the following key areas:

- Leadership and management development
- New ways of working
- Our people
- Employee engagement
- Stakeholder engagement
- Equality and diversity inclusion
- Managing performance and delivery

During the year there has been a focus on training and development of senior leaders via the Leadership Development Programme; and approval of Leadership Charter and People Strategy to support workforce development.

Employee Survey and follow-up pulse survey have been conducted during the year, with actions being progressed to address the findings.

Steps have continued to be taken by the organisation to maintain the health, safety and wellbeing of its staff. New ways of working have been adopted; and assessments have been undertaken in relation to ensuring work areas have been deemed 'Covid secure', and requests for DSE Assessments to be completed for those working from home.

Areas for focussed attention during 2022/23 will be in relation to ensuring:

- All job descriptions are up to date;
- A robust induction process for all staff;
- Procurement/governance processes are aligned across Merseytravel and the Combined Authority; and
- Adequacy of capacity and skills of the workforce.

A constant challenge is that while capital funding is available, the revenue funding needed to manage this is scarce.

There is a corporate risk that staff resources are potentially inadequate to deliver service objectives and maintain adequate levels of internal control and that risk is being managed through the Corporate Risk Register.

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

There has been continued investment in corporate risk during the year. This has been led by Executive Directors and reflected in a fully updated Corporate Risk Register and much greater organisational understanding of risk appetite reflected in the scoring of risk impacts.

The Risk Management Policy clearly defines roles and responsibilities. At a corporate level, evidence is available to confirm these roles and responsibilities are now becoming embedded. The Corporate Risk Group has been reconstituted across both Merseytravel and the Combined Authority to assist in the embedding of risk management across the organisation.

The risks outlined in the Corporate Risk Register, which has been the subject of a significant review during the year, are strategic in nature, rather than operational; and

therefore, have the greatest potential to prevent or frustrate the achievement of Corporate Plan priorities.

It is clear that risk should be on the agenda as part of all reports presented to formal boards, and this is developing positively. The template report format includes a 'Risks and Mitigation' section for completion. A document entitled: "Guidance for Report Authors – Risk and Mitigation Section" produced by the Head of Internal Audit is available to support the effectiveness of the information included within Board reports. The risk information presented within reports is reviewed by the Risk Manager to ensure robustness of content.

Significant progress has been made to ensure the availability of service risk registers; however, work is still required to ensure the content of each register meets minimum expectations and is reviewed on an ongoing basis.

Fraud Awareness training is available as an e-learning package and an appropriate Fraud, Bribery and Corruption Policy is in place alongside supporting policies, including in respect of whistleblowing. However, staff understanding of fraud responsibilities remains an area of focus for 2022/23.

There have been no reports of fraud or suspected fraud or irregularity during the year.

Self-assessment undertaken in relation to the role of the Chief Financial Officer in Local Government reviewing assurance over compliance with the governance requirements detailed in CIPFA document 'The Role of the Chief Financial Officer in Local Government' 2016. Positive responses provided highlighting key controls have operated effectively during the course of the year.

Self-assessment undertaken in relation to the role of Senior Information Risk Owner (SIRO) reviewing assurance over compliance with the governance requirements detailed in Local Public Services Data Handling Guidelines 5th Edition, April 2018. Proactive steps are being taken to further strengthen arrangements across the organisation and ensure the role of the SIRO is fulfilled in an effective manner.

Two Information Management Groups are in place; one strategic and one with an operational focus. The purpose of the groups has been refreshed in September 2021 to reflect oversight of information management issues affecting the whole organisation, consider training, cyber security and governance of information management. The operational group focuses on detailed practices and processes associated with information management within Merseytravel, promoting good practice etc.

There have been no incidents of data loss during the course of the year; and managers have reported significant progress in staff awareness of how to report a data breach, should it be required, in accordance with the Information Security Incident Management Protocol.

Compliance with the Financial Management Code (CIPFA, 2019) is being worked towards, and will continue in 2022/23.

Managers across the organisation highlighted that team members are given the opportunity, on a regular basis, to raise and/or discuss matters relating to Health, Safety and Wellbeing.

Robust Health and Safety Risk Assessments are not yet in place for all service areas, and will therefore be a focus for attention during 2022/23.

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

During the year steps have been taken to ensure that outstanding Internal Audit recommendations are implemented. In addition, improved engagement in Internal Audit work has been evident, supported by regular presentations to Executive Leadership Team and Senior Leadership Team on work undertaken, outcomes and key items of note.

Internal Audit opinions were generally positive during year. There was one report with a “major” organisational risk opinion, in respect of the Seacombe Landing Stage Capital Scheme, and this was discussed at the Audit and Governance Committee.

A Self-assessment was undertaken in relation to the role of the Head of Internal Audit in Public Sector Organisations over compliance with the governance requirements detailed in CIPFA document ‘The role of the Head of Internal Audit in Public Sector Organisations’ 2019 edition. Positive responses provided highlighting key controls have operated effectively during the course of the year.

The Head of Internal Audit’s opinion for 2021/22 was that arrangements are adequate and that capacity for improvement is good.

An area for continued focus during 2022/23 is in relation to maintaining and developing cyber security and resilience arrangements; and Business Continuity Plans.

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.

vi. Evaluation/Update – Significant Governance Issues from AGS 2020/21

No Significant Governance issues were reported in 2020/21.

vii. Significant Governance Issues

This Annual Governance Statement identifies that Merseytravel has effective arrangements in place; however, the organisation realises the need to monitor its governance arrangements

on an ongoing basis given the ever-changing environment within which it operates, and due to the organisation continuing to evolve.

Whilst the organisation has not identified any Significant Governance Issues, a number of areas for development have been outlined and appropriate action is being, or is due to be, taken to ensure the issue does not transpire in to one of significance.

viii. Future Challenges

Future challenges that exist in relation to Merseytravel include:

- Working on a local transport plan that takes account of future patterns of travel and work;
- Understanding and managing the commercial and other risks associated with bus reform;
- Developing sufficient capacity to deliver the CRSTS schemes that will be delivered by Merseytravel on behalf of the Combined Authority;
- Continue to manage its financial position and respond to the challenges created by price increases, pay pressure and interest rate movements; and
- Ensuring that any recovery is environmentally sustainable, supports net zero, and that air quality issues are considered in planning future transport requirements.

ix. Conclusion

Merseytravel is satisfied that appropriate governance arrangements are in place and that the governance arrangements in place in 2021/22 were appropriate to its resources and responsibilities in that year.

Merseytravel proposes, over the coming year, to take any necessary steps to address the issues highlighted within this Statement, to further enhance the governance arrangements.

The arrangements in place in 2021/22 continued to focus on maintaining effective governance and delivery around Merseytravel's core activities.

10. Certification



Richard McGuckin



John Fogarty (CPFA)

A handwritten signature in black ink, appearing to read 'R. McGuckin', written on a white background.

Executive Director Place

A handwritten signature in black ink, appearing to read 'J. Fogarty', written on a white background.

Executive Director Corporate Services

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYTRAVEL

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Merseytravel and its subsidiaries / joint ventures ('the Group') for the year ended 31 March 2022, which comprise Merseytravel and Group Comprehensive Income and Expenditure Statements, Merseytravel and Group Movement in Reserves Statements, Merseytravel and Group Balance Sheets, Merseytravel and Group Cash Flow Statements, 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Merseytravel and the Group as at 31 March 2022 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 2021/22 as amended by the Code Update.

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 and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Corporate Service's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Merseytravel's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Corporate Services with respect to going concern are described in the relevant sections of this report.

Other information

The Executive 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 Executive Director of Corporate Services for the financial statements

As explained more fully in the Statement of the Executive Director of Corporate Service's Responsibilities, the Executive Director of Corporate Service's 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 2021/22 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Executive Director of Corporate Service's is also responsible for such internal control as the Executive Director of Corporate Service's determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Corporate Service's is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of Merseytravel will continue in operational existence for the foreseeable future. The Executive Director of Corporate Service's is responsible for assessing each year whether or not it is appropriate for Merseytravel and Group 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Executive Director of Corporate Service's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Merseytravel Board the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by Merseytravel and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Merseytravel Board on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Merseytravel Board. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Executive Director of Corporate Service's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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

Report on the Merseytravel's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that Merseytravel has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on Merseytravel's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on Merseytravel's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of 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, and to report where we have not been able to satisfy ourselves that it has done so. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

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.

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to satisfy ourselves that Merseytravel has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



Mark Dalton Key Audit Partner For and on behalf of Mazars LLP

5th Floor
3 Wellington Place Leeds
LS1 4AP

16 November 2023

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 £'000			Unusable Reserves £'000					Total Reserves £'000
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
As at 1st April 2021	4,630	54,086	58,715	28,019	294,122	(92,064)	(578)	229,499	288,214
Comprehensive Income and Expenditure Statement	66,894	0	66,894	0	0	16,397	0	16,397	83,291
Adjustments to the revenue resources *									
Pensions costs	6,346	0	6,346	0	0	(6,346)	0	(6,346)	0
Holiday pay	0	0	0	0	0	0	0	0	0
Charges for depreciation and amortisation of non-current assets	5,092	0	5,092	0	(5,092)	0	0	(5,092)	0
Capital expenditure financed from revenue balances	0	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	43,862	0	43,862	0	(43,862)	0	0	(43,862)	0
Capital grants and contributions credited to the CIES	(121,481)	0	(121,481)	0	121,481	0	0	121,481	0
Total adjustments to revenue resources	(66,181)	0	(66,181)	0	72,527	(6,346)	0	66,181	0
Adjustments to capital resources									
Difference between fair value and historical cost depreciation	0	0	0	(868)	868	0	0	0	0
Total adjustments to capital resources	0	0	0	(868)	868	0	0	0	0
Transfer between reserves	(713)	713	0	0	0	0	0	0	0
Net Increase/(Decrease) in 2021/22	0	713	714	(868)	73,395	10,051	0	82,578	83,291
Balance as at 31st March 2022	4,630	54,798	59,429	27,151	367,517	(82,013)	(578)	312,076	371,504

*Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements

MOVEMENT IN RESERVES STATEMENT

	Usable Reserves £'000			Unusable Reserves £'000					Total Reserves £'000
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
As at 1st April 2020	3,219	53,873	57,091	28,806	264,092	(84,229)	(372)	208,297	265,388
Comprehensive Income and Expenditure Statement	26,099	0	26,099	0	0	(3,273)	0	(3,273)	22,826
Adjustments to the revenue resources *									
Pensions costs	4,562	0	4,562	0	0	(4,562)	0	(4,562)	0
Holiday pay	206	0	206	0	0	0	(206)	(206)	0
Charges for depreciation and amortisation of non-current assets	6,352	0	6,352	0	(6,352)	0	0	(6,352)	0
Capital expenditure financed from revenue balances	(101)	0	(101)	0	101	0	0	101	0
Revenue expenditure funded from capital under statute	47,640	0	47,640	0	(47,640)	0	0	(47,640)	0
Capital grants and contributions credited to the CIES	(83,134)	0	(83,134)	0	83,134	0	0	83,134	0
Total adjustments to revenue resources	(24,475)	0	(24,475)	0	29,243	(4,562)	(206)	24,475	0
Adjustments to capital resources									
Difference between fair value and historical cost depreciation	0	0	0	(787)	787	0	0	0	0
Total adjustments to capital resources	0	0	0	(787)	787	0	0	0	0
Transfer between reserves	(213)	213	0	0	0	0	0	0	0
Net Increase/(Decrease) in 2020/21	1,411	213	1,624	(787)	30,030	(7,835)	(206)	21,202	22,826
Balance as at 31st March 2021	4,630	54,086	58,715	28,019	294,122	(92,064)	(578)	229,499	288,214

*Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements

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. Merseytravel 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.

2020/21				2021/22			
Gross Expenditure £'000	Gross Income £'000	Net Spend £'000		Gross Expenditure £'000	Gross Income £'000	Net Spend £'000	Notes
35,071	(10,247)	24,823	Bus Services	33,104	(9,897)	23,207	
158,581	(146,446)	12,135	Rail Services	170,981	(161,056)	9,925	
10,463	(2,816)	7,646	Customer Delivery	10,423	(3,299)	7,124	
57,060	(8,894)	48,166	Travel Concession	60,651	(11,144)	49,507	
2,109	(1,512)	598	Policy	1,131	(594)	537	
5,312	(713)	4,599	Corporate Management and other	5,128	(396)	4,732	
7,065	0	7,065	Corporate Costs	5,746	(74)	5,672	
14,680	(14,311)	368	Net Cost of Mersey Ferries	16,462	(15,814)	648	
			Mersey Tunnels				
290,341	(184,940)	105,401	Net Cost of Service	303,626	(202,274)	101,352	
		109	Other Operating Expenditure			114	7
		2,018	Financing and Investment Income			1,956	8
		(133,627)	Taxation and Non Specific Grant Income			(170,316)	10
		(26,099)	(Surplus) or Deficit on the Provision of Services			(66,894)	
		3,273	Remeasurement Gains/ Losses on Pension Assets/ Liabilities			(16,397)	
		3,273	Other Comprehensive Income and Expenditure			(16,397)	
		(22,826)	Total Comprehensive Income and Expenditure			(83,291)	

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 Merseytravel. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that Merseytravel 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 Merseytravel 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 2021 £'000		As at 31 March 2022 £'000	Note
319,540	Property, Plant and Equipment	391,695	16
326	Heritage Assets	326	
2,078	Intangible Assets	2,450	18
2,569	Loan to Subsidiary Company	2,382	19
324,513	Long-term Assets	396,853	
569	Inventories	580	
101,210	Short-term Debtors	110,861	20
23	Cash and Cash Equivalents	35	
101,802	Current Assets	111,476	
(29,311)	Short-term Creditors	(40,417)	21
(546)	Provisions	(451)	
(12,645)	Grant Receipts in Advance	(10,596)	10
(42,502)	Current Liabilities	(51,464)	
(2,569)	Loan from Group Company	(2,382)	
(966)	Provisions	(966)	
(92,064)	Pension Liability	(82,013)	9
(95,599)	Long-term Liabilities	(85,361)	
288,214	Net Assets	371,504	
(58,715)	Usable Reserves	(59,428)	6
(229,499)	Unusable Reserves	(312,076)	5
(288,214)	Total Reserves	(371,504)	



Richard McGuckin
Executive Director Place
16 November 2023



John Fogarty (CPFA)
Executive Director Corporate Services
16 November 2023

CASHFLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of Merseytravel during the reporting period. The statement shows how Merseytravel 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 Merseytravel are funded by way of taxation and grant income or from the recipients of services provided by Merseytravel. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to Merseytravel'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 Merseytravel.

2020/21 £'000		2021/22 £'000	Note
26,099	Net surplus/(deficit) on provision of services	66,894	
22,233	Adjustments to net surplus on the provision of services for non-cash movements	12,036	25
(35,599)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(77,619)	25
12,733	Net cash inflows/(outflows) from operating activities	1,311	
(12,722)	Investing activities	(1,299)	25
11	Net increase/(decrease) in cash and cash equivalents	12	
12	Cash and cash equivalents as at 1 April	23	
23	Cash and cash equivalents as at 31 March	35	

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 2021/22 and its position as at 31 March 2022. 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 practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the recipient in accordance with the performance obligations in the contract.
- 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.

Agency Transactions

Transactions are excluded from Merseytravel's financial statements for all agency relationships. As stipulated by the Code, Merseytravel is acting as an agent in situations when Merseytravel does not control the specified goods or services being provided by another party, before they are transferred to the customer. All services are reviewed to determine who controls the right to the underlying goods or services and when this is not deemed to be Merseytravel, the transactions have been excluded from the financial statements.

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 90 days 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

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.

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.

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.

Merseytravel is not required to raise levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by Merseytravel in accordance with statutory guidance (known as the Minimum Revenue Provision (MRP)). Depreciation, revaluation losses and amortisation are therefore replaced by the MRP in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 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. They 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:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year. These costs are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. The costs are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability, i.e. the change during the period in the net defined benefit liability that arises from the passage of time. The net interest is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements comprising:

- The return on plan assets – (excluding amounts included in net interest above) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Employer's contributions paid to Merseyside Pension Fund – not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by 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 General Fund Balance 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; and
- 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.

Fair Value Measurement

Merseytravel measures some of its non-financial assets such as surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- In the principal market for the asset, or
- In the absence of a principal market, in the most advantageous market for the asset.

Merseytravel measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, Merseytravel takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Merseytravel uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available making use of relevant observable inputs and minimising the use of unobservable inputs.

Financial Instruments

Financial Assets

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

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

Merseytravel's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by Merseytravel, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where Merseytravel has made loans at less than market rates (soft loans) a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the lender, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. This is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

Merseytravel recognises expected credit losses on all its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

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

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 (CIES) 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.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. Merseytravel has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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-ringfenced 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 of the General Fund Balance in 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 2022. Merseytravel has interests in a number of entities.

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 15.

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

Merseytravel holds statues and artworks, which are held and maintained as a contribution to knowledge and culture.

Heritage assets are recognised and measured in accordance with Merseytravel's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements. In these circumstances heritage assets are measured at historical cost (less any accumulated depreciation and impairment losses).

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. An asset is tested for impairment whenever there is an indication that the asset may be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement (CIES). Any gain or loss arising on the disposal or

abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. These entries are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Business combinations have been accounted for under IFRS 3 using the purchase method. Any excess over 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 initially recognised in the Comprehensive Income and Expenditure Statement 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.

Interests in Companies and Other Entities

Merseytravel has material interests in companies and other entities that have the nature of subsidiaries which require it to prepare group accounts. 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.

Inclusion in Merseytravel group is dependent upon the extent of Merseytravel's interest and power to influence an entity. An assessment of all Merseytravel's interests is carried out each financial year to determine the relationships that exist and whether they should be included within Merseytravel's group accounts.

This assessment determines whether the entity is accounted for as:

- A subsidiary – Merseytravel controls the entity and has the power to govern its financial and operating policies so as to benefit from its activities; or
- An associate – Merseytravel has significant influence over the entity and has the power to participate in its financial and operating policies; or
- A jointly controlled entity – Merseytravel is party to the contractually and binding agreed sharing of control over the organisation such that strategic financial and operating decisions require the unanimous consent of all parties sharing control.

Inventories and Long-term Contracts

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

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Leases

Leases are classed as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or

equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Merseytravel as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial indirect costs of Merseytravel are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this shorter than the asset's estimated useful life.

Statutory requirements mean that depreciation, revaluations and impairment losses are not a proper charge against the General Fund Balance. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

Merseytravel as Lessor

Finance Leases

Where Merseytravel grants a finance lease over a property or an item of plant and equipment the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) as part of the gain or loss on disposal. A gain, representing Merseytravel's net investment in the lease, is credited to the same line in the CIES 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), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor; and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where the amount due in relation the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where Merseytravel grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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 assets – modified form of depreciated historical cost with new expenditure added to the brought forward balance and depreciation deducted. The authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the replaced parts are generally assumed to have been fully depreciated and their derecognition requires no adjustment to the carrying (or net) amount. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets these financial statements do not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.
- 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); or
- 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.

Where an item of property, plant and equipment asset has major component whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 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 Capital Receipts 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.

- i. 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 Liabilities

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 General Fund 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. IFRS 16 Leases.
- ii. Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - a. IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - b. IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - c. IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - d. IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- iii. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

3. Critical Judgements

In applying accounting policies set out in Note 1, Merseytravel had to make certain judgements about complex transactions or those involving uncertainty about future events, the critical judgements made in the statements of accounts are:

- i. Merseytravel have 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 operational or financial. Based on this assessment all Merseytravel's leases have been assessed to be operational.
- ii. Group Accounts: Merseytravel has a number of interests in other entities which fall within the group boundary. Whilst some of these are deemed to be material are therefore consolidated into the 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 on Note 15.

4. Estimation and Uncertainty

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

The items in Merseytravel balance sheet 31st March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- i. 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. The details for these can be found in Note 9 within the accounts.
- ii. Impairment losses on financial assets: As at 31st March 2022 Merseytravel has £99.7m short term debtors. Merseytravel recognises impairment losses on all of its financial assets held at amortised costs either on a 12 month or lifetime basis. Impairment losses are reviewed annually and calculated to reflect the expectation that future cashflow may not take place because the borrower could default on their obligations.
- iii. Property revaluation: Merseytravel carries its non-infrastructure land and buildings at fair value. Periodically, external surveyors are used, and the most recent full independent survey was carried out as at 31 March 2019. Between independent surveys, desk top based annual reviews are carried out by qualified surveyors. Such valuations and any attached estimates are subject to some judgement. The carrying value of land and buildings at 31st March 2022 was £90.9m.
- iv. Expected Credit Loss: as at 31 March 2022 Merseytravel has £99.7m short term debtors. The recoverability of debts are reviewed annually, and provision is made for any debts over 12 months old or those either on a repayment plan with legal or we have concerns about financially. Within 2021/22 this was estimated to be £143k.

5. Unusable Reserves

2020/21 £'000		2021/22 £'000
(28,019)	Revaluation Reserve	(27,151)
(294,122)	Capital Adjustment Account	(367,517)
92,064	Pension Reserve	82,013
578	Accumulated Absences Account	578
(229,499)	Total	(312,076)

The movements in unusable reserves can be found in the Movement in Reserves Statement.

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.

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.

Pensions Reserve

2020/21 £'000		2021/22 £'000
84,229	Balance as at 1 April	92,064
3,273	Remeasurements of the net defined benefit liability	(16,397)
8,692	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	10,640
(4,130)	Employers pension contributions and direct payments to pensioners payable in the year	(4,294)
92,064	Balance as at 31 March	82,013

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.

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.

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 2021/22.

	Note	Balance at 1 April 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022
General Fund Reserve	a	(3,219)	0	(1,410)	(4,629)	0	0	(4,629)
Total General Fund Reserves		(3,219)	0	(1,410)	(4,629)	0	0	(4,629)
Capital Reserves	b	(5,763)	0	0	(5,763)	0	0	(5,763)
Rail Franchise Agreement Reserve	c	(29,513)	3,194	0	(26,319)	0	0	(26,319)
Restructuring Reserve	d	(4,368)	0	0	(4,368)	0	0	(4,368)
OLR Reserve	e	(2,000)	0	0	(2,000)	0	0	(2,000)
Concessionary Travel	f	(3,231)	0	(1,400)	(4,631)	0	0	(4,631)
Bus Operations Reserves	f	(1,500)	0	(2,007)	(3,507)	0	0	(3,507)
Sustainable Transport Reserve	g	(225)	0	0	(225)	0	0	(225)
JVC P&L Reserve	h	(1,386)	0	0	(1,386)	0	0	(1,386)
Modernisation Reserve	i	(5,887)	0	0	(5,887)	0	0	(5,887)
Inflationary Reserve	j	0	0	0	0	0	(713)	(713)
Total Earmarked Reserves		(53,873)	3,194	(3,407)	(54,086)	0	(713)	(54,799)
Total		(57,092)	3,194	(4,817)	(58,715)	0	(713)	(59,428)

- (a) The general fund is general balances held to protect Merseytravel's financial position from unforeseen events.
- (b) The capital reserves are used to support the funding of the capital programme.
- (c) The rail franchise agreement (benefit share) reserve is used to support development of strategic transport initiatives.
- (d) The restructuring reserve is utilised to provide support to staffing cost implications of service transformation programmes.
- (e) 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.
- (f) Operational reserves are used to support the current transport network and ticketing initiatives.
- (g) The sustainable transport reserve supports the Local Growth Fund initiatives surrounding the STEP programme.
- (h) The JVC P&L Reserve was established to protect Merseytravel from any potential losses arising from subsidiary activities.
- (i) The modernisation fund has been created to support organisational change and development and to invest to save.
- (j) In setting the budgets for 2022/23 no specific allowance was made for the impact of inflation on the cost of service provision. Since the budget was set in January 2022, levels of inflation have continued to soar, and it is acknowledged that this is likely to impact on the costs of goods and services. This inflationary reserve has been set aside to provide some funding to help mitigate the impact of cost pressures on the budget.

7. Other Operating Expenditure

2020/21 £'000		2021/22 £'000
109	Pension Administration Costs	114
109	Total	114

8. Financing and Investment Income

2020/21 £'000		2021/22 £'000
8,346	Interest on Pension Liabilities	8,281
(6,374)	Pension Interest on Plan Assets	(6,394)
144	Interest Payable on Intercompany Loan	135
(144)	Interest Receivable on Intercompany Loan	(135)
45	Loss Allowance	69
1	Other Interest payable	0
2,018	Total	1,956

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.

2020/21 £'000		2021/22 £'000
	Net Cost of Service	
6,611	Current service cost	8,639
	Other Operating Expenditure	
109	Administration expenses	114
	Financing and Investments Income	
1,972	Net interest expense	1,887
8,692	Total Post Employment Benefits Charged to the CIES	10,640

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

2020/21 £'000		2021/22 £'000
(8,692)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(10,640)
4,130	Employers contribution payable to the Scheme	4,294

Pension Assets and Liabilities recognised in the Balance Sheet

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

2020/21 £'000		2021/22 £'000
(399,917)	Benefit obligation at end of the period	(405,646)
307,853	Fair Value of plan assets at end of the period	323,633
(92,064)	Deficit as at 31 March	(82,013)

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

2020/21 £'000		2021/22 £'000
269,325	Balance brought forward 31 March	307,853
6,374	Interest on plan assets	6,394
39,742	Remeasurement	16,294
(109)	Administration expenses	(114)
4,130	Employers contributions	4,294
1,530	Members contributions	1,613
(13,139)	Benefits/ transfers paid	(12,701)
307,853	Balance carried forward 1 April	323,633

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

2020/21 £'000		2021/22 £'000
(353,554)	Balance brought forward 31 March	(399,917)
(6,611)	Current service cost	(8,639)
(8,346)	Interest on pension liabilities	(8,281)
(1,530)	Member contribution	(1,613)
(43,015)	Remeasurement (liabilities)	103
13,139	Benefits/ transfers paid	12,701
(399,917)	Balance carried forward 1 April	(405,646)

As at 31 March the assets comprised:

2020/21					2021/22			
Quoted £'000	Unquoted £'000	Total £'000	% of total		Quoted £'000	Unquoted £'000	Total £'000	% of total
46,058	7,073	53,131	17	<u>Equities</u>	48,336	5,430	53,766	17
73,122	33,363	106,485	35	UK	72,220	34,511	106,731	33
				Global				
				<u>Bonds</u>				
3,722	0	3,722	1	UK Government	3,428	0	3,428	1
10,121	0	10,121	3	UK Corporate	9,559	0	9,559	3
24,305	0	24,305	8	UK Index Linked	28,202	0	28,202	8
0	1,679	1,679	0	Overseas Corporate	1,616	0	1,616	0
0	(1,071)	(1,071)	0	Derivative Contracts	0	(1,099)	(1,099)	0
				<u>Property</u>				
0	14,114	14,114	5	UK Direct Property	0	17,322	17,322	5
581	5,491	6,072	2	UK Managed Property	366	5,496	5,862	2
0	7,235	7,235	2	Global Managed Property	0	7,995	7,995	2
				<u>Private Equity</u>				
0	5,394	5,394	2	UK	0	8,761	8,761	3
0	16,892	16,892	5	Global	33	20,120	20,153	6
				<u>Cash</u>				
0	0	0	0	Cash Instruments	0	0	0	0
7,421	0	7,421	2	Cash Accounts	5,741	0	5,741	2
				<u>Other</u>				
484	1,227	1,711	1	Private Equity UK	466	1,332	1,798	1
0	12,112	12,112	4	Private Equity Global	0	11,892	11,892	4
452	11,692	12,144	4	Infrastructure UK	0	14,391	14,391	4
0	9,108	9,108	3	Infrastructure Global	0	9,660	9,660	3
129	5,458	5,587	2	Opportunities UK	0	6,063	6,063	2
484	11,207	11,691	4	Opportunities Global	533	11,259	11,792	4
166,879	140,974	307,853	100.0		170,500	153,133	323,633	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.

	2020/21	2021/22
<u>Base Assumptions</u>		
Rate of CPI inflation	2.70%	3.30%
Rate of increase in salaries	4.20%	4.80%
Rate of increase in pensions	2.80%	3.40%
Discount Rate	2.10%	2.80%
<u>Mortality Assumptions</u>		
Life expectancy of male future pensioner aged 65 in 20 years' time	22.6	22.5
Life expectancy of female future pensioner aged 65 in 20 years' time	26.0	25.4
Life expectancy of male current pensioner aged 65	21.0	21.2
Life expectancy of female current pensioner aged 65	24.1	23.6

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	+0.5% p.a. discount rate	+0.25% p.a. inflation	+0.25% p.a. pay growth	1 year increase in life expectancy	+1% change in 21/22 investment returns	-1% change in 21/22 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	(405,646)	(373,825)	(422,852)	(408,329)	(418,298)	(405,646)	(405,646)
Assets	323,633	323,633	323,633	323,633	323,633	326,835	320,431
Surplus/ (Deficit)	(82,013)	(50,192)	(99,219)	(84,696)	(94,665)	(78,811)	(85,215)

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 most recent triennial valuation took place in the financial year and rates applied from 1 April 2020.

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 paying £2.696m in contributions to the scheme in 2022/23.

10. Grant Income

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

2020/21 £'000	Credited to Services	2021/22 £'000
(97,842)	Special Rail Grant	(99,132)
(1,516)	Bus Special Operator Grant	(1,513)
(14,099)	Mersey Tunnels Operating Grant	(15,223)
(1,189)	Rolling Stock	(204)
(47,535)	REFCUS	(43,862)
(4,853)	Covid Restart Grants	(2,970)
0	Transport Development Grant from LCRCA	(3,382)
(1,691)	Other Grants	(790)
(168,725)	Total	(167,076)

2020/21 £'000	Credited to Taxation and Non Specific Grant Income	2021/22 £'000
(94,034)	Merseytravel Grant	(91,646)
(3,994)	MHCLG Income Compensation Scheme	(1,052)
(35,599)	Capital grants	(77,618)
(133,629)	Total	(170,316)

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:

2020/21 £'000	Grant Receipts in Advance	2021/22 £'000
(10,033)	Transforming Cities Funding	(6,829)
(107)	Better Bus Area	(107)
(1,114)	Better Deal for Bus	(2,012)
(252)	Smart Ticketing	(252)
(847)	Clean Bus Grant	(765)
(193)	DfT	(193)
(100)	Other	(438)
(12,645)	Total	(10,596)

11. 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) (resigned 30th September 2021)	2021/22	53	9	62
	2020/21	102	17	119
Interim Director of Integrated Transport (ii) (resigned 31st March 2022)	2021/22	123	20	143
	2020/21	112	19	131
Executive Director Place & Director General (iii) (appointed 1st February 2022)	2021/22	19	3	22
	2020/21	0	0	0
Executive Director of Corporate Services (iv)	2021/22	65	9	74
	2020/21	64	9	73
Executive Director of Corporate Development and Delivery (v)	2021/22	51	8	59
	2020/21	45	8	53

- (i) The Director General retired with effect from 30th September 2021. The outgoing post holder had joint Director General responsibilities for Merseytravel and fulfilled the role of Chief Executive for the LCRCA with the salary split 50/50 between Merseytravel and the LCRCA. On notification of retirement, the LCRCA undertook a recruitment for a new Chief Executive however it was determined that the new post holder would not hold joint Director General responsibilities and therefore on the outgoing post holder's retirement, the Director General post was deleted from the structure with these responsibilities being incorporated into the role of the new Executive Director of Place.
- (ii) The Interim Director of Integrated Transport resigned with effect from 31st March 2022. This post has been deleted from the Merseytravel management structure.
- (iii) The creation of the new post of Executive Director of Place was approved by the Combined Authority on 23rd July 2021. The new role incorporated the transport responsibilities associated with the Director General role but had a

wider Combined Authority remit including Assistant Chief Executive responsibilities. Whilst a Combined Authority appointment, due to the significant transport responsibilities associated with this role, 75% of the salary and other remuneration is charged to Merseytravel with 25% of the costs being charged to the LCRCA.

- (iv) The Executive Director of Corporate Services provides services for both Merseytravel and the Liverpool City Region Combined Authority. The Executive Director of Corporate Services is formally employed by LCRCA and Merseytravel is recharged 50% of his salary and other remuneration.
- (v) The Executive Director of Corporate Development post provides services for both Merseytravel and Liverpool City Region Combined Authority and as such the salary is split 50/50 across both entities.

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	Restated 2020/21	2021/22
£50,000 to £54,999	22	24
£55,000 to £59,999	16	16
£60,000 to £64,999	8	17
£65,000 to £69,999	3	2
£70,000 to £74,999	2	4
£75,000 to £79,999	1	1
£80,000 to £84,999	0	0
£85,000 to £89,999	1	0
£90,000 to £94,999	1	1
£95,000 to £99,999	2	1
£100,000 to £104,999	1	2
£105,000 to £109,999	0	1
£110,000 to £114,999	0	0
£115,000 to £119,999	0	0
£120,000 to £124,999	0	0
£125,000 to £129,999	0	0
£130,000 to £134,999	0	0
£135,000 to £139,999	1	0
£140,000 to £144,999	0	1
Total	58	70

Figures for 20/21 have been restated to reflect changes to banding sections.

12. 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	
	20/21	21/22	20/21	21/22	20/21	21/22	20/21 £'000	21/22 £'000
£0 - £20,000	0	0	1	3	1	3	7	17
£20,001 - £40,000	0	0	0	0	0	0	0	0
£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	0	0	0	0	0
TOTAL	0	0	1	3	1	3	7	17

13. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by Merseytravel in comparison to those resources consumed or earned by Merseytravel in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated between Services. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21				2021/22		
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
21,758	3,065	24,823	Bus	21,723	1,484	23,207
10,872	1,263	12,135	Rail	8,482	1,443	9,925
7,264	382	7,646	Customer Delivery	6,587	537	7,124
48,166	0	48,166	Travel Concession	49,507	0	49,507
507	91	598	Policy	480	57	537
2,469	2,130	4,599	Corporate Management & Other Services	1,467	3,265	4,732
5,322	1,743	7,065	Mersey Ferries	3,672	2,000	5,672
0	368	368	Tunnels	(1)	649	648
96,358	9,043	105,401	Net Cost of Services	91,917	9,435	101,352
(97,981)	(33,518)	(131,500)	Other Income & Expenditure	(92,630)	(75,616)	(168,246)
(1,624)	(24,475)	(26,099)	(Surplus) or deficit	(713)	(66,181)	(66,894)
(57,091)			Opening General Fund Balance at 1 April	(58,715)		
(1,624)			Less/plus Surplus or Deficit on General Fund in Year	(713)		
(58,715)			Closing General Fund Reserves at 31 March	(59,428)		

Note to the EFA 2021/22

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	1,173	311	0	1,484
Rail	1,260	183	0	1,443
Customer Delivery	0	537	0	537
Travel Concessions	0	0	0	0
Policy	20	37	0	57
Corporate Management & Other Services	893	2,372	0	3,265
Mersey Ferries	1,746	254	0	2,000
Mersey Tunnels	0	649	0	649
Net Cost of Services	5,092	4,343	0	9,435
Other Income & Expenditure from the Funding Analysis	(77,619)	2,003	0	(75,616)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(72,527)	6,346	0	(66,181)

Note to the EFA 2020/21

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	2,894	171	0	3,065
Rail	1,160	104	0	1,263
Customer Delivery	68	314	0	382
Travel Concessions	0	0	0	0
Policy	20	71	0	91
Corporate Management & Other Services	620	1,304	206	2,130
Mersey Ferries	1,593	149	0	1,743
Tunnels		368	0	368
Net Cost of Services	6,356	2,481	206	9,043
Other Income & Expenditure from the Funding Analysis	(35,599)	2,081	0	(33,518)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(29,243)	4,562	206	(24,475)

Adjustments for capital purposes

This column adds in depreciation, impairment and revaluation gains and losses in the service line, adjusts for the statutory charge for Minimum Revenue Provision and other income contributions that are not chargeable under proper accounting practice.

Net Changes for Pension Adjustments

Net changes for the removal of pension contributions and additions of IAS 19 Employee Benefits pension related income and expenditure. For services this represents the removal of the employer pension contributions made by the Authority Group as allowed under statute and replaced with current service cost and past service cost. For financing and investment income this is the net interest on the defined benefit liability charged to the CIES.

Other Differences

These are the amounts debited or credited to the CIES and amounts payable/receivable to be recognised under statute in respect of premiums and discounts and adjustments in respect of accumulating absences.

Expenditure Analysed by Type

2020/21 £'000		2021/22 £'000
	Expenditure	
30,260	Employee benefits expenses	33,029
263,321	Other services expenses	276,245
6,352	Depreciation, amortisation, impairment	5,092
145	Interest payable	135
300,078	Total expenditure	314,502
	Income	
(23,581)	Fees, charges and other service income	(32,629)
(144)	Interest and investment income	(135)
(302,452)	Government grants and contributions	(348,632)
(326,177)	Total income	(381,396)
(26,099)	(Surplus) or deficit on the Provision of Services	(66,894)

14. Audit Fees

The table below details the fees paid to the external auditors, Mazars.

2020/21 £'000		2021/22 £'000
38	External Audit fees in respect of Merseytravel	44
38	Total	44

15. 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 these criteria.

Liverpool City Region Combined Authority (LCRCA).

Merseytravel is required to implement and administer transport policies determined by the LCRCA which means that Merseytravel is Merseytravel's parent and ultimate controlling party. Merseytravel 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 local authorities in Merseyside. 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 2022 Merseytravel had short term deposits of £83.658m (£90.728m 2020/21) 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 LCRCA, primarily IT, Financial, HR and Internal Audit support. As this support was provided by Merseytravel staff a charge was made to the LCRCA of £361k for 2021/22, (£583k 2020/21). In addition to this, LCRCA contributed £1,242k in 2021/22 (£1,215k in 2020/21) to Merseytravel for additional capacity staff posts.

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	50.10%
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 10, 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 four financial years the company has not traded and has received no income and incurred no expenditure. As at 31 March 2022 the company had net assets of £5k and reserves of £5k.

Real Time Information Group (RTIG) - the disclosed profit after taxation for 2021/22 was £10k (£12k in 2020/21). As at 31 March 2022 the company had net assets of £23k(£13k in 2020/21).

16. Property Plant and Equipment

Movement on Balances 2021/22

		Other PPE							
	Infrastructure Assets	Freehold Property	Leasehold Property	Vehicles Plant and Machinery	Vessels	Surplus Assets	Assets Under Construction	Other PPE Total	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 April 2021		19,805	69,075	9,433	3,055	1,211	207,819	310,398	
Additions	6,940	246	377	280	43	43	68,981	69,970	76,910
Reclassification	3,030	(3,030)	0	67,594	0	0	(67,594)	(3,030)	0
As at 31 March 2022		17,021	69,452	77,307	3,098	1,254	209,206	377,338	
Depreciation and Impairment									
As at 1 April 2021		571	1,873	3,015	570	0	0	6,029	
Depreciation	1,227	572	1,896	753	306	0	0	3,528	4,755
As at 31 March 2022		1,143	3,769	3,768	876	0	0	9,557	
Net Book Value									
As at 31 March 2022	23,915	15,878	65,683	73,539	2,222	1,254	209,206	367,781	391,695
As at 31 March 2021	15,172	19,233	67,202	6,418	2,485	1,211	207,819	304,367	319,540

Movement on Balances 2020/21

	Infrastructure Assets	Other PPE							Total PPE
		Freehold Property	Leasehold Property	Vehicles Plant and Machinery	Vessels	Surplus Assets	Assets Under Construction	Other PPE Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 April 2020		16,760	68,377	6,554	2,895	1,139	180,812	276,536	
Additions	662	3,045	698	601	160	72	29,374	33,951	34,613
Reclassification	0	0	0	2,278	0	0	(2,367)	(89)	(89)
As at 31 March 2021		19,805	69,075	9,433	3,055	1,211	207,819	310,398	
Depreciation and Impairment									
As at 1 April 2020		0	18	2,527	280	0	0	2,824	
Depreciation	2,892	571	1,855	488	290	0	0	3,205	6,097
As at 31 March 2021		571	1,873	3,015	570	0	0	6,029	
Net Book Value									
As at 31 March 2021	15,172	19,233	67,202	6,418	2,485	1,211	207,819	304,367	319,540
As at 31 March 2020	17,402	16,760	68,359	4,027	2,615	1,139	180,812	273,712	291,113

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil

Depreciation

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

- Infrastructure assets useful lives are determined on acquisition and considered thereafter as part of the annual impairment review. The current maximum useful life is 49 years.
- Freehold and Leasehold property useful lives are based on estimated remaining life as provided by the valuer as part of the valuation process. The maximum useful life in this category is 50 years.
- Vehicles, plant and machinery useful lives are determined on acquisition and considered thereafter as part of the annual impairment review. The current maximum useful life is 34 years.
- Vessels useful lives are based on estimated remaining life as provided by the valuer as part of the valuation process. The maximum useful life in this category is 9 years.

Revaluations

Merseytravel carries out a revaluation process which ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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, assets under construction (gross book value £209.2m), short life plant, machinery and vehicles (gross book value £80.4m) are carried at historical cost. The remaining categories of property, plant and equipment (gross book value £95.9m) are carried at current value with the last full valuation being undertaken at 31 March 2019.

A full valuation exercise was undertaken at 31 March 2019. In the 2019/20 financial year a desktop valuation was undertaken on 74% by value of the property portfolio. The percentage increase arising from this valuation exercise was applied across the remainder of the portfolio as an estimate of the movement in property values in the financial year. In the 2021/22 financial year an estimate of the movement in values was calculated making use of indices. These estimates did not indicate a material movement and therefore the properties have not been revalued in the 2021/22 financial year.

Capital Commitments

As at 31 March 2022, Merseytravel has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/2022 and future years budgeted to cost £141.325m. Similar commitments at 31 March 2021 were £161.683m.

The major commitments are:

- Rolling Stock - £77.239m
- Headbolt Lane Gateway - £52.310m
- St Helens Southern Gateway - £8.738m
- Access for All - £2.709m

17. 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 Merseytravel, 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.

	2021/22 £'000	2020/21 £'000
Opening Capital Financing Requirement	(381)	(381)
Capital investment		
PPE	76,910	34,613
Intangible assets	709	987
Revenue Expenditure Funded from Capital Under Statute	43,862	47,640
Sources of Finance		
Government grants and other contributions	(121,481)	(83,139)
Use of Reserves	0	(101)
Closing Capital Financing Requirement	(381)	(381)
Movement in Capital Financing Requirement	0	0

18. Intangible Assets

2020/21 £'000		2021/22 £'000
	Cost or valuation:	
	Opening balance:	
2,204	Gross carrying amount	3,280
(946)	Accumulated amortisation	(1,202)
1,258	Opening net carrying amount	2,078
	Additions, amortisation, reclassification:	
987	Additions	709
(256)	Amortisation	(337)
89	Reclassifications	0
0	Disposals	0
2,078	Net carrying amount at end of year	2,450
	Comprising:	
3,280	Gross carrying amount	3,989
(1,202)	Accumulated amortisation	(1,539)
2,078		2,450

Intangible assets relate to licenses acquired by Merseytravel.

19. Long Term Debtors – loan to subsidiary company

2020/21 £'000		2021/22 £'000
2,569	Long Term loan to Subsidiary Company	2,382
2,569	Total	2,382

The debtor relates 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.

20. Short Term Debtors

2020/21 £'000		2021/22 £'000
1,727	Trade Receivables	12,985
2,773	Prepayments	2,454
90,906	Group Debtors	83,845
1,082	Grant	1,082
3,908	Tax Debtor	3,441
814	Other	7,053
101,210	Total	110,861

21. Short Term Creditors

2020/21 £'000		2021/22 £'000
(4,770)	Trade Payables	(13,033)
(1,538)	Group Creditors	(1,600)
(22,164)	Accruals	(24,462)
(839)	Other Payables	(1,323)
(29,311)	Total	(40,417)

22. Leases

Merseytravel 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.

2020/21 £'000		2021/22 £'000
34	Not later than one year	34
85	Between one and five years	135
40	Over five years	25
159	Total	194

23. Financial Instruments

Categories of Financial Instruments

31 March 2021			31 March 2022	
Current £'000	Non Current £'000		Current £'000	Non Current £'000
		Financial Assets at Amortised Cost:		
178	2,569	Loan to Subsidiary Company	187	2,382
90,728	0	Amount deposited with LCRCA Group	83,658	0
7,531	0	Debtors	24,562	0
23		Cash and Cash Equivalents	35	0
98,460	2,569	Total Financial Assets	108,442	2,382
		Financial Liabilities at Amortised Cost:		
(178)	(2,569)	Loan from Group Company	(187)	(2,382)
(29,133)	0	Creditors	(40,230)	0
(29,311)	(2,569)	Total Financial Liabilities	(40,417)	(2,382)

Income and Expenses through the CIES

During the year, Merseytravel paid interest of £135k (£144k in 2020/21) and received interest of £135k (£144k in 2020/21). 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.

Fair Values of Assets and Liabilities

Merseytravel's financial liabilities and financial assets are represented by loans, intercompany 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

Merseytravel's credit risk arises from credit exposures to Merseytravel's customers. Merseytravel also holds intercompany balances with the LCRCA which are interest free and are available 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.

All undiscounted financial liabilities are payable within 1 year with the exception of a loan from LCRCA amounting to £2.382m payable by instalments until 2032/33.

Market risk

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.

24. Contingent Liabilities

The Department for Transport provides an annual Special Rail Grant to Merseytravel in support of the Merseyrail Electrics Network. This funding is subsequently paid by Merseytravel to the operator of the network, Merseyrail Electrics 2002 Limited (MEL).

The funding paid and to be paid in support of the Merseyrail Electrics Network is under review following internal assurance processes undertaken by the Department for Transport which has highlighted a computational error which has led to MEL invoking contractual mechanisms to seek resolution to a number of issues concerning funding.

Merseyrail Electrics Limited (MEL) has issued arbitration proceedings against Merseytravel. Merseytravel denies the claims made and has consequently issued counter claims against MEL. Legal proceedings are being progressed and an anticipated hearing date established for 2023. Due to the ongoing nature of this matter and the uncertainty of outcome, further disclosure or quantification could be prejudicial.

25. Note to the Cashflow Statement

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

2020/21 £'000		2021/22 £'000
6,353	Depreciation and amortisation	5,092
3,980	Increase/(decrease) in creditors and provisions	10,074
7,315	(Increase)/decrease in debtors	(9,464)
23	(Increase)/decrease in inventories	(11)
4,562	Movement in pension liability	6,346
22,233	Total	12,036

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

2020/21 £'000		2021/22 £'000
(35,599)	Grants received for the financing of capital expenditure	(77,619)
0	Proceeds from the sale of PPE	0
(35,599)	Total	(77,619)

Cashflow Statement Investing Activities

2020/21 £'000		2021/22 £'000
(40,567)	Purchase of property, plant and equipment and intangible assets	(75,762)
27,845	Other receipts from investing activities	74,463
(12,722)	Total	(1,299)

26. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 14 June 2022.

The latest triennial valuation of the Local Government Pension Scheme took place during March 2022 and provides evidence of conditions that existed at the end of the reporting period. This updated information has therefore been used to revise the pension figures reported in Note 9. The impact of applying this revised information is that liabilities as at 31 March 2022 have increased by £12.5m.

The Department for Transport provides an annual Special Rail Grant to Merseytravel in support of the Merseyrail Electrics Network. This funding is subsequently paid by Merseytravel to the operator of the network, Merseyrail Electrics 2002 Limited (MEL). The funding paid and to be paid in support of the Merseyrail Electrics Network was increased for Control Period 6 (a five-year period, commencing 1 April 2019). This increase provides evidence of conditions that existed at the end of the reporting period. The impact of applying this revised information is that gross income, gross expenditure, trade debtors and trade creditors as at 31 March 2022 have increased by £11.2m.

MERSEYTRAVEL GROUP ACCOUNTS

The Accounting Code of Practice requires that where an entity 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 entity'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 Movement in Reserves Statement;
- Group Comprehensive Income and Expenditure 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 36-51.

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

- Mersey Ferries Group (including the Beatles Story 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

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 £'000			Unusable Reserves £'000					Total Reserves £'000
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
As at 1st April 2021	4,630	54,385	59,015	28,229	294,122	(92,064)	(578)	229,709	288,724
Comprehensive Income and Expenditure Statement	66,784	0	66,784	0	0	16,397	0	16,397	83,181
Adjustments to the revenue resources *									
Pensions costs	6,346	0	6,346	0	0	(6,346)	0	(6,346)	0
Holiday pay	0	0	0	0	0	0	0	0	0
Charges for depreciation and amortisation of non-current assets	5,092	0	5,092	0	(5,092)	0	0	(5,092)	0
Capital expenditure financed from revenue balances	0	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	43,862	0	43,862	0	(43,862)	0	0	(43,862)	0
Capital grants and contributions credited to the CIES	(121,481)	0	(121,481)	0	121,481	0	0	121,481	0
Total adjustments to revenue resources	(66,181)	0	(66,181)	0	72,527	(6,346)	0	66,181	0
Adjustments to capital resources									
Difference between fair value and historical cost depreciation	0	0	0	(868)	868	0	0	0	0
Total adjustments to capital resources	0	0	0	(868)	868	0	0	0	0
Transfer between reserves	(602)	602	0	0	0	0	0	0	0
Net Increase/(Decrease) in 2021/22	0	602	602	(868)	73,395	10,051	0	82,578	83,180
Balance as at 31st March 2022	4,630	54,987	59,617	27,361	367,517	(82,013)	(578)	312,287	371,904

* Amounts by which income and expenditure included in the CIES are different from revenue in the year calculated in accordance with statutory requirements

GROUP MOVEMENT IN RESERVES STATEMENT

	Usable Reserves £'000			Unusable Reserves £'000					Total Reserves £'000
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
As at 1st April 2020	3,219	55,312	58,531	29,016	264,092	(84,229)	(372)	208,507	267,038
Comprehensive Income and Expenditure Statement	24,959	0	24,959	0	0	(3,273)	0	(3,273)	21,686
Adjustments to the revenue resources *									
Pensions costs	4,562	0	4,562	0	0	(4,562)	0	(4,562)	0
Holiday pay	206	0	206	0	0	0	(206)	(206)	0
Charges for depreciation and amortisation	6,352	0	6,352	0	(6,352)	0	0	(6,352)	0
Capital expenditure financed from revenue balances	(101)	0	(101)	0	101	0	0	101	0
Revenue expenditure funded from capital under statute	47,640	0	47,640	0	(47,640)	0	0	(47,640)	0
Capital grants and contributions credited to the CIES	(83,134)	0	(83,134)	0	83,134	0	0	83,134	0
Total adjustments to revenue resources	(24,475)	0	(24,475)	0	29,243	(4,562)	(206)	24,475	0
Adjustments to capital resources									
Difference between fair value and historical cost depreciation	0	0	0	(787)	787	0	0	0	0
Total adjustments to capital resources	0	0	0	(787)	787	0	0	0	0
Transfer between reserves	927	(927)	0	0	0	0	0	0	0
Net Increase/(Decrease) in 2020/21	1,411	(927)	484	(787)	30,030	(7,835)	(206)	21,202	21,686
Balance as at 31st March 2021	4,630	54,385	59,015	28,229	294,122	(92,064)	(578)	229,709	288,724

* Amounts by which income and expenditure included in the CIES are different from revenue in the year calculated in accordance with statutory requirements

GROUP 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. Merseytravel raises 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.

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Spend
£'000	£'000	£'000		£'000	£'000	£'000
35,071	(10,247)	24,823	Bus Services	33,104	(9,897)	23,207
168,505	(156,370)	12,135	Rail Services	182,980	(173,055)	9,925
10,463	(2,597)	7,866	Customer Delivery	10,423	(2,959)	7,464
57,060	(8,894)	48,166	Travel Concession	60,651	(11,144)	49,507
2,109	(1,512)	597	Policy	1,131	(594)	537
5,312	(494)	4,818	Corporate Management and other Corporate Costs	5,128	(177)	4,951
9,229	(1,867)	7,362	Mersey Ferries	11,171	(6,055)	5,116
14,680	(14,311)	368	Mersey Tunnels	16,462	(15,814)	648
302,428	(196,293)	106,135	Net Cost of Service	321,050	(219,695)	101,355
		109	Other Operating Expenditure			114
		2,424	Financing and Investment Income/expenditure			2,063
		(133,627)	Taxation and Non Specific Grant Income			(170,316)
		(24,959)	(Surplus) or Deficit on the Provision of Services			(66,784)
		3,273	Remeasurement Gains/ Losses on Pension Assets/ Liabilities			(16,397)
		0	(Surplus)/ Deficit on Revaluation Non Current Assets			0
		3,273	Other Comprehensive Income and Expenditure			(16,397)
		(21,686)	Total Comprehensive Income and Expenditure			(83,181)

GROUP 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 Merseytravel. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that Merseytravel 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 Merseytravel 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 2021 £'000		As at 31 March 2022 £'000	Note
320,705	Property, Plant and Equipment	392,782	4
711	Heritage Assets	711	
3,773	Intangible Assets	4,144	5
325,189	Long-term Assets	397,637	
990	Inventories	949	
103,461	Short-term Debtors	114,201	6
34	Cash and Cash Equivalents	121	
104,485	Current Assets	115,271	
(31,182)	Short-term Creditors	(43,586)	7
(563)	Provisions	(542)	
(13,606)	Grant Receipts in Advance	(11,515)	
(45,351)	Current Liabilities	(55,643)	
(2,569)	Loan from Group Company	(2,382)	9
(966)	Provisions	(966)	
(92,064)	Pension Liability	(82,013)	
(95,599)	Long-term Liabilities	(85,361)	
288,724	Net Assets	371,904	
(59,015)	Usable Reserves	(59,617)	1
(229,709)	Unusable Reserves	(312,287)	
(288,724)	Total Reserves	(371,904)	



Richard McGuckin
Executive Director Place
16 November 2023



John Fogarty (CPFA)
Executive Director Corporate Services
16 November 2023

GROUP CASHFLOW STATEMENT

2020/21 £'000		2021/22 £'000	Note
24,959	Net surplus/(deficit) on provision of services	66,784	
23,356	Adjustments to net surplus on the provision of services for non-cash movements	12,226	11
(35,599)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(77,619)	11
12,716	Net cash (outflows)/inflows from operating Activities	1,390	
(12,720)	Investing activities	(1,303)	11
(4)	Net increase/(decrease) in cash and cash equivalents	87	
38	Cash and cash equivalents as at 1 April	34	
34	Cash and cash equivalents as at 31 March	121	

NOTES TO THE PRIMARY STATEMENTS

1. 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 2021/22. Details of the Merseytravel Single Entity reserves are included in note 6 of the single entity accounts

	Balance at 31 March 2020	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2021	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Single Entity Reserves	(57,091)	3,194	(4,817)	(58,714)	0	(713)	(59,427)
Subsidiary Reserves	(1,440)	1,139	0	(301)	111	0	(190)
Total	(58,531)	4,333	(4,817)	(59,015)	111	(713)	(59,617)

2. Tax

Included within the Group CIES is estimated corporation tax refunds on the Beatles Story losses of £60k (£112k corporation tax refund 2020/21).

3. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by Merseytravel Group in comparison to those resources consumed or earned by Merseytravel Group in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated between Services. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21				2021/22		
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
21,758	3,065	24,823	Bus	21,724	1,483	23,207
10,872	1,263	12,135	Rail	8,482	1,443	9,925
7,483	382	7,866	Customer Delivery	6,927	537	7,464
48,166	0	48,166	Travel Concessions	49,507	0	49,507
506	91	597	Policy	480	57	537
2,688	2,130	4,818	Corporate Management & Other Corporate Costs	1,686	3,265	4,951
5,619	1,743	7,362	Mersey Ferries	3,115	2,001	5,116
0	368	368	Mersey Tunnels	(1)	649	648
97,092	9,043	106,135	Net Cost of Services	91,920	9,435	101,355
(97,576)	(33,518)	(131,094)	Other Income & Expenditure	(92,523)	(75,616)	(168,139)
(484)	(24,475)	(24,959)	Surplus or deficit	(602)	(66,181)	(66,784)
(58,531)			Opening General Fund Balance at 1 April	(59,015)		
(484)			Less/plus Surplus or Deficit on General Fund in Year	(602)		
(59,015)			Closing General Fund Reserves at 31 March	(59,617)		

Note to EFA 2021/22

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	1,173	311	0	1,483
Rail	1,260	183	0	1,443
Customer Delivery	0	537	0	537
Travel Concessions	0	0	0	0
Policy	20	37	0	57
Corporate Management & Other Corporate Costs	893	2,372	0	3,265
Mersey Ferries	1,746	254	0	2,001
Mersey Ferries Group	0	0	0	0
Mersey Tunnels	0	649	0	649
Net Cost of Services	5,092	4,343	0	9,435
Other Income & Expenditure from the Funding Analysis	(77,619)	2,003	0	(75,616)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(72,527)	6,346	0	(66,181)

Note to EFA 2020/21

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	2,894	171	0	3,065
Rail	1,160	104	0	1,263
Customer Delivery	68	314	0	382
Travel Concessions	0	0	0	0
Policy	20	71	0	91
Corporate Management & Other Corporate Costs	620	1,304	206	2,130
Mersey Ferries	1,593	149	0	1,743
Mersey Tunnels	0	368	0	368
Net Cost of Services	6,356	2,481	206	9,043
Other Income & Expenditure from the Funding Analysis	(35,599)	2,081	0	(33,518)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(29,243)	4,562	206	(24,475)

Expenditure and Income Analysed by Type

2020/21 £'000		2021/22 £'000
	Expenditure	
33,558	Employee benefits expenses	36,211
271,281	Other services expenses	289,622
6,572	Depreciation, amortisation, impairment	5,274
145	Interest payable	135
311,556	Total expenditure	331,242
	Income	
(33,295)	Fees, charges and other service income	(43,650)
(1)	Interest and investment income	0
(303,219)	Government grants and contributions	(354,376)
(336,515)	Total income	(398,026)
(24,959)	(Surplus) or deficit on the Provision of Services	(66,784)

4. Property Plant and Equipment

Movement on Balances 2021/22

	Infrastructure Assets	Other PPE							Total PPE
		Freehold Property	Leasehold Property	Plant, Machinery and Vehicles	Vessels	Surplus Assets	Assets Under Construction	Other PPE Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 April 2021		19,805	70,197	12,132	3,055	1,211	207,819	314,218	
Additions	6,940	246	377	284	43	43	68,981	69,974	76,914
Reclassification	3,030	(3,030)	0	67,594	0	0	(67,594)	(3,030)	0
As at 31 March 2022		17,021	70,574	80,010	3,098	1,254	209,206	381,162	
Depreciation and Impairment									
As at 1 April 2021		571	2,499	5,046	570	0	0	8,687	
Depreciation	1,227	572	1,946	785	306	0	0	3,610	4,837
As at 31 March 2022		1,144	4,445	5,831	876	0	0	12,297	
Net Book Value									
As at 31 March 2022	23,915	15,878	66,129	74,179	2,222	1,254	209,206	368,866	392,782
As at 31 March 2021	15,173	19,233	67,698	7,085	2,485	1,211	207,819	305,531	320,705

Movement on Balances 2020/21

	Infrastructure Assets	Other PPE							Total PPE
		Freehold Property	Leasehold Property	Plant and Machinery and Vehicles	Vessels	Surplus Assets	Assets Under Construction	Other PPE Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 April 2020		16,761	69,499	9,520	2,895	1,139	180,812	280,625	
Additions	662	3,045	698	602	160	72	29,374	33,951	34,613
Reclassification	0	0	0	2,278	0	0	(2,367)	(89)	(89)
Derecognition disposals	0	0	0	(268)	0	0	0	(268)	(268)
As at 31 March 2021		19,806	70,197	12,132	3,055	1,211	207,819	314,217	
Depreciation and Impairment									
As at 1 April 2020		0	594	4,756	280	0	0	5,629	
Depreciation	2,892	571	1,905	558	290	0	0	3,323	6,216
Disposals	0	0	0	(268)	0	0	0	(269)	(268)
As at 31 March 2021		571	2,499	5,046	570	0	0	8,685	
Net Book Value									
As at 31 March 2021	15,172	19,235	67,698	7,086	2,485	1,211	207,819	305,532	320,705
As at 31 March 2020	17,402	16,761	68,905	4,764	2,615	1,139	180,812	274,995	292,396

As Merseytravel applies consistent policies for both its single entity and group accounts, please refer to note 1 in the single entity account for further information on accounting for non-current assets.

5. Intangible Assets

2020/21				2021/22		
Goodwill on Consolidation	Licences	Total		Goodwill on Consolidation	Licences	Total
£000s	£000s	£000s		£000s	£000s	£000s
2,803	2,204	5,007	Cost or valuation:	2,803	3,280	6,083
(1,108)	(946)	(2,054)	Opening balance:	(1,108)	(1,202)	(2,310)
1,695	1,258	2,953	Gross carrying amount	1,695	2,078	3,773
			Accumulated amortisation			
			Opening net carrying amount			
			Additions, amortisation, impairment and reclassification			
0	987	987	Additions	0	709	709
0	(256)	(256)	Amortisation	0	(337)	(337)
0	89	0	Reclassification	0	0	0
0	0	0	Disposal	0	0	0
1,695	2,078	3,684	Net carrying amount at end of year	1,695	2,449	4,144
			Comprising:			
2,803	3,280	6,083	Gross carrying amount	2,803	3,989	6,792
(1,108)	(1,202)	(2,310)	Accumulated amortisation	(1,108)	(1,539)	(2,647)
1,695	2,078	3,773		1,695	2,449	4,144

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 2022. The recoverable amount of The Beatles Story is determined on a value in use basis using discounted cash flow projections based on historical financial outturns and consideration of the likely impact of COVID-19.

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 2021/22.

6. Short Term Debtors

2020/21 £'000		2021/22 £'000
2,075	Trade Receivables	13,406
3,020	Prepayments	2,850
98,366	Other	97,944
103,461	Total	114,201

7. Short Term Creditors

2020/21 £'000		2021/22 £'000
(4,817)	Trade Payables	(13,273)
(26,365)	Other Payables	(30,313)
(31,182)	Total	(43,586)

8. Leases

Merseytravel Group as Lessee

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

2020/21 £'000		2021/22 £'000
9,698	Not later than one year	7,981
6,698	Between one and five years	395
0	Over five years	0
16,396	Total	8,376

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. An extension to the lease until 2023/24 was agreed in the 2019/20 financial year.

Merseytravel Group as Lessor

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

2020/21 £'000		2021/22 £'000
(9,844)	Not later than one year	(8,127)
(7,233)	Between one and five years	(967)
(640)	Over five years	(525)
(17,717)	Total	(9,619)

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.

9. Long Term Loan from Group Company

2020/21 £'000		2021/22 £'000
(2,569)	Long Term Loan from Group Company	(2,382)
(2,569)	Total	(2,382)

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. Principal repayments in 2021/22 were £178k (£170k 2020/21).

10. Contingent Assets and Liabilities

Contingent liabilities are disclosed in note 24 in the single entity accounts. There are no further contingent liabilities for the group.

11. Note to Cashflow Statement

Cash Flow Statement Operating Activities

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

2020/21 £'000		2021/22 £'000
6,472	Depreciation and amortisation	5,174
4,086	Increase/(decrease) in creditors and provisions	11,406
8,191	(Increase)/Decrease in debtors	(10,740)
45	(Increase)/decrease in inventories	40
4,562	Movement in pension liability	6,346
23,356	Total	12,226

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

2020/21 £'000		2021/22 £'000
(35,599)	Grants received for the financing of capital expenditure	(77,619)
(35,599)	Total	(77,619)

Cash Flow Statement Investing Activities

2020/21 £'000		2021/22 £'000
(40,567)	Purchase of property, plant and equipment and intangible assets	(75,767)
27,847	Other receipts from investing activities	74,464
(12,720)	Total	(1,303)

12. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 14 June 2022.

The latest triennial valuation of the Local Government Pension Scheme took place during March 2022 and provides evidence of conditions that existed at the end of the reporting period. This updated information has therefore been used to revise the pension figures reported in Note 9. The impact of applying this revised information is that liabilities as at 31 March 2022 have increased by £12.5m.

The Department for Transport provides an annual Special Rail Grant to Merseytravel in support of the Merseyrail Electrics Network. This funding is subsequently paid by Merseytravel to the operator of the network, Merseyrail Electrics 2002 Limited (MEL). The funding paid and to be paid in support of the Merseyrail Electrics Network was increased for Control Period 6 (a five-year period, commencing 1 April 2019). This increase provides evidence of conditions that existed at the end of the reporting period. The impact of applying this revised information is that gross income, gross expenditure, trade debtors and trade creditors as at 31 March 2022 have increased by £11.2m.

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 Merseytravel 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 Merseytravel.

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 misstatements 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 misstatement 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 Merseytravel, 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 affect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving Merseytravel'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.